

SPECIAL FEATURE

BULGARIA BRAND

TOURISM: A COMPETITIVE SECTOR IN THE BULGARIAN ECONOMY

Tourism has the potential of becoming one of the most dynamically developing sectors generating a stable economic growth.

In 2004 the income from tourism exceeded EUR 1.7 billion and the share of tourism in the Gross Domestic Product reached 11 per cent. Half a million persons are directly involved in tourism. A large part of the companies operating in tourism are small and medium-sized enterprises. This is in short Bulgarian tourism.

For the period 1998 till 2004 the number of foreign tourists in Bulgaria has doubled and from 2 million it increased to more than 4 million. According to the World Tourism Organization (WTO) the number of foreign tourists in Bulgaria will exceed 20 million in 2020.

In the course of one year the number of international tourists has increased by 13.6 per cent and the increase covers the tourists from all countries. The EU countries are the largest market for the Bulgarian tourist services. The number of tourists from UK, Ireland, France, Austria and Germany grew considerably.

The number of tourists from Czech Republic and Poland is also increasing acknowledging the return of Bulgaria on the tourist market of the Central European countries.

In 2004 the largest number of tourists is from Greece (over 700 Thousand), Germany, UK, Macedonia, Serbia and Montenegro, Russia.

The Bulgarians traveling abroad have also increased. After the drop in 1995-2000, in 2004 the number of Bulgarians traveling abroad has increased by 14 per cent compared to previous years and reached 3.8 million. Bulgarians travel mainly in Turkey (more than 1.352 million Bulgarians have visited our Southern neighbor) followed by Greece, Germany, Serbia and Montenegro, Italy, Spain, Switzerland, UK etc.

In 2004 *international tourism revenues* are estimated at EUR 1 746.3 million accounting for a growth by 20.77 per cent compared to 2003 with revenues of EUR 1 460 million.

The expenses of the Bulgarian citizens traveling abroad in 2004 exceeded EUR 775 million, which is an increase by 17.3 per cent against 2003.

The net income from international tourism in 2004 reached EUR 970 million while in the previous year this figure had been EUR 798.9 thus indicating a growth by 21 per cent.

In 2005 the positive trends with regard to tourist visits and revenues from tourism are maintained.

Several groups of factors influence the development of tourism: natural resources; supply of facilities; general infrastructure; human resources; the supply and demand of tourist services; the relations and partnerships build-up; quality of company strategies. All these categories have their strengths and weaknesses.

Natural resources

There is no doubt that Bulgaria has an exceptional natural diversity for the development of different types of tourism both traditional and alternative. Apart from the mass seaside and skiing tourism Bulgaria has marvelous conditions for cultural and historical tourism, rural tourism, eco tourism, spa tourism, adventure, hunting and all other types of tourism.

Bulgaria relies considerably on its natural resources as a prime source for the establishment and development of tourism. The comparison with some of the main competitors shows that:

With regard to its remoteness from the main tourist markets of Western Europe, Bulgaria is located almost at the same distance from them as its main competitors Greece and Turkey and is a little bit far in location compared to Croatia and Slovenia. On the other hand, Greece and Turkey have an easy access by sea that favors the development of the yacht tourism in those countries.

Bulgaria disposes of 380 km sand beaches along the Black Sea coast. In some places the width of the sand beaches reaches 100 m. The sand is fine and this fine structure is an advantage in comparison to the quality of the beaches in the other countries of the region. Greece has 15 021 km of coasts and 70 per cent of which are rocky coasts. The nature of the Bulgarian coasts creates favorable conditions for building yacht ports.

Mountains occupy approximately 1/3 of the territory of the country. The altitude of eight of the mountains exceeds 2000 m. The mountain resorts located less than 500 km far from the main Black Sea resorts is a unique advantage of the country.

There are more than 550 deposits with 1600 mineral springs with a total capacity of 4900 l/sec, which places Bulgaria third in Europe per this indicator. The thermal waters with spa importance are concentrated in spa resorts with comparatively old facilities. Bulgaria has a lot of curative mud deposits as well.

Bulgaria has 4260 caves the majority of which are electrified and accommodate for visits and a unique relief topography attracting tourists.

