

Ivanka Dimitrova Dimitrova



**INSTITUTIONAL ISSUES AND CHALLENGES IN TOUR OPERATOR
AND TRAVEL AGENT ACTIVITIES**

Abstract of the Dissertation

for the Award of the Educational and Scientific Degree of Doctor in the Scientific Specialty
Economics and Management (Agriculture) within the Professional Field 3.8. Economics.

Scientific supervisor: Assoc. Prof. Dr. Minko Georgiev

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The dissertation is written in 191 standard pages and includes an introduction, four chapters, conclusions and recommendations, and a list of references. The dissertation is also presented using 15 tables, 24 figures.

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The Specialized Scientific Jury was appointed by Order of the Rector No. ПД -16-1430/20.12.24 in the following composition:

Reviewers: Assoc. Prof. Dr. Boryana Lyubcheva Ivanova

Prof. Plamena Georgieva Yovchevska

Opinions: Assoc. Prof. Dr. Vanya Krasteva Georgieva

Prof. Hrabrin Yanushev Bachev

Assoc. Prof. Dr. Angel Stankov Sarov

INTRODUCTION

The orientation of the tourism industry towards external markets, especially after 1989, has led to the massive introduction of innovative technologies, digital services and new forms of tourism products. Despite sustained growth and positive employment increases in almost all industries, there have been numerous problems. Some tour operators have been forced to use inappropriate systems for servicing and accounting for financial flows, leading to inefficiencies.

Along with the described political environment conditioned by: (1) COVID-19 and travel restrictions; (2) the war in Ukraine and conflict in the Middle East, which have diverted some tourism and related financial flows; (3) higher food and fuel costs; (4) and their corollary - reduced disposable incomes of travel buyers - have led to a corresponding contraction in market volumes in the industry and an increase in pressure on service industries, both tour operators and travel agents. In such a highly competitive and unpredictable environment, new types of intermediation, a new legal environment, but also new conditions not always suited to the needs of the clientele and their servicing travel agents and tour operators have emerged. We refer to these problems in this paper as institutional problems.

The main objective of the study is to identify and assess, on the basis of a survey of tourist organizations, legal, economic and organizational problems in the tour operator and travel agent industry.

The subject of the study are social relations related to institutions, the structure of organizations, the participants in the processes in the tour operator and travel agent industry, as well as the effects related to the costs incurred by them and some forms of unjustified favoritism known as *rent-seeking*.

The object of the study are tour operators and travel agents, their activities, as well as related organizations in Bulgaria.

In order to achieve the above objective, the following specific research tasks are carried out:

First task - explanation of institutions, comparison of institutional change, explanation of *the update of* neoclassical economic theory.

Second task - Adaptation of a methodology for analysis and evaluation of organizations and processes in the industry; research of modern travel agents and the characteristics of their activities. last ten years;

Third task - analysis of the institutions, study of the coordination structure of the tour operator and agent activity, analysis of the processes; definition of the travel agents; definition of the features and risk assessment in the process of tourist services.

Fourth task - measuring transaction costs and other non-market effects.

Fifth task - proposals for changes related to the improvement of tour operator and travel agent activities.

A range of methods and approaches were used to realise and define the research questions and objectives in the research objective.

Part One - Theories from the New Institutional

I. Theoretical Aspects of Institutions, Coordination and Governance Structure (CGS), Transaction Costs

Institutional theory has several components that can be used to better understand the logic of tourism using an alternative perspective. Tourism is an area that can be explored using the New Institutional Economics Theory, through it the homogenization of practices and structures in this sector can be analyzed.

The institutional logic incorporates the analysis of *good practices* as a way to homogenise tourism. There are several institutional elements in tourism, for example, local social issues, local culture, different nationalities and cultures of visiting tourists, a long and diverse chain of organizations in the industry, governments and religion.

William Scott (2014) identifies three pillars that make up institutions: a regulatory system, a normative system, and a cultural-cognitive system. In this division, the regulatory system consists of laws and rules whose enforcement either does not generate rewards or sanctions and its main actors are states and agencies. In turn, the normative system creates standards that must be followed.

Table 1 . Three pillars of institutions

	Regulatory	Normative	Cultural and educational
Basis for compliance	Appropriateness	Social obligation	Taken for granted, Shared understanding
Basis of order	Regulatory rules	Binding expectations	Constitutional scheme
Mechanisms	Forced	Regulatory	Mimic
Logic	Assistance	Relevance	Orthodoxy
Indicators	Rules, laws, sanctions	Certification/Accreditation	Common beliefs, Shared action logic, Isomorphism
Sense	Fear, guilt/innocence	Shame / Honour	Security / Confusion
Grounds for legitimacy	Legally sanctioned	Morally Driven	Understandable, recognizable, culturally supported

Source: Scott (2014), Thornton (2012) et al.

This concept describes social interactions regulated by a normative framework, consistent with the regulatory and cultural-cognitive identity of individuals. Consistent with expectations, interests and legitimacy of actions in social life.

1.1. Nature of institutions. Institutional Impact

Institutions play a key role in the social sciences and economics, and their importance varies in different contexts. The use of the term has a long history in the social sciences, dating back to Giambattista Vico (1725). However, even today no consensus has been reached on the definition of the term.

1.2. Institutional Change and Economic Systems Development

Institutional change involves the transformation of organizational structures, rules, and practices to adapt to new conditions, improve efficiency, or achieve new goals. However, the effect is sometimes dualistic.

1.3. Governance structure

As an objective process, economic integration finds expression in the mutual integration of economic systems and processes, which involves stimulating cooperation, removing discriminatory barriers and finding mechanisms of interaction and functioning. The coordination-management structure provides a mechanism for reconciling processes and arrangements, creating hierarchy and order.

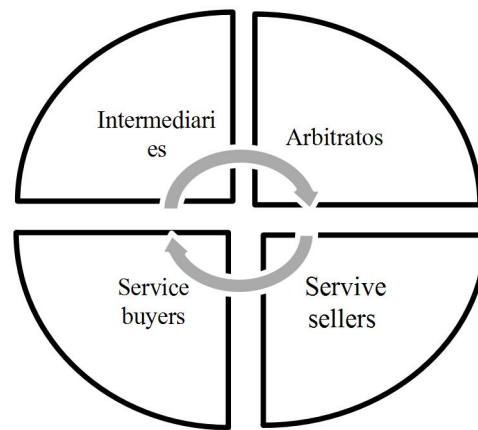
1.4. Exchange and Protection of Property Rights . Property rights regimes

In organizations, some formal rights may be specified by management. Along with formal specification, impersonal specification is also possible, which is based on the day-to-day practice of economic agents (usually it refers to informal property rights as a consequence of the existence of informal rules).

1.5. Economic Actors in the Context of the WE

From the NEE perspective, these processes are traditionally viewed as systems of evolving structures that respond to changes in the environment.

Figure 1. Institutional actors



Source: own concept

Figure 1 shows the interrelationship between all actors in the institutional setting. Their voluntary rules of exchange established by economic agents, rules for the functioning of markets, rules for the interaction of internal hierarchical structures.

1.6. Nature of transaction costs (TC) . Transaction Cost Economics

Classical economic theory presents transactions as instantaneous events without significant costs associated with their completion, which does not reflect reality. As a result of this inconsistency, many studies have been conducted by economists around the world aimed at understanding real transaction costs and their impact on economic processes.

1.7. Market and non-market TRs . TRs for information, bargaining, monitoring, rationality and opportunism

The introduction of the concept of transaction costs represents a significant theoretical achievement in economic analysis, highlighting that the process of interaction between actors is not costless. These conceptual frameworks provide a basis for understanding the diverse aspects of transaction costs and their influences on economic relationships and managerial decisions.

II. Institutional issues and TOTAAS

2.1. The problem of coordination and power

Contemporary theory emphasizes that uncertainty in economics often arises from the non-uniform distribution of information that results from bounded rationality, complexity, and opportunism.

2.2. The problem of non-market advantages and rent-seeking

Contemporary authors analyze the rent-seeking problem in a multifaceted context and conclude that it is not limited to state activities, ownership, or resource allocation. Rent-seeking can also exist in private and market relations, including under conditions of competition.

2.3. Inefficient distribution of property rights, opportunism and TR

Optimal allocation balances between the means of production and the variability of consumption, while lacking non-market advantages. Actors often prefer conditions to participation in international trade, even when transaction taxes are high. These observations underscore the need for well-designed policies that balance between minimizing transaction costs and facilitating efficient trade to achieve sustainable economic development.

2.4. Adapting the theory to the TOTAAS doctrine

The institutional framework for tourism defines the conditions for managing tourism resources through governmental and non-governmental bodies, legislation and regulations. It includes the issuance of licenses, permits and rights to operate tourism facilities, which can generate revenue for the state or local communities. The redistribution of property rights in tourism takes place through various mechanisms such as user fees and investment in tourism infrastructure.

