

# Issues in Co-operative Marketing of Tourist Destinations in Bulgaria – a Cluster Approach

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## *Abstract*

*The cluster approach suggests that marketing efforts and operations of individual firms need to be coordinated with their competitors in order to promote and subsequently provide the tourist with a quality tourism product. This paper examines the issues in co-operative marketing of tourist destinations in Bulgaria and draws comparison to international cases. The study is based on a survey with representatives from 16 Bulgarian municipalities.*

*The results show that the overall level of cooperative marketing is rather low and is primarily driven by public sector organizations. Issues such as mistrust, lack of initiative and unwillingness to commit own finances are some of the current obstacles to competitive destination marketing in Bulgaria. The topic is highly relevant since the relationship between the firms, especially relating to marketing, is an increasingly important component of competitive advantage in the tourism destination context.*

**Keywords:** *Clusters in tourism, destination management, marketing.*

**JEL classification:** L83.

## **Introduction**

During the last decade the global tourism market has significantly grown in terms of number of tourists and average spending. The tourism sector is an important contributor to the world GDP and it is rising fast. In our post modern society tourism has helped to address many economically and socially relevant issues in regional growth and has become a key tool for sustainable development and diversification. But in the midst of mounting international and regional competitiveness, some of the traditional approaches to regional development in all industries, including tourism, have become inadequate. More and more researches are focusing on the advantages stemming from co-operation and the benefits of cluster formation. Collaboration, in all its many forms, is not only integral to the management of tourism; it is arguably the single most important aspect of management in determining the success, or indeed the failure, of tourism marketing strategies and programs (Fyall & Garrod, 2005).

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In Bulgaria, small and medium size enterprises make up the majority of firms in the tourism sector but they often lack the resources necessary for coherent strategic planning when managing their business. The resources dedicated to marketing are often limited and therefore the impact of an individual firm in attracting visitors to a particular area is restricted. Since marketing activities are quite important in promoting a destination, there needs to be a way of coordinating marketing efforts of all participating firms. Collaboration in tourism is not simply a strategic choice but rather an inherent trait of the nature of tourist destinations. The destination branding is a collective phenomenon and rarely can be carried out successfully without the participation of all stakeholders. For the tourists the satisfaction from staying at a destination depends from the overall experience including lodging, meals, entertainment, general hospitality and safety etc. To achieve increase in visitation and high customer satisfaction levels, the destination needs to offer an integrated experience to the consumers. The advantages stemming from co-operation in a cluster or destination network have become the focus for many research studies lately, since often the traditional approaches to competition in an increasing global and regional competition have become inadequate.

### **1. Cluster approach and cooperative marketing**

Clusters are widely defined as "a system of interconnected firms and institutions whose value as a whole is greater than the sum of the parts (Porter, 1998). Clusters are often interchangeably called industrial districts, inter-firm networks, complexes etc. For the purposes of this research we adopt a broad approach in indentifying clusters in order to capture even small traces of cooperation which is often the case especially in smaller and more rural tourist destinations. In a small community where the market is limited by scale, attracting visitors and providing new or innovative tourism products is challenging. Michael (2007) explores the theory of micro-clusters, which can provide one alternative to enhance the competitive advantage of a region through specialization ... where the critical function is finding mechanisms that bring a set of complementary activities together in a co-operative manner that accords with community values. The outcome, while still small scale, is that the synthesis and synergy between co-located firms extracts economies-of-scale that help to lower local cost structures, enhance the points of access to capital and marketing and the availability of a wider range of infrastructure (Michael, 2007). The relationships between organizations within a tourism destination become critical in formulating and carrying out strategic activities (including marketing) and achieving sustainable competitive advantage.

Marketing is one of the most often cited area of co-operation when it comes to destination management. At the same time, "destinations are some of the most difficult entities to manage and market, due to the complexity of the relationship of local stakeholders (Sautter and Leisen, 1999). In order to provide a comprehensive tourism experience it is important for the participants to integrate

the various components of the tourism product. Destinations consist of many actors with different interests and opinions. Understanding and managing the dynamics in such networks is a tough managerial challenge. Eventhough most firms strongly believe in the value of joint marketing efforts, in reality they often fail to cooperate with their competitors. That is true for both large tourism enterprises and for the smaller players. The large players often prefer to be the market leader and do not want to waste efforts in coordinating efforts with the smaller, less organized players. At the same time, the small players often lack the resources or the time to think strategically and to prioritize joint marketing. Arabie (1994) points out that social networks and their patterns of relationships are a fundamental fact of market behavior and can and have been used effectively as a basis for marketing strategies. In reality however the benefits of cooperation are insufficiently exploited by the tourism enterprises. Marketing is a valuable tool in managing change, and managing change is crucial to a firm's survival, particularly in such rapidly evolving and intensely competitive industries as tourism and hospitality (Quinn et al., 1992).