Almost 30 000 historic monuments, 36 cultural reserves, 160 monasteries, 330 museums and a number of art galleries offer opportunities for visits. These tourist attractions are scattered all over the country favoring the development of the cultural and historic heritage tourism out of the traditional tourist regions.

Bulgaria is third in the world per number of bio reserves. There are numerous protected territories i.e. three national parks, 89 reserves and numerous protected territories for preserving the biological diversity. For comparison, Greece has only 10 national parks, one national sea park and 11 biological reserves. Bulgaria does not have a sea park, but the country is full with a great number of reserves that could attract tourists for observation of birds and other animal species.

From a climatic point of view the country offers better conditions than Greece and Turkey. Bulgaria is located on the border of the moderate and Mediterranean climatic zones that ensures favorable conditions for sea and mountain tourism. The Danube, connecting the country with Europe creates prerequisites for

river cruises especially attractive for the Bulgarian tourists. The restored navigation and the development of the river passenger fleet are excellent opportunities for stimulating the economic activity of the cities along the Danube.

These natural varieties determine the paths of the development of the Bulgarian tourism. The package summer tourists accounts for the main share in Bulgarian tourism characterized by strong seasonality followed by the package winter tourists. The dependency on the natural resources makes tourism a structure defining sector of industry mainly along the seacoast and in the mountain towns and villages. At the same time the inexhaustible natural resources all over the country, the unique sites and monuments of culture and history could be reasonably used by the local communities as a resource for developing new tourist products thus creating means of living for the population in the untypical tourist regions. These goals could be achieved by the active use of the means of local planning and programming. The distribution of the country into six planning regions creates opportunities to identify the unique potential of each region stimulating the development of different sectors of industry.

In the regions with concentration of tourist sites, tourism ousts the traditional economic activities like agriculture or fishing and introduces new social values that create a strong degree of dependence of the entire community of the success of the short tourist season. From this point of view, regional planning should mobilize both resources for creating conditions for tourism and seek for the balance with the main occupation in the region. Tourism could be a source of new markets for the traditional hand made products that could ensure a flow of revenues and a source for preserving local historical monuments and sights.

Specialized infrastructure

In the last few years, the specialized infrastructure is developing with extreme dynamism. For the period 1996-2004 the available accommodation (hotels, motels, huts) has increased by 70 per cent. In some Black Sea regions the supply of accommodation doubled. Bulgaria disposes of 190 Thousand beds, located in more than 1300 sites. The specialized infrastructure is being permanently modernized and renovated. Two and three star hotels are prevailing though higher category sites are being built in the last years.

Black Sea resorts

Major part of the supply is concentrated on the Black Sea coast.

"Albena" is the most complex developed resort, moderately built up, with numerous green areas suitable for family tourism and for all those who love silence and tranquility combined with wide beaches and space.

The expectations of Albena Plc. for the development of tourism are optimistic and the reason for that are the increased revenues from the reconstructed sites and the pursuit of an early and longer season. Last year the number of tourists has been more than 204 Thousand. The flow of Bulgarian citizens is increasing, which undoubtedly is a positive tendency and it would be very good if it turns into a stable trend. The variety of offers like "all-inclusive:" and "at last minute" contributes to this and is attractive for the Bulgarian tourists.

"Golden Sands" already disposes of 32 Thousand beds and the experts envisage their increase to 50 Thousand in the next few years. The successful development of the resort needs a better access to it. The difficulties with the condition of the scenic road and the airport nearby Varna should not be disregarded. Reconstruction of the terminal is needed for the normal service of the increasing number of the charter flights. Other problems are related to the low capacity of the water purification station in the region. There are no projects for a new station and the capacity of the existing one has been long exhausted.

The *villages North of Varna* offer good opportunities for a specialized infrastructure. In the next two years new hotels are envisaged in the village of Kranevo with more than 15 Thousand beds. Before the increase of the bed supply, a reconstruction and widening of the existing general infrastructure is necessitated. Otherwise, the problems of villages like Ravda, Sinemoretz and other will be reproduced as the water supply and drainage systems would not be able to take up the huge tourist flow.

Kavarna is also a village with good opportunities for investments and good perspectives for development subject to keeping a moderate rate of construction.

