

Innovation and Competitiveness in the Context of the Bulgarian Tourism Industry

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Summary

Despite the global challenges, international tourism has still achieved dynamic growth and undergone continued expansion. Travel for recreational, leisure or business purposes is an important source of economic growth in many countries. This holds particularly true for Bulgaria as it is a small, less developed and structurally weak country which faces the tremendous challenges of the rapidly changing and highly competitive global market. Without effective and coordinated government policies and actions tourism would not succeed to exploit fully its potential for inclusive and sustainable growth. The financial leakages expressed primarily in loss in revenue from tourism due to the low competitiveness of the sector, can significantly narrow the positive economic benefits of tourism and make the country vulnerable to negative economic, social, cultural and environmental impacts. Competitiveness, as it is evidenced in the literature reviewed in the article, depends on the development of the differentiated capabilities needed to sustain growth which could be created through innovation. According to this article, the competitiveness of the Bulgarian tourism

industry could be enhanced through the different types of innovation. This applies to the whole country, to the various subnational regions, and to the individual tourism enterprises. Indeed, it is worth emphasizing that enhancing the competitiveness of economies, whose companies are exposed to international competition, depends on innovation. In that context the article aims to identify the types of innovation in tourism and the main areas where they could be applied while searching for possibilities to increase the competitiveness of the Bulgarian tourism industry and to ensure its sustainable growth.

Key words: tourism, innovation, competitiveness

JEL Classification: L83, O14, O52

1. Introduction

In times of turbulent changes and highly uncertain European future tourism hasn't lost its role as a key driver of socio-economic progress through the creation of jobs and enterprises, export revenues, and infrastructure development. Despite the threats of the external environment in recent years, tourism has experienced sustained expansion and diversification. Due to the fact that it is one of the largest and fastest-growing economic sectors in the world, an

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increasing number of new destinations are continuously emerging which makes the industry highly competitive. So there is a growing need for tourism destinations to increase their competitiveness in order to show virtually uninterrupted growth, to enlarge their market share and to raise the international tourism receipts earned by them.

Probably the theme of Travel & Tourism Competitiveness Report 2015, published by the World Economic Forum – "Growing through Shocks" illustrates in a comprehensive way the industry development. The significance and the potential for growth of tourism are undeniable regardless of the terrorist attacks, political conflicts, migration crisis and the instability of the EU. Furthermore, in the context of the Bulgarian tourism industry the focus could be on many more weaknesses and treats which should be overcome in order to take advantage of the opportunities related to the economic development and job creation which travel and tourism provide. Taking into account all of the above innovation through which competitive advantages could be gained and tourism products and destinations could be diversified come in the focus.

The article aims to examine the present challenges facing the Bulgarian tourism industry, based on the data provided by the World Economic Forum and the World Tourism Organization. Due to the changes and sustainability concerns, tourism enterprises are looking for new forms for development. To be competitive, they are forced to innovate, responding to the needs of the increasingly demanding tourist. The various fields for implementing innovations are discussed and their contribution to the destination competitiveness is emphasized.

2. A critical review of literature

2.1 Innovation in tourism industry

The definition of innovation has been widely discussed. Primarily innovation is the application of new knowledge to the production of goods and services. It means improved product quality and enhanced process effectiveness. Joseph Schumpeter (1942) assigned the key role in economic growth firstly to the disruptive activity of entrepreneurs, and secondly to the large corporations, each of which fed a process of *creative destruction* by causing continuous disturbances in the economic system. The source of these disturbances was innovation.

The strength of the relation between innovation and growth is supported by a long-standing range of empirical studies by Fagerberg (1994) that show positive correlations between various innovation investments, outcome proxies and growth outcomes.

As Nelson and Winter (1982), and Metcalfe (1998; 2006) claim the evolutionary approach to growth focuses on innovation as a mechanism for economic change. The firms are forced to innovate through technological competition: they constantly introduce new varieties of products and new production technologies. Both market and non-market processes (such as public procurement) determine the successful technology changes. As a result these technologies and companies replace those that are diminishing in importance. Innovation therefore drives growth, but is accompanied by significant change in either the structure of the economic system, or in the composition of its activities.

