



## ORGANIZATIONS FOR TOURISM REGION MANAGEMENT IN BULGARIA – TRENDS AND CHALLENGES

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### ABSTRACT

Destination management organizations (DMOs) are well-established management structures in the international tourism practice. In Bulgaria's legislation, they are defined as organizations for tourism region management (OTRMs). The aim of this paper is to outline the expected trends and the possible challenges for the development of the organizations for tourism region management in Bulgaria. The research is based on methods such as system approach, deduction, induction, questionnaire-based surveys, etc. The main findings of the survey are as follows: there are 7 OTRMs listed in the registry of the Ministry of Tourism and two of the tourism regions have not yet registered such organizations; many people employed in the sector of tourism are still not aware of the functions of these OTRMs; the OTRMs are essential for development and promotion of regional and a national tourism products. The overall conclusion is that OTRMs and their functions are still not well-established in Bulgaria although they could be a key factor for a successful repositioning of the country as a tourism destination, development of competitive tourism products, and sustainable development of tourism.

**Key words:** organizations for tourism region management (OTRMs), regional tourism product, tourism destinations, sustainable development of tourism

### INTRODUCTION

Tourism is a constantly evolving sector of the economy, which performs both economic and social functions and should be managed in compliance with certain regulations. Therefore, we should determine the effect of such regulations on the tourism destinations as its main functional units. UNWTO defines the tourism destination as "a physical space in which a visitor spends at least one overnight. It includes tourism products such as support services and attractions, and tourism resources within one day's return travel time. It has physical and administrative boundaries defining its management, images and perceptions defining its market competitiveness. Local tourism destinations incorporate various stakeholders often including a host community and can nest and network to form larger destinations" (1).

The tourism sector of any given country is controlled by different institutions and organizations at three hierarchical levels - macro, meso and micro level, and each level has certain control functions (2). The organizations for tourism region management (OTRMs) play a special role in the process of management in tourism, because, although they are typically regional-level structures, they can actively interact with organizations from all hierarchical levels. For the purposes of this study, they are considered a specific type of a destination management organization (DMO), which is an independent management structures. According to the Tourism Act, OTRMs are "volunteering organizations, which through mutual assistance and cooperation in the interest of its members and in public interest shall carry out activities, related to formation of regional tourist products and regional marketing and advertisement on a certain territory – a tourist region" (3). These tourism regions cover the territory of the whole country and coincide with the territories of the municipalities, which

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means that the territory of a municipality can neither include parts of two or more regions, nor belong to two different tourism regions.

While the role of the regional structures in the process of tourism management and development of tourism products has been growing for decades worldwide, OTRMs in Bulgaria were established relatively recently with the Concept for Tourism Regionalization of Bulgaria. This strategic document and the related Tourism Act form the general framework of regulatory provisions regarding the operation and development of tourism management organizations.

The aim of this study is to outline the expected trends and the possible challenges for the development of the organizations for tourism region management in Bulgaria.

## METHODS

The study is based on methods such as system approach, deduction, induction, questionnaire-based surveys, etc. Due to the currently limited number of studies related to the existence and functioning of the OTRMs in Bulgaria, the authors also analyse documents with normative, planning and conceptual characteristics. A significant part of the study is devoted to the analysis of foreign experience in the formation of DMOs and particularly of OTRMs as an opportunity to outline a wider range of trends and challenges for these organizations.

## RESULTS AND DISCUSSION

According to the Concept for Tourism Regionalization of Bulgaria, the country is divided into 9 tourism regions, each of which has its own center (4):

1. Danube Region – Ruse
2. Stara planina Region – Veliko Tarnovo
3. Sofia Region – Sofia
4. Thrace Region – Plovdiv
5. Rose valley Region – Kazanlak
6. Rila and Pirin Region – Blagoevgrad
7. Rhodopes Region – Smolyan
8. Varna (North Black Sea Coast) Region – Varna
9. Burgas (South Black Sea Coast) Region – Burgas

