Market Analysis

of tourism along Western and Eastern Circuits and Central Corridor in Macedonia

May 2016

This report is developed under the auspices of the Macedonia Competitive Industries and Innovation Support Program (grant from a Multi-Donor Trust Fund) in support of the Local and Regional Competitiveness Project. It is developed with the aim to inform the identification of key market segments of strong economic benefits and preparation of Development Plans for the tourism Western circuit, Eastern circuit and Central corridor in the country on the basis of a value chain approach of the priority market segments.

Abbreviations

ALOS - Average Length of Stay

ATTA - Adventure Travel & Trade Association

DMAI - Destination Marketing Association International

ETC - European Travel Commission

ETOA - European Tour Operator Association

EU - European Union

FAM - Familiarization Trip

GDP - Gross Domestic Product

LRCP - Local and Regional Competitiveness Project

MICE - Meetings, Incentive, Conferences and Events

SME - Small and Medium size Enterprises

UK - United Kingdom

UNESCO - United Nations Educational, Scientific and Cultural Organization

UNWTO - United Nations World Tourism Organization

USA - United States of America

VFR - Visiting Friends and Relatives

WTM - World Travel Market

WYSE - World Youth Student and Educational

Executive Summary

The goal of this market analysis is to outline the demand context for the next steps in producing the strategic development plans for destinations along the Eastern and Western Circuit and Central Corridor. It presents relevant supply and demand dynamics in Macedonia that are especially relevant to the circuits and the corridor, and identifies the priority market segments that hold the best potential for advancing the competitiveness of Macedonia’s tourism sector.

The report outlines several important global tourism demand trends that need to be considered. These relate to developments such as the rise of technology, growing demand for local and experiential offerings, rising importance of Millennials and elderly travelers as market segments, and the increasing focus on food in tourism.

In addition to global trends this report provides on overview of important European and regional trends, which outline opportunities in challenges related to key source markets. A regional perspective is presented to understand opportunities for growing cross-country linkages, benchmarking and competitive pressures Macedonia should consider.

To maintain a market-driven demand-based approach the analytical work presented here takes a segmentation approach that follows several key steps: identifying different segments currently present in Macedonia, select priority segments on the basis of a well-defined criteria, focus on developing offerings that are relevant for the selected markets and target them with relevant communication tactics. Based on analysis of the characteristics and behaviors of segments that are currently present in Macedonia this report recommends focusing on a small set of traveler segments, which are expected to have high potential for economic impact. These include Regional and domestic short-break tourists and Macedonia tour explorers for the Eastern circuit, and Small group active travelers, Independent active travelers and Hard adventure tourists for the Western circuits. It is recommended that all of these segments are applied to the Central corridor.

Based on initial market analysis and overview of tourism development opportunities and challenges in destinations along the two circuits and the corridor, the report presents a series of general recommendations that apply to the tourism sector in the country as a whole.

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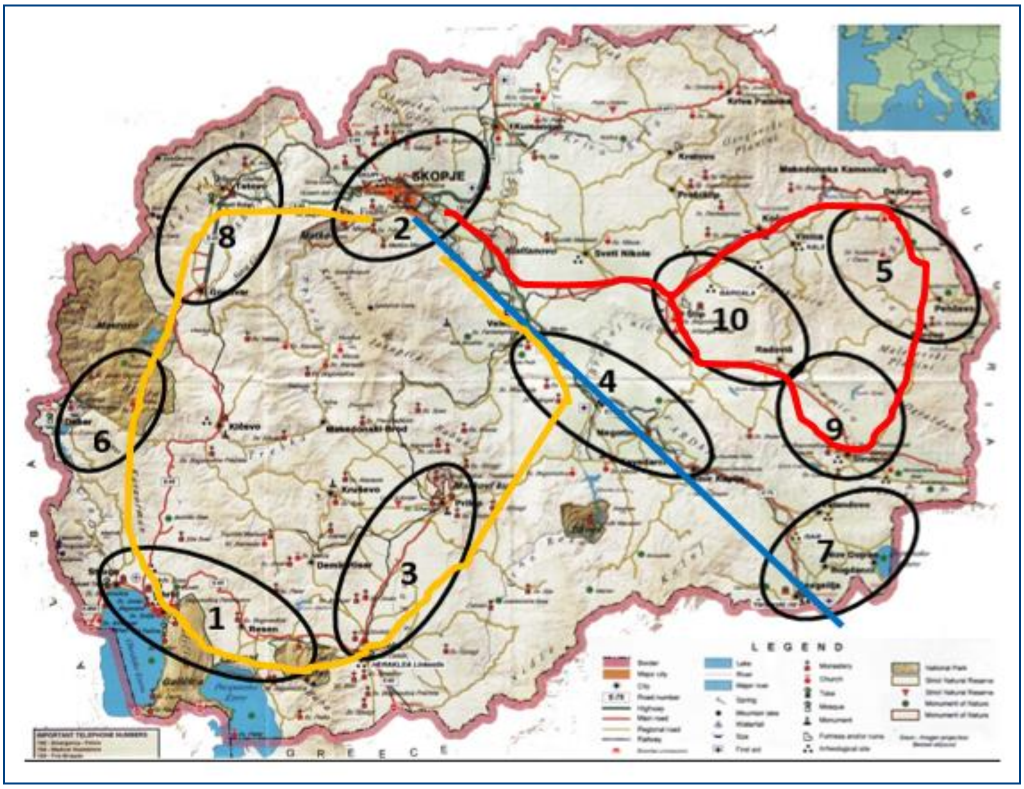
1. Introduction

The four-year investment Local and Regional Competitiveness Project (LRCP) in tourism in Macedonia aims to enhance the contribution of tourism to local economic development by strengthening the competitiveness of the sector and improving the capacity of the government and public entities to foster tourism growth and facilitate destination management. During the preparation of the project, two circuits (Eastern and Western) and one corridor (on the route of the Pan-European Corridor 10) have been identified as having a strategic importance for the country. The two circuits and the corridor combined include ten destinations (Figure 1).

Figure 1: The Ten Strategic Destinations Linked in Two Circuits and one Corridor



One of the first steps within the overall project is to develop development plans to guide interventions and investments in destinations along the two circuits and the corridor. The development plans will be grounded in a rigorous market analysis, which includes analysis of relevant demand dynamics and identifies high-potential priority market segments for which Macedonia can be internationally competitive. On the basis of the market analysis, a value chain analysis will help identify gaps in the offering that is currently in place along the circuits and the corridor. The identified gaps will lead to the formulation of strategic steps and investments that can help move the tourism offering along the circuits and the corridor to strengthened competitiveness for the priority market segments.

The goal of this market analysis is to outline the demand context for the next steps in producing the strategic development plans. It presents relevant supply and demand dynamics in Macedonia and specifically along the circuits and the corridor, and identifies the priority market segments that hold the best potential for advancing the competitiveness of Macedonia's tourism sector. This report starts with an overview of the international competitiveness of Macedonia in the European and regional context followed by a synopsis of the main relevant trends in tourism demand. Next, it describes the ten current market segments that have been identified as present in Macedonia. Following this, the report zooms onto the main attractions and services supplied along each of the ten destinations, as well as the current demand dynamics that are relevant for them. The concluding section of the report presents an analytical discussion of the findings and proposes priority market segments for each of the circuits and corridor.

Data for this report has been sourced through primary and secondary sources of information, including observation during missions and interviews conducted with international and national stakeholders from the tourism industry. A wide variety of documents and existing reports on Macedonia, the region and the tourism industry were also reviewed as part of the work on this report.

2. Global Tourism Trends

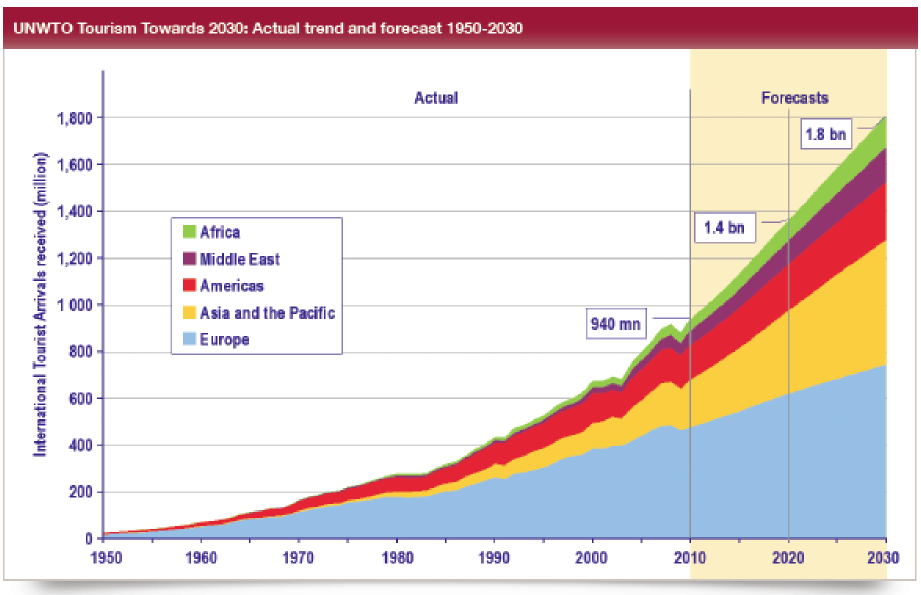
2.1 Global Tourism Arrivals

Tourism plays a large and growing role in the world economy. The World Tourism Organization (UNWTO) estimates that direct, indirect and induced impacts of tourism generated 10 percent of global GDP, one in eleven jobs and 30 percent of global services exports.

International tourism achieved a new record in 2015 with 1.184 billion arrivals, an increase of 4.4 percent compared to 2014. This is the sixth year of consecutive growth since the financial crisis in 2009. International tourism receipts reached US$1,245 billion worldwide in 2014, up from US$1,197 in 2013. Europe remained in 2015 the world's most visited region. France, the United States, Spain and China are the top most visited countries in the world. Travel for holidays, recreation and other forms of leisure accounted for just over half of all international tourist arrivals in 2014. International tourist arrivals worldwide are expected to increase by 3.3 percent a year between 2010 and 2030 to reach 1.8 billion by 2030.

Travel for holidays, recreation and other forms of leisure accounted for just over half of all international tourist arrivals (53% or 598 million) in 2014. Some 14% of international tourists reported travelling for business and professional purposes, and another 27% travelled for other reasons such as visiting friends and relatives (VFR), religious reasons and pilgrimages, health treatment, etc.

Figure 2: Global International Tourist Arrivals



Source: UNWTO

International tourist arrivals in Europe grew 4.9% in 2015, to reach a total of 609 million, just over half of the world's total. Europe was the fastest growing region in absolute terms, with 28 million more tourists than in 2014. This is the result of economic recovery in most of the European countries, strong Euro as well as growth in some of the main non-European source markets.

Table 1: Global Arrivals ('000), 2005-2015

	2005	2010	2013	2014	2015	Market share 2015(%)	% change 2015-14
World	809	949	1,087	1,134	1,184	100	4.4
Advanced economies	466	513	585	619	648	54.8	4.8
Emerging economies	343	436	502	515	536	45.2	4.1
By region							
Europe	453.2	489.4	566.9	580.2	608.6	51.4	4.9
Northern Europe	59.9	62.8	67.2	70.8	75.6	6.4	6.8
Western Europe	141.7	154.4	170.8	174.5	180.4	15.2	3.4
Central/Eastern Eur	95.3	98.9	127.9	120.1	127.4	10.8	6.1
Southern/Med Eur	156.4	173.3	201.0	214.8	225.0	19.0	4.7
--of which EU-28	367.9	384.3	433.2	454.1	478.8	40.4	5.4
Africa	34.8	49.5	54	54.9	53.3	4.5	-2.9
Americas	133.3	150.1	167.5	181.7	190.7	16.1	4.9
Asia and the Pacific	154	205.4	249.7	264.3	277.6	23.4	5.0
Middle East	33.7	54.7	48.8	52.4	53.9	4.6	2.8

Source: UNWTO Barometer March 2016

Europe is still the largest source region followed by the Asia Pacific. China has been the top tourism source market since 2012 and increased their tourism expenditure abroad by 27 percent in 2014 reaching a total of US$165 billion. The other top five largest tourism spenders are the United States, Germany, the UK and Russia. In 2014, about four out of five worldwide arrivals originated from the same region according to the UNWTO Tourism Highlights 2015 report.

2.2 Demand Trends

This section outlines several important trends in global tourism demand. These trends place the evaluation of the visited existing and potential offerings in market context. This is important also for the identification of appropriate tactics for their development and marketing.

2.2.1 Travel 3.0: the rise of smart travel and technology-mediated experiences

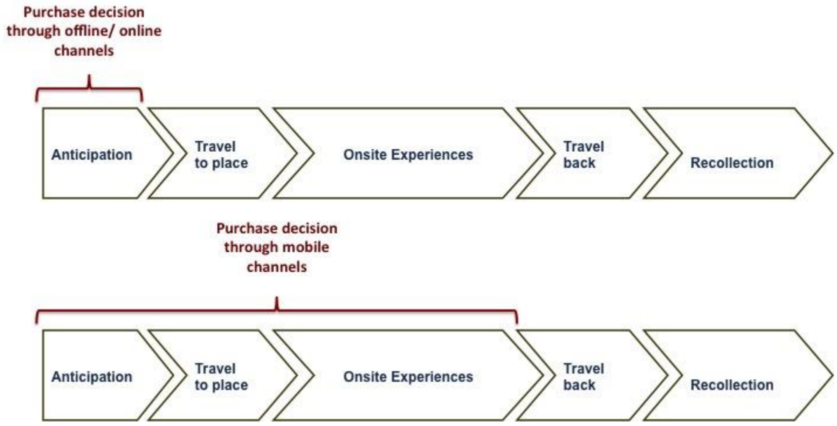
Tourism is one of the industries where the advancement of communication technology thrives. So far technology has impacted traveler planning, the decision-making, and the purchasing process. In the era of travel 3.0, however, with the high penetration of mobile and wearable devices, technology is becoming part of the traveler experience.

There are two important directions in which the technology is impacting demand:

- The advancement of mobile and wearables is tempting the traveler to book less before the trip and leave more decisions for the “during” phase of the trip, which is changing the moment of purchase[1] and leads to different decision making dynamics (Fig.1)

- Data and mobile technology create potential for high-level of customization, which is happening and demanded by travelers[2]

Figure 3: Technology-mediated Changes of Moment of Purchase along the Travel Experience Value Chain[3]



According to the recent WTM Global Trends Report[4] issued by Euromonitor International and the World Travel Market (WTM) the mobile booking channel has become mainstream and in 2014 accounted for US$96 billion of travel sales globally.

A report on the future of destination marketing published by the US-based Destination Marketing Association International (DMAI)[5] reveals that the average planning process of contemporary travelers includes visiting 22 websites in 9.5 web sessions. 77% of travelers state that they consult Trip Advisor before selecting a destination or accommodation, and 92% rely on peer recommendations. While on trip 85% use their smartphones 76% use social media to share their experiences.

These trends are described as defining for the future of travel. According to Euromonitor International and the European Tour Operator Association (ETOA) the new online traveler expects customization and personalization delivered through mobile digital channels[6] and this is giving rise to new mobile applications and services. According to DMAI the leading among the top 20 trends in destination

[1] Nikolova, M., Asenov, J. & Lazarova, J. (2015). From virtual goods to the real economy: Can psychological principles in the videogaming marketing increase sales in the new tourism market realities? Presented at TTRA-Europe conference, Innsbruck, April 2015
[2] Understanding the 21st Century Traveler, Caroline Bremner, Euromonitor International, 2013
[3] Nikolova, M., Asenov, J. & Lazarova, J. (2015). From virtual goods to the real economy: Can psychological principles in the videogaming marketing increase sales in the new tourism market realities? Presented at TTRA-Europe conference, Innsbruck, April 2015
[4] WTM Global Trends Report, World Travel Market & Euromonitor (2-5 Nov, 2015).
[5] NEXT: A strategic road map for the next generation of global destination marketing (Phase 1), DMAI/ Destination & Travel Foundation/ InterVISTAS Consulting Inc., July 2014
[6] The new online travel consumer, webinar by Euromonitor International and ETOA, 13 February 2015

marketing is that mobile platforms and apps are becoming the primary engagement platform for travelers.

Trend relevance to Macedonia: The mobile-mediated shifts in traveler purchase behavior and traveler experience means that the marketing tactics of tourism experiences in Macedonia should consider mobile-friendly distribution channel partners. This involves: 1) promoting, selling and maintaining live inventory via mobile channels such as popular travel curating platforms and apps (for example Viatour); 2) designing offerings with flexibility that allows for customization and personalization through digital and mobile channels; and 3) allowing for feedback channel distribution (for example Yelp, TripAdvisor).

2.2.2 The quest for small, local, authentic

One of the prominent trends in travel is the rising demand for truly local and authentic experiences. A 2014 study by American Express reveals that 34% of travelers are looking for cultural immersion during their summer holiday[7]. The SKIFT 2015 report on megatrends in travel identifies the growing demand for 'local discovery' as one of the forces driving changes in the hospitality sector and inspiring new attractiveness in the image of small and boutique destinations, which until now were under the shadow of large celebrity places[8].

These dynamics are driving two major trends:

1. Demand for local is changing hospitality and leading some of the large international hotel players to launch new brands with more authentic and localized flavor (for example Starwood's *Tribute* brand). The last several years have seen the launch of some new smaller brands that are focused on the new traveler seeking to connect to visited places (e.g. 21 Museum Hotels, CitizenM). The demand for localized experiences has also provided a favorable environment for the fast rise of peer-to-peer accommodation platforms (e.g. Arbnb, Homeaway), which are increasingly perceived as one of the best ways to immerse in and connect to the destination. In this context hospitality operators are gaining a new role of intermediary that connects the traveler to the network of people and places in local community[9].

2. The rise of *local* and *authentic* is driving new forms of marketing of entire destinations. There is an increasing focus on engaging and featuring local residents as storytellers and ambassadors of the destination. Even Dubai, a leader in mass-oriented marketing with distinctive focus on the international and the big scale, has launched a #MyDubai campaign based on content highlighting the 'local' generated by the residents of Dubai.

Trend relevance to Macedonia: The growing appeal of the *authentically local* travel experience represents a promising opportunity for strengthening the linkages between tourism and the local economy in Macedonia because it leads to increase in the value added of local food and local accommodation offerings. There are two directions in which this trend can be favorable: 1) improving the visibility and appeal of already existing local accommodation and food operators such as B&B's, farms, local

[7] American Express Travel, Summer Travel Trends: Travel Counselor Perspective (May 2014)
[8] SKIFT: Megatrends defining travel in 2015 (January 2015)
[9] SKIFT: Megatrends defining travel in 2015 (January 2015)

restaurants, etc. and respectively encouraging the opening of more operations that are owned and managed by locals, including alternative accommodations that fit with the existing landscape and become attractions themselves (e.g. Tiny House Rentals: http://tinyhouselistings.com/); and 2) designing experiences with local flavors or enriching existing offerings (such as tours, boat trips, hotel stays) with local feel, including food, crafts, culture, etc.

