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## **THE MARKETING OF OUTSOURCING IN REPUBLIC OF BULGARIA AND PERSPECTIVES FOR ITS DEVELOPMENT**

**Summary** In the statement the marketing of outsourcing in Republic of Bulgaria and perspectives for its development are examined. Bulgaria is describing itself as attractive outsourcing destination.

**Key words** Marketing of outsourcing, outsourcing destination, IT sector

### **Introduction**

The different examinations and positions of Republic of Bulgaria in them show that our country is turning in to very attractive outsourcing destination. Bulgaria is a country with low productive expenses and taxes in comparison with the other European economics, which in many cases is important for pointing of capitals. The priority also is the highly-qualified work force, working in one of the most competitive levels of payment in Europe. But these priorities are not unique and decisive to be chosen our county for outsourcing.

### **Bulgaria – attractive outsourcing destination**

☐ **Strategic geographic situation** – Bulgaria because of its geopolitical situation in South-Eastern Europe, represent connecting link between the European Union and the Balkans, also and the countries from the Black sea region..

☐ **Political stability** – Our country is famous with political stability, with democratic institutions, with tolerable ethno model.

☐ **Membership in NATO** – On 29 of March 2004, Bulgaria became a full member of NATO and get the ratification documents for joining the country in the North-Atlantic agreement, alongside with 6 Eastern Europe countries.

☐ **Forthcoming membership in EU** - On 25 of April 2005, the contract for joining of Bulgaria in EU was signed. In the contract it is said that from 1<sup>st</sup> of January 2007 Bulgaria will be full member of the EU.

#### ☐ **Macroeconomic and financial stability**

▶ The economical growth of the country from negative during 1997(-5.56%) becomes positive, as from 2000 it constantly exceeds the level of 4%.

For 2004 Bulgaria reaches GIP of 5.6%, as for 2005 it is 5.1% and for the first half-year of the year of 2006 it is 6.1%. Tourism, industry and the sector of services are among the most important 'engines' of this economical growth. Influence also has the increased level of investments in the country;

- ▶ The industry considerably accelerated its development. During the year of 2004, the industrial production pointed out growth of 43.5 % according to 2000, and industrial sales about 47.3%. The tendency of growth continues and during the year of 2005 and 2006;

- ▶ The Unemployment shows tendency of decreasing during the last years of about 18% in 2000, to 12.16% in the end of 2004, to 10.1% in the end of 2005 and 9% in the end of the first half-year of the year of 2006;

- ▶ The level of inflation continued to decrease – from 11.4% in the end of 2000, the inflation decreased to 4%. For the year of 2005 because of the enormous increasing of the fuels, the inflation at the end of the year reached 6.5%;

- ▶ During the last two years the country has budgetary surplus, as for the years of 2005 it is 1.7% from the GIP;

- ▶ The correlation of the general state debt to the gross inner product at the end of 2004 is 40.9%, as at the end of the year of 2005 it decreases to 33.4%.

☐ **Functioning market economy** - during October 2002 in the Regular yearly report of the European commission for the countries which want to be part of the Union Bulgaria is stated as functioning market economy on the basis of six group indexes:

- ▶ balance between searching and offering, liberal prices and trade;
- ▶ lack of obstacles in front of entering and going out from the market;
- ▶ working law system, including defending the rights of property and practicability of the contracts;

- ▶ financial sector which is enough developed to point the savings into productive investments;

- ▶ wide (communally) agreement according the principles of the economic politics.

☐ **Highly-qualified worker force**

- ▶ Relative part of the people at age of 25-64 years old with supreme education is about 21%(2003 , HCI) while the new members of the EU has about 15%(2002 , Eurostat)

- ▶ Relative part of the graduated in scientific-technical speciality from graduated at all is 20.2% during the year of 2003, to 19.2% during 2001 the middle value for the EU-15 is 25.7%, and for the EU-10 is 13.0%.

☐ **Rival price of the working force and lower productive expenses in comparison with the countries in Europe** – compensation of the rented (including salaries, extra pays, insurances etc.) by data of Eurostat in Bulgaria is 35.4% from the GIP for the year of 2004, which is lower in comparison with the new members of the EU(44.3% from the GIP) and EU25 (50.1% from the GIP).

