



Sector: Tourism

May 2012

Prepared by the Danish embassy in Sofia

Keywords: Bulgaria, Sofia, Tourism sector

Abstract:

Tourism has received sufficient investment in recent years and proceeds to be the most dynamic item of Bulgaria's economy that provides new workplaces as well as constant income for the State Treasury. For tourists Bulgaria is a cheap and easy-to-reach country and that is why the interest on their part is quite obvious.

But innovation is needed in order to attract visitors to the resorts. Development of new types of tourism is a bright idea for the sector however development of attractive packages intended for different targeted groups would also be a successful approach according to branch experts.

Introduction

Bulgaria has become one of the leading tourist destinations in Europe over the last couple of years. The youth is drawn by great beaches and, not least, the possibilities of partying all night long at reasonable prices, while the grown-up segment enjoys the same beaches but also the beautiful nature and the exciting history. Bulgaria benefits from a geographical position, which allows the country to offer skiing in winter and sunbathing at the beach and exploring the nature in summer. Even though tourism at present is the strongest drive for the Bulgarian economy, the sector is facing new challenges such as attracting new segments and improving the infrastructure.

During the last couple of years, the tourism sector of Bulgaria has boomed and the potential for growth continues to be huge. Bulgaria is one of the most rapidly growing tourist destinations in Europe. Danish tourists have also discovered how beautiful the Black Sea Coast is, the stunning nature, and the vast cultural and historical heritage. The majority of visitors come from the UK, Germany, Russia and Scandinavia. No matter where they are from, tourists are drawn to Bulgaria by the comfortable climate and the price level that, despite EU accession, is still very low, especially compared to traditional destinations in Western Europe.

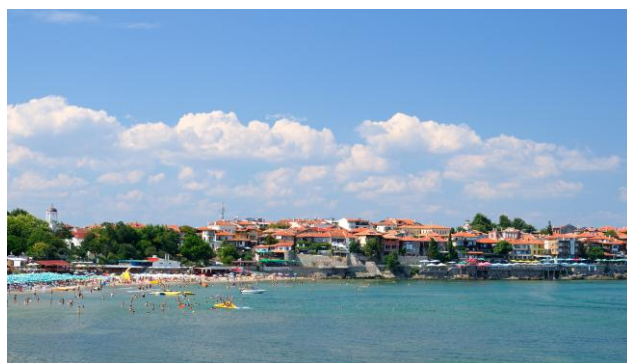
Market overview

Tourism plays a key role in the Bulgarian economy, generating more than 10 % of GDP, thus contributing to the large current account deficit in a counteractive way. The tourism sector has overtaken the energy sector as the sector in Bulgaria attracting most foreign direct investment.

Bulgaria offers a range of accommodation, from hotels and motels to individual guest houses, self-catering and other forms of private accommodation. Bulgaria had 3,226 accommodation establishments by the end of 2011, offering 246,442 beds. Several hotels have closed in recent years, reflecting the difficult economic backdrop. This has led to a drop in the national bed supply.

Over the first eight months of 2011, Bulgaria welcomed 6,378,465 visitors, according to figures released by the National Statistical Institute (NSI). This was an increase of just over 4% year-on-year (y-o-y) from the 6,128,790 tourists that visited Bulgaria during the same period of 2010. The growth in tourism numbers is an encouraging sign for Bulgaria, which launched major marketing campaigns in 2010 aimed at attracting greater tourist numbers to the country.

Bulgaria's tourism industry is heavily concentrated in the Black Sea coastal resorts, where occupancy rates plunged dramatically in 2009. This led to several hotel closures in an area that had been characterised by high construction rates for new hotels in recent years. Unrestrained hotel construction activity in some of the country's largest seaside and mountain resorts, a shortage of skilled workers in the tourism sector and underdeveloped infrastructure are areas that the Bulgarian authorities still need to address.



The World Travel and Tourism Council (WTTTC) predicted that by 2017, Bulgaria will be attracting over 16 million visitors per year – twice the number from 2009 that was almost 8 million. This prediction is an indicator for the large investment possibilities not only within traditional areas like beach hotels or ski resorts, but also within facilities like aqua parks and golf courses. In addition, exploration of other holiday types may prove successful and there is an emerging market for archaeological tourism, ecotourism, health tourism, and they look promising.