## **2. Issues of co-operative marketing in Bulgarian municipalities and a comparison with cases from Ireland and Italy**

A survey of Bulgarian tourist regions was carried out as part of a more encompassing research on the topic of increasing the competitiveness of tourism enterprises through their participation in clusters. Successful marketing of a tourist destination is a critical step toward realizing the full potential of the region and therefore is an important area to study. While there have been some attempts in the past to apply the cluster approach to the marketing and development of selected regions in Bulgaria, the concept is still unfamiliar to most people in the sector. On the other hand, in other countries, such as Ireland and Italy, the concept of more strategically oriented cooperative marketing approach has been used successfully in the past decade. Therefore a case study of a Product Marketing Group (PMG) in Ireland and a Destination Management Organization (DMO) in Italy will be referenced in the discussion of the results of the Bulgarian survey.

Participants in the research were a variety of tourism actors across Bulgaria. The research included representatives from both the government and the private business and the interview technique was used as a primary data collection instrument. Interviews were conducted with 32 government institutions, non-profit organizations, associations and private enterprises. The respondents were interviewed in person during the Holiday & Spa Expo 2011 – Bulgaria's main travel and tourism fair. A semi-structured and open question interview format was used. The municipalities were chosen depending on their availability and willingness to participate, but the goal was to be as inclusive as possible i.e. to include sea and mountain resorts, big and small cities, historical and nature attractions, popular and less visited destinations.

The comparison with the Product Marketing Group (PMG) in Ireland is based on a case study described by Gorman (2006). The author analyses the use of cooperative marketing in promoting a tourism destination. The PMG is called Houses, Castles and Gardens of Ireland ([www.castlesireland.com](http://www.castlesireland.com)) and is a non-profit, voluntary association of owners of heritage properties (built heritage and gardens). The organization requires a membership fee which pays the salaries of a part-time marketing executive and expenses linked to co-operative marketing activities. A board of voluntary members and a representative of the Irish tourism board take decision regarding the specific activities to be undertaken. The author used qualitative methodology in her research based on semi-structured interviews with 21 gardens. In addition, preparatory interviews were conducted with experienced stakeholders who gave insight into the questionnaire creation. The author explores the extent and type of co-operation and relationships amongst the members of the PMG, including their marketing strategy and tactics.

The comparison with the Destination Management Organization (DMO) in Italy is based on a case study of the Abruzzo region by Minguzzi (2006). The author investigates the role and activities of the public sector agency for tourism promotion which include destination marketing strategies and development of local resources. The marketing strategies consist of promotion of a territorial image, brand management and internet web site management. The development of local resources also influences the overall attractiveness of the destination since it provides support in three important areas: infrastructure, facilities and initiatives. The study evaluates how the actual functioning of a Destination Management Organization influences the destination's competitiveness.

During the Bulgarian interviews a series of questions regarding the use and effectiveness of marketing tools was explored. One of the key questions posed was: "How would you rate the degree of cooperation and communication amongst the tourism participants in your region and do you consider this cooperation to be important?" The respondents had to give an assessment on the scale from 1 to 5. A score of 1 shows a very low level of cooperation and communication, and respectively low level of importance, while a 5 is a perfect score on both dimensions. The results show that the representatives from all municipalities realized the importance of the interaction between tourism participants. All (except one municipality) placed the highest grade 5 in response to the question whether it is important to have good communication and cooperation between the enterprises in the region. Joint marketing was one of the most frequently cited areas where cooperation would be beneficial but is currently lacking. They interviewees shared the opinion that tourism companies have a lot to gain if they join or even just co-ordinate their efforts better. In their view, the individual companies would benefit from outside help in order to enrich the product with additional goods and services and to make it more attractive and easier to sell. According to the respondents, advertising the destination as a whole definitely would increase the total number of tourists, which would be beneficial for all participants, and efforts to influence government agencies or private associations to contribute funding for

marketing or other activities such as improving infrastructure would improve the quality of the tourist product. Even though the importance of co-operation seems to be obvious, only a single municipality gave itself the highest score in terms of the actual level of co-operation and 25% of the respondents gave the lowest possible mark.