2.2.3. Experiential consumption all around

Travel is by default a highly experiential industry but only in recent years has the experiential design of tourism products and offerings become a visible trend. Experiential consumption means placing focus on the symbolic, pleasure-related (also referred to as hedonic) and aesthetic aspects of consumption that evoke fantasies, emotions and fun[10]. In travel this is associated with increasing demand for trips and attractions that engage travelers through their senses, emotions and active involvement. The contemporary traveler is increasingly looking to feel, taste, touch, do and learn rather than be in a passive "just looking" role[11]. This is leading to new designs of visitor experience around attractions and service facilities, including with the use of contemporary technologies, as well as redesign of services from transportation to food or accommodation.

One of the other developments in this context is the increasing demand for curation and the opportunity for experience design that this offers. The overwhelming amount of things to do available for travelers to choose from has given rise to curation services that are offered by specialized travel advisors, new curation platforms or add-on services provided by hotels and other operators.

Trend relevance for Macedonia: The growing demand for experiential travel creates a great opportunity for designing experiences around local culture, nature, food and farming traditions that engages visitors on sensory and intellectual level at the same time. Such experiential offerings can include sight-sounds-smells exploring tours of towns and nature, discovery experiences, dancing and cooking demonstration, dancing and cooking classes, tasting experiences, demonstration of and classes for growing, harvesting, processing techniques of local cultures, farm stays and visits allowing visitors to immerse in local traditional life.

2.2.4 Millennials and hipster holiday styles

Just like in many industries the growing importance of Millennials as a distinct consumer segment is a fact in tourism. This younger generation recently outnumbered baby boomer travelers and is naturally starting to influence trends in demand. As Millennials become professionally active and move along lifecycle stages, their spending power is increasing too. In a recent study by WYSE Travel Confederation 50% of Millennials spent more than EU 1,000 per trip[12]. The same source reveals that among the main motivations for millennial travelers are meeting friendly locals (55%), living like a local and experiencing everyday life (46%), and increase own knowledge (43%). A recent report of the Boston Consulting Group compares

[10] Holbrook, Morris B., and Elizabeth C. Hirschman. "The experiential aspects of consumption: Consumer fantasies, feelings, and fun." *Journal of consumer research* (1982): 132-140.
[11] Euromonitor International, Understanding the 21st Century Traveler, Caroline Bremner (2013)
[12] WYSE Travel Confederation, Millennial Traveller: An insight into the general ravel behaviors and attitudes of millennial travelers (Nov 2014)

millennial travelers to other generations and reveals that they are likelier to take more leisure trips per year and seek more food and wine, entertainment and outdoor activities[13].

Millennials are also looking to avoid mainstream touristic places and driving the rise of so called 'hipster areas', which are a bit off the beaten path and offer foodie favorites, artistic hangouts, and less traditional sites and attractions. Because of their interest in such places, they are also likelier to stay in peer-to-peer rentals rather than traditional accommodations. Being natural with technology, millenial travelers are avid users of mobile phones and social media, and most of their bookings are made through mobile channels[14].

Trend relevance to Macedonia: The growing market power of the millennial segment requires adapting destination strategies to their needs and expectations. For Macedonia this means a necessary adjustment of existing product and service offerings but also represents an opportunity. If Millennials seek out places that offer local experiences and are off the beaten path, then they may serve as beachhead market for some new developments in less active tourism areas. Macedonia's proximity to the European market and existing low-cost airline routes make it possible to start marketing trips including unusual and off-the-beaten-path experiences as quick getaways for hipster-oriented European Millennials.

2.2.5 Steady growth of third-age travel

While the rise of Millennial travelers as a globally significant segment is unquestionable, the third-age generation continues to be a profitable and growing segment for destinations around the world. According to Eurostat 18.5% of the population across EU member states falls in the age bracket of 65 or older (2014)[15]. The share of the elderly has been increasing at steady rates mainly in the advanced economies such as EU-28 (especially Germany, Austria, Italy and others) but also in the North America (10%) and Asia (7%)[16]. With increased longevity and access to better healthcare older segments of the population are increasingly active as travelers. As the recently published report of Resonance Consultancy on US retiree travelers states "This is a new kind of older generation, and a new market in many ways – they're healthier, wealthier and more worldly than any before them, and from 60 - 65 years old to 80 and even beyond, this is a cohort determined to make the most of the time left to them."

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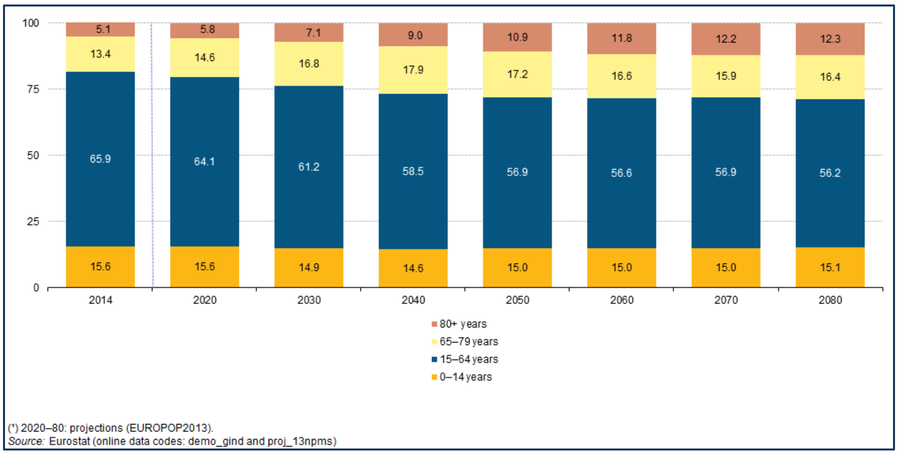
[13] Boston Consulting Group, Traveling with Millennials (March 2013)

[14] WTM and Euromonitor International, World Travel Market Global Trends Report 2015 (Nov 2015)

[15] EUROSTAT: http://ec.europa.eu/eurostat/statistics-explained/index.php/Population_structure_and_ageing

[16] Resonance Consultancy (2016). Portrait of the US Retiree Traveler.

Figure 4: Ageing at the Top of EU's Population Pyramid



Source: Eurostat

Elderly travelers are not among the top spenders but their sheer volume makes them a worthwhile segment to consider for many destinations. While their spending resource is not unlimited, this group is unrestricted in terms of time, which provides opportunities for specific product offering and service design. 66% of US retiree travelers view their retirement years as the time to travel and explore new places, and 64% - as a period to enjoy life[17]. Third age travelers travel in couple, with close friends or members of the family but the share of single travelers in this age bracket is also increasing at fast pace. The share of women among retiree travelers tends to be higher.

The choice of destination for this demographic varies greatly depending on a multitude of factors such as country of origin, travel career, education and other demographics. However, across all destination choices retiree travelers are most concerned about safety, climate and ability to communicate in a language they understand. In terms of preferred activities they are most interested in food and culinary offerings, learning something new and exploring different cultures[18].

Trend relevance to Macedonia: The significant net worth of the third age traveler segment is a great opportunity for Macedonia. Given the close proximity to European source markets with high shares of healthy and active population that is 65 years or older, it represents an appealing target for the country's cultural heritage and nature-based offer. Direct and low-cost flight connections from many European cities are great advantages due to the importance that this segment assigns to easy access and value for money.

Despite the strengths of Macedonia as potential destination for third generation travelers, the local tourism industry needs to align with their expectations. Safety and convenience are a primary concern, which means that attractions and tourism facilities need to meet relevant standards. In this context availability of relevant medical and healthcare services is also important.

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[17] Resonance Consultancy (2016). Portrait of the US Retiree Traveler
[18] Resonance Consultancy (2016). Portrait of the US Retiree Traveler

2.2.6 Food in the spotlight

Food has always been an important element of the travel experience but in the recent years its prominence has reached new levels. This is partly due to the more general trends associated with focus on healthy eating and living, new appreciation for natural and fresh ingredients and home-cooked food, and associated rise of celebrity chefs and food media. In travel context culinary experiences are more than expression of the new cult for food. As the UNWTO report on food tourism[19] states in its introduction food is a window to the culture of a place. Cuisine is "deeply connected to the origin and culture" of a destination and thus makes local culture more approachable and experiential.

According to the UNWTO "Gastronomy embodies all the traditional values associated with the new trends in tourism: respect for culture and tradition, a healthy lifestyle, authenticity, sustainability, experience…". In that sense travelers interested in culinary are the travelers interested in the authenticity of the place, who concerned with origin of products and see food as means for socializing and sharing experiences with locals. According to a recent study of the Adventure Travel & Trade Association (ATTA) conducted among adventure tour operators around the world, one in four adventures itineraries is with a strong focus on food revolving around food as a lens for better understanding the destination and connecting with the people, landscape, and culture[20]. The average price per day for such itineraries is $472 USD. The same study reveals that 46% of adventure itineraries have a moderate focus on food providing a window into how locals eat and produce food (e.g. farm tour, cooking class, producer visit). Adventure tour operators state that travelers almost always request food experiences as they provide an effective means of providing context, evoking memories, and connecting people.

The demand for local and culinary experiences is in itself undergoing changes. Along with the local aspects, contemporary travelers are increasingly demanding simplicity and high quality. According to the UNWTO Global Report on Food Tourism destinations and companies need to increasingly invest in quality through protection and recognition of local products, specialized training and service design.

What is high quality in food tourism? It is highly associated with a trend of deconstructing and simplifying offerings to make them with a smaller number of ingredients of outstanding quality. The key aspects of demanded quality is the proven source of food ingredients. Even though organic certification is one of the best ways to guarantee quality, it is not always a must. As indicated in Figure 5 the recent ATTA's study[21] on food tourism reveals that the term "organic" resonates strongly with some age groups but the concept that had strongest marketing appeal is 'local' followed by 'organic' and 'sustainable'. In this sense, travelers are interested in experiences that show and prove that the food they are consuming is local and fresh, even if there is no formal organic certification.

Quality perceptions are also associated with presentation and packaging, as well as quality of the supporting service. Contemporary travelers see value in how food is

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[19] UNWTO, Global Report on Food Tourism (2012)

[20] ATTA, Taste the Adventure: Exploring the Intersection of Food Experiences and Adventure Travel (October 2015)

[21] ATTA, Taste the Adventure: Exploring the Intersection of Food Experiences and Adventure Travel (October 2015)

presented, whether it is accompanied by traditional and artisan elements, and whether there is supporting interpretation that provides an educational element and enhances the experiences. This is in line with an overall trend of moving towards simplicity with focus on the important without any complexity or unnecessary detail[22].

Trend relevance for Macedonia: The rise of food tourism on global level represents an attractive opportunity for Macedonia, which has enough assets to develop such offerings and where visitors identify good food as one of the pleasant surprises during their trips. To benefit from these trends Macedonia needs to: 1) encourage investment in food- and farm-tourism activities that can diversify the offerings for existing markets; 2) offer assessment and training of "food experiences" to ensure competitiveness of offerings; and 3) use the distinctive character of food offerings as platform for new differentiated positioning and marketing.

The increasing focus on quality in food tourism offerings means that Macedonia might consider developing offerings with higher level of sophistication and with thoughtful consideration of the details. This relates to: 1) designing food experiences in a way that shows (rather than tells) the traveler that the food is local and fresh, 2) focusing on simplicity and considering the small details of food presentation, traditional design and artisan elements, 3) investing in interpretation services and service culture that accompanies food offerings, and 4) understanding that the traveler is sophisticated and understands the difference between "organic certified" and "organic practices", and is more demanding of "local" quality.

Table 1: Summary of Trends and Relevance to Macedonia

Trends	**Relevance to Macedonia**
Travel 3.0: the rise of smart travel and technology-mediated experiences	• Promote and sell via mobile channels (e.g. Viator) • Design customizable experiences
Quest for small, local and authentic	• Improve visibility of local tourism businesses and entrepreneurs • Use local food and associated traditions as source of differentiation
Experiential consumption all around	• Focus on experience design
Millennials and hipster holiday style	• Target as beachhead market for new off-the-beaten-path experiences • Adapt offerings to segment specifics
Steady growth of third-age travel	• Target as high-potential market with high net worth and expectations that align with Macedonia's assets • Adapt offerings to segment specifics and needs
Food in the spotlight	• Diversify with food and farm offerings • Design more experiences with local flavor • Focus on simplicity and authenticity

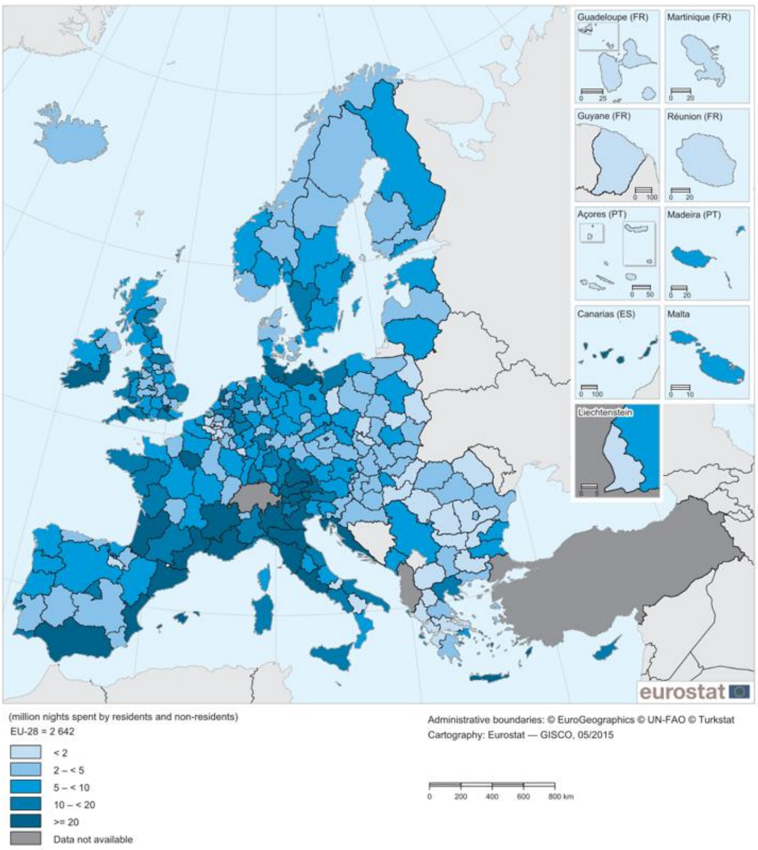
[22] SKIFT: Megatrends defining travel in 2015 (January 2015)

3. European and Regional Dynamics

3.1 European Travel Trends

Europe is not only the largest receiving region but also still the world's largest source region, generating just over half of the world's international arrivals. Most of the Europeans travel within the continent. While the global annual average growth rate between 2005 and 2014 was 3.8%, for Europe this was just 2.7%. Europe was hereby the slowest growing outbound market. According to the European Travel Commission (ETC), Europeans went on a total of 1.2 billion trips spending a total of 416 billion Euros in 2013. The total participation factor[23] for EU countries was 60 percent. About 75% of these trips were in country and of the 25% of all trips that were made to foreign country, 75% was in another EU Member State and 25% was outside the EU. First results of 2015 show a 3.5% increase in the number of nights spent at tourist accommodation establishments in the EU compared to 2014.The map below shows the nights spent in paid tourism accommodation by residents and non-residents. It shows that the areas around the Mediterranean receive the highest numbers of overnight tourists.

Table 2: European Tourism Receiving Countries, Nights Spent in Tourism Accommodation, 2013



Source: Eurostat

According to the ETC, the Europeans like to travel to new destinations. While

[23] Percentage of the total population taking a trip during the year

discovering new destinations they are especially interested in round trips to learn as much as possible about the destinations' culture and nature.

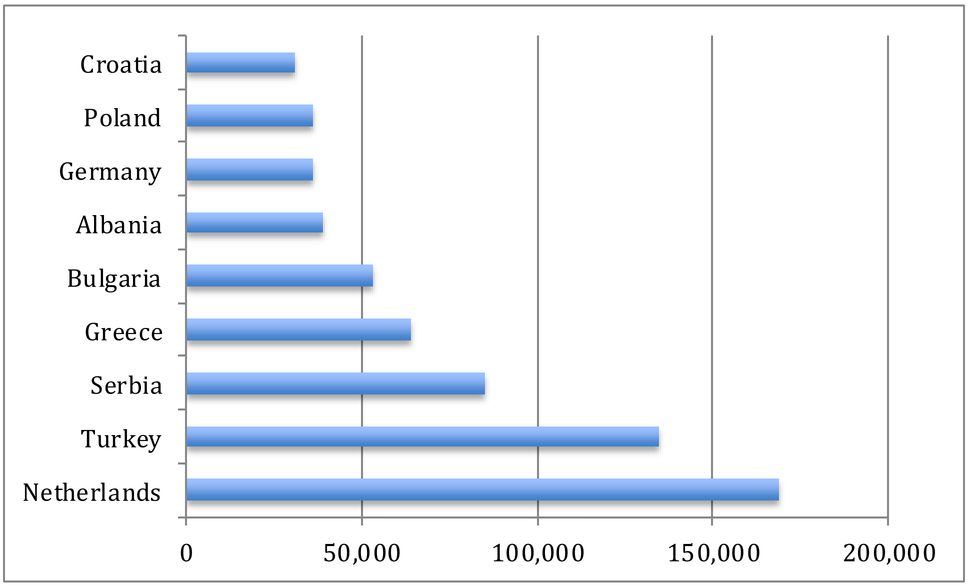
Table 2: Top ten EU member states for outbound holidays, 2014

		Nights abroad ('000)	Share (%)
	EU-28	2,566.30	100
	Top 10	2,208.80	86.1
1	Germany	730.1	28.5
2	UK	563.9	22
3	France	235.1	9.2
4	Netherlands	166.7	6.5
5	Poland	103.7	4.0
6	Spain	94.0	3.7
7	Italy	90.2	3.5
8	Belgium	86.5	3.4
9	Austria	69.8	2.7
10	Sweden	68.7	2.7

Source: Eurostat

Figure 2 shows the countries generating the highest number of overnight stays in Macedonia. Below an overview of the general travel trends for the Netherlands, Turkey, Germany, Italy, UK and Poland. The regional markets will be discussed in the next section.

Figure 5: Main Source Markets, by Overnight Stays, 2015



Source: State Statistical Office

Key facts on the Dutch travel market

- Over 80% of the population taking holidays (12.5 million trips in 2014)
- 40% of all trips were taken outside the country
- Of all Dutch people that took a holiday, 70% took more than one holiday
- Germany is the most popular destination for Dutch travelers followed by France, Spain, Belgium and Austria
- The Dutch spend a total of 12.6 billion Euros on traveling in 2014, an average of 702 Euros per person or 69 Euros per day.
- For longer, foreign holidays (more than 3 days) the average spend per holiday is 814 Euros.
- Daily spend per person: Greece (85 euros), Turkey (76 euros), and France (44 euros).
- Rest / recreation, sun & beach and visiting friends and relatives are key factors influencing holiday choice. Nature is also a bigger influence than in many other EU countries.
- Hobbies are important aspects of Dutch life and this corresponds with a growing popularity of themed holidays (like cultural, hiking or cycling holidays)
- Younger Dutch travelers are especially interested in active and adventurous holidays
- Dutch travelers between 55-64 years of age spend most during their long holidays, on the total trip as well as per day
- Dutch are considered above average 'information hungry' – very interested in obtaining information about the destination before traveling
- Tour operators such as TUI and Corendon still publish annual or bi-annual catalogues with their packages including prices.
- The Dutch market is fairly receptive to security and safety issues; outbound travel to Egypt, Tunisia and Turkey dropped after security incidents. In 2015, Dutch tourists spend 100 million Euros less in Turkey than in 2013[24].