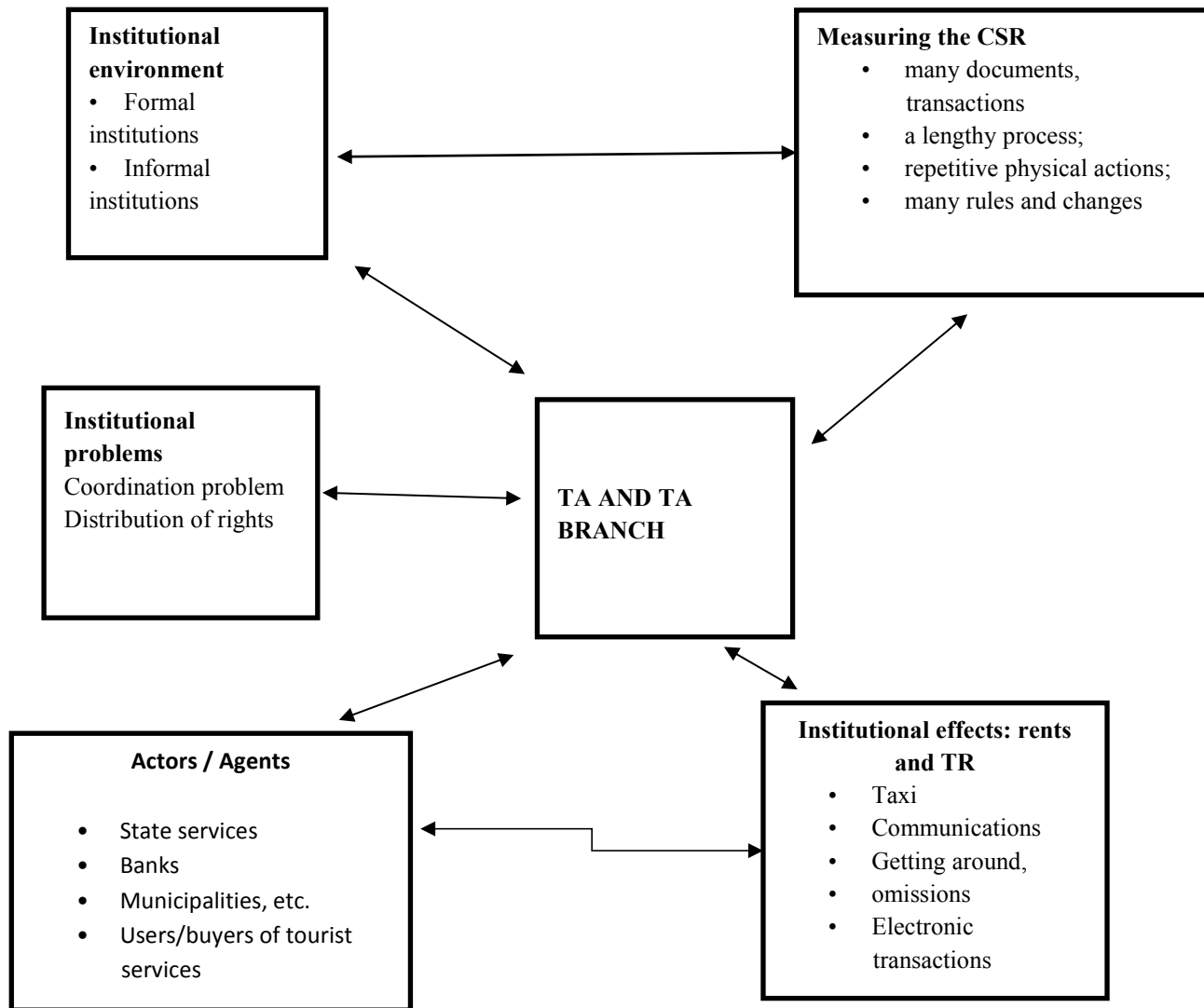
PART TWO - A METHODOLOGICAL APPROACH TO TOTAB ANALYSIS

In this section, the methods used should be described and clarified to justify the relationship between the theoretical and constructivist parts of the study. This analytical framework is based on Williamson's (1996) concept of coordination-management structure on the integration of institutional parameters to examine the impact of the institutional environment through the interaction between institutional factors, the resulting effect and feedback.

1. Analytical Framework

The analytical structure shows graphically the logic of the study. In the central part of the figure is placed the tourism organization. It is directly dependent on the legal system, the economic situation and the actors involved in the contractual processes. These in turn are in continuous interaction as they determine specific institutional effects.

Figure 2. Analytical framework



Source: own concept

2. Methodology

1. By tracing changes in formal institutions, we should draw normative conclusions about the adaptation of institutional actors.
2. Formulating hypotheses will show us some of the possible alternatives.
3. The cumulative nature of the social processes should lead to the need to measure the processes in PT and TA, through a discrete-structure analysis of CSU.
4. Some of the conclusions about the system are based by measuring the benefits to certain actors in the TO and TA industries.
5. Use of statistical methods for evaluation.
6. Measuring TR by actors and activities.

7. Measuring effects (rent seeking)

8. Normative approaches for synthesis and development of scenarios (recommendations) for the constructive part.

3. Analysis of formal institutions in TOTAAS

The study applies statistical methods to collect data from institutional systems and registers, as well as results from observations. Previous repeated observations of processes and objects are also used to generate primary data needed for the statistical analysis.

The main role of these institutions is to provide a stable legal and economic environment for tour operator activity, reducing the risk of market failure and protecting the interests of consumers and businesses. Consumer protection regulations are also included to ensure fairness and transparency in the supply of travel services.

4. Research hypotheses

The main hypothesis aims to find the relationship between different variables. If the level of transaction costs caused by the institutional environment is assessed, opportunities for improvement in the market of the tour operator industry can be revealed.

Table 2 . Research hypotheses

	Basic hypothesis
	The institutional impact on TOTAB leads to high costs and demand for rents.
	Additional hypotheses
	Hypothesis on institutional changes
H1	Continuous changes in the legislation of the tourism industry lead to high transaction costs.
	Hypothesis for participants
H2	High number of participants leads to increased demand for rent
	Hypothesis of information asymmetry
H3	Information flow barriers lead to high transaction costs
	Property rights hypothesis
H4	The rights in favour of the actors who coordinate and regulate TOTAB are so distributed that they lead to increased levels of rent-seeking
	Transaction costs hypothesis
H5	The mechanisms of the coordination structure create a condition for high transaction costs

Basic hypothesis

H0: The institutional impact on the tour operator and travel agent industry often leads to increased administrative and operational costs, which in turn drives the rent-seeking process.

Hypotheses for institutional changes

H1: There are different approaches to investigating the causes and sources of institutional change. Veblen (1899) sees the causes of institutional development in man's propensity *for mindless, non-pragmatic creativity and experimentation*, which he calls *hollow curiosity* and which he argues is the root cause of social, scientific and technological change.

Hypotheses for participants

H2: The large number of tour operators leads to higher rents in the sector. This hypothesis is related to the participants. Any legal change should reflect on the number of participants in the contract.

Hypothesis of information asymmetry

H3: Asymmetric information is among the main drivers of social, economic and political processes. It is one of the main drivers of asymmetric communication.

Property rights hypothesis

H4: This hypothesis is related to property rights. It explains the relationship between changes in legislation and the increase in the level of property protection through new rights in the tourism market.

Transaction costs hypothesis

H5: Transaction costs affect the competitiveness of tourism. According to Tremblay (1998), evidence on the extent of these costs and potential moderators is scarce.

5. Discrete Structure Analysis (DSA)

The analysis combines institutional economics with aspects of contract law and organization theory to identify and explain key differences. They distinguish between three general forms of economic organisation - market, hybrid and hierarchy. The cost-effective choice of organizational form is shown to vary systematically with transactional differences.

6. Identification of the variables used

The methodological stage of the dissertation demonstrates how to use the empirical information collected. The synthetic variables, which are 14 in number, are transformed from the decomposed elements of the institutional environment.

Table 3. Variables

№	Change	Defenition	measure
1	legal changes	total changes during the year	Issue
2	customer participants	users of services provided by the TO/TA	Issue
3	participants - owners of TO	service providers owners of TO/TA	Issue
4	participants - administrators	participants in the administrative process	Issue
5	Documents	contracts, annexes in electronic or paper form	Issue
6	transactions for fees	action on specific payments	Issue
7	moving and idle transactions	actions related to repeat visits	Issue
8	transactions for information	actions to obtain information	Issue
9	total transactions	all transactions for documents, fees, payments	Issue
10	total participants	all participants in the contract	Issue
11	initial transaction costs	the costs in the (ex-ante) part of the contract	BGN
12	subsequent transaction costs	the costs in the (ex-past) part of the contract	BGN
13	information and contracting costs	costs of obtaining information	BGN
14	costs of inactivity and anticipation	opportunistic costs	BGN

Source: own concept

7. Measuring transaction costs

The measurement of transaction costs in tourism related to registration documents covers the costs and efforts that actors in the tourism industry incur due to administrative procedures.

The measurement of these transaction costs is often based on quantitative and qualitative methods, such as the collection of data from surveys, interviews, financial reports or analyses of administrative procedures. The aim is to identify and reduce unnecessary costs and simplify processes for businesses in the tourism sector.

Table4 . Methodology for measuring transaction costs in the TO and TA industry

Issuance of a certificate for tour operator and/or agency activity	Application processing fee	supporting documents	services of a lawyer	Fee for entry in the register	Notary fees	time	transport	courier	n	QEP fee	Total in BGN
A	B	C	D	E	F	G	H	I	J	K	L
TO											
2 Over the counter											
4 By post											
5 Electronically via QES											
TA											
2 Over the counter											
4 By post											
5 Electronically via QES											
TO/TA											
2 Over the counter											
4 By post											
5 Electronically via QES											

Source: own research

According to the Tourism Act, a set of documents is required for the issuance of a certificate of registration for tour operator or travel agent activities. Table 4 shows the measurements of the TR in leva for the issuance of a certificate of TO or TA. Some of the costs are measured objectively as they

are established in advance. They represent the cost of the service according to the legislation. In charts B, E are recorded the mandatory fees according to the Law, the rest are variable according to the rates of courier companies, lawyers, notaries. The amount of time is relative and is measured according to the average salary in the industry. The fee in column K may also vary according to the registration of the legal or natural person.

Since there are three types of registration certificates in the industry the final form can be considered in stages. For example, for issuing a certificate only for TO activity and submitting the documents *at the counter*, the total amount is the sum of B+C...+F as these are the mandatory fees and to these are added the figures from graphs G+H+J . The sum of all determines the final L graph, which gives the result in leva for the TR measurement.

