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**Sector: Tourism**

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**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.

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

## Introduction

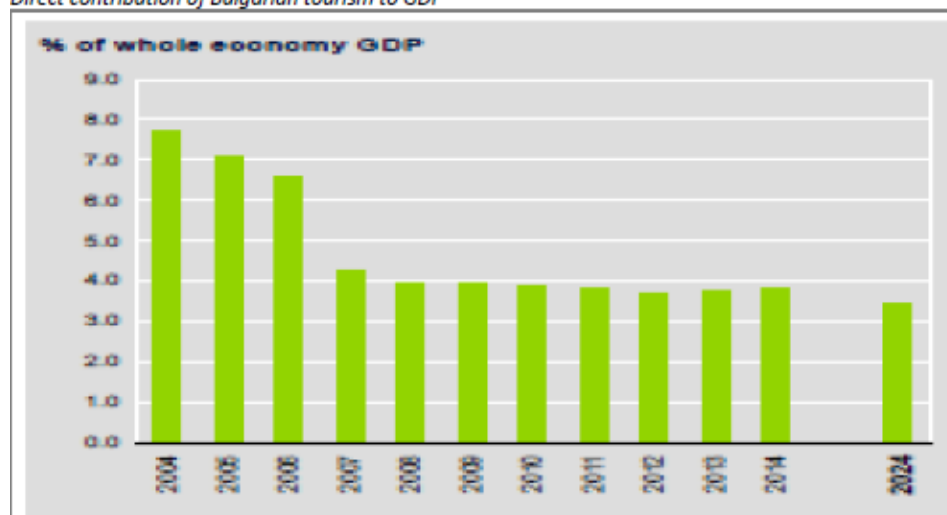
Bulgaria has become one of the leading tourist destinations in Europe over the last couple of years. Bulgaria benefits from a geographical position, which allows the country to offer skiing in winter and sunbathing at the beach and exploring the treasures of nature in summer. Even though tourism at present 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 of their origin, 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

In 2013 more than 3 million leva were used for advertising Bulgaria as a tourist destination, for 2014 the government would provide the amount of 18 million leva, according to the Ministry of economics and energetics.

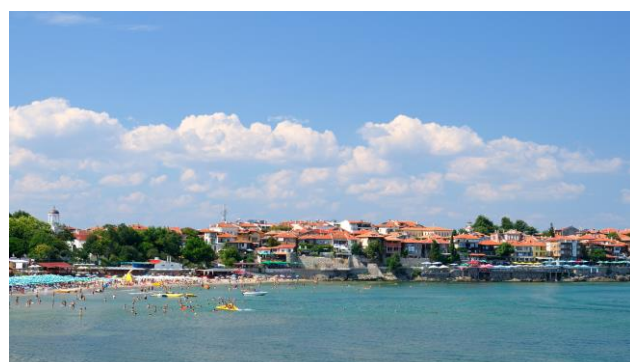
*Direct contribution of Bulgarian tourism to GDP*



Tourism plays a key role in the Bulgarian economy, generating more than 11,4 % of GDP, thus contributing to the large current account deficit in a counteractive way.

Bulgaria offers a range of accommodation, from hotels and motels to individual guest houses, self-catering and other forms of private accommodation. Bulgaria had 2 758 accommodation establishments by the end of 2012, offering 301 140 beds, while for 2013 there are 2 953 accommodations offering 302 433 beds. The data shows that there is a slight increase of the number of accommodation and beds respectively which is a solid evidence for the good work in terms of tourism policy because the trends previous years were showing diminishing results. Bulgaria has registered financial growth of 3.5%, which, when compared to the expectations for the growth of the economy as a whole, means that tourism develops twice faster.

In 2013, Bulgaria welcomed 14 370 426 foreign visitors, according to figures released by the National Statistical Institute (NSI) which is almost as double as the previous year's values of 8 866 552. This is a positive indicator that the EU money on developing tourism logo's and value for



Bulgaria as a destination providing all varieties of all-seasonal tourism were invested smartly. The revenues from international tourism in the current account of the balance of payments for January-July 2013 according to data of BNB amounted to EUR 1 625.6 million, which was 3% up compared to the same period of 2012. The costs of Bulgarian citizens for trips abroad in January-July 2013 total EURO 635.94 million or they were with 13.6% greater than in 2012.

