

MEASURING THE INTERNATIONALIZATION OF BULGARIAN TOURISM AND OF “BULGARIA” BUSINESS DESTINATION

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ABSTRACT

Tourism is one of the most dynamically changing and rapidly developing forms of international business in recent decades. It embodies the basic characteristics and contradictions of the global economic system. Every sphere of international business is a result of the increasing division of labour, as a consequence of the scientific, technical and social progress. Tourism – an independent type of international business – integrates in the global economic system as a part of production and trade with goods and services. The modern development of this form of international business can be described using matrix principle of the Business specific advantages (BSAs) and Destination specific advantages (DSAs).

KEYWORDS

Internationalization, International Tourism, Business specific Advantages, Destination specific Advantages.

1. INTRODUCTION

The successful market positions of international market turn into a strategic advantage under the conditions of internationalization. They are based both on the competitiveness of tourist product and the attractiveness of destination and on the advantages offered by the business environment in Bulgaria. In cases when tourism is developing as an export-oriented sector of the national economy¹, the success of this business not only evidences its competitiveness but it is also an indication of the degree of internationalization.

The development of the tourist business over the last decades in our country has been reasoned by a number of foreign economic factors by virtue of the open character of our national economy, the course of the transition economy reforms, as well as the peculiarities of the Bulgarian economy EU integration. That is why the subject of internationalization in the tourist business sector in our country is topical, at the same time complex and debatable as it is bound both to the processes of transformation of our national economy and to the processes of uniform European market integration. For this reason we have grounds to think that looking for objective arguments to establish the degree of internationalization within Bulgarian tourist business is a serious motivation as well as a challenge in which problems and hardships in development must be studied in parallel with the achievements and traditions in this sphere. The significance of the subject of the degree of internationalization in the

¹The topic is developed based on the understanding that our country is specialized in the production and offer of tourist services, qualified by the World Tourism Organization methodology as non-resident tourists visiting the destination by international travel (Inbound Tourism: Involving the non-residents received by a destination country from the point of view of that destination).

sphere of tourism is supported by the fact that in a multinational economic community like the EU the increasing mutual commitment emphasizes on complex competitiveness of Bulgarian tourist business as well as on the attractiveness of Bulgaria as a “business destination”. At that the degree of business destination internationalization should be differentiated from the specific business internationalization although they are mutually conditioned. Moreover, there is a difference in the degree of the flowing process of internationalization in which the destination can be characterized by a high degree of internationalization, whereas business internationalization is restricted.

After formulating the problems we have to define the parameters of this research work. The *aim* is to reveal the degree of internationalization of tourist business in our country and of Bulgaria as “business destination”. The current analysis determines as *objects* both our tourist business and Bulgarian business environment. The research defines as *subject* the specific advantages of business and the specific advantages of “business destination”, traced through main indicators in the sphere of international trade and foreign investments. Based on the differentiation of the degree of Bulgaria’s internationalization as a business destination and that of the tourist business itself we formulate the thesis of relative independence of internationalization processes occurring in our country’s economy and the internationalization in its tourist business in spite of their mutual commitment and conditionality.

2. LITERATURE REVIEW – ANALYSIS ON THE DEGREE OF TOPIC DEVELOPMENT

Business internationalization is an intricate and complex notion; therefore in the sphere of tourism it is interpreted both from a theoretical point of view and in terms of practical realization. The multi-aspectuality of the notion raises interest to studying business destination as well as its epitomes as the particular types of business appear to be. In the sphere of tourism very often the notion of internationalization is related to product competitiveness and to that of tourist destination. Experts argue that success in business is due to particular products having successful market realization. That is why products identified with a certain brand are most often identified with the destination which offers them. Thus the aspects of competitiveness in the sphere of tourism are bound to the attractiveness of destination and the successful functioning of tourist business on the international market. The interrelation “business internationalization – business destination internationalization” is studied in different trends. Thus, for example, the first trend makes a parallel between the destination endowment with resources facilitating one or another form in offering products and its attractiveness from an international point of view. The indicated interrelationship stresses the interaction between comparative advantages and international competitiveness within the concrete business and the concrete business environment.