SWOT analysis

Bulgaria still needs to address many issues surrounding its energy and transport infrastructure. Inadequate energy infrastructure is another problem for the hospitality industry to overcome, with summer 2010 marked by several blackouts as a result of insufficient capacity on local power lines.

Strengths <ul style="list-style-type: none">• Government investment in the industry is relatively high.• Well-developed summer and winter holiday resorts.	Opportunities <ul style="list-style-type: none">• The low cost of land and lack of luxury accommodation is a good investment environment for international hoteliers.• Spa tourism could become a key growth area, particularly for the Russian market.• Meetings, incentives, conferences and exhibitions tourism could be another growth area.
Weaknesses <ul style="list-style-type: none">• Regional rivals such as Greece and Turkey better established as destinations.• Unrestrained hotel construction activity has damaged the natural environment and put a strain on the country's electricity supply.• Collapse of Alma Tour¹ in September 2011 could damage consumer confidence.	Threats <ul style="list-style-type: none">• A shortage of skilled workers in the tourism sector.• Underdeveloped infrastructure.

New directions of the sector

Bulgaria is looking to develop its capabilities in the meetings, incentives, conferences and exhibitions (MICE) tourism sector, as well as spa tourism, given that the country has many natural springs.

In December 2010, the Park Inn Sofia opened for business, the first Park Inn branded property in Bulgaria. The Park Inn Sofia has 77 hotel rooms and 36 apartments, alongside dining and meeting facilities and a wellness and sports centre.

Hilton is also expanding its Bulgarian operations. In May 2011, it officially opened the 196-room Doubletree by Hilton Varna Golden Sands. In early 2012, Hilton plans to open the 175-room and suite Hilton Varna property, following extensive renovation work. It also operates the 245-room Hilton Sofia.

¹ Alma Tour is one of the biggest travel agencies in Bulgaria. It has subsidiaries in different countries (Russia, Finland) as well as transport companies and hotels. It went bankrupt in September 2011 after a huge scandal that partly damaged the image of Bulgaria as a tourist destination.

The four-star Metropolitan Hotel, which opened in Sofia in early January 2008, is one of the country's business hotels, with eight conference rooms with a total capacity for 200 people. The country's MICE capabilities are small but the government is looking to increase Bulgaria's share in this lucrative sub-sector of the wider hospitality industry. Other openings in Sofia included the Inter Expo and Congress Centre and 700-seat conference centre at the Sheraton

Alternative forms of tourism have also gained strength to the point that they began to enter the focus of mass tourists. Furthermore, there exists a number of tour agencies in Bulgaria that focus exclusively on organising alternative tourism trips, including cultural tourism, as well as sports like bicycling, rafting and trekking. Village tourism also grew in popularity, with organised groups of French and German tourists visiting small villages in the Bulgarian countryside.

A new trend is also the sector's refocus on local tourists, through several campaigns for attracting the attention of Bulgarians to Bulgarian resorts. Bulgarians become important. They, however, tend to travel abroad as a result of the global price drop on tourist services.

Bulgaria also begins exploration of opportunities in more untraditional holiday types. The country has a programme for development of health and wellness tourism that aims at benefiting from a large worldwide tourist segment interested in experiencing the ancient Bulgarian spa tradition. A bundant natural resources provide excellent possibilities for treatments all year round.

Also there is a market within cultural experiences as many different civilizations have put their marks on the Bulgarian landscape. Seven sites are listed in the UNESCO World Heritage List. It is believed that Bulgaria has about 40,000 sites of archaeological interest, and in recent years many findings have been drawing attention. The government is therefore prioritising to support this part of the sector which means cultural tourism could hold larger share in the years to follow.



Airports and airlines

There are 4 main airports in Bulgaria-in Sofia, Plovdiv, Varna and Bourgas. In August 2011, the authorities announced they are planning to convert the former military airfield in Balchik into an airport. The new airport will be a base for low-cost airlines and would take traffic away from the increasingly busy Varna Airport. It would also be close to golf sites.

The national flag carrier is Bulgaria Air, which flies to over 30 destinations across Europe. As of October 2011, Bulgaria Air has a fleet of 16 aircraft. It is owned by the industrial conglomerate Chimimport

In recent years, several national carriers have increased the number of flights and routes to Bulgaria, including Germany's Lufthansa, Austrian Airlines, Italy's Alitalia, and British Airways. Swiss launched flights between Zurich and Sofia in summer 2008. Aer Lingus also started direct flights from Dublin. In

the low-cost sector, Hungary's Wizz Air and Slovakia's SkyEurope were among the first to gain entry to the Bulgarian market, followed by Norwegian, Germany's Niki and the UK's easyJet. In August 2011, Qatar Airways said it would start a four-times-a-week service from Doha to Sofia, with a stopover in Bucharest.