Shkorpilovtzi could turn into another attractive area and for achieving this the municipality has announced a very ambitious project. A resort area is envisaged to be built in the region with 25-30 Thousand beds thus outstripping Golden Sands. There are hot mineral waters, which will allow all year occupancy of the site including development of spa tourism. The project envisages the construction of a yacht port and a golf area and an "inland sea" i.e. a huge artificial basin obtaining water from the sea.

According to the data from NSI, the number of tourists in the last few years that have visited *Sunny Beach* for one season has doubled compared to 2001. In 2001 the resort disposed of 22 Thousand beds and had been visited by 176 Thousand people. The last season was opened with a considerably increased supply – 42 Thousand beds located in 145 hotels only in the Eastern area. In the Western part of the resort the construction of the specialized infrastructure continues. At this stage 40 per cent of the territory is built-up. The continuing construction works create serious risks for the infrastructure. In order to solve the problems new facilities should be built like an electric purification station, water supply and drainage system, switchboard networks and roads. This should be done systematically but even so there is no certainty that nature will "endure" this boom.

Due to the gradual exhaustion of construction opportunities in Sunny Beach more and more investors are turning towards the regions South of Bourgas. The resorts located South of Bourgas will become more attractive in the mid term if the forthcoming construction works are done reasonably. Currently, low-rise buildings are prevailing South of Bourgas and higher planting requirements are applied, an element that obligatory should be present in such resort complexes designed for relaxation and recreation. Villages like Tzerovo, Sozopol, and Primorsko have a huge potential and they attract tourists not only with the new construction but also with the various cultural, folklore and musical events.

Undoubtedly, the specialized infrastructure along the Black Sea is widening and renewing. Besides, problems arise that have to be solved in order to continue developing tourism as a modern sector of economy, competitive internationally. The unplanned, chaotic construction along the seaside has a negative effect in several aspects: oversupply that could not be dealt with by the market, impact on the prices leading to their decrease; breaching ecological balance; impossibility of the available infrastructure facilities to deal with the huge bed capacity and the final effect will be driving back tourists and denial of holidays.

Practically 80 per cent of the specialized infrastructure is concentrated in 20 municipalities covering only 9 per cent of the territory of the country. The large complexes more and more resemble the cities where it is difficult to find conditions for recreation, which is the common goal of the tourist travels. Currently, the beds in Sunny Beach could accommodate the population of a comparatively large Bulgarian city like Pleven for example.

Winter resorts

Winter resorts are renovated at an accelerated rate as well. In *Bansko* the investments in the specialized infrastructure exceeded EUR 50 million in the course of the last year. Only in 2004 the municipal administration has issued 274 construction permits 79 of which are for hotels. The construction of high category hotels is increasing; the first four-star hotel "Tanne" was opened in 2002.

The town, however, is not prepared for the large-scale construction works. The insufficient general and transportation infrastructure definitely needs renovation, the water supply and drainage system is old and needs replacement, human resources with good professional and language qualification are not enough and the level of service is still very low. There is a risk of damaging the environment and the concentration of the considerable hotel infrastructure could repel tourists. There are problems also resulting from the lack of advertising and marketing of the resort and united efforts are needed to present Bansko and the opportunities offered.

Widening and renovation of the other mountain resort *Borovetz* is imminent. The project “Super Borovetz” for the modernization of the resort was approved and its realization will be done in three stages envisaging the first one to be finalized in 2007. The first stage will lead to doubling the occupancy rate of the tourist base in Borovetz. It will open also 10 Thousand new working places. This process will be accompanied with increased necessity for well-trained tourist personnel. The existing special tourist schools in Pravetz, Samokov and Pirdop envisage combining their efforts to meet this need and to prepare trained and well-educated staff for the complex. Such a partnership will have a positive effect on decreasing unemployment in those regions and on improving the quality of service.

In *Pamporovo* considerable investments are done as well. The modernization of hotel “Persenk” is forthcoming. Bulgarian companies in the region are trying to attract investments from Western Europe and Russia. The focus is directed towards the region of Smolyan as well where an improvement of the existing infrastructure is expected like building new lifts and rope-lines, children’s recreation center etc.