■ **Transparent and predictable business environment** – During the last few years the business environment was considerably improved as the thrust in the led politics, the work of the administration and the law. Continues the tendency for decreasing of the general tax and insurance heavy and also the measures pointed to effective functioning of the market are improved. The partnership and the collaboration between the state administration and the business are becoming stronger. The process of optimization of the regulating regimes continues, as at the end of 2006 163 regimes or 85% from the foreseeable regimes are in process of falling away and alleviation or are already fallen down and alleviated.

■ **Low Taxes**

▶ Decreased corporative duty: from 19.5% for 2004 to 15% during 2005 and to 10% during the year of 2007;

▶ Zero percent duty gain in more than 100 municipality with high unemployment;

▶ Using tax credit by special order of the deficit of the 20% tax in income for execution of the investment projects for over 10 million levs;

▶ Decreasing the deadline for restoring the 20% tax from 45 to 30 days during 2005 for firms-exporters;

▶ Written up allowance for depreciation norms (to 50%) for investments in new machines, equipment and apparatuses; computers, peripheral devices and software.

■ **Liberal trade** – as a small country with open economy Bulgaria is highly dependable from the inside environment and leads consecutive politics for liberalization of the outer trade, pointed to increasing efficiency of the producing of the Bulgarian goods. Bulgaria is a country by many agreement for free trade – European agreement for associating, The Agreement for free trade with the countries from (Romania and Croatia) and many other agreements for free trade with Turkey, Israel, Macedonia, Albania, Bosnia and Herzegovina, Serbia and Montenegro and Moldova, which are effective tools for increasing of the trade. Thanks to these agreements the reach to the Bulgarian goods to the markets of the European countries is improved (about 39 countries are gathered or a market with over 550 million people).

■ **Minimal risk for investment** – attracting of many foreign investments is a mark for attractive economy and its potential for developing. They are source of resources for financing the deficit by current account and for increasing possibilities of the economy to produce more goods, to create more income and to ensure export resource.

The high height of the attracted direct foreign investment and the increased credit rating during the last years are proof for that the foreign firms report and

value all these priorities of the country. The forthcoming membership of Bulgaria in the European Union during 2007 is good perspective for our country to become more attractive destination for direct investments, including outsourcing. The country is attractive not only as geographical situation but also as possibility for developing of the human resources, and also as a chance for the foreign investors to go in European general market. There are already created conditions and requirements for the quality of the products and the standards which this market expects.

By data of Bulgarian National Bank, DFI in the country for 2005 reach the volume from 2.28 billion euro, which represents 11.7 % from the GIP, which is the highest value according to the countries from Central and Eastern Europe.

The data of the World report for investment of UNCTAD for 2005 shows that the attracted DFI in Bulgaria represent 23% from all investments on the Balkan peninsula and 2% of all investments 'on green'. Bulgaria is at 12 place from 140 countries and is classified in the group of the countries with high potential for attracting DFI.

According to experts from BAI quarter of the Bulgarian economy can be oriented to outsourcing for foreign companies. This means market for about 5 billions euro yearly. In developed from consulting company 'Deloyt & Tush' strategy for investment marketing of Bulgaria, the outsourcing is one of the sectors with biggest potential for attracting direct foreign investments. The specialists from Deloyt add that our country must focus in attraction of productions and services with high value as mechanical engineering, making software and centers for services and connection with the clients.

There is no official statistics about this how much are the sales of the Bulgarian companies are outsourcing and how much is the production for the last client. The biggest share has the export of the producing activities, where by counts of BAI yearly are made sales for about 400 000 thousands euro. On second place is the IT sector - making software, hardware and services with sales between 50-70 millions euro yearly. At business services – col-centers in general – the sales are about 20 million euro. The Bulgarian companies must think how to create their own trade marks, and not being only famous performers. The market stocks in which Bulgaria can specialize and to export little, but with high price products, at this stage are the highly technology, furniture production and food, wine and tobacco industry.

### **Outsourcing in IT sector of Bulgaria**

In world scale the informational technologies are the best developed part of the outsourcing. This is a market with turnover about 35 US billions dollars. The outsourcing of the informational technologies (IT outsourcing) is giving of the specialized companies of the full or particular functions, connected with the IT or exactly:

- ▶ service of network infrastructure;
- ▶ system integration;
- ▶ projecting and planning of automating business-systems with unstopping development;
- ▶ publishing of the corporative data on servers of specialized companies;
- ▶ creating and protecting of public web-servers;
- ▶ management of the informational systems;
- ▶ leasing buying of computer equipment.

