BHUTAN TOURISM MONITOR
Annual Report
2012

Kingdom of Bhutan

A Publication of the **Tourism Council of Bhutan**

Foreword

The Secretariat on behalf of the Tourism Council of Bhutan is pleased to present the Bhutan Tourism Monitor Report 2012 – the annual tourism compendium of statistics, market trends, preferences, behaviour and market intelligence. This year's report also presents a more detailed analysis of the regional segment of the tourism market spectrum, especially focusing on arrivals from India and Bangladesh.

The year 2012 records one of the highest arrivals in the history of Bhutan's tourism industry, surpassing a 100,000 mark. The boost in arrivals has contributed significantly towards GDP receipts and greater employment creation. Major source markets have shown unprecedented growths, substantiating Bhutan's rapidly growing interest as an emerging destination. Significant upswing in arrivals, especially during the leaner months suggest that tourism may no longer be referred to as a seasonal activity.

Whilst we are assured of the potentials of tourism and its growth prospects in the next few years, the growing number of arrivals in the country is a bellwether of a stronger framework with deeper engagement, commitment and empowerment towards sustainable tourism and management. Tourism needs to be given the right legal footing to be able to act more effectively, and to enable decentralisation of tourism planning and management at the destination level.

As manifest, the growing visitation also warrants a robust monitoring framework to uphold the "high value, low impact" tourism policy, and to match the high expectations of visitors to Bhutan. Monitoring is not only the mandate of the Secretariat, but of all stakeholders, within and outside government, and to put sustainable practices into action. Awareness about sustainability issues—which referred originally to the natural environment- now also covers the social, economic and cultural spheres as well as the built environment—need to be fostered amongst all those who have an interest in the long-term success of the tourism sector. It has to be understood that there is no 'one-fits-all' solution to address the question of sustainability in tourism development, and that it is crucial to work hand in hand with all relevant stakeholders and businesses.

With increased visitation, it is becoming more important to focus on diverse visitor experiences and encourage tourism movements to spread geographically to other lesser-visited destinations in Bhutan. Towards this end, we have created tourism circuits in eastern Bhutan and opened the Royal Manas National Park as priority destinations to be developed for tourism, for which the support and cooperation from all tourism stakeholders is critical.

I would like to thank our stakeholders - government, private, national and international– in keeping our collaboration as a living example of the need for cooperation.

Tashi Delek.

Thuji Dorji Nadik


International Boundary
District Boundary
Blacktopped Road
Feeder Road
Trek route
Major Town (Population 20,000+)
Town/District headquarters
Small town/village/community
Pass/Peak
Campsite


CHINA
INDIA
Druk Air International Route

Jakar
Trashiyangtse
Zhemgang
Trashigang
Pema Gatshel
Gelephu
Samdrup Jongkhar

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INTRODUCTION

One of the main responsibilities of the Tourism Council of Bhutan Secretariat as the apex tourism regulatory body in the country is to ensure that the industry grows in a sustainable manner. This vision is realized through the implementation of national tourism policies and various regulations that uphold this vision. Policy decisions have to be based on research and factual findings as opposed to relying solely on anecdotal evidences that may not give the full picture. Therefore, the annual tourism report – The Bhutan Tourism Monitor - a publication of the Tourism Council of Bhutan seeks to provide quality information, factual findings and forecasts to meet the needs of a wide range of tourism sector users. It ensures the tourism industry has the information it needs to support policy, marketing and the commercial decisions relating to the sector. It not only presents overall tourism performance of a particular year, but also an in-depth study on visitors' first-hand feedback to understand visitor preferences and motivations, and a detailed market research and analysis.

METHODOLOGY

This report – The Bhutan Tourism Monitor 2012 - is presented in four sections. The first section presents the actual statistical data of international tourist arrivals, their profile, preferences and activities and the trends in the last few years. It is based on data produced by the Tashel-Online System database used for visa processing and costing. The Tashel-Online system of the Tourism Council of Bhutan only captures data on international leisure visitors and therefore do not have in-depth data on regional, official and business visitors. Information that is generated from this system pertains to the data that the Tour Operators' provide while applying for tourist visas online. Section 1 contains information on international visitors, which pertains to the entire calendar year of 2012.

Sections 2 and 3 present results of exit surveys carried out for international visitors and regional visitors respectively. The data was collected using administered interviewer-conducted surveys over a collection period of six months at Paro airport throughout 2012. The collection periods were spread over the year to collect feedback pertaining to that particular time of visitation. Findings of the exit surveys provide a more in-depth 'snapshot' of the visitors' travel behaviours, motivations, patterns and preferences.

The fourth section presents an in-depth analysis of the top 10 markets of 2012 independently. It presents a summary of the overall characteristics and the performance trends of a particular source market mainly aimed for country-specific marketing for tour operators.

EXECUTIVE SUMMARY

Visitor arrivals to Bhutan peaked at 105,407 in 2012, a figure that marked a record growth rate of +64.62% compared to the previous year. This figure includes international, regional, business, official and FAM visitors. Whilst international Dollar paying arrivals visiting for the purpose of holiday alone recorded an increase of +19.49%, the total regional segment decreased slightly by -4.70% compared to last year. Gross earnings from international leisure tourism alone reached USD 62.80 million, an increase of +31.71%. Spending patterns of the regional visitors suggest that tourism receipts from the regional segment may have contributed around USD 31.26 million. The total tourism earnings including official and business segments amounted to USD 211.5 million in 2012.

India continues to be the biggest source market for Bhutan. For the international segment, Japanese arrivals surpassed US arrivals for the first time by contributing 15.98% of total international leisure visitors. USA followed with 13.67% of the total international visitors. China remained the third biggest international market in 2012 contributing 8.57% of the international market's share. A record increase in the top Asian markets such as Japan, China, Thailand, Singapore and Malaysia propelled the Asia/ Pacific region to be the dominating market region in the world.

Even though Japan dominated international leisure arrivals, USA was still the biggest contributor of bed nights owing to their longer duration of stay. Paro (32.69%) and Thimphu (24.70%) Dzongkhags recorded maximum bed nights by Dzongkhag. The months of October, November and April received maximum tourists. Whilst these months are high seasons, significant increase in arrivals was recorded during the leaner months of January (+78.91%) and June (+56.41%).

In 2012, there were 123 accommodation providers accredited by the Tourism Council of Bhutan with a capacity of 2,749 rooms offering 5,464 beds per night. Figures show that '3-Star' category of accommodation providers recorded the highest annual occupancy rate with 34.46%, followed by the '5-Star' category with an occupancy rate of 30.46%. Hotel Olathang recorded the highest number of bed nights by accommodation providers.

An overwhelming 99.26% of all visitors experienced at least a cultural aspect of Bhutan followed by nature-based activities with 13.04%, which included 'Trekking' (7.32%), 'Bird Watching, Flora and Fauna' (1.22%), and 'Adventure Sports' (4.50%). The most frequented treks were the 'Drukpath' trek and the 'Jomolhari Trek'. The most popular festivals were 'Thimphu Tsechu' and 'Paro Tsechu'.

The average length of stay of international visitors decreased slightly to 6.90 days in 2012. This was due to the increase in top Asian markets that normally visit for shorter durations. Top 12 tour operators accounted for 32.92% of total international arrivals.

According to a recent analysis done by the Tourism Council of Bhutan, the tourism industry presently employs 28,982 people.

For the international segment, majority of the visitors to Bhutan were found in the 'Over 60 years' age bracket and were well educated, with most holding university qualifications. Some 79.34% mainly were first-time visitors and approximately 31.40% of all international visitors came to Bhutan as a single holiday destination. Those who had combined their holiday with other countries mostly visited Nepal, India, and Thailand. Preferred activities were found to be visiting Dzongs/Temples and general sightseeing. The major draw cards to Bhutan were found to be 'Unique culture', 'Natural Beauty', 'Gross National Happiness' and the 'Undiscovered' spectre. 'Favourable weather conditions' and 'holiday timing' in source countries are the main determining factors determining visitation time. A majority of 70.98% (16.21% strongly agree, 54.77% agree) indicated that Bhutan represents a good value for money.

Visitor profiles of the regional segment were different compared to the international segment in many ways. They were mostly younger travellers between the age bracket '26-35 years' followed by '36-45 years'. As many as 64.80% of the regional visitors were travelling on their own without being assisted by local tour operators. Some one third (36.70%) travelled as 'group of friends' and another 17.70% travelled alone. Majority preferred to stay not exceeding 7 days (82.70%). Visitors mostly stayed for 3 nights (18.40%), followed by 4 nights (17.70%) and 5 nights (15.50%). Amongst many options, the regional visitors considered Australia, Dubai, Malaysia and Singapore as preferred holiday destinations. A clear majority (81.00%) of them expressed their satisfaction with their Bhutan holiday.

An analysis of spending patterns showed that a regional visitor spends around INR 33,718 (USD. 616.6) for a trip to Bhutan.

While international visitors suggested improvements in 'roads', 'garbage management', ' 'restroom facilities' better hotels', etc. the regional segment's main concern was with 'online booking facilities' for hotels and Drukair.

GLOBAL TOURISM IN 2012 (SOURCE: UNWTO)

International tourist arrivals grew by 4% in 2012 to reach 1.035 billion, according to the latest UNWTO World Tourism Barometer. Emerging economies (+4.1%) regained the lead over advanced economies (+3.6%), with Asia and the Pacific showing the strongest results. Growth is expected to continue in 2013 only slightly below the 2012 level (+3% to +4%) and in line with UNWTO long term forecast.

By region, Asia and the Pacific (+7%) was the best performer, while by sub-region South-East Asia, North Africa (both at +9%) and Central and Eastern Europe (+8%) topped the ranking.

International tourist arrivals to Europe, the most visited region in the world, were up by 3%; a very positive result in view of the economic situation, and following a strong

2011 (+6%). Total arrivals reached 535 million, 17 million more than in 2011. By sub-region, Central and Eastern Europe destinations (+8%) experienced the best results, followed by Western Europe (+3%). Destinations in Southern Mediterranean Europe (+2%) consolidated their excellent performance of 2011 and returned in 2012 to their normal growth rates.

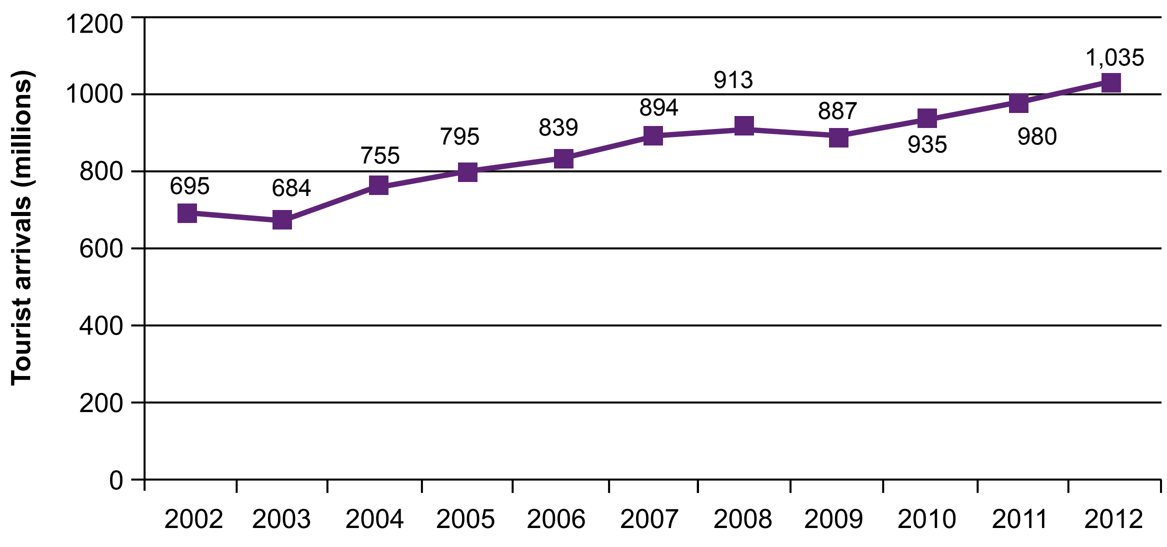
Asia and the Pacific (+7%) was up by 15 million arrivals in 2012, reaching a total 233 million international tourists. South-East Asia (+9%) was the best performing sub-region much due to the implementation of policies that foster intraregional cooperation and coordination in tourism. Growth was also strong in North-East Asia (+6%), as Japanese inbound and outbound tourism recovered, while it was comparatively weaker in South Asia (+4%) and in Oceania (+4%).

The **Americas** (+4%) saw an increase of 6 million arrivals, reaching 162 million in total. Leading the growth were destinations in Central America (+6%), while South America, up by 4%, showed some slowdown as compared to the double-digit growth of 2010 and 2011. The Caribbean (+4%), on the other hand, is performing above the previous two years, while North America (+3%) consolidated its 2011 growth.

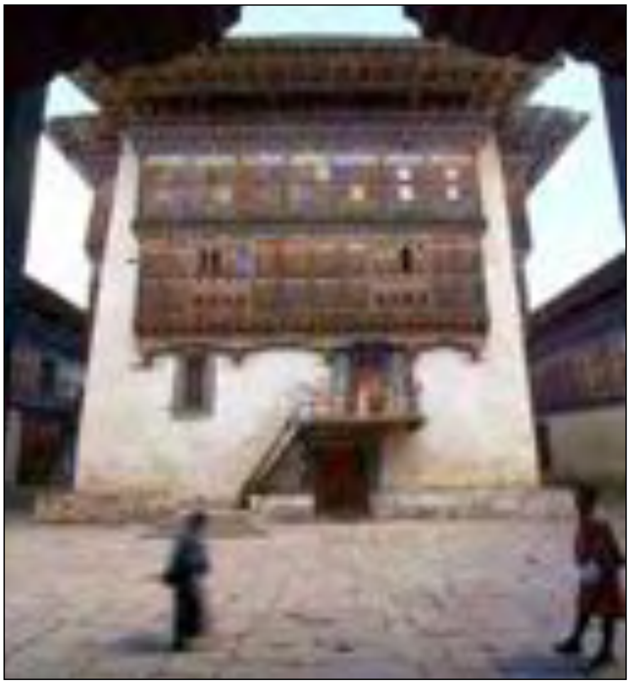
Africa (+6%) recovered well from its setback in 2011 when arrivals declined by 1% due largely to the negative results of North Africa. Arrivals reached a new record (52 million) due to the rebound in North Africa (+9% as compared to a 9% decline in 2011) and to the continued growth of Sub-Saharan destinations (+5%). Results in the **Middle East** (-5%) improved after a 7% decline in 2011, yet the region recorded an estimated 3 million international tourist arrivals less in 2012 in spite of the clear recovery in Egypt.

Among the top ten tourist destinations, receipts were up significantly in Hong Kong (China) (+16%), the USA (+10%), the UK (+6%) and Germany (+5%). At the same time, a significant number of destinations around the world saw receipts from international tourism increase by 15% or more – Japan (+37%), India and South Africa (both +22%), Sweden and the Republic of Korea (both +19%), Thailand (+18%) and Poland (+16%).

Although the highest growth rates in expenditure abroad among the ten top markets came from emerging economies – China (+42%) and Russia (+31%) – important traditional source markets, showed particularly good results. In Europe, and despite economic pressures, expenditure on international tourism by Germany held well at +3%, while



Global International Tourism by Year



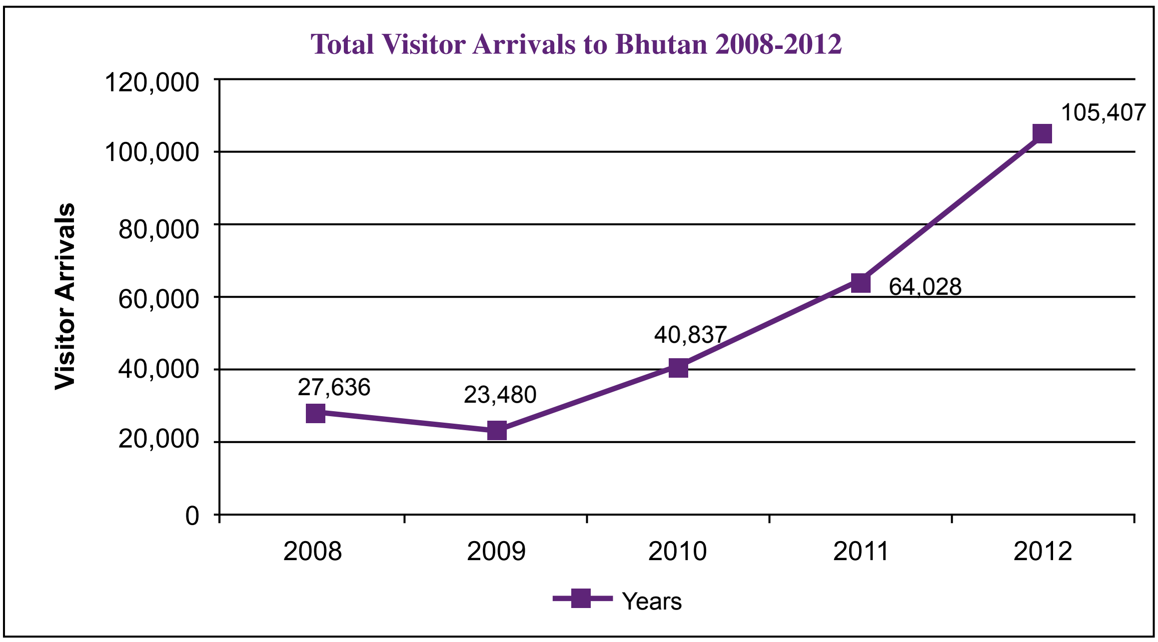
the UK (+5%) returned to growth after two flat years. In the Americas, both the USA and Canada grew at 7%. On the other hand, France (-7%) and Italy (-2%) registered declines in travel expenditure.

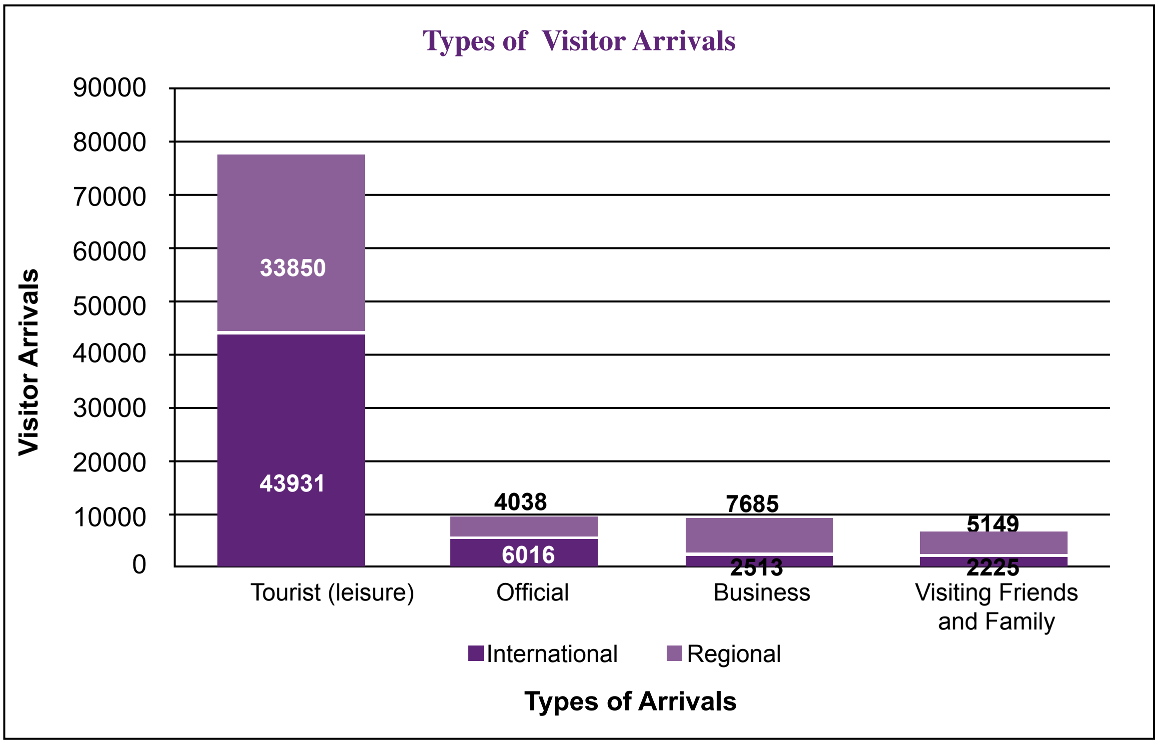
Smaller markets with significant growth were Venezuela (+31%), Poland (+19%), Philippines (+17%), Malaysia (+15%), Saudi Arabia (+14%), Belgium (+13%), Norway and Argentina (both +12%), Switzerland and Indonesia (both +10%).

VISITOR ARRIVALS TO BHUTAN IN 2012

The year 2012 recorded the highest number of visitor arrivals in the country peaking at 105,407 visitors, a figure that represents an unprecedented growth of +64.62% over 2011. The figure includes 54,685 international visitors and 50,722 regional visitors. Out of the total, 77,700 visitors were tourists who solely visited Bhutan for the purpose of holidaying.

Of the total international arrivals, a clear majority of 80.33% were 'Tourist' arrivals that visited the country solely for the purpose of holidaying. Some 11.00% and 4.49% were 'Official' and 'Business' visitors respectively. Out of the regional segment, two thirds (66.74%) had visited solely for the purpose of holidaying. Likewise, some 7.38% of the regional visitors were those who were on 'Official' visits either invited by the government or the corporate sector, and another 14.05% had visited for 'Business' purposes. Whilst the international leisure segment recorded an increase of +19.49% compared to last year, the regional segment saw a slump with a -4.70% decrease in arrivals. The graph illustrates the types of visitor arrivals to Bhutan in 2012.





Note: India, Bangladesh and Maldives are referred as 'regional' markets as visitors from these countries do not require a visa and are exempt from the daily tourism tariff structure. As opposed to 2011 figures for Regional visitors, which included only the high-end segment, this year's figures includes the total regional arrivals in the country.

Section 1 – Annual Tourism Statistics of International Visitors

The first section of the report pertains to the international leisure segment of visitor arrivals. Data is extrapolated from the Tashel-Online system of the Tourism Council of Bhutan. Only international leisure tourism figures are available from TCB's system as the Department of Immigration directly issues visas for regional, official and business visitors.

MAJOR INTERNATIONAL LEISURE SOURCE MARKETS

Graph 1.2 and Table 1.1 illustrate the trends in the major source markets. Albeit markets continue to remain the same, notable changes were recorded in the performance trends amongst these major markets. For the first time, arrivals from Japan dominated over USA, making it the biggest international leisure source market with 15.98% of the total international arrivals. US arrivals constituted 13.67% in 2012, and represents a decrease of -3.52% compared to last year. This was followed by China contributing 8.57%, Thailand with 8.13% and Germany with 6.55%. UK dropped in the rankings to 6th place with an -11.77% decrease in 2012. The top Asian markets of Japan (+76.69%), Malaysia (+65.86%), Thailand (+59.87%), China (+30.04%), and Singapore (+18.98%) recorded significant growth rates in 2012. Malaysia was also featured in the top 10 international source markets for Bhutan for the first time, therefore indicating an emerging major market.

Arrivals from Zambia, Seychelles and Malta were recorded for the first time, therefore suggesting a growing interest for Bhutan in the global community.

Graph 1.1
Major Source Markets for International Arrivals

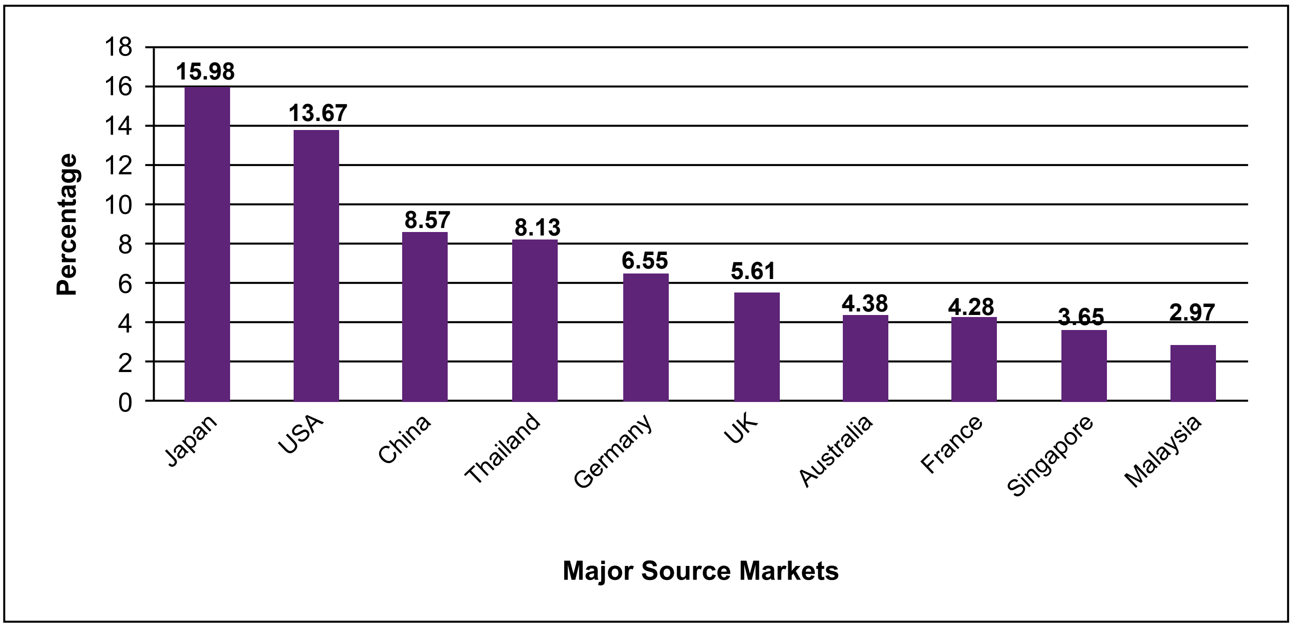


Table 1.1
Major Source Markets by Growth Rates

Nationality	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	% Change from 2011
Japan	951	1,087	1,554	1,815	2,008	2,745	3,136	2,963	3,943	6,967	**+76.69%**
Malaysia	28	17	72	49	94	221	367	354	788	1,307	**+65.86%**
Thailand	66	30	96	776	707	627	975	875	2,235	3,573	**+59.87%**
China	19	78	234	364	504	1,069	1,143	1,494	2,896	3,766	**+30.04%**
Germany	497	671	1,042	1,074	1,456	1,717	1,587	2,250	2,287	2,880	**+25.93%**
Singapore	77	198	185	281	444	667	708	785	1,349	1,605	**+18.98%**
France	285	434	532	708	738	1,402	1,189	1,454	1,585	1,847	**+16.53%**
Australia	165	315	458	774	1,181	1,524	970	1,318	1,773	1,926	**+8.63%**
United States of America	1,803	3,242	4,681	5,018	5,773	6,941	4,786	5,189	6,226	6,007	**-3.52%**
United Kingdom	605	954	1,462	1,952	2,193	2,758	1,968	1,772	2,795	2,466	**-11.77%**
Year Totals	**6,261**	**9,249**	**13,626**	**17,344**	**21,094**	**27,636**	**23,480**	**27,196**	**36,765**	**43,931**	

Note – Please note that columns do not add to the year-end totals – only the top 10 source markets are detailed. Year totals are shown at the base of the table. Arrival figures by nationality are including FAM visitors.

GLOBAL SEGMENTATION OF MAJOR INTERNATIONAL SOURCE MARKETS

Graph 1.2 below shows the global segmentation of international markets. Tourist traffic according to global region distribution is experiencing a notable change in recent years. Contrary to earlier trends of Bhutan being mainly visited by countries in the western world regions, increased visitations from Asia/Pacific regions in the recent years have dominated global segmentation of markets in 2012 with almost half (49.00%) the visitors arriving from this region. The European region follows this with 32.40%, followed by the North American region with 16.38%. This

was directly attributed to the significant growth in top Asian markets.

Table 1.2 shows the country-wise breakdown of international source markets.

Graph 1.2
Global Segmentation of Source Markets

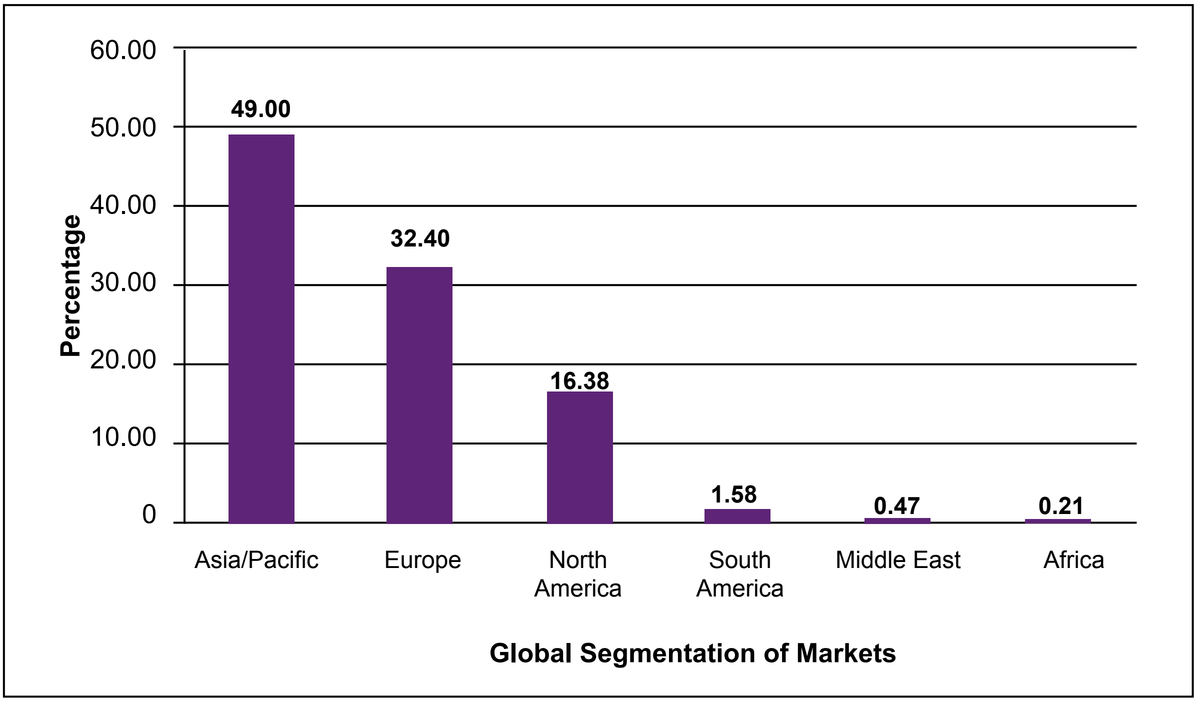


Table 1.2
Country-wise Breakdown of International Source Markets

Source Markets	Arrivals	Proportion of Total Arrivals	Bed Nights	Proportion of Total Bed Nights	Average Length of Stay (Days)
A. North American Region					
United States of America	6,007	13.67%	48,037	15.84%	8.00
Canada	999	2.27%	8,118	2.68%	8.13
Mexico	193	0.44%	1,113	0.37%	5.77
B. European Region					
United Kingdom	2,466	5.61%	20,929	6.90%	8.49
Germany	2,880	6.55%	26,350	8.69%	9.15
France	1,847	4.28%	16,946	5.59%	9.17
Netherlands	993	2.26%	10,154	3.35%	10.23
Switzerland	932	2.12%	10,164	3.35%	10.91
Spain	789	1.80%	5,192	1.71%	6.58

Italy	786	1.79%	6,162	2.03%	7.84
Austria	611	1.39%	5,378	1.77%	8.80
Belgium	505	1.15%	4,656	1.54%	9.22
Russia	365	0.83%	2,217	0.73%	6.07
Denmark	332	0.76%	3,015	0.99%	9.08
Sweden	241	0.55%	1,607	0.53%	6.67
Poland	240	0.55%	1,243	0.41%	5.18
Turkey	208	0.47%	1,128	0.37%	5.42
Czech Republic	148	0.34%	1,208	0.40%	8.16
Norway	142	0.32%	985	0.32%	6.94
Portugal	118	0.27%	702	0.23%	5.95
Finland	112	0.25%	797	0.26%	7.12
Ireland	72	0.16%	511	0.17%	7.10
Hungary	69	0.16%	328	0.11%	4.75
Greece	60	0.14%	367	0.12%	6.12
Ukraine	44	0.10%	268	0.09%	6.09
Slovenia	41	0.09%	287	0.09%	7.00
Luxembourg	38	0.09%	313	0.10%	8.24
Slovakia	36	0.08%	280	0.09%	7.78
Latvia	32	0.07%	266	0.09%	8.31
Romania	19	0.04%	103	0.03%	5.42
Croatia	15	0.03%	97	0.03%	6.47
Bulgaria	14	0.03%	66	0.02%	4.71
Estonia	12	0.03%	76	0.03%	6.33
Iceland	5	0.01%	42	0.01%	8.40
Belarus	11	0.03%	71	0.02%	6.45
Malta	9	0.02%	100	0.03%	11.11
Cyprus	7	0.02%	41	0.01%	5.86
Andorra	6	0.01%	48	0.02%	8.00
Monaco	6	0.01%	54	0.02%	9.00
Liechtenstein	5	0.01%	54	0.02%	10.80
Serbia	5	0.01%	29	0.01%	5.80
Georgia	5	0.01%	29	0.01%	5.80
Lithuania	3	0.01%	28	0.01%	9.33
Moldova	2	0.00%	12	0.00%	6.00
Bosnia	1	0.00%	8	0.00%	8.00
Armenia	1	0.00%	4	0.00%	4.00
Montenegro	1	0.00%	4	0.00%	4.00
C. South American/Caribbean Region					
Brazil	462	1.05%	2,487	0.82%	5.38
Argentina	88	0.20%	476	0.16%	5.41
Chile	40	0.09%	327	0.11%	8.18
Colombia	40	0.09%	195	0.06%	4.88

Venezuela	15	0.03%	73	0.02%	4.87
Panama	8	0.02%	52	0.02%	6.50
Uruguay	7	0.02%	27	0.01%	3.86
Peru	6	0.01%	27	0.01%	4.50
Costa Rica	5	0.01%	20	0.01%	4.00
Ecuador	4	0.01%	27	0.01%	6.75
Dominican Republic	2	0.00%	6	0.00%	3.00
Bolivia	2	0.00%	8	0.00%	4.00
Trinidad and Tobago	1	0.00%	6	0.00%	6.00
D. African Region					
South Africa	77	0.18%	580	0.19%	7.53
Namibia	5	0.01%	30	0.01%	6.00
Nigeria	4	0.01%	36	0.01%	9.00
Kenya	2	0.00%	12	0.00%	6.00
Chad	2	0.00%	8	0.00%	4.00
Seychelles	1	0.00%	10	0.00%	10.00
Morocco	1	0.00%	8	0.00%	8.00
Zambia	1	0.00%	3	0.00%	3.00
E. Middle Eastern Region					
Israel	172	0.39%	1,229	0.41%	7.15
Saudi Arabia	12	0.03%	97	0.03%	8.08
Kuwait	8	0.02%	43	0.01%	5.38
Oman	5	0.01%	15	0.00%	3.00
Lebanon	5	0.01%	30	0.01%	6.00
United Arab Emirates	3	0.01%	10	0.00%	3.33
Jordan	3	0.01%	32	0.01%	10.67
Iran	1	0.00%	10	0.00%	10.00
F. Asia/Pacific Region					
Japan	6,967	15.86%	34,013	11.21%	4.88
China	3,766	8.57%	18,666	6.15%	4.96
Thailand	3,573	8.13%	15,059	4.96%	4.21
Australia	1,926	4.38%	17,666	5.82%	9.17
Singapore	1,605	3.65%	11,101	3.66%	6.92
Malaysia	1,307	2.97%	7,215	2.38%	5.52
Taiwan	801	1.82%	4,971	1.64%	6.21
South Korea	630	1.43%	2,880	0.95%	4.57
Philippines	243	0.55%	1,500	0.49%	6.17
Indonesia	202	0.46%	1,237	0.41%	6.12
New Zealand	192	0.44%	1,865	0.61%	9.71
Nepal	150	0.36%	859	0.28%	5.47
Viet Nam	85	0.20%	540	0.18%	6.28
Sri Lanka	17	0.04%	60	0.02%	3.53
Myanmar	12	0.03%	50	0.02%	4.17

Pakistani	12	0.03%	33	0.01%	2.75
North Korea	11	0.03%	44	0.01%	4.00
Mongolia	3	0.01%	13	0.00%	4.33
Kazakhstan	3	0.01%	16	0.01%	5.33
Cambodia	3	0.01%	9	0.00%	3.00
Uzbekistan	2	0.00%	14	0.00%	7.00
Laos	2	0.00%	13	0.00%	6.50
Afghan	2	0.00%	14	0.00%	7.00
Brunei Darussalam	1	0.00%	3	0.00%	3.00
Kyrgyzstan	1	0.00%	7	0.00%	7.00

ROAD AND AIR ACCESSIBILITY

The national airline Drukair is the major carrier of visitors to Bhutan with 88.10% using it to enter Bhutan. The remaining 11.90% entered overland by road. Some 90.69% exited using the air mode with Drukair. The major entry and exit ports are Bangkok and Kathmandu with 41.49% and 25.90% entering through it respectively. Another 42.17% and 24.53% used Bangkok and Kathmandu ports to exit from it. This is a notable change as Delhi used to be a preferred port more than Kathmandu in the last few years. International visitors entering Bhutan seldom use the Bodh Gaya sector. The Singapore sector, which was opened in the 3rd quarter of 2012, also saw significant arrival figures, suggesting a viable entry point for visitors. A chartered plane from Macau also landed in Bhutan directly.

Phuentsholing is the most used option for road traffic with 10.29% of the total entering from it and 5.98% exiting from it. Samdrup Jongkhar port also saw an increase in arrivals with 1.69% and 2.99% entering and exiting from it respectively. Some 68 visitors exited from Gelephug.

Graph 1.3 illustrates that the air exit continues to be the most preferred choice for tourists. In 2012, some 90.69% boarded the plane to exit Bhutan.

