

## OPPORTUNITIES FOR TOURISM GROWTH AND DEVELOPMENT

### FIRST INTERNATIONAL CONFERENCE ON TOURISM IN BULGARIA

#### BULGARIA DREAM AREA

TOURIST HOLDING RUSSALKA HOLIDAYS IS ONE OF THE NEWEST TOURIST STRUCTURES IN BULGARIA-WE HAVE STEPPED ON THE MARKET ONLY 2 YEARS AGO, IN THE MODDLE OF 1999. TALKING ABOUT THE OPPORTUNITIES FOR TOURISM GROWTH AND DEVELOPMENT I WOULD LIKE TO SHARE OUR EXPERIENCE BY TELLING OUR STORY.

In May 1999 Industrial concern AKB Fores, one of the biggest industrial structures in Bulgaria bought Holiday village Russalka- the very remote northern resort, situated in one of the few national reserves in Bulgaria, about 80 km away from Varna.. The curious thing about this privatization deal is that this was the first tourist privatization deal at that time in Bulgaria to pass at an open-bid tender and the final price was also one of the highest – 2 Million US Dollars.

Thus started our adventure in the tourist branch. I will go into more details about this first tourism deal of ours not only because it gave the start to our whole tourist strategy but because it is also a good example why it is worth investing in Bulgarian tourism, what the advantages are if one is about to take the risk to do it and how big the potential of Bulgaria as a tourist destination is. My story is about how we started from zero being absolute beginners, gradually but in fact very quickly –only within two years.

We all were very enthusiastic having won the most mysterious and exotic place on the Bulgarian coast. Holiday Village Russalka is famous for being managed for 33 years by the French tour-operator Club Mediterranean and only few Bulgarians had the chance to see it because they were not allowed to. It used to be a completely restricted area with a special status, given by the state at that time. Now looking back I must admit that what looked like an exotic asset of Holiday Village Russalka- its 33-year-old history as a Club Med turned out to be a disadvantage. The resort had no other clients except the Club Med's fans, and consequently the staff all spoke no other foreign languages but French. The village spread over a huge territory of 45 Ha, and consists of 600 detached and semi-detached villas, and a big number of restaurants, bars and shops. Sport facilities are numerous. The whole village was designed according to Club Med's idea for club-tourism: poor house design, no achievements of civilization like telephones, T.V.-sets but incredibly luxurious sport facilities, cooking staff trained for culinary miracles, fantastic tradition in the day and night sport and show animation. So there was a lot to learn from them.

We started managing the holiday village at the beginning of the season right after the privatization procedure. Situation was quite embarrassing- there was no time for any reconstruction and modernization, the tourist contracts signed by the ex-management covered only 15 % of the hotel places. Nothing could be done except for massive advertising at least to announce that the resort is opened for everybody not only the

French. It was at this very moment when we understood that being a tourist is one thing but working and operating in tourism is a completely different story.

But we have already jumped into the tourist scenario and had to accept the challenge.

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This first season we concentrated on the tourist perspective, our positioning there and how to build and develop our own strategy, what our objectives will be, what our leading principles will be and of course what and where we shall invest. In the meantime we let ourselves mingle with the atmosphere of Russalka, fell inn love with the dynamic way of vacation one can enjoy there. It took us little time to realize that we would like to multiply & do different type of tourist product that was not popular in Bulgaria and therefore needed to be presented, promoted and made attractive and accessible.

We decided to combine the family atmosphere of Club Med, its sport and fun life, its great cuisine with the comfort and moderate luxury of modern resorts. Our objective is to offer our tourists not only sunbathing and eating-they can easily do that elsewhere- but to offer them the possibility to experience a dynamic, energetic, well-organized and exiting Vacation. We don't impose what tourists should do, we do not program their day like Club Med is doing but we carefully design, plan and manage the tourist customer services to be there for them anytime.

Still, after so huge investments in hotels and resorts in Bulgaria there is no other place to offer the variety and the number of sport facilities one can enjoy in Russalka. We maintain the biggest number of tennis courts at one and the same place- 16, the best diving opportunities on the Balkan peninsular. It may sound unbelievable but one can dive to more than 180 ships drowned during the centuries and especially the two World Wars. So it is not al all strange that the famous Ballard expedition in search for the Ark is taking place just opposite Russalka's beach. Of course to offer so many sports and entertainments the first condition is to have enough land and space. So right from the beginning we decided to invest in land, but not in buying existing hotels. Buying an existing hotel is easier and cheaper – the buyer buys not only the existing building but also its history; I mean the clients and the tour-operators. Modernization and upgrading is only a part of the game. We would like to develop brand new resorts.

The majority shareholder in all our tourist companies Industrial Concern AKB Fores is well known in Bulgaria and abroad for being stubborn and going its own way. Tourist Holding Russalka Holidays being if the portfolio of AKB has apprehended this philosophy. Of course being a part of a big industrial group is a huge advantage as for investments are concerned.

For two years a-three-million-dollar investment has been injected in only holiday village Russalka in the renovation of 300 villas, the restaurant and the bars, the sport facilities, building of swimming-pools, Jacuzzis with mineral water and general modernization.

Our investment program for the coming two seasons is worth another 3 million US Dollars. The new season we shall start with completely upgraded and renovated resort.

Half of the villas are suitable for families with up to 6 children. The total number of beds is 1800.Price level is moderate. This was the first thing we changed from Club Meds price policy. We decreased prices three times, at the same time enlarging the number of services that the all-inclusive price includes. Price policy is a very important issue, which makes investments in Bulgaria a worth taking risk. How is it possible to keep price level

moderate and offer more than what is paid for? This concept is the core of our tourist philosophy - to give the tourists much more than they are paying for.

