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# Dubrovnik

William Crewdson, founder and chief executive of iO Adria, describes how he launched the luxurious Sun Gardens resort in the Croatian maritime city against the gloom of the banking crisis

With a background in private equity William Crewdson made his first investments in central Europe in the early 1990s. Intrigued by the geo-political landscape after the fall of the Iron Curtain and the commercial opportunities that followed, he built and sold businesses in the then Czechoslovakia, Romania, Hungary and the Baltic states.

In 1997, just two years after the cessation of war in the former Yugoslavia, Crewdson turned his attention to Croatia. Over the next five years he led investments in the newly independent republic but desired to launch his own business.

"Rather than sitting *deus ex machina*, directing things from outside, like private equity people do, I wanted to focus on a single sector with clear, demonstrable, long-term growth potential and build a corporate organisation and successful business around myself," he says.

Capitalising on the local knowledge he had acquired and



Adriatic adventure: William Crewdson and, below, the Sun Gardens resort he launched in 2009

the opportunities that Croatia's natural beauty could afford, he set out a blueprint through investment vehicle iO Adria to build and operate high-end mixed-use resorts of serviced second homes and five-star hotels to complement what Crewdson calls Croatia's virginal landscape, starting in Dubrovnik.

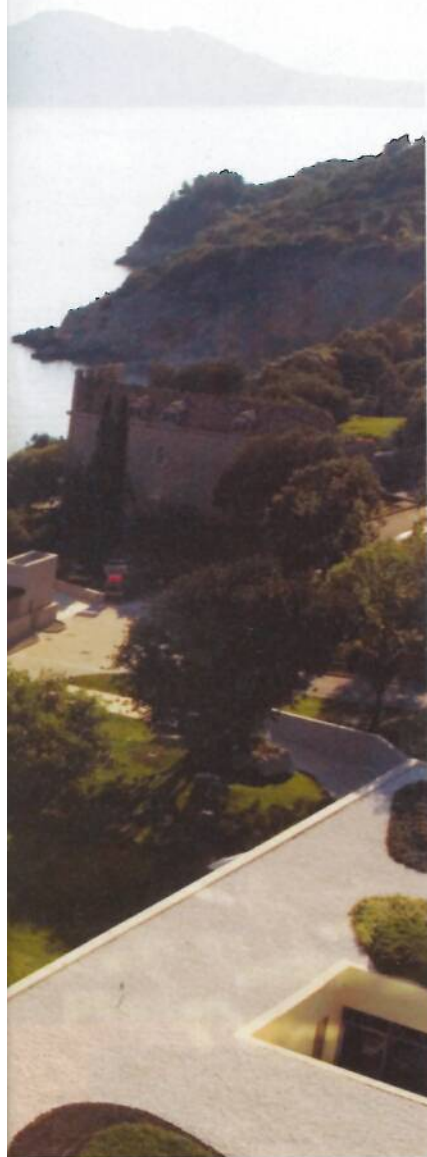
"Croatia's relative socio-economic isolation from the West meant it had escaped the worst excesses of unplanned tourism of the latter half of the

20th century." The prospect of a Benidorm-style skyline is unlikely as Croatia's 5,000km Adriatic coastline (including its islands) is protected under the country's constitution, with tourism officials keen to promote the country's crystal-clear waters, inviting food and wealth of cultural artefacts.

"The government has a legal duty to think how any planning decision might have a negative impact on – and future generations' enjoyment of – the coastline," explains Crewdson. "The Croatian vision for its tourism is absolutely spot on."

Still, Crewdson knew barriers to entry were high thanks to informal business structures and a complex legal system. "The laws are new or sometimes old, often poorly drafted if not poorly conceived. We faced complications deriving from the legacy of Yugoslavia's own brand of socialism and in some cases complexities that derive from Napoleonic occupation at the beginning of the 19th





Rooms with a view: the Sun Gardens resort in Dubrovnik, left and top, which William Crewdson set up through IO Adria. Above and top right: the charming port city attracts discerning tourists

century, particularly with respect to the abolition of primogeniture, which meant a fractionalised title to properties and land registries, confused by state expropriation followed by restitution."