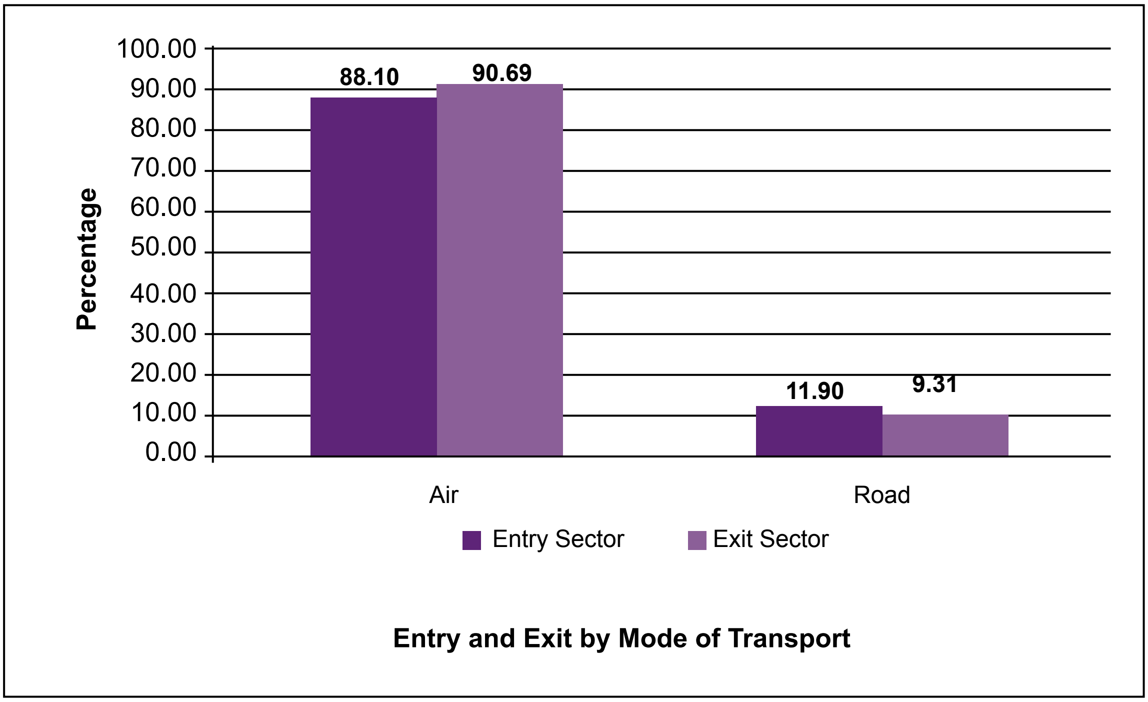
Table 1.3

Road and Air Accessibility

Access Points	Entry Sector	Proportion of Entry Sector	Exit Sector	Proportion of Exit Sector
Bangkok	18,230	41.49%	18,529	42.17%
Kathmandu	11,381	25.90%	10,777	24.53%
Delhi	5,346	12.17%	6,314	14.37%
Phuentsholing	4,508	10.26%	2,626	5.98%
Kolkata	1,706	3.88%	2,191	4.99%
Singapore	1,052	2.29%	1,015	2.31%
Samdrup Jongkhar	743	1.69%	1,313	2.99%
Bagdogra	493	1.12%	428	0.97%
Dhaka	402	0.91%	502	1.14%
Guwahati	31	0.07%	90	0.20%
Mumbai	15	0.03	9	0.02%
Bodh Gaya	11	0.03%	66	0.15%
Gelephug	10	0.02%	68	0.15%
Macau	11	0.03%	11	0.03%

Graph 1.3

Entry and Exit by Mode of Transport



MAJOR INTERNATIONAL SOURCE MARKETS BY BED NIGHTS

Measuring the importance of source markets based on length of stays (bed nights) is an even more valuable indicator, since yield and revenue are linked intrinsically to length of stay. The arrival figure is important but what is more important is the number of nights spent in Bhutan. There were 303,319 bed nights registered in 2012, an increase of +9.55% compared to 2011. Albeit Japan leading in terms of arrival figures, the United States remained the most important source market in terms of bed nights, constituting 15.84% of all visitor bed nights spent in Bhutan. Japan followed with 11.21% of all bed nights. The top ten markets constituted 72.17% of the total beds nights recorded in 2012.

Similarly, other major countries such as Germany (8.69%), UK (6.90%), China (6.15%) and Australia (5.82%) have continued to be equally important source markets both in terms of arrivals and bed nights. Highest growth rates were recorded for the Japanese market with +59.71% followed by the Thai market with +54.09%. Notwithstanding its precedence as a major contributor of bed nights, UK recorded a significant decline rate of -14.75% in 2012. Table 1.4 below shows the major markets by bed nights.

Table 1.4

Major Source Markets by Bed Nights

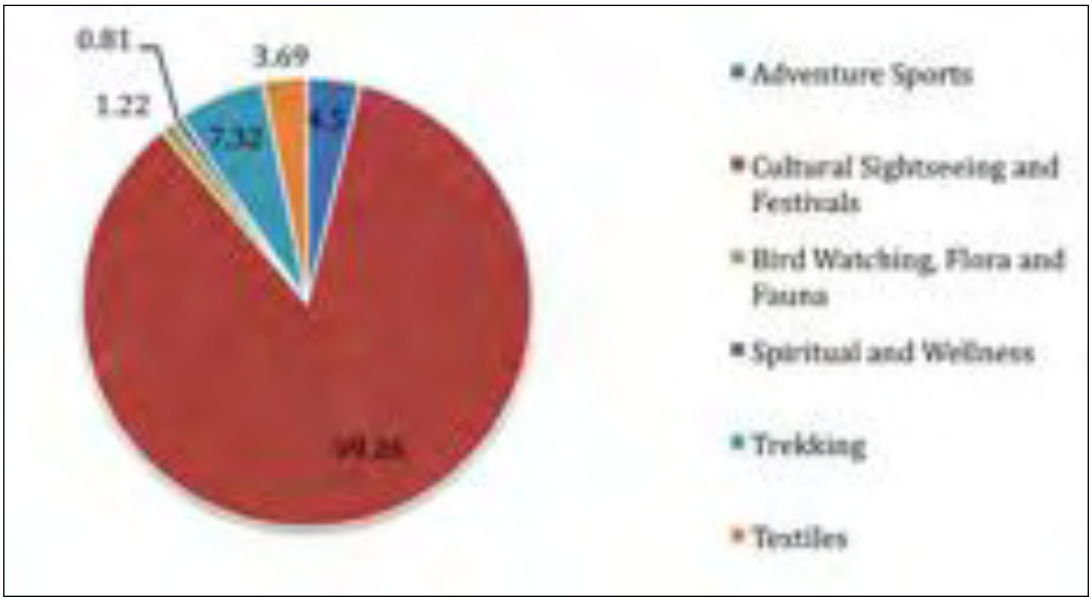
Source Markets	Bed Nights	Proportion of Total Bed Nights	Percentage change from Previous Year
United States of America	48,037	15.84%	-4.48%
Japan	34,013	11.21%	+59.71%
Germany	26,350	8.69%	+23.86%
United Kingdom	20,929	6.90%	-14.75%
China	18,666	6.15%	+27.03%
Australia	17,666	5.82%	+6.89%
France	16,946	5.59%	+20.48%
Thailand	15,059	4.96%	+54.09%
Singapore	11,101	3.66%	+15.74%
Switzerland	10,164	3.35%	+24.54%
Total Annual Bed Nights	**303, 319**	**72.17%**	-

VISITORS BY ACTIVITY

Bhutan is mainly seen as a cultural destination with 99.26% of all visitors having experienced a cultural aspect of Bhutan during the trip. Visitors came to witness Bhutan's age-old living culture and colourful festivals and the daily ways of life in Bhutan. As a policy to showcase an authentic experience for the visitors, the tourism products that are on offer are predominantly existing activities (festivals) and cultural sites that hold great importance to everyday lives of the people.

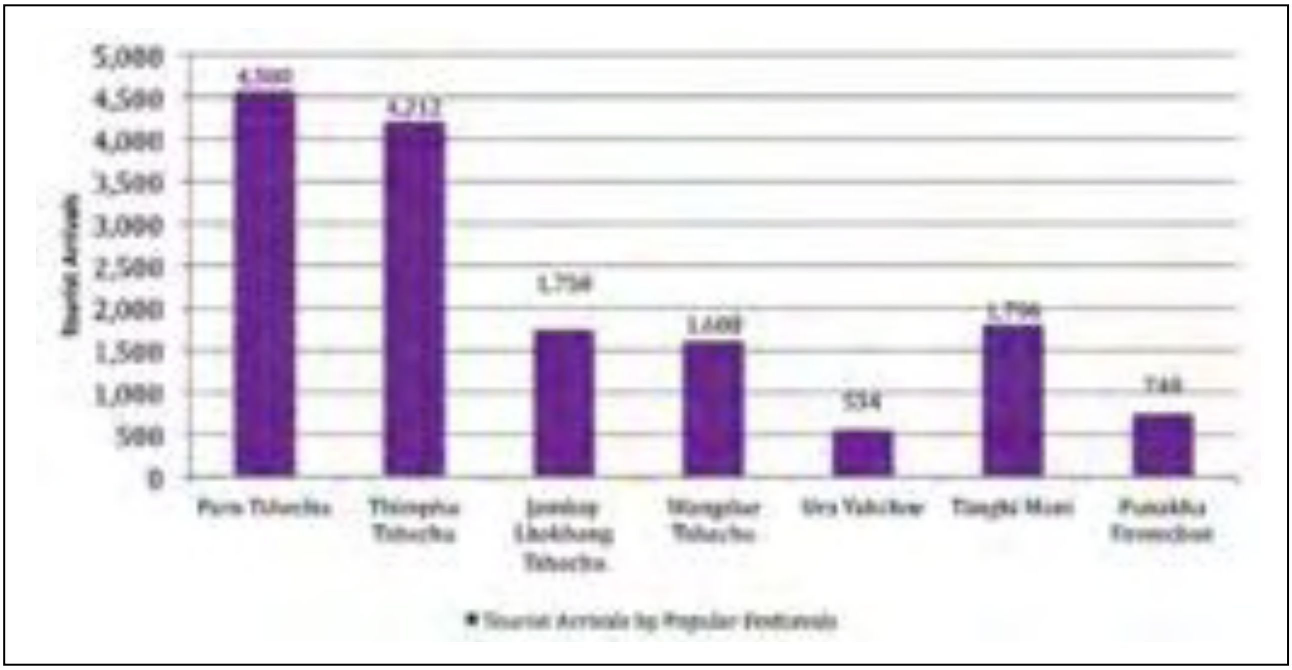
Nature-based activities accounted for 13.04%, which included 'Trekking' (7.32%), 'Bird Watching, Flora and Fauna' (1.22%), and 'Adventure Sports' (4.50%). The 'Adventure Sports' segment showed significant increase in arrivals for mainly rafting, kayaking, motorcycling and biking/cycling activities. The tourism policy encourages more nature and adventure based experiences in a bid to diversify products as it will encourage longer stays and repeat visitations. The Tourism Council of Bhutan designated the lesser-visited parts of the country by establishing the Eastern and the Southern Circuits as priority areas for tourism promotion and development. The following Graph 1.4 shows the visitor by activity.

Graph 1.4
Visitors by Activity



Graph 1.5

Tourists by Popular Festivals



TOURISTS BY POPULAR FESTIVALS

Ever since Bhutan was opened for tourism, festivals remained one of the most visited attractions in the country. Festivals chiefly comprise of Tsechus – religious festivals – that are performed both by monks and laymen annually in Dzongs and temples. Paro Tsechu and Thimphu Tsechu continue to receive maximum visitations with record arrivals of 4,580 and 3,527 visitors respectively in 2012. Jambay Lhakhang Drub received 1,400 visitors, followed by Punakha Tsechu, Tangbi Mani, Tamzhing Phala Choetpa and Ura Yakchoe. Community festivals such as the Haa Summer Festival and the Nomads Festival in Bumthang, organised by the Tourism Council of Bhutan also saw significant visitation during these leaner months.

TREKKERS BY ROUTE

Trekking tourists accounted for 7.20% of the total international visitors in 2012. This figure represents a decline of -6.97% compared to the previous year. The Drukpath Trek remains to be the most popular trek accounting for 27.39% of all trekkers, followed by the Jomolhari Trek with 24.64%. The Laya Gasa Trek saw 8.66% of all trekkers. While most of the treks saw dissipating numbers in 2012, the Sagala Trek, Nub Tshonapatta Trek and Dongla Trek saw an increase in arrivals. The Merak Sakteng Community-based Trek received 120 visitors in 2012.

Table 1.5
Trekkers by Route

Name of the Trek	No. of Trekkers	Percentage Total	Percentage Change from Previous Year
Drukpath Trek	867	27.39%	-11.26%
Jomolhari Trek	780	24.64%	+4.70%
Laya Gasa Trek	274	8.66%	0.00%
Bumthang Cultural trek	268	8.47%	+11.20%
Sagala Trek	147	4.64%	+40.00%
Merak Sakteng Trek	120	3.79%	-13.04%
Gangtey Trek	115	3.63%	-28.13%
Snowman Trek	113	3.57%	+2.73%
Samtengang Winter Trek	100	3.16%	-15.25%
Dagala Thousand Lakes Trek	94	2.97%	-12.96%
Chelela Trek	68	2.15%	-16.05%
Sinchula Trek	43	1.36%	-51.69%
Bumthang Owl Trek	38	1.20%	-59.14%
Nub-Tshona Pata Trek	34	1.07%	+9.68%
Punakha Winter Trek	24	0.76%	-4.00%
Dongla Trek	23	0.73%	+283.33%
Gangkhar Phuensum Trek	19	0.60%	-9.52%
Nabji Korphu Trek	17	0.54%	-56.41%
Masagang Trek	10	0.32%	-28.57%
Dur Hot Spring Trek	5	0.16%	-61.54%
Wild East Rodungla Trek	4	0.13%	-63.64%
Royal Manas Trek	2	0.06%	-11.26%
Total	**3,165**		+4.70%

AVERAGE LENGTH OF STAY

The average length of stay in 2012 was recorded at 6.90 days, a slight decrease from last year. This is mainly attributed to the significant growth rates in Asian markets who have shorter lengths of stays. Trends for source markets and their average length of stay remain almost the same over the years. The source market with highest average length of stay was Switzerland spending around 10.91 days in Bhutan. This was closely followed by Netherlands (10.23 days), Australia (9.17 days) and Germany (9.15 days).

Visitors from USA stayed for 8.00 days. Asian tourists staying for shorter duration is a stable trend and does not seem to change with the years. Chinese visitors stayed for 4.96 days, Japanese for 4.88 days and Thailand for 4.21 days on average. Malaysia an emerging Asian market, which has been featured in the top ten markets of this year, recorded a slightly longer length of stay with 5.52 days.

Table 1.6

Average Length of Stay by Major Markets

Source Markets	Bed Nights	Proportion of Total Bed Nights	Average Length of Stay
Switzerland	10,164	3.35%	10.91 days
Netherlands	10,154	3.35%	10.23 days
Australia	17,666	5.82%	9.17 days
France	16,946	5.59%	9.17 days
Germany	26,350	8.69%	9.15 days
United Kingdom	20,929	6.90%	8.49 days
Canadian	8,118	2.68%	8.13 days
United States of America	48,037	15.84%	8.00 days
Singapore	11,101	3.66%	6.92 days
Malaysia	7,215	2.38%	5.52 days
China	18,666	6.15%	4.96 days
Japan	34,013	11.21%	4.88 days
Thailand	15,059	4.96%	4.21 days
Year Total	**303,319**	**80.58%**	**6.90 days**

SEASONALITY OF VISITATION (BASED ON BED NIGHTS)

This year's figures show huge improvements in arrivals during lean seasons, therefore implying that Bhutan is gradually being seen as a year-round destination. Least visited months of January and June recorded maximum growth rates with +78.91% and +56.41% respectively. This positive trend is hugely due to the record increase in arrivals from top Asian markets such as Japan, China, Thailand, Singapore and Malaysia, whose visitation times are spread across the year as shown in Table 1.7. On the contrary, peak months of March (-8.76%) and October (-7.97%) saw a slight slump in arrivals compared to the previous year. Graph 1.6 shows that March, April, September, October, and November are the months that most tourists visited Bhutan. This is, to a large extend, attributed to the festival seasons and favourable weather conditions that coincide with the above months.

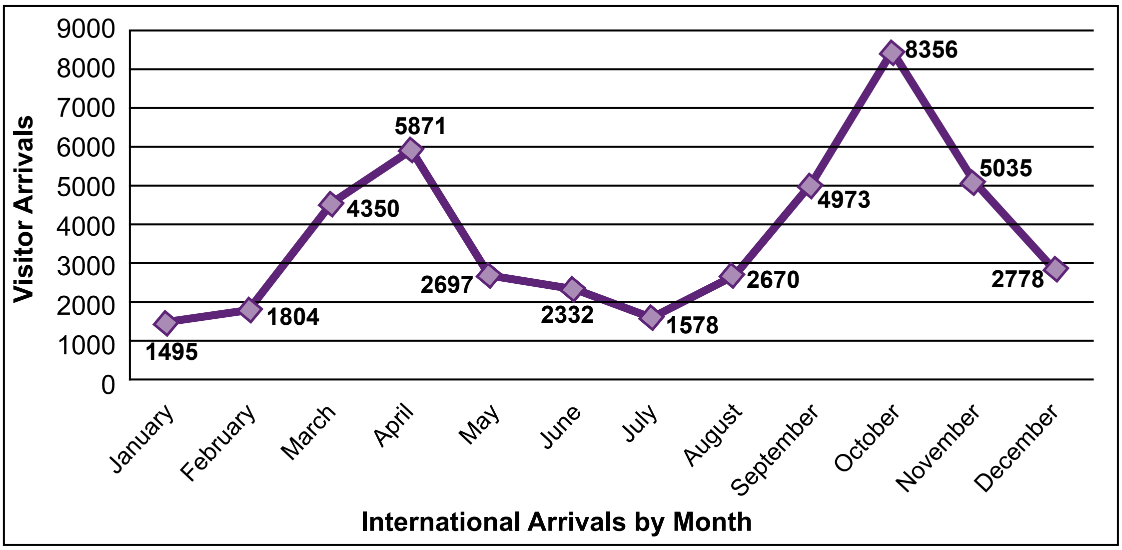
Table 1.7

Bed Nights by Month

Month	Bed Nights in 2012	Percentage Change from 2011
January	8,450	+78.91%
February	9,301	+3.61%
March	25,402	-8.76%
April	44,299	+45.20%
May	22,253	+15.99%
June	13,107	+56.41%
July	8,525	-4.07%
August	14,343	+6.94%
September	29,614	+44.58%
October	66,604	-7.97%
November	45,234	-4.01%
December	16,187	+8.27%

Graph 1.6

Visitation by Month



MAJOR SOURCE MARKETS BY SEASON OF VISITATION

Travel patterns pertaining to preferred holiday times for various nationalities is crucial for country-wise marketing purposes. While it is understood that visitors choose their time of year to visit depending on prevailing conditions like festival dates and favourable weather in the destination, it also provides some insights into their holiday times. Most visitors from the top source markets – USA, UK, Germany, France, Australia, Canada and Italy – chose to visit Bhutan during autumn (September – November) and spring (March - May) months. Visitations from important Asian markets such as Japan, China, Thailand, Singapore and Malaysia were distributed throughout all seasons. Besides these top Asian markets, a significant number of Americans (12.54%) and Australians (13.19%) also visited during the winter and summer seasons, which receive lesser tourists. Similarly some 9.81% of Canadians and 8.23% of French arrivals also visited during the lean summer season. These preferences of different source markets for different times of visitation are contributing towards alleviation of seasonality.

Table 1.8

Source Markets by Season of Visitation

Source Markets	Number of Tourists and % of Annual Total							
	December- February		March – May		June - August		September – November	
United States of America	753	12.54%	1,787	29.75%	456	7.59%	3,011	50.12%
Japan	935	13.42%	2,448	35.14%	1,749	25.10%	1,835	26.34%
China	785	20.84%	878	23.31%	746	19.81%	1,357	36.03%
United Kingdom	254	10.30%	844	34.23%	111	4.50%	1,257	50.97%
Germany	172	5.97%	831	28.85%	152	5.28%	1,725	59.90%
Thailand	899	25.16%	903	25.27%	923	25.83%	848	23.73%
Australia	254	13.19%	577	29.96%	137	7.11%	958	49.74%
France	126	6.82%	539	29.18%	152	8.23%	1,030	55.77%
Singapore	415	25.86%	334	20.81%	283	17.63%	573	35.70%
Canada	74	7.41%	338	33.83%	98	9.81%	489	48.95%
Malaysia	237	18.13%	296	22.65%	244	18.67%	530	40.55%

TOUR GROUP SIZE

There were 11,293 tour groups that visited Bhutan in 2012. The group size varied with some groups as big as 80 people in a group. The maximum number of groups travelled as couples (2-member group) followed by a 4-member group. The average group size was 3.89 persons. This average group size can be an important factor especially for the Government to look at when deciding on issuing tax incentive for the purchase of vehicle (carrying capacity) to carry tourists and while devising small group surcharges. This tells us that most visitors prefer to travel in small groups ranging from 1 to 4 members. This was also the trend in 2011.

Table 1.9
Tour group Size

Number of Pax in Group	Number of Groups	Total Number of Arrivals
1	2,753	2,753
2	4,596	9,192
3	827	2,481
4	827	3,308
5	332	1,660
6	281	1,686
7	192	1,344
8	187	1,497
9	143	1,287
10	145	1,450
11	130	1,430
12	120	1,440
13	105	1,365
14	76	1,064
15	84	1,260
16	115	1,840
17	87	1,479
18	57	1,026
19	34	646
20	30	600
21	20	420
22	21	462
23	8	184
24	8	192
25	10	250
26	10	260
27	8	216
28	7	196
29	8	232
30	9	270
31	1	31
32	9	288
33	4	132
34	5	170
35	7	245
36	5	180
37	3	111
38	1	38
39	4	156
40	2	80
41	4	164
43	1	43
45	3	135
46	1	46
47	1	47
48	2	96
49	1	49
51	2	102
52	1	52
56	1	56
65	1	65
75	1	75
80	1	80
Total	**11,293**	**43,931**

SPREAD OF TOURISM IMPACT

In Graph 1.7 the spread of tourism impact is graphically demonstrated by keeping in mind the geographical position of the Dzongkhags laterally across the country. It clearly illustrates that the peaking levels of visitors are concentrated mainly on the western part of the country in Paro, Thimphu and Punakha and in the central Dzongkhag of Bumthang.

Paro (32.69%) hosted the maximum bed nights followed by Thimphu (24.70%), Punakha (15.96%) and Bumthang (9.57%). Arrivals in the eastern Dzongkhags of Trashigang and Samdrup Jongkhar saw a decrease in arrivals compared to last year. The recently opened Merak Sakteng Trek also recorded a slight decrease in arrivals with only 120 visitors visiting the area in 2012.

Table 1.10 shows the number of tourist arrivals and bed nights by Dzongkhag.

Graph 1.7

Bed Nights by Dzongkhags

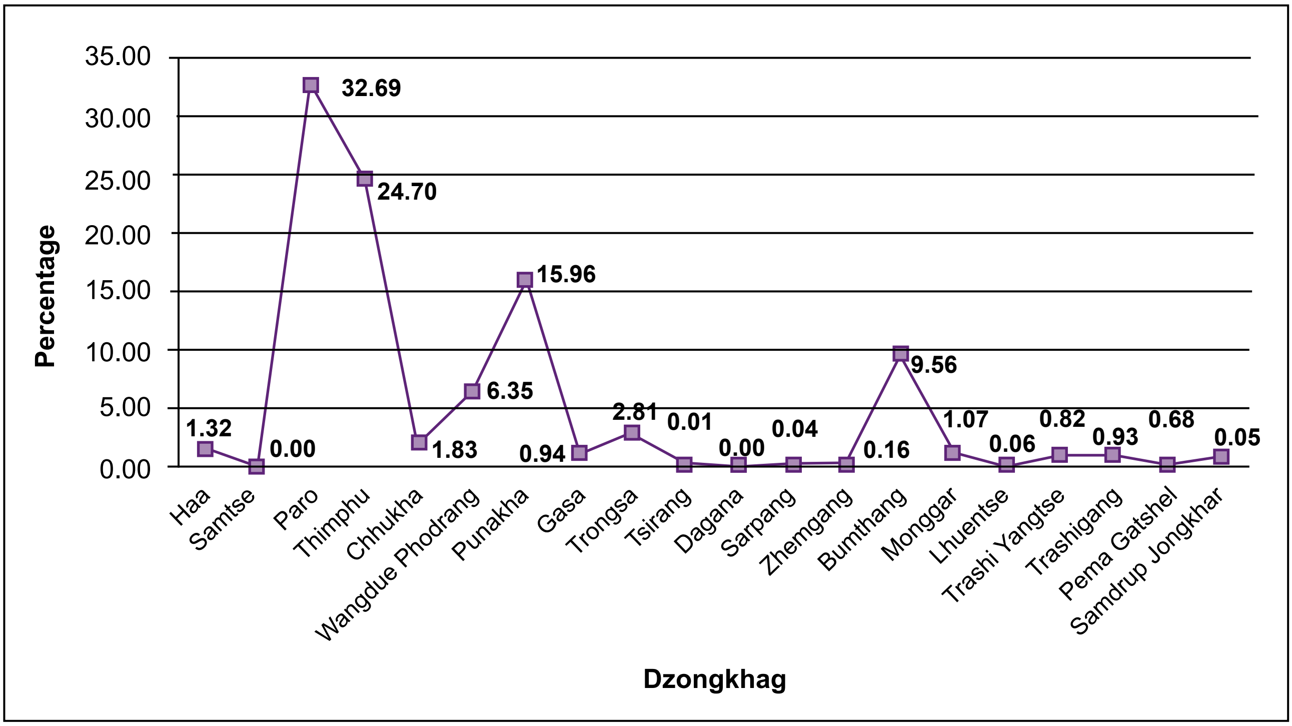


Table 1.10

Dzongkhag Arrivals and Bed Nights

Dzongkhag	Tourist Arrivals	Bed Nights
Paro	43,023	99,148
Thimphu	41,545	74,915
Punakha	32,738	48,393
Bumthang	11,538	29,001
Wangdue Phodrang	13,150	19,270
Trongsa	7,435	8,537
Chukha	5,388	5,552
Trashigang	2,230	4,930
Haa	2,954	4,013
Monggar	2,289	3,250
Gasa	416	2,846
Samdrup Jongkhar	1,930	2,058
Trashi yangtse	835	727
Zhemgang	186	476
Lhuentse	146	197
Pema Gatshel	105	147
Sarpang	99	130
Tsirang	38	41
Samtse	4	4
Dagana	1	2

ACCOMMODATION PROVIDERS BY BED NIGHTS

Olathang Hotel (Paro) dominated the bed night's share of accommodation providers by realizing 3.51% of the total bed nights in 2012. Meri Phuensum Resort (Punakha) and Phuntsho Pelri Hotel closely followed with 3.42% each. Amongst the luxury 5-star properties, Uma Paro dominated the bed night's share with 3.14%.

The top 12 accommodation providers accounted for a total of 32.63%, thereby indicating that the bed nights share are getting increasingly distributed as opposed to dominating more than half of the bed nights a few years ago. This is because there has been an influx of new accommodation providers every year and as a result the hospitality sector is getting more competitive. Tenzingling Resort in Paro and Kisa Hotel in Thimphu recorded significant increases in occupancy in 2012. Increased occupancy for luxury hotels like Uma Resort and Zhiwaling Hotel substantiates an increasing demand for high-end hotels, albeit their premium pricing.

Table 1.11

Accommodation Providers by Bed Nights

Accommodation Providers	Bed Nights	2012 Proportion of Annual Bed Nights (%)
Olathang Hotel – Paro	10,636	3.51%
Meri Phensum Resort – Punakha	10,374	3.42%
Phuentsho Pelri Hotel – Thimphu	10,371	3.42%
Uma Resort – Paro	9,537	3.14%
Zangto Pelri Hotel – Punakha	8,373	2.76%
Damchen Resort-Punakha	8,321	2.74%
Tashi Namgay Resort -Paro	8,254	2.72%
Zhiwaling Hotel- Paro	7,156	2.36%
Tenzingling Resort-Paro	6,902	2.28%
Kisa Hotel - Thimphu	6,842	2.26%
Taj Tashi - Thimphu	6,326	2.09%
River View Hotel – Thimphu	6,115	2.02%
Cumulative Total	**98,953**	**32.63%**
Total	**303, 319**	

CATEGORIES OF ACCOMMODATION PROVIDERS

The Tourism Council of Bhutan continues to assess and accreditate accommodation providers as per the 'Star Classification'. Properties are classified according to the number of stars they merit based on a set of criteria that ensures and espouses the "high value, low impact" tourism policy. In 2012, there were 123 accredited properties that were divided into 9 '5-Star' category, 8 '4-Star' category, 45 '3-Star' category, 42 '2-Star' category and 19 '1-Star' category properties.

The Tourism Council of Bhutan has set a minimum requirement of a '3-star' property for tourism accommodation to encourage quality delivery to justify the tourism policy to promote high-end tourism. In 2012, some 12 '2-Star' hotels were upgraded into 3-Star and above properties.

Table 1.12 illustrates that only 11 Dzongkhags have accredited hotels in the country.

Table 1.12
Categories of Accommodation Providers

Dzongkhag	5 Star Accommodation Providers	4 Star Accommodation Providers	3 Star Accommodation Providers	2 Star Accommodation Providers	1 Star Accommodation Providers
Paro	3	1	14	14	5
Thimphu	2	4	8	10	3
Bumthang	1	2	11	6	3
Punakha	2	1	1	1	0
Wangdue Phodrang	1	0	1	5	1
Trongsa	0	0	4	0	1
Chhukha/ Phuentsholing	0	0	4	1	0
Trashigang	0	0	1	1	2
Monggar	0	0	1	2	0
Haa	0	0	0	0	2
Samdrup Jongkhar	0	0	0	2	2
Total	**9**	**8**	**45**	**42**	**19**

OCCUPANCY RATE COMPARISON BY ACCOMMODATION CATEGORIES

Occupancy rate determines the performance of a hotel just like the average length of stay does for a destination. The Table 1.13 shows the occupancy rates of international leisure visitors for different categories of registered accommodation providers. In reality the occupancy rates will be higher as this does not include regional, domestic, business, corporate and walk-in guests.

This analysis focuses on the October month as it pertains to the month with maximum bed nights registered in 2012 in order to demonstrate occupancy rates for the busiest tourism season.

According to the 'Star Classification', there are a total of 446 beds in the '5-Star' category that supplies a total of 13,380 beds per month. In October this category recorded occupancy of 50.46% and an annual occupancy of 30.46%. Similarly, there are 430 beds in the '4-Star' category with 12,900 beds per month, 2,349 beds in the '3-Star' with 70,470 beds per month, 1,743 beds in the '2-Star' category with the capacity of 52,290 beds per month, 496 beds in the '1-Star' category with 14,880 beds per month. Occupancy figures show that the '3-Star' category recorded the highest annual occupancy rate with 34.64%.

Table 1.13

Occupancy Rates by Type of Accommodation (October and Annual)

Type of Accommodation	No. of Rooms per Night	No. of Beds per Night	Available Beds in a Month	Available Beds in a Year	Bed Nights Realised in October (highest month)	Occupancy Rate (October-Highest Month)	Annual Occupancy Rate
5-Star Accommodation	223	446	13,380	160,560	6,751	50.46%	30.46%
4-Star Accommodation	215	430	12,900	154,800	4,346	33.69%	29.99%
3-Star Accommodation	1,181	2,349	70,470	845,640	40,179	57.02%	34.64%
2-Star Accommodation	881	1,743	52,290	627,480	13,295	25.43%	20.28%
1-Star Accommodation	249	496	14,880	178,560	1,953	13.13%	8.23%
Total	**2,749**	**5,464**	**163,920**	**1,967,040**	-	-	-

Note- The occupancy rate in reality is likely to be higher since this calculation only pertains to international tourists, and does not include figures of regional and domestic tourists, government guests, corporate guests etc.

ACCOMMODATION ANALYSIS AND OCCUPANCY RATE BY DZONGKHAG

Tourism accommodation accredited by the Tourism Council of Bhutan have 123 properties that supplies 2,749 rooms with a capacity of 5,464 beds every night. A total of 163,290 beds are available in a month, which means that if all the beds were occupied in all the 123 registered accommodation providers every night, the current beds supply would be able to cater to more than in excess of 6.48 times than that of the overall annual occupancy of international visitors in 2012. This tells us that we have enough hotels in Bhutan at present, although they may not be equally distributed in all regions.

Table 1.14 show that the main tourism destinatoins of Thimphu, Paro and Bumthang registered lower occupancy rates due to an oversupply of beds compared to lesser visited areas which have less hotels. This suggests that investment in accommodation should be focused in Dzongkhags where there are less or no international standard hotels. Zhemgang, Gasa, Tsirang, Sarpang, Samtse, Lhuentse, Pema Gatshel, Tashi Yangtse, and Dagana Dzongkhags do not have registered hotels, and hence are affected by a lack of accommodation providers.

Table 1.14
Accommodation Analysis and Occupancy Rate by Dzongkhag

Dzongkhag	Total Rooms	Total Beds	Available Bed Nights per Month	Available Bed Nights in a Year	Annual Bed Nights Realised	Annual Occupancy Rate in 2012
Paro	873	1,750	52,500	630,000	99,148	15.74%
Thimphu	729	1,458	43,740	524,880	74,915	14.27
Bumthang	440	853	25,590	307,080	29,001	9.44%
Punakha	149	294	8,820	105,840	48,393	45.72%
Wangdue Phodrang	138	271	8,130	97,560	19,270	19.75%
Trongsa	110	216	6,480	77,760	8,537	10.98%
Chhukha/P-Ling	121	236	7,080	84,960	5,552	6.53%
Trashigang	49	98	2,940	35,280	4,930	13.97%
Monggar	58	114	3420	41,040	3,250	7.92%
Haa	28	56	1,680	20,160	4,013	19.91%
Samdrup Jongkhar	54	118	3,540	42,480	2,058	4.84%
Total	**2,749**	**5,464**	**163,920**	**1,967,040**		

Note- The occupancy rate in reality is likely to be higher since this calculation only pertains to international tourists, and does not include figures of regional and domestic tourists, government guests, corporate guests etc.

TOUR OPERATOR SHARE OF INTERNATIONAL MARKET

Norbu Bhutan Travel continued to dominate the market share followed by International Treks and Tours. This was followed by the Bhutan Tourism Corporation Limited's Luxury Division and Etho Metho Tours and Treks. New entrants to the Top 10 rankings in 2012 was Druk Asia Tours and Treks. The table below shows the rankings of tour operators by gross tourism earnings.

Table 1.15
Tour Operator Share of Market (based on Bed Nights)

Tour Operator	Gross Earnings in USD (million)
Norbu Bhutan Travels	5.38
International Treks and Tours	2.36
Luxury Division (BTCL)	2.25
Etho Metho Tours and Treks	1.90
Yangphel Adventure Travel	1.80
Druk Asia Tours and Treks	1.55
Bhutan Tourism Corporation Limited	1.47
All Bhutan Connection	1.47
Windhorse Tours, Treks and Expeditions	1.33
Himalayan Kingdom Tours	1.25

TOURISM EARNINGS FROM INTERNATIONAL ARRIVALS (IN $US MILLION)

In 2012, the tourism receipts from the international leisure segment generated USD 62.80 million as direct gross earnings, out of which USD 16.63 million was generated as direct revenue for the Government through the "Royalty" (35% tourism levy on daily tariff) only. Other taxes such as the Business Income Tax (BIT) and Sales Taxes paid by tourism service providers also translate into government revenue, therefore increasing the revenue generated by the tourism industry. Gross earnings increased by an unprecedented +31.71% as compared to 2011. Table 1.18 shows the breakdown of tourism earnings from the international segment of visitors.

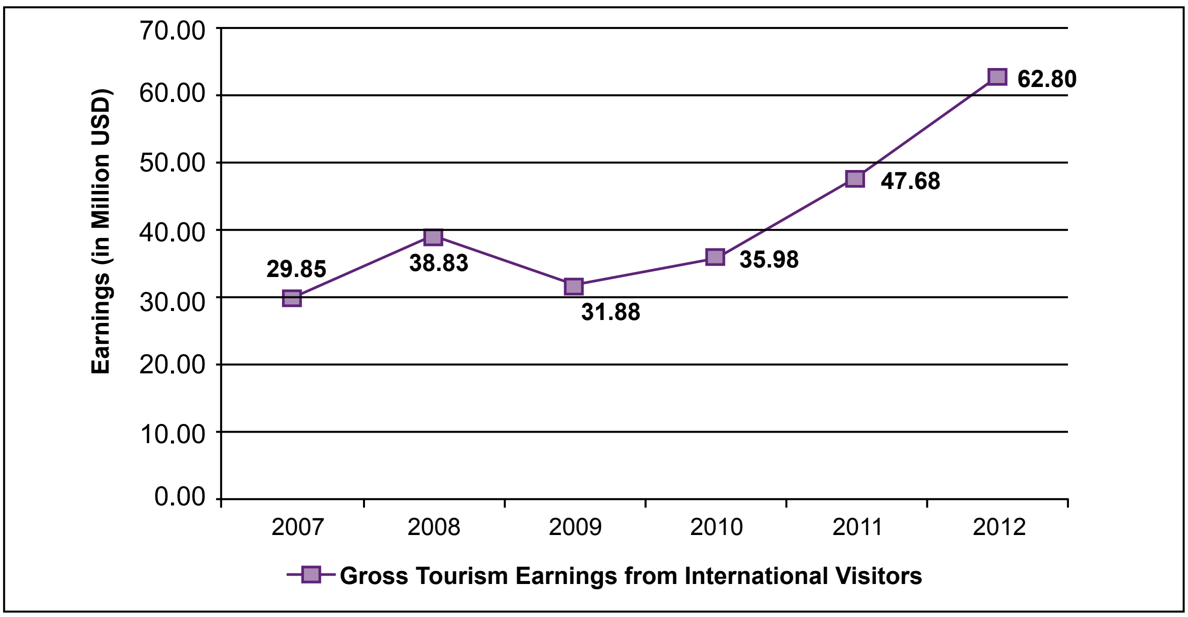
It is very difficult to measure the real benefit of tourism as it encompasses many services contributed by indirect tourism players in its supply chain. Many countries have tried to measure tourism industry's benefit through Tourism Satellite Account (TSA), a methodology developed by the United Nation World Tourism Organization (UNWTO). However, TSA does not take into account the indirect tourism benefits. It is believed that in most cases the indirect benefits is more than double of the direct tourism benefits.