Top five of visitors came from Romania, Greece, Germany, Russia and Macedonia.

| <b>ACCOMMODATION ESTABLISHMENTS BY STATISTICAL ZONES, STATISTICAL REGIONS AND BY DISTRICTS IN 2013 <sup>1,2</sup></b> |                                       |                     |                               |                       |                         |   |                      |                                 |                         |
|---|---------------------------------------|---------------------|-------------------------------|-----------------------|-------------------------|---|----------------------|---------------------------------|-------------------------|
| Statistical zones<br>Statistical regions<br>Districts   | Accommodation establishments - number | Bed-places - number | Available bed-nights - number | Nights spent - number |                         | Arrivals in accommodation establishments - number |                      | Revenues from nights spent-levs |                         |
|   |                                       |                     |                               | Total                 | Of which: by foreigners | Total   | Of which: foreigners | Total                           | Of which: by foreigners |
| <b>Total</b>  | 2 953                                 | 302 433             | 58 739 766                    | 21 617 474            | 14 370 426              | 5 847 289   | 2 820 673            | 906 305 593                     | 655 222 141             |
| <b>North and South-East Bulgaria</b>  | 1 849                                 | 233 527             | 38 317 257                    | 16 561 167            | 12 324 771              | 3 508 742   | 1 960 612            | 665 965 074                     | 527 989 291             |
| <b>North-West region</b>  | 205                                   | 8 851               | 2 794 392                     | 539 547               | 64 978                  | 284 981   | 30 161               | 17 465 965                      | 2 732 633               |
| <b>North Central region</b>   | 250                                   | 11 345              | 3 850 974                     | 644 307               | 135 139                 | 394 209   | 84 403               | 23 905 578                      | 6 840 233               |
| <b>North-East region</b>  | 575                                   | 94 315              | 14 816 571                    | 6 917 967             | 5 504 284               | 1 382 118   | 908 921              | 267 999 136                     | 223 854 199             |

**ACCOMMODATION ESTABLISHMENTS BY STATISTICAL ZONES, STATISTICAL REGIONS AND BY DISTRICTS IN 2013 <sup>1,2</sup>**

| Statistical zones<br>Statistical regions<br>Districts | Accommodation establishments - number | Bed-places - number | Available bed-nights - number | Nights spent - number |                         | Arrivals in accommodation establishments - number |                      | Revenues from nights spent - lev |                         |
|---|---------------------------------------|---------------------|-------------------------------|-----------------------|-------------------------|---|----------------------|----------------------------------|-------------------------|
|   |                                       |                     |                               | Total                 | Of which: by foreigners | Total   | Of which: foreigners | Total                            | Of which: by foreigners |
| South-East region                                     | 819                                   | 119 016             | 16 855 320                    | 8 459 346             | 6 620 370               | 1 447 434   | 937 127              | 356 594 395                      | 294 562 226             |
| South-West and South Central Bulgaria                 | 1 104                                 | 68 906              | 20 422 509                    | 5 056 307             | 2 045 655               | 2 338 547   | 860 061              | 240 340 519                      | 127 232 850             |
| South-West region                                     | 548                                   | 42 188              | 11 753 886                    | 3 113 154             | 1 644 138               | 1 479 160   | 710 020              | 164 670 516                      | 107 861 505             |
| Sofia   | 93                                    | 7 060               | 2 037 036                     | 444 741               | 171 384                 | 162 029   | 40 704               | 13 393 008                       | 5 892 793               |
| Sofia cap.  | 126                                   | 11 721              | 4 117 058                     | 1 401 703             | 908 862                 | 789 604   | 485 389              | 98 108 276                       | 73 708 605              |
| South Central   | 556                                   | 26 718              | 8 668 623                     | 1 943 153             | 401 517                 | 859 387   | 150 041              | 75 670                           | 19 371 345              |

*Source: National Statistics Institute, 2014.*

Only for June, 2014, the Danish citizens who visited Bulgaria were 4 651 at total, 1883 for holiday purposes and 1 628 for business trips.

## ***SWOT analysis***

According to the report of Ministry of Economy, Energy and Tourism the direct competitors of Bulgaria measured against the criteria of offering similar products types, price and targeting similar groups are Croatia, Greece, Turkey, Slovenia, Spain, Austria and Italy.

|   |  |
|---|--|
| <b>Strengths</b> <ul style="list-style-type: none"><li>• New program for development 2014-2020 with fresh investments to be made</li><li>• Well-developed summer and winter holiday resorts.</li><li>• Possibility for adventure tourism- cliffs climbing, rafting, paraplannerism, pendulums, etc</li><li>• Good overall tourist packages on low prices</li><li>• New initiatives taken to start develop Bulgaria as a brand</li></ul> | <b>Opportunities</b> <ul style="list-style-type: none"><li>• Low cost of land</li><li>• Development of eco-tourism</li><li>• Spa tourism could become a key growth area, particularly for the Russian market.- especially focusing on mineral water resorts</li><li>• Meetings, incentives, conferences and exhibitions tourism could be another growth area.</li><li>• Promoting hunting as another interesting branch of tourism</li></ul> |
| <b>Weaknesses</b> <ul style="list-style-type: none"><li>• Not sufficiently build up image of Bulgaria as offering diverse range of tourist opportunities</li><li>• Lack of sufficient maintenance of the tourist sites</li><li>• Quality of service</li></ul>   | <b>Threats</b> <ul style="list-style-type: none"><li>• Underdeveloped infrastructure.</li><li>• opponents such as Greece and Turkey that are better established as destinations and offer much better quality of service on lower prices.</li><li>• Bad image of Sunny Beach</li></ul>   |

## ***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.

The opening of a vast aqua park at Golden Sands has accumulated large amount of profit of almost 2 million levas and attracting more tourists by diversifying opportunities to entertain.