The World Economic Forum (WEF) experts are developing a procedure for measuring the degree of business internationalization based on the advantages of the tourist destination. It is applied in cross-country analyses. The indicated procedure involves three main indexes: “Regulatory framework of tourist business”, “Business environment and tourist infrastructure” and “Natural, human and cultural resources for tourist business”. The World Economic Forum procedure aims to prepare a rating according to which every country can identify on its own the strengths and weaknesses of its tourism business as well as of the business environment in which the tourist destination functions.

Another procedure for assessing the degree of tourist business internationalization in the particular countries in the world is offered by the World Travel and Tourism Council – WTTC. Expert centers of the Council monitor the internationalization processes based on the competitiveness of the tourist

business in the particular tourist destinations following a fixed original procedure including indices for comparison in the following main spheres²: price competitiveness; humane side of the tourist business; infrastructure; environment; level of technologies and innovation; qualification of human resources; degree of openness of the destination; social characteristics of the destination. The application of this procedure allows a parallel account of the degree of internationalization both for the business environment of the respective economy and the degree of internationalization of the tourist business itself.

The above shown research studies give us grounds to realize that the interrelation “internationalization – specific advantages” requires detailed work in researching the particular aspects of business environment and of the particular types of business in the respective environment with the aim to assess their realization in practice. The advantages achieved due to the internationalization of business environment within the concrete national economy, define it as an attractive place for developing tourist business. Revealing both sides related to the process of internationalization in the context of tourism, has a positive role in determining the positions of Bulgarian tourism in its inevitable competitive opposition to the other tourist destinations and their business which have similar tourist resources and develop products close to our country’s.

3. METHOD OF STUDYING AND SELECTION OF VARIABLES FOR SPECIFYING THE DEGREE OF INTERNATIONALIZATION

In order to specify the degree of internationalization of the Bulgarian tourist business and the business environment of “Bulgaria” destination we apply a method that is different from the above mentioned. In this case we apply a method based on comparison of the degree of internationalization between the national environment as a whole and the specific type of export-oriented business. Indicators, related to the realized advantages as a result of the internationalization depending on the degree of involvement between the economic entities from national and international business environment, are used for this purpose. This method deduces on a matrix principle the Business specific advantages (BSAs) as well as Destination specific advantages (DSAs). It is developed and applied in a number of studies as a way of deducing the degree of internationalization of both the individual economies, viewed as business destinations for entrepreneurs, looking for a suitable field for investment and development of business, and the economic entities operating in specific business environment. The deduced advantages contribute to carrying out comparative analyses of the cross-country type analysis. In this case the focus will be on the state and significance of the Bulgarian tourist business for the economy as a whole, in the form of a sample of a larger study on this subject which carries out a comparative analysis of the degree of internationalization of tourism in countries, offering tourist products, similar to those that present our country on the international market.

The degree of internationalization is measured by variables that are respectively directed to the business environment of the Bulgarian economy and the functioning of the Bulgarian tourist business (Table 1). As the table shows the Business specific advantages (BSAs) in our country and the Destination specific advantages (DSAs) will be deduced on the basis of variables related to import, export and capital transfer.

² The initiative of the World Travel and Tourism Council is based on the idea that such types of research support governments in the process of long-term planning to balance the necessary factors and resources required for the development of tourist business in the respective destination.

Table 1: Variables for specifying the degree of internationalization

Variables for studying the business environment of “destination Bulgaria”	Variables for studying Bulgarian tourist business
Gross domestic product, in mill. BGN	Product created in the hotel and restaurant business, in mill. BGN.
Export value, in mill. BGN	Revenues from tourism, in mill. BGN
Import value, in mill. BGN	Expenditures for tourism, in mill. BGN
Net size of FDI, total for the country, in mill. BGN	Net size of FDI – hotels and restaurants, in mill. BGN

The variables, describing the international trade transfer, clearly reveal the relationship between the particular economy and the other economies in the world which arises from the need for the exchange of production factors, services and consumer goods as a result of the growing international specialization. That is why they are of great importance for revealing the degree of the international interdependence between economies and between different types of businesses in particular. Variables, related to the transfer of investments, are closely associated with the charm of the environment where they find a profitable field for investment. Thus they contribute in a specific way to revealing the degree of internationalization.