In reality, findings indicate that the overall tourism earnings is estimated to be approximately in excess of USD 211.5 million including receipts from Drukair, regional tourism, Out-of-pocket spending of visitors on shopping and other additional services and products etc.

Table 1.16
Tourism Earnings Breakdown (USD)

Earnings Breakdown	Earnings USD (million)
Gross Earnings	62.80
Royalty	16.63
Visa Fee from Tourists	0.86
Visa Fee from FAM visitors	0.015
20% Surcharge	0.43
80% Surcharge	1.72
2% Tax Deducted at Source	0.90
Tour Operator's Net	43.96

Graph: 1.8
Tourism Earnings from International Leisure Visitors in USD millions (2007-2012)



Section 2 – Exit Surveys for International Visitors

All results in Section 2 are findings from data collected using an administered (i.e. interviewer conducted) exit survey methodology, in which departing tourists were interviewed for their first-hand feedback. The exit surveys were conducted using the on-site methodology by commissioning a team of experienced enumerators to the Paro International airport.

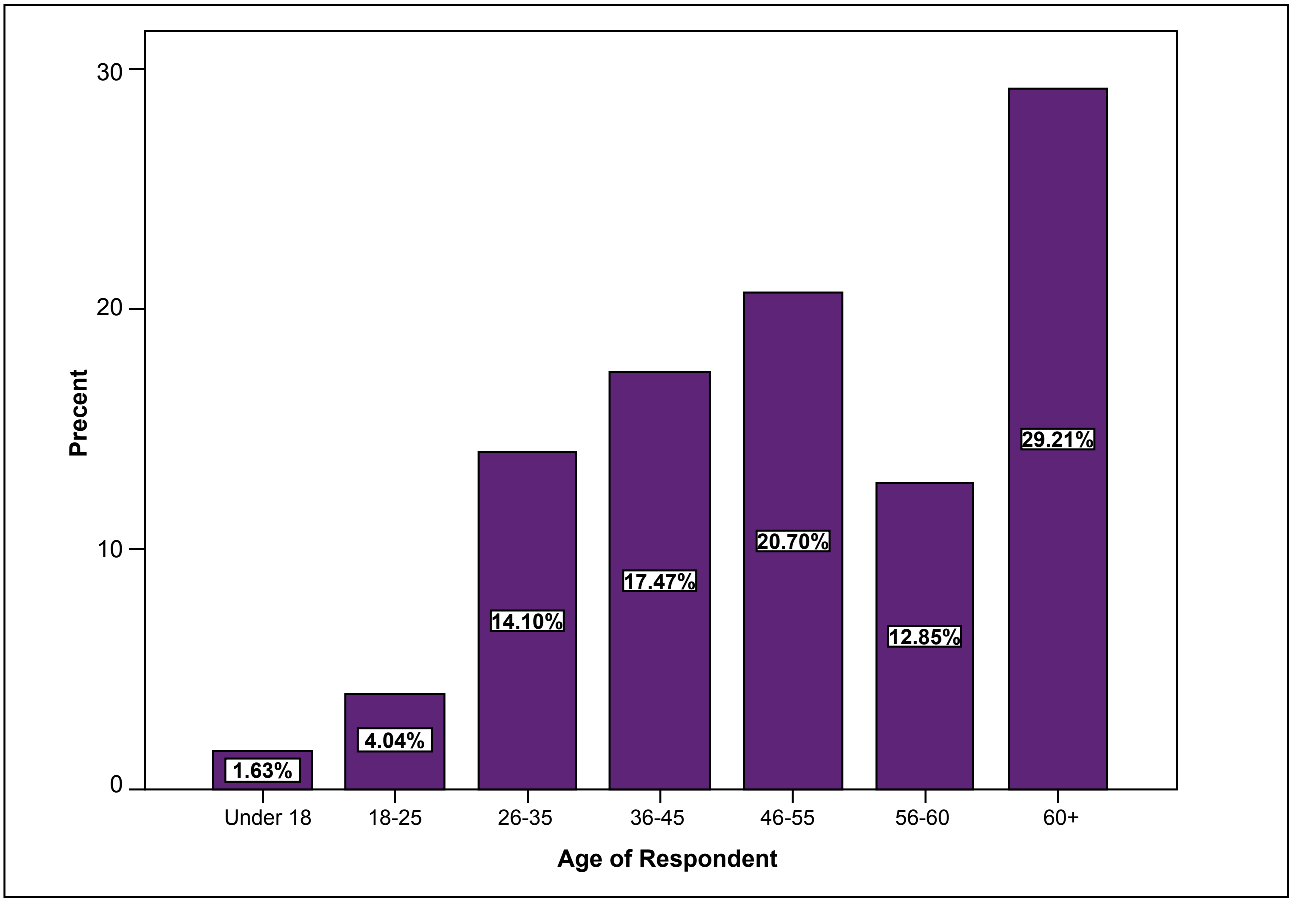
A total of 10,556 visitors were sampled in order to represent statistically reliable findings with minimal margin of errors. A total of five collection periods spanning a month each were carried out over different parts of the year to capture data pertaining to specific visitation times.

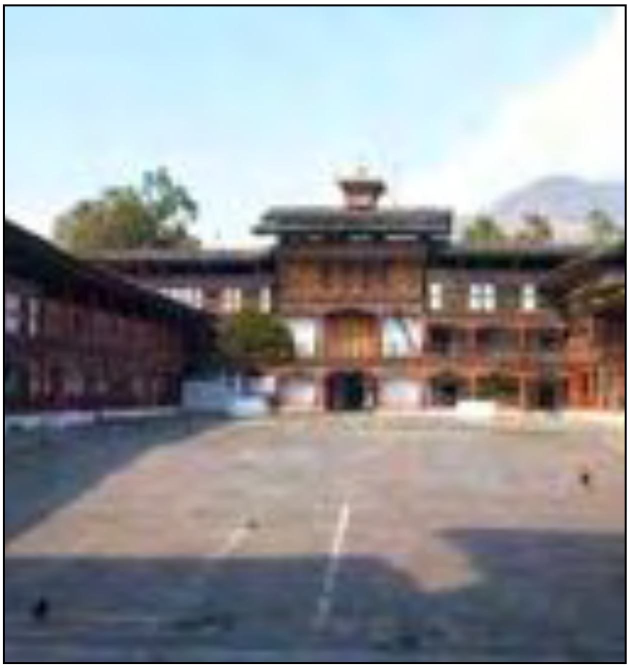
This data provides additional information to the Tashel-Online system. It gives a more in-depth "snapshot" of the visitors' travel behaviours, motivations, patterns and preferences and a first-hand visitor feedback on their Bhutan experience.

AGE OF VISITORS

International visitors to Bhutan are mostly 45+ years in age (62.76% of all respondents). Similar to earlier findings, the dominant age bracket was 'Over 60' years with 29.21%, followed by the '46 - 55' years bracket with 20.70%. The '36 - 45' years also rated significantly with 17.47%, followed closely by '26 - 35' years age bracket with 14.10%. Only 5.67% were below 25 years of age. The constant trend suggests that Bhutan mainly attracts elderly travellers who are generally richer, well travelled, and willing to pay a premium to experience Bhutan.

Graph 2.1
Age of Visitors



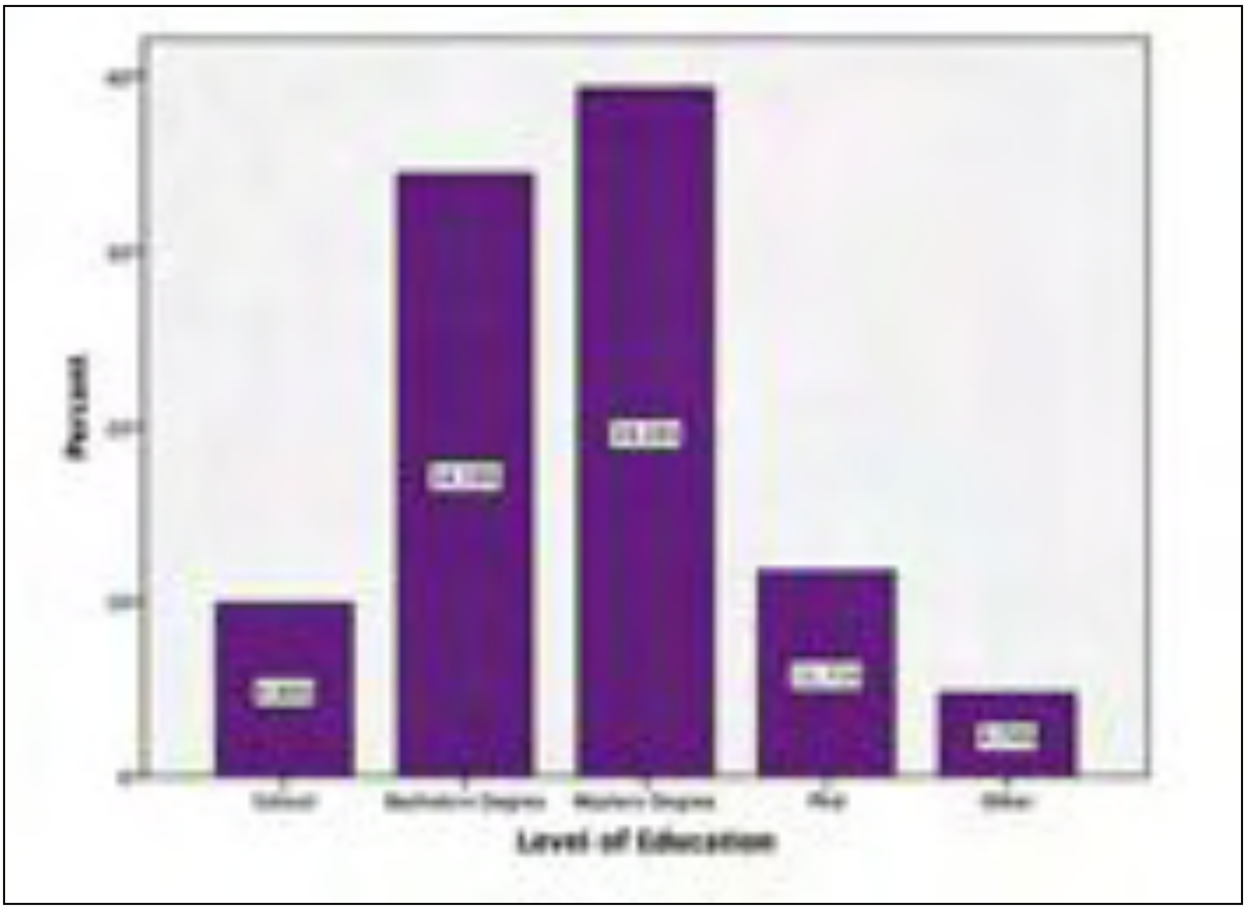


LEVEL OF VISITOR EDUCATION

Visitors to Bhutan are well educated and the trend continues in 2012 with 90.10% of all respondents holding at least a Bachelor's degree. Out of which, some 39.26% had a Master's Degree and another 11.71% indicated to have Doctorate qualifications.

The fact that well-educated tourists come to Bhutan is a positive indicator for "High Value, Low Volume" tourism policy, as Bhutan positions itself as a high-end destination.

Graph 2.2
Visitors' Level of Education



COMPOSITION OF VISITORS TRAVEL PARTY

Whilst the composition of the visitors' travel party was distributed almost equally across all categories, the dominant segment remained to be 'Tour Groups' with 39.89%. This finding is not surprising given that international leisure visitors have to avail the services of a registered local tour operator, or their foreign partner agents who offer organised travel packages to Bhutan. Visitors travelling as 'Group of Friends' closely followed by 'As a couple' with 23.70% and 23.10% respectively, also indicates that many also prefer personalised smaller groups to travel to Bhutan. Only 5.46% travelled 'As a Family', which is not a surprising finding given that the pricing policy is applicable to all individuals.

Such information on composition of travel party is important for future marketing and packaging. It also has implications for infrastructure planning. In terms of marketing, the 'Travel Party Composition' is even more important coupled with the information concerning nationality. A cross-tabulations analysis shows that there is a strong preference for tourists from USA to travel as part of a 'Tour Group' (37.79%) or 'As Group of Friends' (25.25%). Similarly, more than half of the visitors from the main European markets such as France, Switzerland, Netherlands, Italy and Germany also prefer to travel in 'Tour Groups'. Visitors from main Asian markets such as China, Thailand and Singapore predominantly travelled with their friends. Some 9.38% of Singaporeans travelled as a family.

Graph 2.3
Composition of Visitors Travel Party

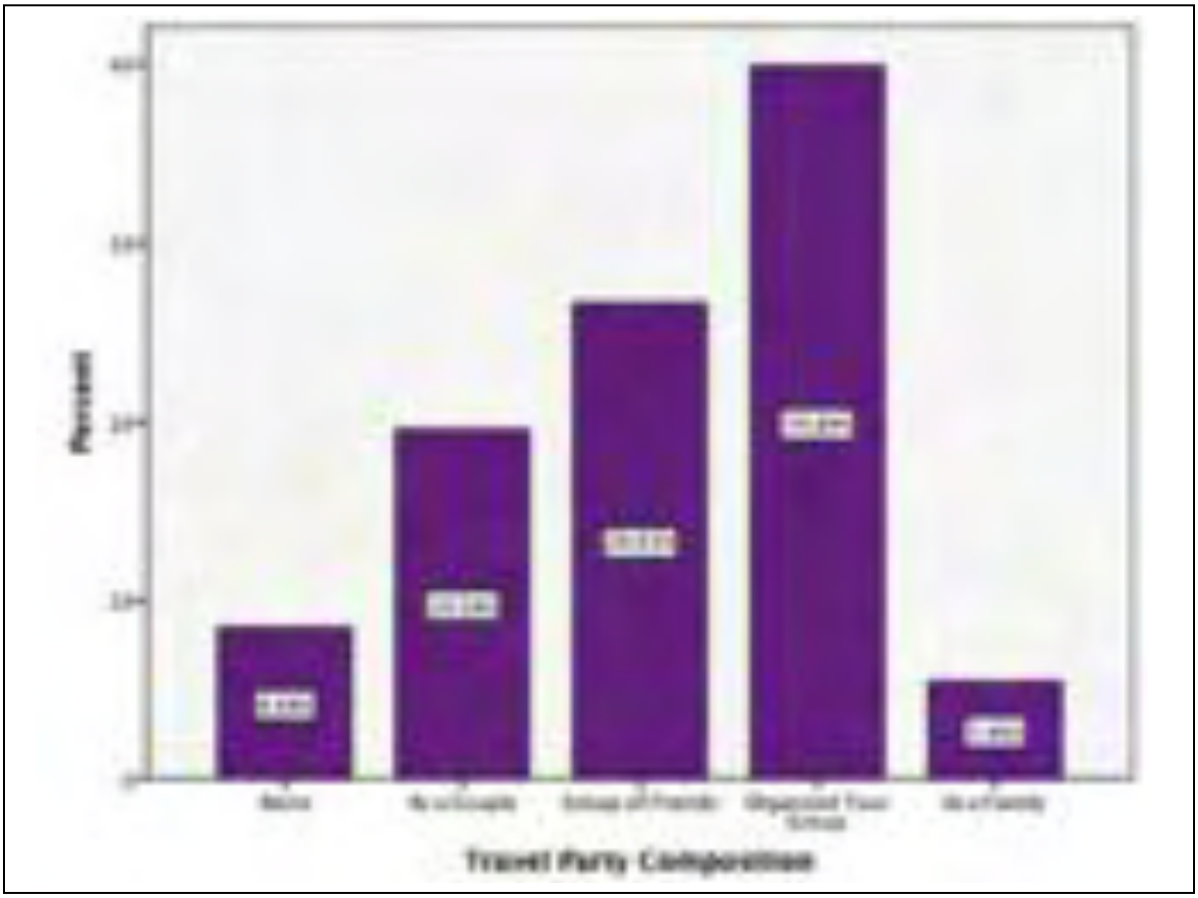


Table 2.1
Travel Party Composition by Major Markets

Major Source Markets	Alone (%)	As a Couple (%)	Group of Friends (%)	Organised Tour Group (%)	As Family (%)
USA	8.42	20.35	25.25	37.79	8.19
Japan	15.48	13.56	26.85	38.36	5.75
Germany	7.14	19.49	18.00	52.50	2.88
UK	6.50	22.38	17.33	49.94	3.85
China	7.26	20.67	49.35	20.48	2.23
France	3.11	14.22	16.00	64.44	2.22
Australia	7.68	27.45	25.33	32.52	7.03
Thailand	5.29	6.98	41.86	41.23	4.65
Italy	13.45	21.05	13.45	50.29	1.75
Netherlands	12.00	20.67	6.00	55.33	6.00
Switzerland	5.61	20.25	14.02	55.45	4.67
Canada	7.51	21.32	25.23	41.74	4.20
Singapore	8.68	21.88	43.40	16.67	9.38

REPEAT VISITATION PATTERN OF VISITORS

International leisure visitors were mostly first-timers to Bhutan with 79.34%. Some 12.19% indicated that they had visited Bhutan on two previous occasions, followed by 7.04% who visited once before. Bhutan is constantly focusing on product diversification and opening new destinations to encourage repeat visitations and diversify visitor profiles. The opening of Merak-Sakteng Community-based trek and the Royal Manas National Park are specific initiatives geared towards attracting those who have already been in Bhutan, but would like to visit again for a different experience. Trends in the last yew years indicate that repeat-visitations have been increasing in recent times, therefore dispelling earlier notions of Bhutan being a "Once in a lifetime destination".

Graph 2.4
Patterns of Repeat Visitation

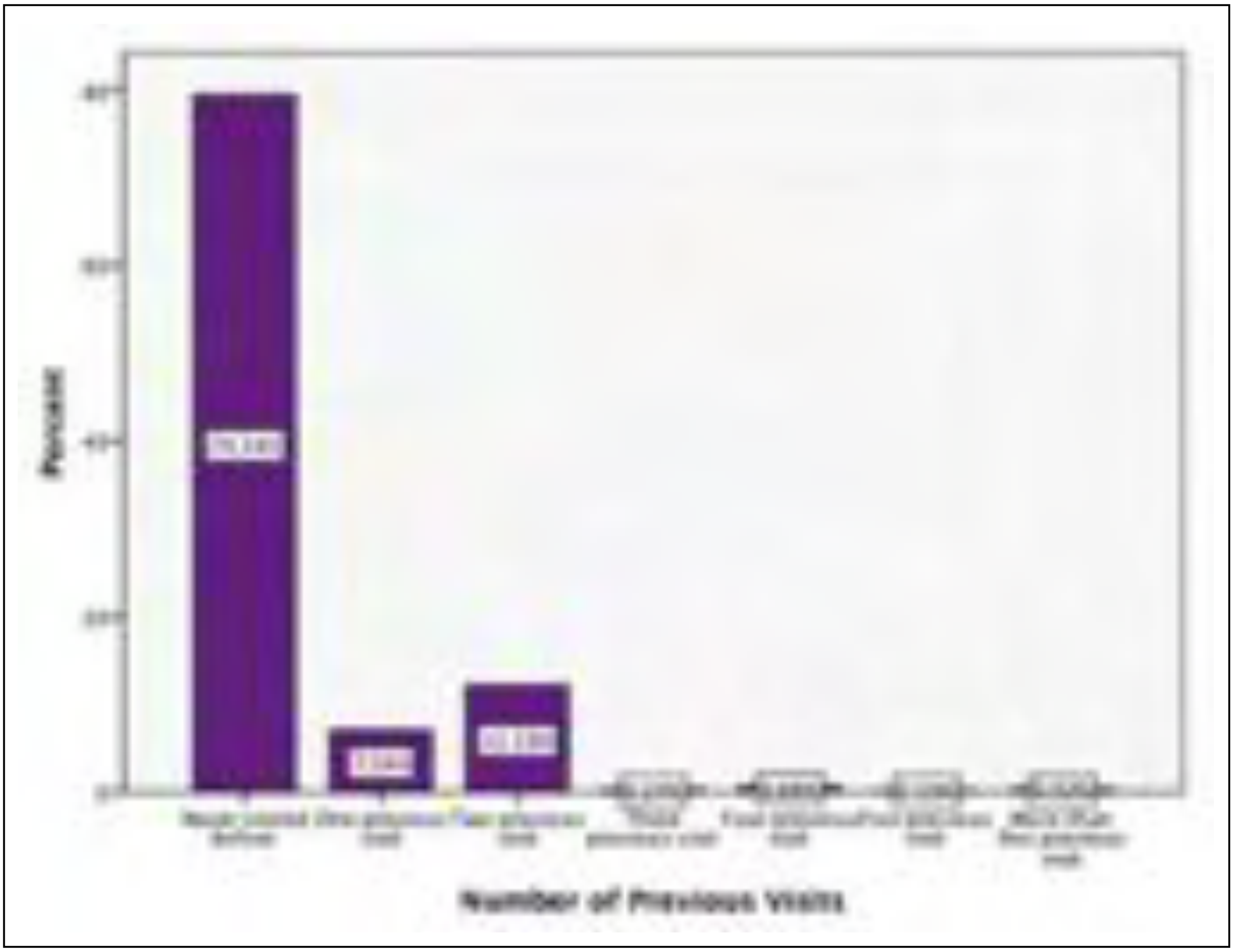


Table 2.2
Repeat Visitors by Major Markets

Major Source Markets	Never visited before (%)	One previous visits (%)	Two previous visits (%)	Three previous visits (%)	Four previous visits (%)	Five previous visits (%)	More than five previous visits (%)
USA	82.59	5.04	11.31	0.11	0.50	0.11	0.33
Japan	69.35	12.21	15.53	1.25	1.39	0.00	0.28
Germany	82.64	4.93	11.15	0.21	0.75	0.21	0.11
UK	85.92	4.57	8.54	0.12	0.72	0.00	0.12
China	64.31	7.06	26.95	0.37	0.19	0.93	0.19
France	87.29	6.35	5.60	0.00	0.61	0.00	0.15
Australia	78.23	6.87	14.08	0.00	0.49	0.16	0.16
Thailand	71.43	10.87	15.78	0.64	0.85	0.00	0.43
Italy	80.70	7.60	6.43	0.00	2.92	2.34	0.00
Netherlands	90.67	2.00	3.33	0.00	2.67	0.00	1.33
Switzerland	84.33	5.33	10.03	0.00	0.00	0.31	0.00
Canada	92.12	3.94	3.64	0.00	0.00	0.00	0.30
Singapore	72.07	7.59	18.28	0.69	0.69	0.00	0.69

INTENTION TO RETURN TO BHUTAN

Respondents clearly expressed their opinions about a possible return to Bhutan. An encouraging number of respondents (80.40%) indicated that they would like to visit Bhutan again in the near future - an indicator of high satisfaction levels. The remaining 19.60% believed that they had experienced what Bhutan has to offer and therefore would not consider visiting again.

Table 2.3 illustrates the cross-tabulation of major markets and intention to return to Bhutan.

Graph 2.5

Intention to Return to Bhutan

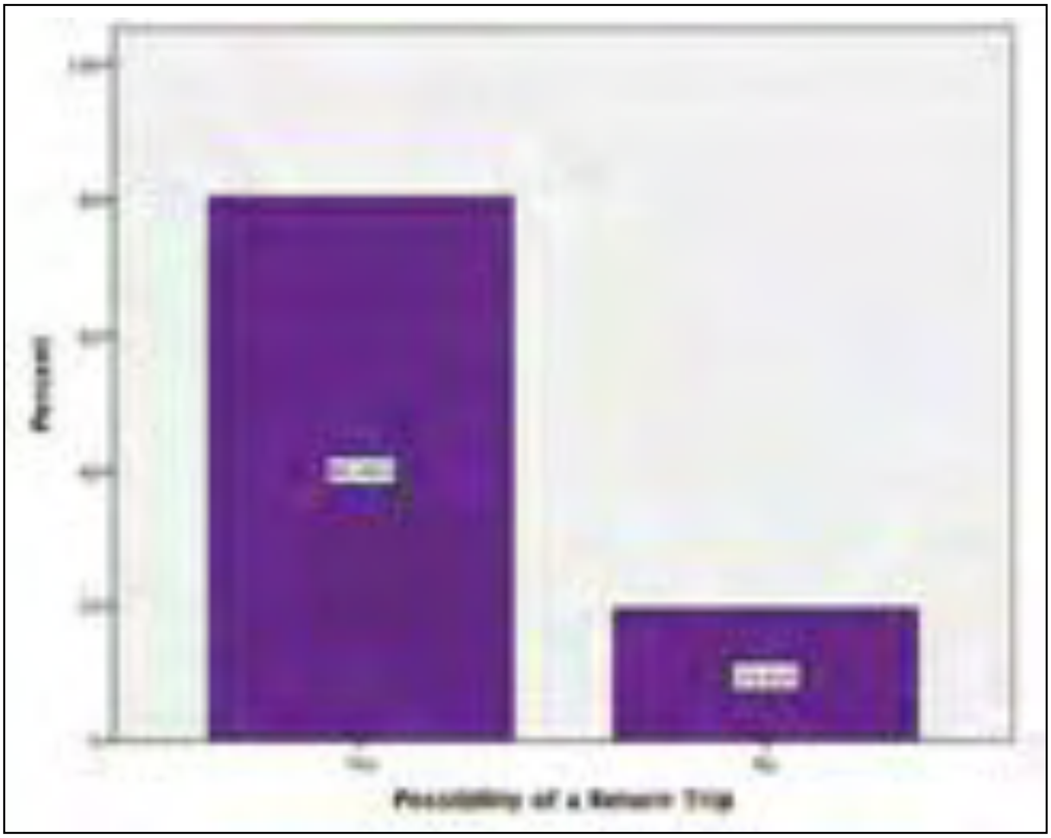


Table 2.3

Intention to Return to Bhutan by Nationality

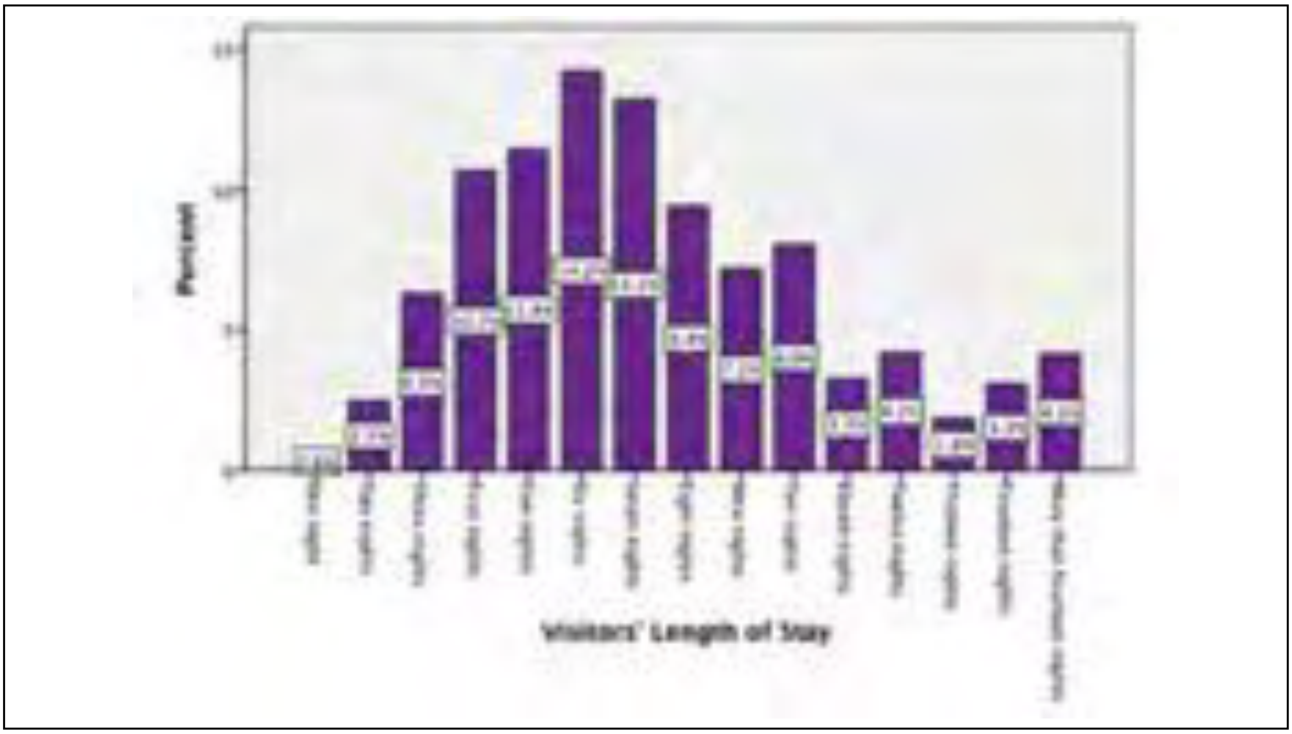
Major Markets	Yes (%)	No (%)
USA	79.05	20.95
Japan	87.28	12.72
Germany	74.33	25.67
UK	82.51	17.49
China	85.47	14.53
France	72.09	27.91
Australia	83.45	16.55
Thailand	81.32	18.68
Italy	85.89	14.11
Netherlands	81.33	18.67
Switzerland	83.16	16.84
Canada	72.24	27.76
Singapore	81.85	18.15

VISITORS' LENGTH OF STAY

Bhutan is predominantly seen as a short-holiday destination with 67.30% of the visitors staying for 8 nights, or less. Majority of the visitors stayed for 6 nights (14.20%), followed by 7 nights (13.20%), 5 nights (11.40%) and 4 nights (10.70%). This finding illustrate that most visitors come to Bhutan for a cultural experience as opposed to a Trekking/Adventure holiday that require longer stays.

The Tourism Council of Bhutan offers duration discount schemes for those staying for more than 8 nights and 15 nights respectively, to encourage visitors to stay longer in Bhutan. In 2012, some 32.70% stayed for more than 8 nights, out of which only 4.1% stayed for more than 2 weeks.

Graph 2.6
Visitors' Length of Stay



BHUTAN AND CIRCUIT TOURISM

Sampled visitors were asked to indicate whether Bhutan was their sole and primary destination, or whether it was part of a circuit of destinations. This question is asked in order to understand valuable information regarding possible future marketing partnerships and networks. Almost one third (31.40%) of the total respondents indicated that Bhutan was their only destination during the trip. This implies that many are willing to spend a lot more money on long-haul international flights to solely experience Bhutan. Others indicated that they combined their Bhutan trip with Nepal (27.0%), India (25.80%), and Thailand (23.7%).

To a lesser extent, the increase in arrivals through the Nepal sector also had implications on other circuit destinations such as Tibet, with 3.40% of visitors combining Bhutan with it. Visitors also combined their Bhutan trip with Bangladesh (2.80%), Cambodia (2.80%) and Laos (1.50%).

Table 2.4 illustrates the preferences of major markets with circuit tourism. Majority (42.55%) of the visitors from the biggest market Japan visited Bhutan as a sole destination during the trip. Similarly, other top Asian markets such as Thailand and Singapore with 77.97% and 72.32% respectively also solely visited Bhutan during the trip. This is mainly owing to the availability of direct flights from these two countries. Majority of the visitors from Italy also visited only Bhutan during the trip.

An even number of visitors from the USA combined their travel itineraries with Thailand (34.15%), Nepal (29.48%) and India (27.70%). Germany, France, Netherlands and Switzerland preferred to combine their Bhutan trip predominantly with India. Visitors from UK, China, Australia and Canada combined their Bhutan holiday mostly with Nepal. A significant number of Australians, Canadians and Americans also combined their Bhutan trip with Tibet.

Graph 2.7
Bhutan and Circuit Tourism

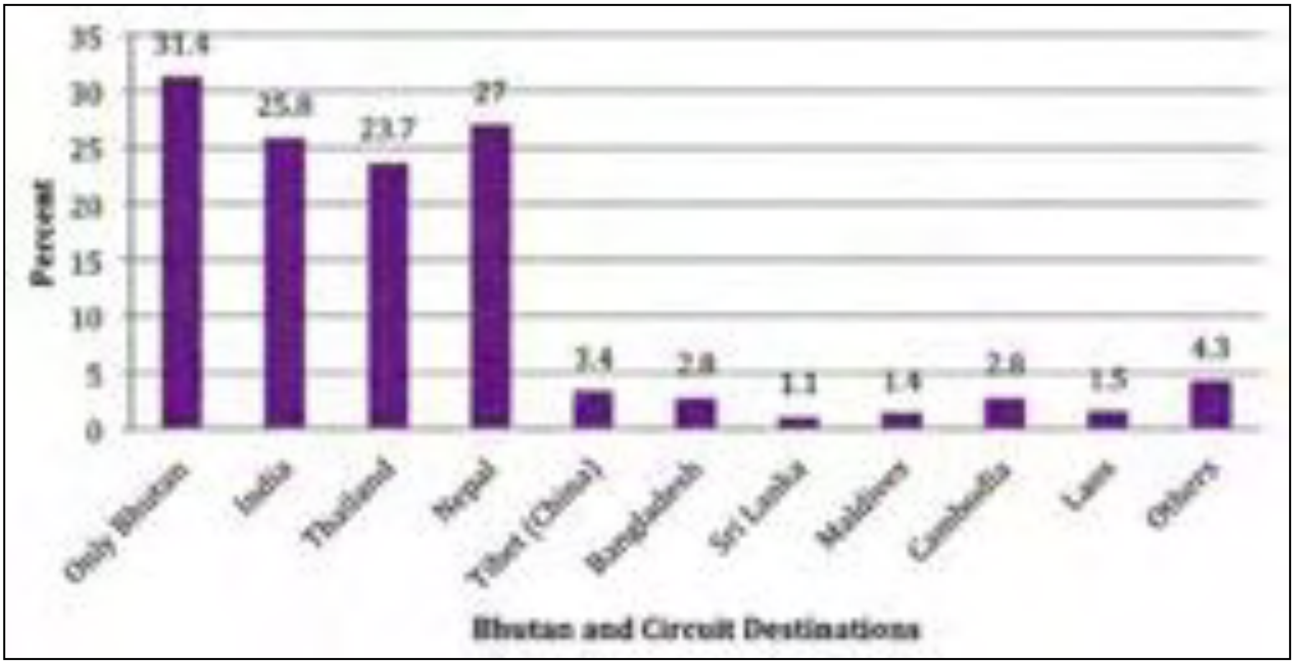


Table 2.4

Cross-tabulation of Circuit Tourism by Nationality

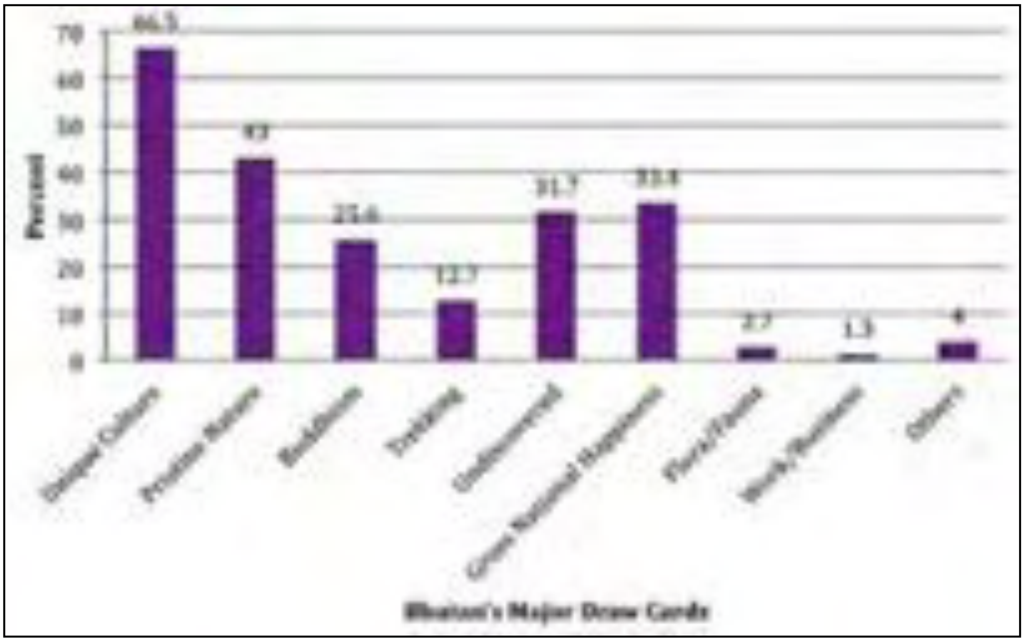
	Only Bhutan (%)	Combined with India(%)	Combined with Thailand (%)	Combined with Nepal (%)	Combined with Tibet (%)	Combined with Bangladesh (%)	Combined with Sri Lanka (%)	Combined with Maldives (%)	Combined with Cambodia (%)	Combined with Laos (%)
USA	25.36	27.70	34.15	29.48	3.95	2.45	0.89	2.34	5.01	2.73
Japan	42.55	9.76	33.20	8.67	2.17	2.30	0.54	1.08	2.98	1.63
Germany	20.38	44.37	13.59	23.35	0.53	1.38	0.32	0.53	1.06	0.74
UK	20.00	23.25	10.12	37.23	1.45	2.29	0.96	2.29	1.57	1.81
China	33.77	14.29	20.59	30.80	0.93	2.23	1.67	2.60	1.11	0.37
France	22.94	40.74	7.35	15.88	2.06	1.62	0.59	0.74	2.94	0.15
Australia	34.38	19.08	26.64	29.61	8.55	4.28	0.82	1.32	3.78	0.99
Thailand	77.97	4.03	7.42	3.39	1.69	8.05	0.85	1.27	2.12	2.12
Italy	40.94	17.54	4.68	23.39	0.58	2.92	1.75	0.58	1.75	1.17
Netherlands	18.67	37.33	13.33	30.00	0.67	0.67	0.67	0.00	1.33	0.67
Switzerland	33.44	29.10	11.76	14.55	0.93	3.10	1.55	0.62	0.93	2.48
Canada	18.56	41.92	21.56	44.31	4.49	4.49	2.69	3.59	4.19	1.20
Singapore	72.32	2.77	17.30	9.69	0.69	0.69	2.08	0.00	0.00	0.69
Other Europe	19.37	34.39	11.86	45.88	7.24	3.08	1.63	1.27	2.44	0.90
Other South East Asia	57.76	12.17	19.81	13.13	0.72	2.39	0.00	0.00	1.67	1.19
South America	4.52	38.42	15.82	61.02	21.47	1.69	0.56	0.56	7.91	3.95
Africa	12.35	54.32	19.75	17.28	6.17	0.00	0.00	0.00	6.17	6.17
Middle East	10.53	31.58	26.32	52.63	10.53	0.00	0.00	0.00	5.26	0.00
Others	37.28	15.68	8.96	25.92	2.24	2.24	0.96	0.32	1.44	0.80

BHUTAN – MAJOR DRAW CARDS

Respondents were asked to cite what exactly about Bhutan motivated them in the first place and what did they expect to see during their visit. The major draw cards and visitor perceptions about Bhutan as a destination seem to be gravitating towards the fact that it is a Himalayan Buddhist country with a unique living culture, pristine environment and a noble development philosophy where progress is measured by the happiness levels of the people and country. This is validated by the responses of visitors who indicated that the highest rated draw card was 'Culture' with 66.50%, followed by 'Natural Beauty' (43.0%), Gross National Happiness, or simply GNH (33.40%) and 'Undiscovered' (30.50%). 'Buddhism' (25.60%), and 'Trekking' (12.70%) also rated significantly.