Tourism enterprises operate in challenging and unpredictable circumstances. So there is need to create a climate for innovation within organizations. As Horth and Buchner

(2014) claim innovative systems and tools are essential for organizational health and future viability. Furthermore Metcalfe demonstrated that firms seek to survive via developing a variety of diverse strategies and products based on the market selection and government intervention through support, procurement and regulation shaping the evolution of the population of firms.

Innovation is a complex phenomenon, which makes it difficult to be fully encompassed by means of available measurement technique. The major data source is the Community Innovation Survey which provides a wealth of evidence on a variety of firm innovation activities, from investment in innovation (expenditures on design, training, new capital goods, licences, market exploration and R&D), innovation outputs (in terms of sales of new and modified products and processes), and a range of related activities. The Community Innovation Survey (CIS) statistics are part of the EU science and technology statistics. Surveys are carried out twice a year by EU member states. The CIS is a survey of innovation activity in enterprises. The harmonised survey is designed to provide information on the innovativeness of sectors by type of enterprises, on the different types of innovation and on various aspects of the development of innovation, such as the objectives, the sources of information, the public funding, the innovation expenditures etc. The CIS provides statistics broken down by countries, type of innovators, economic activities and size classes. The main conclusion suggested by the Community Innovation Survey is that innovation is central to growth.

A relevant aspect of innovation is its functionality (Francis and Bessant, 2005), i.e. innovation has to create value for the firm. Further to the innovation literature review the specifics of the service industries such as travel and tourism should be taken

into account. As service innovation involves changes in many areas, sometimes process innovation and product innovation cannot be separated. So it is important to distinguish the main areas of innovation. They can be highlighted according to the den Hertog's model as service concept, client interface, service delivery system and technological options.

The first area refers to a service concept that is new to its particular market. Many service innovations involve fairly intangible characteristics of the service, and others involve new ways of organizing solutions to problems. Examples for the tourism industry might include new types of information service, more or less specialized or focused on quality offers, etc.

The client interface in the context of tourism industry refers to innovation in the interface between the suppliers of tourism services and the tourists. Customers are often highly involved in service production, so that any changes in the way in which they play their roles and are related to suppliers can be major innovations for many services in the tour operator, hospitality and animation sectors.

The service delivery system also often concerns the link between the service provider and the tourists. However, there are also internal organizational arrangements that relate to the ways in which employees in tourism enterprises perform their job. But much innovation concerns the electronic delivery of services.

Technological options strongly resemble familiar process innovation in manufacturing sectors. New information technology is especially important to services, since it allows for greater efficiency and effectiveness in the information-processing elements. That can be expressed through the customers loyalty programs (cards); various tourism mobile applications; different ways for

transactions, etc. So, it should be stated that tourism usually follows the innovation in the IT sector. The technology is the main area for innovation and it provides a wide range of competitive advantages. According to Amanatidou (2015) in technological innovation systems different types of knowledge could be distinguished as scientific, technological, production, market, logistics and design knowledge. Moreover, Huovari, Lehtoranta and Nieminen (2015) summarize that non-technological innovations such as service and marketing innovations have a growing importance alongside technological innovations and there is a number of various innovation patterns that firms use.

Generally, innovation generates improvements in productivity, which leads to enhanced well-being and higher real incomes. Therefore the central role of innovation as a driver of long-term growth process should be stressed. Identifying the nature of innovation in tourism entails looking for features that are either shared with or distinct from those of innovations in other service industries. So there is a need to define the innovation in tourism and its distinctive characteristics, to analyze the situation and the trends in tourism industry as a whole in order to give recommendations and concrete proposals for enhancing the competitiveness of Bulgarian travel and tourism sector through innovation.