Key facts on the Turkish travel market

- The number of outbound trips was 9.3 million in 2015, up from 6.9 million in 2010
- Just 9% of all trips by Turkish travelers were outside of Turkey
- Neighboring countries Georgia, Bulgaria and Greece are the top three destinations for Turkish travelers. Germany, Italy and US are popular non-regional destinations
- Outbound travel is limited during Ramadan

Key facts on German travel market

- Second largest tourism spenders in the world
- In 2013, Germans took a total of 248 million trips, spending 120 billion Euros.
- Over 35% of these trips were taken outside of Germany

[24] Netherlands Central Bureau of Statistics

- The main destinations for Germans are Austria, Italy, Spain, the Netherlands and France
- German travel propensity s 78%
- Mature travel market
- In 2014, Germans spend an average of 958 Euros on their long holiday trip (5 days and more)
- In 2014, 47% of all travelers were older than 50 years; in 2015 this is expected to be 55%
- 'Brick and mortar' travel agencies remain important
- Most important holiday motives for Germans; sun, warm weather (69%), leaving everything behind (68%), relaxation (66%), having fun (61%)

Key facts on the Italian travel market

- In 2013, Italians took a total 52 million trips spending a total of 22 billion Euros
- Just 22% of these trips were taken outside of Italy
- The main destinations include France, Spain, Germany, UK, Austria and Croatia.
- Over 80% of all trips abroad were made within Europe,
- As of 2010, 17% of Italians were aged over 65 years, but this figure will rise to 26.3% by 2050
- Over the last five years there was a shift from international to domestic travel in order to save money due to economic crisis
- Generally, Italians are more reserved in their choice of foreign destination than the Dutch or Germans
- There is an increased interest in short and weekend breaks
- Italians travelling abroad are interested in discovering new places, visiting monuments and the heritage of the country
- They love trying local food

Key facts on UK travel market

- In 2015 77% of the population took a holiday down from 80% in 2014
- In 2013, Brits took a total of 159 million trips spending a total of 61 billion Euros
- Almost 33% of these trips were taken outside of the UK
- The main destinations for Brits are Spain, France, USA, Italy and Germany.
- In 2014, 64% of visits abroad were holidays. 22% or 13.3 million visits abroad were to visit friends or relatives and 11% were for business reasons.
- Average length of stay in Europe is eight nights
- The average number of holidays taken per person increased in 2015 slightly from 3.0 holidays in 2014 to 3.2 holidays
- Almost one in five people (18%) say they will travel to a country they have never been to before in 2016
- Older holidaymakers are travelling further and are seeking more active or adventurous holidays - people who 'grew up in the 1960s and have seen it all'.
- There is an increase in people seeking bespoke or tailor made holidays
- 13% of 25-34 year olds plan to take an activity or sporting holiday in 2016

Key facts on Polish travel market

- Fifth largest outbound travel market in the EU
- Over one million nights abroad in 2015
- Specifically interested in sun and beach holidays but also in round trips highlighting the cultural heritage of a country
- Polish travelers are above average price sensitive
- Large Polish tour operators are the main driver of outbound tourism
- Due to economic the last few years, demand for package holidays has increased at the cost of customized travel packages

3.2 Regional Travel Trends

This section outlines demand trends in the Balkan region. A regional perspective is absolutely necessary to understand the market dynamics in Macedonia as most of the countries on the peninsula are frequently combined on international itineraries. In addition, regional travel is very active and is important source of arrivals for a number of countries, including Macedonia.

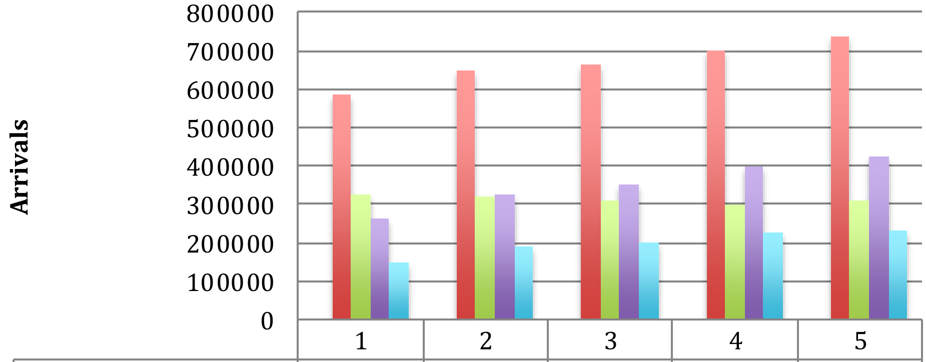
An overview of tourism plans and strategies of other countries in the region provides information about opportunities for growing cross-country linkages, benchmarking and competitive pressures Macedonia should consider.

3.2.1 Regional Demand trends

The Balkans region is a region of active cross-border travel. This includes combining more than one country when visiting the region for European and long-haul travelers, as well as regional travel.

For Macedonia arrivals from neighboring countries represent an important share of overall arrivals. Based on national statistical data in 2014 arrivals from the region (Albania, Bosnia & Herzegovina, Bulgaria, Croatia, Greece, Montenegro, Slovenia, and Turkey) represented 32% of all arrivals and 55% of international arrivals (see table below).

Table 3: Regional Arrivals in Context



	2010	2011	2012	2013	2014
TOTAL	586 241	647 568	663 633	701 794	735 650
DOMESTIC TOURISTS	324 545	320 097	312 274	302 114	310 336
FOREIGN TOURISTS	261 696	327 471	351 359	399 680	425 314
REGIONAL	150 549	189 036	199 267	224 495	231 749

Source: Generated on the basis of data from the State Statistical Office of the Republic of Macedonia (SSORM)

A major driver of regional travel is Greece, which is a popular leisure destination for residents of Bulgaria (1.5 Million in 2014, 7% of all arrivals), Macedonia (N/A), Romania (540,000 in 2014, 2.5% of all arrivals) and Serbia (986,000 in 2014, 4.5% of all arrivals) [25] who visit the Greek coast for both short breaks and longer summer holidays. Active regional traffic to Greece starts around Easter and other holidays in May, and ends in mid October. Macedonia benefits significantly from regional traffic to Greece as the route of all Serbian and many Romanian tourists passes through the country and they often spend a night on the way to and the way back.

Bulgaria is also an attractive regional destination. The Black Sea coast draws summer tourists from Romania, Serbia and Macedonia. During winter periods resorts in Bansko, Borovets and Pamporovo draw tourists from Romania, Serbia, Macedonia and Greece. The leading regional market for Bulgaria is Romania (1.4 million in 2014, 15% of all arrivals) followed by Greece (1.1 million in 2014, 12%), Serbia (454,000 in 2014, 5% of all arrivals) and Macedonia (441,000 in 2014, 5%)[26].

The leading regional markets for Macedonia are Turkey, Greece, Serbia and Bulgaria (see table below). More details on the areas within Macedonia visited by regional tourists are discussed in the market segment analysis section later in this report. Due to the significant differences in the methodology used to generate statistical data on international arrivals between Macedonia and other countries in the region, it is not possible to perform a cross-country comparison of the importance of regional markets.

[25] Based on country-specific data for Greece from UNWTO (2014)
[26] Based on country-specific data for Bulgaria from UNWTO (2014)

Table 4: Arrivals in Macedonia from Countries in the Region

	2010	2011	2012	2013	2014
TOTAL	**586 241**	**647 568**	**663 633**	**701 794**	**735 650**
REGIONAL (includes countries below)	**150 549**	**189 036**	**199 267**	**224 495**	**231 749**
Albania	17 110	13 614	13 412	16 982	17 561
Bosnia and Herzegovina	5 619	4 959	4 740	4 540	5 771
Bulgaria	15 513	18 541	19 815	20 914	26 480
Croatia	12 791	13 885	13 939	12 722	15 392
Greece	26 843	45 509	43 976	46 184	42 677
Montenegro	4 180	3 522	3 197	3 498	4 802
Serbia	35 840	35 692	36 530	38 127	41 013
Slovenia	12 606	14 063	13 252	13 404	14 486
Turkey	20 047	39 251	50 406	68 124	63 567

Source: State Statistical Office of the Republic of Macedonia (SSORM)

3.2.2 Regional Supply Trends

Many of the countries in the region rely on assets that are similar across the Balkans. Therefore, development in countries neighboring Macedonia can represent both opportunity for collaboration and partnerships, as well as source of strong competition and market pressure. To understand these dynamics better this section provides an overview of the general tourism strategies of other countries in the region surrounding Macedonia.

Albania

Albania's current tourism development strategy (2014-2020) aims to advance sustainable development in the tourism sector and to continue promoting the country as undiscovered. The strategy document is not publicly available but media reports suggest that its primary focus is on increasing the quality and diversity of offerings in the country. The strategy identified regional collaboration as important advantage.

The national portal of Albania places strong focus on nature and culture as sources of diversification of the sun and sand offer.

Bulgaria

According to the last national tourism strategy (2014-2030) Bulgaria strives to become well-known and preferred all-year-round destination for both Bulgarian and international tourists. The document declares the aim to make Bulgaria a top five destination in Central and Eastern Europe. Among the strategic goals are the establishing and sustaining of a distinctive image based on the country's history and culture, diversification of the tourism offer, including through nature-based and outdoors offerings, and strengthened quality of the service through the adoption of international quality standards[27].

The types of tourism that are promoted on national level include beach, winter sports, cultural heritage and archeology, spa and wellness, outdoors and nature-based tourism, rural tourism.

Bosnia & Herzegovina

Tourism development in Bosnia & Herzegovina has been almost entirely driven by donor activeness in the country. There is lack of publicly available strategy or master plan for the country and developments seem to be driven mainly by entrepreneurial private sector stakeholders. An advantage for tourism in Bosnia & Herzegovina is the shared border with Croatia as industry-level collaborations have fostered linkages between the tourism offerings in the two countries. While the tourism potential of Bosnia & Herzegovina is unquestioned, the development of the sector remains uneven and patchy leaving many places with great potential in an underdeveloped state[28] that does not allow them to fully benefit from the opportunities of tourism. That being said, the country is home to some of the signature cultural and nature-based experiences that the Balkans currently offer, including signature attractions in Sarajevo and Mostar, and experiences along the Tara river.

The national portal remains what was developed and launched as part of donor project about a decade ago. General focus is placed on culture and nature with stronger emphasis on outdoors activities.

Croatia

Croatia is one of the leading powerhouses of tourism on the Balkans. While the initial growth of tourism in Croatia in the recent years was driven by the seaside offerings along the Adriatic coast, the latest strategy of the country is to promote the country as a 365-day destination by moving away from traditional products and marketing, and incorporating more innovative and contemporary attractions and tactics. The strategy is lead by the very ambitious goal of becoming a top 20 destination in the world[29].

Croatia's national tourism portal places strong focus on active experience (on both water and land), as well as connecting with local culture and cuisine.

Montenegro

According to its new national tourism strategy Montenegro strives to grow its tourism by addressing seasonality and spreading tourism development beyond the main area of concentration along the Adriatic coast. Among the leading objectives in the document are improvement and expansion of tourism infrastructure, investment in service quality, diversification with small-scale local authentic offerings and heavy promotion.

Montenegro is one of the countries in the region receiving most attention in international travel media. The official Montenegro portal is one of the most technologically advanced among Balkan destinations and places focus on the *wild*

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[27] National Sustainable Tourism Development Strategy of Bulgaria 2014-2020

[28] Özlen, M. K. and Poturak, M. (2013). Tourism in Bosnia and Herzegovina. Global Business and Economics Research Journal, 2(6): 13-25

[29] Croatian Tourism development Strategy until 2020

beauty of Montenegro by highlighting nature and its diversity and well-preserved status as the key attraction. Active exploration, outdoor activities mix with culture are the highlight of Montenegro's tourism portfolio.

Serbia

Serbia places very strong focus on promoting rural tourism, which can secure differentiation for the country in the region and beyond. Based on analysis of the global market context the strategy states the need for innovative product development in the area of rural tourism, culinary tourism, cultural tourism, as well as active, outdoors and adventure tourism[30].

On its portal Serbia places strong focus on culture and religious sites, and on outdoors and nature-based activities.

Slovenia

The tourism strategy of Slovenia 2012-2016 places strong focus on building an enabling environment for growth and entrepreneurship in the sector. Advancement is planned through improvements in business environmental and incentives for innovative and high-value added product development. Strong focus is placed on active and adventure experiences along with culture, tradition and culinary. Sustainable development is underlying theme in the document.

In its promotion Slovenia places very strong focus on active outdoor and adventure experiences combined with traditions and contemporary culture.

Table 5: Summary of the Market Focus of Tourism Strategies in the Region

Country	Promotion Tagline	Market Focus
Albania	Go your own way	Diversification of sun and sea Focus on the undiscovered nature of Albania as destination
Bosnia & Herzegovina	*Enjoy life*	Focus on East-meets-West combined with rugged and pristine nature Linkages with neighboring countries
Bulgaria	N/A	Aimed diversification of beach and winter portfolio Strong focus on culture and history Grow specialized tourism offerings (culinary, outdoors, cultural, etc.)

[30] Strategy for Development of Tourism in the Republic of Serbia

Croatia	*Full of life*	Shift towards year-round tourism Stronger focus on experiential and active exploration rather than "classic" tourism attractions Incorporation of active and culinary
Montenegro	*Wild beauty*	Focus on preserved nature and natural beauty Effort to diversify beach with nature and outdoors Effort to place focus on quality
Serbia	N/A	Strong focus on rural and farm combined with nature Focus on culinary and natural food
Slovenia	I feel Slovenia	Very strong focus on active and adventure exploration of nature Focus on sustainability

3.2.3 Regional Insights

The overview of market dynamics in the Balkans region reveals significant opportunities for tourism development in Macedonia. The similarity of assets and themes across the region offers opportunities for cross-border linkages and development of regional themes that can increase the ability of all countries to draw together tourists from different segments. This is especially important for long-haul markets (North and South America, Australia and Asia) as well as specialty markets (archeology, bird watching, extreme adventure sports, etc.). The market logic behind collaborative offerings between Macedonia and neighboring countries was confirmed by interviewed international operators as well as during the recently conducted AdventureNEXT conference that took place in Ohrid. While Macedonia shares a lot of cultural, historical and natural assets with others in the region, it holds advantages that can secure its differentiation alongside the collaboration. An important advantage for Macedonia in the region is the rich mix of cultural and natural assets that combined represent a strong draw for many market segments, including high-spending travelers interested in combining outdoors and cultural experiences. A second key advantage of the country is its top attraction – lake Ohrid, the UNESCO status of which motivates many travelers throughout the region to include Macedonia in their itineraries. The country's central location on the Balkan Peninsula is also a strong advantage as it increases the convenience of including Macedonian destinations in regional and cross-border offerings.

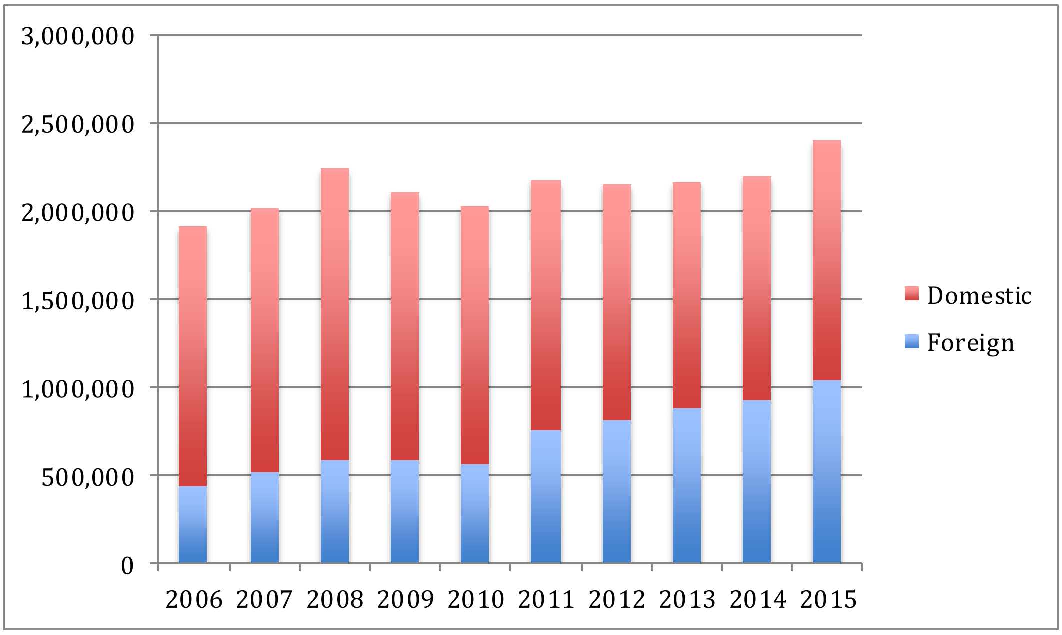
Regional context realities offer significant opportunities for Macedonia in particular. First, the fact that due to its location it enjoys a lot of traffic from regional tourists allows it to benefit from offerings that attracts transit tourists to stay a day or two on their way to or back from Greece. The strong demand for regional (Balkan) tours is another indication of the attractiveness of cross-border offerings in the area of culture, history and religion. Countries on the Balkans share common history and to a large extend culture so designing and promoting such experiences on regional level can create a lot of benefits for the entire region, and Macedonia as a centrally position country in particular. A third important opportunity is the access to regional best practices. Slovenia, Croatia and to some extend Bulgaria and Romania can be source to excellent best practices in the area of rural tourism, nature-based and outdoor experiences, culinary and traditional lifestyle offerings, especially from interior and mountain regions. Sourcing ideas and established models from neighboring countries is much more effective and easy to implement due to similarity in culture and setting.

4. Macedonia

4.1 Arrivals, Overnight Stays and Main Markets

In 2015, foreign and domestic arrivals generated almost 2.4 million overnight stays in Macedonia. While the number of domestic overnight stays decreased by almost 8% over the last ten years, the number of foreign tourists in Macedonia increased by 134%. Domestic overnight stays remains the main source market though their market share dropped from 77% in 2006 to 67% in 2015. This could be driven by an increased interest of Macedonians to travel abroad. After three years of decline, the number of domestic overnights increased by 6.7% between 2014 and 2015

Table 6: Number of Overnight Stays, Domestic and Foreign, 2006-15



Source: State Statistical Office

Foreign arrivals increased by 12% between 2014 and 2015 mostly driven by increased number of arrivals from Turkey and the Netherlands. While Turkey is the main source market by number of arrivals, the Netherlands generates the highest overnight stays. The number of overnight stays by the Dutch achieved almost 11% year-on-year growth between 2011 and 2015. The number of overnight stays from Greece travelers has dropped since 2013 while the number of overnight stays by visitors from Poland has doubled over the last three years

Average length of stay from Turkey, Serbia, Greece and Bulgaria are under two nights indicating a large share of business or transit passengers.