However, there are fewer registered OTRMs – only seven – because two of the regions (Stara Planina and Sofia) still haven't established and registered their organizations for tourism region management with the Ministry of Tourism (5). Considering the fact that the

current Tourism Act has been in force since March 26, 2013, and although the establishment of such an organization takes some time (up to 19 months) due to its intrinsic characteristics (OTRM Rodopi was registered first on June 5, 2017), the lack of OTRM in those two regions is a negative indication regarding the effectiveness of these structures in Bulgaria. This is due partly to the ineffective participation of stakeholders and the lack of consensus on certain issues regarding the future development of tourism in the given region. This is just one of the signs that the development of the OTRMs in Bulgaria is related to certain trends, however, it faces several challenges.

According to the Tourism Act and the Concept for Tourism Regionalization of Bulgaria, the main objectives of the OTRMs and tourism regionalization is the development and marketing of regional tourism products. The development of tourism products based on the unique history, culture, traditions and crafts in the different regions of Bulgaria is fundamental for the development of tourist destinations and regions (6). Since this is traditionally considered a marketing task, the main objective of the OTRMs is practically limited only to marketing functions. Such a limited assumption regarding the functional capabilities of these organizations can be seen in quite a few scientific publications. Many authors believe that destination management organizations are in fact destination marketing organizations (7), as they use a wide range of marketing tools to promote the tourism destination or, in the case of Bulgaria, the tourism region. This approach is rather biased, because although contemporary OTRMs have strong marketing orientation, they are also able to perform other functions, which are particularly valuable for the successful socio-economic development of the nine tourism regions. These functions include (8):

- providing conditions and mechanisms for enhancement of tourism production processes and improving the quality of regional tourism products;
- creating conditions and mechanisms for training of sufficient number of highly qualified and motivated employees for the needs of the tourism region;
- good coordination and cooperation between all stakeholders in order to achieve the objectives and strategies of the tourism region as well as their periodic updating.

The performance of these functions together with the marketing function is essential for establishing the OTRMs in the tourism sector in Bulgaria. A quick enquiry in the Registry of organizations for tourism region management (9) shows that the registered activities of all OTRMs are almost identical and coincide with the basic definitions suggested by the Ministry of Tourism. Although these activities are mainly related to the marketing function, most of the OTRMs have stated, albeit minimal, interest in the performance of other functions as well. This shows their stakeholders' intention to let these organizations play an active role in the management and development of tourism in their regions.

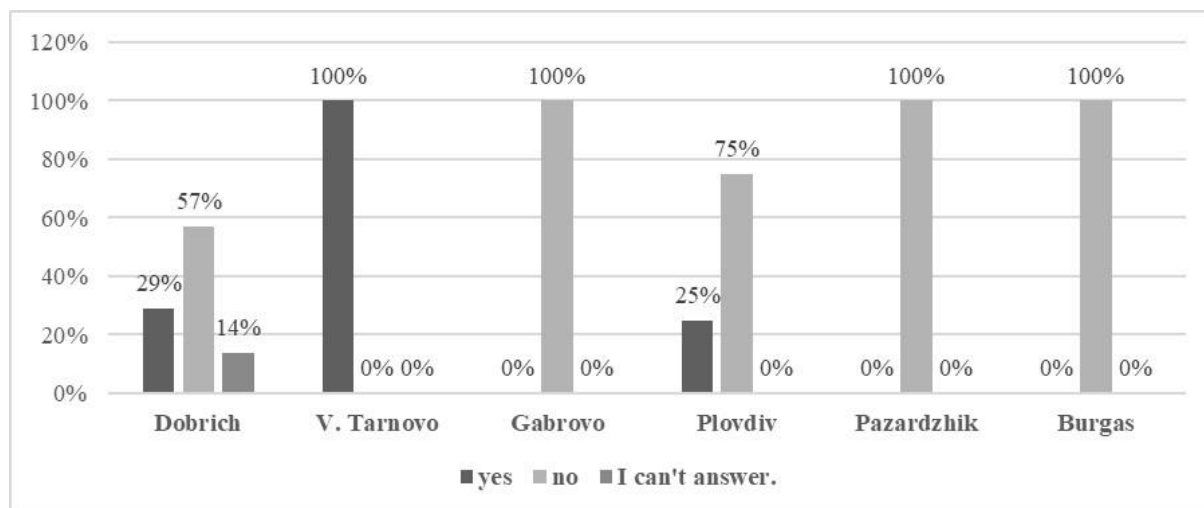
Another interesting aspect of the organization of the OTRMs is the fact that municipalities are their active members. On the one hand, every municipality is a territorial administrative unit which belongs to a certain tourism region, but on the other hand, at least four municipalities from the given region are required to establish an OTRM. This voluntary membership has certain drawbacks. OTRMs are meant to coordinate and manage tourism at regional level, i.e. to bridge the gap of tourism destinations' marketing and management on local level (municipality), which is too fragmented, and on national level, which is too general (10). Here comes the question of how this coordination takes place when not all municipalities from a certain region are members of the OTRM and whether this means that several larger municipalities, for example, can make decisions regarding the development of tourism in the rest of the municipalities without their membership and consent. This is one of the main arguments in favor of a mandatory (automatic) membership of all municipalities. Other benefits of such a mandatory membership (which is currently not obligatory by law) are (11):