2.2 Tourism competitiveness and innovation

Based on the research conducted by Odília A. M. Meneses and Aurora A. C. Teixeira (2011) on the innovative behaviour of tourism firms, in order to determine the types of innovations implemented by the tourism companies the following classification of variables for innovations can be outlined:

Innovation as an object consists in:

1. Product Innovation – New or improved services.
2. Process Innovation – New or improved forms of producing an existing service.
3. Innovation in commercialisation and provision (delivery) processes – Novelties or improvements in the distribution, delivery and commercialisation of services.
4. Internal Organisational Innovation – Novelties and improvements in the internal structure of firms, where activities and processes take place.
5. External Organisational Innovation – Establishment of new relations with other agents, such as strategic alliances, new types of interfaces, etc. or enlarging the business operations of firms to reach an international scale.
6. Market Innovation – Entrance of the firm in new markets.

Innovations as an activity are classified as:

1. Technological innovation – refers to incorporations of technological novelties or improvements.
2. Non-technological innovation – development of novelties or improvement without using technology.

The technological areas where technological innovations can occur are:

1. Information and Communication Technologies (ICT).
2. Other technological areas.

Nowadays the central role of technological innovation in tourism industry, based on the information and communication technologies in all areas - from product innovation to market innovation, is undeniable.

The literature emphasizes the strong changes in tourism due to the use of the ICT (basically the internet) by transport services, hotels, travel and tourism agencies (e.g. Weiermair, 2006; Rayman-Bacchus and Molina, 2001; Sundbo *et al.*, 2007). An overview of the tourism industry shows

that due to different innovations there is an abundance of online and mobile travel startups, and if the adjacent verticals like social media services and photo sharing startups are included, the number rises even more. So that the opportunities for innovation in tourism for gaining competitive advantage are quite limited. There is almost no chance for success in anything targeting the airlines sector, hotel search has already become a crowded field as founders realize that this is where growth can be achieved and just a few companies aim directly at the B2B sector or business travelers.

Evangelista (1999), Soete and Miozzo (2001), Jong and Marsili (2006) and Castellacci (2008) all have classified tourism sectors, in general, as users of technological innovation developed by suppliers ("supplier-dominated") but they also consider the role of users/customers as a source of innovation in the industry.

The impact of new technologies on services innovation intends to enhance the efficiency of a service by substituting capital for labour (e.g. automation of the back offices of tourism operators). On the other hand, the accumulation of knowledge and the IT advances enable the radical innovation process which has improved the quality of services (including front-office operations such as changes in reservations). Moreover today the focus should be on the role played by network technologies for product innovation and on the domination of product differentiation strategies based on the innovation which have been implemented by companies in the sector.

The basic process for developing innovation in tourism starts with generating the idea, screening it for baseline feasibility, evaluating it by testing the concept with potential customers and conducting more detailed financial analysis, developing a concept prototype, testing it in the marketplace and adapting it where

necessary and then fully commercialising and implementing the innovation.

The actions of the five phases of the innovation development process can be summarized as follows:

1. Idea Generation – Ideas are taken from customers, market research, competitors, destination stakeholders, intermediaries;
2. Screening – Strengths and weakness of the innovation are identified, it is tested whether it matches goals, brand and target market needs and whether it is sustainable;
3. Idea Evaluation – Concept testing is performed, customer response is monitored, the rough estimation of costs, revenues, profits and cash flows is taken into consideration;
4. Development (R&D) – The model or service prototype is developed, it is tested in the marketing mix and plans are revised;
5. Commercialization – The innovation is implemented in the selected markets.

One of the main and probably most significant characteristics of innovation is that even if it is driven by codified knowledge, later it tends to circulate freely. Especially in tourism industry product innovation is visible and can be immediately imitated. The "public good" nature of tourism innovation ensures growth opportunities for the SMEs in the sector. Based on that distinguishing feature of travel and tourism industry innovation the development of the Bulgarian tourism business will be discussed.

In the context of Bulgarian tourism it is crucial to develop the capacity to acquire and absorb existing innovations in the most competitive tourism destinations, to "internalise" knowledge that is codified and convert it into know-how which tends to be incorporated into routine operations. This capacity naturally depends on structural factors such as the size of the firm, the type of organisation and whether or not it

belongs to a group. Logically it seems clear that hotels which are part of an integrated or voluntary chain have a much stronger propensity to innovate, with the central management playing a vital role. But still there are many other factors, influencing the capacity to acquire and absorb existing innovations such as managerial skills (knowledge management), the qualifications of the employees on all management levels, the interrelations, etc.

