BHUTAN TOURISM MONITOR
Annual Report
2010

Kingdom of Bhutan

Publication: Research Section
Plans and Programs Division

Produced by the **Tourism Council of Bhutan**

Foreword

The tourism industry has once again proven itself to be a resilient sector with tourist arrivals recovering strongly on the face of the worst global recession during recent times. Visitor arrivals peaked at around 41,000 in 2010. Boosted by improved economic conditions around the world, the international tourist arrivals alone were up by +15.83%, a figure sufficient enough to offset the losses in revenue following the slight slump in 2009. The regional high-end visitors from India and Bangladesh increased by +56.38% and contributed greatly to the overall economy and employment generation. This segment is a reckoning force with great potential to alleviate the seasonal nature of the industry in Bhutan.

As the highest hard currency earner the tourism industry brought in close to USD 36.00million as direct gross earnings from international visitors alone. This included a contribution of around USD 11.5 million as Royalty to the exchequer. This figure, combined with earnings from Drukair, the handicraft sector, transport and other services including regional tourism and other liable government taxes should reach USD 80 million or higher if measured through more accurate tools like the Tourism Satellite Accounting.

In 2008, the Royal Government had embarked on advancing the economy through the 'Accelerating Bhutan's Socio-Economic Development' (ABSD) initiative, where tourism was recognised as a priority sector. Many broad initiatives were identified to develop and enhance the tourism sector as part of this programme. I would like to hereby take the pleasure to highlight a few of our key achievements in the year 2010.

The Royal Government has now opened up the lesser visited Eastern and the Southern regions of Bhutan by designating them as tourism circuits to focus and attract investment and product development. The new Merak-Sakteng trek which was opened in September 2010 saw 110 visitors in only a few months thereby increasing the number of trekkers to balance the cultural majority. The Tourism Council of Bhutan also rolled out the new 'Star Classification' system for accreditation of accommodation providers to stick to the "quality promise" of Bhutan's high-end tourism experience. The Government is also providing many incentives for property owners to upgrade their facilities to at least a '3-Star' category to improve services quality. The new Tashel-Online system for online issuances of tourist visa was made operational in effect from July 2010 and has greatly enhanced efficiency and transparency in tourism operations. A new brand promise for marketing Bhutan as a high-end destination has been finalised and many activities are being carried out to position and communicate this brand to the world.

We are happy to present the Bhutan Tourism Monitor (BTM) 2010. Throughout this Report you will find information on trends in visitor arrivals, market and visitor profiles, visitor preferences and motivations and other helpful assessments and findings on accommodation, spending patterns, satisfaction levels, tourism earnings etc. I recommend the Report to all stakeholders in the tourism industry seeking additional market intelligence, and all those interested in tourism in Bhutan for up-to-date information on the tourism industry.

I thank all those who made this publication possible.