Bhutan is regarded as a destination that combines the best of culture and nature. This is proven true with this and previous research. In the following Graph 2.8, categories are presented as per the responses of departing tourists but some of the responses can be safely included under the main 'Culture and Nature' category making this segment even more significant.

Graph 2.8
Major Attraction to Bhutan



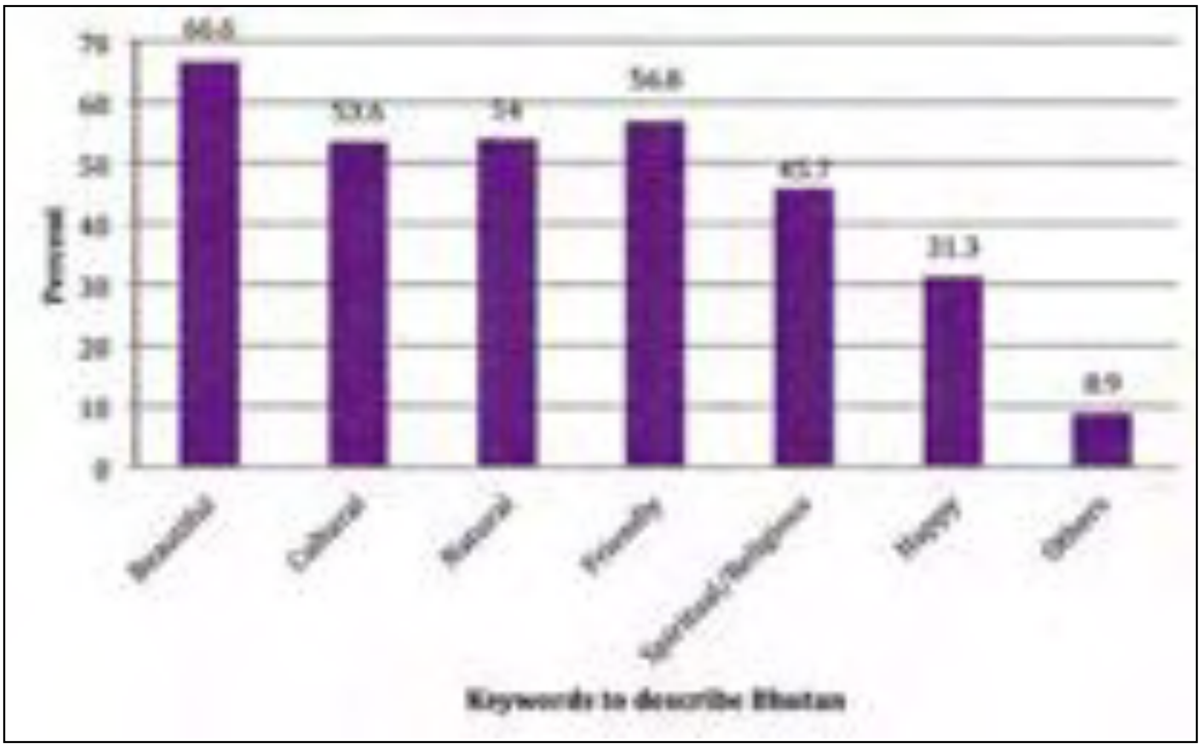
KEYWORDS TO DESCRIBE BHUTAN

Respondents were asked to list two or three keywords to describe Bhutan. From a wide range of responses, the most popular keywords were; 'Beautiful' (66.60%), 'Friendly' (56.80%), 'Natural' (54.0%), 'Cultural' (53.60%), 'Religious/Spiritual' (45.70%), and Happy (31.30%). Some other keywords used to describe Bhutan were 'Unspoiled', 'Rapidly developing', 'Pristine', 'Undiscovered', 'Timeless', 'Expensive' etc.

These impressions assist in determining some of the activities that the visitor really liked about his/her experience. Tour operators could use such identifiers when constructing future promotional strategies.

Graph 2.9

Keywords describing Bhutan

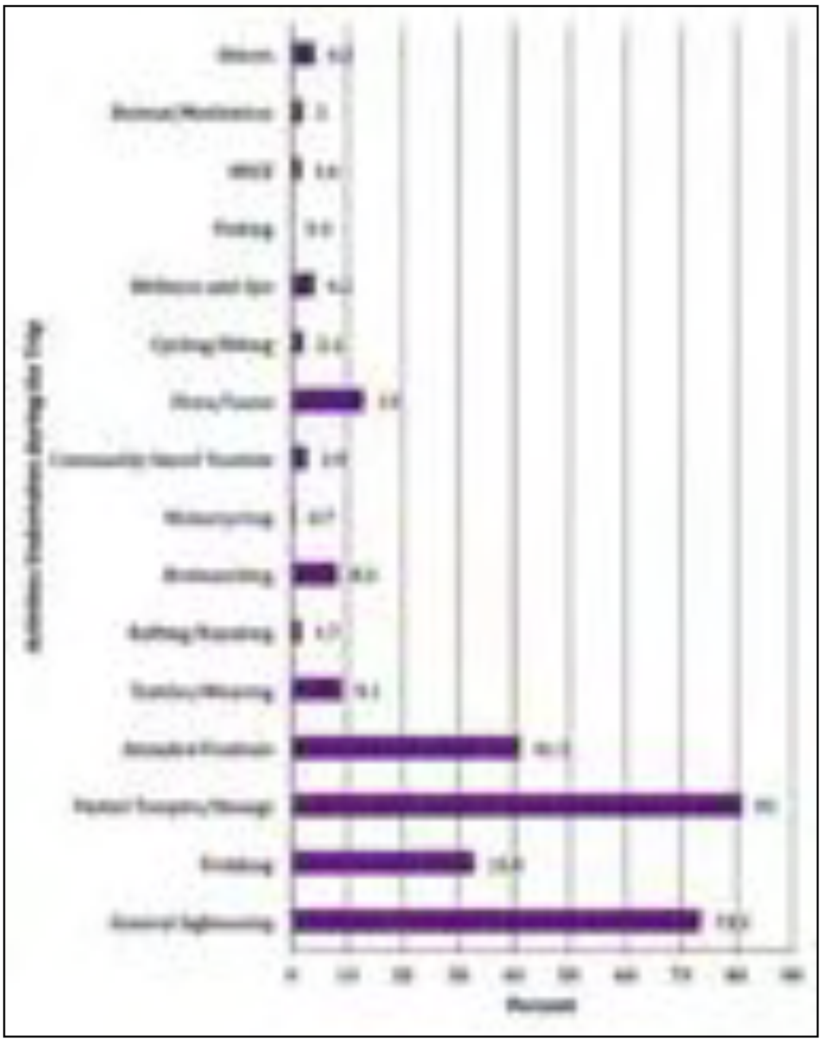


ATTRACTIONS VISITED/ACTIVITIES UNDERTAKEN

Respondents cited a diverse range of activities that they had undertaken during their trip, out of which the majority of 81.0% visited monasteries and Dzongs followed by another 73.50% who did general sightseeing during their trip. Some 41.1% indicated that they had witnessed at least a festival during their trip. The finding substantiates that Bhutan is mainly associated as a 'Cultural' destination.

Out of the total surveyed, some 32.90% took part in trekking activity by trekking on at least one or more official trek routes. Other nature-based activities such as 'Flora/Fauna' and 'Bird Watching' also rated significantly.

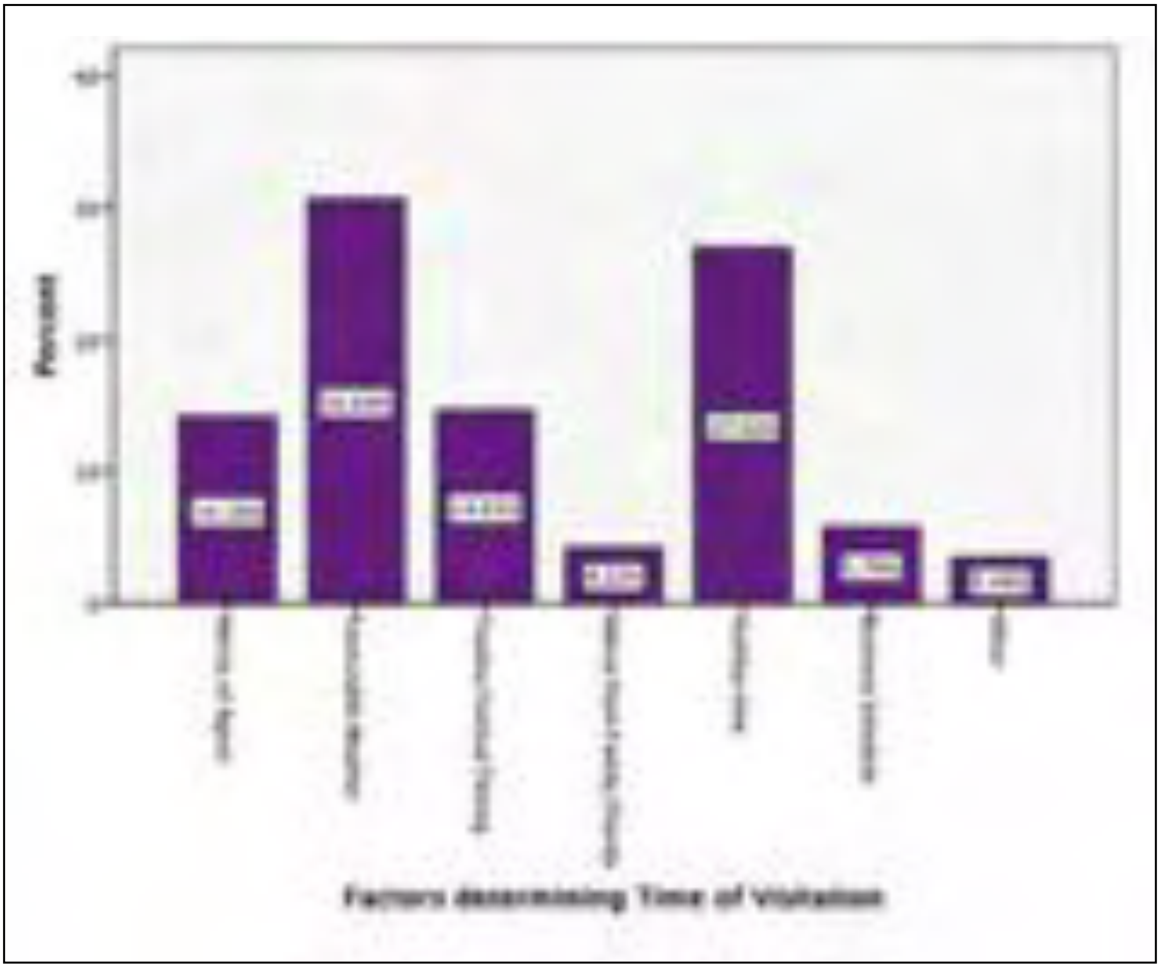
Graph 2.10
Attractions Visited/Activities Undertaken



VISITORS' TIME OF VISIT

Visitors were asked to indicate how they chose the time of year to visit Bhutan. As proven by this finding and findings of earlier researches, perceptions on favourable weather conditions in Bhutan determine the time of visit. The holiday timing of visitors in their country followed closely with 27.02% of the total respondents travelling during their holiday times. Timing of popular festivals (Tsechus) and 'Advice from Agents' also determined the time of visit with 14.65% and 14.16% of the total respondents respectively. Some 5.79% indicated 'Business/Work Schedule', thereby suggesting a significant number of business and corporate travellers to Bhutan.

Graph 2.11
Visitors Time of Visitation



HOLIDAY TIME IN SOURCE MARKETS

Respondents were asked to indicate the holiday timing in their country. The majority (53.05%) of the sampled cited the summer months of June, July and August as their holiday time and they would normally go for a vacation during these months. This is particularly interesting as Bhutan receives lesser visitation during these months. Further research confirmed that visitors plan their holidays during their children's school summer holidays. Some 23.57% indicated that they normally have a vacation in spring (March-May), followed by 12.31% who vacationed during Fall (September-November).

It is even more important to know the holiday time for the outbound major markets. Table 2.5 illustrates the prevailing trends in major source markets. Most of Bhutan's major markets like Japan (53.69%), USA (60.39%), Germany (60.23%), UK (62.90%), France (64.15%), Italy (78.51%), Netherlands (82.93%), and Switzerland (69.72%) markets travel during summer. Asia/Asia-pacific markets China, Australia, Thailand and Singapore have their holiday timing spread over the year. Clearly, Australia's holiday timing is in winter (summer in Southern Hemisphere) as suggested by 45.62% of the respondents.

Graph 2.12
Holiday Time in Source Markets

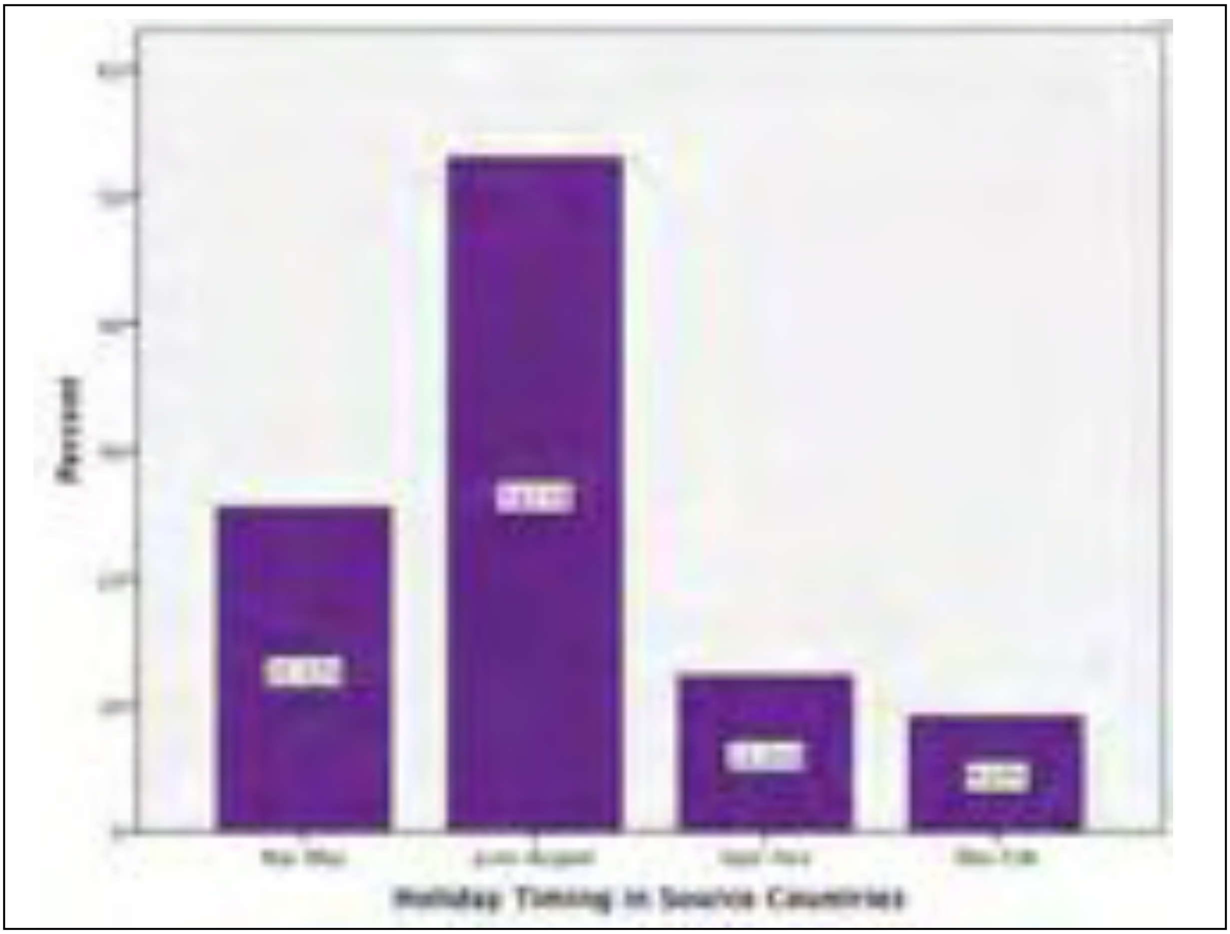


Table 2.5
Holiday Time by Major Source Markets

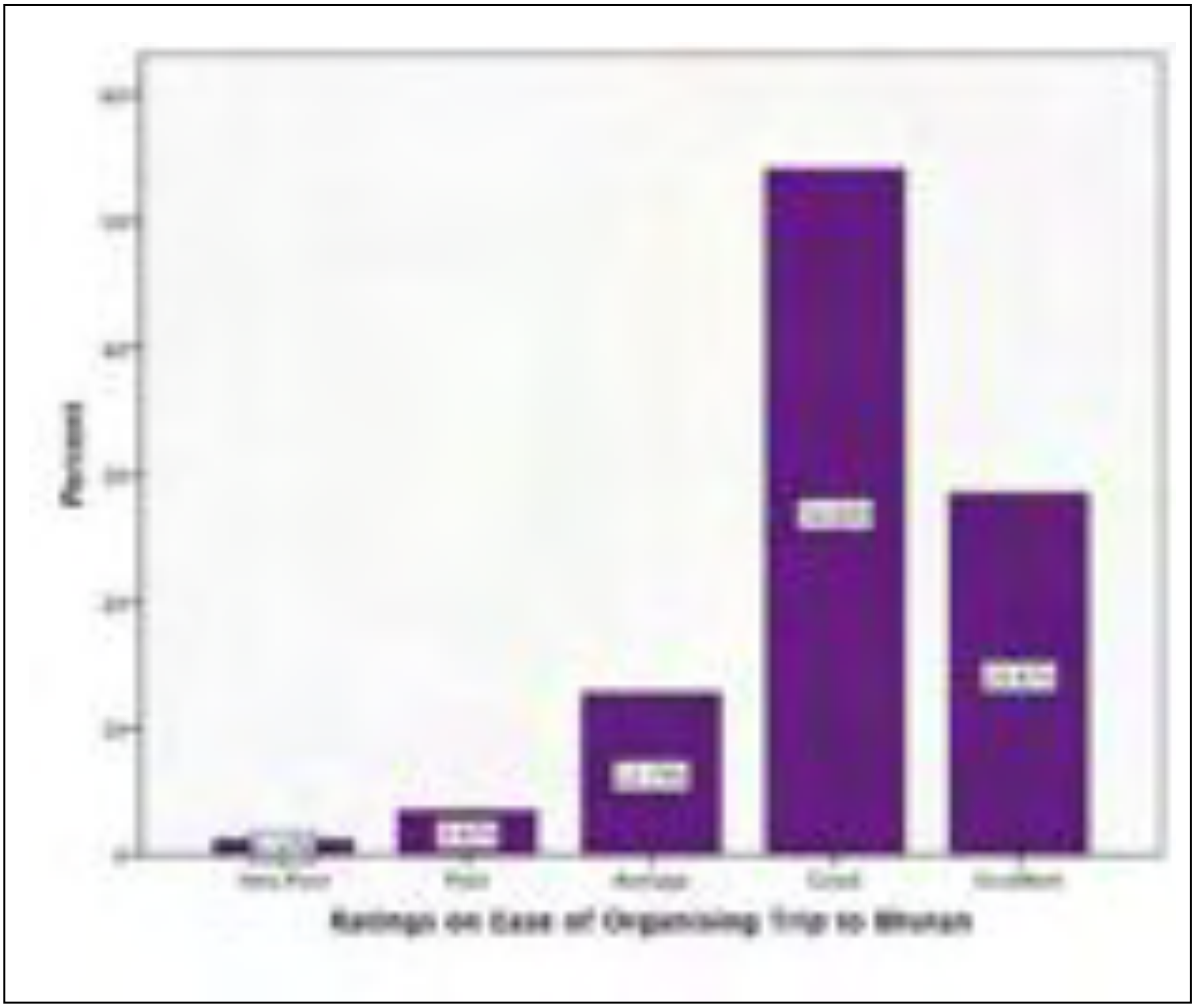
Major Source Markets	March-May (%)	June-August (%)	September-November (%)	December-February (%)
USA	24.63	60.39	12.29	2.69
Japan	26.85	53.69	13.93	5.54
Germany	24.04	60.23	13.04	2.69
UK	25.65	62.90	8.55	2.90
China	22.79	43.42	24.95	8.84
France	22.87	64.15	10.08	2.91
Australia	20.99	20.26	13.14	45.62
Thailand	58.39	18.25	13.38	9.98
Italy	7.44	78.51	8.26	5.79
Netherlands	13.82	82.93	2.44	0.81
Switzerland	22.18	69.72	6.34	1.76
Canada	22.68	48.24	13.74	15.34
Singapore	24.55	44.04	15.16	16.25

EASE OF ORGANISING TRIP TO BHUTAN

One of the biggest hurdles of visiting a destination can be the difficulty of organizing a trip. Whilst Bhutan is encouraging more visitations and marketing itself as an emerging destination, a misnomer that Bhutan restricts visitors, or visas are incredibly difficult to get, seems to exists in the international community. Many are not aware that as long a visitor is willing to pay the tariff, there is no ceiling on how many visitors can visit per year. Sampled respondents were asked to assess the ease of organising their trip to Bhutan. More than in excess of three quarters (82.56%) of the total respondents indicated that it was easy to organise their Bhutan trip. This is in fact not a surprising finding as their local tour operators do all the travel arrangements. Only 4.64% of those sampled indicated that they had encountered difficulty in organising their visit.

Many amongst those who rated 'average' in organising their trip indicated that it was mainly due to the inconveniences caused due to flight availabilities, abrupt flight cancellations due to weather conditions, undependable domestic flights schedule etc. Some also mentioned the lack of professionalism and ethics of travel agents and local tour guides.

Graph 2.13
Visitors' Ease of Organising Travel to Bhutan



OUT OF POCKET SPENDING

The daily tariff that visitors pay to come to Bhutan is an all-inclusive package rate that includes 'Royalty' – which goes as government revenue, full board, transport, guiding services etc. This however does not include airfare for flights in and out of Bhutan. Besides the airfare and the daily tariff (package price), respondents were asked if they had spent any extra money on any additional goods and services while they were in Bhutan.

Out of the total respondents, some 58.29% made out-of-pocket expenses on various additional services that were not included in the package price. This means that the remaining 41.71% did not spend at all besides the daily tourism tariffs.

Majority (47.90%) of the total visitors shopped for souvenirs and other handicraft products. Some respondents indicated that the prices for souvenirs were generally expensive and many products were not made in Bhutan. Average spending on shopping was recorded at $240.22.

Tipping and offerings to temples etc. were made by 45.10% of the total respondents. Average out-of-pocket spending by visitors for rewarding their service providers with tips for guides, drivers, hotel personnel etc. amounted to USD. 132.62.

The next category of out-of-pocket spending (over and above the package price) by visitors was 'Food and Beverages'. This is not surprising because the package price normally includes full board (Breakfast, Lunch and Dinner) but without beverages. The average out-of-pocket spending for extra meals other than the standard inclusions, and beverages, amounted to USD. 73.80.

This was followed by 23.60% who spent extra cash on buying stamps, postcards and sometimes even shipping parcels (souvenirs, handicrafts, personal trekking gear etc.) using local postal services in Bhutan. Average spending for this category was USD. 16.84.

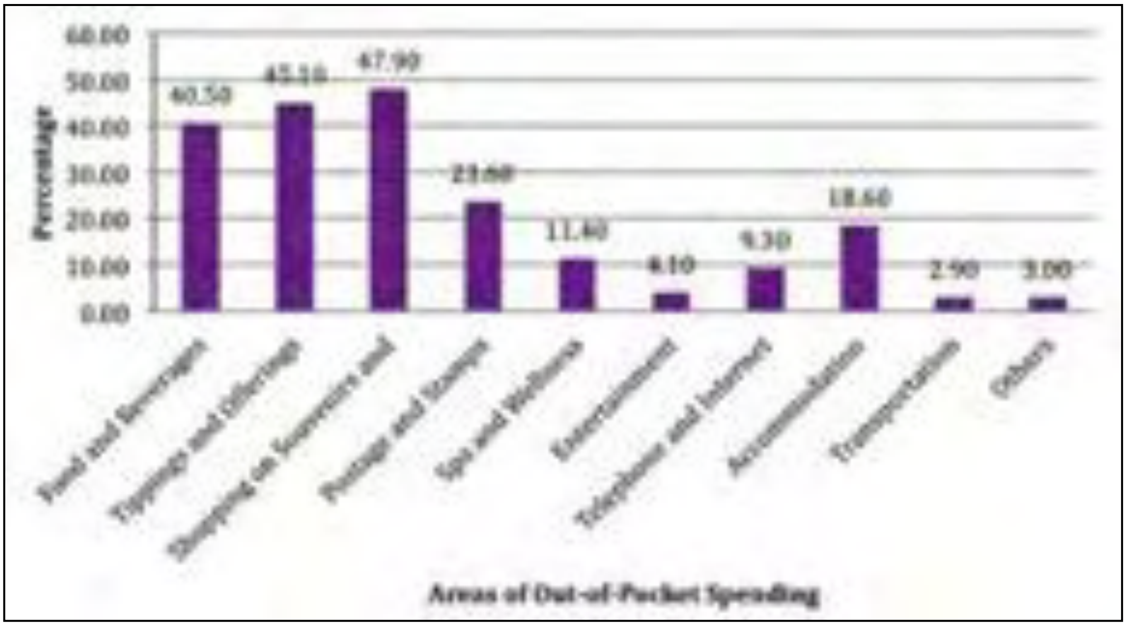
Out of the total, some 18.60% indicated that they spent extra money on accommodation by upgrading from a standard 3-Star to more luxurious 4 and 5 Star properties. Average out-of-pocket spending for this category amounted to USD. 497.03.

Some 11.40% participated in wellness activities such as meditation, Yoga, retreats, spa and other wellbeing activities. This suggests that Bhutan is gradually improving in Wellness ratings as more visitors come to experience these activities.

The average total out-of-spending of visitors was recorded at a mean of USD. 270.29. Majority of those who spent extra spent 'More than USD. 500' during their trip, followed by those who spent between 'USD 101 – 200', and 'Less than USD. 100', as illustrated in Graph 2.15.

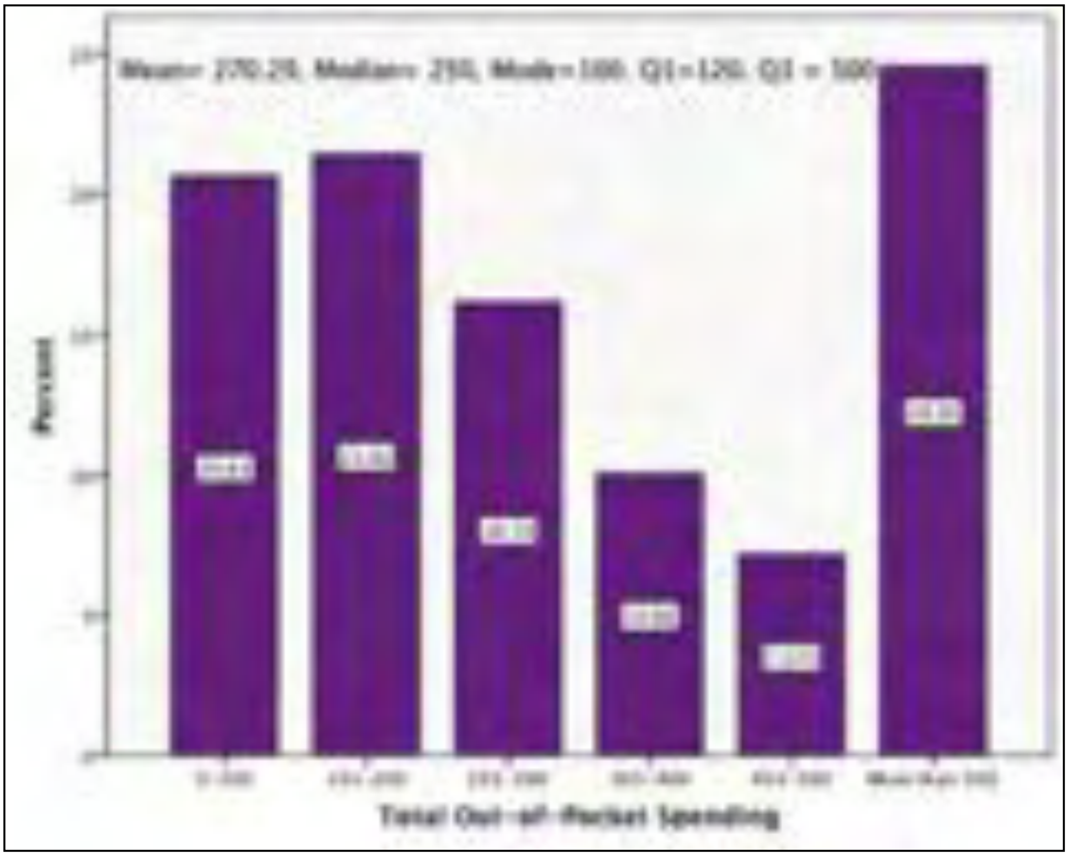
Graph 2.14

Out of Pocket Spending by Categories



Graph 2.15

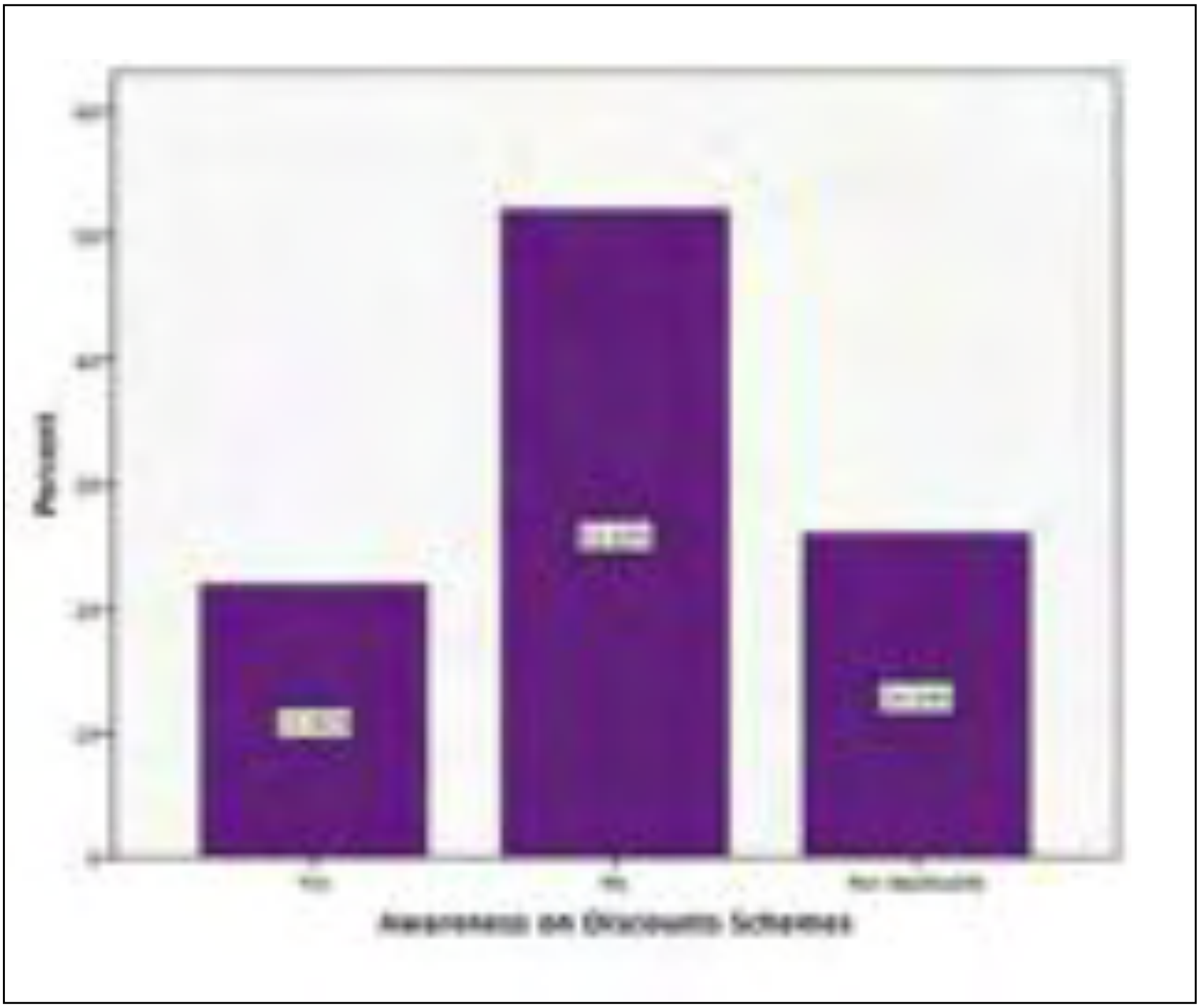
Out of Pocket Spending in USD



VISITORS' AWARENESS ON VARIOUS DISCOUNT SCHEMES

The Survey also included questions to elicit awareness levels of visitors on the availability of various discounts like group-size, duration, student and child discounts. The Graph below illustrates that only 21.92% of all visitors were aware and informed of these discount schemes and had availed one or more discount schemes. Some 52.03% reported that they were not aware of any discount schemes as they booked their holidays mainly through offshore agencies that sold packages for a fixed price.

Graph 2.16
Visitors' Awareness on Various Discount Schemes

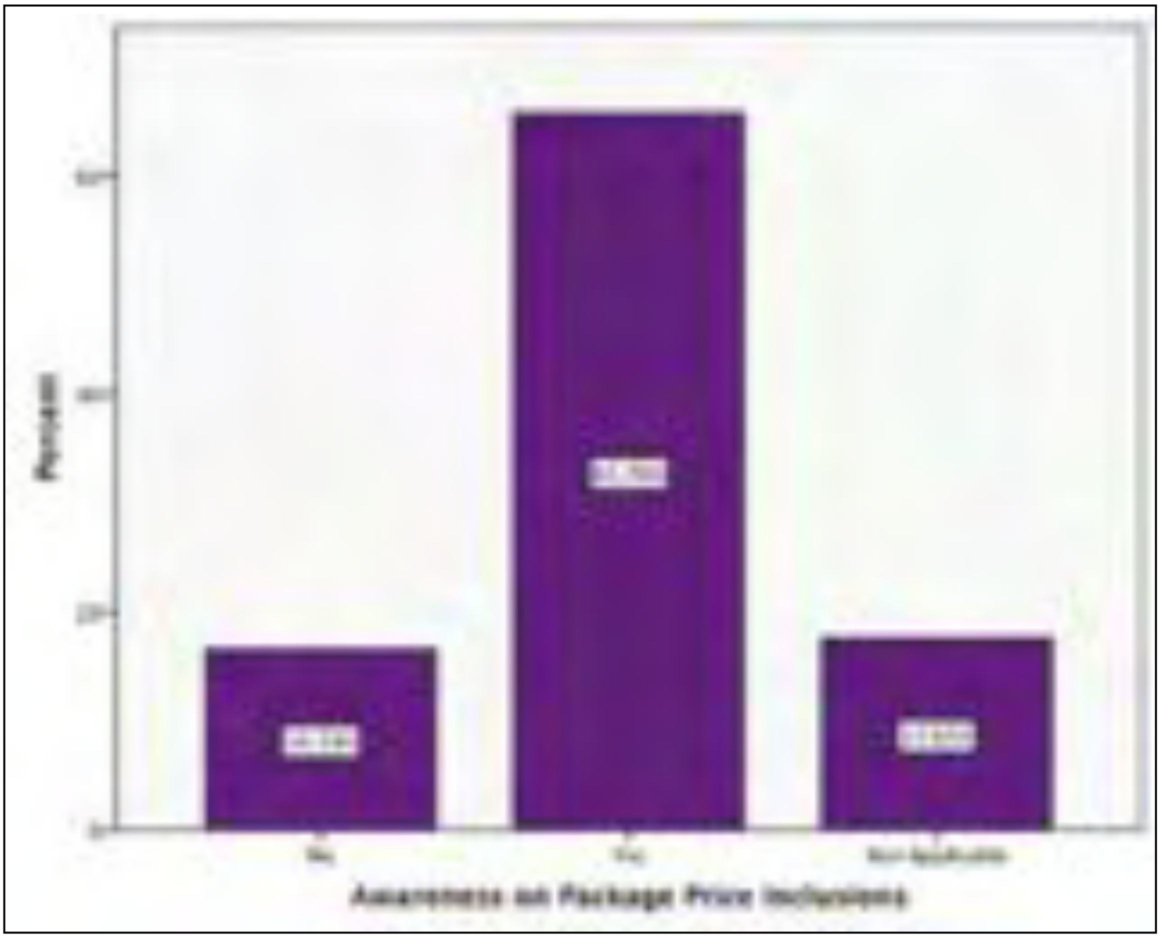


AWARENESS ON THE BREAKDOWN OF PACKAGE PRICE

The survey collected data on the level of prior information and awareness about package inclusions. A clear majority (65.76%) indicated that they knew what the package price included. Some 16.59% mentioned that whilst they knew that it is an all-inclusive fee, they did not know the exact breakdown of package prices as retailed by the tour operators. This is also attributed to the fact that many offshore agents sell Bhutan packages without full disclosure on the details. Few shared their curiosity to know more about how the Government utilises the tourism levy (Royalty), as the visitors are informed that it is used for the overall welfare of the Bhutanese people.

