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Maple Leaf Hotels and Resorts

A REPORT FOR POTENTIAL INVESTORS

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Executive Summary:

Maple Leaf Hotels and Resorts have become extremely successful within the Canadian market and are now ready to expand internationally to meet with the world travel trend. One of the key destinations where it is interested in developing a resort is in Bulgaria, particularly on the Black Sea coast. The market conditions in Bulgaria seem to be very attractive for investment in the tourism industry and hotel development. Legal regulations are favourable for businesses from other countries wishing to expand into the Bulgarian market. Bulgaria is an extremely popular destination for tourists from Germany, Scandinavia, Britain, and Eastern Europe and although there are many hotels, there are almost no five-star luxury hotels and resorts.

Since the tourism sector of the Bulgarian economy generates around 12 percent of the country's GDP, tourism is therefore very important to the economy. There are also low land and property costs as well as a low corporate tax. There is an increasing need for luxury 5-star hotels and resorts, which meet the needs of businesses as well as tourists. Bulgaria has a developed an excellent transportation system and will be able to transport construction materials by highways, railways, sea, and air. Expanding to Bulgaria will require proper advertising and marketing of the region and any resorts that are built there. One advantage of choosing Bulgaria is the availability of a local labour force to staff hotels and resorts.

Profile of Canadian Company:

Maple Leaf is Canada's foremost operator of luxury hotels and resorts. Maple Leaf Hotels presently manages eight properties across Canada. The company was founded in 1985 when Canadian customers were demanding luxury hotels and resorts in Canada, and therefore, Maple Leaf was founded. The first hotel was built in Toronto and soon the company began expanding by building hotels and resorts all over Canada. The new arrival of a chain of luxury hotels and resorts was an immediate success. Maple Leaf was able to revolutionize the hospitality industry in Canada by its emphasis on luxury as well as superior service. Maple Leaf's hotel rooms are spacious and accommodate both business and tourist guests. The beds are particularly comfortable. The staff are well-trained and friendly. Maple Leaf provides many special services such as 24 hour room service, spa facilities, elegant dining rooms with world-class food, and internet connections. Besides the first hotel in Toronto, Maple Leaf has developed hotels in Vancouver, Montreal, Quebec City, Ottawa, Winnipeg, Edmonton and St. Johns. Along with its eight luxury Canadian hotels, Maple Leaf began to expand into

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resort development, starting with a luxury resort in resort in Whistler, British Columbia to accommodate skiers. These resorts emphasize a luxury experience for their guests. Resort accommodations are carefully built to include of the natural surroundings such as the mountain views in Whistler. As well as ski resorts in Whistler and Mount Tremblant in Quebec, the company expanded to beach resorts in the Muskoka region, in Ontario.

Maple Leaf offers many other attractions including children's programs which give the kids a fun safe experience while their parents are skiing or playing golf. Sports facilities and dining opportunities are huge attractions in Maple Leaf resorts.

Rationale for Expansion into an International Market:

Moving forward, Maple Leaf would like to begin international expansion, looking toward Bulgaria, in particular the Black Sea coast for the opportunity. With the success that Maple Leaf has met in Canada it is time for the company to embark on a targeted course of expansion, opening hotels in major city centres across the world, beginning in Bulgaria. Expansion into the international market will bring Maple Leaf's quality and luxury to an international level. There has been huge acceleration in international travel, for recreation as well as business and there is unlimited opportunity for Maple Leaf to expand into the international market.

An important destination in which Maple Leaf would like to target would be Bulgaria. Bulgaria is recognized as one of the most beautiful vacation spots in Eastern Europe, as well, it also provides excellent conditions for seaside vacationing, because it borders on the Black Sea. (Resnick 9). There are many reasons why a luxury hotel and resort company like Maple Leaf would succeed in Bulgaria. It has much experience in tourist market. Bulgaria has a high quality labour force and has many high schools and technical colleges which train workers needed in tourism businesses, such as all kinds of work in hotels and resorts. (Bulgarian Foreign Investment Agency).

Current Market Conditions in Bulgaria:

There are many important factors within the Bulgarian tourism market which make Bulgaria an extremely attractive market to invest in. The tourism sector of the Bulgarian economy generates around 12 to 13 percent to the country's GDP which shows that many people want to visit Bulgaria. Bulgaria also has stable exchange rates. The Bulgarian Lev trades at a rate EUR 1 to BGN 1.95119. It also has a low inflation rate of 4.8 percent. There are also low land and property costs as well as a low cost of

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corporate tax of 15 percent. The Value Added Tax (VAT) on sales of tourism packages abroad is only 7 percent. There is also easy movement of capital in and out of the country. There are no restrictions on the trade of hard currency within the country. Any local or foreign person may own countless numbers of accounts in any currency, in any bank in or outside of Bulgaria. Bulgarian citizens and foreigners can also take Bulgarian Leva and foreign currency of up to BGN 20 000 or its foreign exchange equivalent out of the country without documentation (Bulgarian Investment Agency).

