

## TEACHING CASE STUDY

### MON PERIN LTD.: EXAMPLE OF COMMUNITY-OWNED TOURISM

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#### **Abstract**

This case study describes Mon Perin Ltd. – unique tourism enterprise owned by the local community in Bale (Istria, Croatia). The origins, distinctive characteristics of the enterprise, its business performance as well as direct and indirect impact on local community are described in order to foster discussion and encourage reading and further research on possibilities of local communities to develop sustainable tourism by directly owning and managing tourism infrastructure.

**Keywords** community-owned tourism, local community, tourism stakeholders, destination management, sustainable tourism

#### **INTRODUCTION**

Mon Perin Ltd. is a tourist company that is unique in Croatia in terms of its ownership structure, as the major owners of the company are the Municipality of Bale and the inhabitants of the Municipality of Bale. This case study shows the company's business, investment and strategic plans in chronological order, and at the same time gives general overview of economic, political and social changes in the municipality, as well as the interactions between the company and the local community.

#### **1. FOUNDING AND FIRST SIX YEARS OF MON PERIN LTD.**

The context and the very idea of founding Mon Perin Ltd. is strongly related to the local community it was developed in: The Municipality of Bale in Istria. It is located on the southwestern side of Istria and it encompasses an area of 82 km<sup>2</sup>, mostly inland, with 9 km of coast. In 2004 Bale was one of the least developed municipalities in Istria. Out of 1047 inhabitants, only 6.5% had a college or university degree, most worked in agriculture or in neighbouring cities (Rovinj, Pula).

Figure 1 Location of the Municipality of Bale



Source: Google Maps (12 September 2019)

The yearly budget of the municipality was approximately 933.333 EUR (2004). The municipality's greatest tourist potential was the coastal area where two camps were located (San Polo and Colone) on land owned by the municipality, with economic land concession given to a private company. In 2004 those two camps held the lowest categorization level, and the concessioner had to pay an annual sum of 66.500 EUR to the municipality, which was not paid regularly.

At that particular year, Plinio Cuccurin, a successful businessman from Bale, proposed the idea of creating a company to manage the tourist resources of the municipality, owned by the local community. In 2005 he ran at the local elections with his candidate list and won seven out of eleven seats in the Municipality Council. The new Head of the Municipality of Bale, Edi Pastovicchio, was selected from the same list. In 2005, enterprise Mon Perin Ltd. was founded and registered. What separated it from other companies were the unique Articles of Association, differentiating between three types of founders:

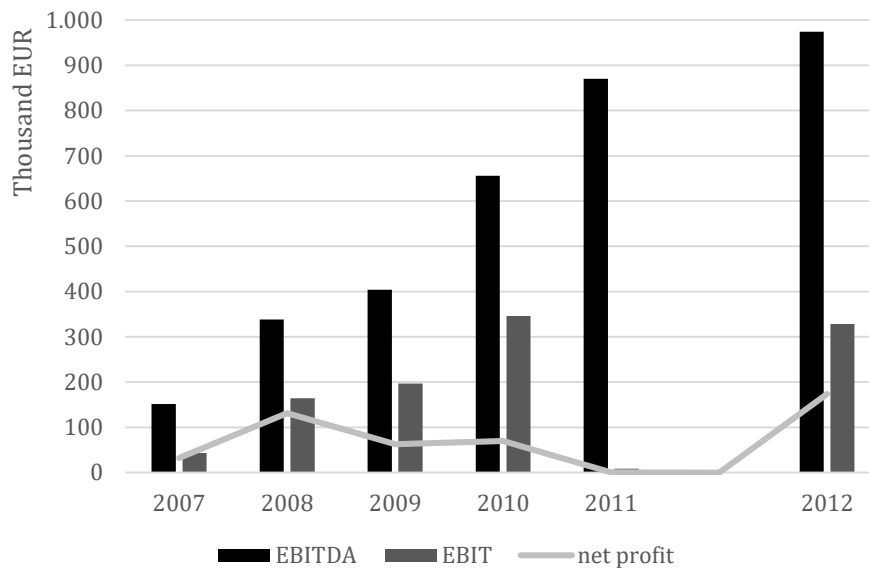
- (1) Locals as founders: The citizens of Bale who had the right to become partners in the Mon Perin company with deposits amounting up to 6.660 EUR per person, or 26.660 EUR per family;
- (2) Founders - friends of Bale: Interested investors not conditioned by a permanent residence in the municipality area, also limited by an amount of 6.660 EUR
- (3) Municipality as founder-The municipality of Bale contributed to the founding of the company by investing 6.660 EUR

The distinguishing characteristics of the Articles of Association which were concluded with the establishment of Mon Perin, consisted in the fact that, regardless of financial interests, the categories of founders had different voting rights in the decision making through the general assembly. Regardless of the distribution of shares, the local founders

and the municipality as a founder jointly held 51% of the votes at the meeting, which was to ensure that the interests of the local community are put ahead of the interests of investors. An additional specificity of the Articles of Association was the provision including the so-called asset lock which states: „The Founders agree that no more than 20% of the profit achieved can be paid out in the first four business years. The capital/equity of the company, at the date of adoption of the Articles of Association (9 December 2005) was 4.114.000 EUR and the company had 738 founders: 402 local founders, 335 founders-friends and municipality of Bale as founder.