Graph 2.17

Awareness on the Breakdown of Package Prices



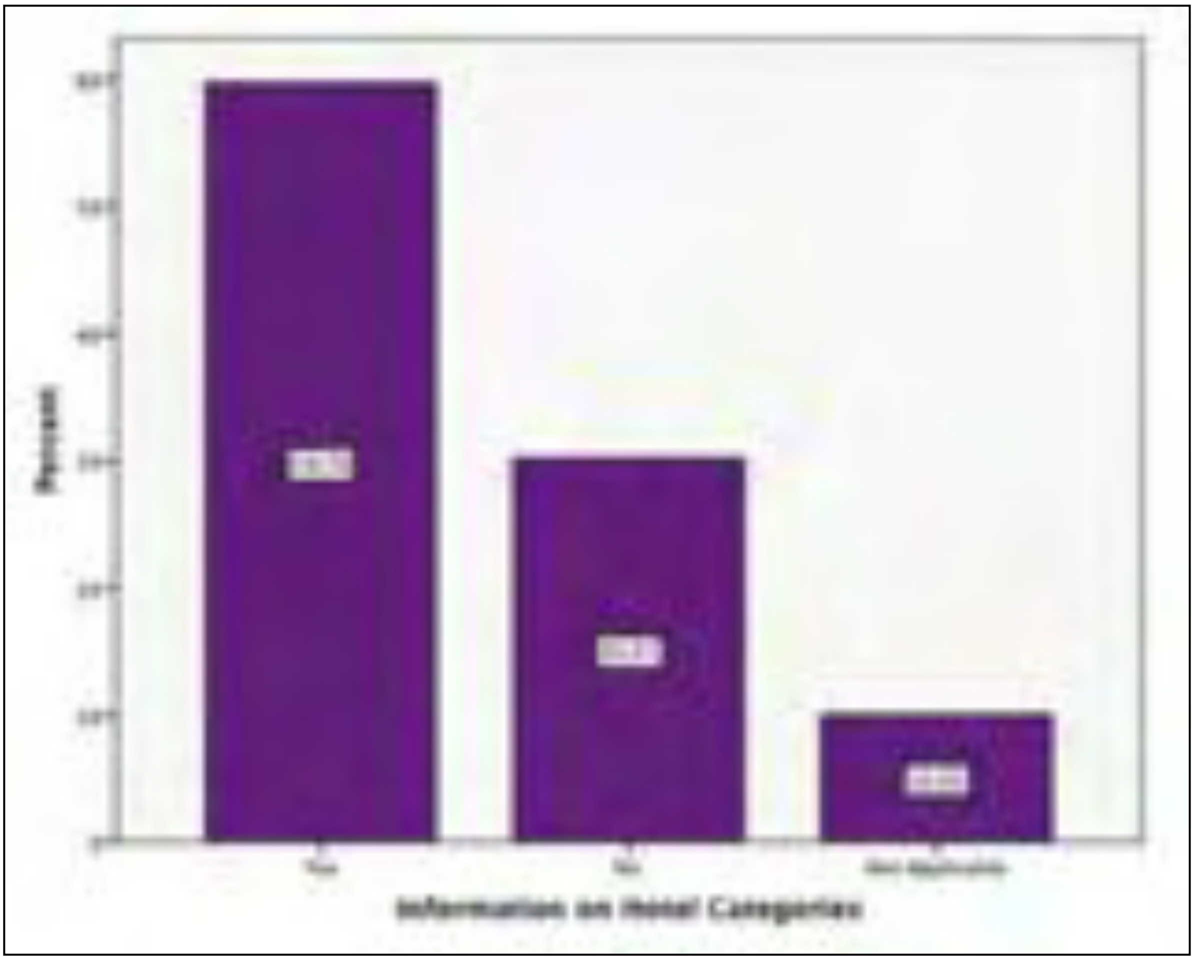
PRIOR INFORMATION ON HOTELS

In keeping with the regulation that requires tour operators to host international visitors in a minimum of 3-Star hotel category as accredited by the Star Classification System, visitors were asked on the levels of awareness on the choice of hotels prior to their arrival in Bhutan.

Some 59.70% of the total visitors acknowledged their awareness on the minimum entitlement of a 3-Star category hotel included in the package price. Another 30.25% did not have any prior information on the standards of hotels they were booked in by their local tour operators.

Graph 2.18

Prior Information on Hotel Standards



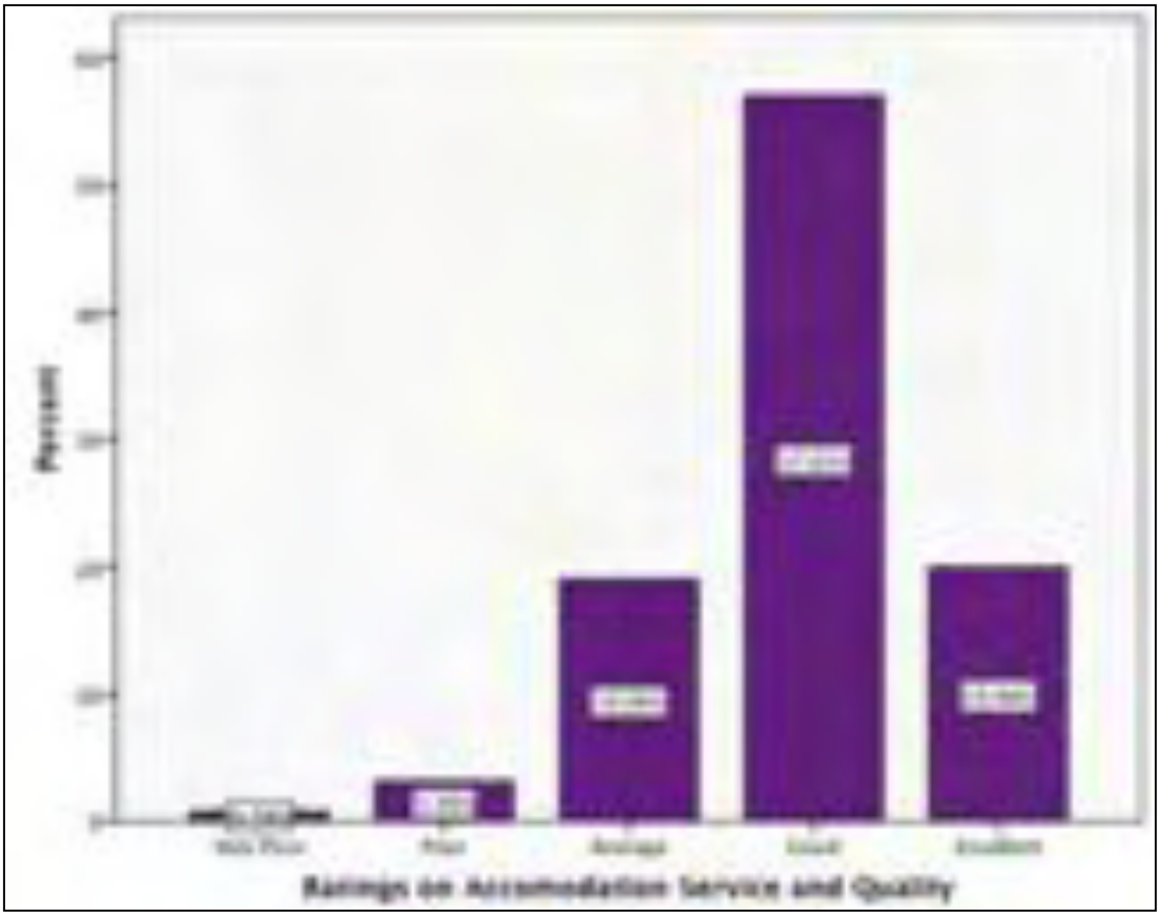
SATISFACTION LEVELS WITH ACCOMMODATION PROVIDERS

Accommodation plays an important role in enhancing visitor experiences while visiting a destination. This also includes the quality of services provided by the staff and facilities included in a hotel. The Tourism Council of Bhutan makes it mandatory for tour operators to keep their guests in accredited properties.

Most tourists (19.98% rated 'Excellent' and 57.01% rated 'Good') were satisfied with the quality of their accommodation. Some 19.06% said that the quality of hotels was 'Average' and some 3.95% indicated 'Poor'. This figure represents an improvement on the ratings compared to a few years earlier, suggesting that the quality in hospitality service delivery is improving over the years.

Graph 2.19

Satisfaction Levels with Accommodation Providers

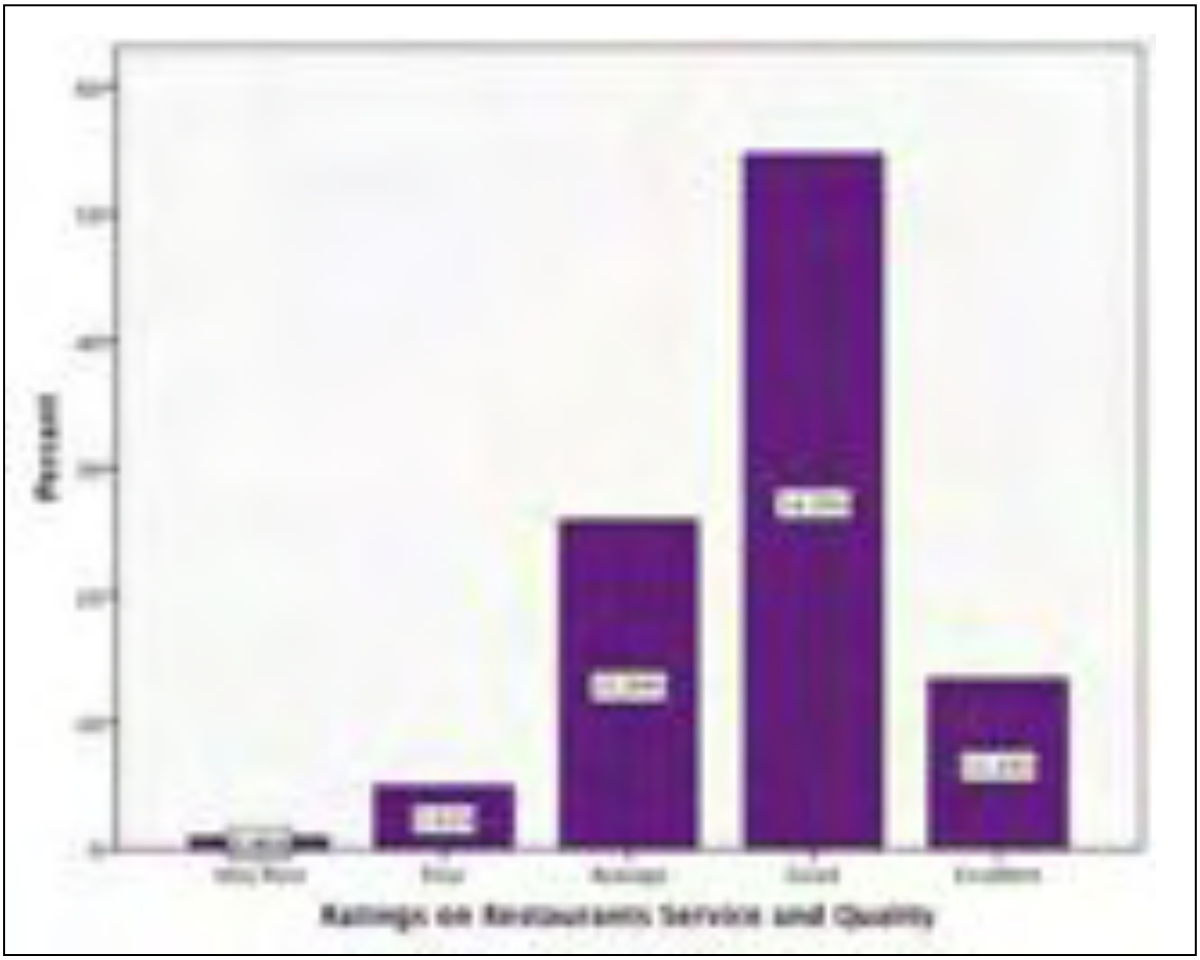


SATISFACTION LEVELS WITH FOOD AND RESTAURANTS

In 2012, a majority (68.09%) cited their satisfaction with the quality and diversity of food and restaurants in Bhutan. The remaining 31.91% stated it was 'average' or 'poor' in quality and diversity. Some specifically mentioned the buffets in hotels and restaurants were repetitive and monotonous with limited choices on the menu. The finding illustrates the need to improve quality of chefs and food businesses to respond to the standards preferred by international visitors.

Graph 2.20

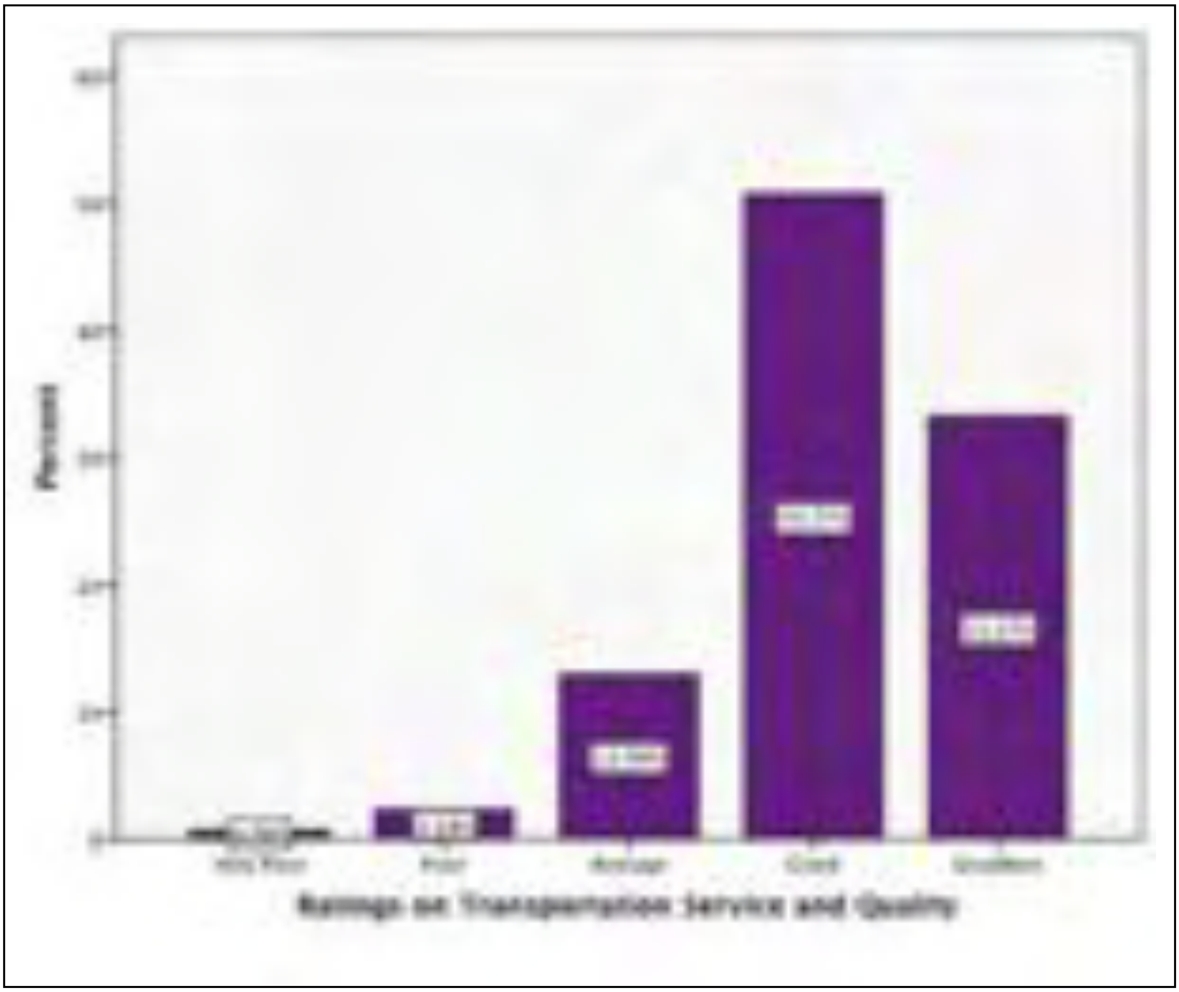
Satisfaction Levels with Food and Restaurants



SATISFACTION LEVELS WITH TRANSPORT FACILITIES

Visitors were asked to review the quality of transport facilities, including the quality and comfort levels of the car and the conduct of the driver representing their local tour companies. A majority (84.04%) of the respondents indicated that the transportation facilities were highly satisfactory. The remaining 15.97% indicated that improvements were necessary in the transport sector, mainly pertaining to the quality and comfort of the vehicles used for tourist transportation. A few of them mentioned that tour operators had provided old uncomfortable cars for their trip.

Graph 2.21
Satisfaction Levels with Transport Facilities

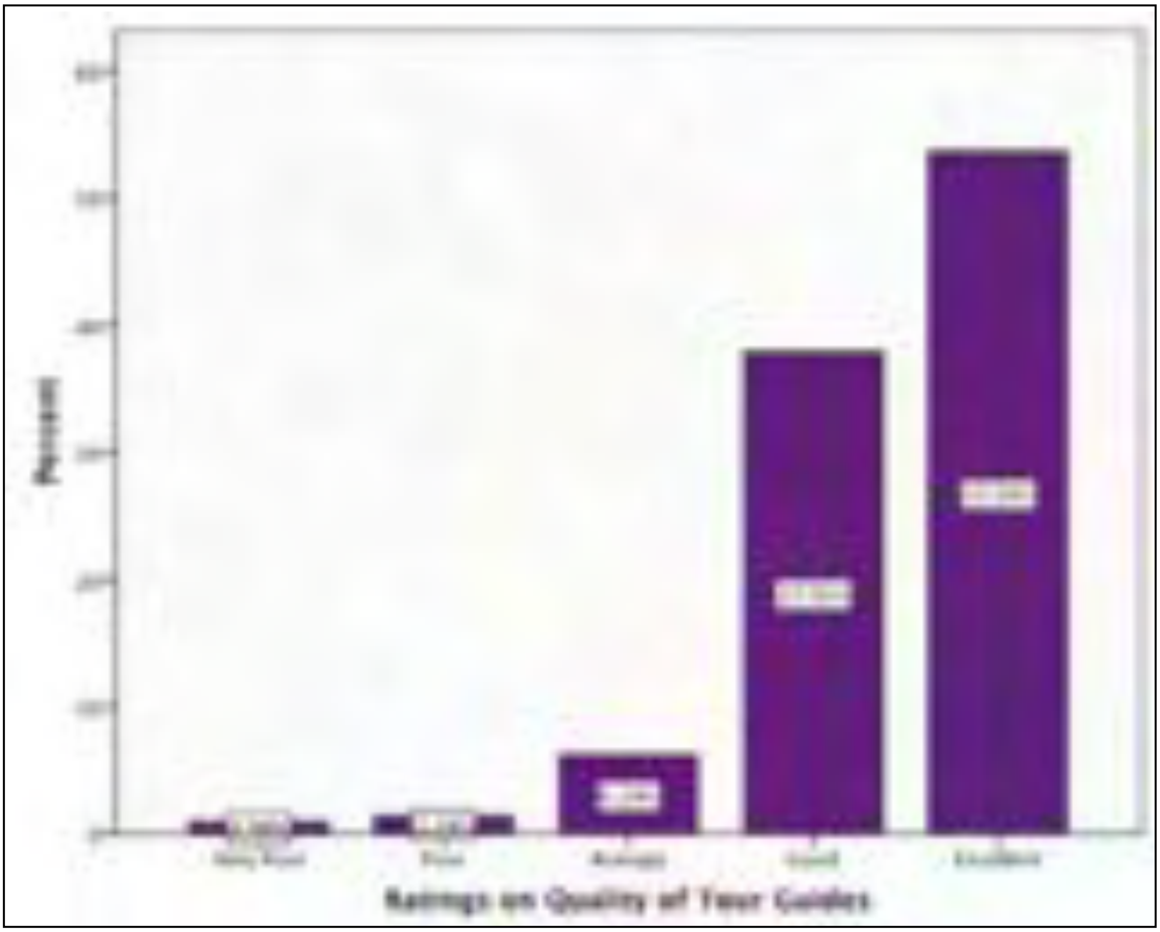


SATISFACTION WITH BHUTANESE TOUR GUIDES

When tourists are in Bhutan, local tour guides act as ambassadors of the country by showcasing Bhutan according to their competency levels. Overall satisfaction levels of visitors hugely depend on the personal character and conduct of the guides. Findings for the last few years illustrate that visitors were generally pleased with the quality and the services of local tour guides. In 2012, an overwhelming 91.49% indicated that the guides were highly professional and knowledgeable. Tour guides are constantly rated well and illustrates the high standards of service delivery and professionalism.

Only 5.35% of the total sampled indicated that they were not satisfied with their guides.

Graph 2.22
Satisfaction with Bhutanese Tour Guides

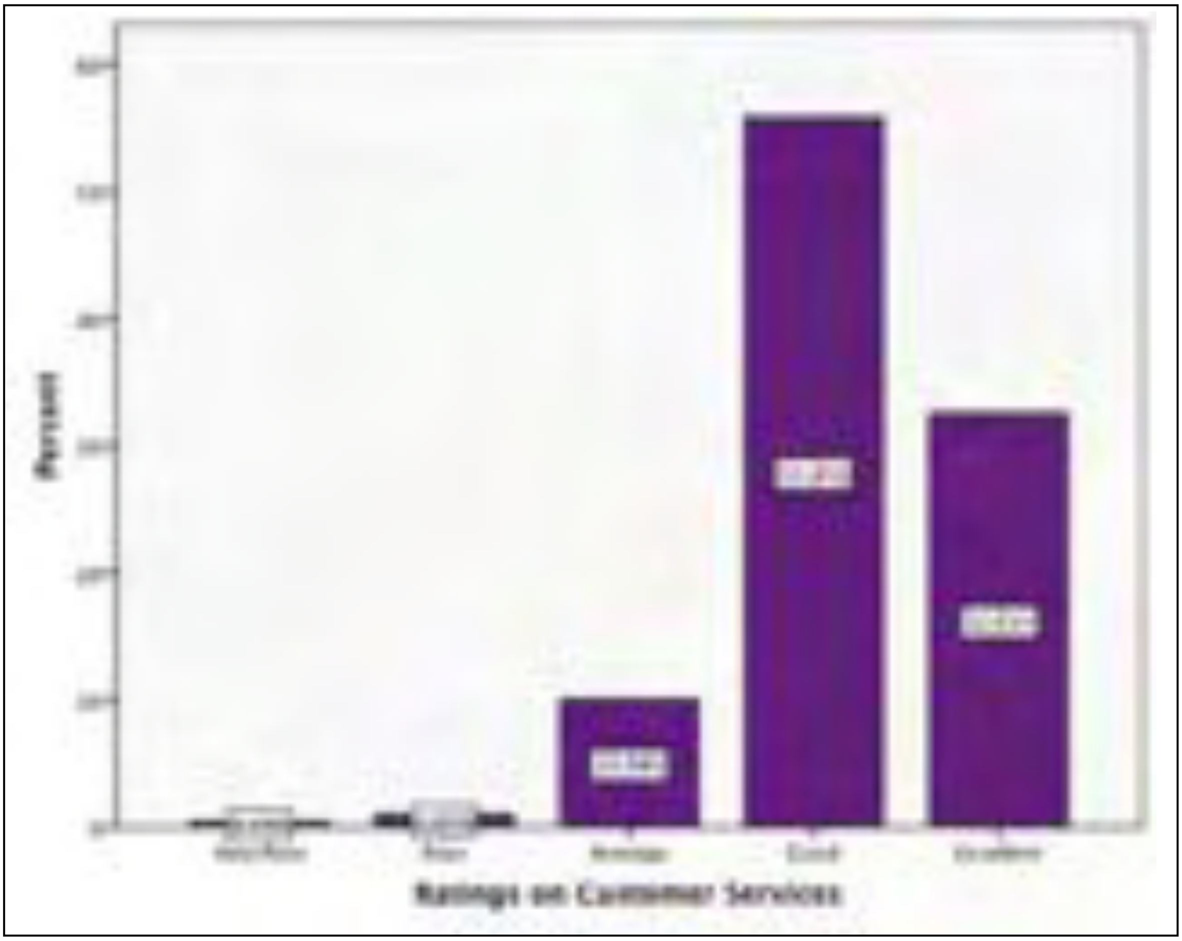


SATISFACTION LEVELS ON CUSTOMER SERVICES

Professionalism in the service industry adds greatly to the marketability and the salability of a destination. A majority of 88.46% indicated that they were satisfied with the quality of the service providers in the hospitality sector. However, some 11.54% rated 'Average' or 'Poor' quality of customer service, indicated that service providers lacked professionalism in service delivery. Respondents indicated that hotel related services like Front Desk Management, Room Keeping, Wait and Bell Services needed improvements. Likewise, few respondents also expected drivers and guides to be more formal and professional. A few respondents also mentioned that the accepted practice of guides taking commissions from local souvenir vendors and restaurants resulted in loss of quality of products and services.

Graph 2.23

Satisfaction with Standards of Customer Services

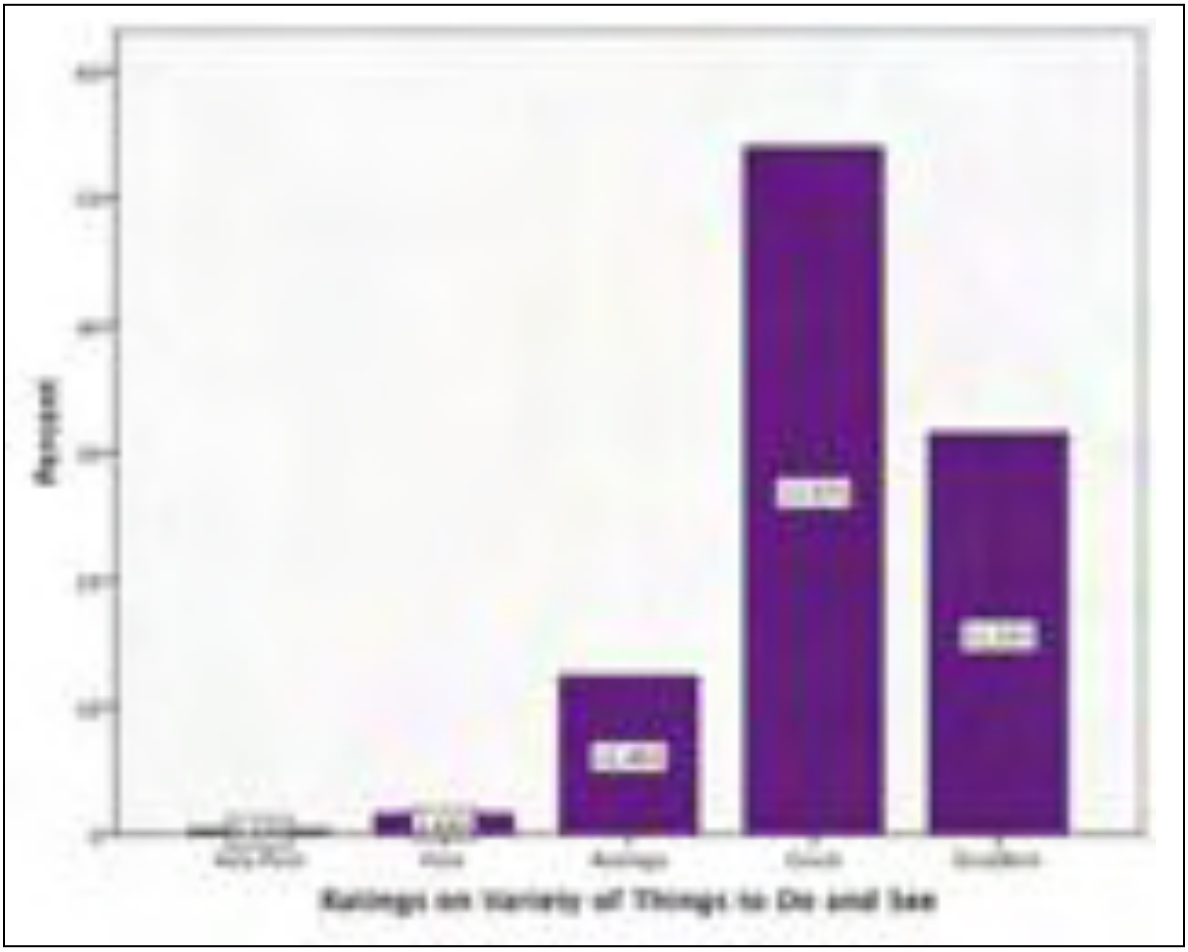


SATISFACTION LEVELS ON VARIETY OF THINGS TO DO AND SEE

Findings of this survey indicated that visitors come to Bhutan for the specific purpose of experiencing the unique Bhutanese culture and the pristine environment. Many visitors indicated that they read about what to expect prior to their arrival and had realistic expectations about Bhutan. A clear majority of 85.53% of the visitors indicated that Bhutan had a good mix of attractions and places to see and do. However, the remaining 14.47% indicated that Bhutan needed more attractions and amenities to enhance visitor experiences. Some of which included good and diverse restaurants, authentic handicrafts and souvenirs with regulated pricing, better hotel services, banking facilities, , more adventure products, homestays etc.

Graph 2.24

Satisfaction with Variety of Products and Activities



VALUE FOR MONEY

In a bid to evaluate the general impression that Bhutan is seen as an "expensive destination", respondents were asked to indicate whether they believed Bhutan represented "Good Value for Money". In other words, whether visitors were satisfied with the quality of their Bhutan experience for the premium package prices paid to visit Bhutan. This year's figure improved compared to last year with a majority 70.98% (16.21% strongly agree and 54.77% agree) indicating that Bhutan represented good value for money. Many also indicated that the policy to restrain low-yield backpackers was necessary owing to limited resources, and to uphold the aspirations of the "high value, low impact" tourism policy.

Whilst these opinions are of those that actually visited, there may be many more potential visitors who simply eliminate

Bhutan as their choice of destination based on their perception of Bhutan's pricing policy. As explained by some respondents, there seem to exist some misunderstanding about the tariff system, as potential visitors tend to presume that the prescribed daily tariffs is only the government tariff, and that they have to bear additional expenditures for accommodation, food and other travel facilities separately.

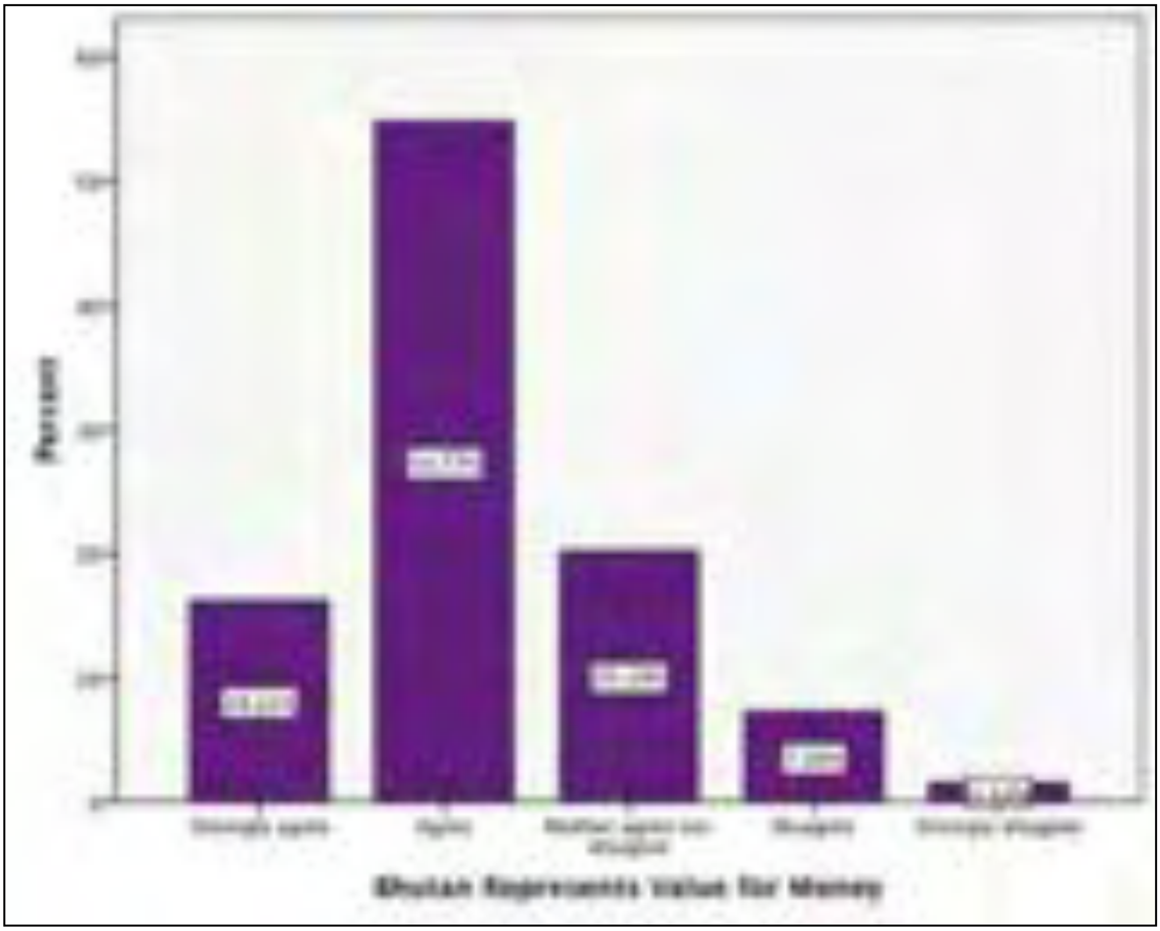
ADDITIONAL FACILITIES AND IMPROVEMENTS

Respondents were asked to make comments about tourism related services and infrastructures as well as suggest ways to enhance their experience in Bhutan. Out of the total sampled, some 32.16% indicated that some aspects of their Bhutan experience could be improved in the future. The remaining did not complain about anything about their Bhutan trip. Many also urged to keep Bhutan as it is and control the number of inbound visitors to the country depending on its carrying capacity.

This year, out of the 32.16% who made suggestions, majority (21.28%) expressed that roads conditions in general needed improvement. Some indicated that roads were unsafe and were narrow with landslides, rolling boulders and potholes. As a destination with no other modes of land transfer, many indicated that better roads were required to justify the country's image as a "high-end" destination.

Similarly, visitors complained about the lack of public toilet facilities and restrooms along highways, trekking trails and campsites. Visitors also indicated that some toilets in popular tourist attractions such as temples, Dzongs, restaurants etc. needed better maintenance and quality. Another 15.88%

Graph 2.25
Value for Money Perception



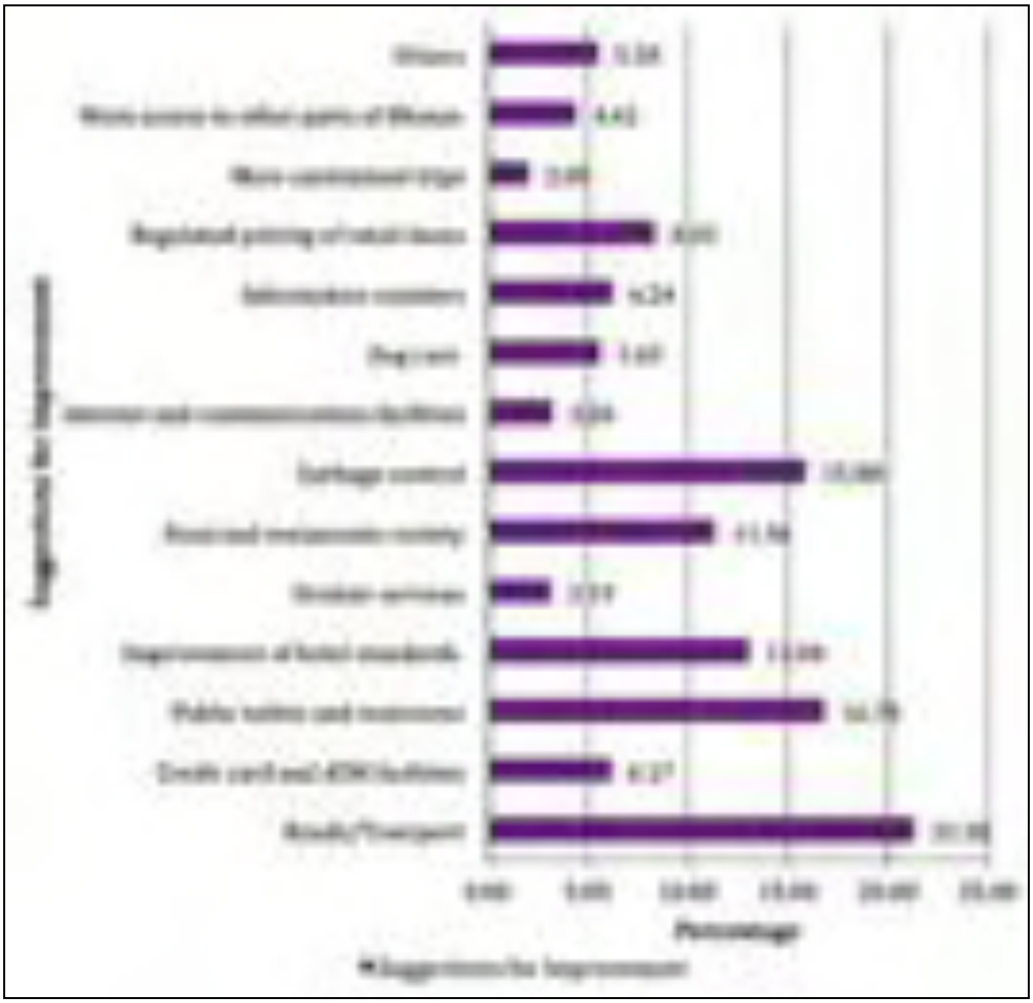
suggested improvements in waste management. Visitors indicated that some shopping areas, pedestrian walkways in major towns and rivers were littered. Many also indicated that popular trekking trails were filled with trash especially along the campsites of the popular Jomolhari trek. This finding infers a need for a better waster management system with regular clean-up campaigns and strict compliance to waste disposal regulations.