The active development of IT outsourcing in the whole world is explained with that the extreme development of the technologies the companies harder put in the technical novelty because they do not dispose with enough technical specialists. It is obviously that for the companies it is better to attract experienced organizations with highly qualified specialist in the IT area, than to create and develop their own specialized parts. One of the mainly advantages of the IT outsourcing is consisting in the highly increasing of the efficiency of the financial management and the devices get from this method are the rich technical possibilities of the outsourcing and the highly qualification of the personal.

The Bulgarian Association for Informational Technologies shows that Bulgaria is wanted partner from foreign companies for software and outsourcing of services and even is among the leaders of Eastern Europe.

During the year of 2005 according to the data of the famous company 'Brainbench', which is specialized in accreditation of the programmers in the whole world, Bulgaria is on 8<sup>th</sup> place in the world by number of IT specialists just before countries as Poland, Czech Republic, Hungary and Croatia. Romania is also in top 10, and the leader is The USA, followed by India and Russia. 'Brainbench' makes a comparison with 2003, when Bulgaria was on 10<sup>th</sup> place.

It is expected the relative part of the telecommunications to be increased – a sector, in which the IT take part. The investments in IT industry will save high share from the general flux of investments. From 2004 Bulgaria is joined to the index of the famous company 'IT Country' which makes research for the tendencies in the sphere of the foreign investments in the world. 13% of the world investors are positive pitched and intend to invest in Bulgaria. Almost 23% from the European investors expects that Bulgarian trade will continue to develop in attracting direct foreign investments, as leading role will have the sector of informational and communicational technologies.

Bulgarian IT business is consolidated, it has clear views for what must be the tasks in near and medium-term perspective in front the Bulgarian economy and the role of the IT sector for development. During the year of 2004 the market in Bulgaria increased to 30% and included 500 firms. Most of the firms in the sector have strong traditions in servicing and working with foreign clients, proof to which is that during 2004 40% of the incomes are from export. Firms are comparatively small which affords to make smart decisions for

specific needs for each client. There are about 15 000 IT specialists, as each year 3 500 new specialists graduate different universities.

According to the state politic in IT sector are taken measures for creating possibilities to each citizen to work with computer, at work or at home, for which a number of preferences are prepared, stimulating using of informational technologies in business of all levels, because this defines the competitive power of the entire economy.

The started from Ministry of economy and energetics Inovational fond is one of the created mechanisms for stimulating and developing the innovations for using of IT in small and middle firms.

## **Conclusions**

In the contemporary world to the success reaches only these companies which lead their business with the most effective methods, reaching refusing of the operational expenses but also to keep high quality of the goods and services which they offer.

One of the reasons for the wide spread of the outsourcing are the globalization of the world economy and the complicated business processes, creating extra loading of the companies. Giving of separate activities, services or productions of foreign specialists helps the companies to concentrate over these activities, which they think for major. The firms using the outsourcing has all reasons to believe that doing some activities will be better and cheaper than it is done by the company itself.

Often the outsourcing is being watched only as way for reducing expenses or reducing or changeover of specialists, but this is only one aspect of the outsourcing activities. To achieve something good and steady development given company is necessary strategic outsourcing, which main aim is not only reducing the expenses, but getting priority in front the rivals with higher quality and innovations.

The different researches and positions in our country show that Bulgaria is turning into attractive outsourcing destination. Our country is stated for functioning market economy, political stable country with modern law, strategic geographical placed, highly qualified worker force, low taxes and low operative and exploiting expenses than the other country members which in many cases is important for pointing of capitals.

The high height of the attracted direct foreign investments (DFI) and the increased credit rating (during 2004 the credit rating of the country was increased to investment) during the last years is proof for this that the foreign firms account and price all these priorities of the country. The forthcoming membership of Bulgaria in the European Union during 2007 is a chance for our country to return in more attractive destination for direct investments, including outsourcing.

The potential advantages of the outsourcing for the developing economies and the countries in passage are huge. In general they include increasing of the export incomes, creating working places, higher salaries and new skills. From other hand the firms also win, but only these which use outsourcing because as they reduce their expenses and free resources for activities with higher added value, increase the quality and this way they do not only increase their competitive power but and the economy at all.

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