Table 7: Main Tourism Indicators Macedonia, 2011-15

	Number of tourist arrivals	Number of overnights ('000)					CAGR	ALOS
	2015	**2011**	**2012**	**2013**	**2014**	**2015**	**2011-15**	**2015**
Domestic	330,537	1,418	1,340	1,276	1,273	1,358	-1.1	4.1
Foreign	485,530	755	812	881	923	1,036	8.2	2.1
Netherlands	32,217	112	145	127	128	169	10.8	5.3
Turkey	90,857	65	81	105	97	135	20.0	1.5
Serbia	43,613	73	71	74	77	85	3.9	1.9
Greece	38,829	78	73	81	74	64	-4.8	1.7
Bulgaria	29,314	35	39	41	49	53	10.9	1.8
Albania	18,493	36	35	41	42	39	2.0	2.1
Germany	17,939	22	26	30	33	36	13.1	2.1
Poland	17,054	14	18	30	38	36	26.6	2.1
Croatia	15,135	29	29	26	32	31	1.7	2
Other	182,079	291	295	326	353	387	7.4	2.1
TOTAL	**816,067**	**2,173**	**2,152**	**2,157**	**2,196**	**2,394**	**2.5**	**2.9**

Source: State Statistical Office

Note: 'Tourist arrivals' represents the number of tourists that register at a tourism accommodation. If a tourist stays at multiple accommodations during its stay, it will be included each time. ALOS is calculated by dividing the number of overnight stays by the number of tourist arrivals. This number shows the number of nights a tourist stays at a single tourism accommodation within the country and if the tourist stays at multiple hotels, this figure does not represent the average length of stay within Macedonia.

4.2 National Tourism Plans and Policies

Macedonia is in the process of developing its new national tourism development strategy with action plan for the period 2016-2021. One of the key findings from the analysis of the current situation, which reflects the approach to planning and management of tourism development in the country, is the low level of execution and achievement on actions set in the previous strategy for 2009-2013. The analysis of Kohl & Partners reveals that expectations were met in only ten out of the 48 planned action items in the past strategy.

The initial version of the draft document seems to cast a very wide net in terms of tourism development identifying a very high number of segments as holding high potential for Macedonia, and identifying numerous projects that should be supported. Given the past experience of the country and the uneven capacity in the sector, it could be assumed that a more focused approach to the long-terms development of tourism in Macedonia might yield better results in the long run.

Figure 6: Priorities in Macedonia's National Strategy 2016-2021

Source: Draft of National Tourism Strategy of the Republic of Macedonia

Anecdotal evidence suggests that many strategic analyses and plans developed for tourism in Macedonia in the last years have had similar destiny. While there seems to be quite a bit of knowledge and understanding of the opportunities and challenges in the sector, very low levels of execution have prevented the country from unfolding its full potential.

Another important observation on national level is the associated with the high number of stakeholders that see tourism as a priority sector for their activities. This includes almost all donor programs who are active in Macedonia as well as numerous non-governmental associations and other entities that are part of EU-funded or other programs in areas related to environment, culture or community development. This high number of activities and programs has generated a lot of benefits by supporting small- or larger-scale developments and initiatives. The high number of developments, however, combined with the different priorities, formats and work cycles of donors and funding programs, has led to lack of coordination and loss of market focus with many of these projects.

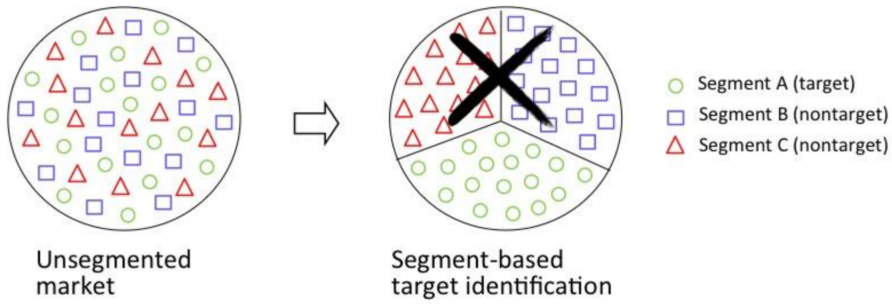
4.3 Current Market Segments

4.3.1. Market Segment-based Approach

A market segment is a group of customers who share common characteristics[31] such as demographic and/ or psychographic characteristics, consumption preferences and behavioral patterns, etc. Segmentation is an important step in the strategic market analysis leading to effective tactical decisions as it helps identify the travelers who are most likely to be attracted to and engage with the destination.

[31] Chernev, A. (2014). *Strategic marketing management*. Cerebellum Press.

Figure 7: Segment-based Market Analysis and Targeting

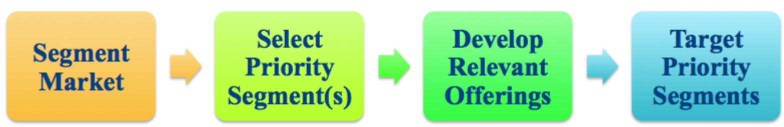


Source: Chernev, A. (2014). *Strategic Marketing Management.* Cerebellum Press

Once segments are selected and their profile and consumption patterns are clear, there is basis for development of relevant product offerings and marketing tactics for their targeting. Segment-based targeting secures effective distribution of resources and time in terms of product development, and highest level of precision in marketing efforts. Segmentation can be performed on the basis of different characteristics, including basic demographics or usage styles. This study adopted a behavioral segmentation approach identifying different segments on the basis of their preferences for things to do and activities to engage in across Macedonia. A behavioral approach is effective in differentiating between the very different types of tourists who may be present in the same geographic areas but may have very different reasons for visiting, very different expectations in terms of offerings and extremely different impacts on the social and natural setting.

In order to maintain a market-driven demand-based approach the analytical work towards the design of development plans for destinations along the Western and Eastern circuits, and the Central corridor, took a segmentation approach that follows several key steps: identifying different segments currently present in Macedonia, select priority segments on the basis of a well-defined criteria, focus on developing offerings that are relevant for the selected markets and target them with relevant communication tactics (Figure 8).

Figure 8: Segment-based Approach to Market Analysis and Development Planning



4.3.2. National-level Market Segments in Macedonia

An important aspect of the market analysis was the identification of traveler segments that are currently relevant for the Macedonian market. The following segments are generated on the basis of preliminary interviews with outbound and inbound tour operators in Macedonia, and international tourism operators that include Macedonia in their offerings. As described below, these are the segments that seem to be identifiable for Macedonia on national level and are relevant to some of the destinations, on which this market analysis is focused. For an overview table see Appendix 1.

4.3.1 Charter tourists

These are travelers who arrive from Western European countries (mainly Netherlands) on low-cost packages on charter flights landing mainly in Ohrid. They usually spend 7 days, stay mainly in Ohrid and take one-day excursions in the nearby areas or other parts of the country. The main driver for their choice of Macedonia and Ohrid is the lowest possible price for vacation package.

Due to the limited geographical dispersion of this segment, it has limited potential for impact beyond the areas, which these travelers currently visit. Their conservative spending behavior and the fact that a large share of their spending is concentrated in the mediating tour operator and the local provider of accommodation services, are limitations on the economic impact that may be yielded. At the same time, this segment is already active in the country and may represent a good beachhead market for the testing of new products in the areas close to Ohrid.

4.3.2 European short break tourists

These are travelers who arrive from different Western European countries for short city breaks. They usually arrive on low cost airlines, mainly in Skopje and spend a weekend or a long weekend exploring Skopje and nearby regions. The main driver for this group is the combination between curiosity in visiting the ‘off-the-beaten-path’ Macedonia, low cost (low prices for food and lodging on the ground) and easy cheap access due to low cost airline. They might engage in some hiking or biking around Skopje but would mostly visit popular sites on their own based on guide books or peer recommendations.

This is a segment, which is somewhat limited in terms of geographic dispersion due to the short time they spend in the country. While one-day trips to Ohrid are within the demanded experiences, this is so only because of Ohrid’s reputation as a top destination in the region with UNESCO World Heritage status. The higher spending levels of this segment represent an attractive opportunity for Skopje and the immediate surrounding areas.

4.3.3 Classic Balkan tour tourists

These are travelers who are part of groups traveling on bus around the Balkans. They typically visit three or four countries in the region and stay between two and three days in Macedonia. These travelers usually spend a night in Ohrid and in Skopje, and visit the most important cultural and religious sites in the country. They are more likely to adhere to classic tour models with standard guiding and limited physical or outdoor activity.

This segment generates high number of visits at the leading Macedonian tourism attractions. It shows a relatively good level of dispersion around the country but focused around already well-developed and mostly traditional cultural heritage attractions. New products and attractions would typically not be attractive for this segment until they generate recognition by the market. Classic Balkan tour tourists can be good spenders but are not among the segments with high local impact as their expenditures are channeled mostly through packages purchased through tour operators and tend to be conservative in terms of food and accommodation.

4.3.4 Regional and domestic short break tourists

These are travelers from Bulgaria, Serbia or Macedonia who visit different resort or holiday places for weekends or for short breaks for weekends or around official holidays. They typically go to places with good accommodation facilities and are attracted by the convenience of the resort/ hotel, as well as the availability of good food and drink. They are more focused on passive relaxation and eating activities, and are not likely to engage in active outdoor activities.

This segment tends to be a leading generator of arrivals in specific regions in Macedonia, mostly areas close to the borders with Bulgaria and Serbia. This segment has some potential for geographic dispersion, especially with development of new offerings and accommodation facilities that align with its expectations. It is characterized with high spending that is channeled directly to local providers.

4.3.5 Macedonia tour explorers

These are travelers who are part of a tour group (size ranging from 15-30 people) traveling around Macedonia by coach bus. Length of the tour varies between 7-12 days, shorter tours focus on the western region and longer tours also cover parts of Eastern Macedonia. The main focus of the tours is Macedonian culture and nature. A number of tours include active components (hiking/walking). The majority of these groups consist of 50+ travelers. Some tour operators also offer the same tour as a self-drive with rental car and pre-arranged accommodation. Many of the tour groups are from the Netherlands but Israel, UK and some other European countries are emerging source markets as well.

Macedonia tour explorers are characterized with good geographical dispersion impact as they travel throughout the country. They could be easily interested in additional and new offerings if they are easy to link to other places they are visiting, and if they are linked to distinctive characteristics of Macedonia as a destination. This segment can generate good economic impact through its local spending.

4.3.6 Small group active outdoor tourists

These are travelers who are part of a small tour group (size ranging from 5-14 people) traveling with a specialty operator around Macedonia. Some of the tours combine Macedonia with neighboring countries such as Greece and Bulgaria. These tours usually involve traveling by mini bus or combine minibus with hiking and biking. Length of the tour varies between 7-12 days, shorter tours focus on the western region and longer tours also cover parts of Eastern Macedonia. The main focus of the tours is Macedonian culture and nature through authentic experiences in off-the-beaten-track locations. Some of the tours are standard and other are tailor-made for specific interest. The majority of these groups consist of 50+ travelers. Many of the tour groups are from the UK, the Netherlands but Israel, other European countries and North America are emerging source markets as well.

Active outdoor tourists are eager to explore different places throughout the country and can be characterized with high potential for geographic dispersion. They are particularly interested in less visited and rural areas, which can lead to enhanced impacts in areas, which are currently outside of Macedonia's tourism map. Development of more offerings for this segment can be expected to yield direct economic benefits and new business opportunities as they tend to leave higher share of their spending locally.

4.3.7 Independent active outdoor tourists (including domestic)

These are travelers from a variety of source markets (Europe, US/ Canada, region and Macedonia itself) who travel to and within Macedonia engaging in active outdoor exploration (hiking, biking) combined with cultural and culinary experiences. The age bracket for this group of travelers is quite wide (could be between mid 20s and 30s to mid 50s). They tend to be independent in the planning of their stay (using online channels such as booking.com) in Macedonia and are usually in small groups (up to 4-5 people). These visitors typically spend several days to a week in the country and visit a variety of places outside of the main tourism centers. If international, they might be combining Macedonia with one or more other country in the region.

Independent active outdoor tourists are also associated with high potential for geographic dispersion and positive impacts outside of leading tourism areas. While younger independent travelers may be more conservative in their spending compared to small group organized adventure travelers, they tend to book and spend directly with local providers, which magnifies their local economic and social impact.

4.3.8 Hard adventure travelers (including domestic)

These are travelers who are passionate about hard adventure activities such as paragliding, rock climbing, freestyle skiing, etc. They come to very specific places in Macedonia, which have built a reputation for offering prime conditions for their favorite sport. These tourists are willing to travel to Macedonia even from distant countries and stay longer periods of time (one week, two weeks and more). They might seek to combine their core activities with food and some culture but that is not a must. They are not very pretentious in terms of accommodation and food but expect to have reliable even if basic conditions. Local specialty clubs usually supports their activities in Macedonia.

Hard adventure travelers are characterized with high spending and especially long length of stay. They are drawn to specific places that offer prime conditions for their adventure activities, which limits their potential for geographic dispersion. Given that certain regions in Macedonia seem to have globally competitive assets for certain hard adventure offerings, this segment can be extremely important for targeted regions.

4.3.9 Transit tourists

These are travelers (mainly Serbian but also Romanian and other nationalities) who pass through Macedonia in the summer on their way the Greece for summer vacation. Many of them look to break the long trip to the Greek coast with stopovers in Macedonia. They can spend between a few hours for lunch to 2-3 days in locations in Macedonia that are alongside the corridor and give them reason to spend time.

Due to the nature of their motivation to visit Macedonia transit tourists have limited potential for growth and impact. They are highly unlikely to deviate from their original route on the way to or back from the Greek coast so they do not offer potential for geographic dispersion. Attractive offerings can increase their spending and to little extent also the time they spend in the country.

4.3.10 Domestic MICE (Meetings, Incentive, Conferences and Events)

These are Macedonians who travel for the purpose of training, meetings, seminars or conferences that are being organized at a location off-site of their usual work place. These trips are sometimes combined with activities promoting team building or relaxation. The length of domestic MICE programs can vary between one and several days. The majority of this type of travel takes place in shoulder and low-season period (October, November, January, February and March), which is source of welcome income for hotels that do not receive leisure tourists in these months.

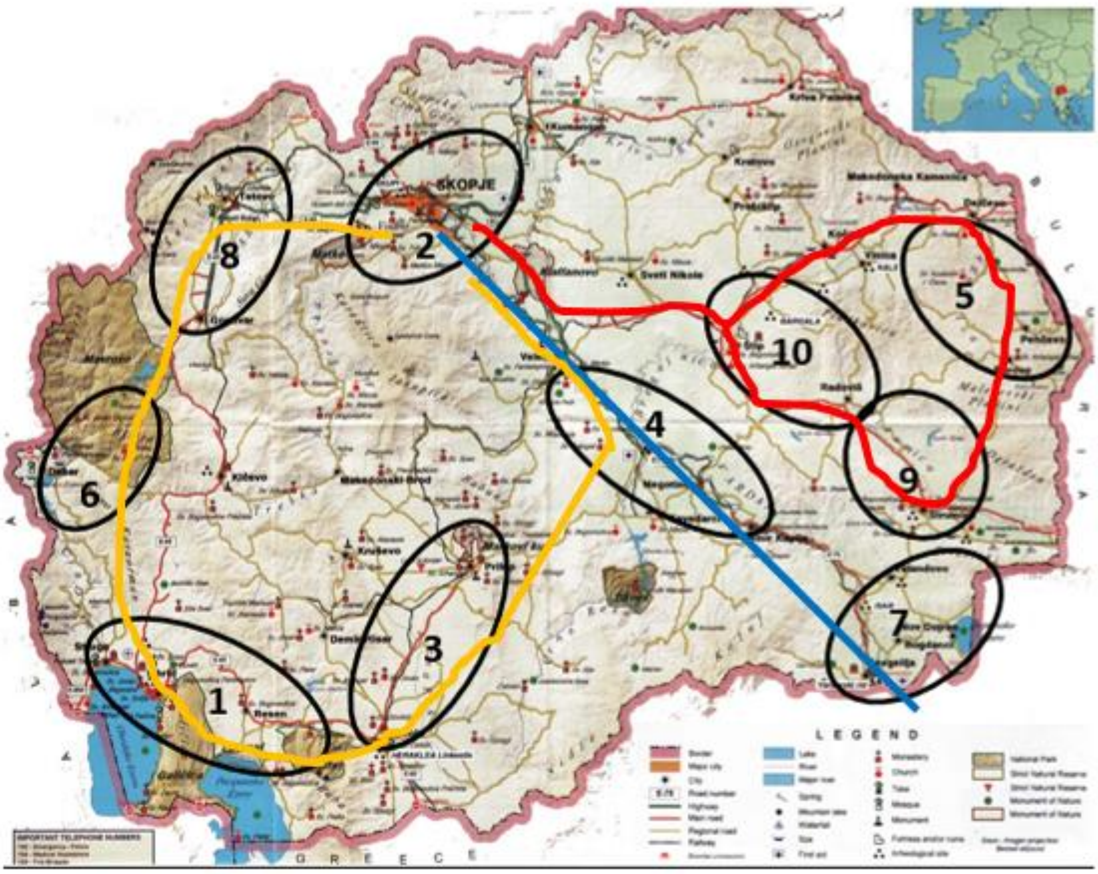
Domestic MICE tourists are highly dependent on the availability of meeting facilities. This segment is very important for specific regions where there are hotels with meeting facilities and where it secures occupancy during the low tourism seasons.

5. Market Segment Analysis

Through a literature review of the key strategies that govern the tourism sector, a number of destinations (or cluster of destinations) have been identified as strategic for the sector. In 2015, the project team (led by selected members of the Working Group) scored and prioritized the previously identified destinations using a set of five criteria[32] and identified ten destinations that scored over sixty percent. The team consulted with the private sector in order to: i) validate and verify their commercial viability, and ii) define their organization into circuits or corridors as per the reality of how they are packaged and used. This process resulted in the definition of two circuits and one corridor. The circuits, corridor and destinations are illustrated in the map below**.**

These pre-selected destinations organized along the Western and the Eastern circuits, and the Central corridor served as basis for the current market analysis. Figure 9 illustrates the destinations and is followed by a description of the areas covered by each.

Figure 9: Map of Macedonia Showing Tourism Destinations, Circuits and Corridor



[32] The criteria were based on the circuit's strategic significance for the development of tourism will have strong market demand and deliver significant regional development and other impacts in-line with national development goals and objectives of the LCRP.

Red = Eastern circuit; arriving/departing Skopje (or Bulgaria/Greece), visiting 5, 9, and 10.
Blue = Central corridor: arriving Skopje, departing Greece (or reverse) including 4, 7, and Thessaloniki
Orange = Western circuit; arriving/departing Skopje or Ohrid. Central hubs of Skopje and Ohrid, connecting with smaller destinations 8 and 6, and 3 and 4.