The analysis is based on numerical quantities and includes a study of one-dimensional variables revealing the share and importance of the tourist business in our country's economy (Table 2). Initially traced is the product created in the hotel and restaurant business as a percentage of the gross domestic product of the country; revenues from tourism as a percentage of the country's export; expenditure for tourism as a percentage of country's import, as well as the volume of the FDI in hotels and restaurants as a percentage of the country's total volume of FDI for the period 2000-2009. After that the dynamics in the economy as a whole and in the tourist business in particular are deduced in accordance with the indicators shown in table 3.

Tourism is one of the few well functioning economic sectors under the conditions of ongoing transformation of the national economy in Bulgaria. When the reforms in the tourist business started at the beginning of the 1990s, the following characteristics were observed:

In the sphere of tourism there is experience accumulated mainly in the organized forms of the business;

- The facilities and infrastructure, built over the years before the start of the reforms, are not only quickly renovated but also expanded, improved and further developed under the influence of the favourable market conjunctural circumstances;
- The use of the tourist resources that are rich and various in nature and a basis for the development of the tourist business is reconsidered from the perspective of developing new forms of tourism and with reference to the interests of the foreign investors who are acquiring property and developing the business in the country;
- The fact that Bulgaria is recognized as a tourist destination particularly in the countries of Central and Eastern Europe is considered to be a good inheritance for the contemporary development of tourism but it also requires efforts for preserving the interest and improving the image so that new target customer groups are attracted;

When applying this method it is possible to trace bilaterally the following:

- The openness of the economy and the degree of its involvement with the other economies in the world through import and export;

Table 2: Structural indicators in specifying the degree of internationalization

Indicators	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Export as a percentage of GDP	8.35	7.26	7.32	8.95	8.87	8.79	8.62	8.36	8.12	7.65
FDI as a percentage of GDP	3.7	6.6	9.1	14.2	15.3	19.6	23.5	29.8	27.5	26.4
Product created in hotel and restaurant business as a percentage of export	2.64	2.60	2.54	2.75	2.95	3.05	3.15	3.39	3.46	3.36
Revenues from international tourism as a percentage of export revenues	10.67	9.70	10.46	11.49	12.23	10.57	8.78	9.82	9.67	11.72
Expenditures for tourism as a percentage of import expenditures	3.89	3.96	4.32	4.00	4.84	3.67	3.24	3.04	3.19	3.81
FDI in tourism as a percentage of the country's total volume of FDI	3.29	4.58	3.45	3.42	2.95	2.68	2.49	1.83	1.87	1.98

Source: Calculated after data of NSI at: <http://www.nsi.bg/otrasal.php?otr=10>

- Which form of organized tourism – the active or the passive one – is a priority for our economy.
- What role our country plays on the international tourist market – tourist-receiving or tourist-emitting;
- The importance of tourist business for the economy as export-oriented or domestic tourism;
- To what extent is our economy attractive as an economic destination for foreign investments as a whole and to what extent is tourism as a business attractive for foreign investors.

4. RESULTS FROM THE EMPHIRICAL STUDY ON THE DEGREE OF INTERNATIONALIZATION OF BULGARIAN TOURISM BUSINESS

Tourism is one of the few well functioning economic sectors under the conditions of ongoing transformation of the national economy in Bulgaria. When the reforms in the tourist business started at the beginning of the 1990s, the following characteristics were observed:

Table 3: Dynamics indicators in specifying the degree of internationalization

Dynamics indicators, in %	2001/2000	2002/2001	2003/2002	2004/2003	2005/2004	2006/2005	2007/2006	2008/2007	2009/2008
Dynamics in the value of the Gross Domestic Product	3.8	4.4	5.6	6.6	6.3	6.2	6.3	6	-5
Dynamics in the value of product created in hotel and restaurant businesses	9.1	9.0	8.5	8.3	8.1	8.5	8.1	8.3	-4
Dynamics of revenues from international tourism	4.3	9.2	12.0	13.3	18.2	19.4	17.0	8	-12
Dynamics of expenditures for international tourism	11.0	14.2	15.4	17.1	19.4	17.3	10.8	18	-22
Export, change in the value toward previous year	9.4	10.0	9.5	15.0	14.7	17.6	18.4	25	-19
Import, change in the value toward previous year	4.5	7.1	11.3	16	17.3	21.2	23.6	7	2
Change in the state of FDI volume total for the country, net size	11.0	9.0	15.1	11.6	16.3	15.7	18.4	19	-7
Change in the state of FDI in tourism, net size	21.1	18.0	19.5	17.3	18.4	11.1	8.6	6	-5

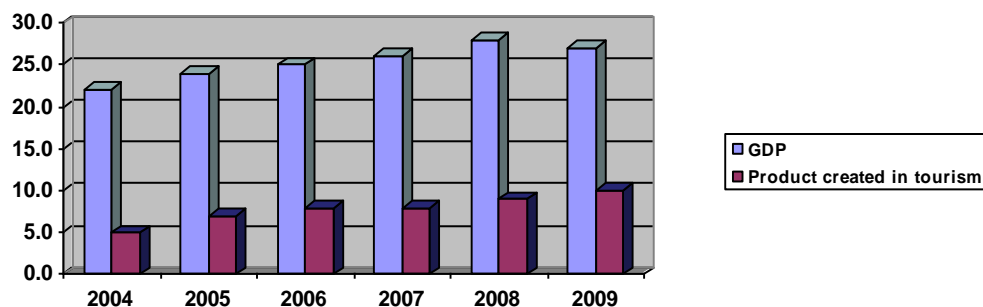
Source: Calculated after data of NSI at: <http://www.nsi.bg/otrasal.php?otr=10>

- In the sphere of tourism there is experience accumulated mainly in the organized forms of the business;
- The facilities and infrastructure, built over the years before the start of the reforms, are not only quickly renovated but also expanded, improved and further developed under the influence of the favourable market conjunctural circumstances;
- The use of the tourist resources that are rich and various in nature and a basis for the development of the tourist business is reconsidered from the perspective of developing new forms of tourism and with reference to the interests of the foreign investors who are acquiring property and developing the business in the country;
- The fact that Bulgaria is recognized as a tourist destination particularly in the countries of Central and Eastern Europe is considered to be a good inheritance for the contemporary development of tourism but it also requires efforts for preserving the interest and improving the image so that new target customer groups are attracted;
- The contemporary tourist business, based on the private incentive, “inherits” the functioning system with all the necessary activities within the framework of the tourist business. This system is reorganized and expanded by adding new structures and organizational bodies involved with tourism and expressing the interests of the groups of economic subjects motivated to participate in its development.

From the very beginning of its establishment as an independent economic system with the parameters of an industrial activity, tourism in Bulgaria has been characterized by an international orientation and export focus. This is due, on one hand, to the favourable natural resources and to the developed facilities taking into account the scale of the mass organized tourism, on the other hand. The further development and the organizational structure assert the distinct international profile of the tourist industry in the country. The export orientation is preserved as well after the start of the market reforms based on privatization and a change in the management model accompanied by a decentralization and establishment of network branch organizational structures for coordinating the relationships in the tourist business. The restructuring and the transformation that have taken place during the transition period have not changed the above mentioned characteristics of the Bulgarian tourism. Nevertheless, the reforms in this sphere have caused many problems and have led to many contradictions.

This economic activity is developed successfully today, too, and its importance within the framework of the national economy increases. This is proved by the constantly increasing contribution of the product that is created by tourism to the GDP of the country (Figure 1). This is due to the growth registered in this sphere. For the period 2000-2009 (excluding the interval 2009/2008) an increase was recorded. It was characterized by different rates of development but guaranteed the successful development of the tourist business. In addition, it has led to various positive effects for the economy as a whole as a result of the export orientation. This economic activity is developed successfully today, too, and its importance within the framework of the national economy increases. This is proved by the constantly increasing contribution of the product that is created by tourism to the GDP of the country (Graphic 1).