In the two selected case examples mentioned above (the gardens in Ireland and the Abruzzo region in Italy) cooperation amongst the tourism stakeholders is of paramount importance. Interviewees in Ireland associated the meaning of co-operation with "helping each other", "communication" and "togetherness". With highest frequency respondents mentioned that co-operation has to do with joint marketing including promotions and brochures. In Abruzzo in Italy the DMO plays a crucial role in organizing interactions among the tourism participants. Both cases highlight the importance of the relationships, involvement and support of all stakeholders in the community for the operation of a sustainable tourism destination. Destination marketing must lead to the optimization of tourism impacts and the achievement of the strategic objectives for all stakeholders (Buhalis, 2000). Partnerships in tourism and wider participation from the community have become of paramount importance to destinations that compete vigorously to attract both foreign and domestic tourists. In order for the Bulgarian tourist destinations to gain sustainable competitive advantage they need to close the current gap in cooperative tourism and to follow the example of their more successful and experienced foreign counterparts. There is a need for proven strategies that stimulate cooperation which need to be tailored to the local environment in order to best accentuate the positives and ameliorate the negatives. Marketing is often the most logical and easy to understand step in cooperative action but it is still not exploited in the Bulgarian destinations.

The Bulgarian survey took also a deeper look into the role which the local authorities or associations play in the regions and who has the leadership role in tourism. To the question: "Is there a unifying body which gathers the key information related to tourism development in the region" almost 80% of the respondents answered that this is the municipality. Almost unanimously, however, they felt that this was not the right approach and that the municipality should have a more advisory, logistical and coordinating role. The remaining 20% indicated as a leader a local tourist association.

*“Private initiative is needed, now  
everyone waits on the municipality,  
whose role should be primarily  
advisory”*

Richie & Crouch (2003) state that the DMO plays a particularly critical and vital role in the efforts to ensure that the expectations of stakeholders (both internal and external) are satisfied. The DMO in Abruzzo (Italy) focuses on two main areas of intervention: internal promotion (advertising events to tourists already in the region) and external promotion (attracting of potential tourists

through product promotion and consolidation of the destination's image). "Abruzzo Promozione Turismo" promotional activities executed outside the region aim to reassure a unitary strategy through direct intervention and modification of various operators' actions (Minguzzi, 2006). The trend shows that the role of the unifying body such as a municipality or a marketing organization needs to be broader and to include operational support, facilitating and logistical activities, advisory and training services. According to Buhalis (2000) it is imperative for DMOs to use legislative and management tools during planning and management of destinations in order to ensure that the benefits of tourism activity is shared fairly between all stakeholders and that sustainable practices safeguard the regeneration of resources utilized for the production of tourism.

The follow up questions relating specifically to marketing activities revealed some additional interesting aspects of the current co-operative practice in tourism destinations in Bulgaria. Common issues or benefits are a compelling reason for greater involvement of the stakeholders in cooperative practices but initiative needs to be undertaken locally. Regarding the initiative of the private sector in Bulgaria we asked the question: "Do tourist enterprises take joint action to promote the region as a whole or do they rely solely on the efforts of the municipality?" Again, almost unanimously the answer was that the initiative comes mainly from the municipality. In very few municipalities there is initiative for joint advertising by the private sector. We also asked a specific question about the organization of the presentation of the various regions at the "Vacation & Spa Expo 2011: "Who sponsored your participation in this exhibition and what was the participation of the private sector?" The answers showed that the Ministry of Economy and Energy has sponsored the participation in a shared stand for the Bulgarian municipalities, which were allowed to participate after submitting an application, a sample of promotional materials and a proposal for an attractive presentation of the regional products. Some municipalities had sponsored their own stand outside of the shared booth. Unfortunately, in general, the level of participation by the private sector was very low. Only in one municipality four hotels had contributed additional funds in order to rent a larger booth. In another municipality even though the stand had been sponsored by the municipality, private companies sponsored events at the Expo such as tasting of local drinks, representation of products by local artisans and folklore performances. Still in all other municipalities, the hotels and the other travel companies were passive participants. Municipal representatives stated that they are showing all promotional materials that the hotels have brought to them, but that the majority of hotels hadn't even made the effort to bring materials to the municipality. People shared the opinion that:

*"Everyone pulls in his/her direction.  
There is no consensus. All  
invitations for participation are left  
unanswered since firms think  
someone would ask them for money."*