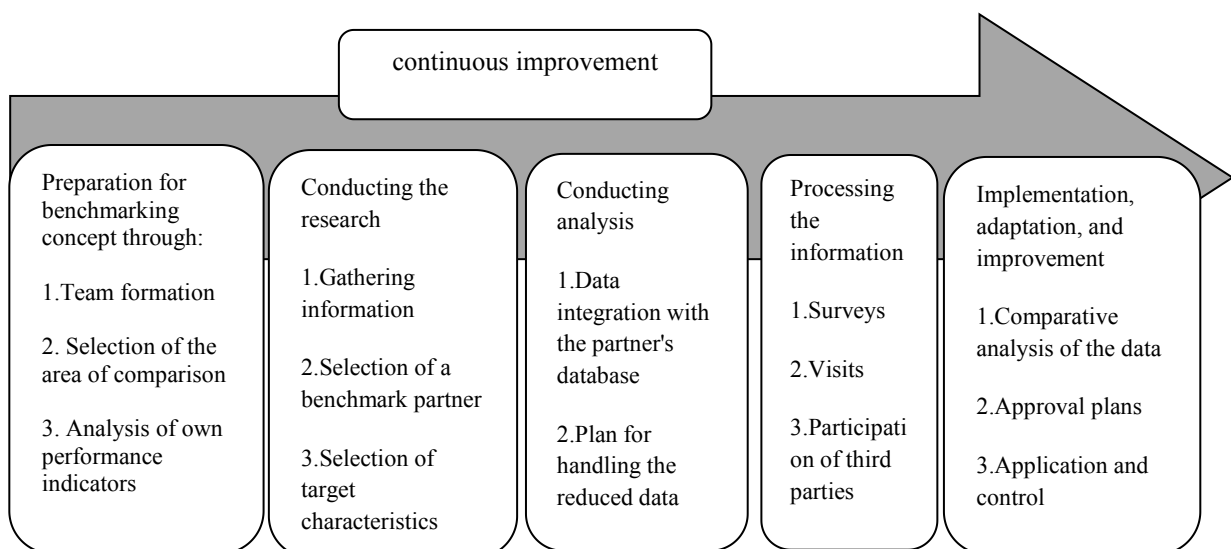
8. Normative approaches, methods for solving institutional problems

Effectively addressing the institutional problems in the tour operator industry requires a combination of regulatory changes, increased regulatory scrutiny and the introduction of good industry practices.

9. Benchmarking for problem identification and problem solving

Benchmarking in the tour operator industry includes three types: process, performance and strategic. It analyses and benchmarks operations, performance and strategies to improve efficiency, innovation and competitiveness through the implementation of best practices and continuous monitoring.

Figure 4 . Phases of benchmarking in tourism



Source: own research

Benchmarking methodology in tourism as a specialized approach to problem solving.

The basis for evaluating strategically developing tourism enterprises is built from three main requirements and characteristics:

- strategic position in the region
- tourist attractiveness for interested customers
- and feasibility of the strategy

Benchmarking in the tour operator industry is a strategic process of comparing and analysing the operations, services and strategies of different tour operators to identify best practices and standards. The aim is to improve the competitiveness and efficiency of tour operators by learning successful strategies and methods.

10. Comparative analysis of annuities and other effects

The comparative analysis of rents in tour operator activity explores the dynamics of institutions and institutional change by examining the impact of legislative changes on economic activity and market relations. This process includes several key aspects: legislative changes and regulations, market relations, adaptation of actors, rent-seeking, economic effects, social and consumer effects and strategic approaches and recommendations.

PART THREE - A nalysis of institutions, CSU and the effects in TOTAAS

I. Institutional Issues in Trumpism and TOTAAS

1.1. World Tourism. Mediation and TOTAAS

Modern tourism is closely linked to the development of the economy and covers an increasing number of new destinations. This dynamic has made tourism a key driver of socio-economic progress.

The tables below show the total contribution of tourism to GDP for a selected country, calculated in billions of US dollars over the period 2017 to 2021 as a % of GDP.

Table5 . Comparative analysis of tourism GDP by country

United States

year	2017	2018	2019	2020	2021
as % of GDP	2,6	2,9	3,1	1,54	2,15

Source: own research

China

year	2017	2018	2019	2020
as % of GDP	9,5	11	7,3	4,5

Source: own research

Spain

year	2017	2018	2019	2020	2021
as % of GDP	11,8	13,5	12,4	5,5	8

Source: own research

Japan

year	2017	2018	2019	2020	2021
as % of GDP	2	2,2	7,3	3,5	0,23

Source: own research

Romania

year	2017	2018	2019	2020	2021
as % of GDP	2,8	5,3	5,3	5,2	2,9

Source: own research

Bulgaria

year	2017	2018	2019	2020	2021
as % of GDP	12,8	11,7	11,3	3,7	2,55

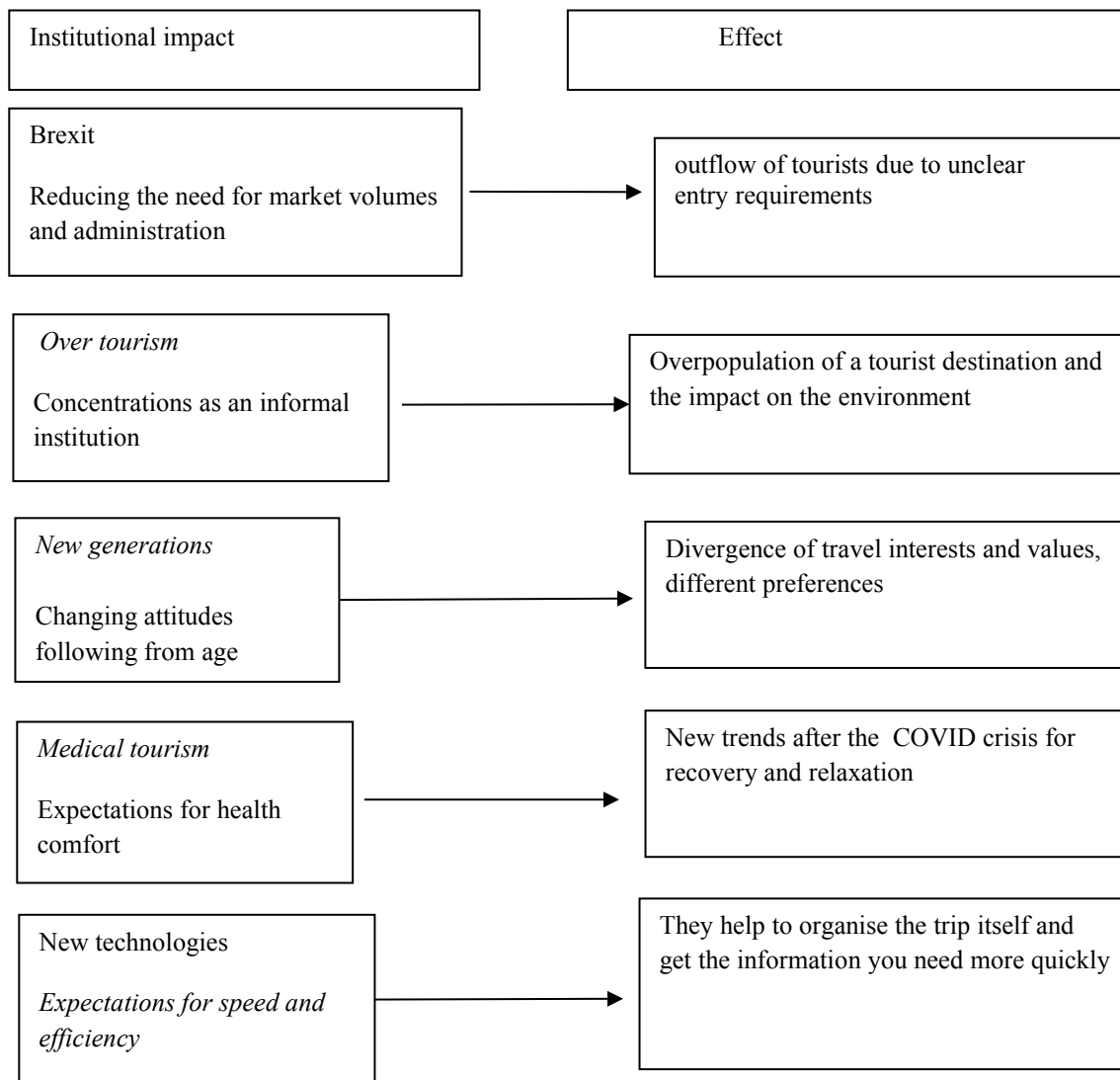
Source: own research

The table shows the total contribution of tourism to GDP for a selected country, calculated in billions of US dollars over the period 2017 to 2021 as a % of GDP. Significant upward trends in the size of tourism activities in the economy are indicated.

1.2. Institutional nature of intermediation in different types of tourism

Mediation in the tour operator industry also involves the process of removing unnecessary obstacles from the distribution channel and directly connecting customers with the service itself. With the rise of integrated online booking platforms and websites, tour operators and travel agencies provide travelers with solutions that reduce their challenges, ensure speed, and save them time and potential losses. This role not only reshapes how travelers minimize the overall costs of services received but also enhances the convenience and efficiency of their choices. Another reason for the growth of mediation in the tour operator industry is the combination of convenience and transparency, along with the speed provided to consumers.

Figure 5. Institutional preconditions and effects



Source: own research

Figure 5 describes the institutional impact in creating various economic effects. The antecedents and consequences of changes in technology, the political environment, consumer attitudes and adaptation.

There are prerequisites for bypassing traditional travel agents also known as *disintermediation*.