- it will speed up the process of establishment of the OTRM;
- it will limit the possibility some of the municipalities to act as financial "donors" for the development of the entire region and for the benefit of all local communities;
- it will reduce the inequality among the municipalities in the region, i.e. it will quell the fear that member municipalities may use the OTRM for their own benefit.

However, the authors believe that the current voluntary (non-mandatory) membership is a better option, because:

- a mandatory membership will require amendments of the Tourism Act and other regulations, which is a cumbersome process and would hinder the operations of the existing OTRMs as well as the establishment of the last two OTRMs;
- the financial and socio-economic benefits from the operation of the OTRM will soon convince the rest of the municipalities to become members.

A survey conducted in the summer of 2018 among experts from the regional and municipal administrations and non-government tourism organizations in six provinces – Dobrich, Veliko Tarnovo, Gabrovo, Plovdiv, Pazardzhik and Burgas, aimed to determine the main dimensions of the management of tourism destination Bulgaria (12). The respondents were asked whether there was a destination management organization (OTRM) in their region (**Figure 1**). In three of the provinces (Gabrovo, Pazardzhik and Burgas) all responses were negative, because at that time their OTRMs were still not registered. Surprisingly, in the respondents from the Veliko Tarnovo province claimed that there were such organizations, although the region of Stara Planina, which covers a large part of the province, did not yet have its own OTRM. Probably this was due to the fact that part of the province is in the Danube region, which at that time had initiated a procedure for establishment and registration of its OTRM. Another probable explanation is that at that time in Veliko Tarnovo (the center of the province and the region), there were other organizations related to the development of tourism, which could have been mistaken for OTRMs or DMOs. In the provinces of Dobrich and Plovdiv there negative responses prevailed as well, albeit at different degrees. The differences in the responses of experts from the six provinces, as well as the discrepancy between their subjective opinion and the reality, show that only the general public but also tourism experts are not sufficiently aware of the establishment and operation of the OTRMs. This means that more efforts should be made to promote the activities and importance of these organizations in order to improve their effectiveness as well as the competitiveness of the tourism regions and their regional tourism products.