Kesang Wangdi
Director General

Bhutan

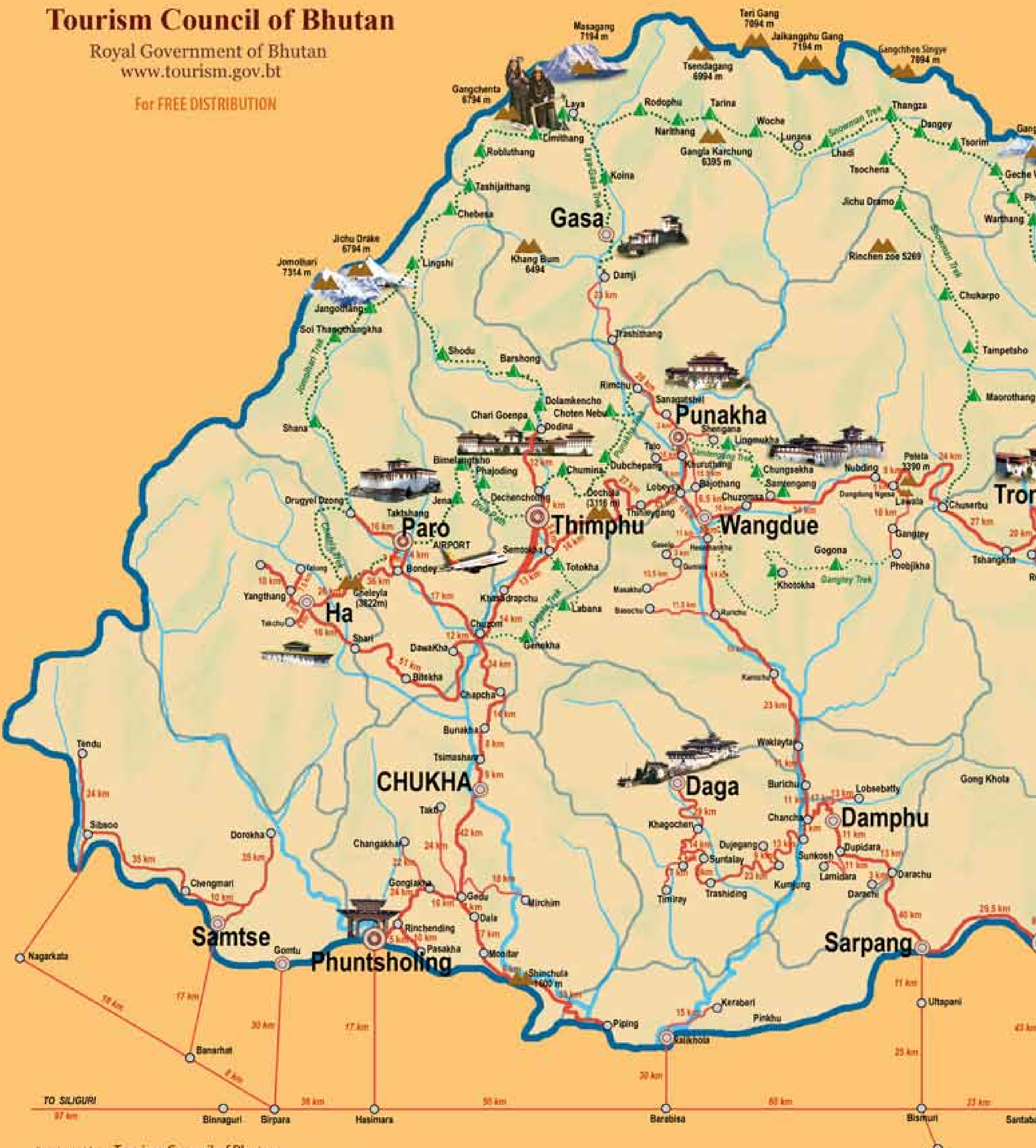
Land of the Thunder Dragon

Tourism Council of Bhutan

Royal Government of Bhutan

www.tourism.gov.bt

For FREE DISTRIBUTION



Produced by: Tourism Council of Bhutan

Sources: courtesy Survey of Bhutan & Department of Roads

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
Nepal
India
Myangmar
Chisangang 6050
Duer Tsachu
Tsochenchen
Nga Lhakhang
Thakung
Gorsum
Thangbi
Kurjey
Ugyen Choling
Tang
Phokpey
Pangshithang
Dechen Pelrithang
Jakar
Yotongla 3425 m
Chhume
Sheytangla 3596 m
Ura
Kungarapten
Khosala
Thrumshingla 3780 m
Sengor
Wangduegang
Zhemgang
Buli
Dakpai
Zurphey
Tingtibi
Tamala 1661 m
Khomshar
Gomphu
Surey
Pangkhar
Aja Bridge
Gelephu
Lalai
Panbang
Dogar
Ngangla
Nagor
Mathanguri
Lhuntse
Dungkhar
Tangmachu
Minji
Ungar
Khoma
T. Zam
Pemi
Taupang
Trashiyangtse
Autsho
Shershong
Galagpa
Gangola
Kurichu
Lingmithang
Nezaygang
Korila 2298
Yadi
Chaskhar
Mongar
Gyelpoizhing
Sherichu
Pema Gatshel
Khothakpa
Tsheilingkhor
Narphung
Dewathang
Samdrup Jongkhar
Nganglam
Tamzhangtshen
Tshenkharla
Duksum
Ramjar
Bartsham
Jamkhar
Chazam
Bidung
Radi
Phongmey
Rangjung
Dramitse
Rolong
Jyonkhar
Sakteng
Sakteng Trek
Merak
Trashigang
Kanglung
Khaling
Trashiyangphu
Thrimshing
Wamrong
Kukuzor
Dalim
Samrang
Jampani
Dalfam
Deklai
Kawaipani
Bangtar
Daranga
Tamalpur
Tangla
Rangia
Pardshala
Barpeta
Bogaigoan
TO GUAHATI

Contents

List of Graphs

List of Tables

INTRODUCTION

The "Toursim Council of Bhutan' is mandated with many responsibilities, out of which one is to undertake the situational analysis of the tourism industry in Bhutan. The Bhutan Tourism Monitor strives to provide insight for future marketing strategies, to highlight necessary improvement of services, to assist tour operators in product development, to guide the Council in policy making and, overall, to ensure that tourism in the Kingdom develops in a sustainable manner. This report is solidly grounded on factual findings as opposed to relying solely on anecdotal reports. The research in this report centres on annual international tourist arrivals, the activities undertaken by tourists during their stay here, their attitudes and preferences. The report clearly illustrates the significant impact the tourism industry has on foreign exchange earnings, employment opportunities and socio-economic development within Bhutan. In addition to the above, this report includes the calculation of quarterly occupancy rates of accommodation providers in different Dzongkhags and vital information on the standardisation of hotels and accommodation providers according to the new 'Star Classification' system.