The destinations are as follows:

a. Destination 1 encompasses Ohrid, Struga, Prespa and their surroundings
b. Destination 2 encompasses Skopje, Kumanovo and their surroundings
c. Destination 3 encompasses Pelagonija
d. Destination 4 encompasses the Tikvesh region
e. Destination 5 encompasses Maleshevo
f. Destination 6 encompasses the Reka region
g. Destination 7 encompasses Gevgelija and Dojran
h. Destination 8 encompasses the Polog region
i. Destination 9 encompasses Strumica and its surroundings.
j. Destination 10 encompasses Shtip, Radovish and their surroundings

5.1 Supply and Demand dynamics along the Eastern Circuit

The three destinations identified as having the most potential in the eastern part of Macedonia and form the Eastern Circuit are:

- Strumica and surroundings
- Maleshevo
- Shtip, Radovish and surroundings

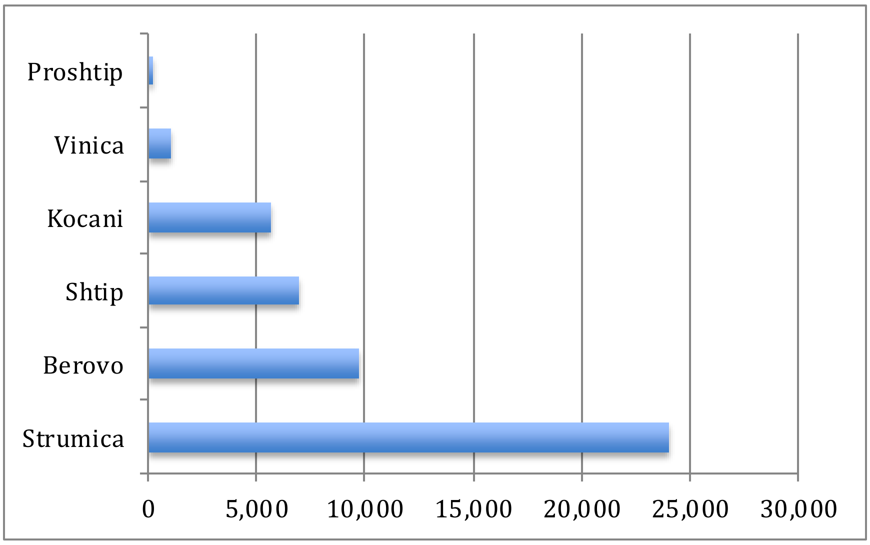
These destinations are located in the following statistical regions in Macedonia:

- **Southwestern region:** Bogdanci, Bosilovo, Dojran, Gevgelija, Konce, Novo Selo, Radovish, Strumica, Valandovo and Vasilevo
- **Eastern region:** Berovo, Cesinovo-Oblesevo, Delcevo, Karbinci, Kocani, Makedonska Kamenica, Pehcevo, Probistip, Shtip, Vinica and Zrnovci
- **Northeastern region**: Kratovo, Kriva Palanka, Kumanovo, Lipkovo, Rankovce and Staro Nagoricane

While statistically located in the southwestern region, the destinations Dojran and Gevgelija will be included in the Central Corridor and not in the Eastern Circuit. Kumanovo, statistically in the Northeastern region, is included in the Central Corridor. In 2015, just 2.2% of all overnight stays (domestic and foreign) were in the destinations included in the Eastern region[33].

[33] Not included are Dojran, Gevgelija and Kumanovo

Figure 10: Number of Tourist Arrivals Eastern Circuit by Destination, 2015



Source: State Statistical Office

Strumica, Berovo, Shtip and Kocani are the municipalities with the highest number of tourist arrivals in 2015. Tourism statistics for Kratovo and Radovish are not available[34].

Table 8: Key Tourism Indicators for the Eastern Circuit

	Total 2015	**Domestic**	**Foreign**	**Foreign (%)**	**Length of stay**	**Total 2010**	**CAGR 2010-15**
Strumica	24,006	16,833	7,773	32.4	2.3	26,868	-1.9%
Berovo	9,727	7,216	2,511	25.8	1.9	1,891	31.4%
Shtip	6,997	3,243	3,754	53.7	2.4	5,795	3.2%
Kocani	5,685	4,147	1,538	27.1	3.1	3,047	11.0%
Vinica	1,033	729	304	29.4	3.4	n/a	n/a
Probistip	208	198	10	4.8	2.9	n/a	n/a
Total	**47,656**	**32,366**	**15,890**	**33.3**	**2.1**	**n/a**	**n/a**

Source: State Statistical Office

[34] The Macedonia State Statistical Office does not publish statistics for municipalities with less than two hotels due to privacy reasons

5.1.1 Destination 9: Strumica and Surroundings

Strumica is the largest city in southeastern Macedonia and located 15 km from the border with Greece and 15 km from the border with Bulgaria. The town has a population of about 35,000 people and is the main agricultural center of the country. The wider area around Strumica has a population of 55,000. The center of the town is a fairly attractive area and there are a few small and older hotels. There a few larger and newer hotels just outside of the center.

Key Attractions

- Monastery of St Leonthius in Vodoca
- Monastery of the Holy Mother of God in Veljusa
- Bansko (ruins of Roman bathhouse)
- Kolesino waterfall
- Smolari waterfall
- Monospitovo wetlands
- Strumica fortress
- Church of Holy 15 Martyrs in Strumica

Current Market

In 2015, 68% of all tourist arrivals as well as overnight stays in paid accommodation were generated by domestic tourists. However, the number of domestic number of overnight stays dropped by 27% between 2010 and 2015. The MICE and the wedding market drive much of domestic tourism. Average length of stay for domestic tourists remained the same between 2010 and 2015 at 2.5 nights. While the largest hotel in Strumica caters mostly to the MICE market, it also attracts domestic leisure tourism offering spa facilities and outdoor pools.

Table 9: Number of Overnight Stays and Tourist Arrivals in Strumica, 2010 and 2015

	Number of Overnight Stays			**Number of Tourist Arrivals**		
	2010	**2015**	**% change**	**2010**	**2015**	**% change**
Foreign	9,361	12,877	37.6	4,086	7,773	90.2
Bulgaria	1,650	3,715	125.2	903	2,746	204.1
Serbia	1,228	1,341	9.2	623	721	15.7
Turkey	288	930	222.9	215	481	123.7
Netherlands	332	719	116.6	182	402	120.9
Germany	211	717	239.8	65	264	306.2

Greece	1,463	572	-60.9	696	330	-52.6
Domestic	56,161	41,173	-26.7	22,782	16,833	-26.1

Source: State Statistical Office

Bulgaria drives much of the international tourism demand in the area and the number of overnight stays increased by 125% between 2010 and 2015. Their average length of stay dropped from 1.8 nights in 2010 to 1.4 in 2015. Strumica is the closest largest town from the Bulgarian border and Bulgarians come for business or leisure. Serbia is the second largest foreign market and has seen a slight increase over the last five years. Visitors from Turkey are mostly individual travelers who come for business or leisure. A few of the Dutch Macedonia tours stay overnight in Strumica (2-5 groups per year). Travelers from Greece are predominantly business travelers. Citizens from Poland usually visit Strumica as part of an organized Balkan tour. The number of visitors from Poland has increased significantly over the last few years. There are a small number of Balkan tours catering to the Italian market which stay overnight in Strumica. The Strumica area is also an overnight stop for some smaller niche markets such as bike tours.

The waterfalls near Kolesino and Smolari attract many day visitors, as they are fairly well accessible. There are walkways and picnic tables available but some it is in need of repair. The restaurants near the falls are mainly catering to Macedonian and Bulgarian visitors. The latter often traveling in groups by bus for the day. Another restaurant nearby in Novo Selo works with tour operators and received 22 large tour groups (15-20 people each) in 2015. These tour groups are mainly from the Netherlands. The monasteries in Vodoca and Veljusa and the waterfalls are incorporated in the itinerary of a number of international tour groups. The majority of these tours are Macedonia Explorers tours (tour groups traveling by bus in Macedonia) and some are Balkan tours. The Monastery of St Leonthius in Vodoca receives approximately 20 large tour groups with Dutch tourists per season. However, the majority of these tour groups do not stay overnight in Strumica but travel on to Berovo.

Current main market segments: Domestic MICE, Regional and domestic short break tourists and Macedonia tour explorers

5.1.2 Destination 5: Berovo (Malesh)

Located in the Maleshevo Mountains (1,000 meter elevation), the town of Berovo has a population of about 7,000 people and is very close to the Bulgarian border. There is no border crossing nearby.

Key attractions

- Fresh mountain air
- Cool summers
- Monastery of the Holy Archangel Michael
- Local fresh organic food
- Hotel Aurora

- Sheep farm Klepalo
- Lake Berovo
- Pehcevo waterfalls

Hotel Aurora opened in 2011 and Hotel Manastir in 2007 and both hotels now have 30 rooms each. Hotel Aurora caters largely to individual travelers and the domestic MICE market and strives to deliver their guests a resort experiences and offers full spa, mountain bikes, a playground and horseback riding. Hotel Manastir caters mostly o tour groups and the MICE market and has a small spa in the hotel. Both hotels offer excursion packages to attractions in the region: visiting sheep farm, jeep safari, wine tasting at Delfina wineries, Pehcevo waterfalls and visit of the monasteries St. Archangel Michael and St. Bogorodica. The excursion to sheep farm "Klepalo" is the most popular excursion; guests can visit a traditional sheep farm and enjoy a locally prepared lunch.

Current Market

Domestic travelers represented the majority of the market in Berovo and this has increased five-fold between 2010 and 2015. The average length of stay for domestic tourists was 1.8 in 2010 with no change in 2015. Domestic tourists stay in one of the two anchor hotels (Hotel Aurora and Hotel Manastir) but also in the smaller hotels and rental homes and apartments in the area. Domestic tourists come for MICE as well as leisure tourism. Leisure travelers come to enjoy the fresh air, the cooler temperatures in the summer or to participate in some light activities such as walking or enjoy the spa, restaurants and the activities at the hotels. The availability of locally produced foods (honey, jam and cheese) are an important part of the attractiveness of the area.

Table 10: Number of Overnight Stays and Tourist Arrivals in Berovo, 2010 and 2015

	Number of Overnight Stays			**Number of Tourist Arrivals**		
	2010	**2015**	**% change**	**2010**	**2015**	**% change**
Foreign	1125	4,898	335.4	522	2511	381.0
Bulgaria	100	1,397	1,297.0	63	738	1071.4
Netherlands	299	571	91.0	171	344	101.2
USA	236	397	68.2	32	103	221.9
Serbia	37	383	935.1	33	199	503.0

Switzerland	92	252	173.9	27	124	359.3
Germany	53	243	358.5	35	144	311.4
Domestic	2,418	13,328	451.2	1,369	7,216	427.1

Source: State Statistical Office

Bulgarians have become a very fast growing market for Berovo and arrivals increased from 63 in 2010 to 738 in 2015. The average length of stay for this market was 1.8 nights in 2015. The new roads connecting Bulgaria and Macedonia have contributed to this as well as the opening of the two anchor hotels. The private sector is expecting Bulgarians to surpass the Dutch market as they expect 20 Bulgarian tour groups in 2016.

The Netherlands is the second most important international source market. Arrivals almost doubled between 2010 and 2015 and almost all Dutch travelers are part of a tour group. Average length of stay in 2015 was 1.7 nights. The hotels are expecting 20 groups with average group size of 34 people per group; in 2015 they received 15 groups. Almost all Dutch tour groups visit the sheep farm where they have lunch.

The US market is sixth in terms of number of tourists, but third in number of overnight stays. Arrivals have tripled between 2010 and 2015 but average stay dropped from 6.4 nights in 2010 to 3.9 nights in 2015. The Swiss and German markets have grown as well but absolute arrivals are still fairly small at around 125-150 arrivals in 2015.

In 2015, Berovo received 62 tourists from Israel who stayed a total of 96 nights. While still small, the Israeli market is expected to make an important impact in the region. According to tour operators, Israeli visitors are specifically interested in the eastern part of the country as they are interested in authentic and rural experiences. In March 2016, one of the Macedonian ground operators organized a FAM trip for travel agents and press from Israel and they included Berovo in the itinerary.

Current main market segments: Regional and domestic shorts break tourists, domestic MICE, Macedonia tour explorers.

5.1.3 Destination 10: Shtip, Radovish and Surroundings

The municipalities Shtip, Radovish, Vinica, Probistip, Kocani and Kratovo are located in the east and northeast of the country. The municipally of Shtip is the largest city in the east with a population of almost 50,000 people. The municipality of Radovish has a population of about 30,000 and is located between Shtip and Strumica. The smaller municipalities of Vinica, Probishtip, Kocani and Kratovo are located around Shtip. Kratovo is located in the crater of an extinct volcano and has an interesting architecture.

Key Attractions

- Kezovica Spa
- Ancient city of Bargala
- Sveti Nikole
- Cocev Kamen
- Monastery of St Gavril Lesnovski
- Valley of the Stone dolls
- Town center of Kratovo
- Kokino

Shtip

In 2015, domestic arrivals in Shtip represented 46% of all tourists in Shtip and arrivals have seen little change over the last five years. Average length of stay for domestic tourists was 2 nights in 2015. Bulgaria and Serbia are the main foreign source markets and arrivals doubled between 2010 and 2015. Arrivals from Italy tripled from 11 in 2010 to 399 in 2015. According to tour operators, visitors from Italy are most likely business travelers or Macedonians living in Italy. Arrivals from Germany experienced just a small increase. The high average length of stay; 3.2 nights for both Italy and Germany also indicates visitors from these countries are less likely to be traveling for leisure. Accommodation options in Shtip are limited and rated poorly by visitors.

Table 11: Number of Overnight Stays and Tourist Arrivals in Shtip, 2010 and 2015

	Number of Overnight Stays			Number of Tourist Arrivals		
	2010	**2015**	**% change**	**2010**	**2015**	**% change**
Foreign	6,174	9,859	59.7	2,600	3,754	44.4
Serbia	487	1965	303.5	313	677	116.3
Bulgaria	655	1,557	137.7	449	814	81.3
Germany	925	993	7.4	280	308	10.0
Italy	399	696	74.4	131	215	64.1
Romania	34	628	1,747.1	24	60	150.0
Turkey	404	468	15.8	242	203	-16.1
Greece	399	205	-48.6	209	152	-27.3
Domestic	6,289	6,613	5.2	3,195	3,243	1.5

Source: State Statistical Office

Radovish

There are no accommodation statistics available for Radovish. A local rock-climbing group has developed a climbing site at Pilav Tepe which is considered one the most accessible climbing sites in Macedonia.

Kratovo

There is no accommodation data for Kratovo available. There are however two hotels in Kratovo; the 25–room Hotel Kratis and the four-bedroom house Shancheva. Hotel Kratis received a number of large tour groups with visitors from Poland in 2015. The hotel also offers conference facilities. Etnohouse Shancheva receives organized small tour groups mostly from the Netherlands as well as some individual travelers. Though on a small-scale, Ethno House Shancheva has been able to generate international interest in Kratovo as a destination. The owner also owns a small museum in the center of Kratovo, which showcases a collection of geological finds from the area and where tourists can try some typical dishes from the region. The owner also provides guided walks of the town and is an expert of 'slow-food'.

There are a number of attractions near Kratovo that receive visitors. Valley of the Stone Dolls is easy accessible from the main road but the infrastructure around the attraction needs maintenance. The Monastery of St Gavril Lesnovski provides guided tours in the church for visitors and sometimes arranges lunches.

Kocani

The number of domestic tourists in Kocani increased by 50% between 2010 and 2015 and represented 73% of all arrivals in 2015. The average length of stay for domestic tourists increased slightly from 1.5 in 2010 to 1.6 in 2015. With the new road the area will be more accessible from visitors from Skopje. Foreign arrivals numbers in Kocani are still low but almost quadrupled between 2010 and 2015.

Table 12: Number of Overnight Stays and Tourist Arrivals in Kocani, 2010 and 2015

	Number of Overnight Stays			**Number of Tourist Arrivals**		
	2010	**2015**	**% change**	**2010**	**2015**	**% change**
Foreign	864	3,084	256.9	415	1,538	270.6
Bulgaria	n.a	416	-	n.a	262	-

Serbia	n.a	596	-	n.a.	308	-
Turkey	n.a	417	-	n.a	196	-
Germany	n.a	366	-	n.a	155	-
Italy	n.a	235	-	n.a	89	-
Netherlands	n.a	85	-	n.a	63	
Domestic	3971	6,568	65.4	2,632	4,147	57.6

Source: State Statistical Office

Vinica

There are currently two hotels in Vinica which cater mostly to domestic tourists. Foreign tourists in Vinica have an unusual long length of stay. Length of stay was 5.8 night for the Italian tourists in 2015; 6 nights for Lithuanian; 8 nights for Greeks and 3.3 nights for Turkish tourists. This could indicate that the hotels cater to long-term guests who stay for business or other non-leisure reasons.

Table 13: Number of Overnight Stays and Tourist Arrivals in Vinica, 2015

	2015	
	Number of Overnight Stays	**Number of Tourist Arrivals**
Foreign	975	304
Serbia	120	51
Bulgaria	134	51
Turkey	203	61
Greece	90	11
Italy	98	17
Turkey	203	61
Kosovo	16	4
Lithuania	54	9
Domestic		723

Source: State Statistical Office

Probistip

The town of Probistip has one medium size hotel caters to MICE and weddings as well as a few smaller places of accommodation. Domestic tourism is the main source market and the municipality received just 10 foreign tourists in 2015.

Table 14: Number of Overnight Stays and Tourist Arrivals in Probistip, 2015

	2015	
	Number of Overnight Stays	**Number of Tourist Arrivals**
Foreign	59	10
Slovenia	52	7
Bulgaria	6	2
Austria	1	1
Domestic	535	198

Source: State Statistical Office

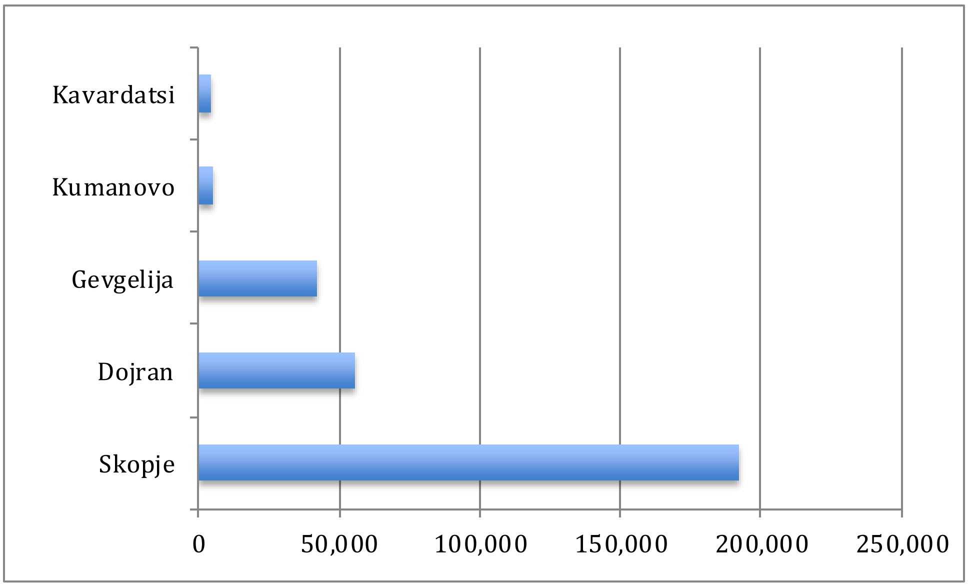
Current main market segments: Regional and domestic short break tourists, Macedonia tour explorers and Balkan Tours

5.2 Supply and Demand Dynamics along the Central Corridor

The three destinations identified as having the most potential for tourism along the Central Corridor are:

- Tikvesh region
- Gevgelija and Dojran
- Skopje, Kumanovo and their surroundings

Figure 11: Overnight stays by Destination in Central Corridor, 2015



In 2015, 37% of all overnight stays (domestic and foreign) were in destinations included in the Central Corridor. With Skopje excluded the Central Corridor had just 13% of all overnight stays in the county in 2015.