There are many favourable legal factors in the market as well. There are a slight number of bureaucratic regulations. There is a legal infrastructure which supports property rights. Commercial laws conform to EU standards, as well the Customs Law is based on the EU Customs Code (Bulgarian Investment Agency). There are also cooperative criteria and requirements, which were introduced by a new Tourism Act, which favour tourism and improvement of the quality of the tourist services. The Act also gives a framework for more participation by tourist agencies both nationally and locally (National Information and Advertising Centre).

Bulgaria has many programs for motivating and training potential employees and increasing productivity in the tourist business. It has dependable transport connections to markets in Southeast Europe and beyond. There is body of experienced local sub-contractors and local suppliers to the tourism industry. As well, there is a fast developing telecommunications industry, with an increasing number of wireless Internet connections, optic lines, and mobile operators (Bulgarian Foreign Investment Agency).

Needs and Wants of New Consumers:

The needs and wants of Bulgarians and other frequent tourists of Bulgaria lie in the lacking amount of 5-star accommodations found in many regions of Bulgaria, in particular, the Black Sea coast. The tourists in Bulgaria wish to have more luxurious resorts in which to vacation and this was a main reason for the development of a Maple Leaf resort. There are approximately 634 hotels in Bulgaria but only 12.2 percent of them are at higher end of the market. Many 3-star resorts in the Black Sea region, where almost 70 percent of Bulgarian hotels are located, have made renovations to their facilities but there still is a demand for 5-star hotels and resorts that will accommodate the needs of business people as well as those on vacation. Opportunities have arose where 5-star facilities, like a Maple Leaf resort, have been identified in many areas, including such places on the Black Sea coast, in places like Sunny Beach, Albena, and Golden Sands (Bulgarian Foreign Investment Agency).

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Modifications to Service:

Larger modifications will not be needed to develop a resort complex in Bulgaria because the resort has been well developed along the Black Sea coast. One modification to developing a resort could be finding a newer and less frequented location in order to entice tourists to other parts of the coast. While most large resorts develop hotels in the popular areas of Albena and Sunny Beach, it could be wise to research other areas because the government will provide tax incentives to depressed regions. In the northern and southern parts of the Black Sea coast, there is a possibility for the development of new top-end hotels and resorts in partnership with local municipalities (Bulgarian Foreign Investment Agency).

Another possible modification to the development of the resort could be modifying standard spa experiences to incorporate Bulgarian interest in balneology¹. There are opportunities to combine Maple Leaf's luxury accommodation with beauty and fitness spa development, which is very popular in areas such as Pomorie (Bulgarian Foreign Investment Agency).

The marketing plan will have to be improved, especially with European and American tourism agents, in order to market the resort internationally. Another modification in the administration of the resort will have to be to assure a quality management team, which can be hard to find due to a lack of management training courses. Maple Leaf may have send over some of its own managers to provide management training sessions for local employees to make sure they are familiar with the high standards of Maple Leaf. (Romania Factbook 2003).

Distribution Plan:

An important element of the establishment and the development of a resort is the construction. A key part of the construction of the hotel lies in the transportation of materials to the site. Bulgaria has an advanced road infrastructure, which has more than 37 000 km of roads and 416 km of which are highways. Another important form of transportation is the railway, in which there is 6 5000 km of developed tracks. An advantage of the resort being on the Black Sea coast is its proximity to water. The two main Bulgarian ports are Burgas and Varna, in close proximity to many resort areas. There are also five international airports in which material can be brought in, two of them, again, being in Varna and Burgas (Bulgarian Foreign Investment Agency).

¹ The science of baths or bathing, especially the study of the therapeutic use of mineral baths.

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Map of the Black Sea Coastline showing the two major ports of Burgas and Varna (World Fact Book)

The costs of the construction of the resort could be extensive, considering it will be a luxury facility. A project covering 4 440 sq. km. of land, being 130 km. south of Burgas, being three floors, including 60 beds and 10 bungalows could cost in the area of \$500 000 (Romania Factbook 2003). A more luxurious resort, including one with tennis courts, a swimming pool, indoor and outdoor amenities, and approximately 2003 rooms could cost in the price range of \$20 million. Many costs must be taken into account, including the cost of land, interest costs, construction costs, marketing costs, and labour costs (Woods).