Hotel related complaints rated highly this year with 13.04% expressing dissatisfaction with one or more aspects of hotel services, followed by another 11.36% who indicated that the quality and diversity of 'Food and Restaurants' needed improvements. A significant number of visitors indicated that buffet servings in hotels and restaurants were repetitive and limited.

With international banking facilities now in place, visitors with credit cards from major carriers such as Mastercard and Visa, are now able to use it to withdraw cash from ATMs in Bhutan. This has significantly reduced complaints related to banking facilities.

Some 8.33% of those who made a suggestion indicated that the souvenir industry needed price regulation and innovation to suit the requirements of visitors. Some also indicated that guide commissions on sale of souvenirs to visitors should be discouraged and monitored.

Graph 2.26
Suggestions for Improvement

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Section 3 – Exit Surveys for Regional Visitors

Visitors from India, Bangladesh and Maldives have no visa requirements as opposed to the international segment. These three countries in the region share an open border policy with Bhutan and travellers are immune to the system of paying a minimum tourism tariff. India is the biggest source market for Bhutan's tourism industry and therefore a more detailed study was carried out for the regional market for this year. All results in Section 3 are findings from data collected using an administered (i.e. interviewer conducted) exit survey methodology, in which a total of 2,892 regional tourists were interviewed for their first-hand feedback on their Bhutan experience.

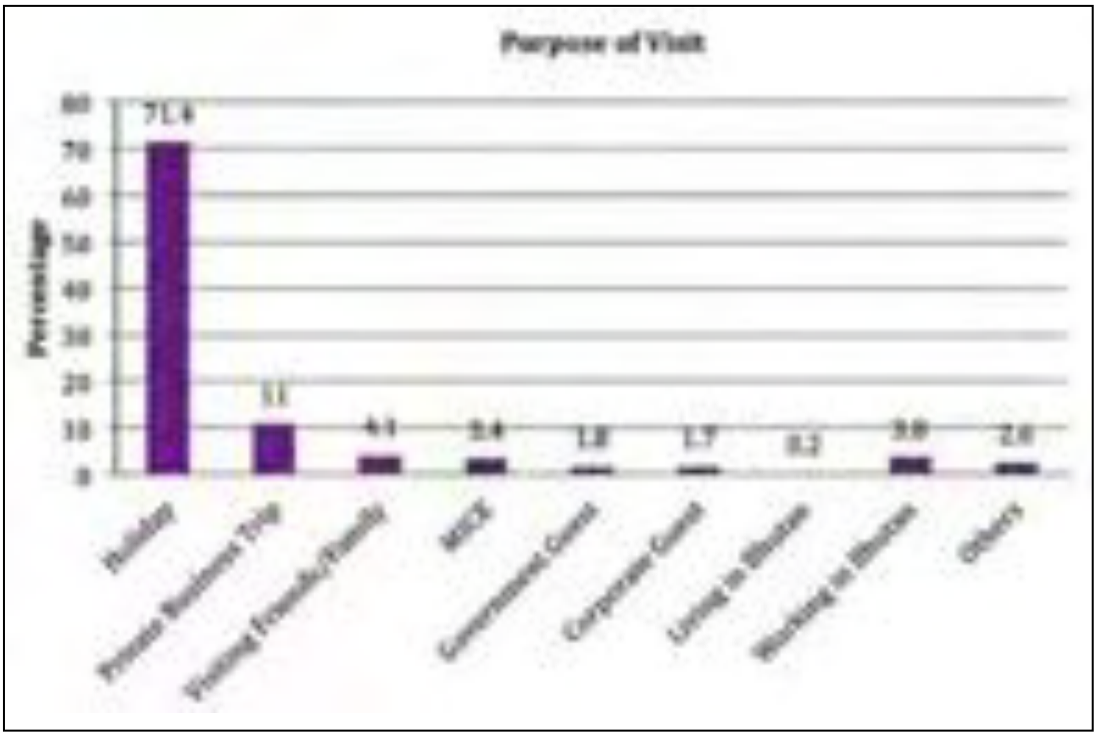
GENERAL PROFILE OF REGIONAL VISITORS

Majority of the visitors from the region are from India with 86.1% followed by Bangladesh with 12.0%. Maldives only comprised of 1.9%. Visitors were predominantly male (68.3%). Age of regional visitors were spread across all segments with majority of them falling in the age category of '26 – 35 years' followed by '36 - 45 years' and '18 – 26 years' category. Regional visitors are younger compared to the international visitors. The younger age profile of visitors combined with the exemption of tourism tariff provides huge potential for diversifying tourism products especially in adventure and other forms of tourism for Bhutan, as opposed to solely relying on culture and nature. Like the international visitors, regional high-end visitors are also highly educated with 78.0% of them having at least a Bachelor's Degree.

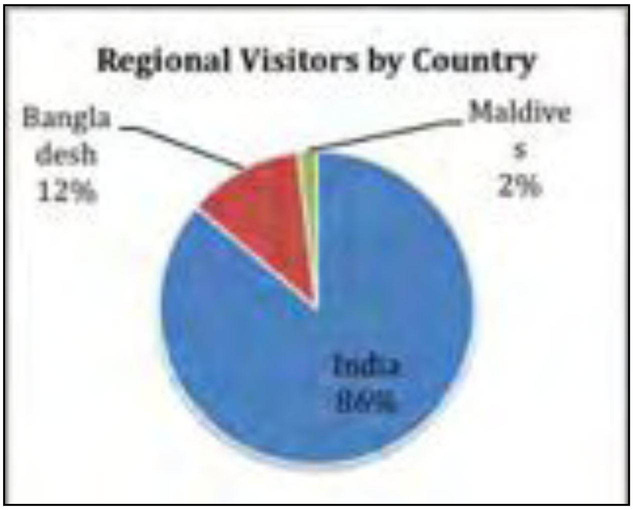
PURPOSE OF VISIT

Regional visitors came to Bhutan mainly for the purpose of 'Holidaying' with 71.4%, followed by the 'Business' category with 11.0%. Visiting Friends and Relatives (VFR) and Meetings, Incentives, Conferences and Exhibitions (MICE) segments rated 4.1% and 3.4% respectively. The latter was rated higher because the survey coincided with the Bhutan International Trade Fair with many respondents visiting as exhibitors. Some 3.8% of the respondents indicated that they were living and working in Bhutan.

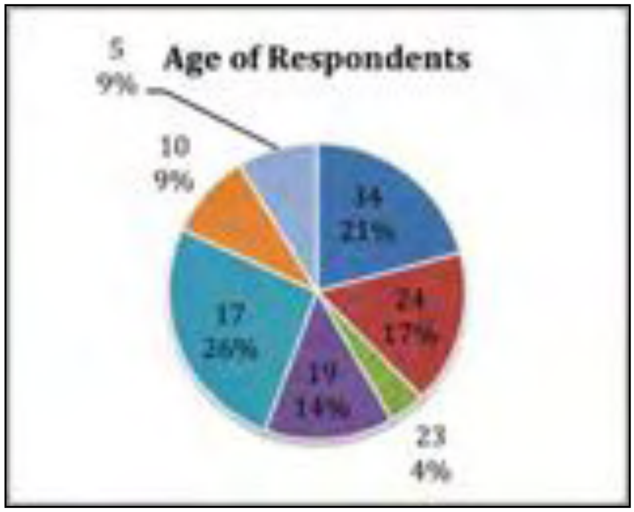
Graph 3.1 - Purpose of Visit



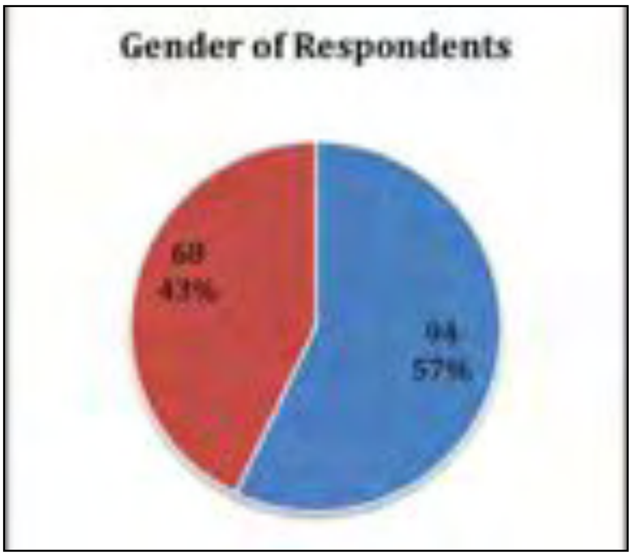
Graph 3.2 – Country of Respondents



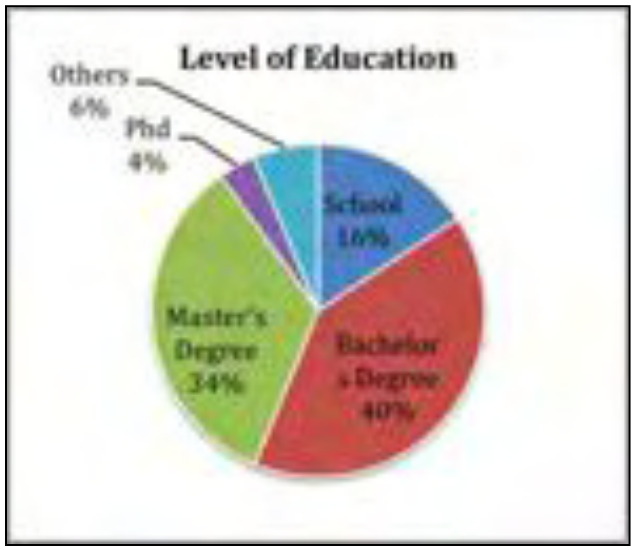
Graph 3.3 - Age of Respondents



Graph 3.4 - Gender of Respondents



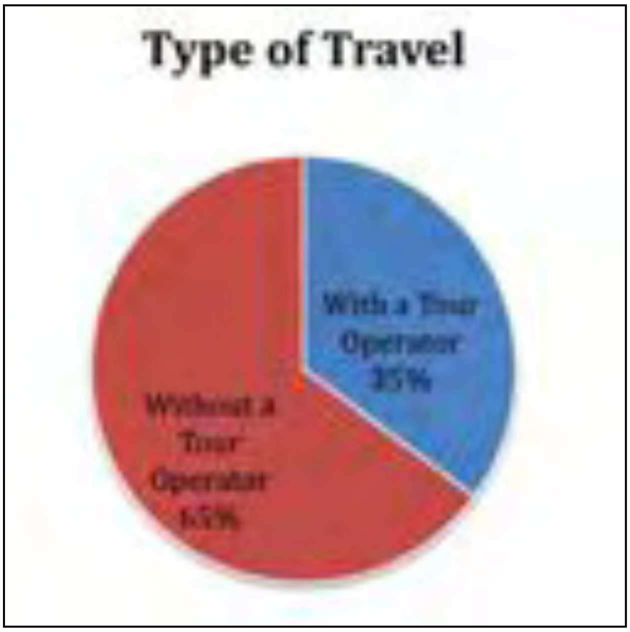
Graph 3.5 - Respondents' Level of Education



Unlike international visitors, regional visitors do not have to compulsorily take a packaged tour with a local tour operator. As a result, almost two third (64.8%) were Free Independent Travellers (on their own) and the remaining 35.2% were part of packaged tours offered by tour operators. Tour operators in India mentioned that packaged tours are becoming more favourable as they partner with local hotels in Bhutan who offer good discounts during leaner months, and as a result translate into more sales.

The findings illustrated that packaged tours do not necessarily mean high-end type. Whilst there are a number of big travel agencies in India targeting the rich long-haul outbound Indians and Non-Residential Indians (NRI) to visit Bhutan, many small tour operators across the border in neighbouring states of India and Bangladesh sell very cheap packages to Bhutan.

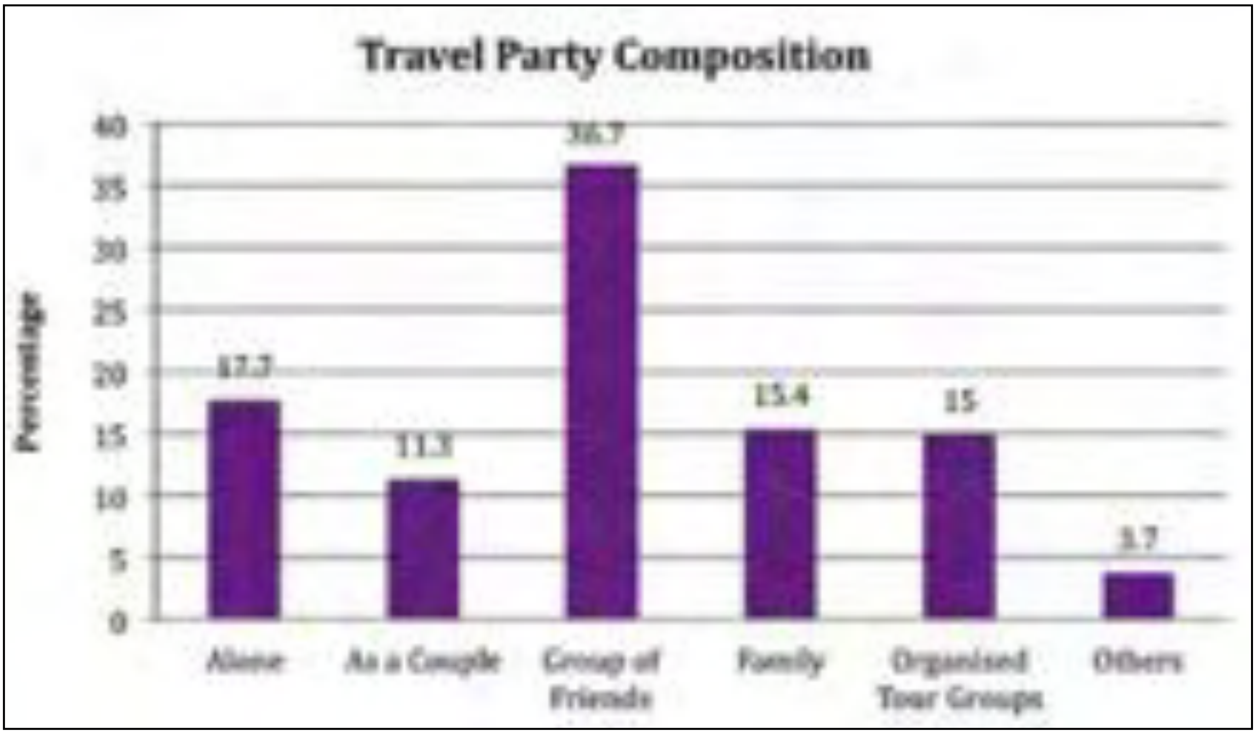
Graph 3.6 - Type of Travel



TRAVEL PARTY COMPOSITION

Whilst the composition of the visitors' travel party was distributed almost equally across all categories, the dominant segment remained to be 'Group of Friends' with 36.7%. Some 17.7% of the respondents travelled 'Alone'. A cross-tabulation between 'Travel Party' and "Purpose of Visit' shows that majority of the travellers visiting Bhutan alone are visitors who are on 'Private Business Trips'. Some 15.6% of visitors travelling 'With Family' indicate that many also prefer personalised smaller groups to travel to Bhutan. 'Tour Groups' accounted for 15.0%. This is partly attributed to the fact that the sampled also included many student groups. Tour operators in India and Bangladesh also indicated that universities and colleges are showing increasing interest levels in organising student trips to Bhutan. Contrary to the international segment, the regional visitors travelled less as a 'Couple' with only 11.3% of the sampled.

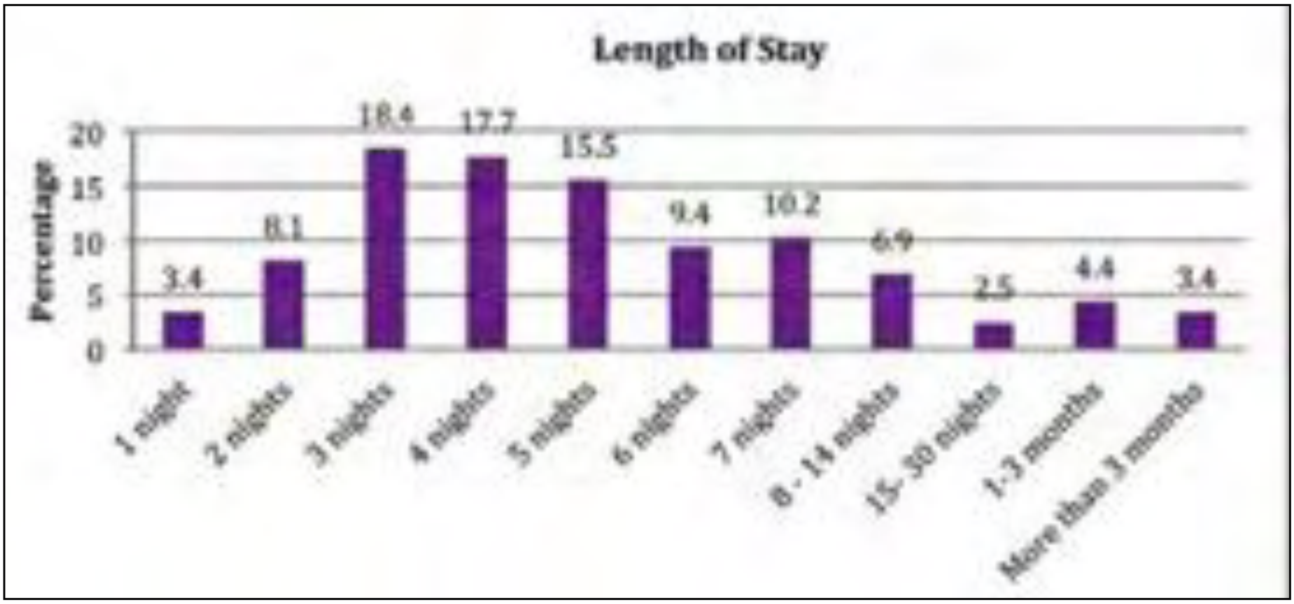
Graph 3.7 - Travel Party Composition



LENGTH OF STAY

Similar to international visitors, the regional segment also perceives Bhutan as a short holiday destination. Majority preferred to stay not exceeding 7 days (82.7%). Visitors mostly stayed for 3 nights (18.4%), followed by 4 nights (17.7%) and 5 nights (15.5%). A significant 7.8% who stayed for more than a month were mainly those working in Bhutan, or visiting family members. A cross-tabulation between 'Length of Stay' and 'Country of Origin', illustrated that Indians stayed mostly 4 nights followed by 3 and 5 nights. Visitors from Bangladesh also stayed 3 nights, followed by 6 nights. Visitors from Maldives stayed mostly for 7 nights.

Graph 3.8 - Length of Stay

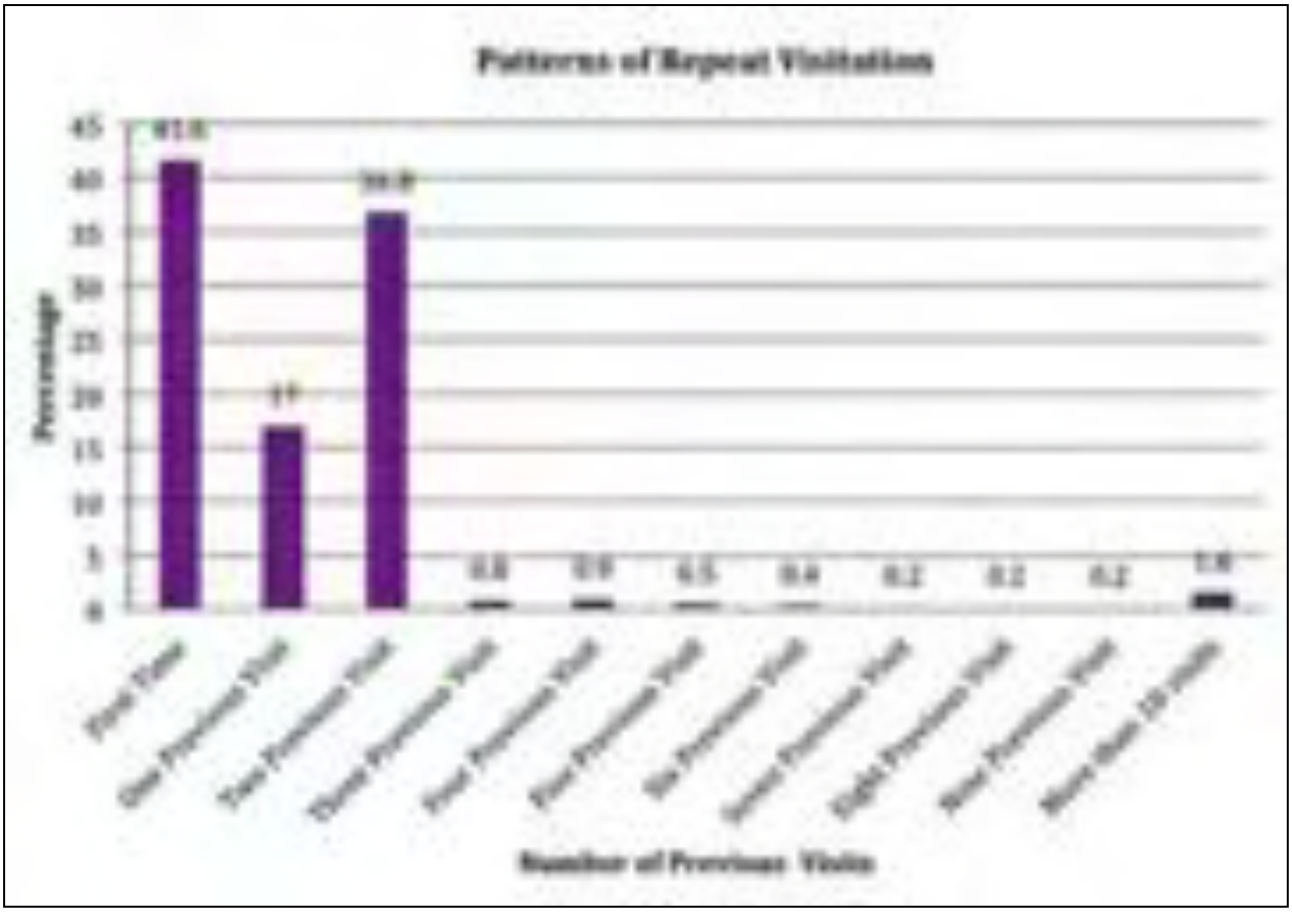


REPEAT VISITATION PATTERNS

As expected, repeat visitations amongst regional travellers show encouraging trends compared to international visitors who have to pay daily tariffs of USD 250 per day. Whilst a slight majority of the visitors were first-time visitors to Bhutan with 41.6%, many also indicated they had visited Bhutan on 'two previous visits' (36.8%), followed by 'one previous visit' (17.0%). A cross-tabulation between 'Repeat Visitation Patterns' and 'Purpose of Visit' clearly indicated that those who visited more than four times on previous occasions are mostly who are of the 'Business' travellers who are on a business trip or for a meeting with their partners in Bhutan.

An overwhelming 93.3% of the respondents indicated their interest to visit again.

Graph 3.9 - Patterns of Repeat Visitation

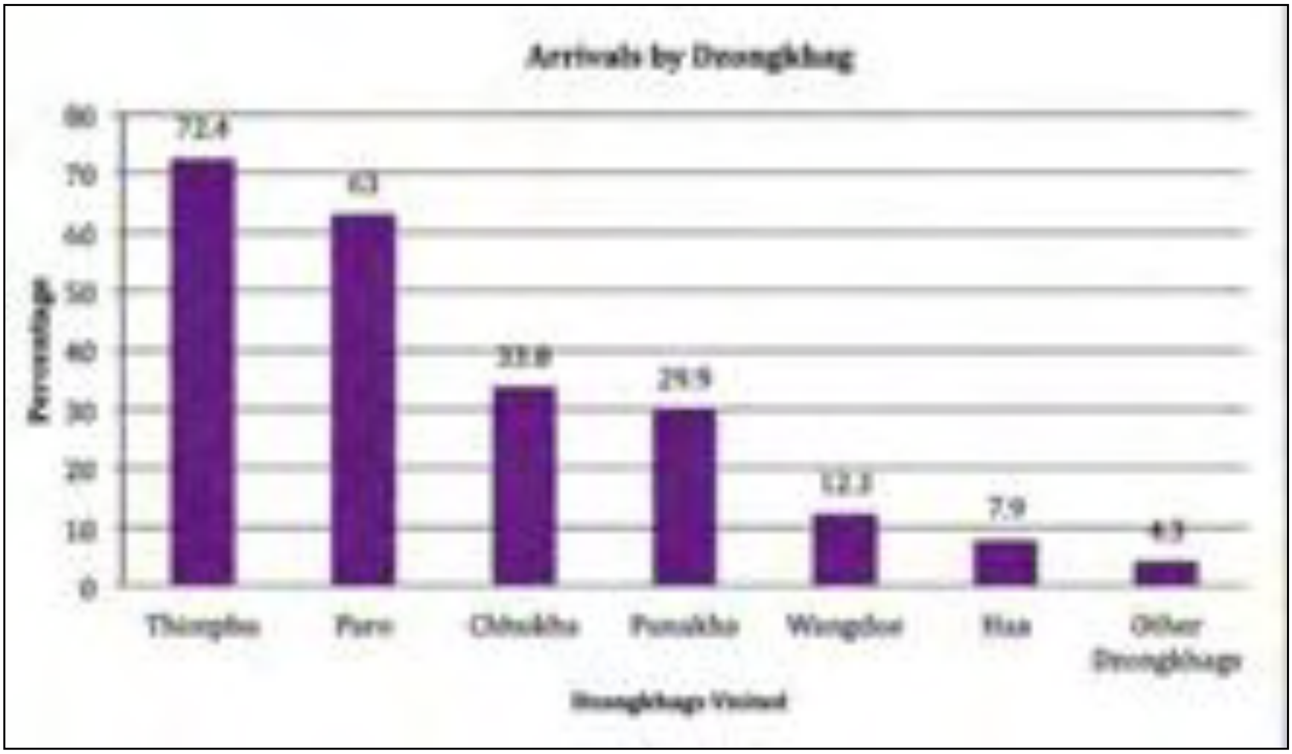


VISITATION BY DZONGKHAGS

Regional visitors were asked which of the Dzongkhags (districts) in Bhutan they had visited during the trip. With most tourism attractions, infrastructure and landmarks concentrated on western parts of Bhutan, it was not surprising to record maximum visitation in the Dzongkhags of Thimphu and Paro. Thimphu hosted the majority of regional visitors with 72.4% of the respondents visiting the capital city. The next popular attraction was Paro with 63.0% followed by Chhukha Dzongkhag with 33.8%. Visitors who visited Chhukha were mainly those entering the country by road- Phuentsholing. Few respondents from India and Bangladesh indicated that they visited only Phuentsholing to experience Bhutan and then returned to combine their trip with the touristic hill stations of Sikkim, Darjeeling and other parts of North East India. Punakha (29.9%), Wangdue (12.3%) and Haa (7.9%) also received significant regional arrivals.

Some 4.3% of respondents who visited 'Other Dzongkhags' visited Trongsa and Bumthang in central Bhutan, and Samdrup Jongkhar, Trashigang and Mongar in the east.

Graph 3.10 - Arrivals by Dzongkhags

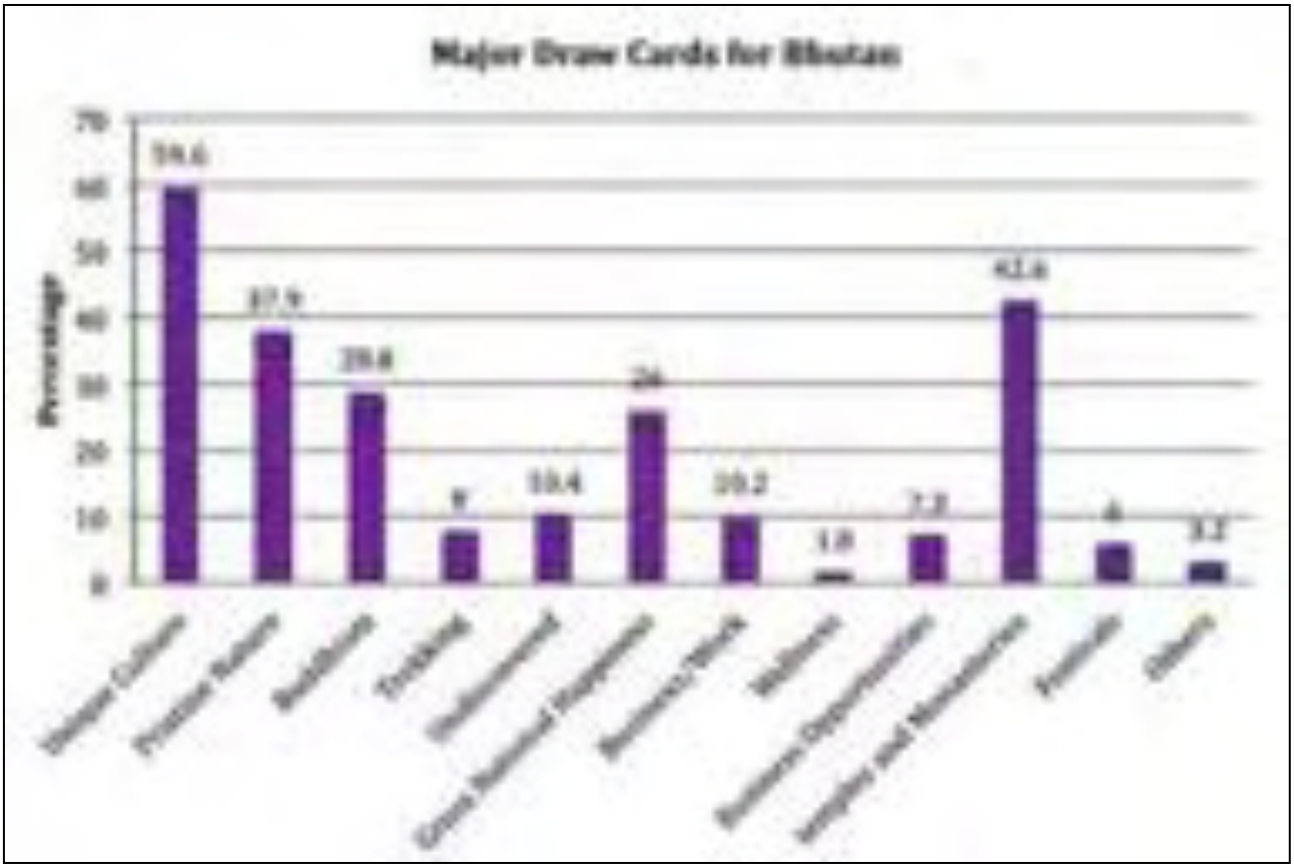


MAJOR DRAW CARDS TO BHUTAN (IMAGE OF BHUTAN PRIOR TO VISIT)

Respondents were asked to cite what exactly inspired them in the first place and what did they expect to see during their visit to Bhutan. The major draw cards and visitor perceptions about Bhutan as a destination seem to be stemming out from the fact that it is a Himalayan Buddhist country with a unique living culture and pristine environment with high mountains. This is validated by the responses of visitors who indicated that the highest rated draw card was 'Culture' with 59.6%, followed by 'Temples and Monasteries' with 42.6%. Similarly, other draw cards cited were 'Pristine Nature' (37.9%), 'Buddhism' (28.8%), and 'Gross National Happiness' (26.0%).

This finding substantiates that Bhutan is regarded as a destination that combines the best of culture and nature. In Graph 3.12, categories are presented as per the responses of departing tourists but many responses can be safely included under the main 'Culture and Nature' category making this segment even more significant.

Graph 3.11 - Major Draw Cards for Bhutan



ATTRACTIONS AND ACTIVITIES VISITED

Some 72.0% of all respondents took part in general sightseeing, followed by 62.0% of all respondents visiting temples and monasteries. This further validates that the regional visitors perceive Bhutan as a 'cultural' destination. 'Shopping' was a major activity with 42.3%, and 23.9% of the sampled 'visited museums'. A significant 20.8% witnessed a "Tsechu" (festival). 'Trekking' rated highly and accounted for 16.9% of the total respondents undertaking at least a trek during their trip.

Some 2.4% of respondents participated in at least a 'meeting/convention' and some of them were exhibitors in the 3rd Bhutan International Trade Fair organised by the Bhutan Chamber of Commerce and Industry that was held in September. Tour Operators in India mentioned that the relatively high costs on air travel to Bhutan compared to Indian domestic fares, and the limited facilities for exhibitions and conferences does not encourage MICE tourism and dissuades corporate travel.

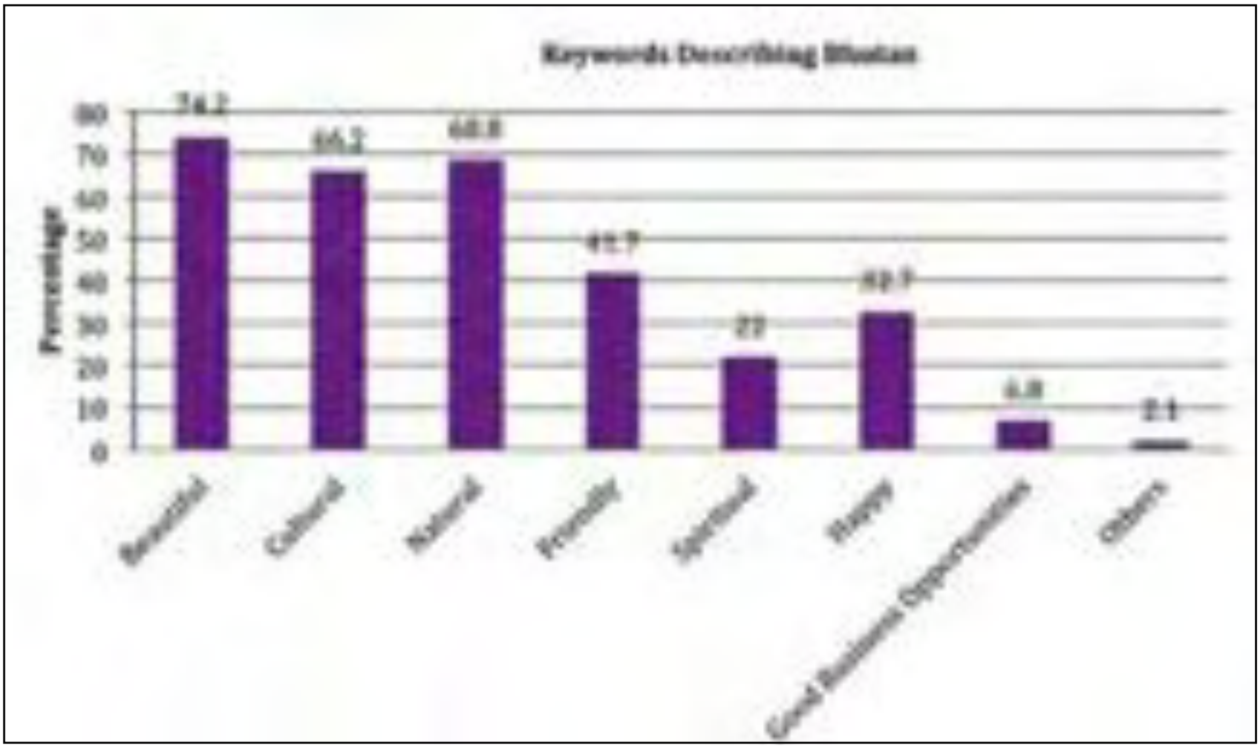
Graph 3.12 - Activities Undertaken during the Trip

KEYWORDS TO DESCRIBE BHUTAN

Respondents were asked to list two or three keywords to describe Bhutan and their impressions from the trip. From a wide range of responses, the most popular keywords were; "Beautiful" (74.2%), "Natural" (68.8%), "Cultural" (66.2%), "Friendly" (41.7%), "Happy" (32.7%) and "Spiritual" (22.0%). Some other keywords were "Unspoiled", "Pure", "Remote", "Expensive", "Peaceful" etc.

These keywords suggest that regional visitors appreciate the natural and the cultural aspects of Bhutan more than anything else.

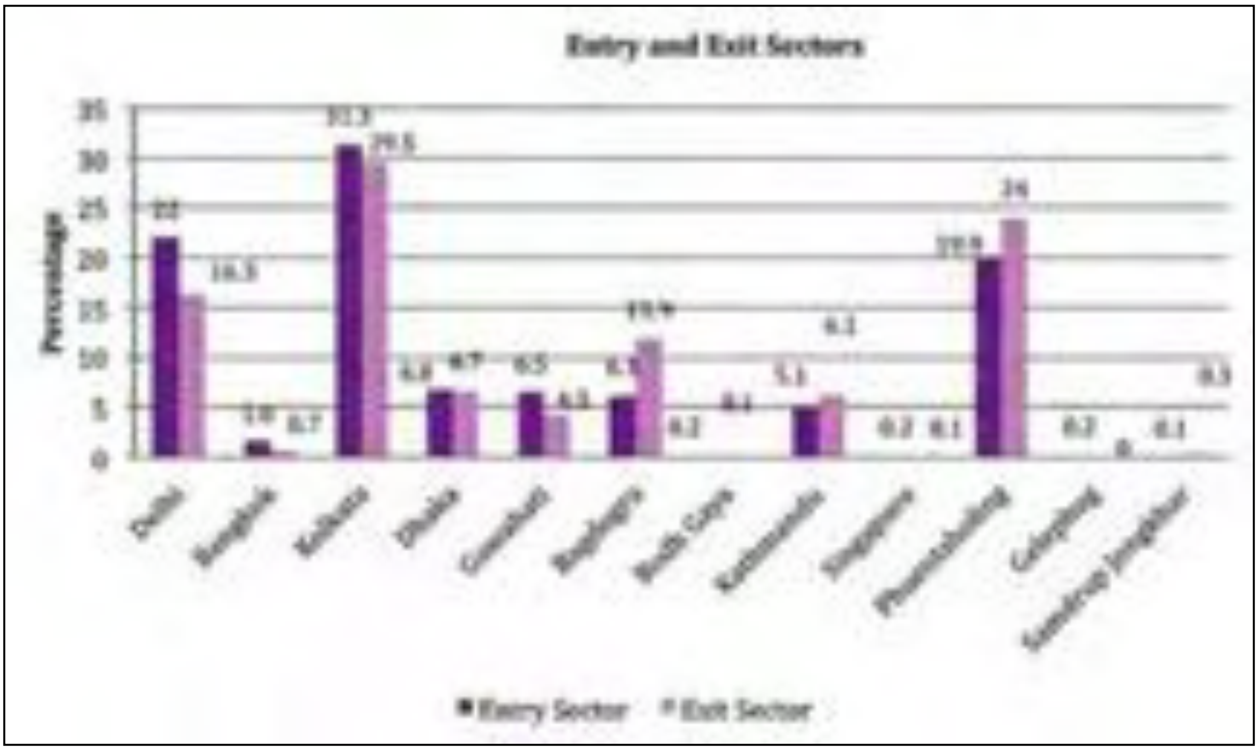
Graph 3.13 - Keywords describing Bhutan



ENTRY AND EXIT SECTORS

The only airline in Bhutan - Drukair - flies to limited destinations in the region and therefore limits accessibility for many visitors who reside in other metropolitan cities of India. Whilst many Indian tourists from the neighbouring states of Assam, West Bengal and Bihar often use the southern gateway of Phuentsholing to enter and exit by road, many business and leisure visitors originating from India use the air mode to enter through Kolkata (31.3%), Delhi (22.0%) and Bagdogra (6.1%). Except for those visitors who had to combine their visit to India, almost all visitors from Bangladesh entered and exited the country through Dhaka (6.8%) using the air mode of travel to get to Paro. Drukair's new Mumbai sector is expected to increase inflow of high-end Indian visitors to Bhutan.