**Figure 1.** Presence of OTRMs in the studied provinces

Another important factor for the performance of OTRMs is their funding. In Europe, these organizations are subsidized by and report to their respective ministry or government agency. In Bulgaria, the budget of an OTRM is raised from membership fees, operating income from rendering of services, funds from participation in European, international and other donor programs, donations from individuals and legal entities as well as other sources. Typically, the budget of such organizations can reach tens of millions, but the practice in Spain shows that an OTRM can operate, at least initially, on a far modest budget relying on grants from EU funds (11). Bulgarian OTRMs can also apply for such grants to complement their limited budgets. The Ministry of Tourism (13) supports the OTRMs, which are established under the Tourism Act. This support is implemented within the framework of a project funded under Priority Axis 2 “Entrepreneurship and Growth Capacity for SMEs<sup>1</sup>”, Investment Priority 2.2: “SME Growth Capacity” under the Operational Program “Innovation and Competitiveness” 2014-2020, “Provision of institutional support to the Ministry of Tourism for activities related to the increase of the capacity of SMEs in the field of tourism”. Its main objective is to improve the business environment in which tourism enterprises operate, to increase the capacity of SMEs in the field of tourism and particularly their growth capacity within regional, national and international markets. Assistance is done as follows:

- supporting the establishment of OTRMs where they have not been established yet and the operation of the OTRMs in the

form of preparation and conducting of an information campaign and development of a methodology for organizing the work of the OTRMs;

- opening, furnishing and equipping OTRMs offices in the nine tourist regions;
- outsourcing the creation of a methodology for organizing the work of the OTRM, conducting analyzes and surveys, forming marketing strategies depending on the specific characteristics;
- organizing and ensuring the participation of SMEs in national and international tourism events and exhibitions, B2B meetings, forums, etc.

This wide range of activities is essential for the successful launch and development of every OTRM, but it also requires significant financial resources that members of the organization could not provide from their budgets. This is what makes the support from the Ministry of Tourism so necessary and important, as well as the minimum required for the existence and development of the OTRMs. In the future, the public sector may still remain the main source of funding, but the share of the private sector should be increased through the implementation of specific OTRM campaigns supported by private businesses. However, a significant reduction in public funding would have an adverse effect, as the organizations would be strongly committed to procuring new financial resources to stay afloat rather than perform their core functions.

In recent years, serious attention has been drawn to the issue of tourism employees, which is also relevant to the OTRMs. Together with tourism resources, human resources are fundamental to establishment a competitive

<sup>1</sup> SMEs – Small and medium-sized enterprises



regional tourism product. In Bulgaria, as in many other tourism destinations, the main factors that hold back its development are:

- high staff turnover rate;
- shortage of qualified staff and experts in the field of tourism;
- lack of tourism experts among the members of the OTRMs' governance bodies.

This requires serious efforts to be made in order to attract already qualified employees to the OTRMs as well as to create conditions for training of people who pursue careers in the field of tourism region and destination management or are already at managerial positions in the sector. In countries with established OTRMs or DMOs, these organizations hire young graduates every year (7). As the tourism industry becomes increasingly complex, competitive and demanding in terms of marketing and managerial skills, the demand for people with relevant knowledge, skills and perseverance is increasing accordingly. Attracting and retaining such professional in Bulgaria continues to be a difficult task due to the limited opportunities for professional growth and lower payment.

## CONCLUSION

This paper outlines the main trends and challenges for the development of OTRMs in Bulgaria. As a result of the study, the following conclusions can be drawn:

- 7 OTRMs have been listed in the registry of the Ministry of Tourism and 2 of the tourist regions still have not established such organizations because of ineffective participation of stakeholders;
- marketing is considered the primary and sole objective of OTRMs, which shows that the functions of these organizations are still unknown to some of the people employed in the tourism industry;
- voluntary participation of municipalities in OTRMs gives rise to some controversies, which are not enough to make it compulsory (automatic);
- some of the public and private sector tourism experts are still not aware of the type, number and scope of the OTRMs, whose activity is essential for forming and promoting a regional and national tourist product;
- financing OTRMs, albeit limited, should be done by the public sector, rather than fully self-financing, as this would divert organizations from their core functions,

however, it is possible to support their budget through operational programs;

- human resources as part of the OTRMs are fundamental to building a competitive regional tourist product.

The conclusion of the study is that OTRMs and their activities have not yet been established in Bulgaria but could be the basis for the successful repositioning of the country as a tourism destination, offering a competitive tourist product and the sustainable development of tourism.

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