Table 6 . Comparative table for arguments *against* and *for* disintermediation

Arguments for disintermediation	Arguments against mediation
<ul style="list-style-type: none"> • TAs typically add very little value to the tourism product, acting as a booking office; • TAs only manage the information and make the bookings; • TAs are biased toward their favorite principals who have higher commissions and long-term partners; • Experienced tourists are sometimes more competent than travel agents; • Visiting a travel agent is inconvenient, time-consuming, and limited to business ; • The TA commission increases the price of the product; • TA staff are sometimes inadequately trained and inexperienced; • Independent breaks are gradually increasing; • Technology allows users to take over many of the functions from their comfortable armchair; • Electronic TAs offer flexibility and ; • Designated specialized Web portals occupy niche markets; • Re-engineering the tourism industry facilitates dis- 	<ul style="list-style-type: none"> • TAs are professional travel advisors and offer valuable services and advice; • TAs use experts to save users time; • The technology is difficult to use and expensive to acquire individually; • Much of the market is computer illiterate and unwilling to improve their skills; • Developments in the sophistication of computers and the Internet mean that many people need a specialist to use them; • Travel agents give free advice and add value by providing tips; • Electronic intermediaries mainly serve the business market and are more expensive; • TAs can achieve better prices through the right channels and bulk deals or through alliances; • TAs offer personality and bring attitude through it to the industry; • TAs reduce travel uncertainty by being responsible for making travel arrangements; • Internet transactions are not yet secure and reliable.

Source: adapted from Buhalis, D. (2003)

Disintermediation in the tour operator industry refers to the process of removing intermediaries in the distribution channel and connecting customers directly with service providers.

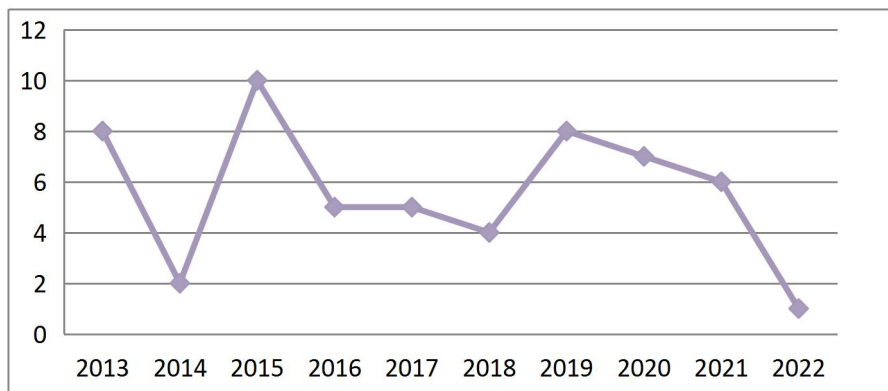
1.3. Features of distribution of property rights in travel agency

The distribution of property rights in travel intermediation takes place through complex contractual relationships between tour operators and service providers such as hotels, airlines and others. Tour operators play a key role in bundling different travel services into package deals, making travel easier for customers and freeing them from costs and transactions.

1.4. European and national legal framework with regard to the tourism sector and in particular tourism intermediation

The European and national legal framework concerning the tourism sector, and in particular tourism intermediation, is a complex structure of regulations aimed at ensuring consumer protection, transparency of transactions and regulation of the relationships between the different players in the industry. These frameworks aim to create a balance between the interests of tourism businesses, intermediaries and end consumers.

Figure6 . Changes to the regulations in the Law on Trade and Related Institutions



Source :Own research

Figure 6 shows the changes to the Tourism Act regulations relating to tourism organisations. A number of changes from 2013 to 2022 are considered.

1.5. Analysis of the CSU. Financial and economic mechanisms in TOTAAS

The European Union and its Member States have taken a number of measures to reduce the economic impact of the COVID-19 pandemic. Specific actions taken to support economic recovery include:

- The EU's Next Generation EU Recovery Plan, a €750 billion recovery fund.
- Temporary support for workers to safeguard jobs and provide financial assistance to those affected by the crisis.
- Changes to the EU budget to address pressing issues and provide the necessary financial support.
- Redirecting EU funds to help the most affected Member States.
- Support for the most affected sectors of the economy.

Table 7 . Total number of changes of institutions in the period 2005-2021

№	Identification	Formal institutions (regulations, schemes, measures)	Amendments 2005-2021
Laws			
1	CRB	Constitution of the Republic of Bulgaria	1
2	TK	Commercial Law	47
3	ZTR	Commercial Register Act	28
4	ZMDWP	Law on measures and actions during the state of emergency declared by the National Assembly decision of 13 March 2020 and on overcoming the consequences (SG 44/2020, in force from 14.05.2020).	18
5	ZEDEP	Electronic Document and Electronic Signature Act	10
6	WEU	Electronic Communications Act	59
7	ZT	Law on Tourism	11
8	ZUESIF	Law on the management of the European Structural and Investment Funds	10
Regulations: ordinances, tariffs, rules			
9	H-16	Ordinance No 16-1399/11.10.2013 on the requirements for the location, suitability and equipment of the premises for carrying out tour operator and/or travel agent activities and for the education, language qualification and seniority of staff	1
10	H-261	Ordinance No 261 of 13.07.2006 on the general rules for compensation and assistance to passengers in the event of denied boarding and cancellation or long delay of flights	1
11	H-18	Ordinance No. 18 of 13 December 2006 on the registration and reporting of sales in retail outlets through fiscal devices, the requirements to the software for their management and the requirements to the persons making sales through e-shops (SG No. 80/2018)	34
12	II-57	Decree No 57 of 28 March 2017 adopting the Regulation on the identification of irregularities, grounds for financial corrections and percentage indicators for determining the amount of financial corrections under the European Structural and Investment Funds Management Act	1
13	H-TRD041	Ordinance No. T-PD-04-1 of 22 January 2021 on the procedure for providing persons carrying out tour operator and travel agent activities with compensation for losses due to the COVID-19 outbreak	1
14	H-DU	Regulation on children's and schoolchildren's tourist trips	1
15	II-55	Decree No. 55 of 30 March 2020 on determining the conditions and procedures for the payment of compensation to employers in order to maintain the employment of employees in a state of emergency, promulgated by decision of the National Assembly of 13.03.200.	2
16	TN	Tariff for notarial fees	2
17	TA	Tariff for lawyers' fees	9
18	TT	Tariff of fees under the Tourism Act	7
19	TTR	Tariff for the fees collected by the Registry Agency	11
Measures/Mechanisms			
20	M 60/40	Compensation of employers in order to maintain the employment of employees	-
21	BG-1767 89478-2 021-02	State aid scheme for tour operators using air carriers with a valid operating licence to operate charter flights to the Republic of Bulgaria for tourism purposes	-
22	BG16RF OP002-2.092	Scheme to support companies registered under the Tourism Act as a tour operator or travel agent to overcome the economic impact of the pandemic COVID-19	-
23	BG-1767 89478-2 021-03	Scheme for grants to tour operators to reimburse amounts owed to customers for trips not taken between 01.03.2020 and 31.12.2020 due to the outbreak of COVID-19	-
24	BG-1767 89478-2 021-05	Support scheme for tour operator companies - companies affected by the fall in turnover excluding VAT in 2020.	-
25	MMF	Measure "Support to small and medium-sized enterprises to overcome the economic impact of the COVID-19 pandemic". Operational Programme "Innovation and Competitiveness" (OPIC)	-

Source: information adapted from a participatory research study (Georgiev, Ivanova and Dimitrova, 2024)

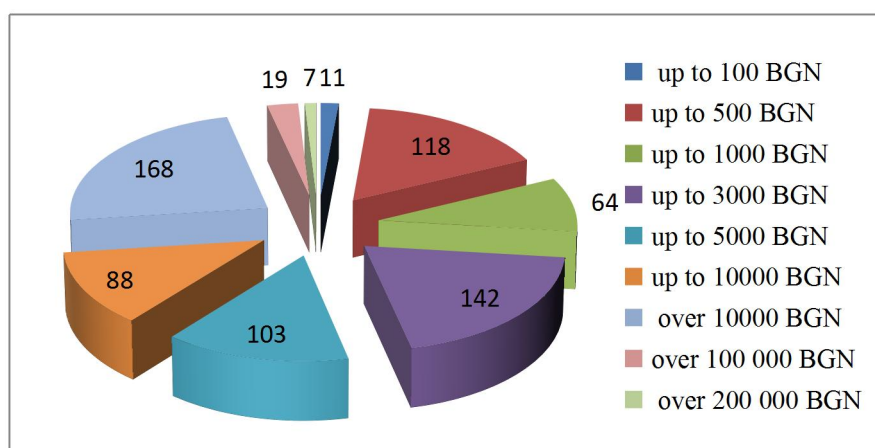
Another short-term instrument for emergency support of business, adopted by the Government on 01.07.2020, includes a Decree on the conditions and procedures for the payment of funds to employers to maintain employment after the period of emergency and epidemic situation.

Table 8. Allocation of funds to the number of companies based on turnover

up to 100 BGN	up to 500 BGN	up to 1000 BGN	up to 3000 BGN	up to 5000 BGN	up to 10000 BGN	over 10000 BGN	over 100 000 BGN	over 200 000 BGN
11	118	64	142	103	88	168	19	7

Source:Own research

Figure 7. Distribution of funds in graphical form



Source:Own research

Table 7 shows the breakdown of the funds allocated under the procedure. There is a tour operator company that received the smallest amount of - 51.71 BGN, which means that last year it had a turnover of 5171 BGN.

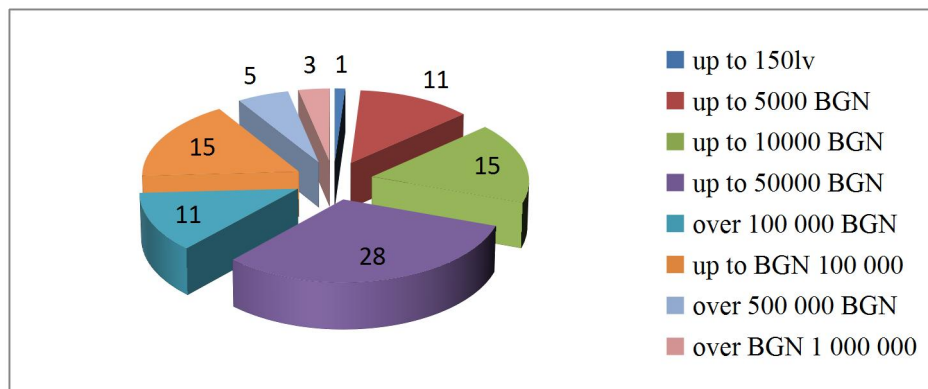
Another such financial assistance for rehabilitation is Scheme **BG-176789478-2021-03**. It is for the provision of grants to tour operators to reimburse customers for unfulfilled trips in the period 01.03.2020 to 31.12.2020 due to the COVID-19 outbreak.