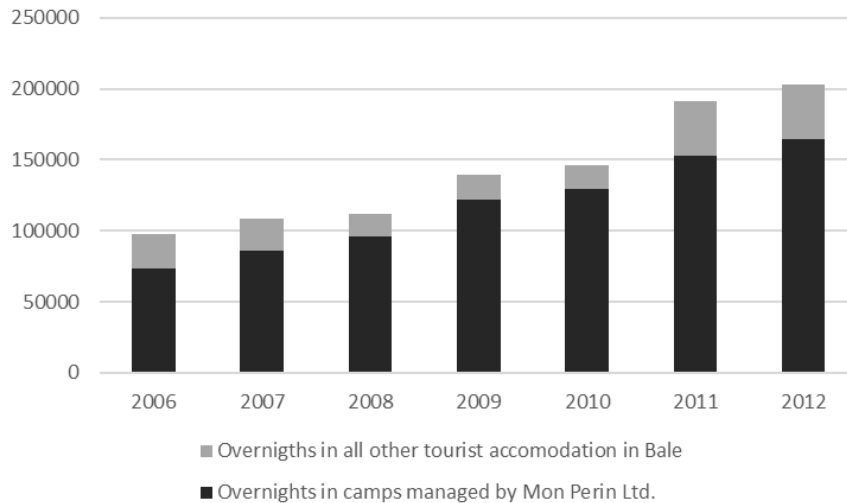
Soon after being founded, by a decision of Municipality of Bale, Mon Perin received a long-term economic land concession (50 years) for the land where the San Polo and Colone camps were located, with the obligation to pay 200.000 EUR to the municipality annually. The first business year was marked by investments in the camp's aged infrastructure, as well as marketing activities for attracting guests. During the period from 2006 to 2012, the total amount of Mon Perin investments was 4.362.736 EUR, and the investments were depreciated by using the method of accelerated depreciation, especially visible for the business year of 2011.

Graph 1: **EBITDA, EBIT and net profit of Mon Perin for the period 2007-2012 (in thousand of EUR)**



Source: Financial reports of Mon Perin Ltd, available at: <http://www.monperin.hr/monperin-izvjesca.html> (15.9.2019)

Graph 2: **Number of overnight stays in Municipality of Bale for the period 2006-2012**



Source: Financial reports of Mon Perin Ltd, available at: <http://www.monperin.hr/monperin-izvjesca.html> (15.9.2019) and Tourist arrivals and overnights in Istria 2018–2007, available at: <https://www.istra.hr/hr/business-information/istra-u-medijima/statistika/arhiva> (18.9.2019.)

As can be seen from the data presented above, Mon Perin Ltd.'s business continuously developed, with high investments and constant increase in tourist overnights. At each annual assembly meeting from 2006 to 2012 the decision was made to not pay dividends; all the profit was instead retained for the purpose of new investments. In 2009 a group of 50 shareholders from the founders-friends of Bale category publicly expressed their dissatisfaction over their investments in the company. The situation was soon handled in a way that all shares from the dissatisfied parties were bought by new shareholders (a company owned by Plinio Cuccurin according to unconfirmed writing by the media).

The company continued its business, soon executing its first recapitalization, and after the zoning scheme and integral programme-zoning scheme were adopted, the company obtained the right to build on the area covered by the land concession. The study allowed the building of low capacity accommodation facilities, not closer than 600 meter from the coast, and the same scheme defined the parcels in the inner part of the municipality for building houses and apartments (for purpose of the permanent residence, not tourism).

When looking at the local budget, in 2006 it rose to 1.666.000 EUR, while Mon Perin contributed with 324.166 EUR in the form of payment for the land concession, communal fees and more. The local self-government allocated budget funds for the enhancement of the living standard in the community through investments in various utility infrastructure, public tourist infrastructure, social and cultural programmes, scholarships through decreasing local income tax, etc.

At the local elections in 2009, the Edi Pastrovicchio Independent List won 9 out of 11 seats in the municipality council, and he remained the head of the municipality. The 2011 census showed that there were 1127 people living in the Municipality of Bale, of which 9.67% had a college or university degree. Additionally, the number of new businesses (legal entities and registered self-employed persons) operating in the municipality of Bale increased from 52 in 2004 to 112 in 2013.