Table 15: Number of Tourist Arrivals by Main Destinations in the Central Corridor

	Total 2015	Domestic	Foreign	Foreign (%)	Length of stay	Total 2010	CAGR 2010-15
Skopje	192,201	19,187	173,014	90%	1,9	104,072	10,77%
Kumanovo	5,101	650	4,451	87%	1,9	2,366	13,66%
Dojran	55,538	49,590	5,748	10.4	4.2	27,455	12,46%
Gevgelija	41,975	14,216	27,759	66.1	2.9	29,304	6,17%
Kavadarci	4,559	2,864	1,695	37.2	3,1	3,875	2,75%

Source: State Statistical Office

5.2.1 Destination 7: Gevgelija and Dojran

Dojran

Located in the southeast of the country next to the Greek border. The municipality of Dojran is divided into the old part, Star Dojran and the new part Nov Dojran. The total population is around 3,500 people. The small border control station nearby is used an alternative to the busier crossing on the highway near Gevgelija. Overuse of Lake Dojran had caused the water levels to drop to one-third of the firmer size. After intervention, water levels have now returned to normal.

Key attractions

- Lake Dojran
- World War I battlefield

Current Market

Domestic tourists represented 90% of all arrivals in Dojran in 2015 and doubled between 2010 and 2015. Visitation of the town has increased since the lake has normal water level again. Recently the beach area has been improved with seating and umbrellas. The average length of stay for domestic tourists remained stable at 4.5 nights between 2010 and 2015. This is one of the highest lengths of stay in the region. The majority of the domestic guests come to the lake during the summer months to relax and undertake very little activity. During the winter months the majority of the hotels are closed. The main hotel open during the winter months has some domestic MICE tourism. The Dojran area has experienced a recent boom in second homes and short-term rental apartments. Overnights stays per accommodation type are not available on the municipality level but 61% of all domestic overnight stays in the Southeast region which includes Dojran is in 'Houses, vacation apartments and rooms for rent'.

Table 16: Number of Overnight Stays and Tourist Arrivals in Dojran, 2010 and 2015

	Number of Overnight Stays			Number of Tourist Arrivals		
	2010	**2015**	**% change**	**2010**	**2015**	**% change**
Foreign	4,605	10,514	128.3	2,169	5,748	165.0
Serbia	1549	3,807	145.8	561	2,071	269.2
Bulgaria	1344	2,593	92.9	498	1,259	152.8
Greece	373	849	127.6	290	764	163.4
Kosovo	443	799	80.4	273	394	44.3
USA	13	415	3,092.3	11	123	1018.2
UK	62	292	371.0	37	130	251.4
Domestic	*114,017*	*222,688*	*95.3*	*25,286*	*49,590*	*96.1*

Source: State Statistical Office

Foreign arrivals in Dojran have doubled between 2010 and 2015. The average length of stay for foreign guests in 2015 was 1.8 nights. More than half or foreign arrivals originate from Serbia or Bulgaria. Many of the Serbian tourists are in transit between Serbia and Greece, traveling on Corridor 10 and stay in Dojran for just one night. One of the reasons for visitors from the UK and the USA to stay in Dojran is the World War I battlefield near Star Dojran. In 2016 it will be 100 years since the main battles and events along the Greek-Macedonia Line. For this summer, hotels in Dojran have bookings for three groups of 50 people each from the UK. The groups will visit battlefields in Greece for four days and then spend two days in Dojran.

Star Dojran also attracts a significant number of day visitors (Macedonian and Greek) who enjoy the restaurants and the lake for the day.

Current main market segments: domestic short break tourists, domestic MICE, transit, small group tours.

Gevgelija

Located in the southeast of Macedonia, the town is located on the main border with Greece. The border is the main gateway to Greece as well as for those wishing to travel through Macedonia from Greece to Belgrade and Zagreb. The town has a population of about 15,000 people.

Main Attractions:

- Casinos

Current Market

In 2015, 34% of all tourists in Gevgelija were Macedonians and their average length of stay was 4.3 nights. A majority of these are Macedonian retirees who spend a few days in Negorski spa. Since the opening of the Ramada Hotel, the area also attracts some domestic MICE tourism.

In 2015, 84% from all foreign tourists originated from Greece. Their average length of stay was 1.7 night in 2015 and arrivals increased by 65% between 2010 and 2015. Much of the overnight stays can be attributed to Greeks coming to play at one of the casinos in the town. There are two major casino hotels in Gevgeljia; the Flamingo Hotel and Casino opened in 2003 and the Ramada Hotel (Princess Casino), which opened in 2010.

People from Serbia, Turkey and Bulgaria are mostly transit passengers who use the hotels in Gevgelija for an overnight stay when traveling on Corridor 10.

Table 17: Number of Overnight Stays and Tourist Arrivals in Gevgelija, 2010 and 2015

	Number of Overnight Stays			Number of Tourist Arrivals		
	2010	**2015**	**% change**	**2010**	**2015**	**% change**
Foreign	37,445	62,465	66.8	18,845	27,759	47.3
Greece	20,790	39,224	88.7	14,192	23,414	65.0
Serbia	1,208	4,812	298.3	1,147	3,307	188.3
Turkey	366	4,244	1059.6	205	2,033	891.7
Bulgaria	474	2,183	360.5	318	1,196	276.1
Kosovo	1,373	1,269	-7.6	609	926	52.1
Romania	121	1,092	802.5	108	799	639.8
Domestic	49,423	60,624	22.7	10,459	14,216	35.9

Source: State Statistical Office

Nearby restaurants in villages such as Mrzenci benefit from transit passengers (mostly Serbs and Greeks) who stop for lunch or dinner when traveling on Corridor 10.

Current main market segments: Regional and domestic short break tourists, Transit tourists

5.2.2 Destination 4: Tikvesh region

The region is located in the central part of Macedonia along both sides of the River Vardar. The main towns in this region are Negotino (pop. 20,000), Kavadarci (pop. 40,000) and Demir Kapija (pop. 3,500). It is know as the wine region of Macedonia

Main attractions:

- Wine tours and vineyards
- Ancient city of Stobi
- Lake Tikvesh

Kavadarci

The town of Kavadarci is next to Tikvesh Wineries also known for its nickel and timber production. Besides a few small hotels, the 48-room Hotel Feni is the only hotel in the town. The hotel receives a few international tour groups in 2015.

It is one of the few destinations that experienced a drop in arrivals over the last few years. The top source markets in Kavadarci are Romania and Sweden. Visitors from these countries most likely stay for business related reasons. Visitors from the USA had an average length of stay of almost 14 nights indicating they also might be staying in the town for business reasons or to visit family or friends.

Table 18: Number of Overnight Stays and Tourist Arrivals in Kavadarci, 2012 and 2015

	Total Number of Overnight Stays			Total Number of Tourist Arrivals		
	2012*	2015	% change	2012*	2015	% change
Foreign	5,580	3,932	-29.5	2 629	1,695	-35.5
Romania	673	851	26.4	121	273	125.6
Sweden	116	431	271.6	36	196	444.4
Serbia	422	367	-13.0	282	195	-30.9
Bulgaria	215	254	18.1	145	196	35.2
Germany	572	250	-56.3	159	123	-22.6
USA	117	221	88.9	42	16	-61.9
Domestic	1,841	7,031	281.9	1246	2,864	129.9

Source: State Statistical Office

Hotel and winery Popovo Kula is located in Demir Kapija but since it is the only hotel in the municipality, accommodation statistics for Demir Kapija are not public. Serbs on route to Greece are the largest group (40%) followed by tour groups (20%) and domestic visitors (15%). The hotel offers 33 rooms and is hereby the one of the few hotels in region that can cater to international tour groups.

5.2.3 Destination 2: Skopje, Kumanovo and Surroundings

Skopje is the second largest recipient of arrivals and nights spent in the country after Ohrid. As capital city and the main air transportation hub, it is the arrival point for all tourists arriving by air who do not land directly in Ohrid. Skopje is also included on practically all itineraries of groups visiting Macedonia, including such that enter the country by land and combine more than one country in the region.

Key Attractions

Skopje

- Old Bazaar (Carsija)
- Tvrdina Kale Fortress
- St. Pantelejmon monastery
- St Spas Church
- Vodno Mt
- Matka lake and Treska Canyon
- Rome Aquaduct

Kumanovo

- Kokino Megalithic Observatory

Current Market

Skopje is the largest city in the country. According to the last census data (2002) it is home to 507,000 inhabitants. The city has been undergoing major developments in the last years as part of the Skopje 2014 project, which involved the erecting of numerous monuments and buildings that completely transformed the central parts of the city. Significant investments have been going into the upgrade and development of road and urban infrastructure.

In addition to being a capital city and a natural entry point for many tourists Skopje is an attractive destination with a rich portfolio of natural and cultural heritage sites. Described by Lonely Planet as "one of Europe's most entertaining and eclectic small capital cities"[35] and "a quirky cocktail of styles"[36] the city is luring with its rich mix of heritage sites from the Ottoman and Byzantine period, including the 5th century Kale, the famous Stone Bridge and the lively Old Bazaar. The immediate outskirts of Skopje offer plenty of opportunity for being outdoors, including the beautiful Lake Matka and its underwater caves (presumed to be the second deepest in Europe at 218 m), Treska kanyon, and Vodno with the Millennium Cross (the world's largest illuminated cross) on top.

Given the relatively small size of the country, many key attractions are within a one-day trip of the capital, which makes it possible to have a complete Macedonia experience within several days. Almost all hotels hosting leisure tourists offer one-day trips to Ohrid, which is without question the pearl of Macedonia's tourism. While the relative proximity of most important sites is great for visitors on short trips, it

[35] Lonely Planet: Eastern Europe, 13th ed. (Oct 2015)
[36] Lonely Planet online: https://www.lonelyplanet.com/macedonia/skopje

leads to one of the most significant challenges with tourism in Macedonia – the overwhelming concentration of tourism activities in and around Skopje and Ohrid.

Kumanovo is located about 30 minutes northeast of Skopje. While it was not a popular tourism town in the past, the growing popularity of the Kokino Megalithic Observatory has contributed to more tourism traffic in the area. Statistical data shows that there is double increase of overnight arrivals in Kumanovo in the last five years (5,101 in 2015) but it is difficult to attribute this only to the increased traffic to Kokino. The Kokino Megalithic site is believed to be 3,800 old and to represent an astronomical observatory and ceremonial place, and is included in NASA's list of old observatories around the world.

Skopje is the second most important destination in the country in terms of arrivals and nights. In 2015 it attracted 42% of all foreign arrivals and 34% of all nights spent in Macedonia. An important factor in the fast growth in arrivals and nights that the region has seen in the last five years (69% increase in arrivals, 48% increase in nights between 2010-2015) is explained with the increased accessibility by air. The Hungarian Wizz Air, which is present in the country since 2011 doubled its capacity in Skopje in mid-2013 and is now responsible for one third of the plane seats going to Macedonia[37]. Under a special subsidy contract with the Macedonian government Wizz Air currently operates direct flights between Skopje and ten destinations in Europe.

Table 19: Number of Overnight Stays and Tourist Arrivals in Skopje region, 2010 and 2015

	Number of Overnight Stays			**Number of Tourist Arrivals**		
	2010	**2015**	**% change**	**2010**	**2015**	**% change**
Foreign	305,345	452,912	48%	138,456	234,123	69%
Serbia	24,058	3,0420	26%	16,143	19,117	18%
Turkey	18,148	63,094	248%	10,996	45,972	318%
Croatia	14,771	16,526	12%	6,876	8,489	23%
Bulgaria	4,831	13,330	176%	5,446	8,375	54%
Germany	11,745	17,704	51%	16,143	9,401	-42%
Italy	6,055	16,052	165%	2,959	7,796	163%
USA	13,338	12,191	-9%	3,940	5,289	34%
Domestic	23,793	29,954	26%	94,547	103,590	10%

Source: State Statistical Office

[37] CAPA Center for Aviation: http://centreforaviation.com/analysis/wizz-air-expansion-will-accelerate-macedonias-aviation-market-growth-in-2014-125646

Skopje draws representatives of almost all leisure traveler segments identified earlier in this report, as well as business travelers. The city offers adequate accommodation capacities amounting to 2,600 rooms and 5,344 beds[38]. The most important development in the accommodation sector is the expected in May 2016 opening of a Marriott property at the very center of the city (Macedonia Square) with 143 rooms and 21 suites.

The upgrade and development of the downtown area under the Skopje 2014 project has expanded the visitor infrastructure in the city. The capital city offers a rich portfolio of dining places, which offer excellent value for money for foreign travelers.

The visitor infrastructure and available services in and around key attractions is adequate but offers opportunity for improvement in terms of cleanliness, safety, signage, interpretation and support services. For example, there are available kayak's and boat rides on Matka lake but the walking paths are with broken railings and at times covered with trash. Other areas, such as Vodno and the Millenial cross are well developed in terms of access and infrastructure but could use improvements (viewing point, nicer food service and recreational areas similar to the picnic areas at the foot of the mountain) that can enhance the experience and extend the time spent.

Among the most important markets in the Skopje region in terms of economic impact are independent travelers from Europe and the region who come to the city on short breaks, and travelers on small or mid-size groups who visit Skopje as part of a longer Macedonian itinerary. These are tourists who tend to plan on their own and spend more in the country on hotels, food and shopping compared to tourists on larger groups who spend little outside of the packages that include lodging, food and access to attractions. Anecdotal evidence suggests that a short break traveler coming for a 3-day long weekend and staying at a good 4-star hotel in Skopje would leave in the city around $355 without airfare, shopping or excursions outside of Skopje ($180 for lodging with breakfast, $110 for food and drink over three days, $65 for access to tourist sites and attractions). Other important markets for Skopje and the surrounding are of course tourists traveling throughout Macedonia, including on more budget packages.

Current main market segments: European short-break tourists, Regional and domestic short break tourists, Macedonia tour explorers, Organized active outdoor tourists, Independent active outdoor tourists (including domestic), Classic Balkan tour tourists

5.3 Supply and Demand dynamics along the Western Circuit

The Western regions of Macedonia include some of the most active tourism areas in the country. The Southwest region, home to the pearl of Macedonian tourism Ohrid lake, is the busiest area in terms of arrivals and nights. The second most important tourism region is Pelagonia Region, which has began enjoying popularity among some high-potential specialty markets such as hard-core adventure lovers.

[38] Macedonia State Statistical Office

The following analysis will provide an overview of the following travel destinations along the Western Circuit:

- **Pelagonia Region**: Krusevo and Prilep; Bitola and Prespa
- **Southwest Region**: Ohrid town, Ohrid lake and surrounding areas
- **Polog Region**: Mavrovo and Tetovo

Overall arrival and nights numbers in all places outside of Ohrid seem insignificant when compared to the main center of tourism activity in the country. Anecdotal evidence collected during interviews and mission visits in destinations such as Krusevo, Prilep, Bitola and Mavrovo suggest that tourism dynamics in the last years have generated important positive impacts even if not always reflected in official statistical data.

Figure 122: Overnight stays by Destination in Western Corridor, 2015

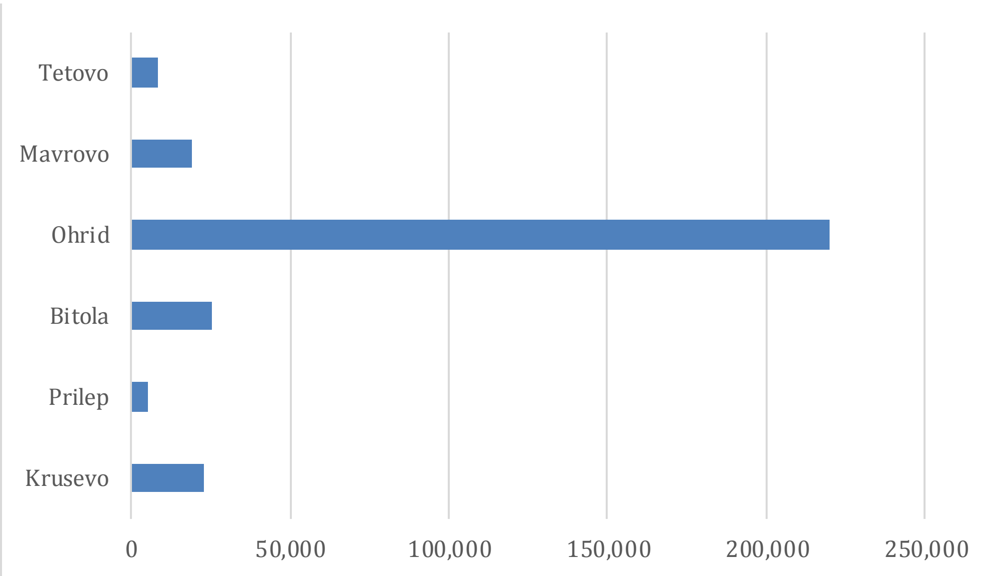


Table 20: Number of Tourist Arrivals by Main destinations in the Western Circuit

	Total 2015	Domestic	Foreign	Foreign (%)	Length of stay	Total 2010	CAGR 2010-15
Krusevo	23,221	20,493	2,728	12%	2.6	38,768	-8.19%
Prilep	5,272	2,056	3,216	61%	2.07	4,911	1.19%
Bitola	25,512	11,129	21,178	83%	2.04	22,503	2.11%
Ohrid	219,944	94,476	125,468	57%	3.8	165,109	4.9%
Mavrovo	18,916	9,861	9,055	48%	2	22,852	-3.10%
Tetovo	8,666	4,038	4,628	53%	2.2	7,335	2.82%

Source: State Statistical Office

5.3.1 Destination 3: Pelagonija

Krusevo and Prilep

Krusevo and Prilep have been an arena of some interesting tourism developments in the last several years. While they are home to some traditional tourism attractions (Treskavets Monastery and Makedonium Ilinden Memorial), tourism potential today is associated with the advancing of paragliding and hand gliding, as well as bouldering and rock climbing although it is at earlier stages of development.

The successful positioning of the region in these specialty adventure markets, and especially paragliding, is result of the combination of excellent geographic and weather conditions but even more importantly – the result of the proactive efforts of a small group of local mountain club members who are passionate about this sport. While the real visibility of the popularity of the region on the global paragliding tourism map has happened in the last several years, the processes that have led to that were initiated decades ago when the father of one of the club leaders today began promoting paragliding in the area as a hobby. Based on conversations with members of the clubs that drive paragliding activities today, the real success is due to the recognition that local club members have received on international paragliding competitions. Their names and proven skills have earned them a name, which serves today as a promotional machine drawing paragliders from all over the world. Krusevo has hosted world cup championship, as well as numerous international and regional events. In summer 2016 it will be the host of the European paragliding championship. According to local paragliding club leaders, these competitions have been crucial for the promotion of the region in this specialty segment.