Table 9 . Distribution of funds per number of firms relative to turnover

up to 150lv	up to 5000 BGN	up to 10000 BGN	up to 50000 BGN	over 100 000 BGN	up to BGN 100 000	over 500 000 BGN	over BGN 1 000 000
1	11	15	28	11	15	5	3

Source:Own research

Figure 8. Distribution of funds in graphical form



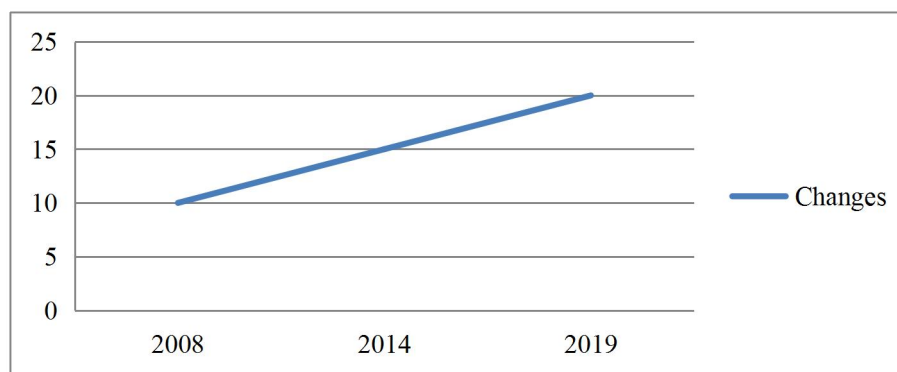
Source: Own research

Figure 8 shows the distribution of aid to tour operators in Bulgaria, with the smallest payment amounting to BGN 150, while the largest can reach over BGN 1.3 million.

1.6. Institutional and technological transformations in TOTAAS

Due to the complexity of sales management software products (SMSP), a significant part of the problems are not due to the recording of payments, but to the overall business process. Changes to the software that are not directly related to the acceptance of payments are subject to close scrutiny by financial institutions. Such processes often create additional challenges for businesses, especially in industries such as tourism and services

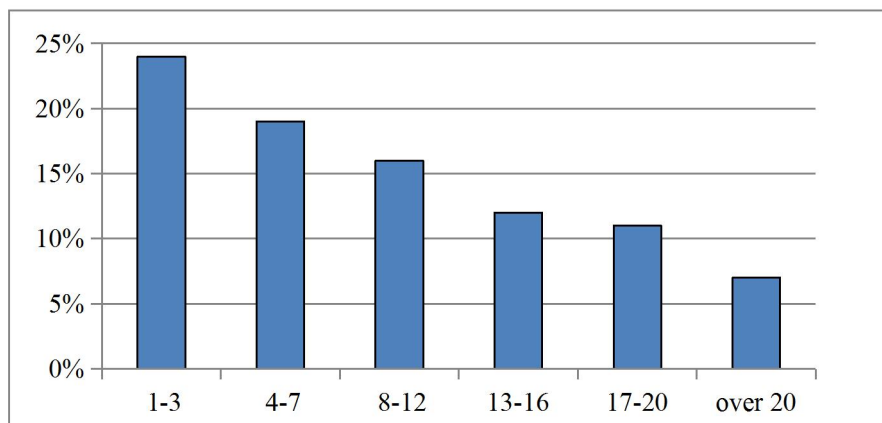
Figure 9 . Distribution of funds in graphical form



Source: own research

Figure 9 shows the percentage of additional costs for different companies in the tourism industry when implementing the system. For the smallest firms, the costs will reach up to 25% of turnover, which is the highest percentage. For larger companies, however, due to economies of scale, these costs are significantly lower and range between 7% and 8% of their total activity.

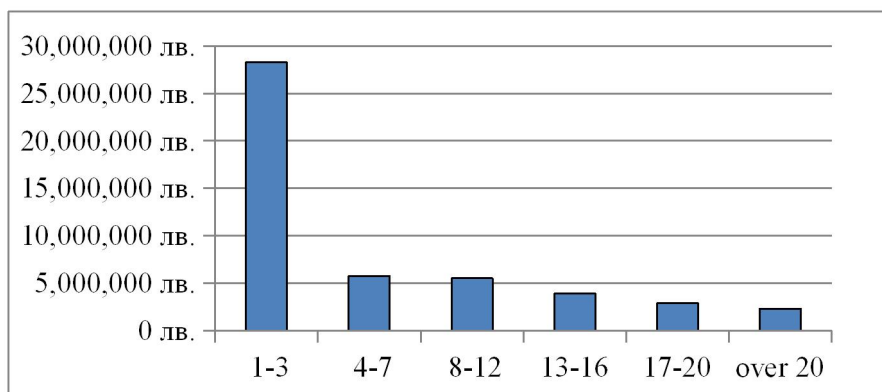
Figure 10. Costs as a percentage of activity in implementing an ERPMS (by firm size)



Source: own research

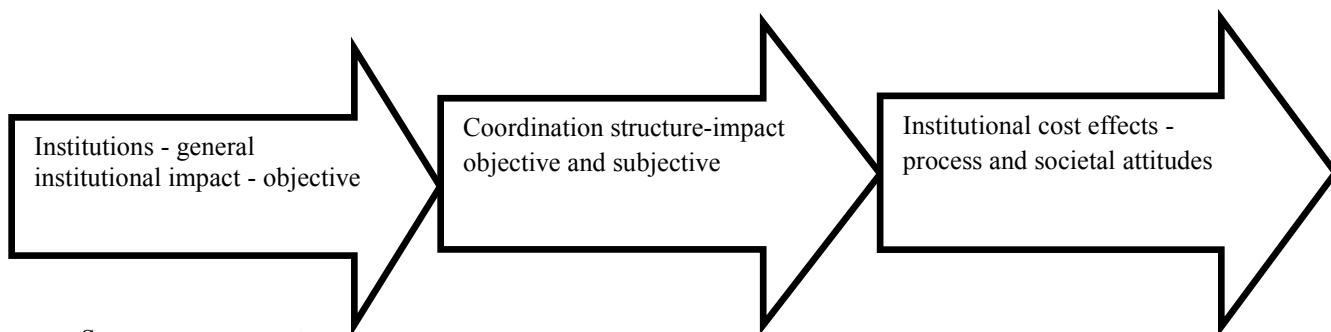
Figure 10 shows the funds spent per year by firm size. The firms with the highest turnover naturally made the largest expenditure. Hence - with more and more additional expenditure for a small firm will lead to default for the contracts undertaken, to lay-off of staff and shrinking of current liabilities.

Figure 11. Costs spent per year to implement the new system - by company size



Source: own research

Figure 12. Compliance of H-18 with legal principles



Source: own concept

Figure 7 shows the extent to which *H-18* is consistent with legal principles and the unlawfulness of the legal act. Barriers to the integration of economic actors are identified by describing obstacles to the flow of information. Unnecessary actions and inactions of actors are identified. Market and non-market costs are measured.

II. Institutional Issues TOTAAS for the period (2000 - 2023)

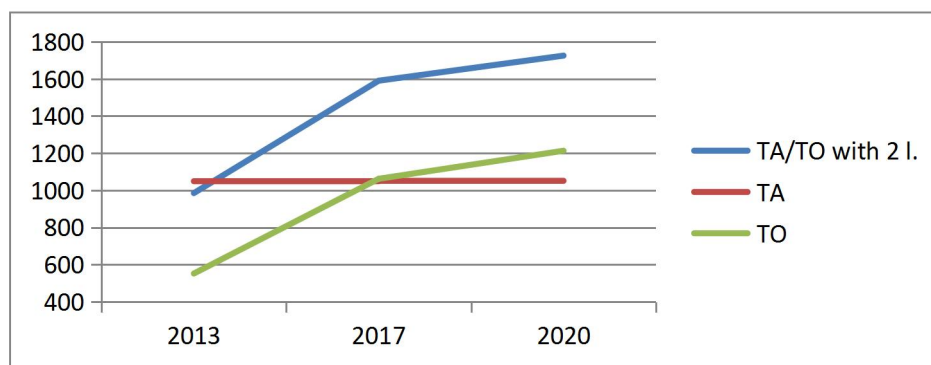
2.1. Challenges for the tour operator activity in Bulgaria

Insufficient coordination between state institutions, local authorities and tourism associations hampers integrated tourism development. Without effective cooperation, tour operators cannot take advantage of the country's potential to attract higher-paying tourists and to develop a variety of tourism products to meet modern market demands.

2.2. Analysis of institutional adaptation in TOTAAS

A growing body of research on the relationship between the institutional environment and tourism suggests that the quality of institutions is an important factor in attracting tourists, which subsequently enhances economic development. From the empirical studies, it is proved that the quality of institutions is as important as other economic factors, i.e. exchange rate, development status, tourist destinations, facilities, etc. in choosing different destinations.

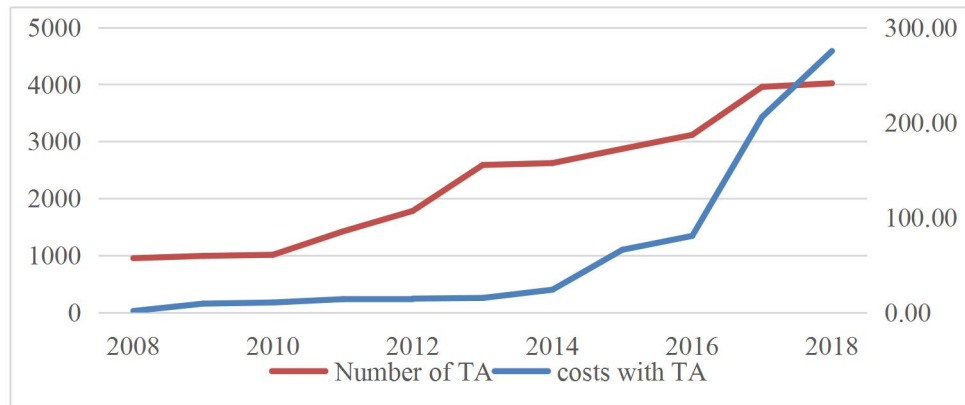
Figure 13. Registered TOs and TAs in the period 2013-2020.