VAT

The Ministry of Finance announced its decision to change the VAT rate applicable to tourist services. Currently the VAT rate for organised trips is 7%, while individual trips are taxed at the same rate as other services, namely 20%. The introduction of a common VAT rate for both group and individual trips might empower hotels and serve to ease the burden on individual travellers, as well as change the competitive landscape for tour operators that organise group trips for foreign tourists.

Market trends

The National Strategy for Tourism covering the period 2008-2013 was issued by the government in January 2008. The strategy is very ambitious and targets a 2013 revenue level of EUR 6 billion. Other aspirations of the strategy are to position Bulgaria as a high-class tourist destination, to improve both capacity and efficiency of the sector as well as the infrastructure. In addition, it is aimed at meeting international standards and European practices across the sector. To achieve these goals over the period it has been estimated by the Bulgarian government that investments of EUR 250 million are needed.

According to the competitiveness index in tourism and travel of the World Economic Forum Bulgaria is 48th out of 139 countries on this indicator. Bulgaria fares pretty bad in terms of tourism competitiveness in Europe – it is only 27th out of 42 European states surveyed. In the overall rankings, Bulgaria is 99th in environmental sustainability, 81st in safety, 10th in hygiene and health, and 51st in terms of human, cultural, and natural resources. However, according to the report, Bulgaria's tourism has benefited from the global crisis.

Problem areas in the country according to the survey are:

- Regulations and policies in the sector - the state policy must be more transparent and administrative regulations less aggravating for business;
- Property rights - practices in granting concessions to the beach, issuing permits for the construction of hotels and public properties trades are often cited as a source of corruption and breach of property rights;
- Infrastructure - road, energy and technological infrastructure is not at a high enough level. Water supply and treatment facilities do not have sufficient expertise in this field.

European Union accession from 1st January 2007 has provided a strong incentive for further development of tourism. This membership acts as a pillar to guarantee stability and positive future investment prospects. Projects involving funding from the EU Structural Funds are already well under way, and this development is expected to accelerate.

The European Commission for development of tourism has proposed some guidelines in the way of achieving prosperous advance in the sector:

- Development of programs related to gastronomy and wine;

- Popularisation of small towns and villages that have preserved their specific architecture, and various local festivals, celebrations and cultural events;
- The government and business sector should join forces in the imposition of Bulgaria as a recognizable tourist destination with its own outlook;
- Investment in emotion and recreation programs will enable already existing tourist facilities to bring more dividends.

Conclusions and recommendations

Tourism is expected to maintain its growth rate over the following years despite the economic instability. Until 2012, figures of 12 % growth for tourist arrivals and 7 % growth of tourism revenues have been forecasted as achievable by various business opportunity organisations.

Despite the high number of foreign tourists Bulgarian tourism is about to take a turn into stagnating development in terms of excessive construction in sea and some mountain resorts, low service quality, shortage of qualified staff, and a lack of attractive advertising of Bulgaria as a tourist destination. In some ways Bulgaria has been a victim of its own success with many European tourism investors rushing to invest in the sector in the country before it acceded to the European Union in January 2007.

Innovation is needed in order to attract visitors to the resorts. Development of new types of tourism is a bright idea for the sector however development of attractive packages intended for different targeted groups would also be a successful approach according to branch experts.

The structure of tourism in Bulgaria has defined by the “accident of geography” meaning that the country attracts most of the tourists from either nearby countries or countries with easy air access. These tourists choose Bulgaria because of travel costs and convenience, which is the reason why the country tends to attract only less wealthy tourists. In order to attract richer segments, Bulgaria has to compete on other things than price only – fortunately the country has a lot of unspoiled nature, charming towns, and traditional festivals to offer, and the potential for exploiting this is definitely present.

Ministry of Foreign Affairs of Denmark

Embassy of Denmark
The Trade Council
Dondukov Blvd. 54
Sofia

Phone no: (+359) 2 917 01 00
Fax: (+359) 2 980 99 01
E-mail: sofamb@um.dk
www.bulgarien.um.dk

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