METHODOLOGY

This report – The Bhutan Tourism Monitor 2010 - is presented in three sections. The first section presents the actual statistical data of the tourist arrivals, their profile, preferences and activities and the changes compared to the last few years. It is based on data produced by the Tashel-Online System data-base used for visa processing and costing. Information that is generated from this system pertains to the data that the Tour Operators' submitted while applying for visas online. Section 1 contains information which pertains to the entire calendar year of 2010.

The second section of this report presents results based on three 12 week data collection periods at Paro airport throughout 2010, by deputing trained enumerators to optimise the collection of feedback from departing tourists. The collection periods were selected to cover a 'high season' period (March/April), a middle period (July), and the Autumn period (September/October). This data provides additional information to the Tashel-Online system. Using survey methodology and a questionnaire instrument, it provides a more in-depth 'snapshot' of the visitors' travel behaviours, motivations, patterns and preferences.

The third section presents an in-depth analysis of the top 12 markets of 2010 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 40,873, a figure that also includes regional high-end visitors. Owing to the improvement of global economic situations, the tourism industry in Bhutan rebounded well in 2010 with international arrivals peaking at 27,196. This figure corresponded to an increase of +15.83% which reassuringly represents a stable performance (same average growth rate in the last few years). This can be mainly attributed to the better economic conditions around the world, suggesting that the recession might have seen its end. Likewise, gross earnings from international tourism also increased simultaneously to a total USD 35.98 million, an increase of +12.86% over 2009.

United States of America (USA) remained the single largest source market, providing 19.08% of the total visitors, followed by Japan with 10.89%. Figures clearly showed the countries which declined in arrivals in 2009 because of the global economic meltdown rebounded well in 2010 with significant growth rates except for UK which saw a –9.96% slump in arrivals. Top Asian markets like China, Thailand and Singapore continued to record high growth rates. China also made it to the 'Top Five' major markets for the first time.

Visitors from the USA and Germany dominated in terms of bed nights. Paro (30.80%) and Thimphu (23.92%) Dzongkhags dominated the bed nights share. The months of March, April, May, September, October, and November had the highest number of bed nights recorded.

The new 'Star Classification' resulted in 119 accommodation providers being accredited by the Tourism Council of Bhutan. There were three types of accommodation providers categorised namely 'Hotels', 'Guest Houses' and 'Serviced Apartments'. There are a total of 2,454 rooms with a capacity of 4,868 beds on supply per night.

Trekking tourists accounted for 10.13% of the total visitors and increased by +14.52% compared to 2009. The most frequented treks were 'Jhomolhari Trek' and 'Drukpath' trek. The remaining 89.87% were of the Cultural category. The most popular festivals according to number of tourist arrivals were 'Paro Tshechu' and 'Thimphu Tshechu' followed by significant growth in arrivals for 'Jambay Lhakhang Drup', 'Wangdue Tshechu', 'Trongsa Tshechu' and 'Ura Yakchoe'.

The average length of stay remained the same at 7.6 days like the previous year.

There were 676 registered local tour operators in 2010 in Bhutan which marked an increase of +8.68% compared to in 2009. Only 318 local tour operators were operational in 2010. Norbu Bhutan Travel dominated the numbers with 12.32% of the market share followed by Bhutan Tourism Corporation Limited (including Luxury Division) with 6.66%.

According to a recent analysis done by the Tourism Council of Bhutan and McKinsey Consulting, some 8,000 people were directly employed by tourism. Taking the ratio of indirect employment at a multiplier of 1.5 to the direct employment, there were 9000 indirectly employed. This suggests that approximately 17,000 may be employed in the tourism industry.