Graphic 1: The contribution of tourism to the GDP of the country (comparison base 2000, in millions US dollars)



Source: <http://www.tourism.government.bg/bg/stat.php?menuid=3&id=3>

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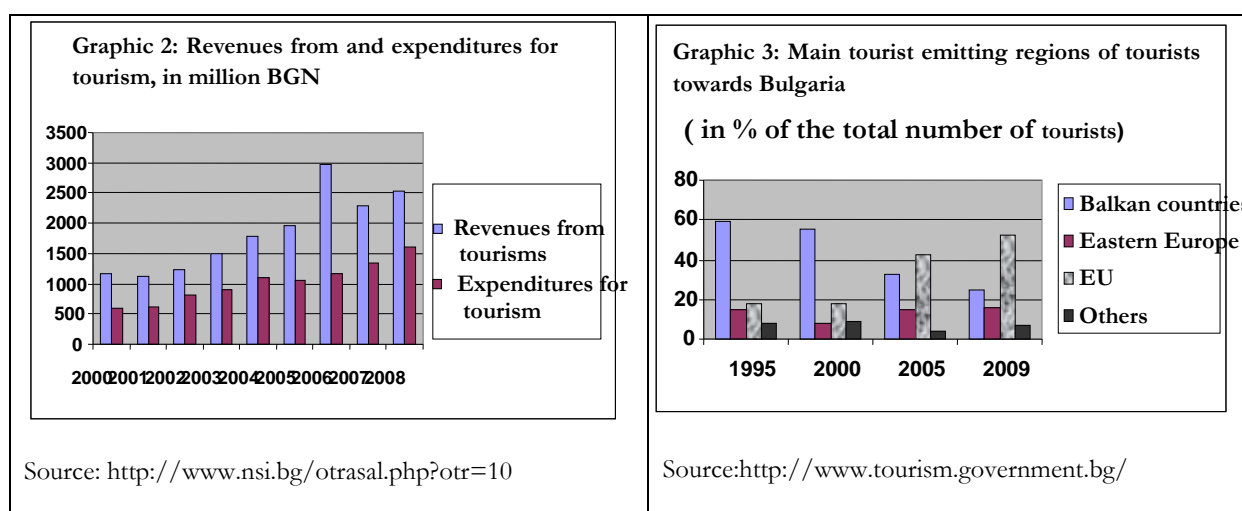
The role and importance of the tourist business within the framework of the national economy is revealed by several basic indicators (Table 4). According to data from the World Travel and Tourism Council the contribution of the product, created by tourism, to the country's GDP amounts to 10%. It should be mentioned that as a comparison the share of the tourist industry product of the EU countries as a whole is 4% of the GDP of the community. The growth rate of the tourism as a percentage of the GDP for the last 10 years is 5.4%. The percentage of the employed people in the tourism sphere is 8% while the respective indicator for the EU in general amounts to 9%. At the same time, however, the percentage of Bulgaria as a tourist destination in the international market demand is less than one percent.

Table 4: Parameters of the tourist business in Bulgaria – international perspectives

Percentage of tourism in the GDP, 2009	Growth rate of the percentage of tourism in the GDP for the last 10 years	Percentage of the employed in tourism, 2009	Percentage in the international market demand, 2009
Croatia 23%	Croatia 6.3%	Croatia 26%	Italy 6%
Greece 16%	Slovakia 5.9%	Greece 19%	Austria 5.9%
Slovakia 14%	Romania 5.8%	Austria 15%	Great Britain 4.8%
Austria 13%	Bulgaria 5.4%	Slovakia 12%	Spain 4.4%
Albania 12%	Czech Republic 5.1%	Italy 10%	Greece 3.5%
Czech Republic 11%	Albania 4.8%	Albania 10%	France 2.6%
Bulgaria 10%	Greece 3.5%	Czech Republic 10%	Czech Republic 2.1%
Italy 9%	Austria 3.5%	Bulgaria 8%	Croatia 2.0%
Hungary 6%	Hungary 3.4%	Romania 6%	Bulgaria 0.9%

Source: The World Travel & Tourism Council, 2010.