First of all northern Bulgarian resorts are famous for the big number of hot mineral water springs. Holiday Village Russalka is not an exception. The mineral water spring at Russalka has a capacity of 45 liters per second. This is quite a big capacity, which has not been used for so many years. At a certain point of its management Club Med has announced that mineral water in Russalka has incredible effect on health and is very favorable for many diseases. We made a complete research work on how our mineral water, which springs, at a temperature of 39 degrees could be used efficiently. Now underground pipes warm the whole huge swimming pool to 27 degrees through a special pump system. The rest is used to supply three Jacuzzi-based pools, which allow our tourist profit from the god-blessed curing qualities, tested by authorized chemical and hospital laboratories. The mineral water temperature allows us extend the season especially in spring when sea water is still cold and allow our tourists sunbathe around the warm water swimming pool. Now our season starts at April 28<sup>TH</sup> and finishes at October 31<sup>ST</sup>.

Mineral water is also prescribed for drinking for its numerous qualities.

The second natural resources, which can and must be used at this region, are the numerous natural gas deposits. I am not going to enter into details about how much cheaper gas is and what direct & side effect it may have over cost. I shall leave calculations on you to do. I shall only point out that we have taken gas deposits into consideration and this season we shall profit a lot from their proximity to our resort.

Another advantage of a new development of a resort or total reconstruction of an old place as ours is, is to use all kinds of energy-saving sources. In our case sun batteries are about to be installed over every villa in order to make electricity savings.

The last but not the least important reason why Bulgaria is a good country to invest in its tourism is the people, their good education, their European culture, their inclination to learn foreign languages.

All above mentioned are advantages that allow any tourist manager in Bulgaria keep a very attractive ratio between quality and price.

The ideas are the basis of our price policy-we shall use only possibility of nature or modern aspect to keep prices moderate and to offer more customer services and better quality.

It took me very much time to talk about Holiday Village Russalka but it is well known that the first child is the dearest. And it is owing to it that we decided to take tourism not only as a jewel in the crown but seriously. That is why Russalka, which by the way means see-nymph, gave its name to our whole tourist holding.

Our second biggest investment in tourism is also a real challenge. Last year we bought through privatization the ex-state camping company Helio-Tur-S, Sozopol. The company includes the 6 most famous Bulgarian campsites around the town of Sozopol, which is 30km away from Burgas airport. Within the assets of the company there are more than 60 restaurants, cafes, bars, shops, disco-clubs, snack bars and 3 hotels. Total land is around 80Ha and it is difficult to talk about total number of places because it is campsites finally. Campers laugh that the camping is like the female heart-there is always place for another one. Let us stop with jokes. It is a great fun to manage a camping-it is inherited with free-spirited people, very keen on the nature details of their vacation-the exact situation of

their tent or caravan, their neighbors, their view. This is a completely different marketing niche-and it is not cheap at all. Our plans for the company are to renovate camping facilities in a way they become up-to -date and comfortable, of course providing our tourists with opportunities to do lots of sports by building tennis-courts, squash, swimming-pools and a water-land park.

These investments we have planned for the summer of 2002.

Three of the campsites we shall develop as new resorts. Our objective is to create 1500 hotel beds for the summer of 2003 and of course to build all sport facilities. This summer we start with all-inclusive club "Kkavazite", consisting of 2 hotels and 450 hotel beds. The investment is 100% ours or a joint venture between us and foreign investor or tour-operator. We are opened for negotiations. As a summary Tourist Holding Russalkas Summer property covers 150Ha land situated at the very proximity of the beaches and 16kmbeach concessions at all our resorts and at other places which we are user of according to Bulgarian legislation for 20 years. I am also proud to announce that only a few days ago we have entered the winter holiday-programs in Bulgaria by buying the hotel "Prostor" in the Vitosha Mountains, only 21km away from the downtown of Sofia. This is a place, most beloved by the Sofians, only a couple of meters away from the lovely Vitosha ski slopes. We know how much "Prostor" means for Sofia, we are absolutely sure we shall open it for the next autumn as a new modern and desirable place.

"Prostor" is a hotel opened in 1970 as the nearest ski-resort to Sofia with tourists of the German tour-operator TUI. The hotels situation allows combination vacations and cultural life of Sofia-the opera, performances, concerts. The hotel now has 130 rooms and suites, nightclub, two restaurants and a day-bar, three conference rooms and a sport & spa center, including an indoor pool. We will have to upgrade the hotel, increase the beds add two squash-courts, two indoor tennis-courts, a skating rink and an outdoor pool. We are already into negotiations with one of the worlds leading brand hotels to come and give its name by a franchising contract. I hope I will announce the opening of "Prostor" with its new image at the Autumn Tourist International Conference.

Tourist Holding Russalka has granted the minimum of 50000000\$ investment in "Prostor".

Finally I would like to underline that in two years we have become a considerable part of Bulgarian tourism. Owing to our flexibility and aggressive investment policy we have become one of the biggest tourist owners in Bulgaria. We are very young-the disadvantage is that we have a lot to learn-thanks God that we are not afraid to. The advantage is that like all youngsters we are not overburdened withold concepts of management, but we are flexible and we are proud but not overproud by what our mission is. We advance slowly but steadily. Our belief is that still Bulgaria has not experienced the type of extra-high-class tourism Las Vegas represents. So we keep our assets for this very future moment. I really wish Bulgaria would soon have its own Atlantis. Thank you and welcome to the investors. For our other tourist assets you can have a look at our brochure, which is in everybody's files.