Graph 3.14 - Entry and Exit Sectors



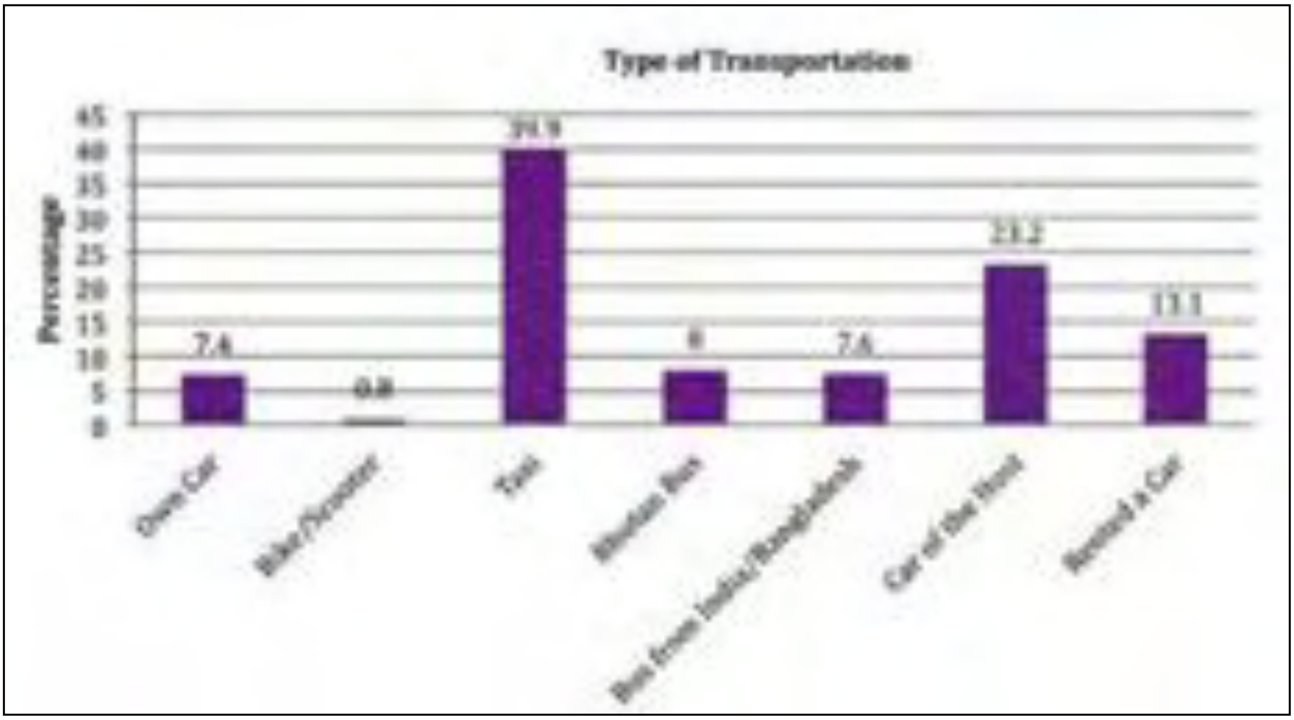
TRANSPORTATION

In order to understand the patterns of spending, respondents were asked if they had hired a car for their travel within Bhutan, or used public transport facilities. Regional visitors contribute significantly to the transportation sector in Bhutan. A clear majority (39.9%) availed taxi services for land transfers. This was followed by 23.2% who used the 'car/vehicle provided by their host'. In this context, the "host" means the Government, Corporations and private individuals. Some 13.1% of the regional visitors hired a car with a driver, specifically for sightseeing purposes in Bhutan. Rental cars included popular tourist standard vehicles like Toyota Hiace and Hyundai H-1 vans; SUVS like Toyota Prados, Hyundai Santa Fee and Tucson, Kia Sorento and Sportage; and smaller cars like A-star, i-20, Alto, Santro etc.

Given an open-border policy, Indian registered vehicles are allowed to drive inside Bhutan. Therefore many visitors also used their own cars (7.4%) to travel to Bhutan.

Tour operators across the southern border also used Indian passenger buses for sightseeing tours inside Bhutan with 7.6% of the respondents travelling in a bus registered in India.

Graph 3.15 - Type of Transportation



ACCOMMODATION IN BHUTAN

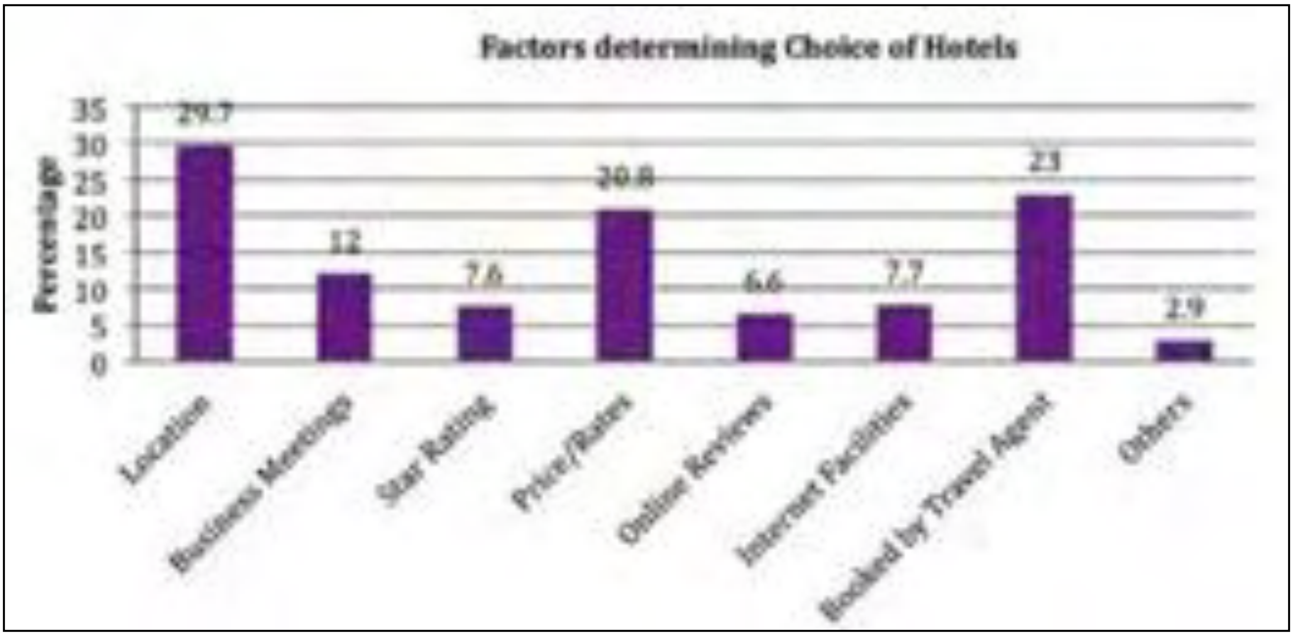
The Tourism Council of Bhutan accredits accommodation providers and hotels as per the 'Star Classification' system of standardisation. Properties are now classified based on a set of criteria that ensures the "high value, low volume" tourism policy. Presently, there are 123 accredited properties that were divided into 9 '5-Star' category, 8 '4-Star' category, 45 '3-Star' category, 42 '2-Star' category and 19 '1-Star' category properties.

The high-end regional visitors usually book with Hotel Taj Tashi, a 5-star FDI property in Thimphu. Tour groups from India organised by local travel agents are kept in hotels according to their budget and package prices. Budget travellers travelling on their own indicated that they stay in 3-star or below categories, albeit the requirement for all visitors including the regional segment to stay in a minimum of 3-star accommodation. This policy to standarize accommodation for regional visitors is an ongoing process which will be given emphasis towards encouraging high-valued tourism.

Visitors were asked if they stayed in paid accommodations. A significant 18.1% indicated that they did not pay for any accommodation as they stayed with their friends and relatives, or were provided hotel rooms by their host that included private individuals, the Government or the corporate sector.

The remaining 81.9%, who paid for their accommodation during the trip were asked to cite a few factors that influenced which hotels they chose for their accommodation. The main factor was the 'location' of the hotel with 29.7% of the visitors indicating that they preferred hotels with close proximity to tourism attractions and other entertainment and shopping centres. Pricing was another major factor with 20.8% indicating that they chose their hotels based on their budget and affordability. Almost a quarter (23.0%) of all regional visitors indicated that they did not choose their hotels and were booked by their travel agents as part of their package inclusions. Some 12.0% indicated that they chose their hotels, as they were required to conduct business meetings and therefore availed the services of the hotels to carry out their planned activities.

Graph 3.16 - Factors Determining Choice of Hotels



FACTORS DETERMINING VISITORS' TIME OF VISIT

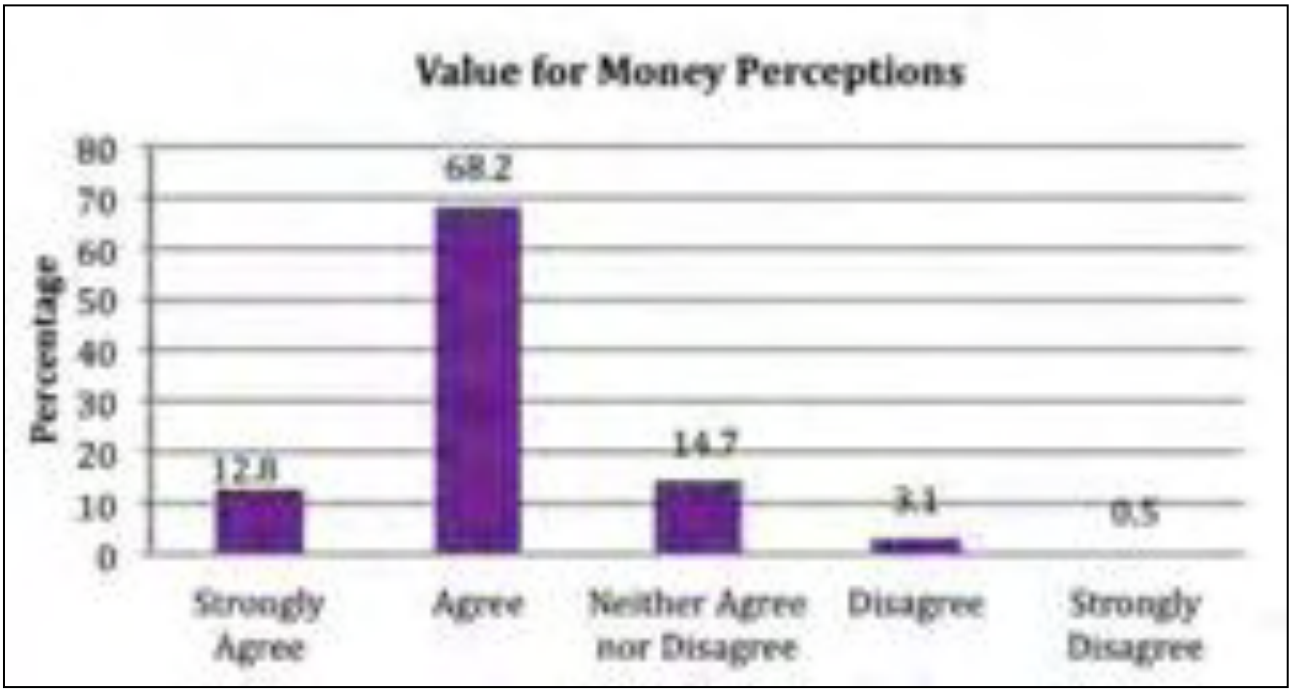
Visitors were asked what factors influenced them to choose the time of year to visit Bhutan. Findings indicate that motivations on the timing to visit to Bhutan are varied for regional visitors. Responses were skewed towards their 'Holiday Timing' (33.1%) followed by 'Favourable Weather Conditions' (17.9%). 'Business Schedule' and 'Timing of Tsechu/Festival' also influenced the time of visit for 16.3% and 14.3% of the sampled respondents respectively. 'Travel Agents' and 'Advice from Family/Friends' influenced 7.7% and 7.0% of the respondents' time of visit respectively.

Graph 3.17 - Factors Determining Time of Visitation

VALUE FOR MONEY

Regional visitors do not have to pay the international tourist tariff of USD 250 per day. Goods and services are consumed on their own discretion to spend according to their budget. A clear majority (81.0%) of them expressed their satisfaction with the pricing and quality of goods and services, therefore suggesting a bigger potential for the regional markets. Only a negligible 3.6% expressed that it was very expensive for the quality of services availed.

Graph. 3.18 - Value for Money Perceptions



SATISFACTION LEVELS ON HOTELS' QUALITY VS. VALUE FOR MONEY

Accommodation plays an important role in adding to the experience of a destination to a visitor. This also includes the quality of services provided by the staff and facilities included in a hotel. Hotels are classified using the 'Star rating' system depending on a set of criteria that espouse quality and authenticity. The Tourism Council of Bhutan makes it mandatory for tour operators to use a minimum of 3-star accredite accommodation for both international and regional visitors. Findings from one-to-one interviews with the hotels indicated a high number of Indian visitors staying in luxury 5-Star hotels, which mainly include the Taj Tashi in Thimphu.

In excess of three quarters (77.5%) were satisfied with the quality of hotels in Bhutan, and 72.1% of the total sampled agreed that the hotels represented good value for money. Some 20.3% and 24.0% rated "average" for quality and pricing of hotels respectively. Albeit most tourists are satisfied with their hotels, the need to improve hotel standards including services and food quality is still necessary as indicated by respondents. Some respondents also mentioned that some hotels, both accredited and unaccredited hotels in Thimphu and Phuntsholing were unkempt and necessitated better management and service delivery.

Bhutan needs to provide quality products and infrastructure to continue its level of competitiveness among the regional destinations, and in keeping with the high value, low volume policy to encourage higher end visitors.

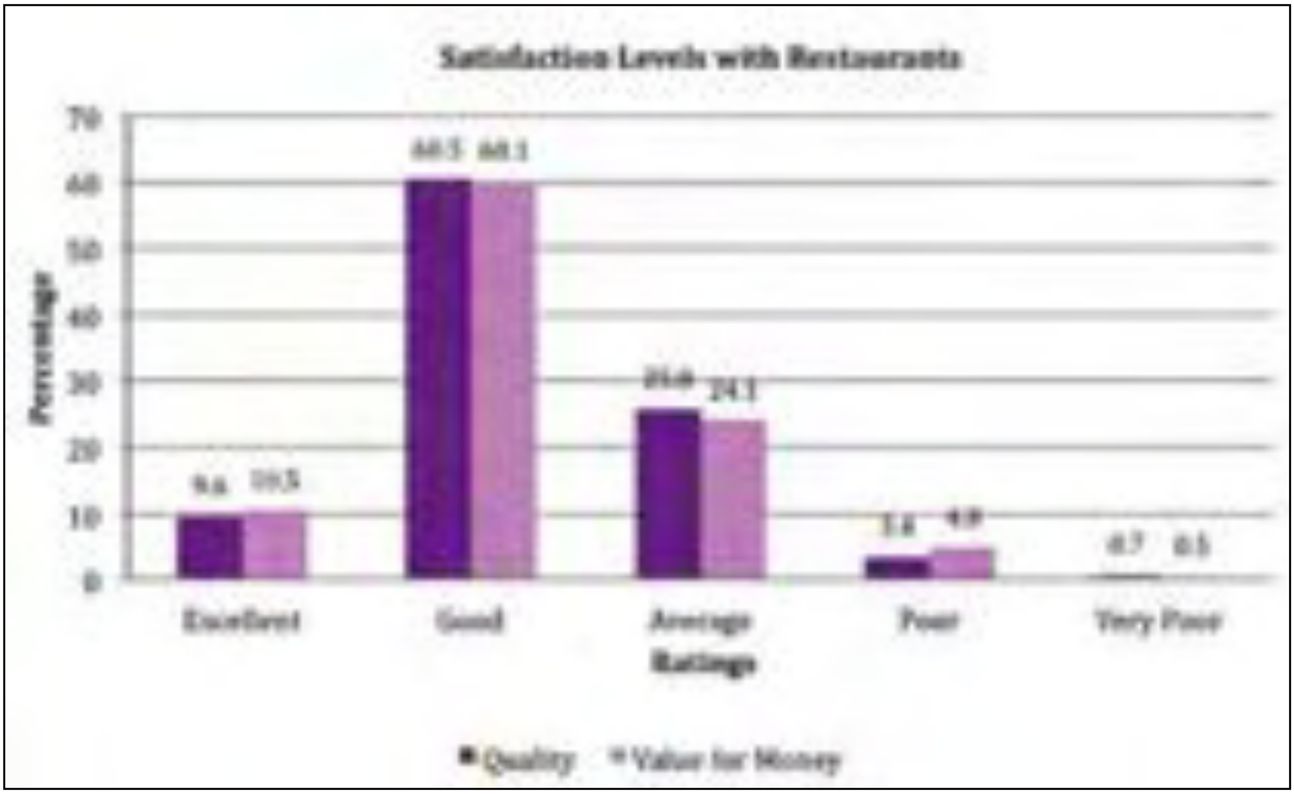
Graph 3.19 - Satisfaction Levels with Hotels (quality vs. value)

SATISFACTION LEVELS ON RESTAURANTS' QUALITY VS. VALUE FOR MONEY

A similar rating on satisfaction levels was also solicited for restaurants and food quality. Some 9.6% rated the food quality as 'Excellent' and another 60.5% rated it 'Good', thereby suggesting that the quality and diversity of food in Bhutan is palatable to the regional visitors. Some 70.6% expressed satisfaction with the pricing of food in restaurants. However, in excess of a quarter of respondents indicated that the food quality was only 'Average' and had less diversity. Another 29.4% said the eating in restaurants were expensive as restaurants were mainly catering to the high-end international segment.

A few respondents suggested that there should be diversity in restaurants catering to "Pure vegetarians" as many visitors originating from India do not eat meat and egg products.

Graph 3.20 - Satisfaction Levels with Restaurants and Food (Quality vs. Value)

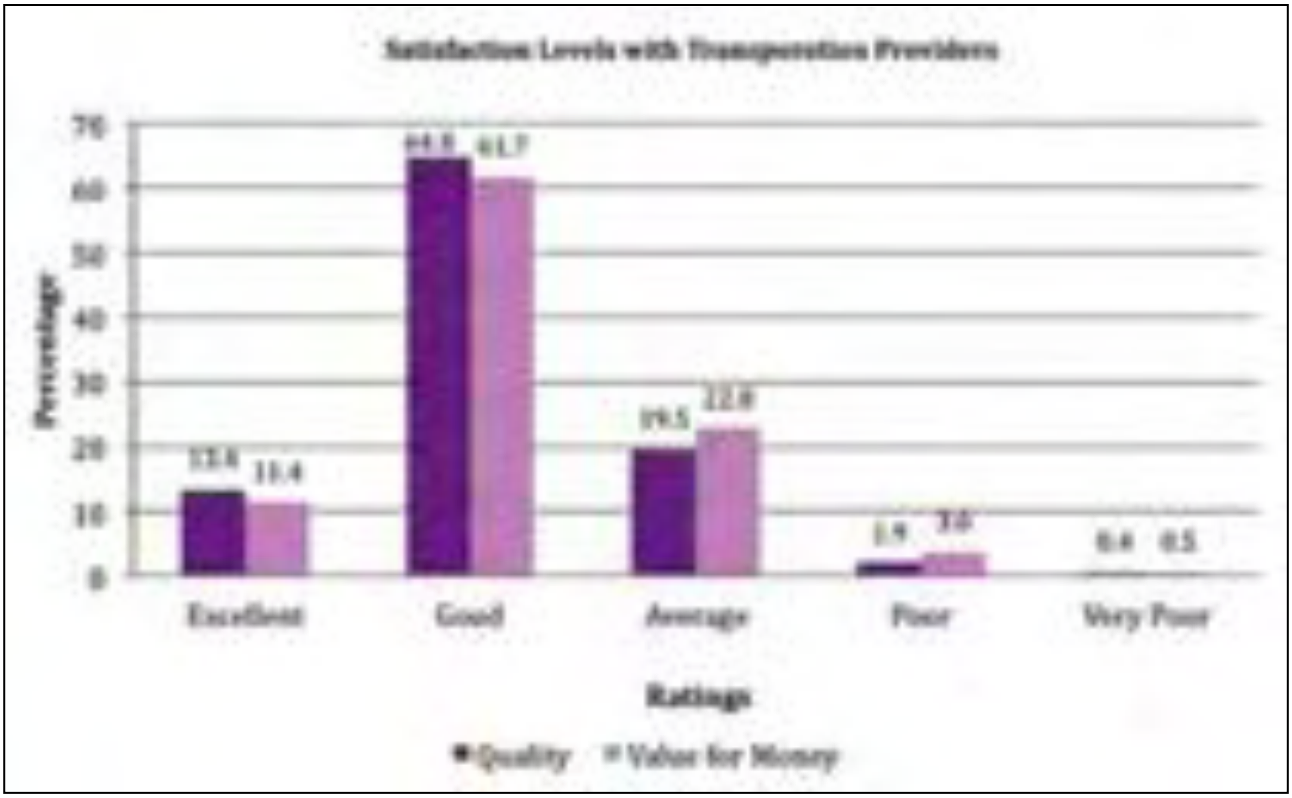


SATISFACTION LEVELS ON TRANSPORTATION

The transport sector is a major stakeholder in the tourism chain. While the Department of Revenue and Customs (DRC) provides tax exemptions to import luxury (Toyota) vehicles for tourism purposes, there is no minimum standards of rental vehicles used for the regional market. Visitors from the region can choose their vehicles according to their budget and comfort requirements.

A majority (78.0%) of regional visitors were satisfied with the quality and value of vehicles used for tourist transportation. Some 19.5% said comfort levels for vehicles were only average vis-à-vis the price paid for it. Only 2.1% were not satisfied with the quality of vehicles used for their travel.

Graph 3.21 - Satisfaction Levels with Transportation (Quality Vs. Value)



SATISFACTION LEVELS WITH CUSTOMER SERVICE

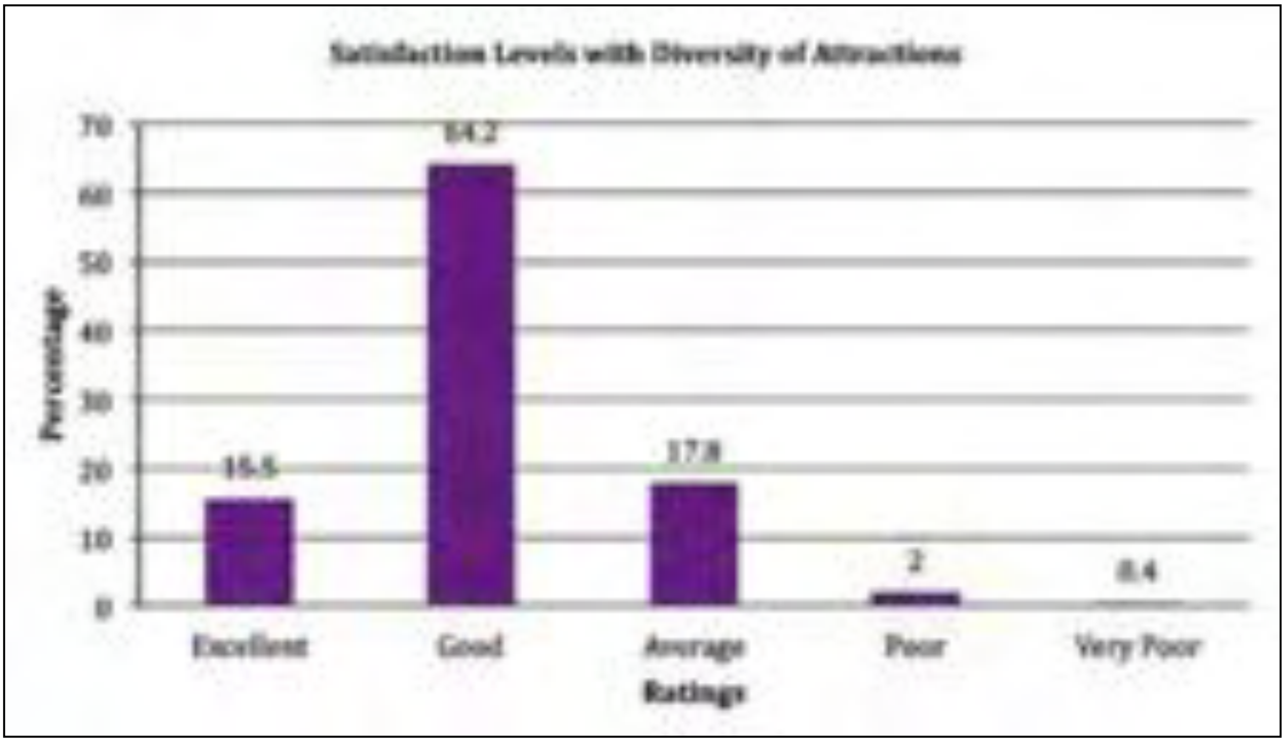
Professionalism in the service industry adds greatly to the marketability and the salability of a destination. A slight majority of 65.0% indicated that they were satisfied with the quality of the service providers in the hospitality sector. However, some 35.0% reported that the quality of customer service were 'Average' or 'Poor', and lacked professionalism in service delivery. Respondents indicated that hotel related services like Front Desk Management, Room Keeping, Wait and Bell Services needed improvements. Likewise, few respondents also expected drivers and guides to be more formal and professional. A few respondents also mentioned that business providers displayed less interest in regional visitors compared to the international visitors.

Graph 3.22 - Satisfaction Levels with Customer Services (Quality Vs. Value)

DIVERSITY OF ATTRACTIONS

Findings indicated that regional visitors come to Bhutan for the specific purpose of experiencing the unique Bhutanese culture and the pristine environment. Many visitors indicated that they read about what to expect prior to their arrival and had realistic expectations about Bhutan. A clear majority of 79.7% of the visitors indicated that Bhutan had a good mix of attractions and places to see and do. However, a significant 20.2% indicated that Bhutan needed more attractions and amenities to enhance visitor experiences. A few of them specifically expressed that Bhutan only focused on culture and nature and lacked "urban lifestyles with a vibrant nightlife and culinary culture" and therefore did not appeal to Indian holidaymakers who are younger and with a significant disposable income. Visitors suggested that Bhutan should invest in proper cinema theatres that screen international films, swimming pools, live music facilities, good restaurants, shopping malls and better discotheques etc. as younger travellers associate these facilities as holiday activities.

Graph 3.23 - Satisfaction Levels with Diversity of Attractions



PRICING OF GOODS AND SOUVENIRS

One of the main activities of the regional visitors is shopping during their holiday to Bhutan. While 51.4% of the respondents indicated that the pricing of goods were reasonable, the remaining 48.5% were of the opinion that shopping was expensive in Bhutan. This is however not surprising as Bhutan imports majority of the consumable goods from India, Bangladesh and Thailand where prices are comparatively cheaper. In concurrence to the opinions of international visitors to Bhutan, the regional market also specifically mentioned that 'souvenirs' were priced at exorbitant rates.

Graph 3.24 - Ratings on Price of Goods and Souvenirs

EASE OF ORGANISING TRIPS TO BHUTAN

Regional visitors indicated that organising trips to Bhutan is very easy (79.7%). This is not a surprising finding because regional travellers are allowed to visit Bhutan freely and independently without having to pay a premium tariff that the international visitors are liable to, and do not necessarily have to avail the services of a local tour operator. Those who did mention difficulties with organising their trip to Bhutan referred to unavailability of air tickets during the peak tourism season, and the limited information about hotels and attractions specifically catering to the regional market.

Graph 3.25 - Ease of Organising Trip

SPENDING PATTERNS OF REGIONAL VISITORS

Besides the airfare paid by the regional visitors, respondents were asked to approximate the total amount of money they spent on their trip to Bhutan, even including the package rates for those who visited with a local tour company. Spending patterns differed given the varied profile of visitors. Owing to the short lengths of stays of regional visitors, some 57.2% of the total respondents spent INR 20,000 (USD. 365.7) or less, for their Bhutan holiday. Some 16.0% spent more than INR 50,000 (USD. 914.3). In terms of range, visitors spending between 'INR 10,001 to 20,000' were the dominant segment with a slight majority of 19.2% of the total respondents followed by 15.0% who spent between 'INR 30,001 to 50,000'.

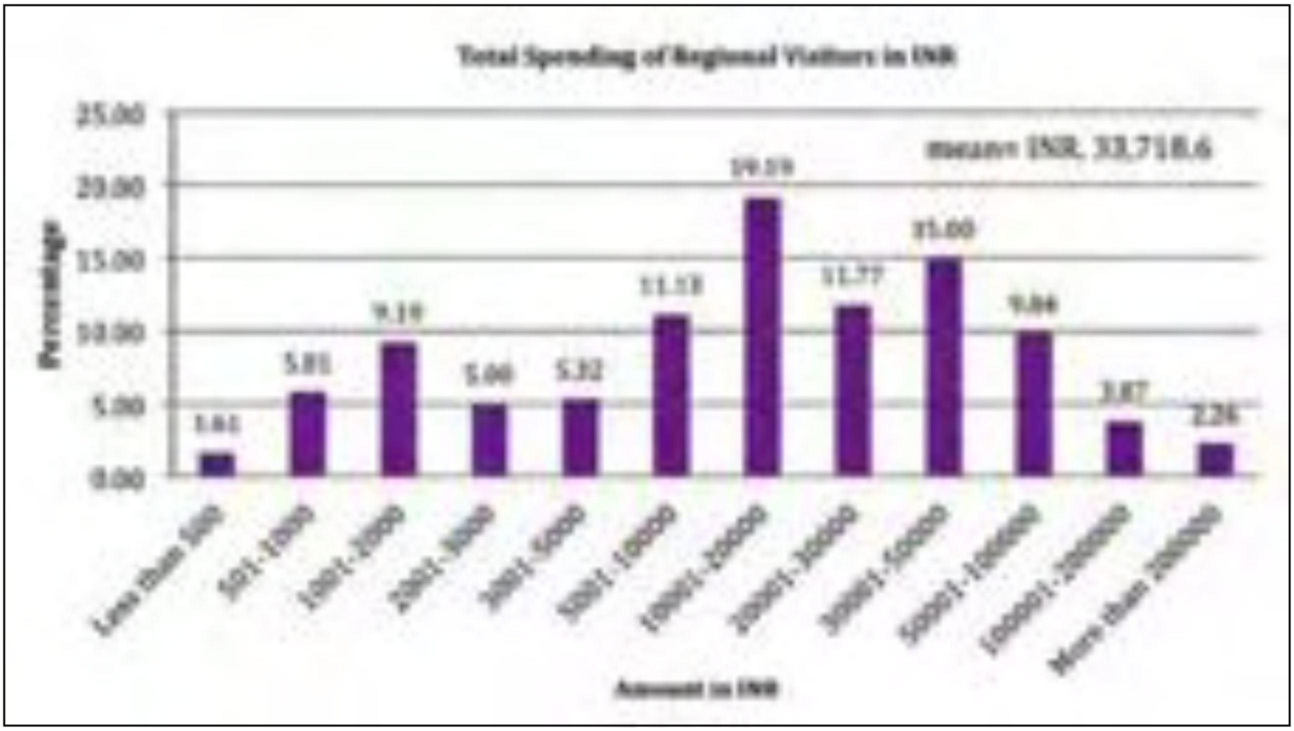
On an average, a regional visitor spends around INR 33,718 (USD. 616.6) for a trip to Bhutan.

This finding suggests that the regional segment should have contributed in excess of USD 31.26 in tourism receipts of 2012, even without including Drukair fares.

The figures below show the segmentation of total spending on various services consumed during their trip. Out of the total, the average spending on accommodation amounts to INR 21,096.2. Majority (23.8%) spent between 'INR 5,001 to 10,000' followed by 17.3% and 15.4% whose expenses for accommodation ranged between 'INR 10,001-15,000' and 'INR 3,001-5,000' respectively. Some 17.4% of the total respondents spent more than INR 20,000 for their accommodation.

Similarly, average expenses for transportation services (in-country only) was valued at INR 7,873.4.The dominant spending segment was a quarter of the total respondents spending between 'INR 2,001-5,000' followed by 19.6% spending between 'INR 1,001-2,000'. Transportation services availed were mainly taxis (39.9%), 'car provided by host' (23.2%) and rented cars (13.1%) for the purpose of sightseeing and other travel inside Bhutan.

Graph 3.26 - Total Spending of Regional Visitors

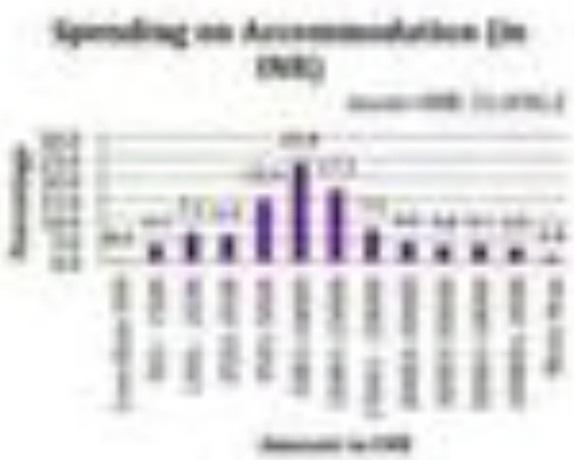


Expenditure on food and beverages was scattered throughout all segments of spending brackets. The average spend was INR 5,782.2. Only 2.4% of regional visitors consumed food and beverages worth more than INR 20,000. Likewise, regional visitors spent INR 10,852.8 on average on shopping for souvenirs and handicrafts products and other shopping. They spent around INR 2,445.1 and INR 3,511.0 on 'tipping/offerings in temples' and 'spa and wellness' services on average respectively.

Respondents highlighted the lack of entertainment facilities like proper discotheques, cinema halls screening latest international movies, swimming pools, good bars with live music etc. As a result visitors spent less with an average of INR 3,868.9 on entertainment and other recreational activities. This is one area of spending which can be improved for the purpose of contributing to more yields from regional visitors.

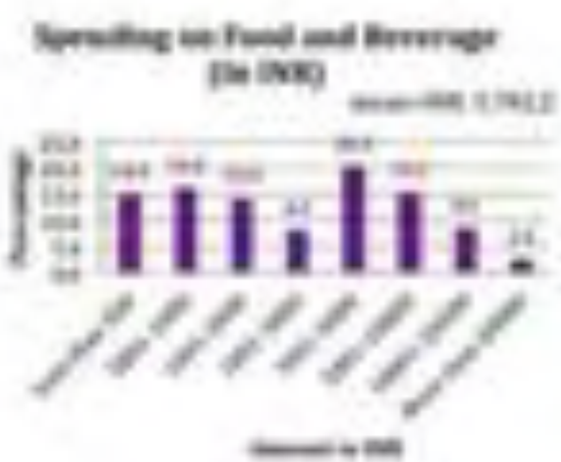
Internet and telephone charges costed an average of INR 2,158.6.