Majority of the visitors to Bhutan were found in the 'Over 60 years' age bracket and were well educated, with most holding university qualifications. The majority were visiting for the purpose of a holiday and for them, this was their first visit to Bhutan. Approximately two-third of the visitors came to Bhutan as a single holiday destination. Those who had combined their holiday with other countries also visited India, Nepal and Thailand. Word-of-mouth continued to be the most powerful primary source of information followed by information from magazines, internet and television. As in 2009, the most popular attractions/activities were found to be visiting Paro, Thimphu and visiting Dzongs/Temples. The major draw cards to Bhutan were found to be 'Unique culture', 'Nature', the 'Undiscovered' allure, and 'Buddhism'. 'Advice of an agent', 'holiday timing at the source market' and 'favourable weather conditions' are the main determining factors while choosing when to visit Bhutan. A majority of 72.56% (23.73% strongly agree and 48.83% agree) indicated that Bhutan represents a good value for money destination.

The most commonly cited areas for improvement were the lack of restrooms along the road, bad road conditions, lack of Credit Card and ATM facilities, inadequate internet facilities, Druk-Air related complaints, limited diversity in food and restaurants, lack of garbage control and overcrowding of dogs etc.

KEY ACHIEVEMENTS IN 2010

Bhutan continues with its philosophy of encouraging high-end, luxury tourism, with low environmental impact. It aims to become an exclusive destination that promotes culture, nature and wellness tourism. Bhutan has witnessed a terrific trajectory, reaching close to 41,000 tourists.. In addition, 2010 has been a water shed year in history of Bhutan – as the Royal Kingdom of Bhutan has taken great strides towards becoming one of the most attractive high-end tourist destinations in the world.

In 2010, Bhutan had accomplished a number of key initiatives as outlined in the following:

- **Introduced online airline reservation system**

  Drukair introduces online reservation system since February 2010. All users are able to book flights from their website http://www.drukair.com.bt/, using credit cards (VISA or Master).

- **Increased flights per week into Bhutan**

  Drukair significantly increased it flights into Bhutan. Drukair has 21 flights in to Bhutan per week and operates in 8 international airports excluding Paro in Bhutan: Delhi, Kolkata, Bagdogra, Gaya and Gauhati in India, Bangkok in Thailand, Katmandu in Nepal, Dhaka in Bangladesh

- **Started construction for 3 new domestic airports**

  Three domestic airports will be newly opened in 2011, in Yonphula (east), Bumthang (centre) and Gelephu (south). Transportation in Bhutan will be dramatically improved once those airports are opened. Lands have been already identified and constructions started in 2010.

- **Introduces star classification system for accommodation providers**

  Panel of trained experts rated all the hotels in Bhutan (119 hotels) by July 2010. From 2012, hoteliers will be allowed to host tourists only in hotels which are 3 stars and above. All tourists will be able to enjoy 3 stars above hotel since 2012.

- **Fiscal incentives for accommodation providers to upgrade**

  Fiscal incentive program was launched in January 2010, to encourage existing hotels to upgrade. A reinvestment allowance of 25% of total capital expenditure incurred shall be provided for the upgradation of the existing hotels. All the accommodation under 1 and 2 Star are supposed to be upgraded by end of 2012.

- **Merak Sakteng officially opened for tourism**

  Merak Sakteng sanctuary in the East opened to tourists in September 2010. Infrastructure around this area has been established, and tourists can enjoy renovated guest houses and campsites in this area. Tourists can experience community based tourism and have opportunities to meet nomadic lifestyles of the people in the Merak Sakteng community.

- **Started Crafts Bazaar to get tourists directly in touch with craftsmen**

  Crafts Bazaar started in October 2010. The bazaar opens in the Centennial Farmers Market in Thimphu, on every Tuesday and Wednesday. Tourists can enjoy shopping Bhutanese traditional arts and craft in this Bazaar, which could be one of the excellent activities in their itineraries.

- **Abolished the requirement of special permits**

  Special permits to visit monuments, temples and Dzongs have been lifted to reduce logistical arrangements for local tour operators and as a result increase efficiency.

- **Opened new festivals for tourists**

  - There will be new festivals in 2011 as follows:
  - Haa Summer festival on 9th and 10th July 2011 in Haa
  - Takin Festival on 9-10th June 2011 at Tsharijathang,Laya
  - Nomads Festival on 23rd-25th February 2011 in Nagsephel Chhokortoe Valley,Bumthang