Marketing will be an important part in distributing this service internationally, so that tourists can be aware of this destination. An important part of the marketing will be in the hands of the public relations department at Maple Leaf. Different media advertising can be taken advantage of. European television will be an important target, as well as CNN and other European news stations. Print advertisements will have to be taken out in newspapers and magazines on an international level. The Internet will also be important in the process, with numerous Bulgarian travel sites available.

Conclusion:

Maple Leaf resorts and hotels are places which are known for comfort and luxury. With the international expansion of the company, the company has found the Bulgarian Black Sea coast a very attractive destination. Over 70 percent of the tourists of Bulgaria go to the Bulgarian Black Sea coast. The seaside resorts and the coastline towns offer many options for family vacationing. Activities include surfing, water

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skiing, diving, underwater fishing, underwater archaeology, and other types of aquatic sport. There are yacht ports in Balchik, Varna, Nesebur, and Burgas for people who like yachting. There are trails for walking, biking and horseback riding and photography. The region is booming but the amount of 5-star accommodation is not. Maple Leaf Hotels and Resorts will be able to take advantage of all these natural assets and incorporate a luxurious resort complex which meets the demands of Bulgarian and international tourists.

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- Resnick, Abraham. *Enchantment of the World: Bulgaria*. Chicago: Children's Press, 1995.
- Romania Factbook 2003. *Bulgaria Country Commercial Guide*. 2001. 27 May 2003 <http://www.factbook.ro/countryreports/bu/Bu_Tourism.htm>.
- Woods, Ahuva. Personal Interview. Toronto. 27 May. 2003.

Teacher's Notes**Knowledge/Understanding**

- The student describes current market conditions in Bulgaria with considerable accuracy. He or she identifies a number of specific economic factors that appear very favourable for international expansion (e.g., the size of the tourism sector, “stable exchange rates”, “low inflation”, “low land and property costs”) as well as legal factors such as a new Tourism Act that facilitates and fosters tourist services. The student also mentions “an excellent transportation system” and the recent growth in the telecommunications industry in Bulgaria, as well as the availability of “local sub-contractors”, “local suppliers”, and trained hotel workers. However, the student overlooks a crucial factor: there is no mention of competing hotel chains.

Thinking/Inquiry

- The student interprets the needs and wants of new consumers with considerable effectiveness. He or she identifies Bulgaria as an “extremely popular destination for tourists from Germany, Scandinavia, Britain, and Eastern Europe” and notes that while there are many hotels, particularly along the Black Sea coast, very few are of five-star calibre. The student deduces that the trend of three-star resorts to upgrade facilities indicates a desire for higher-quality accommodations. However, he or she does not make any attempt to evaluate the success of the 12.2 per cent of hotels that “are at the higher end of the market”.
- The student analyses modifications to the existing product with considerable effectiveness. He or she suggests the possibility of researching less frequented Black Sea locations because “the government will provide tax incentives to depressed regions” and “modifying the standard spa experiences to incorporate Bulgarian interest in balneology”. However, the student does not mention how the natural environment of the Black Sea coast area will be incorporated into the resort design, although he or she claimed earlier that Maple Leaf resort accommodations “are carefully built to include of the natural surroundings”.

Communication

- The student communicates the potential of the proposed expansion for success with considerable clarity. He or she provides an executive summary that succinctly covers the main points of the proposal. The report’s distribution plan takes into account the logistics and costs of construction, and the importance of marketing. The student writes convincingly in describing the experience and success of the Maple Leaf chain of hotels and resorts in the Canadian market, and in emphasizing the favourable market conditions in Bulgaria. However, the student sometimes uses awkward phrasing (e.g., “An important destination in which Maple Leaf would like to target would be Bulgaria.”).

Application

- The student provides a rationale for the international expansion of considerable effectiveness. He or she cites the “unlimited opportunity” for international expansion because of the “huge acceleration in international travel” and provides comprehensive information about the target market (e.g., “The tourism sector of the Bulgarian economy generates around 12 to 13 percent to the country’s GDP . . .”) that investors could use to make informed judgments. Local attractions are described such as the “excellent conditions for seaside vacationing” and the many activities and sports available to tourists, thus rationalizing the choice of the Black Sea coast in Bulgaria as a starting point for international expansion.

Comments

This work is representative of a solid level-3 performance. The student demonstrates a considerable degree of achievement of the expectations in all four categories of knowledge and skills.

The result is a well-researched and well-organized business report that makes a strong case for backing a resort investment in Bulgaria.

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Next Steps

In order to improve his or her performance, the student needs to:

- include more information about the existing competition;
- provide the investors with some ideas for the design of the hotel or resort;
- provide details concerning the source of construction materials (i.e., those purchased locally vs. those that must be imported);
- proofread carefully to eliminate awkward phrasing and errors in grammar.