There is an increasing need for developing research and innovation strategies for the tourism industry. The current conditions explain the role of analytical work needed to understand the future needs of a specific industry, what type of competence is available, what international competition there is, and where growth areas include information and communication technologies (ICT) or services and IT implementation. Tourism industry is also moving towards challenge-led innovation as an overriding goal e.g. more innovative travel and tourism sector while maintaining the focus on sustainable development and competitiveness.

3. Methodological considerations

The methodology used in the article consists of the literature review of the innovation and research of the leading world organizations' reports. In the following exposition, using the data from the World Tourism Organization report 2015, a regional (Europe), sub-regional (Central and Eastern Europe) and a destination (Bulgaria) analysis on the tourism industry is made in order to provide a detailed picture of the main trends in the sector, the opportunities and the threats of the environment. The results led to the justification of the importance of innovation for the Bulgarian tourism industry.

In the second phase, based on the research of the Travel & Tourism Competitiveness Report 2015, the competitiveness of the Bulgarian tourism

sector is estimated which provides arguments for applying innovation as a main factor enhancing the performance of the tourism companies in the country. The evaluation of the competitiveness of the Bulgarian tourism industry is based by the latest iteration of the Travel & Tourism Competitiveness Index (TTCI). It measures the set of factors and policies that enable the sustainable development of the Travel & Tourism (T&T) sector, which in turn, contributes to the development and competitiveness of any country. The TTCI benchmarks the T&T competitiveness of 141 economies. It comprises four subindices, 14 pillars, and 90 individual indicators, distributed among the different pillars.

The data set for the TTCI is mostly statistical. It is obtained from international organizations. The rest of it is based on survey data from the World Economic Forum's annual Executive Opinion Survey. That is primary qualitative data or one for which internationally comparable statistics are not available for a sufficient number of countries.

Since the survey is carried out annually among over 15,000 business executives and business leaders in all the economies the TTCI represents validated information on the critical qualitative aspects of T&T competitiveness.

Thus, in order to respond to the main challenges facing the tourism industry the article is an attempt to replicate different innovation in the Bulgarian firms, which are directly related to tourism services – accommodation, restaurants, travel and tourism agencies, attractions, transport companies, handicraft shops.

The methodology enables the author to observe the main trends in Bulgarian tourism firms' behaviour in order to increase the competitiveness of the country as a tourist destination.

4. Main trends in tourism development

Europe is the most popular region in the world and comprises many of the world's largest and most well-developed destinations. According to the data in the United Nations World Tourism Organization Annual Report 2015, published in Madrid, Spain in 2016 international tourists in Europe reached 609 million which is by 29 million more than in 2014. The growth in visits in Central and Eastern Europe is 6%, so the destinations in the sub-region have rallied

is probably the higher living standard in Northern Europe. But it is undeniable that there are several other factors influencing the recorded data. And logically those factors determine the share of the international tourists and receipts from tourism in Bulgaria as part of the sub-region.

The detailed data illustrates that Bulgaria accounts for not more than 1,3% (7 311 000) of the international tourist arrivals and 0,8% (4 134 000 US dollars) of the international tourism receipts in Europe.

Table 1. International tourist arrivals and receipts in Europe in 2014.