Special infrastructure is developed in *the interior* as well. Thanks to the activities of a number of local administrations for attracting funds under different programs and the development of public and private partnerships the facilities in regions like Tryavna, Koprivshtitza, Melnik, Troyan, Gabrovo and other are being renovated.

The hotels in *Sofia* increased rapidly in the last few years. In 2004 Sofia has 86 hotels while in 2002 they have been 62 and in 1998 only 27, which means that for a period of 6-7 years, the number of hotels almost tripled.

General infrastructure

The successful development of Bulgarian tourism needs resolving the serious problems related to the transport infrastructure like lack of sufficient airports, roads in bad condition; difficult access to a number of sites have a disastrous effect on tourism. If it is comparatively easy to go to the Black Sea and there is a clear perspective for completion of the two high ways, the conditions in the interior are almost dramatic. This is one of the main reasons for the insufficient development of the different types of alternative tourism. The improvement of the road infrastructure is one of the priorities in the utilization of the EU funds, which will definitely support the development of the tourist sector.

There are serious difficulties with regard to the water supply and water purification infrastructure in the large resorts. Undoubtedly, the role of the government and of the local authorities in the infrastructure improvement is enormous. The partnership with the private entrepreneurs should not be ignored, as this could be very useful.

Human resources

Until recently, Bulgaria possessed competitive advantages with regard to the quality of the human resources. During the last years, however, worsening of the quality is observed. This is true for tourism as well. “The explosion like” development of the specialized infrastructure was not accompanied by an adequate labor market restructuring and adequate training of the necessary personnel for tourism in terms of quality and

quantity. At the same time, a large part of the professionals in the sector prefer to go abroad where they could be better paid. The so-called "brain drain" is observed with regard to tourism as well.

At almost 100 per cent private ownership in tourism, the participation of business in the personnel training is insignificant. There is lack of willingness and desire for accepting trainees in the private companies, for granting scholarships etc. The fact that only 2 per cent of the expenses of the private companies are for training and qualification of the staff is eloquent as to the fact that they underestimate the importance of the human factor. Business needs to be considerably more active and to allow a better partnership with the state.

Supply and demand of tourist services

The successful development of Bulgarian tourism is related to the precise assessment and analysis of the demand for tourist services. There are no regular surveys at the moment as to the attitude and the needs of the tourists. There are no analyses of the demand for tourist services by Bulgarian citizens i.e. analyses of the internal market. In many cases the Bulgarians are better consumers of tourist services than the foreigners. Unfortunately the Bulgarians play the role of "vacancy fillers" i.e. to fill the vacancy at the last minute when foreigners have denied their visit. In the last years a bigger flexibility is observed in the attraction of Bulgarian tourists mainly along the Black Sea coast. A policy with a set purpose will facilitate the increase of the flow of Bulgarian tourists to the native resorts. At the moment about EUR 900 million "flow out" to the Southern neighbors Turkey and Greece.

Nature of the Bulgarian tourist product

The Bulgarian tourist product constantly develops and improves. Irrespective, however, of the huge potential, it is still characterized by seasonality, unevenness, lack of purposefulness. The cheap summer package tourists are prevailing and to a lesser degree the winter skiing packages. This outlines the monoculture of the tourist product. It is mainly intended for low-paid tourist categories. The alternative extremely perspective types of tourism that could offer more opportunities for attracting richer tourists are weakly developed. Undoubtedly, this is one of the best directions for development of the Bulgarian tourism, which will help strengthening its position as a competitive sector on the international market.

During the last few years the *alternative (specialized) tourism* including all types of tourism other than the mass tourism like cultural and historic heritage, ethnic, rural, adventure etc. develop successfully. The specialized tourism has a great importance for the development of the mountain and rural regions that do not have other alternatives. This business is mainly small and medium-sized and needs serious support with regard to building the infrastructure i.e. family hotels, attractions, preservation of the cultural monuments etc. Important funding sources for this type of tourism are the PHARE, SAPARD and EU programs, UNDP as well as many other bilateral and national programs. For example, the PHARE program has supported 19 projects for the development of cultural tourism. For the component "Tourism - Family Business" of the UNDP Project "Beautiful Bulgaria" about BGN 2 million are approved for 60 projects. Under SAPARD program, EUR 49 million are approved for 103 projects for the development of rural tourism.

