

## CROATIA – FLAVOR OF THE BALKANS



I was invited last October by the Croatian Chamber of Economy to host a seminar on franchising. Over 200 people attended which suggests there is considerable interest in the topic. During a three day period, I was able to meet many entrepreneurs who are trying to develop their franchise concepts from foodservice to car rentals to online travel bookings. It was clear to me that there is considerable business creativity and entrepreneurship in the country which can certainly help jumpstart economic development. Here are my key impressions from the visit.

Croatia is a small country of only 4 million people at the crossroads of Central and Southeast Europe, on the Adriatic Sea. It is historically considered part of the Balkans, an area comprised of countries such as Slovenia, Bosnia, Serbia, & Romania among others. The area has been the subject of repeated wars and some may remember the conflicts in the 1990's between Bosnia and Serbia which led to intervention by NATO and the USA.

Croatia is a very beautiful country and tourism is a big part of the economy. Dubrovnik, a city in Southern Croatia, fronting the Adriatic Sea, was a key location for the filming of Game of Thrones (King's Landing).

Croatian cuisine is very heterogenous and contains food from many neighboring countries such as Greece, Turkey, Italy & France. Typical dishes are black risotto, pickled fish, green veggies, meat dishes, potatoes, and cabbage. On the whole the food is quite bland, and not too exciting if you have an adventurous palate.

The capital of Zagreb is home to many international cuisines which can satisfy almost any diner. Most of the large international fast food brands like McDonald's and KFC are present but not dominant. Entrepreneurs have been quick to copy international trends with concepts featuring gourmet burgers and craft beer halls.

The per capita income of Croatia is quite low at \$13,000, especially when compared to its Slovenia neighbor (\$23,000). Many people in Croatia say that the per capita income increases as one gets closer to Germany and lower as one gets closer to Turkey. Croatia is closer to Turkey!

I met with a craft beer group (The Garden Brewery) during my visit that won Beer of the Year in Europe recently. It seems that everybody around the world wants to get in the craft beer business and Croatian entrepreneurs are no different. The owners are a former Hedge Fund Manager and a local brew master. They have a prominent location in Zagreb city but they are also selling their products in upscale hotels and restaurants. They are looking to merge with the leading gourmet burger group and form a bigger company and then grow the business from there.

I also had a very interesting meeting with a company (Food Robot) that makes kitchen robots able to produce menu items with any recipe. They are a team of scientists and foodies who see great potential to reduce or eliminate many kitchen functions to save labor and shrink the restaurant size thereby saving on leasing costs. The robots can supposedly make any menu item with the correct recipe. I assume that this may work for fast food & institutional dining but there will always be room for proper chef driven restaurants.

There are only 20 McDonald's for a population of 4 million people which seems very low. The concept is probably a bit expensive for the average diner so visit frequency is also low. Also, Croatia appears to be quite conservative and less international which could limit the appeal. Similarly,

there are only 8 KFC's and no Pizza Hut or Dominos. It would appear that the market is very underdeveloped and that eventually local families will succumb to the marketing allure of these American fast food chains.

Croatia is not a big market opportunity for global foodservice groups but collectively the markets of Croatia, Slovenia, Bosnia and Serbia, are attractive for some of the groups for business development. I found one Korean restaurant in Zagreb but quite a few good quality Japanese concepts. I do not believe these areas are particularly attractive to Korean food brands so it is best to focus on the bigger EU countries of the UK, France Germany and Italy.

Croatia is a beautiful place with lots of great tourist venues. It is better to go for vacation at this stage than to search for business opportunities in the foodservice space.