Destination	International tourist arrivals		International tourism receipts	
	Share (%)	1000	Share (%)	US\$ million
Europe	100	581,769	100	508,897
Southern/Mediterranean Europe	36.9	214,870	39.2	199,249
Western Europe	30.0	174,485	33.6	171,074
Northern Europe	12.3	71,348	14.9	80,850
Central/Eastern Europe	20.8	121,066	11.3	57,725
Bulgaria	1.3	7,311	0.8	4,134

Source: World Tourism Organization (UNWTO)

after the last year's decrease. The comparison between the sub-regions in Europe shows that despite the growth, Central and Eastern Europe account for just 21% of the international tourists in Europe and the sub-region is followed only by Northern Europe. Even if Northern Europe has approximately 8% less international tourists than Central and Eastern Europe, its revenues from international tourism are 4% higher which amounts to US \$23 125 000. The main reason

Furthermore it is notable that despite the main trend of increasing international tourist arrivals in the region and particularly in the sub-region, the growth in the tourism industry in Bulgaria is insignificant with a quite narrow share of international tourist receipts. The detailed analysis of the growth rates on the two main criteria show much negative results which can be expressed by the decreased growth rates of the international tourist arrivals

Table 2. Growth rates of the Bulgarian tourism industry 2010-2014.

Growth rates of	2011/2010	2012/2011	2013/2012	2013/2014
international tourist arrivals %	4.8	3.4	5.5	6
international tourist receipts %	3.1 ¹		8.2	1.8

Source: Author's table

¹ That is the growth rate of the international tourist receipts for the period 2010-2012 which is a function of the cumulative 8,2% growth rate of the international tourist arrivals for the same period. There is data only for 2010 and 2012 for the international tourist arrivals.

and the slight growth rates of the international tourist receipts for the period 2010-2014. Although there is an increase in the number of tourists visiting the revenue tends not to raise at a corresponding rate which makes almost no difference for the industry development. These trends are illustrated in the table below, and the data is taken from the UNTWO report.

Considering the exceptional growth rate of 8.2% of the international tourist receipts in 2012 the ratio between the international tourist receipts and the international tourist arrivals was approximately 1/3. That means that in order to record one percent growth in the international tourist receipts in Bulgaria the tourist destination should accept at least 3% more international tourists. If the average growth of the tourism industry worldwide is 4.5 % the contribution to the national economy will be insignificant.

Those trends are quite negative as the emerging destinations Albania and Serbia both reported double-digit increases and on the other hand, Latvia (+20%), Hungary (+14%), Romania (+12%) and Armenia (+11%) posted healthy growth. This suggests that emergency measures should be taken for the development of the Bulgarian tourism sector.

Based on the results it could be claimed that the long-term goal of the industry should be increasing the growth rate of international tourist receipts to growth rate of international tourist arrivals ratio. That could be achieved by enhancing the competitiveness of the sector which is due to innovation as it will be shown later in the article.

Studying the trends in tourism development, aligned by leading world travel and tourism organizations such as UNTWO, World Economic Forum and Industry Partnership Programme for Aviation & Travel, identifies the main areas where innovation should be implemented in the Bulgarian tourism sector to increase its competitiveness.

The main reason for restricting the product, process, delivery and internal organisational innovation is the seasonal nature of the jobs in tourism. The large number of short-term jobs means that career prospects are limited and so are the hopes of an employee for receiving a fair return on his efforts to encourage innovation and imagination. Working conditions and payment largely explain why these jobs are unattractive and fail in involving qualified employees. The problem of working hours in hotels and catering is also well known. As a result there is a substantial labour turnover, which limits the opportunities for passing on tacit skills. These conditions also explain why some of the employees are so uninvolved, remain passive and are afraid to put themselves at risk to no avail.

According to the UNTWO 2015 report, the main motive for travel is still recreation and other forms of leisure accounted for just over half of all international tourist arrivals (53% or 598 million) in 2014. But there are some other areas in which external organisational and marketing innovation could be implemented in the Bulgarian tourism industry as 14% of international tourists travelled for business and professional purposes and another 27% travelled for other reasons such as visiting friends and relatives (VFR), religious reasons and pilgrimages, health treatment, etc.

The Travel & Tourism Competitiveness Report 2015 is published by the World Economic Forum and analyzes the performance of 141 economies using the Travel & Tourism Competitiveness Index (TTCI). The report explores how the Travel and Tourism (T&T) sector has responded to economic, social and environmental shocks as a strong T&T sector is critical for job creation, economic growth and development in advanced and developing economies alike. The report is published every two years and provides a strategic tool for cross-country comparison of the drivers of T&T competitiveness, for benchmarking

countries' policy progress and for making investment decisions related to business and industry development. It also offers an opportunity for the T&T industry to highlight the challenges facing T&T competitiveness that require shift in developing and implementing different innovation.