Key Attractions

- Treskavets Monastery
- Makedonium Ilinden Memorial
- Tose Proeski memorial house
- Paragliding and hand gliding
- Bouldering and rock climbing

Current Market

Anecdotal evidence generated through interviews with club members and representatives of the local tourism business, including the main hotel in Krusevo (Hotel Montana), suggest that the growing popularity of Krusevo and Prilep as destination for paragliding, has visibly increased visitation in the area. According to their estimates in the last year outside of competitions, Krusevo welcomes at least 1,000 international guests who come for leisure paragliding activities or for training for championships. Some of the top source markets are Slovenia, UK, Bulgaria, Serbia and other countries in the region. The minimum stay for this segment is 5 days, the most common length of stay is 7 days and around competitions championship participants stay for 14 days. The average spending of leisure paragliders who come on training packages is around 70 Euros per day. The package for leisure paragliders coming to train with local clubs is 50 Euro per day for board and breakfast, and includes trainer and local support (transportation for example). This does not include food and beverage spending, as well as any other services that such tourists may consumer. Paragliders who do not use local club services and come independently seem to spend between 25-50 Euro per day depending on whether they stay at hotels or use homestays. Based on this numbers it can be estimated that paragliding alone generates 350,000 Euro in the local economy (1000 visitors x 7 days x 50 Euros per day).

Table 21: Number of Overnight Stays and Tourist Arrivals in Krusevo, 2010 and 2015

	Number of Overnight Stays			Number of Tourist Arrivals		
	2010	**2015**	**% change**	**2010**	**2015**	**% change**
Foreign	8,147	11,396	40%	1,969	2,728	39%
Serbia	n/a	782	-	284	193	-32%
Bulgaria	780	897	15%	n/a	315	-
Germany	n/a	691	-	n/a	156	-
Slovenia	n/a	576	-	115	138	20%
Domestic	81,184	48,040	-41%	36,799	20,493	-44%

Source: State Statistical Office

While paragliding has taken off, there seems to be lack of visitor infrastructure and supporting services for more mainstream outdoors activities as well as experiences that can be supplemental for paragliding tourists. There is lack of good opportunities for hiking and biking, local cultural attractions are not many and a bit “old school” (i.e. static and outdated in terms of interpretation style), and there is very limited diversity in the food offering. Addressing some of these gaps can further increase the economic benefits that the specialty adventure markets are generating for the region.

It is important to note that there is some discrepancy between the official statistical data for Krusevo and Prilep, and the confirmed by interviews growth in the adventure segment. According to the official data on nights spent, tourism in Krusevo has declined and has grown very little in Prilep. This discrepancy remains to be investigated but initial explanations provided in follow-up interviews suggest that a lot of the tourists remain unregistered because they use homestays instead of official accommodations. Other reasons for this discrepancy might be changes in the way that local arrival data is collected.

It should be noted that Treskavets Monastery is an important attraction for the region. In addition to the monastery itself a key factor for the popularity of the monastery is Father Kalist who is an exceptional figure with a lot of knowledge and influence and popularity among travelers as well.

Key market segments: Hard adventure tourists, Independent active outdoor tourists, Organized active outdoor tourists

Bitola and Surroundings (Pelister National Park)

Bitola is one of the important destinations for Macedonia outside of the two tourism centers Ohrid and Skopje. It attracts tourists interested in the historical significance of the town, the numerous cultural attractions, living villages with traditional feel, as well as the excellent opportunities for outdoor experiences in the nearby Pelister National Park.

The majority of tourists coming to Bitola are on tours that keep them in the area between several hours and a full day. The biggest draw for tour groups is the archeological site Heraclea Lyncestis. The site has been upgraded and has some interpretation but the biggest attractions – the mosaics, are covered with sand for preservation purposes.

The town of Bitola itself is with interesting history reflected in its architecture, religious sites and especially the famous central street Sirok Sokak. The town of Bitola is also associated with the youth of Kemal Ataturk, which secures the interest of the growing number of Turkish tourists visiting Macedonia.

Bitola has a limited portfolio of hotels. There are a small number of hotels categorized as four-star properties (Hotel Millenium, Hotel Epinal, Hotel Treff as well as Molika Hotel in Pelister NP), which usually host groups spending a night. According to information provided by Hotel Millenium, these hotels receive around 20 or 30 groups for one-night stays during the season (May-October). Most of the groups are from Turkey, as well as the Netherlands, France and some other European countries. In addition to groups, hotels in town receive some independent travelers who book on their own through booking.com as well as returning Macedonian nationals living abroad (many from Australia). According to field interviews, leisure groups do not represent a major share of the business of the larger hotels in Bitola. Most of their revenue reportedly comes from MICE.

One of the properties that stands out in Bitola is Shumski feneri, which is owned and managed by one of the initiators of active and outdoor tourism in the region. The hotel offers freestyle skiing and snowboarding in the winter (with own snow track). The owner recently purchased a mountain hut, which is being renovated and will be open for the upcoming season mostly relying on active hikers and mountaineers.

Outside of Bitola there are several mountainous villages, which are lively and thanks to local entrepreneurs offer opportunities for a true rural experience. Among them is the famous Vila Dihovo (in Dihovo village), which is described as “one of Macedonia’s most remarkable guesthouses” by Lonely Planet, which recently included Dihovo village in its top 50 list of undiscovered places in Europe.

Pelister National Park and surrounding areas offer opportunities for active outdoor experiences. Efforts have been made to develop, mark and maintain hiking and also some biking trails. According to interviews with representatives of the park, it is looking to attract some private sector operators to develop and run a tourism complex with outdoor activities and accommodations. Ownership problems prevent the park from utilizing old and deserted structures in the park for development.

Key Attractions

- Heraclea Lyncestis site
- Bitola and Sirok Sokak
- Pelister National Park
- Hiking, mountaineering, some biking
- Rural and traditional experiences

Current Market

In quantity terms the bigger share of visitors in Bitola and the region are groups visiting Heraklea and the cultural heritage sites in the town in combination with lunch. These groups are Balkan tour tourists, Macedonia tour explorers or occasionally Charter tourists. Despite their quantitative dominance their impact on Bitola and the local economy is very small. If they stop for lunch, the lunch is part of a low package price, which leaves little for the local providers. Interview insights suggest that even groups who stay overnight are not attractive in terms of profit.

It seems that Bitola also attracts some of the transit tourists traveling to Greece or traveling through the region. Anecdotal evidence suggests that the transit tourists that stop in Bitola are interested in spending at least one night and engaging in some local cultural or outdoor experiences. A rough estimate based on anecdotal evidence suggests that such guests can spend between 30-45 Euro per day in the area.

Active outdoor tourists traveling independently or as part of small tour groups are identified by many local operators as a very attractive market for Bitola and the surrounding areas. These travelers are typically from Europe, the region or even some long-haul destinations. They visit Bitola for one to three days and can engage in different level of outdoor activities such as hiking, biking and mountaineering. They prefer to stay in rural or family-owned bed and breakfast facilities, to eat and learn about local food, and combine outdoors experiences with cultural experiences. Rough estimate of their spending indicates that they spend between 35-65 Euro per day in the area.

During the winder months the area has started attracted small groups of free style skiers and snowboarders. The operations are very small (estimated 250 people for winter season 2014/2015) but the average spending on a package for this segment varies between 50 and 150 Euros.

Table 22: Number of Overnight Stays and Tourist Arrivals in Bitola, 2010 and 2015

	Number of Overnight Stays	Number of Tourist Arrivals

	2010	2015	% change	2010	2015	% change
Foreign						
Greece	2,554	2,368	-7%	1,224	1,568	28%
Albania	1,638	n/a	-	1,192	884	-26%
Serbia	1,492	2,244	50%	859	1210	41%
Turkey	1,205	1,832	52%	678	1,017	50%
Australia	1,673	4,768	185%	547	1,210	12%
Domestic	31,381	21,178	-33%	12,929	11,129	-14%

Source: State Statistical Office

Representatives of the local tourism industry feel that the expansion of offerings that are outdoors and nature-based, can be really beneficial for Bitola. Investment in better and more visitor infrastructure supporting such activities is seen as the best possible strategy. Among the needs, which were identified are investments in outdoor activity parks, specialty equipment for outdoor activities such as rock-climbing, bouldering, etc. Hiking and biking infrastructure and especially lodging and resting areas were also identified as needed.

The improvement of cultural and archeological sites in the area is also worth attention. More attractive infrastructure, better information and interpretation can impact positively tourists from groups as well as independent ones.

Key market segments: Classic Balkan tour tourists, Regional and domestic short break tourists, Macedonia tour explorers, Organized active outdoor tourists, Independent active outdoor tourists, Hard adventure travelers, Transit tourists.

5.3.2 Destination 1: Ohrid, Struga, Prespa, and Surroundings (Galicica National Park)

As an international tour operator working in Macedonia stated in an interview "being in Macedonia and not seeing Ohrid is a crime". The lake of Ohrid, listed as both a cultural and natural site on the UNESCO World Heritage List, is the most popular destination in the country. According to official statistics data in 2015 Ohrid received 37% of all arrivals in the country and 44% of all nights in Macedonia.

Ohrid attracts with the beauty of the lake and natural surrounding, as well as the rich history and culture of the town itself. The many religious and spiritual sites add to the significance of the area.

One of the significant challenges with tourism development in Ohrid is the high level of concentration of tourism activity in the town and around the lake with very little spillover on the broader region. Some developments in and around Galicica National

Park as well as villages in the surrounding areas are examples of the type of developments that can create more linkages and alleviate the pressure on Ohrid.

Some of the visible problems with tourism development in Ohrid are overdevelopment, investments in developments that may contradict the needs and expectations of targeted markets and lack of sufficient investment in supporting and soft services that improve the sophistication and value of the experience in the area. Despite the high volume of tourists there is inconsistency in language skills, service culture and sometimes the availability of basic information services.

Another important point about tourism development in Ohrid is the inclination to focus on quantity rather than quality of attracted tourists. Current development and marketing seems to have slid towards focusing on volume of attracted tourists even if at extremely low prices. This might not be the most effective strategy both from market and profitability perspective, and from sustainability perspective requiring long-term preservation of Macedonia's top tourism asset. The growing low-cost all-inclusive market seems to generate the biggest share of arrivals and nights spent at reported during interviews package prices starting as low as 159, 165 and 229 Euro for a week including airfare. Interviews with local tourism businesses revealed that local hotels receiving tourists on the cheapest packages earn between 9 and 12 Euros for bed and breakfast. Some of the more expensive all-inclusive packages (279 to 445 Euro) include excursions and activities in surrounding areas, which bring local providers 15 Euro per guest.

While all-inclusive tourism can be profitable and make sense, there are three problems with the model developing in Ohrid. The first is that the tour operators generating the highest volume operate on the basis of subsidy agreements with the government. This is a non-market model, which creates disincentives for the mediator to develop and promote profitable packages, and suppresses competition. The second problem is that by turning low price into the core value proposition, these tour operators attract tourists who are unlikely to spend much outside of their packages. A study conducted by The Travel Foundation compared economic impact of self-catered hotels, bed & breakfasts, half board properties and all-inclusive hotels, and estimated that tourists staying at all-inclusive hotels spent on average 68% less than other board types. The highest spending was generated by bed & breakfast properties and was nearly five times more than the spending by all-inclusive guests[39]. The third problem is that active promotion of the destination on key European markets based on low price contributes to the positioning of Ohrid as a cheap destination rather than a place of natural and cultural value with European and global significance. Given the historical significance of the town, the cultural richness of the area and the unusual biodiversity profile of the lake, this positioning does not seem to be the best strategy.

While the demolishing of this already developing model will be complex and challenging, there are certainly opportunities to improve the profitability of tourism in Ohrid through diversification of the offer and linkages to other local experiences. Excellent examples of the types of attractions that can encourage higher spending and enrich available experiences for Ohrid visitors are developments in the villages Kuratica and Vevcani. In both places local entrepreneurs have invested in the

[39] Optimizing Tourism Spend in the Local Economy (2014), The Travel Foundation

development of culinary, cultural and outdoor activities that reveal the traditional lifestyle and culture of rural Macedonia. These types of experiences contribute to the differentiation and distinctive character of the Ohrid experience.

Key Attractions

- Ohrid lake and surrounding nature
- Town of Ohrid (including. cultural and religious sites)
- Galicica National Park
- Hiking, mountaineering, biking
- Rural and traditional experiences

Current Market

In quantity terms the bigger share of visitors in Ohrid are all-inclusive tourists from the Netherlands and other European countries on packages of different price depending on quality of hotel and included programs. Another important market are tour groups from Turkey, which travel throughout Macedonia to visit cultural and religious sites. Short-break tourists from the region are also common, especially on weekend and around holidays. Ohrid is included in the itineraries of the growing number of small group or independent active or soft adventure travelers who are curious to explore both the nature and the culture of the region.

Ohrid is also an important destination for the domestic market. 43% of all arrivals in 2015 are domestic, and that does not include the high number of domestic guests who stay at friends and relatives or at vacation homes.

Especially in low and shoulder season Ohrid hotels benefit from the local MICE market.

Table 23: Number of Overnight Stays and Tourist Arrivals in Ohrid, 2010 and 2015

	Number of Overnight Stays			Number of Tourist Arrivals		
	2010	2015	% change	2010	2015	% change
Foreign	147,576	319,658	117%	59,896	125,468	109%
Netherlands	n/a	15,382	-	n/a	92,060	-
Turkey	3,553	31,270	780%	6,492	48,120	641%
Poland	3,459	9,696	180%	8,283	23,742	187%
Bulgaria	4,596	8,445	84%	9,066	17,087	88%
Serbia	10,325	6,442	-38%	30,914	20,077	-35%
Domestic	644, 415	498,517	-23%	105,213	94,476	-10%

Source: State Statistical Office

Key market segments: Charter tourists, European short-break tourists, Classic Balkan tour tourists, Regional and domestic short break tourists, Macedonia tour explorers, Organized active outdoor tourists, Independent active outdoor tourists (including domestic), MICE.

5.3.3 Destination 6: Reka Region and Destination 8: Polog Region

Mavrovo and Tetovo (Popova Shapka)

Mavrovo is one of the most prominent ski areas in Macedonia. The ski resort and skiing infrastructure is outdated. In addition, lower snowfalls in the last years have contributed to the decreasing attractiveness of the area as winter sport destination. The development and active promotion of high-quality winter resorts in Bulgaria have also increased competition on this market as many Macedonians travel to Bansko and Borovets for skiing. While the potential for traditional winter activities in the area has been declining Mavrovo is enjoying growing popularity as an outdoors destination during warmer periods. A successful horseback riding operation has been drawing both domestic and international tourists to the area along with some opportunities for hiking, biking and others.

In the Polog region within 20 km of Mavrovo is the Mount Bistra region, which includes a cluster of high-mountain villages: Lazaropole, Janche and most importantly the famous Galicnik, which is home to the traditional Galicnik wedding. Janche is home to one of the best examples of rural tourism operations in the country.

Popova shapka (Shar mountain) is another important area in this region. It offers the best skiing in the country but is also pioneer in developing free style skiing as profitable niche business. According to anecdotal evidence provided in interviews the free style operation at Popova shapa has capacity to receive 30 skiers per day. In the last years it has been operating at an average occupancy of 80% charging 250 Euro per person per day (includes lodging, food and other free-style related services). Assuming a 3-month winter season (approximately 90 days) this means that a little 2100 tourists per season secure 540,000 Euro for the operation and network of supporting businesses.

Tetovo is an important center in this region as it is home to several interesting cultural heritage sites such as Ara Bati Baba Teke and Sharena Dzamija, as well as Leshok Monastery just outside of town.

Key Attractions

- Mavrovo National Park and outdoor activities
- Monasteries: Sv Jovan Bigoski, Rajchica, Leshochki Monasteries
- Villages in Mount Bistra region: Janche, Lazaropole, Galicnik
- Shar Mountain, Popova shapka and outdoor/ adventure activities

- Tetovo: Ara Baba Teke, Sharena Dzamija
-

Current Market

Polog region is one of the less active tourism areas in terms of volume. According to official arrival data in 2015 it attracted less than 4% of all arrivals and 3% of all nights spent. The attractions in this part of the country are not well integrated in advanced tourism offerings and are more disconnected drawing different types of tourists for individual sites and for a short period of time. An exception is the mentioned earlier free style operation, which is in Popova Shapka, which has started attracting a steady stream of visitors during the winter period.

The traditional villages in Mount Bistra draw representatives of the regional short break tourists, organized and independent active outdoor tourists. Many of them engage in hiking in the area and explore the preserved local rural lifestyle.

Mavrovo draws a similar mix between regional and domestic tourists on short breaks who might combine leisure and food with some outdoor activities such as hiking, biking and horseback riding. The area attracts independent and small group outdoor tourists as well.

Tetovo's cultural heritage and religious sites draw larger tour groups, including classic Balkan tours and Macedonia tour explorers. Overall, Tetovo draws mostly tourists who visit town for a few hours and are not captured by arrivals data so officially the town receives around 4,000 domestic and 4,600 foreign arrivals who spend the night (2015).

The several famous monasteries in this region attract a lot of groups and independent tourists traveling throughout the region and visiting monasteries for short stopovers.

Table 24: Number of Overnight Stays and Tourist Arrivals in Mavrovo, 2010 and 2015

	Number of Overnight Stays			**Number of Tourist Arrivals**		
	2010	**2015**	**% change**	**2010**	**2015**	**% change**
Foreign	18,601	16,955	-9%	10,020	9,055	-10%
Albania	6,834	4,576	-33%	3,455	2,367	031%
Kosovo	2,575	4,545	77%	1,496	2,230	49%
Turkey	n/a	1,612	-	n/a	723	-
Netherlands	n/a	681	-	n/a	428	-
Domestic	25,658	19,952	-22%	12,832	9,861	-23%

Source: State Statistical Office

Key market segments: (i) Classic Balkan tour tourists, (ii) Regional and domestic short break tourists, (iii) Macedonia tour explorers, (iv) Organized active outdoor tourists, (v) Independent active outdoor tourists, (vi) Hard adventure travelers.

6. Prioritization of Market Segments

As described earlier in this document, a segment-based approach to prioritizing market-relevant actions and investments secures effectiveness and focus. On the basis of the project goals, the analysis of the segments of travelers that are currently present in the country, as well as the supply and demand dynamics alongside the two circuits and the corridor, the project team developed a set of criteria that would secure effective prioritization of market segments. The criteria include: ability of the segment to generate positive economic impacts along the circuits or corridor, particular in terms of jobs and expenditures. Another important criteria is the potential of the segment to reduce geographic inequality through dispersion. Each segment was rated using the criteria in table 25. See Appendix 2 for the tables for the high priority segments along the circuits.