Another positive development is revealed by the Bulgarian Tourist Association which recently has finished projects for improving image and quality of Bulgaria as a tourist destination. Examples are: Operative program for Strengthening and increasing the administrative capacity, Improving quality of professional learning programs in the sphere of tourism and the project: Attractive Tourism in Bulgaria.

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. Abundant 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.

Also, a list was produced to identify the most important countries to be targeted. The country priority index showed that such countries are: Germany, Russia, Romania, United Kingdom, Greece and Poland.

### ***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, which is owned by the industrial conglomerate Chimimport, has a fleet of 16 aircraft. It is expected that by the end of 2013, the company will buy 9 new planes produced by the Brazilian company Embraer which will increase the weekly frequency of flights. Recently, it has been announced that there will be additional direct flights to Bucharest as well as opening routes to Palma de Mallorca, Malaga and Madrid because of the increased interest for these destinations.

In recent years, several national carriers have increased the number of flights and routes to Bulgaria, including Germany's Lufthansa, 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 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**

### **Decreasing travel accommodation prices contribute to positive good growth**

According to research conducted by booking search engine Trivago, average daily rates offered by hotels and other travel accommodation establishments in Bulgaria decreased in 2013 and the country continued to be the cheapest destination in Europe for the second consecutive year. As a result, demand and occupancy rates increased in 2013 and the number of both inbound and domestic tourists increased in comparison with 2012. The price decrease in 2013 was mainly initiated by hotels in summer resorts on the Black Sea coast in an attempt to attract larger groups of holiday-makers.

### **Neighbouring countries remain the main source markets for inbound tourists**

An increased number of visitors from neighbouring Romania and Greece contributed most towards the strong growth rate of tourism flows inbound in Bulgaria in 2013, with arrivals from each country surpassing a million trips for the first time in the review period. In addition, the combined number of trips made from all five of Bulgaria's neighbouring countries passed three million in 2013. Tourists from the neighbouring countries benefit from the close proximity of Bulgarian resorts and low transportation costs of reaching their holiday destinations. Visitors from Serbia and Macedonia, however, remain few because of the lower standard of living in those two countries.

### **Many infrastructure projects to benefit transportation**

There were many infrastructure projects in Bulgaria which were completed or were in the process of completion during 2013. Intensive construction of roads, crowned by the finalisation of the Trakia motorway in 2013, is favourable to the development of land transportation. In terms of air travel, both Sofia and Varna airports have undergone renovations and expansion. In an attempt to revive railways, the Bulgarian government has undertaken a series of railway modernisation projects, focusing on the railways connecting Sofia with the Danube Bridge near Vidin, which is part of a larger pan-European transport corridor, and a new high-speed line connecting Bulgaria and Turkey. In terms of cruise travel and sea transportation, a new passenger port was opened in Burgas at the end of 2013 with annual capacity for 100,000 people.

### **Online travel sales to Bulgarians remain below the Eastern European average**

Online travel sales to country residents in Bulgaria remain limited mainly to booking aeroplane tickets. All airlines operating in Bulgaria have well-developed online booking systems and a large proportion of leisure and business travellers find it easy to book flights over the internet. Tour operators account for most of the remaining online travel sales to country residents, as many outbound travellers prefer to use the services of such agencies to plan their holidays. Online travel sales to country residents for travel accommodation, car rental and other transportation are, however, very limited, because the majority of operators in these areas either do not have online booking systems implemented or prefer bookings over the telephone or in person.

### **New amusement park opens its doors near Varna**

A new amusement park called Happy Land opened its doors in spring 2013 – the first of its kind and scale for Bulgaria. The park is located 23km from Varna and attracted many of the inbound visitors of the Black Sea resorts during the summer season 2013. The park occupies an area of 32,000 sq m and offers

various entertainment sections themed to different subjects, children's attractions, a mini-Bulgaria corner and various extreme experiences.

## Conclusions and recommendations

Tourism received sufficient investment in recent years and proceeds to be the most dynamic sector of Bulgaria's economy providing new workplaces as well as constant income for the State Treasury. The World Travel and Tourism Council predicted that by 2017, Bulgaria will be attracting over 16 million visitors per year. 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 a promising market for archaeological tourism, ecotourism and health tourism. Rural tourism also grew in popularity, with organized groups of French and German tourists visiting small villages in Bulgarian countryside and get introduced to the traditions of the country..

Innovation is needed in order to attract visitors to the resorts. Development of new types of tourism such as eco-tourism and hunting is a bright idea for the sector. This combined with the already developed attractive packages intended for different targeted groups would also nurture fertile soil for the segment 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 offers magnificent virgin nature, cosy, charming towns, traditional festivals to be part of and the potential for exploiting these opportunities are definitely present.

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