The index has been developed in the context of the World Economic Forum's Industry Partnership Programme for Aviation & Travel, in close collaboration with strategic design partner Strategy and the data partners Bloom consulting, Deloitte, the International Air Transport Association (IATA), the International Union for Conservation of Nature (IUCN), the UNWTO and the World Travel & Tourism Council (WTTC) considering as well the feedback of many industry partners.

The Travel & Tourism Competitiveness Index is organized into four subindices consisting of different pillars based on a number of indicators. The subindices with the particular pillars and their correlation with innovation are outlined as following:

- **The Enabling Environment subindex, which captures the general settings necessary for operating in a country:**

1. Business Environment – factor for gaining competitive advantage;
2. Safety and Security – factor for gaining competitive advantage;
3. Health and Hygiene – factor for gaining competitive advantage;
4. Human Resources and Labour Market – main factor for increasing the innovation potential;
5. ICT Readiness – main technological area where external innovations can occur;

- **The T&T Policy and Enabling Conditions subindex, which captures specific policies or strategic aspects that impact the T&T industry more directly:**

1. Prioritization of Travel and Tourism – source for external organisational and marketing innovation;

2. International Openness – factor for gaining competitive advantage;
3. Price Competitiveness – source for product, process, delivery, internal organisational and marketing innovation;
4. Environmental Sustainability – source for all the areas of innovation;

- **The Infrastructure subindex, which encompasses the availability and quality of physical infrastructure of each economy:**

1. Air Transport Infrastructure – factor for gaining competitive advantage;
2. Land and Port Infrastructure – factor for gaining competitive advantage;
3. Tourist Service Infrastructure – factor for gaining competitive advantage;

- **The Natural and Cultural Resources subindex, which includes the principal "reasons to travel". Those represent the strengths and the opportunities of Bulgaria as a tourist destination based on which the innovation could be implemented in order to increase the competitiveness of the sector:**

1. Natural Resources;
2. Cultural Resources and Business Travel.

As the criteria related to the innovation potential are identified, there is a need for detailed analysis of the indicators included in them. That has been done to outline the reasons restricting the innovation in Bulgarian tourism industry. Determining those indicators helps to suggest different measures for stimulating the growth of the innovation potential.

The weakest performance of the Bulgarian tourism industry is the pillar Prioritization of Travel & Tourism where the value of the competitiveness is estimated at 4.2 in the report. The sector takes 95-th place among all 141 countries included. The indicators estimating country brand strategy rating, government prioritization of T&T industry and the effectiveness of marketing to attract tourists rank the country at the

121-st, 115-th and 106-th place respectively. So the role of the national authorities is outlined for the destination marketing and management, the inefficiency of which is obvious. The main and most significant area for innovation in Bulgaria is in the field of the destination management. There are several studies and examples of good practices in destination management and particular tools developed by the author that could be successfully applied in Bulgaria with the collaboration of the experts and professionals in the field of tourism in order to absorb those innovations and to adapt them to the specifics of the sector.

The Prioritization of Travel & Tourism is the main prerequisite for increasing the competitiveness, for innovative development of the industry and for ensuring sustainable long-term growth of the Bulgarian tourism industry. Moreover that will help to overcome the negative results of the infrastructure subindex and to enhance its values studied below.

Air transport infrastructure and land and port infrastructure are the pillars which rank Bulgaria in the 79th place (according to both pillars with value 2.5 and 3.3 respectively).

The country registers low business performance, taking 85-th place with value of 4.2. The pillar includes indicators such as property rights, efficiency of legal framework for settling disputes, extent of market dominance, etc. The positions according to those indicators are way under the 100-th place in the ranking. In fact the business environment not only restricts the competitiveness of the Bulgarian tourism industry but it stops the innovation in the sector as well. But still there is a potential as stated above to increase the capacity to acquire and absorb existing innovations such as managerial skills (knowledge management), the qualifications of the employees on all management levels, the interactions in order to overcome the

negative performance of the other pillars included in the T&T competitiveness index.