Such hurdles might have put off others but for Crewdson it was a chance to take advantage of the 15 years he had spent operating in such a challenging environment. "The opportunity was there but the high barriers to entry would ensure it would remain awkward for people to pile in afterwards and make a success of it."

Praising the work ethic of Croats, Crewdson put in place a strong team of local talent to make sense of the laws and informal business links. Still, the weight of bureaucracy meant construction ground to a halt for days at a time while the business waited for permits to be issued.

"There is no recipe for a hassle-free experience if you are doing it on your own," says Crewdson. "But I think anyone

who has taken on a project in any country knows how many pitfalls there are along the way."

He finds Croatia's 20 per cent corporation tax encouraging but warns that employment laws are onerous, making it expensive to take on staff and especially difficult to hire ex-pats on short-term contracts to train locals. "The gross up, the cost to the company relative to the net that an individual will receive, is very large. It's something we seek to have addressed at a senior political level but it is difficult to make headway."

#### UPMARKET DESTINATION

Dubrovnik Sun Gardens was opened in 2009 in the teeth of the financial crisis but Crewdson is adamant that the city – with few existing five-star bedrooms – was the one destination in Europe where it made sense to open a high-end resort. "The first phase sold out last year at an average of €300,000 (£257,000) for a two-bedroom home, with some three-bedroom

homes fetching €700,000. We've proved that there is a market at relatively high prices for second-home, serviced real estate in Croatia from people who don't regard discounted Spanish or Portuguese property as being a more attractive proposition."

Sun Gardens includes a franchised Radisson Blu hotel but plans for other resorts are largely curtailed for the moment. "These are high capital spending items, typically well over €100m. Anything that wasn't committed to before the banking crisis was stopped instantly.

"We were obliged to focus on what we had and to look at opportunities to grow by acquisition rather than organically via new build. But we have six or seven substantial sites which we are still pushing forward, and a smaller hotel is due to open on the beautiful island of Sipan in May."

With a corporate team of just 10 people and an operations workforce that flexes from 130 in low season to 500 in high season, Crewdson is keen to exploit the pleasant winter climate. "Hotels here traditionally do 90 per cent of their business between June and September. There has been inadequate investment in the sort of infrastructure which fuels low-season occupancy such as spas, golf and conference facilities. There is a real opportunity to build and extend the offering. Sun Gardens is showing what is possible."

Looking ahead, Crewdson is confident the five-star proposition will be a success. "Not once have I doubted that this is a fantastic growth opportunity aided by the fact that the Croatian government is committed to the same vision of tourism," he says determinedly.

Richard Dunnett

## DUBROVNIK FACT FILE



**Population**  
Around 43,000

**Currency**  
Croatian kuna

**Language**  
Croatian but English is widely spoken in the city.

**Sightseeing**  
"As any sailor will tell you, the Croatian Adriatic coast is sensationally virginal with crystal-clear waters," says Crewdson. Exploring further afield? Don't miss the four-sided Roman amphitheatre in Pula.



**Food**  
"Croatia offers wonderful seafood," says Crewdson. "I'd recommend two restaurants around Dubrovnik that are approachable from the water: Kod Marka in Sipanska Luka on Sipan island and Gastro Mare in Kobas near Ston. Both offer truly memorable gastronomic experiences in wonderfully rare settings."  
[www.gastromare.com](http://www.gastromare.com)

**Where to stay**  
"Obviously the Sun Gardens, and our new boutique hotel, Hotel Sipan, when it opens," he adds.



**Getting there**  
BA, Monarch and Jet2 fly direct to Dubrovnik from various UK

airports. Or book flights through WEXAS at [www.iod.com/travel](http://www.iod.com/travel) (020 7838 5989).

**Useful contacts**  
"Natasa Kalauz, UKTI director in the British embassy in Zagreb, is really very good and proactive," says Crewdson.  
[www.ukti.gov.uk/croatia](http://www.ukti.gov.uk/croatia)