Graph 3.27 - Spending on Accommodation

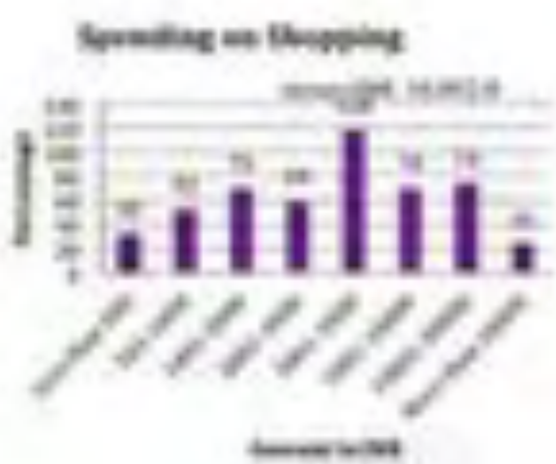


Graph 3.28 - Spending on Transportation

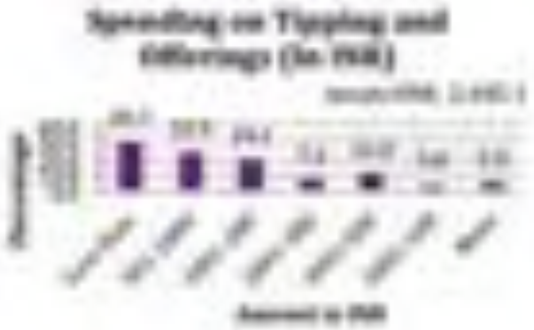
Graph 3.29 - Spending on Food and Beverages



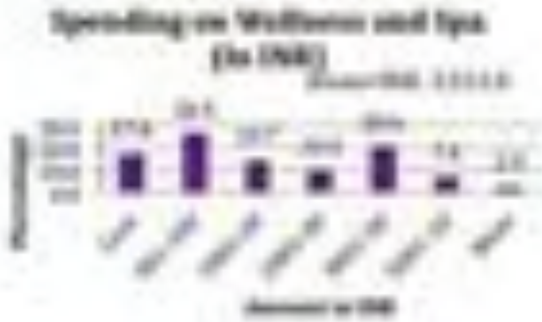
Graph 3.30 - Spending on Shopping



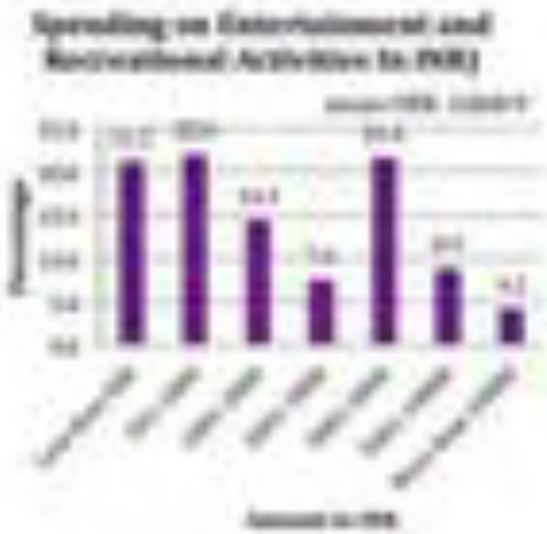
Graph 3.31 - Spending on Tipping



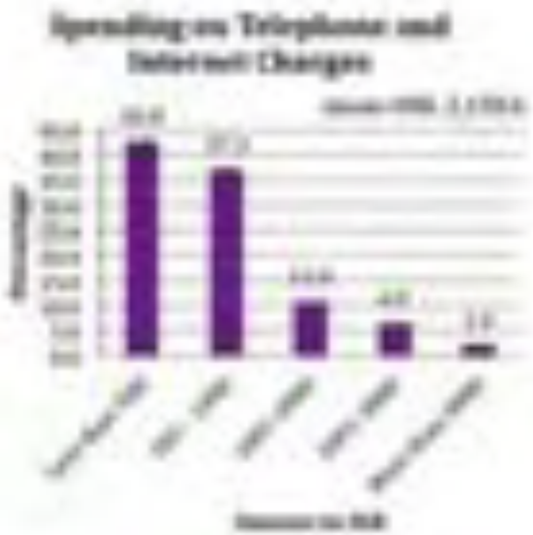
Graph 3.32 - Spending on Wellness and Spa



Graph 3.33 - Spending on Entertainment and Recreational Activities



Graph 3.34 - Spending on Telephone/Internet Charges



TOURISM VALUE-CHAIN ANALYSIS BASED ON SPENDING PATTERNS

Value Chain Analysis for the regional market for the purpose of this study is based on the average spending patterns derived through this study. For the purpose of this research, air travel spending is calculated at an average of INR 15,000 for a round trip based on current Drukair Sector's fares for regional visitors. Including spending on air travel, the biggest beneficiaries from regional tourist expenditures are the hotels generating 26.8% of total spending followed by Drukair with 19.1%.

Travel agents' share of earnings from regional tourist spending through organising sightseeing tours, excursions, and guiding was valued at 5.1%. This figure is likely to be higher in reality given that most of them also offer transportation and accommodation services and business commissions. Bhutanese travel agents who do not own hotels and transportation utilities mentioned that profit margins from regional visitors are very minimal and as a result depend on bigger group-sizes to benefit from economies of scale. Hotels such as the Taj Tashi, Olathang hotel, Hotel Sonam Trophel, Tashi Phuntsho Resort, Druk Hotel etc, actively market and sell tours for regional visitors. Hotel Taj Tashi, - a joint-venture company with the Taj Group of hotels – with significant bed occupancies of regional high-end visitors receive most of their bookings online and arrange airport pick-up services and tours for their clients.

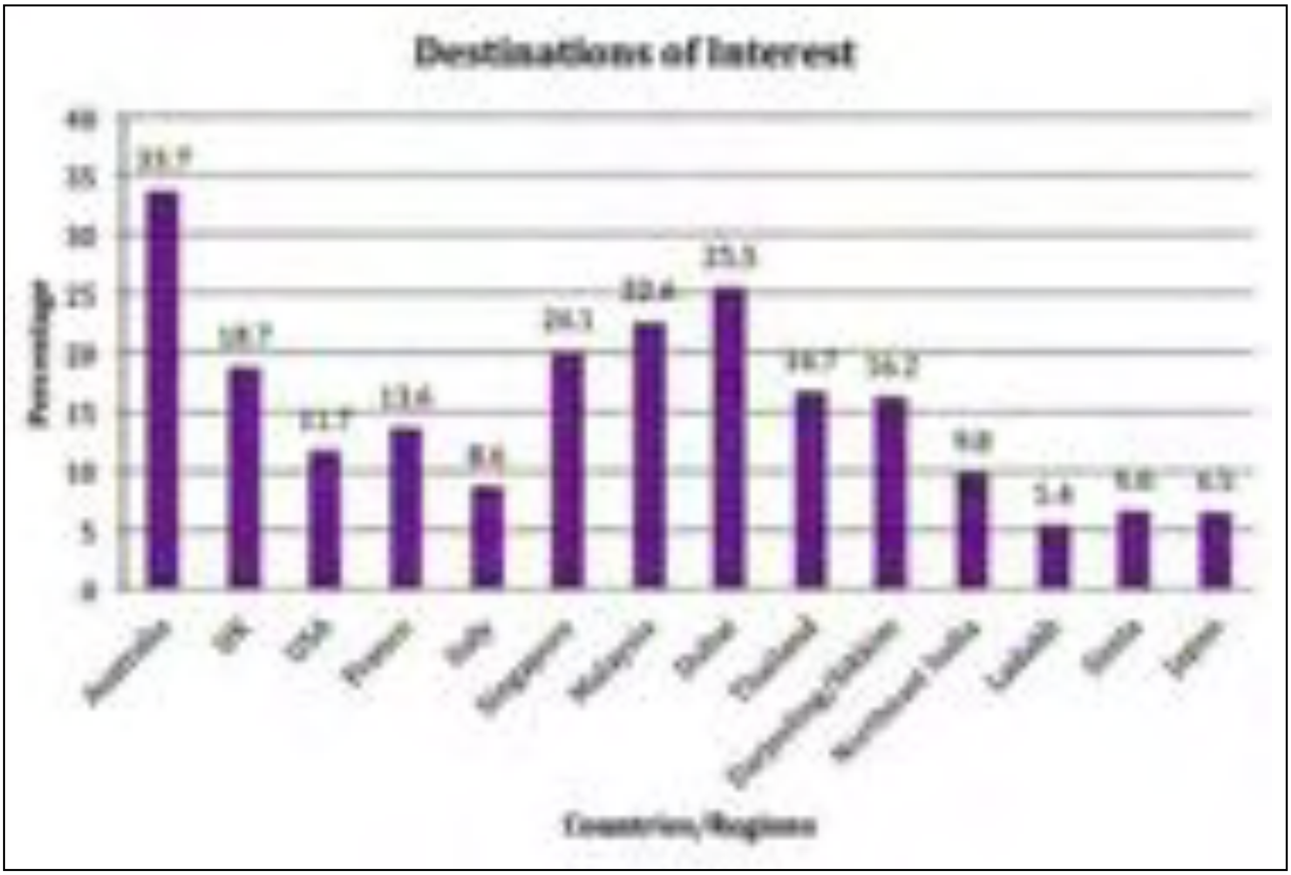
The transportation sector's earnings from regional visitors are estimated to be 10.0% and visitors spend another 7.4% on food and beverages.

HOLIDAY OPTIONS AND DESTINATIONS OF INTEREST

Sampled visitors were asked to indicate which other destinations/countries in the region did they consider visiting while planning their Bhutan holiday, or would consider for future vacations. This question was asked in order to understand valuable information regarding possible future marketing partnerships and networks and to understand their travel patterns. As expected, findings show that travellers visiting for business purposes only visited Bhutan while those who visited for the purposes of holidaying had varied destinations of interest. While 18.8% indicated that Bhutan was the only destination in mind for this trip, some of the high-end regional visitors who were interviewed in luxury hotels in Thimphu had long-haul destinations in mind, which included Australia, Europe (UK, France, Italy, Switzerland and Germany) and America (USA, Canada) and the Middle East (Dubai, Qatar). Many also had a strong inclination to visit countries along the Mekong and South East Asia. Of the total sampled, some 16.7% of holidaymakers considered Thailand before choosing Bhutan and might consider for their next holiday. Similarly, 22.6% would like to visit Malaysia, 20.1% would like to visit Singapore and 6.5% considered Japan before coming to Bhutan.

Interest in the neighbouring hill stations of Sikkim/Darjeeling (16.2%) and Northeast India (9.8%) offer opportunities for creating circuit itineraries by combining Bhutan with these destinations.

Graph 3.35 – Other Destinations of Interest



SUGGESTIONS FOR IMPROVEMENTS

Respondents were asked to make comments about tourism related services and infrastructures as well as suggest ways to enhance their experience in Bhutan. Of the total sampled, around 42.6% expressed dissatisfaction with at least one or more aspects of their Bhutan trip and made suggestions for improvements. The remaining did not complain about anything about their Bhutan trip.

The suggestions made by regional visitors shows that their concerns are different from the international visitors. Unlike the international segment who are more concerned with 'roads', 'garbage management', 'better hotels', 'restroom facilities' etc. the regional segment's main concern was with 'online booking facilities' for hotels and Drukair airline. Visitors who wanted to stay in accredited hotels during peak seasons had difficulty finding accommodation as the beds are reserved for international visitors in advance. Similarly with airline booking, visitors did not get tickets if not booked way in advance. A cross tabulation analysis shows that 85.2% of those who had suggestions were free independent travellers travelling without a local tour agent.

Drukair offers concessional airfare to regional visitors from India and Bangladesh at par with rates for Bhutanese travellers. However, this can be only availed through Drukair's ticketing partners based in Kolkata, Delhi, Bagdogra, Guwahati and Bodh Gaya in India, and Dhaka in Bangladesh. Therefore, in absence of a direct online booking facility, visitors have to book through a third party to avail concessional fares. The rates on the B2C online booking facility of Drukair's website is for the international tourists, payable in USD, and is considerably more expensive. Respondents indicated a need for online booking systems so that they can plan their Bhutan holiday without the involvement of third party ticketing agents.

Visitors complained about the lack of upfront information about regional visitors on the web and other information mediums. Respondents specifically mentioned that most travel sites on the Internet are focused on the international segment and did not cater to free independent travellers from the region. Attractions were mainly those included in set itineraries for the 'Dollar paying tourist'.

Free independent travellers who did not avail a local travel agent's assistance expressed cumbersome procedures with regards to availing permits to enter Bhutan while entering through road in Phuentsholing. There are two kinds of permits required for a visitor to enter Bhutan – an entry permit and a route permit. The entry permit limits visitors to visit only Thimphu, Chhukha, Paro and Haa Dzongkhags. The Department of Immigration issues entry permits for regional visitors only on working days and those arriving at Bhutan on weekends and national holidays had to wait till the next working day. Respondents indicated that sometimes it took days to get a permit especially during high season for regional visitors. Visitors intending to travel beyond the specified places as allowed by the entry permit need to apply for a route permit, which is only issued in DOI's head office in Thimphu. That takes another day of paper work before the traveller can start holidaying.

The cumbersome procedures are mainly because of strict screening regulations for visitors entering through road, as the problem of illegal workers wanting to enter Bhutan for employment has been a perennial issue.

Respondents indicated that credit cards facilities were limited to Mastercard and Visa Card and many businesses did not have point of sales (POS) facilities which is used for payments through credit cards.

Respondents indicated that food quality and diversity was limited and needed improvement and there should be restaurants that are catering to "pure vegetarians".

In excess of three quarters (77.5%) were satisfied with the quality of hotels in Bhutan. Albeit most tourists are satisfied with their hotels, the need to improve hotel standards including services and food quality is still necessary. Some respondents mentioned that hotels were in bad conditions and needed improvements with room keeping, cleanliness, customer service etc. This suggests that some hotels may need to be upgraded both in terms of infrastructure and capacity development to deliver quality services, so as to remain competitive within the region.

A few of them specifically expressed that Bhutan only focused on culture and nature and lacked "urban lifestyles with a vibrant nightlife and culinary culture" and therefore did not appeal to Indian holidaymakers who are younger and with a significant disposable income. Visitors suggested that Bhutan should invest in proper cinema theatres that screen international films, swimming pools, live music facilities, good restaurants, shopping malls and better discotheques etc. as younger travellers associate these facilities as holiday activities.

Like the international visitors, regional visitors also highlighted the need for proper public toilets and restrooms along highways as it becomes very inconvenient during travel times.

Some mentioned that Bhutanese businesses not accepting higher denominations of INR 500 and INR 1000 was inconvenient to travel with cash in hand.

Section 4 – Source Markets Summary

Section 4 of the report provides a country wise analysis of the top 10 source markets independently. It is a collection of findings, which are summarised according to a particular source market to present various trends and patterns of behaviour of a particular market.

JAPAN

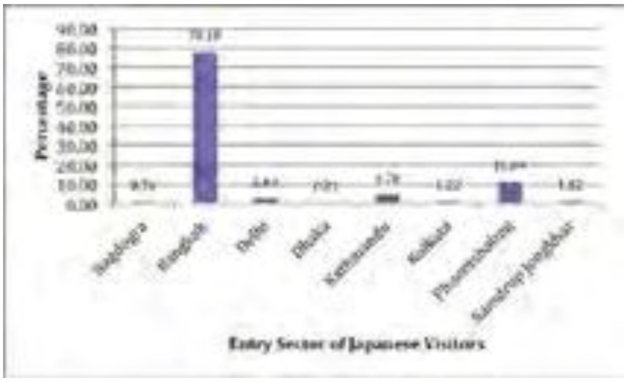
For the first time, Japan dominated international arrivals with 6,967 visitors, constituting 15.86% of total arrivals. Growth rate was recorded at a record increase of +76.69% compared to 2011. Japan's share of bed nights was at 11.21%. Their travel times are spread across the year with 35.14% travelling in between March-May, another 26.34% in between September-November, and a quarter 25.10% travelling during the lean months of June-August. The remaining 13.42% visited in between December-February. Average Length of Stay decreased slightly to 4.88 days in 2012.

Like most visitors who come to Bhutan, Japanese are highly educated with most of them holding university degrees. Japanese visitors travelled mainly as part of 'Organised Tour Groups' (38.36%) and as 'Group of Friends' (26.85%). A good proportion (15.48%) also travelled alone. Some 69.35% indicated that it was their first visit to Bhutan, thereby indicating a high repeat rate. For 12.21%, this trip was their second visit and another 15.53% had visited Bhutan before on 2 previous accounts. Out of the total Japanese visitors interviewed, a majority of 87.28% indicated their interest to visit again in the near future. A majority (42.55%) indicated that Bhutan was their only destination during the trip. Others combined mainly with Thailand (33.20%) and India (9.76%). Visitors indicated that their holiday time is generally in June-August (53.69%) and March-May (26.85%).

The graph 4.2 below shows the entry sector for the Japanese visitors in 2012. Majority of the visitors indicated that they entered through Bangkok (78.18%) as it the nearest port of embarkation. A significant 11.09% also entered through Phuentsholing by road.

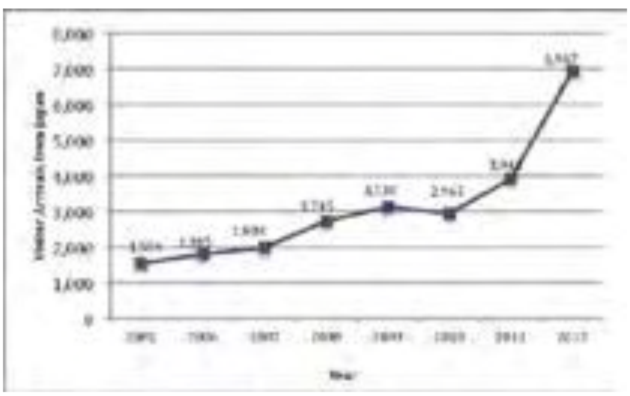
Graph 4.2

Port of Entry for Visitors from Japan



Graph 4.1

Visitor Arrivals from Japan

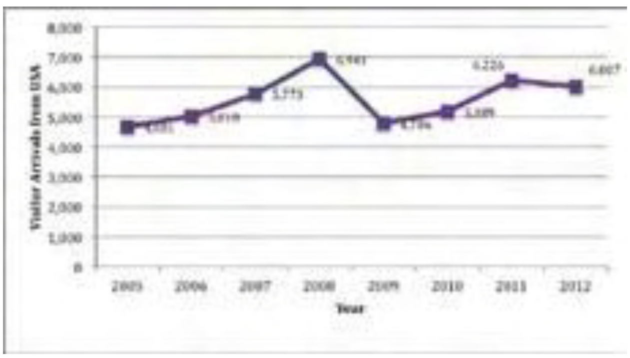


UNITED STATES OF AMERICA

Albeit experiencing a slight slump of -3.52% in arrivals in 2012, the United States still dominated the bed nights share with 15.84%. In 2012, there were 6,007 tourists from USA. Tourists from USA stayed for 8.00 days on average visited mainly in the months of (September –November) with 50.12% arriving during these months. Another 29.75% visited in March-May.

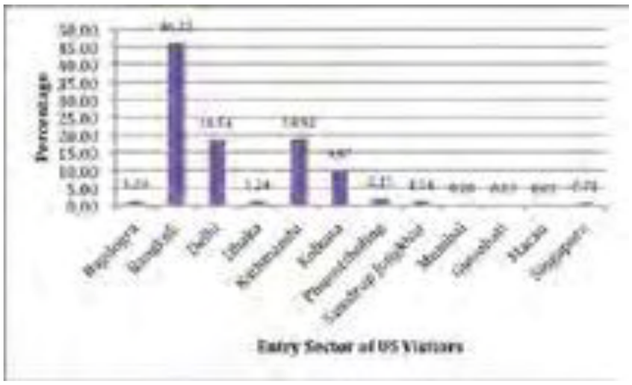
Responses from the tourists interviewed at the Paro Airport show that 90.11% of the visitors from USA have a university degree. Most Americans (37.79%) visited as part of a organised tour group followed by another 25.25% who visited as 'Group of Friends'. A significant 20.35% travelled as a couple. Majority (82.59%) of them were visiting Bhutan for the first time. Some 11.31% were visiting for the third time. After this visit, some 79.05% indicated their interest to visit again in the near future. Whilst a quarter solely visited Bhutan during this trip, another 34.15% and 29.48% combined their Bhutan trip with Thailand and Nepal respectively. Also some 27.70% combined it with India. A majority of 60.39% indicated that their vacation time is normally in between June to August.

Graph 4.3
Visitor Arrivals from the United States of America



Graph 4.4 below shows the entry sector of the USA source market. Americans mainly prefer Bangkok (46.22%) to enter Bhutan. A significant number of visitors from USA also entered through Kathmandu (18.92%), Delhi (18.54%) and Kolkata (9.97%). Only 3.31% Americans entered by road.

Graph 4.4
Port of Entry of US Arrivals



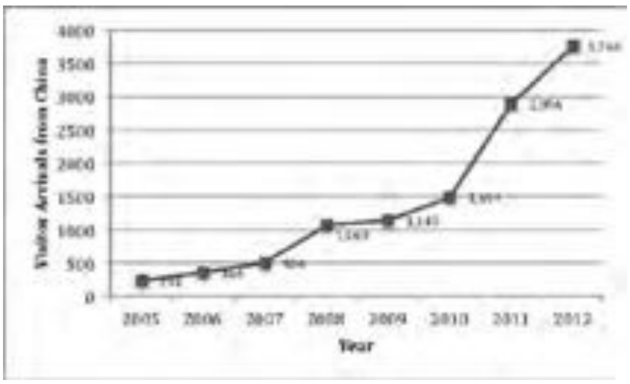
CHINA

China showed steady increase in arrivals in 2012 with a +30.04% growth rate. Arrivals from China were at an all time high of 3,766 visitors constituting 8.57% of the total international arrivals. With as few as 234 visitors in 2005, China has shown immense potential as a stable major market. Visitors from China visit Bhutan for a short holiday averaging 4.96 days. Their time of visitation is spread throughout the year with a slight majority skewed towards September to November months.

Visitors from China are highly educated with the majority holding university degrees. For 64.31%, this was their first visit to Bhutan. A significant 26.95% indicated that this was their third visit to the country. Some 33.77% indicated that their trip was for the purpose of solely visiting Bhutan. Others combined it with Nepal (30.80%) and Thailand (20.59%). Many travelled as group of friends (49.35%), as couples (20.67%) and as part of organised tour groups (20.48%). Chinese respondents indicated that their main holiday timing is in June-August.

Graph 4.5

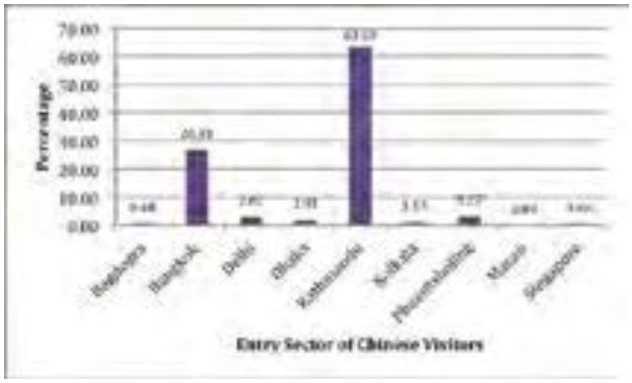
Visitor Arrivals from China



The graph 4.6 below shows the port of entry for the Chinese visitors. The majority of the visitors preferred 'Air' as their mode of transport with 63.50% of them entering through Kathmandu, followed by 26.81% entering through Bangkok. Some 3.27% entered by road through Phuentsholing.

Graph 4.6

Port of Entry for Visitors from China



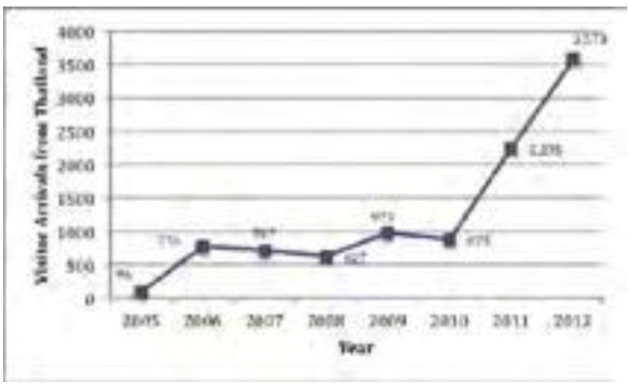
THAILAND

Visitors from Thailand saw a significant increase in 2012 with a +59.87% growth rate. Thai arrivals were recorded at its highest, surpassing arrivals from Germany and UK in 2012. Total Thai arrivals were 3,573 visitors corresponding to 8.13% of all international arrivals. Bed nights accounted for 4.96% only, given the shorter average length of stay of 4.21 days. Like Japan and China, visitors from Thailand preferred to travel during all through out the year. This is useful to offset seasonality. They are predominantly cultural visitors and seldom participate in trekking.

Majority of the Thai visitors were well-educated. They mainly travel as group of friends (41.86%) and tour groups (41.23%). Some 71.43% were first-timers to Bhutan. A significant 15.78% had visited twice before. A clear majority of 77.97% visited only Bhutan during this trip. A clear majority (58.39%) indicated that their holiday time is from March to May, coinciding also with the long holiday to celebrate Thailand's popular festival- Songkran.

Graph 4.7

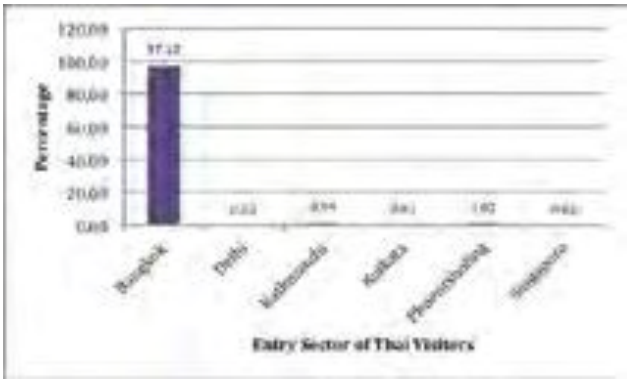
Visitor Arrivals from Thailand



The graph 4.8 below shows the port of entry for the Thai visitors. As can be expected of having a direct flight, a huge majority (97.32%) entered the country from Bangkok.

Graph 4.8

Port of Entry for Visitors from Thailand



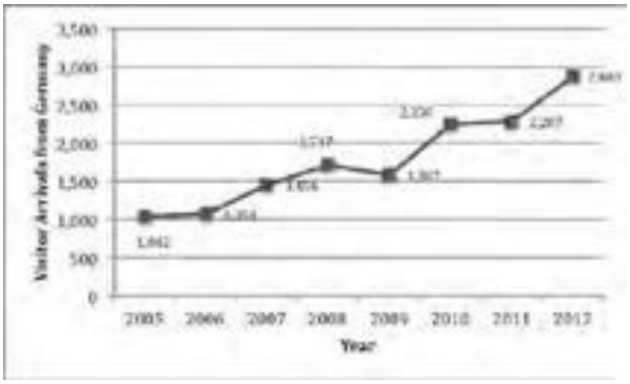
GERMANY

A total of 2,880 tourists from Germany visited Bhutan in 2012, corresponding to 6.55% of the total international arrivals to Bhutan. Growth rate was +25.93% in 2012. More than half (59.90%) of the total visitors from Germany visited Bhutan in the months of September, October, and November. The average length of stay of the Germans was recorded at 9.15 days. Total bed nights by German visitors accounted for 8.69%.

Like other markets, visitors from Germany are well educated with 88.52% holding university degrees. Germans travelled mainly as part of organised tour groups (52.50%) and 82.64% indicated that this was their first trip to Bhutan. After their trip in Bhutan, some 74.33% indicated that they want to visit again. Whilst 20.38% indicated that their only destination on the trip was Bhutan, others combined it mainly with India (44.37%) and Nepal (23.35%). Respondents indicated that Germans normally travel in summer between June-August.

Graph 4.9

Visitor Arrivals from Germany



The graph 4.10 below substantiates the fact that German visitors prefer to combine their Bhutan trip with Nepal and India with majority entering through Kathmandu (35.57%) and Phuentsholing (24.23%). Another 4.04% entered through Samdrup Jongkhar.

Graph 4.10

Port of Entry for Visitors from Germany

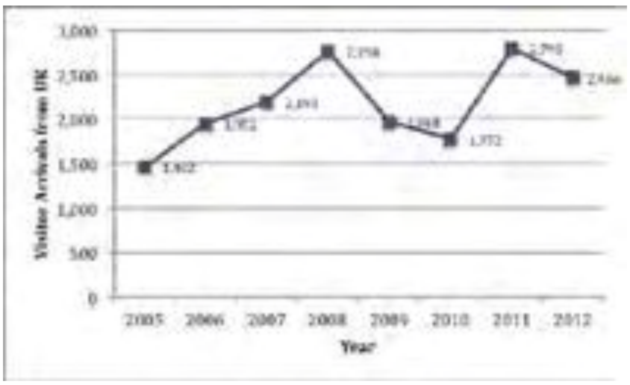
UNITED KINGDOM

United Kingdom exhibited unsteady trends in the last few years. Arrivals declined by -11.77% in 2012, contributing 2,466 arrivals. Their average length of stay was 8.49 days and constituted to 6.90% of the total bed nights. In excess of half the total visitors (50.97%) visited during September, October, and November months.

Tourists from the United Kingdom are mostly of the '46+'-age bracket and 86.54% of them were highly educated holding at least a university degree. About 49.94% of them preferred to join group-tours and another 22.38% travelled as couples. An 85.92% majority visited Bhutan for the first time. Whilst 20.00% visited only Bhutan, others combined their Bhutan trip mainly with Nepal (37.22%) and India (23.25%). Some 62.90% indicated that their holiday time is in between June-August.

Graph 4.11

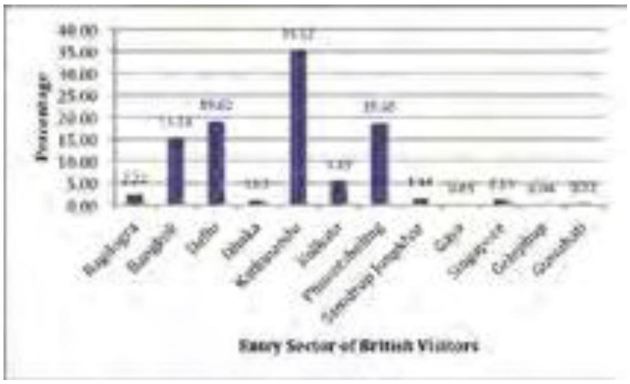
Visitor Arrivals from United Kingdom



Graph below 4.12 shows the preferred entry sectors of the British visitors in 2012. Some 35.32% of the total preferred to enter through Kathmandu followed by Delhi (19.02%). A significant 18.65% entered by road through Phuentsholing (18.65%), followed by 15.23% entering from Bangkok. Samdrup Jongkhar was used by 1.44% of UK arrivals to enter Bhutan.

Graph 4.12

Port of Entry of UK Arrivals



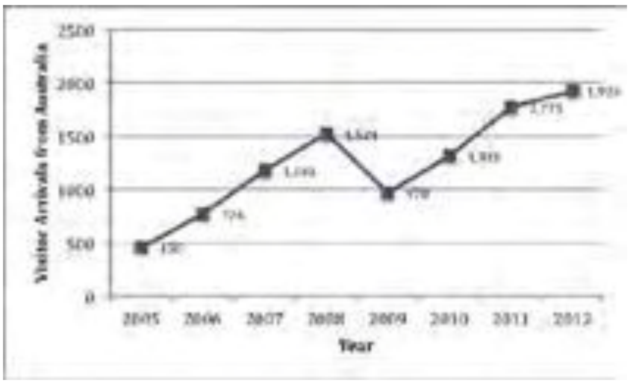
AUSTRALIA

Some 1,926 Australian arrivals visited Bhutan in 2012. It saw a stable increase of +8.63% in 2012. They accounted for 5.82% of the total bed nights. Majority (49.74%) of the Australians specifically prefer to visit Bhutan during September, October, and November and another 29.96% visited in the months of March, April and May. Australians stayed for an average length of 9.17 days.

Australians were also highly educated. They preferred to travel as part of tour groups (32.52%), as groups of friends (24.92%) and as couples (27.45%). Another 25.33% travelled with friends. Some 78.23% were first-timers to Bhutan. Repeat visitation was high amongst Australian visitors with 14.08% having visited Bhutan on 2 previous occasions and another 6.87% had visited once before. Some 34.38% visited Bhutan only; others combined it with Nepal (29.61%) and India (26.64%). Majority (45.62%) of the Australians indicated that their holiday time is in between December to February.

Graph 4.13

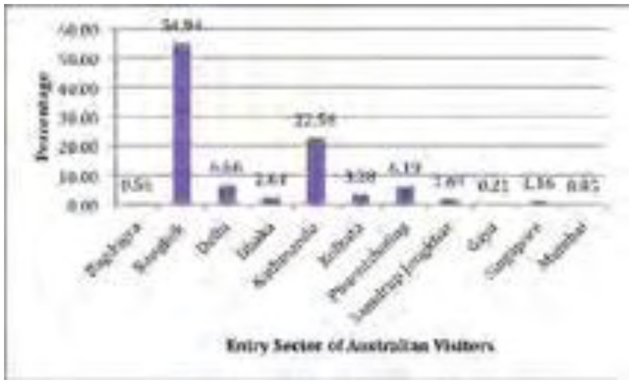
Port of Entry for Visitors from Australia



Graph 4.14 below shows the preferred port of entry for the Australians. As there is no direct flight from Australia to Bhutan, they transit through Bangkok (54.94%) and Kathmandu (22.58%). Significant number of Australians also entered the country via road through Phuentsholing (6.19%) and Samdrup Jongkhar (1.69%). Singapore Sector, a convenient entry port for Australian travellers was only opened towards the end of 3rd quarter of 2012 and was used by 1.16% to enter Bhutan.

Graph 4.14

Port of Entry for Visitors from Australia



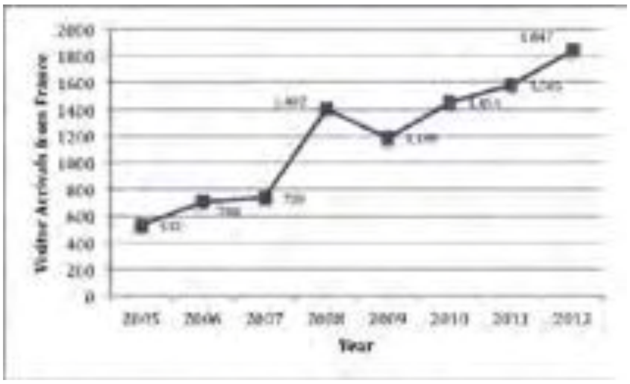
FRANCE

France has seen a steady increase since 2010. Arrivals from France in 2012 were 1,847 visitors, with an increase of +16.53%. Bed night's share was at 5.59% of all international bed nights. September, October and November months are the preferred months for French tourists with some 55.77% visiting. Another 29.18% visited during the spring months of March, April and May. Average length of stay of the French market was recorded at 9.17 days.

French tourists are highly educated with 89.57% of them holding university degrees. They prefer to travel mostly as organised tour groups (64.44%), as group of friends (16.00%) and couples (14.22%). A majority of 87.29% were first-timers to Bhutan. Whilst 22.94% only visited Bhutan during the trip, others mostly combine their Bhutan holiday with India (40.74%). Their holiday timing is normally during summer in the months of June, July and August with 64.15% indicating it.

Graph 4.15

Visitor Arrivals from France



The graph below shows the port of embarkation for the visitors originating from France. A slight majority of 28.76% preferred to enter through Delhi, and another 24.00% entered through Kathmandu. Some 23.02% entered by road from Phuentsholing. The French visitors also prefer to enter through Samdrup Jongkhar with 7.10 entering through it.

Graph 4.16

Port of Entry for Visitors from France

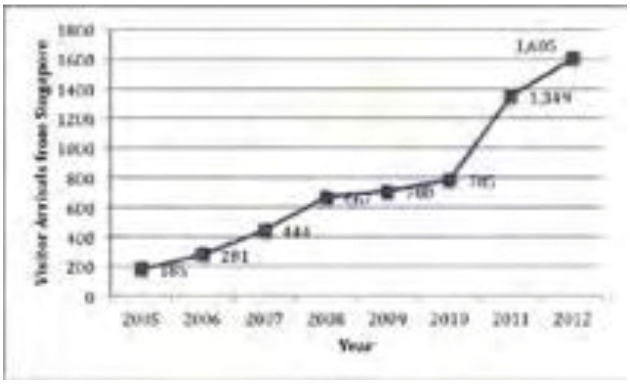
SINGAPORE

Singapore also represents a rapidly increasing Asian top market with 1,605 visitors in 2012, a figure marking an increase of +18.98% compared to its previous high. Bed nights accounted for 3.66% of all international visitors. Their travel times are spread over the year, with the months between September and November recording a slightly higher visitation. Unlike the other bigger Asian markets, the Singaporeans stayed a bit longer with average length recorded at 6.92 days.

Singaporeans are highly educated with 97.66% of them holding a minimum of a university degree. Majority (72.32%) visited Bhutan as a sole destination during this trip. Others mainly combined it with Thailand (17.30%). Some 72.07% indicated that this was their first trip to Bhutan. Singaporean respondents indicated that their main holiday timing is in summer in the months of June, July and August.

Graph 4.17

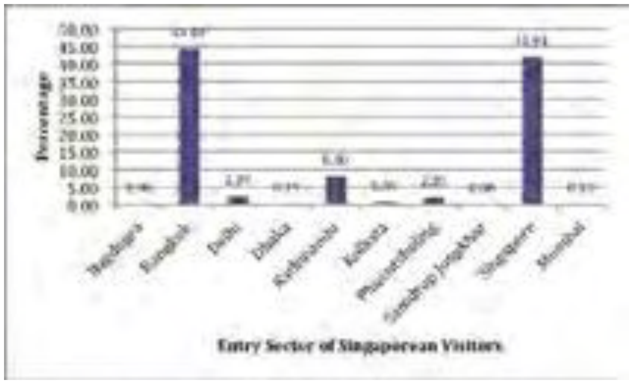
Visitor Arrivals from Singapore



The Graph 4.18 below shows the entry sector of the Singaporeans in 2012. They mainly entered through Bangkok and Singapore. Drukair started flying to Singapore only in the third quarter of 2012 and is expected to be used extensively by visitors from the Asia-pacific region.

Graph 4.18

Port of Entry for Visitors from Singapore



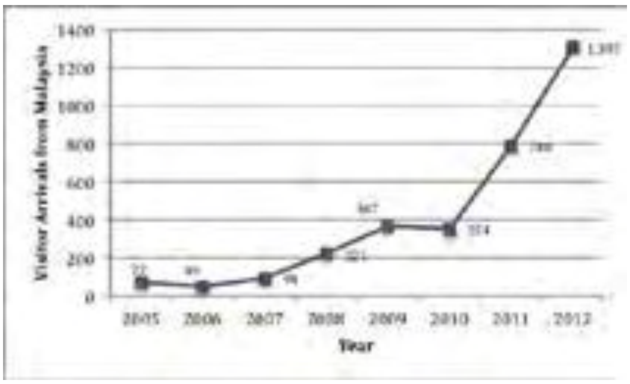
MALAYSIA

With less than 100 visitors in 2005, Malaysia represents a rapidly increasing market. It recorded a significant increase of +65.86% in 2012 and thereby getting featured in the top 10 major markets for the first time. This indicates a strong interest in Bhutan and is a promising market. A total of 1,307 Malaysian visitors came to Bhutan in 2012 and contributed 2.38% of total international bed nights. A clear majority of 40.55% visited in between September – November autumn months. Like other Asian markets, Malaysians also have shorter stays with an average of 5.52 days.

They are also highly qualified with 94.98% of them holding a minimum of a university degree. Their travel party was spread across all categories with a slight majority travelling as couples. For 86.98%, this was their first visit to Bhutan and almost two-thirds of them mentioned that Bhutan was their only destination on the trip. Others combined their trip with Thailand and Nepal. Holiday times in their country is in summer between the months of June-August.

Graph 4.19

Visitor Arrivals from Malaysia



The Graph 4.20 below shows the entry sector of Malaysian visitors in 2012. Majority entered through Kathmandu (46.62%), and Bangkok (36.41%). Also a significant number of 5.68% also used the road entry of Phuentholing to enter Bhutan.

Graph 4.20

Port of Entry for Visitors from Malaysia