What is more, that pillar is related to the Safety and Security pillar (78-th place) both of which are influenced by the government policy, ineffective governance and many other political and institutional weaknesses in Bulgaria.

The weakest performance of the Bulgarian tourism industry based on the different indicators included in the other main pillars is determined by the following:

- **Degree of staff training (126-th place among all 141 countries);**
- **Ease of finding skilled employees (120-th place);**
- **Quality of the natural environment (126-th place);**
- **Sustainability of T&T development (114-th place);**
- **Enforcement of environmental regulations (107-th place);**
- **Stringency of environmental regulations (105-th place);**
- **Extension of business trips recommended (93-rd place).**

The latest additional problems restricting the competitiveness of Bulgarian T&T sector are related primarily to the qualification of the staff, to the government policy for the tourism sustainable development and the travel for business reasons. Those enlarge the field for innovation implementation.

Overcoming the problems related to the degree of staff training and ease of finding skilled employees which will contribute to increasing the number of business trips could be accomplished by developing and strengthening the capacities and competencies of tourism professionals in key areas while creating a platform for sharing knowledge and tools through a practical and interactive training.

5. Conclusion

Innovation in tourism industry is the main factor for ensuring long term growth through strengthening the competitiveness of the sector. The Bulgarian T&T sector follows all the characteristics of tourism development in Central and Eastern European sub region, but the growth rates of international tourist arrivals mark a decline and the complying growth rates of the international tourism revenues are changing at a lower rate. That trend is due to the low values of the indicators of the competitiveness of the tourism sector in Bulgaria. Based on the analysis of the Travel & Tourism Competitiveness Index the basic growth restricting factors are highlighted which could be successfully overcome through developing innovation.

The analysis of the competitiveness of the Bulgarian tourism industry shows that innovation should be implemented first at macro level. The government policy in the field and the destination management are main areas for internal and external organisational innovation which could be either technological or non-technological. Good practices in destination management in the world's most visited countries boasting the most competitive tourism sectors (most of them are in Europe) could be a strong tool for innovation in the management process of Bulgarian tourism.

Furthermore the existing programs and schemes for certification, especially in the field of sustainable development provide wide range of tools for product, process and delivery process innovation. That will contribute to increasing the sustainability value of T&T development, the quality of the natural environment and the degree of staff training indicators.

As far as tourism companies in Bulgaria are concerned innovation could be promoted by startups. These companies offer a product or service that is not currently being offered elsewhere in the market. The startups usually

rely on technology or take venture funding. They search for innovative ideas that generate rapid growth because the whole concept rests entirely on the future growth potential. The start-up companies provide opportunities for gaining competitive advantages, exploring new and bigger markets, increasing revenues and profits and restricting threats. As tourism industry operates in a highly competitive and risky environment with a lot of startups, it could be assumed that the implementation of new operations, management systems and methods can ensure sustainability in tourism development, a trend which can be illustrated by the many examples of startups in tourism industry.

The results included in this paper should also be supported by future empirical studies aiming to estimate the correlation between innovations implemented in certain Bulgarian tourism enterprises and the increase in their competitiveness. A field of further research is the extent at which the innovations determine the market performance of the Bulgarian tourism sector.

In conclusion it could be stated that the Bulgarian tourism development should be based mainly on the technological innovations in the field of product development, process management, internal or external organizational relationships. The basic goal of increasing the growth rates of international tourism revenues could be achieved by enhancing the competitiveness of the destination which is a consequence of the innovation applied.

In order to achieve that, first of all the efforts to encourage innovation development should be focused on Bulgaria's outstanding cultural attractions and monuments, on the progress in promoting cultural attractions and turning them into a magnet for tourists, on sports and entertainment events, as well as conferences, fairs and exhibitions because they also play an important role in sustainable tourism development.

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