It can be concluded by the presented data that for the last ten years the importance of tourism as part of the services sector within the framework of the national economy has increased considerably but the market presence of Bulgaria as a tourist destination is modest. This does not exclude the possibility to realize substantial profits from international tourism in Bulgaria due to tourism's international orientation and focus on exports. According to data from the National Statistics Institute, for the last decade approximately 70% of the registered tourists in the country were foreigners; what is more, more than 50 % of them came from EU countries. The export orientation of the country's tourism is demonstrated by the ratio revenues from tourism and expenditures for tourism realized by Bulgarian citizens when traveling abroad (Figure 2). It is seen in Figure 2 that the revenues from international tourism considerably exceed the expenditures for tourism. If the tourist-emitting regions are analyzed, it will become clear (Figure 3) that until 2000 the majority of the tourists came from the Balkan countries, while after this period there was an increase in the number of tourists from the EU countries. At the same time for the whole period 1995-2009 the number of tourists from Eastern Europe remained almost unchanged.



The analysis of the data from tables 2 and 3 concerning the observed variables reveals some results that are divided into the following groups:

A) Results from the analysis of the structural indicators when determining the degree of internationalization. The increasing share of the export in the GDP for the observed period shows that after completing the economic reforms and the restructuring of the economy, Bulgaria has determined the spheres where it has competitive advantages and has used them to increase its presence on the international market. The percentage of revenues from international tourism occupy a considerable share of the export and this fact indicates that tourism in particular is one of the businesses in the country which functions successfully enough to create competitive services on the international market. The share of revenues from tourism increased during periods (2001-2005) when there was an improvement in the welfare of the population resulting from the economic stabilization at the end of the final stage of the performed reforms. This share is modest and this emphasizes that the specialization of the Bulgarian tourism is in the direction of the export orientation since it is not just preserved but increased. The data about the net values of the Foreign Direct Investments reveal that their contribution to the GDP is constantly increasing. This fact is indicative of the rising attractiveness of the Bulgarian economy to the foreign investors which in turn increases the degree of the internationalization of the "Bulgaria" business destination.

B) Results from the analysis of the indicators about the dynamics concerning the identification of the degree of internationalization.

For the observed period 2000-2009 the dynamics of the value indicators referring to the GDP is ascending while the respective one concerning the production realized in the hotel and restaurant business is descending. At the same time, however, the revenues from international business constantly go up. If we relate the dynamics to the referred indicators, we can conclude that the prices of the Bulgarian tourist products offered to foreign tourists decrease. The explanation can be sought in the fact that the representatives of the Bulgarian tourist business try to preserve their positions on the international market through lowering the price of the supply/offered services. This raises the assumption that the profitability of the business in its active form diminishes. Meanwhile, the passive forms of the tourist business are marked by an ascending trend which means that either an increasing number of Bulgarians travel abroad or these people increase their spending when going out of the country. Bulgaria's foreign trade is characterized by an analogous trend of constantly increasing import in and export out of the country. Summarizing the production and trade parameters of the Bulgarian economy as a whole and the tourist business in particular we identify a common tendency towards increasing the degree of internationalization realized through production and trade cooperation with foreign partners. In the sphere of foreign investments, the tendencies in the tourism sphere and those in the economy as a whole differ. As far as the "Bulgaria" business destination is concerned there is no unitary trend because peaks follow decreases without any logical connection. In the sphere of the tourist business, however, there is a marked tendency towards a decrease of the FDI. It is obvious that foreign investors do not find this sphere of Bulgaria's attractive.

5. CONCLUSIONS

- It was found out that there is a difference in the degree of internationalization as a result of the determined specific advantages of the business and the specific advantages of the "business destination" in the context of the Bulgarian economy and its tourist business.
- On the basis of the variables related to the international trade transfer it was proved that the tourist business in the country has a distinctly expressed export orientation unlike the export orientation of the economy with the active form of the organized tourism being more important to the national economy.
- The opposite tendency is observed when international capital transfer and attracting FDI are concerned. The analysis shows that as a business destination Bulgaria is attractive to foreign investors unlike its tourist business where there is a decrease in the transfer of capitals.

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