Source: own research

The change in legislation and fiscal further complicate the process of existence. Large investments and inputs are sometimes not enough to keep a company on the market. At the same time, competition in the travel industry is high and the demand for the services of travel agencies naturally falls in a crisis.

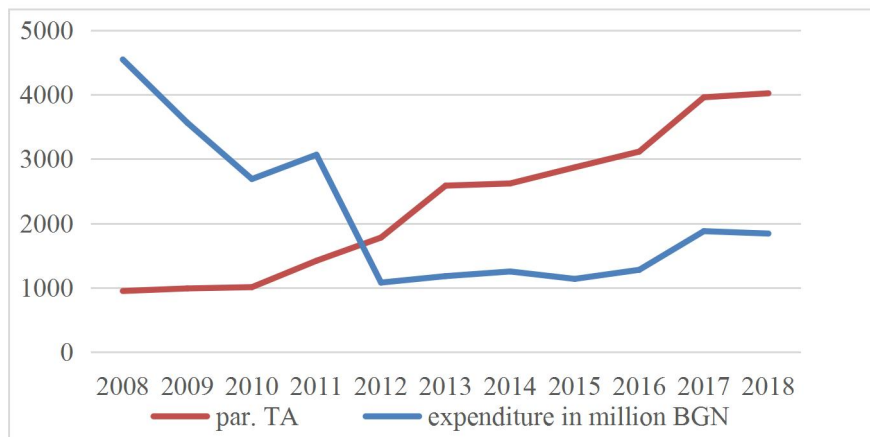
Figure 14. Expenditures on TA and TA-related services / in million BGN vs. number of tourism companies



Source: own research

Figure 14 shows two key indicators for the tourism sector in Bulgaria for the period from 2008 to 2018: the red line is the number of Travel Agencies (TAs), which has been gradually increasing since 2012. At the beginning of the period (2008 to 2012), the number of agencies remained relatively stable, but there has been a significant increase since then. There is an economically unexplained situation of an increase in the number of travel companies when the solvency of the users of the services offered is shrinking.

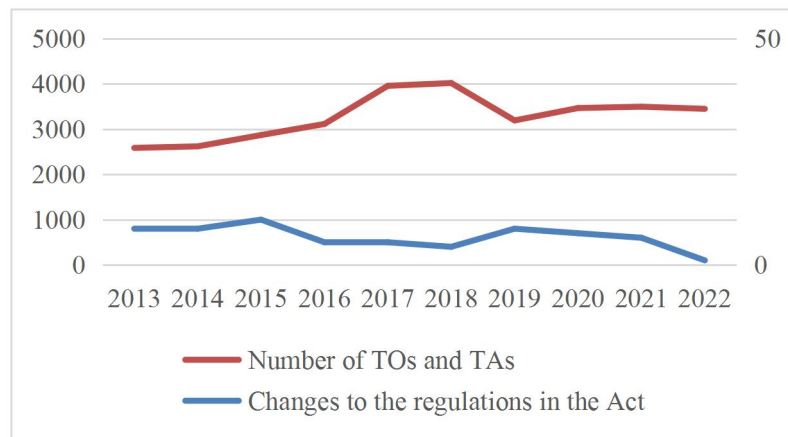
Figure 15. Expenditure (incl. charter packages) on tourist trips/ in million BGN/ vs. number of travel agencies in the period from 2008 to



Source: own research

Figure 15 shows two key indicators for the tourism sector in Bulgaria for the period 2008 to 2018: the red line is the number of travel agencies (TAs), which has been gradually increasing since 2012. The blue line shows expenditure on travel (including charters) in millions of leva. These expenditures are higher at the beginning of the period (2008), but fall sharply until 2010.

Figure 16 . The number of tourism businesses and changes in the FT from 2013 to 2022



Source: own research

Figure 16 plots the number of tour operators against the number of changes in orders in the FT. In the period from 2013 to 2022, a total of 56 changes were made, mainly concerning travel agencies.

Table 10

Table 10. Indicators from the statement of income and expenses of non-financial enterprises from travel agency and tour operator activities, making up the balance sheet (BGN thousand)

indicators	2007	2008	2009	2010	2012	2017
Net sales revenue	612609	612609	607637	697008	697008	771000
Income from operating activities	625619	625619	621372	722061	72206	801000
Total revenue	666753	666753	629141	735888	7358888	876000

Source: own research

In the period 2020-2022, despite the new rules, many travel agencies have not been able to overcome the changes and have gone bankrupt or frozen their operations due to lack of financial revenues.

2.3. Risks of different types of intermediation in the tour operator industry

Different types of intermediation in the tour operator industry carry specific risks that can affect the business. Here are the main risks associated with the different models of intermediation: Financial risks, Regulatory risks, Service quality risks, Technology risks, Customer preference risks and Global event risks.

Table 11. The main differences between a tour operator and a travel agent

Tour operator	Travel agent
Wholesaler (hybrid)	Retailer
He is an entrepreneur and mediator	Pure intermediary
Buys the services on its own behalf and at its own expense	Sells services in its own name for someone else's account
Creates own product	Market a foreign product
Main source of income is the sale of own product	The main source of income is commission
As a rule there is no direct contact with the customer	Has direct contact with the customer
Localization is not a determinant of sales success	Localization is especially important for sales success
Main function - organizational	Main function - mediation
The promotional function is strongly pronounced	It has a strong commercial-propaganda function

Source: own research

2.4. Adaptation and integration of TA and TA activities

The adaptation of tour operators and travel agents in the modern tourism sector is an important topic related to the development of technological changes and consumer expectations. The contemporary importance of TOs and TAs as part of the tourism distribution system has evolved significantly under the influence of information and communication technologies. The massive use of the Internet, the increased role of online intermediaries and direct sales to end customers have changed the traditional sales model in tourism.

2.5. Nature, role and features of TOs and TAs

The role of TOs and TAs in the industry and the nature of economic processes

The main role of a travel agent is to provide a convenient and accessible way for end customers to purchase travel services such as booking holidays, transport and providing information and advice. Consumers still rely on travel agents for their expert knowledge, objective opinions and skills to ensure efficient transactions and competitive prices. However, current market conditions force travel agents to struggle to survive due to low profit levels. To remain competitive, they often offer a variety of services, but this sometimes affects their objectivity in recommendations.

Table 12. Advantages and disadvantages of tour operator activity

gain customer trust with a known and established brand	monitors the overall organisation
expand access to potential customers	takes full responsibility for changes to proposed programmes
make sales of additional services	the need for specialised in-service training programmes
ensure proper management of reservations	reduction in profitability due to commissions granted to intermediaries
facilitate customer-supplier interactions	staff turnover

for the tourism industry

ADVANTAGES	DEFICIENCIES
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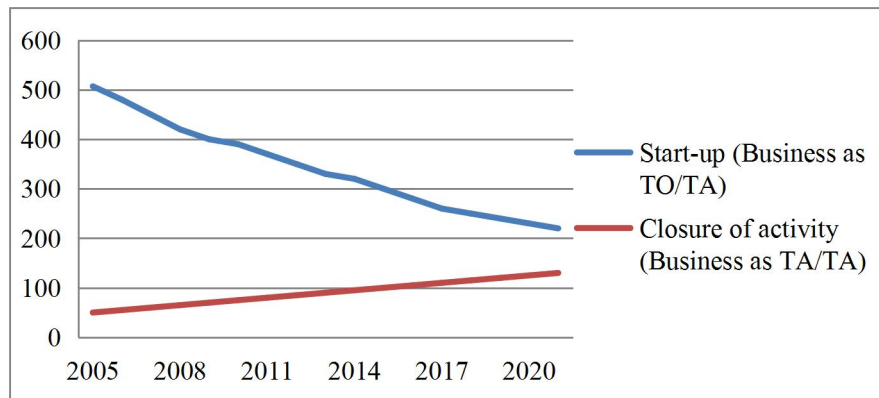
for individual users

offer a variety of products from many organizers, for different destinations	incorrect information to the customer about free product stocks
offer offers and services at preferential prices	focusing the offering on higher commission services
ensure that arrangements for requests and reservations are fulfilled	inability to reserve products offered by organizers and suppliers for direct sale only
support, encourage and facilitate the choice of services	payment of additional service charges

Source : Own research

The state legislature enacted new, multiple rules in TOTAAS that were repeatedly changed and continue to be amended during the emergency. They helped some players to adjust more easily and others to get confused. In effect, this allowed the larger players in the tourism industry to benefit at the expense of the smaller players and led to the state of the industry and the industry markets shown above.

Figure 16. Number of TAs and TAs starting and ending operations (2005-2021)



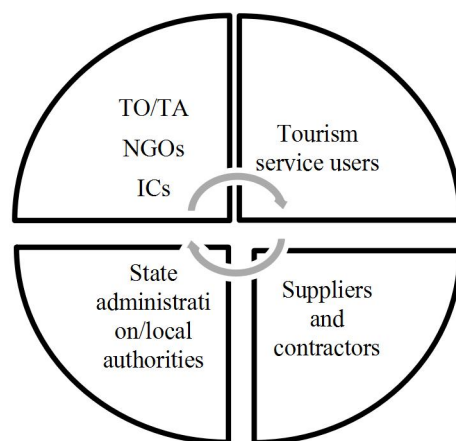
Source: own research adapted from (Georgiev, Ivanova and Dimitrova, 2024)

Figure 16 shows the declining number of start-up TOs and TAs over the years and the increasing number of TOs and TAs that are closing down their activities (businesses).