Table 25: Criteria for Selecting High Priority Segments

	Current			Potential		
Criteria	**1**	**2**	**3**	**1**	**2**	**3**
Segment size						
Spend per trip per person						
Competitiveness of supply						
Cross-segment effects						
Geographic dispersion						
Job creation						
Skilled workforce creation						

6.1 Priority Segments Eastern Circuit

The Eastern circuit currently receives a small number of tourists from multiple market segments. It is recommended that destinations in the Eastern Circuit years continue to focus on multiple market segments for the next few years based on the following reasons:

1. Tourism in the eastern region is still in a development stage and each of the individual markets are too small to create sufficient demand on their own
2. High season for some of these markets complement each other (e.g domestic MICE in January through March and Macedonia tour explorers from May through October). Catering to multiple markets will result in lower seasonality
3. The different markets are attracted to similar tourism products (e.g. nature, food, agri-tourism) and the volume created by multiple markets will provide increased opportunities for SME’s and accommodation providers to successfully develop new products

Given the recent increase in arrivals and market trends as well as existing and possible tourism products, some of the markets show more potential for growth than others.

High Potential Segments

- **Regional and domestic short break tourists**
  Macedonians, especially those living in the cities, have increased interest in a healthy lifestyle and have concerns regarding the air quality in cities especially Skopje. There is also a noticeable increased interest in domestic sightseeing. This trend has caused people to take more trips into the country-side to be in nature and explore sights such as lakes and waterfalls. There is also an increased interest in farm-fresh and locally grown food. The eastern region, especially Strumica, is known as the agricultural center of Macedonia. Restaurants in the area serve local specialties made with fresh ingredients. Sites such as the sheep farm near Berovo also attract large number of domestic visitors interested in tasting and buying fresh produce and cheese. This type of domestic traveler requires a medium or luxury level of accommodation standard. When the new road between Skopje and Shtip is finished, travel time from Skopje to Berovo will be reduced from 2.5 hours to 1.5 hours. The road between Shtip and Kocani is currently undergoing construction, and upon completion will also shorten the travel time between Skopje and the Eastern circuit. There is currently no significant supply of winter sport activities in the Eastern Circuit due to lack of snow.

  Berovo with 7,216 visitors and Strumica with 16,833 visitors in 2015 are currently the main destinations for Macedonians looking for a short-break holiday. The two main hotels in Berovo have been able to attract domestic visitors on weekends during low season. During the summer months, accommodation providers in Berovo cater mostly to domestic visitors wishing to escape the heat in the cities. During the summer months, some hotels in Strumica also caters to this market. Kocani is also becoming a destination for domestic travelers as the hotels in the municipality received 4.147 domestic tourists in 2015, double from 2010. One of the hotels outside of Kocani, set on an artificial lake, has recently been refurbished and has become a popular destination for Macedonians looking to spend time in nature.

  The eastern region borders to Serbia in the north and Bulgaria in the east. While the Eastern Circuit does receive tourists from Serbia, the Bulgarian market is currently more prominent. Bulgarians prefer to stay in Strumica (2,746 tourist arrivals in 2015) and Berovo (738 in 2015). Since one of the main hotels in Strumica added spa facilities, they have noticed an increased number of Bulgarians come to stay and enjoy the spa. Bulgarians are currently the main foreign market in Strumica and Berovo.

- **Macedonia tour explorers**
  There were an estimated 25-30 large (average of 22 people per group) tour groups staying overnight in the eastern region in 2015. A few tour operators use Strumica to overnight but the majority stay in Berovo. While shorter tours (7 days) usually focus on the western part of the country, tours longer than a week also include the

Eastern Circuit. The majority of the tours arrive in the eastern region after visiting the Vardar (wine) region. They stop in Strumica to visit the waterfalls and monasteries and lunch and then continue to Berovo to overnight for one or two nights. In Berovo, tourists usually have a rest day where they can relax. Most of these tour groups include a visit and lunch at a sheep farm in their itinerary. After Berovo, they continue on to Skopje without stopping at any attractions along the way. The majority of these tour groups are Dutch but there is growing market of Polish and Israeli tour groups. These trips are also offered as self-drive with rental car and pre-booked hotels but there is very limited demand for this option at the moment.

This segment has potential for growth. The number of large Dutch tour groups in Berovo increased from 15 in 2015 to 20 in 2016. There is also an increased interest by Israeli tour operators as the tourism product in the eastern regions fits the needs of the more adventurous Israeli tour groups.

- **Small group active tourists**
  The eastern region also attracts smaller tour groups. These groups are often tailor-made and include 8-10 people. These tour groups visit more off-the-beaten track attractions such as the Valley of the Stone Dolls, Kokino, the town of Kratovo and the Yuruk tribe. They have the option to use smaller accommodation facilities. They overnight in Berovo but also in Kratovo and Strumica. These groups sometimes choose their itinerary around a special interest (orthodox heritage or hiking). The smaller tour groups are an important niche market as they provide more flexibility, for the demand as well as the supply side. These tours are usually more expensive than the larger tours and attract a slightly younger market. The tours are booked through smaller niche international tour operators or directly through the ground operators in Macedonia.

  The smaller groups have shown small but steady growth over the last few years.

Medium Potential Segments

- **Domestic MICE**
  Hotels in Strumica and Berovo both reported a considerable number of domestic MICE travelers. Macedonian companies are increasingly interested in using the facilities and accommodation in both municipalities. Training and meetings are most prevalent in the months of January, February and March as well in October and November. This has allowed the hotels to offset the lower number of leisure visitors during these months. This market has considerable potential for the Eastern Circuit as it can also serve as a catalyst for domestic short breaks, e.g. people who are introduced to the region through company training might later come back with their family.

- **Classic Balkan tour tourists**
  The typical Macedonia component of a Balkan tour includes Skopje, Ohrid and sometimes Bitola and is two to three nights. Balkan tours geared to the Turkish market do usually not include any destinations in the Eastern region. However, a

few of the other tours started to include the eastern region in their Macedonia part of the itinerary. Macedonia received increased visitation from Polish groups touring the Balkan. A few of them have included the eastern region in their itinerary and stay overnight in Strumica. This has resulted in the number of Polish tourists in Strumica increasing from 32 in 2010 to 459 in 2015.

The Balkan is still a relative new destination and there is still sufficient room for growth. Safety and insecurity issues in Egypt and Turkey could lead to increased interest for Balkan tours especially from Asian countries. The Eastern Circuit could be added to the existing Skopje-Ohrid route.

- **Independent active tourists**
  While still in small numbers, there are independent travelers who travel around the eastern part of the country. Hotels reported small group of bikers and hikers but also people who have a particular interest such geologists and historians. While the majority of the travelers within this segment originate from Western Europe they are also coming from North America. There is growth potential for this market but the Eastern Circuit will be dependent on the Western Circuit to further expand this market first as active foreign tourists will mostly initially be attracted to explore the western region and then add the Eastern Circuit.

Low Potential Segments

While some of the western region benefits from the large influx of **charter tourist**s staying in Ohrid through day excursions, the Eastern Circuit is not connected. Excursions that require more than three hours travel one-way are not in demand. However, a large percentage of the Dutch Macedonia explorers are currently using the TUI charter airlines to fly to Ohrid as these are a cheap and time-saving alternative to scheduled flights. Arkia Israel Airlines is confirmed to launch three-weekly charter flight (114 pax each) from Tel Aviv to Ohrid in summer 2016. Tour operators have indicated that the Israeli market is specifically interested in exploring the eastern part of Macedonia. The Eastern Circuit currently does not attract **European short break tourists,** as these groups prefer to spend their limited time in either Ohrid or Skopje. While the **hard adventure traveler** segment is growing in the western part of the country, the requited resources are not as available or not well developed yet along the Eastern Circuit.

6.2 Priority Segments Central Corridor

The main destinations along the Central Corridor are Skopje, the Tikvesh region, and Gevgelija and Dojran. The wide diversity between the different destinations included in the Central Corridor leads to variability in the segments that are leading for each destination along the corridor. In order to avoid compartmentalization of efforts and interventions, priority is placed on linking high-potential segments in central destinations to segments that are also identified as high potential for the Western or Eastern Circuits. This approach will also facilitate linkages between corridor destinations and destinations in other parts of the country, which is a natural way to encourage dispersion and create more linkages between destinations in the country.

Gevgelija

The municipality currently attracts transit tourists as well as Greeks interested in the casinos. Given the geographic location and the current routes, it is unlikely that Gevgelija will attract *Classic Balkan tours* or *Macedonia Tour Explorers*. The current hotel offerings and tourism products also do not attract *Small Group Tours* or active and adventure tourists. High potential markets are **transit tourists**, **domestic and regional short break tourists** (mainly those interested in visiting casinos) and **domestic MICE**. Given that Domestic and regional short-break tourists are priority segment for Eastern circuit destinations, priority will be placed on them.

Dojran

Dojran is currently mostly catering to the **domestic leisure market** of which a large percentage overnights in private homes and apartments. The majority of this market visits Dojran during the summer months. The area also has potential to cater to **independent active tourists**, which could supplement demand outside the high season. Proximity to the corridor makes for easy access while the lake and the surrounding natural areas provide opportunities for activities such as biking and hiking. Dojran could also be attractive to **organized active tourists** interested in the history and nature of the area.

Given that Organized and Independent active tourists are priority segments for Western circuit destinations, priority will be placed on them.

Tikvesh region

The Tikvesh region benefits from its position along the corridor and the active traffic to the coastal areas in Greece. The main markets are currently **transit tourists, regional and domestic short break tourists** and **Macedonia tour explorers**. The central location within the country as well as the room supply is the main reason for current demand. The wine tours are considered supplementary. Length of stay for existing markets is currently low and additional tourism products could increase this. Given the competiveness within the region, it is unlikely Tikvesh will be able to attract a significant portion of the international wine tourism niche market. One of the main Dutch tour operators has offered the Tikvesh region as a stand-alone destination in the recent past but there was no demand from the market.

Given that regional and domestic short-break tourists are a priority segment for Eastern circuit destinations, priority will be placed on them.

Skopje region

Given that Skopje is an entry/ departure hub and is an area with high concentration of tourism, all tourism segments are present in the area. Given that, priority will be placed on all segments that are prioritized for Western and Eastern circuit destinations, including Domestic and regional short-break tourists, Organized active tourists and Independent active tourists.

6.3 Priority Segments Western Circuit

6.3.1 General Segment-based Recommendations

Overall, based on analysis of potential impacts, potential for dispersed tourism development and profitability, there seem to be a small set of segments that should be focus for developments along Western Circuit. Prioritizing these segments aligns also with the general recommendations presented above:

- ***Small group active outdoor tourists***: travelers who are part of a small tour group (size ranging from 5-14 people) traveling with a specialty operator around Macedonia. Some of the tours combine Macedonia with neighboring countries such as Greece and Bulgaria. These tours usually involve traveling by mini bus or combine minibus with hiking and biking. Length of the tour varies between 7-12 days, shorter tours focus on the western region and longer tours also cover parts of Eastern Macedonia. The main focus of the tours is Macedonian culture and nature through authentic experiences in off-the-beaten-track locations. Some of the tours are standard and other are tailor-made for specific interest. The majority of these groups consist of 50+ travelers. Many of the tour groups are from the UK, the Netherlands but Israel, other European countries and North America are emerging source markets as well.
- ***Independent active outdoor tourists (including domestic)*** – These are travelers from a variety of source markets (Europe, US/ Canada, region and Macedonia itself) who travel to and within Macedonia engaging in active outdoor exploration (hiking, biking) combined with cultural and culinary experiences. The age bracket for this group of travelers is quite wide (could be between mid-20s and 30s to mid-50s). They tend to be independent in the planning of their stay (using online channels such as booking.com) in Macedonia and are usually in small groups (up to 4-5 people). These visitors typically spend several days to a week in the country and visit a variety of places outside of the main tourism centers. If international, they might be combining Macedonia with one or more other country in the region.

Focus on these segments makes market sense because they are already a growing market for both more advanced tourism destinations (Ohrid, Skopje, Bitola) and are among the most active visitors in less active tourism areas. They are also among the best spenders in the country leaving a lot of their expenditures in the local economy.

It is important to note that the experiences that are attractive for these segments are based on local culture, traditions and distinctive offerings, which contribute to the stronger differentiation of Macedonia among competitors and its appeal among other segments. Many of the investments that would meet the needs of these travelers will appeal to representatives of other segments as well so there will be strong spillover effect. Among the additional segments that will potentially benefit from products and services for the identified priority segments will be:

- ***Macedonia tour explorers***
- ***European short break tourists***
- ***Classic Balkan tour tourists***
- ***Charter tourists***

6.3.2 Specific Locations along Western Circuit

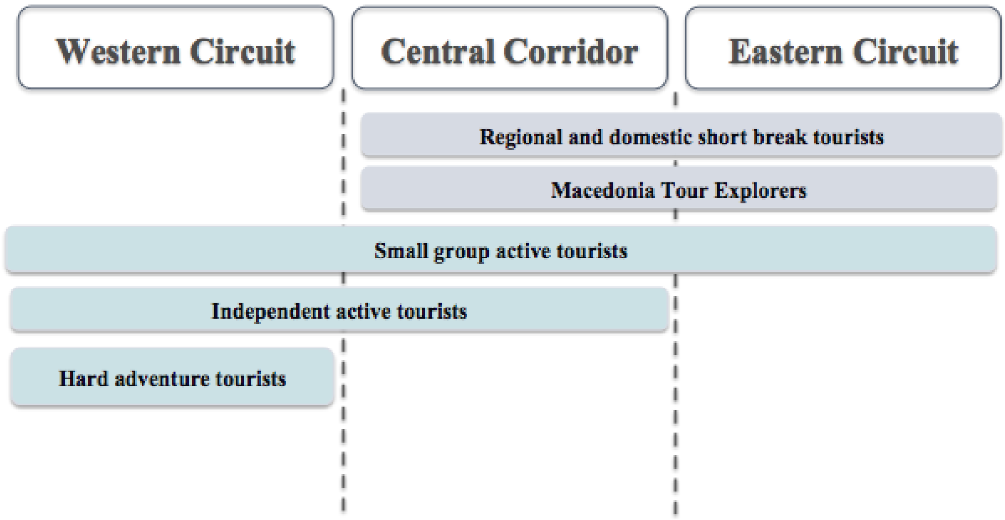
While Krusevo and Prilep can certainly benefit from diversification of their offerings that appeals to the more general segments mentioned above, their successful positioning in the specialized hard adventure markets (paragliding, hand gliding, bouldering) requires sustaining and further support. Therefore, in this region it makes sense to prioritize investments that build on the successes and fuels further growth in these specialty segments:

Hard adventure travelers (including domestic) – These are travelers who are passionate about hard adventure activities such as paragliding, rock climbing, freestyle skiing, etc. They come to very specific places in Macedonia, which have built a reputation for offering prime conditions for their favorite sport. These tourists are willing to travel to Macedonia even from distant countries and stay longer periods of time (one week, two weeks and more). They might seek to combine their core activities with food and some culture but that is not a must. They are not very pretentious in terms of accommodation and food but expect to have reliable even if basic conditions. Local specialty clubs usually support their activities in Macedonia.

6.4 Summary of Segment Prioritization

Based on the above described approach, the expert team synthesized the characteristics and behaviors of existing segments and proposed focus on a small set, which are expected to have high potential for economic impact (Figure 12). Focus is placed on potential for economic benefits (e.g. spend per trip, job creation, skilled workforce creation, competitiveness of supply) as well as potential for linkages between destinations along the Central corridor and circuit destinations.

Figure 13: Summary of Priority Segments



Appendix

Appendix 1: Current Market Segments Macedonia

Segment	Source Market/ Major Characteristics	How they purchase/arrive	What they do	How long they stay	Motivation
Charter Tourists	Western European (mainly Netherlands)	Packages with charter flights landing in Ohrid	Stay in Ohrid and take multiple one-day excursions in the nearby areas or other parts of the country	7 days	Low prices for the vacation package
European Short Break Tourists	Western European countries	Arrive on low cost airlines, mainly to Skopje	Explore Skopje and surroundings. Visit popular sites on their own; might hike or bike	Weekend or a few days	Visiting 'off-the-beaten-path' Macedonia, low cost food and lodging, and cheap airfare
Classic Balkan Tour Tourists	Europe/ Region	Travel on Bus in region (several countries)	Visit important sites	2-3 days	Explore culture and history of region

Regional & Domestic Short-break Tourists	Bulgaria, Serbia, Macedonia	Book directly (online)	Stay at high-quality accommodation; passive relaxation, food & drink	2-3 days (weekends/ holidays)	Convenience of accommodation, good food
Macedonia Tour Explorers	Western European, Region and others	Travel around Macedonia on coach	Explore Macedonia in its entirety	7-12 days	Exploring culture and history of Macedonia
Small group Active Tourists	Europe/ North America	Travel in small group with specialized TO	Explore Macedonia mixing hiking/ biking/ cultural activities	7-12 days	Engage in active exploration, learn about Macedonia
Independent Active Tourists ***(incl. domestic)***	Europe, Region, Macedonia	Independently online	Engage in active outdoor activities mixing with cultural activities	2-7days	Outdoor activities, being active, visiting interesting places
Hard Adventure Tourists	Around the world	Independently or local adventure/	Engage in specific hard adventure activities	7-14 days	Specific outdoors conditions, access to support services

		mountaineering clubs			
Transit Tourists	Serbian, Romanian	Walk-in or independent booking	Pass through Macedonia on the way to Greek coast	1-2 days	Break long trip to Greece
Domestic meetings and events (MICE)	Macedonia	Corporate bookings/ Training companies	Events, trainings away from office	1-3 days	Access to events facilities and support services away from office

Appendix 2 Priority Segment Analysis Eastern Circuit

Recommendations: Domestic and Regional Short Break Tourists

	Current			Potential		
Criteria	**1**	**2**	**3**	**1**	**2**	**3**
Segment size						
Spend per trip per person						
Competitiveness of supply						
Cross-segment effects						
Geographic dispersion						
Job creation						
Skilled workforce creation						

Rating: 1=low; 2=medium; 3=high

Recommendations: Macedonia Tour Explorers

	Current			Potential		
Criteria	**1**	**2**	**3**	**1**	**2**	**3**
Segment size						
Spend per trip per person						
Competitiveness of supply						
Cross-segment effects						
Geographic dispersion						
Job creation						
Skilled workforce creation						

Rating: 1=low; 2=medium; 3=high

Recommendations: Organized and Independent Active tourists

	Current			Potential		
Criteria	**1**	**2**	**3**	**1**	**2**	**3**
Segment size						
Spend per trip per person						
Competitiveness of supply						
Cross-segment effects						
Geographic dispersion						
Job creation						
Skilled workforce creation						

Rating: 1=low; 2=medium; 3=high

Appendix 3 Priority Segment Analysis for Western Circuit

Small group active tourists

	Current			Potential		
Criteria	**1**	**2**	**3**	**1**	**2**	**3**
Segment size		■				■
Spend per trip per person			■			■
Competitiveness of supply			■			■
Cross-segment effects			■			■
Geographic dispersion			■			■
Job creation			■			■
Skilled workforce creation			■			■

1=low, 2=medium, 3=high

Hard adventure tourists

	Current			Potential		
Criteria	**1**	**2**	**3**	**1**	**2**	**3**
Segment size		■			■	
Spend per trip per person			■			■
Competitiveness of supply			■			■
Cross-segment effects		■			■	
Geographic dispersion			■			■
Job creation			■			■
Skilled workforce creation			■			■

1=low, 2=medium, 3=high