Moreover, 73% of the stands had no encompassing brochure which includes all hotels and attractions but rather had individual flyers. Whenever there were comprehensive brochures, they were usually sponsored through EU projects. Again the initiative was not led by the private sector. Bearing in mind that this is perhaps one of the easiest and yet most effective steps to joint marketing of the destination, the low percentage of comprehensive brochures is indicative of the low level of marketing co-operation between the tourism firms in the Bulgarian regions. In the Irish Gardens leaflet distribution was considered as very important by the interviewees. The Abruzzo DMO also sponsors incentives for catalog publications, which feature tourism in Italy and the Abruzzo region in various languages. It is noted though that with the advent of the Internet, much of the paper has been replaced by an effective DMO website ([www.abruzzoturismo.it](http://www.abruzzoturismo.it)) which is supported in 5 languages. From the foreign experience the conclusion can be derived that there are many quick-win actions such as the production of joint brochures and websites, which would present a comprehensive range of offerings and will therefore boost the attractiveness and competitiveness of the Bulgarian destinations.

Actually better coordination is observed in the collection and exposure of tourism information in the internet space in Bulgaria. Around 60% of the surveyed municipalities said that they have a website which lists all the hotels, and often all the places to eat. Usually those encompassing pages are the pages of either the municipality or a local travel association. Still in a large percent of the municipalities the information is incomplete or is not regularly updated and sometimes it is scares or non-existent. It is also unclear how easy those pages are to find by users through search engines and whether there are links to the encompassing page on the individual pages of hotels, restaurants and attractions.

*“Business have confidence only when money comes from outside, but if they need to pay on their own, then they are not interested and there is complete lack of initiative.”*

Quite often the interviewees in Bulgaria shared the opinion that the private sector is interested in certain projects but only when they are financed by a third party. Obviously, most of them do not believe in the return of investment in joint advertising and other co-operative activities. Several times it was mentioned that this is not a matter of lack of funds, particularly for the larger hotels, since we are talking about contributions of only about 100-200 euro, but that it was rather a lack of interest in joint activities.

*“Everyone looks only in his own backyard, but there are things to learn and to benefit from if efforts are to be united”*

To some extent similar problems about relationship development were mentioned also by the interviewees from the Irish Gardens. A number of respondents referred to issues in the co-operative marketing groups such as "moaners wondering what they will get out of it" and "many people seen as more important than others". Time, lack of trust and money were also mentioned as perceived obstacles to cooperation and joint marketing. Thus, cooperative destination marketing is likely to encounter organizational and cultural barriers and therefore educating all stakeholders of the benefits of cooperation is a key to success. The leading bodies cannot afford to be out of touch with the needs of their constituents since their active participation is crucial. The fragmented nature of the tourism industry and the wide array of skills and resources of its constituents drive the trend towards cooperation in destination marketing. The Bulgarian regions need a proactive approach to the implementation of the cluster approach as a model of destination marketing. This approach has already had substantial impact on enhancing the competitive ability of the destinations in the two case studies in Ireland and Abruzzo, Italy.

### **Conclusions**

The simultaneous use of competitive and collaborative strategies in tourism and destination marketing has become a norm in tourism destination management in many countries. In order to offer an integrated solution to the demands and desires of the tourist, the stakeholders in the tourism destination need to work towards removing the inhibiting factors for adoption of effective collaborative strategies. Collaboration, in all its many forms, is not only integral to the management of tourism, it is arguably the single most important aspect of management in determining the success, or indeed the failure, of tourism marketing strategies and programs (Fyall & Garrod, 2005). Cooperation has the potential to facilitate access to professional marketing expertise and to provide benefits from economies of scale. In addition, collaboration in marketing fosters product innovation, better understanding of customer's needs through better data mining and segmentation. The present study highlights some of the challenges for cluster relationships in marketing the tourism destinations in Bulgaria and in providing a competitive tourist product. The advantages of cluster formation have been a point of discussion for a few years in both the public and the private sector of the country. Still, the cluster approach is rarely used or adopted in reality. Destinations in other countries have exploited the benefits stemming from co-operation in much greater extent. We have chosen only two for comparative reasons but there are numerous cases where despite the wide range of individual contexts the end results have been positive and significant. Bulgaria's destinations should focus their efforts towards the effective employment of available resources for the marketing of tourism destinations. The cluster approach of collaborative competition should serve not only to attract more tourists via marketing but to also provide a quality tourism product and to satisfy the expectations of the tourist. Co-operation is



crucial to the successful marketing of tourism destinations, and the international experience shows that there are exciting possibilities for co-operation for the Bulgarian tourism enterprises and authorities.

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