## 2. DEVELOPMENT OF MON PERIN AND THE MUNICIPALITY OF BALE FROM 2013 TO 2019

The company's investments in the tourist infrastructure continued in this business period, and in 2016 investments in luxury mobile houses were completed, and the San Polo and Colone camps were united under the name Mon Perin, categorized at 4 stars with overall capacity of 3.500 guests. For the purpose of integrating the camp and town of Bale which are 6 km apart, Mon Perin organized free transportation of a tourist train three to five times per day during the tourist season (May – September). Additionally, following the programme-zoning study on Bale as a town-hotel, Mon Perin developed the “Scattered Hotel“ project. It encompassed the idea that the camp's website also enables making reservations for luxury villas, apartments and rooms in Bale and its surroundings. Some of those accommodation capacities were owned by the people of Bale, and at the same time as selling and promoting them via the portal, Mon Perin also invested in the construction of its own luxury duplex villas with external pools, and bought and refurbished a derelict piece of real estate in the town center of Bale. The joint promotion, reservation and sale of all those accommodation capacities on the Mon Perin camp's web portal are run by the Mon Perin Castrum agency founded by Mon Perin. In addition to that agency, Mon Perin founded two more companies in the period from 2013 to 2018, whose details can be seen in Table 1.

Table 1: Companies founded (and 100% owned) by Mon Perin Ltd.

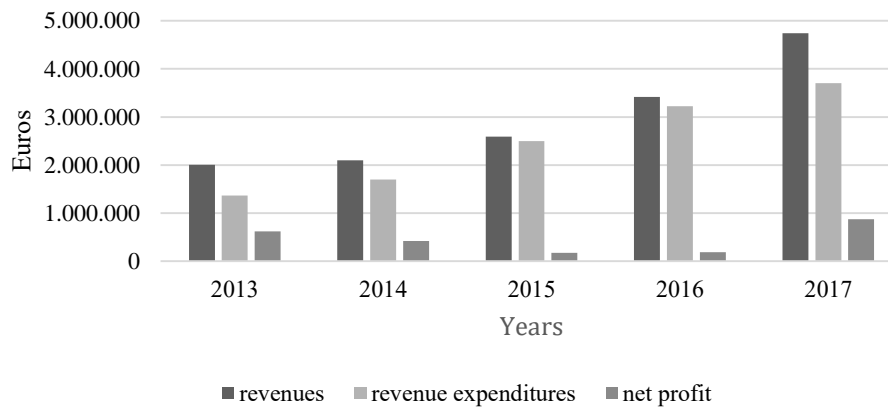
COMPANY NAME	YEAR FOUNDED	REGISTERED ACTIVITIES
Maian d.o.o.	2013	Preparation and serving of drinks
Mon Perin Castrum d.o.o.	2014	Travel agency
Dandoli d.o.o.	2017	Restaurant and other objects for food preparation and serving

Source: Croatian Financial Agency (FINA) Info Biz service (15.09.2019.)

Investments in the camp continued with the development of new sanitary facilities, installing heating in those facilities, opening new camp parcels, new luxury mobile houses and glamping tents. Furthermore, the new Fresh Market project enabled guests to get seasonal fruit and vegetables for free, grown on 8 hectares owned by the company, with the option of picking them themselves.

The main indicators of Mon Perin's business in the period from 2013 to 2018 can be seen in Graph 3.

Graph 3: **Overview of business incomes, business expenses and net profit from 2014 to 2017**



Source: Adapted from Mon Perin business reports, available at:  
<http://www.monperin.hr/monperin-izvjesca.html> (26.9.2019.)

Regarding local community development, the Municipality of Bale, led by Pastrovicchio, who won 8 out of 11 seats in the municipality council at the 2013 local elections, started a project for subsidized housing development by leasing municipality parcels intended for housing (family houses) to young families to encourage them to move to Bale and live there the whole year. Families had the option to get a 99% discount, depending on education level, age, number of children etc. After getting the lease for the land, the Mon Perin Foundation (founded by the Municipality of Bale and Plinio Cucurin) helped them with project design, building permits, selection of constructors and supervision of construction, and the Foundation also financed 50% of the interest for the first three years. By the end of 2018, 18 contracts (mostly with families from other parts of Istria) have been concluded, and seven houses have already been completely or mostly built. Additional benefits for families with children living in Bale pertain to benefits for each newborn, free first year of kindergarten, and benefits for families with multiple children. Mon Perin itself additionally subsidized kindergarten by a purpose-specific payment of 27.000 EUR into the municipality budget in 2017.