2.6. Institutional actors. Cooperation and hybrid organisations in TOTAAS

Institutional intermediaries in tour operators' activities play a key role in the coordination and regulation of the tourism industry. In Bulgaria, these intermediaries include various organisations that work to develop and manage tourism at national and regional level.

Figure 17 . The actors in TOTAAS



Source: own concept

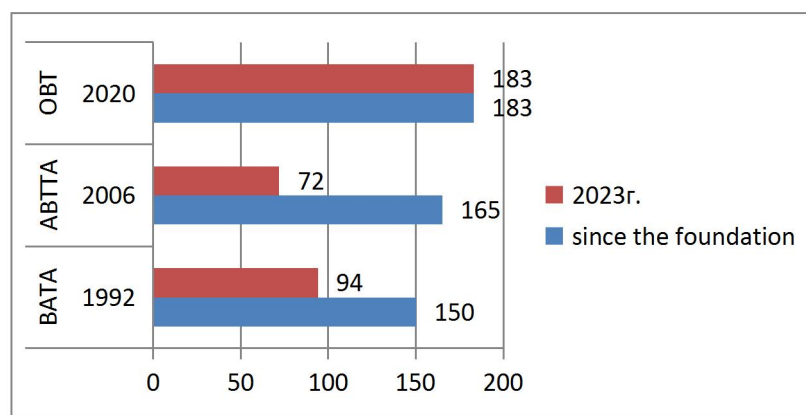
Users of tour operator services: they play a key role in the industry as their demand and preferences determine the supply of services.

State and local government: these bodies are responsible for regulating the tourism sector, providing the legislative and administrative framework within which operators can operate.

Non-governmental organisations (NGOs): The establishment of NGOs in the sector is essential as they can play a role in protecting consumer interests, developing standards and promoting sustainable development in tourism.

Suppliers and contractors: NGOs also help to build strong contractual relationships between tour operators and suppliers, which is important for providing quality services and products to the end user. This interrelationship highlights the need for coordination and collaboration between the different actors to achieve sustainable development of the tourism sector.

Figure 18. Associations in the tour operator industry and their number of members from establishment to 2023



source :own research

Tourism associations play a key role in tourism development, coordinating activities to shape and market the tourism product, providing information services to tourists and protecting the interests of their members. They actively participate in the development of initiatives and projects in the sector and contribute to improving the quality of tourism services.

2.7. The travel agency - process solutions at micro level

Micro-level process decisions in a travel agency refer to specific operational actions and strategies that the agency takes to effectively manage its services and customer relationships.

The principle role of the travel agency as an intermediary is to serve buyers and sellers, even to create a market where it did not exist before or to expand and make the existing market more efficient. Tour operators communicate the commissions of a trip and form a package that sells directly or through travel agencies to tourists.

Table 13. The main advantages and disadvantages of using Travel Agents

	For primary tourism businesses	For tourists
Advantages	Have the opportunity to increase sales volume; Transfer some of the risk; Contract with the tour operator; Reduce the need for in-house marketing efforts.	Save time and effort on search and transaction costs; Access expert advice and recommendations; They profit from lower prices because of contractual discounts. Gain time and feedback from other customers
Disadvantages	Dependence on travel agencies; Controlled customer experience; Additional fees from suppliers;	Standardisation of services; Dependency for plan changes; Additional costs for fees and commissions.

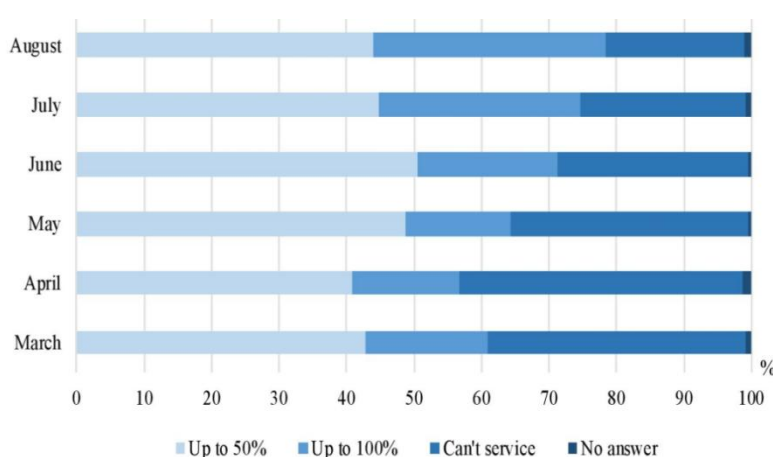
Source: own research

Large travel intermediaries are significant players in the market that add value to the distribution chain. They receive a percentage of profits as a reward for facilitating transactions between tourists and primary suppliers, and also provide additional services that enhance the overall tourism experience.

2.8. Searching for annuities at TO and TA

Rent-seeking in economics refers to strategies for acquiring unproductive income that does not contribute to economic welfare as a whole. These practices, such as corruption and tax evasion, not only reduce overall economic efficiency but also compete with productive sectors for scarce economic resources.

Figure 19. Change in operating revenue as a result of the declared state of emergency and the subsequent epidemic by month

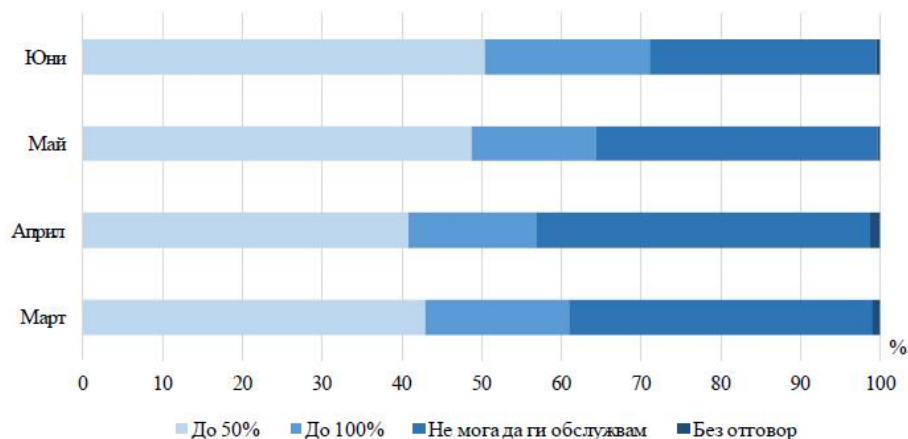


Source: Chart showing NSI survey, Activity and status of accommodation in an epidemic situation from March to August 2020, pp.2-3.

Figure 19 shows the indicators of revenue change during the period of the declared national emergency. The survey, conducted between May and August 2020, shows worrying forecasts from

tourism business managers in relation to dealing with the financial challenges of the state of emergency.

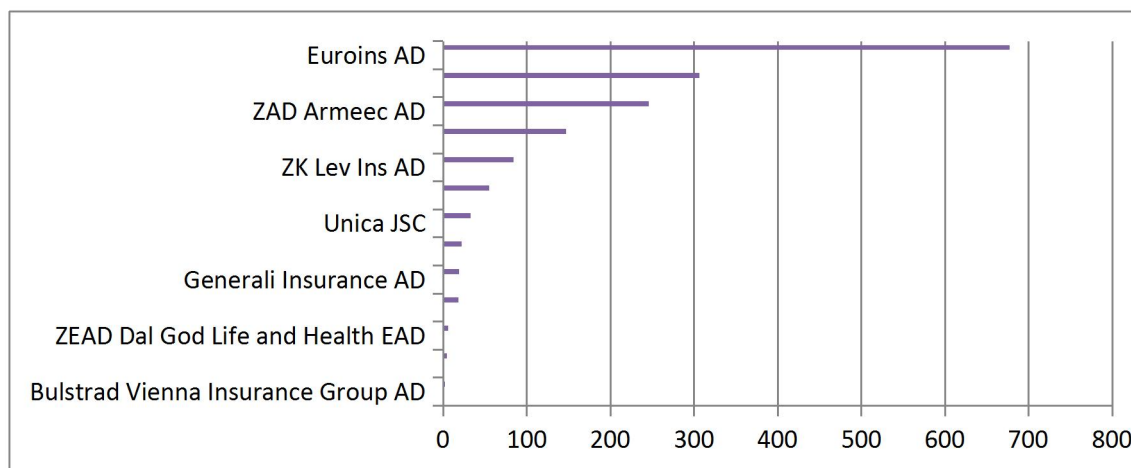
Figure 20. Ability to service operating costs with own funds in the short term (one month) by month



Source: ibid, p.3

Figure 20 shows the possibilities of servicing the current and forthcoming costs of the activity, but with own funds. It is assumed that many of the larger tourism businesses will be able to withstand the pressure of the economic consequences for at least three or four months, but will only be able to pay 50% of their costs

Table 14. The number of insurance policies with the respective insurance companies



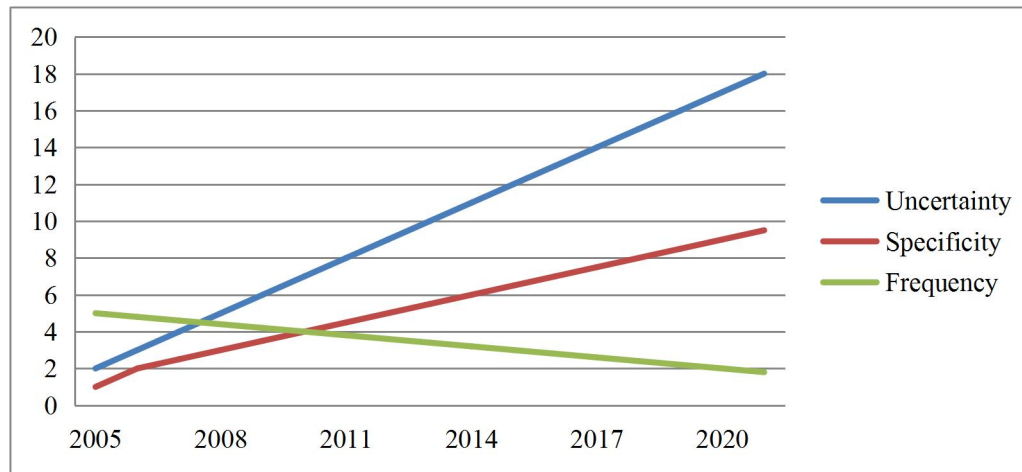
Source.NSI / as of April 10, 2020

Table 14 uses data from the National Tourist Register of Registered Tour Operators and Travel Agents to provide a brief analysis of compulsory *Tour Operator Liability* Insurance. The total number of registered tour operators as of 10.04.2020 is 3 311.