As it was mentioned earlier there are excellent conditions in the country for the development of *cultural heritage tourism*. Unfortunately, the achievements in this respect are insignificant. The reasons are different: lack of specialized tourist organization for cultural heritage tourism; lack of dialogue between people involved in culture and the hotel and restaurant entrepreneurs, insufficient partnership between the central, local authorities and the entrepreneurs. Combined efforts are needed of those interested in developing cultural and historic heritage tourism. Besides, there are no roads built leading to the interesting and important cultural and historic monuments, the quality of advertising cultural and alternative tourism as a whole is very poor, Internet websites should be made etc.

The *congress tourism* offers unutilized opportunities. According to experts it could generate revenues for Bulgaria amounting to about USD 100 million per annum. We are talking about organizing business meetings, company visits, conferences and other events in the country. If an ordinary tourist spends average EUR 70 daily, the business tourist spends EUR 700 for a visit of 3-4 days. Prerequisites for developing congress tourism are present in the country and particularly in Sofia that has good hotel facilities, international airport, comparatively comfortable transport and communications. Similar opportunities are offered by Plovdiv and Varna. The problems that should be solved with priority are ensuring cheap air transport from Western Europe to the country, carrying out active marketing activities for popularization of Bulgaria as a destination for congress tourism. The markets with the biggest potential in that sphere are Sweden, Germany, USA, Japan and UK. It is necessary the country to participate in the special congress tourism exchange and in the implementation of a purposeful policy in that respect. The application of the good practices in the sphere of the congress tourism has a positive effect in building congress bureaus, setting-up special tour operators, creating a database with the suppliers of this type of services, list of the places for the events, hotels, transportation, sub-suppliers etc.

There is a huge potential for *hunting tourism* as well. Bulgaria has 56 elite hunting grounds but the revenues from this type of tourism are only EUR 2 million while Hungary has only 6 hunting grounds and revenues amounting to EUR 300 million.

These are just a few examples illustrating the enormous opportunities of the country for maximum diversification of the tourist product. It could be attractive for different tourist categories and could develop all year long practically in all regions of the country.

A good option for the development of the Bulgarian tourism is the combination of its different types traditional with alternative allowing better utilization of the potential of the country.

Company strategies

Small and medium-sized enterprises are prevailing in tourism operating with great desire and enthusiasm but unfortunately without enough professionalism. There is lack of marketing strategies, good management, and active policy for qualification of the personnel. There is no desire to implement new IT technologies and innovative decisions.

Tourism is developing in an environment of comparatively good partnership between the business associations. The entrepreneurs in tourism are well-organized including its alternative types – BAAT, BACET etc.

Tourism will not succeed without paying special attention to advertising and popularizing the country as an attractive tourist destination. The advertising and marketing means are still insufficient for presenting Bulgaria as a good tourist destination in Europe.

Bulgarian tourism has all chances to turn into one of the most modern sectors of economy, generating sufficient income and working places, engine for development of other related sectors. In order to achieve the above a number of problems should be solved. Hereunder are some of the strategic priorities:

- Increasing the quality of the tourist product as a whole.
- Attracting well paid tourists by applying a policy aiming at the active utilization of the opportunities offered by the mineral springs, the Orthodox monasteries and the other cultural sights.
- Finding the revenue balance between the shares of main and additional services - currently 70 per cent of the revenues are from the main services i.e. hotels, food, transportation. Only 20 per cent of the revenues are from additional services. This ratio should be 50/50.
- Considerable improvement of the roads and the other general infrastructure.

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- Restricting the chaotic and sporadic construction and this could be done by adopting the Black Sea Coast Act.
- Undertaking measures for increasing the qualification and education of those engaged in tourism.
- Carrying out active marketing policy for establishing Bulgaria as an attractive tourist destination.
- Decentralization and development of the public and private partnerships in tourism.
- Developing partnerships on the Balkans and offering mutual tourist products.

National strategy should be adopted for clarifying the priorities and the nature of the tourist products in Bulgaria.