In 2017, CROMA (Croatian Managers' and Entrepreneurs' Association) awarded a prize to the then 28-year-old Massimo Piutti, who was born in Bale and who is a board member of Mon Perin d.o.o. as the most successful project manager of the year. The same year the company executed the second recapitalization. Based on the company's business reports, 12.3000.000 EUR has been invested during 2018 and 2019, which is 70% of the resources invested in the company during the 2017 recapitalization.

The largest investment was the Paleo Park opened in May 2019 as part of the Mon Perin camp. It is a combination of a thematic entertainment waterpark and an educational park. The park promotes the archaeological discovery from 1992 when the remains of the *Histriosaurus* were found in the Bay of Colona in Bale. This investment worth 3.100.000 EUR encompasses 16 thousand square meters including swimming pools for all ages, an

area for sunbathing, restaurant, cafe, and dinosaur-themed areas for children. The park is open during the season (from May until the end of September), and, even though it is located in the Mon Perin camp, it is open to all interested visitors.

During the 2019 tourist season, the forts in the Municipality of Bale hosted several cultural events. These events were an introduction to the project for the valorization of Austro-Hungarian forts which the state gave to the municipality to manage and conduct a tourist valorization. The forts will be managed by the Fort Forno company founded by:

- the Municipality of Bale (headed by Pastrovicchio who won the 2017 local elections)
- Mon Perin Ltd
- Mon Perin Foundation
- Plinio Ltd (privately owned company)

Fort Forno plans to assign different cultural contents to each fort, and in addition to cultural events, there will be music, acting and sculpting schools, as well as summer camps for kids and the young. In addition to investing in cultural tourism, Mon Perin has announced plans to continue investing in raising the quality of the camp with mobile houses and a sewer system, further investments in the „Scattered Hotel“ project, as well as purchasing land in the neighboring Municipality of Fažana where they plan to build a hotel.

## CONCLUSION

The story of the vision and business of Mon Perin Ltd. has been promoted as an example of good practice at various expert and scientific conferences in Croatia and abroad. Plinio Cuccurin, the person who originally proposed the concept, has also provided personal review of Mon Perin:

*„... a company was founded whose owners comprise 924 people who are inhabitants or friends of Bale. Its development achieved that today, Mon Perin participates in the total budget of the municipality with 20%, and the children of Bale, who were starting school when this story began, have the opportunity to come back after college, get a job and advance in the place where they were born. They are also the ones leading Mon Perin today, as it was not only important to consider how to realize investments, but also who will continue the story when the investments are completed. Will our people merely be „serfs“; that is, employees and hired labour, or will they be owners and managers? Our example shows that locals can be owners, managers and employees, and that profit achieved through dividends, but also profit achieved through the company, can primarily be used to increase the life standard in the area. If a hundred people who have one euro put that money on the table, then it is no longer one, it is one hundred euros. That money can achieve things and those are our euros, not the euros of a third party there to use our resources and create systems in which the locals can work, but could not be owners or managers.“*

Source: part of Plinio Cuccurin's statement at a panel discussion on greenfield investments for the Lider magazine (Lider Press, 2019)

In autumn 2019, Mon Perin Ltd. announced general assembly, where the decision to transform the company into a joint-stock company and transform the current business shares into stock shall be voted on. The announcement states that the different founder categories (Locals, Municipality, Friends) would receive stock of differing series, which implies the possibility that decision-making rights by category could continue as they were.

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## TEACHING NOTES FOR EDUCATORS/TRAINERS

- Course name: Strategic management in tourism, Sustainable tourism management, Stakeholder management
- Target group: graduate or postgraduate students
- Learning objectives and outcomes:
  - Understanding specific issues of community-owned tourism projects.
  - Understanding potential impacts of operations of tourism businesses on local communities.
  - Developing critical thinking on potential corporate strategies in developing sustainable tourism enterprise.
  - Analysing and understanding direct and indirect links between private and public sector in specific joint projects.



- Teaching strategy:
  - Open discussion: Discuss and name the examples of ownership/management models in tourism destinations.
    1. Identify key primary stakeholders and their interests and expectation in participating in Mon Perin's activities using stakeholder analysis.
    2. Comment on possible reasons for founding new companies owned by Mon Perin Ltd.
    3. Identify and suggest the type of main corporate strategy used by Mon Perin in its business.
    4. Analyse and comment the share of tourist overnights in camps managed by Mon Perin Ltd. in overall number of tourist overnights in Bale (in period 2006-2012) and discuss the overall impact of Mon Perin on tourism of Bale
    5. Analyse the changes in the Municipality of Bale (budget, number of inhabitants, new business, etc.) and try to link it with the operations of Mon Perin Ltd.
    6. Consider and explain why the accelerated depreciation business method was used in the first few business years. Discuss consequences of this method (visible through business reports).
  - Project individual assignment: Case Analysis
  - Analyze Mon Perin's contribution to the local community (pros and cons) and compare it with an example of another tourist company using resources on the area of a municipality.

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