2.9. Transaction costs in TA and TA

Transaction costs in the tour operator and travel agent business represent a significant proportion of the total operating costs of companies in the tourism sector. These costs include a wide range of miscellaneous fees and charges that are associated with the transactions and dealings undertaken by tour operators and travel agents in offering various travel services.

Figure 22. Uncertainty, specificity, transaction frequency in TOTAAS



source :own research

Figure 22 shows the uncertainty, specificity, frequency of transactions in TOTAB. It is noteworthy that for the period indicated, the uncertainty and specificity increase while the transaction frequency decreases. This means that despite the introduction of more electronic transactions in the industry the same are not homogeneous. On the contrary, the introduction of new technologies does not overcome the effect of the changes imposed by new types and types of transactions. This suggests that either the effect of integration and improved coordination is negligible or rights are misused and misallocated.

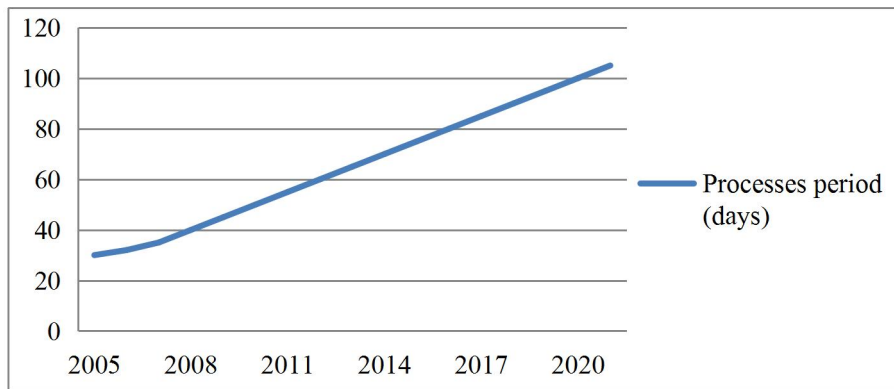
Table 15 . Measurement of TP in leva for the issuance of a licence certificate

Issuance of a certificate for tour operator and/or agency activity	processing the application	supporting documents	services of a lawyer	Fee for entry in the register	Notary fees	Time	Transport	Courier	on	KEP fee	Total in BGN
TO	500	200	400	3000	200						4300
2 Over the counter						136	10		5		4451
4 By post						34		30			4364
5 Electronically via QES						136				72	4508
TA	500	200	400	1500	200						2800
2 Over the counter						136	10				2946
4 By post						34		30			2864
5 Electronically via QES						136				72	3008
TO/TA	1000	300	450	4500	250						6500
2 Over the counter						136	10				6636
4 By post						34		30			6564
5 Electronically via QES						136					6636

Source: own research

Effective management of transaction costs is essential to the financial sustainability and competitiveness of tour operator and travel agent businesses. Optimisation of these costs can contribute to more efficient operational processes and better financial profitability of companies in the tourism sector.

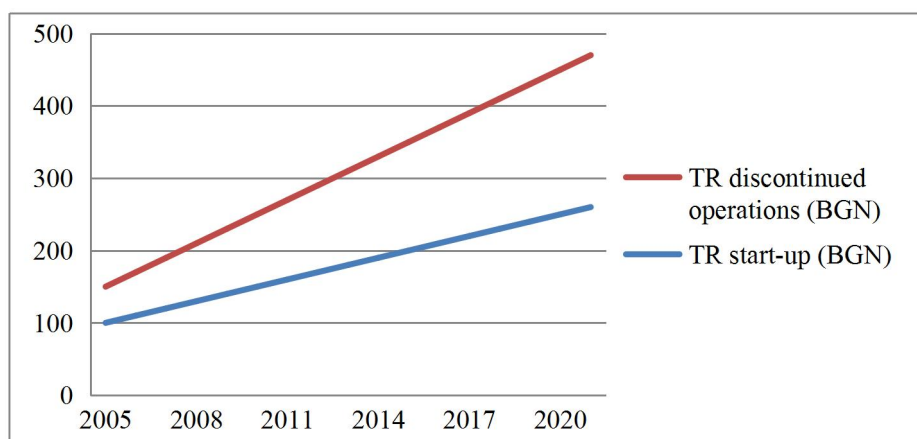
Figure 23. Average duration of processes in TOTAAS (days)



Source: own research

It is on this plane that the improvement of the environment should be sought. This would mean finding pathways to new types of hybrid organizations in TOTAB integrating the three types of linkages.

Figure 24. Cost analysis of starting and closing a business in TOTAAS



Source own research

Figure c 24 shows the costs of closing and starting a business in TOTAAS. It is evident that average transaction costs are increasing. The explanation is as follows: the cost of services (labour cost) increases, start-up and termination fees increase.

III. Analysis of hypotheses

Table 16 . Conclusion on support/dis-support of the hypotheses

H0	The institutional impact on TOTAB leads to high costs and demand for rents.	Supported by
H1	Continuous changes in the legislation of the tourism industry lead to high transaction costs.	unsupported
H2	High number of participants leads to increased demand for rent	supported (partially)
H3	Information flow barriers lead to high transaction costs	Supported by
H4	The rights in favour of the actors who coordinate and regulate TOTAB are so distributed that they lead to increased levels of rent-seeking	Supported by
H5	The mechanisms of the coordination structure create a condition for high transaction costs	Supported by

Source :Own research

PART FOUR - RECOMMENDATIONS FOR IMPROVEMENTS TO IT TAB

1. Improvement of legislation in TTOTAAS

In a globalised and competitive environment, it is increasingly imperative that travel agencies and tour operators have a clear and effective legal framework. Improving the regulatory framework is key to improving the competitiveness and quality of services offered in the sector.

This study aims to analyze the need for improvement of the legal framework regulating the activities of tour operators and travel agents, and to propose solutions to improve the adaptability of these actors in the sector.

2. Integration of information systems in TOTAAS. Improvement of CSM

The tourism market has undergone significant changes in the last few years. Alongside traditional methods of booking travel products, the internet and online technologies have increasingly established themselves as the preferred means of offering and selling travel services. This transformation has led to a significant reduction in the transfer of paper documents.

3. Incentives for the introduction of new technologies and training in TOTAAS. Improved coordination as a means to lower TC

In today's travel industry, new technologies play a key role in improving coordination between tour operators as well as lowering transaction costs. The integration of innovations such as reservation management systems, customer management software and online sales platforms allows TOs and TAs to optimise their operations.

4. Infotours - a means to reduce information asymmetry

Infotours are an effective means of reducing information asymmetry in the tourism industry. They not only increase the transparency of the services offered, but also help to build trust between travel agencies and consumers. .

5. Supplementary services to travel packages - more efficient distribution of rights and lower rent-seeking opportunities

Offering a variety of additional services helps to distribute rights more effectively between tour operators and customers. When tourists have the opportunity to choose between different services, they not only get a personalised experience, but also the opportunities for rent-seeking are reduced.

6. Mitigating certain risks associated with the activity - proposals

Establishment of a Tourism Guarantee Fund

In the context of the current challenges faced by the tourism sector, the establishment of a Tourism Guarantee Fund in Bulgaria is an important topic that has been discussed for more than a decade but has not yet been implemented in practice. Despite the industry's efforts to push for its establishment and the government's promises, no concrete steps have been taken in this direction.

Problems with illegal tourist activity in Bulgaria

In order to limit the organisation of unregulated tourist trips, I propose the implementation of integrated registers to ensure greater control and transparency in the sector.

1. Single register of tourist carriers

2. Unified system for submitting the preliminary list of travellers

3. A single system of control between state institutions

4. Final control at a border crossing point

The implementation of these integrated registers and systems will improve control and transparency in the tourism sector, while increasing consumer safety and reducing the risks associated with unregulated tourism services. Such an initiative requires active collaboration between various government institutions and industry stakeholders.

CONCLUSION

In this scientific study, the activities of tour operators are analyzed, with a focus on their dependence on and relationship with institutional challenges. These issues lead to high transaction costs, information asymmetry, and rule-making processes that encourage rent-seeking behavior. These factors are examined as integral elements of the institutional environment and coordination structure within travel agency activities.

To achieve the study's objectives, the following tasks were undertaken: theoretical analysis and definition of travel agents, their role and significance in the distribution system of tourism and complex tourism services, and an exploration of the factors shaping modern travel agency operations. The specific features of travel agency activities are analyzed, alongside strategic directions for improving their development. Particular attention is given to the activities of travel agents in Bulgaria.

The study is organized into four main parts:

1. The first part provides a theoretical characterization of travel agents.
2. The second part examines the features of modern travel agencies. It highlights how transaction costs and rent-seeking behaviors contribute to market uncertainty and an increase in personalized service fees.
3. The third part assesses the state of tourism and tour operator activities in Bulgaria, emphasizing the role of travel agents in both domestic and international tourism markets.
4. The fourth part proposes strategic directions and alternatives for the sustainable development of travel agents in Bulgaria.

The study concludes by analyzing institutional challenges in the tour operator industry through the lens of neo-institutional theory. The findings underscore the need for transparent and ethical business practices. To effectively navigate the challenges of a rapidly changing environment, tour operators must prioritize adaptability and innovation.