- **Opened new routes for tourists to enter Bhutan**

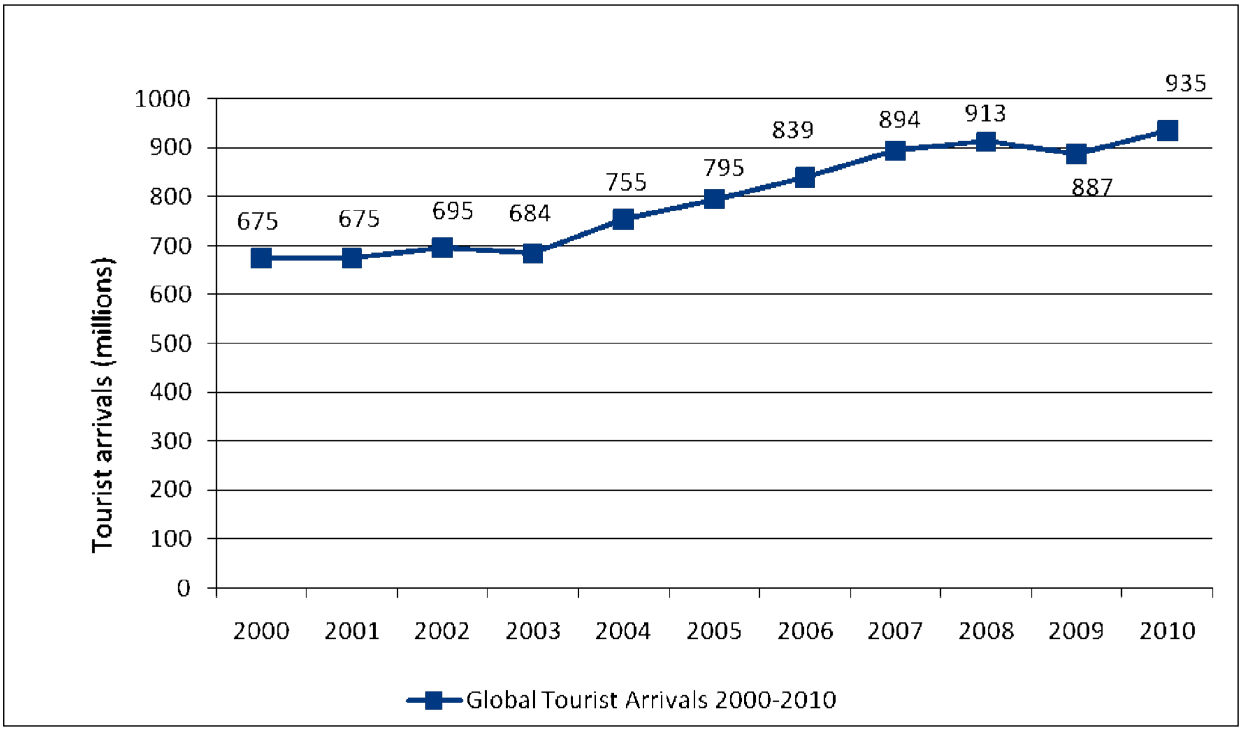
  Samdrup Jongkhar and Gelephug were approved as royalty free zones both for entry and exit purposes in May 2010. Tourists get a one night royalty free if they enter/exit from Samdrup Jongkhar or Gelephug if they stay in an approved hotel.

- **Online visa processing system introduced**

  Online visa processing system was successfully introduced in July 2010. This online visa system enables local tour operators to apply and get payment online without visiting relevant offices physically, which dramatically reduces visa processing time from 2 weeks to 1-2 days. This system allows all tour operators and tourists to plan tours more flexibly and efficiently.

- **Credit card infrastructure introduced in Bhutan**

  Credit card facilities have been officially installed in Bhutan in December 2010. Tourists can withdraw their money by Master and VISA cards through ATM.



- **New hospitality training institute established**

  The Royal Institute of Tourism and Hospitality (RITH) in Thimphu was formally inaugurated in October 2010. It is the first institute for tourism and hospitality management on international level in Bhutan, and is expected to hugely contribute to the improvement of service level in Bhutan tourism.

GLOBAL TOURISM IN 2010 (SOURCE: UNWTO)

Boosted by improved economic conditions worldwide, international tourism has recovered faster than expected from the impacts of the global financial crisis and economic recession of late 2008 and 2009. International tourist arrivals were up by +6.7% compared to 2009, with positive growth reported in all world regions. Worldwide, the number of international tourist arrivals reached 935 million, up 58 million from 2009 and 22 million more than the pre-crisis peak level of 2008 (913 million).

While all regions posted growth in international tourist arrivals, emerging economies remain the main drivers of this recovery. This multi-speed recovery, lower in advanced economies (+5%), faster in emerging ones (+8%), is a reflection of the broader global economic situation and is set to dominate 2011 and the foreseeable future.

International tourism demand held up well in 2010, despite persistent economic uncertainty in some major markets, the natural disasters suffered in some countries, political and social unrest in others, the serious disruption of air travel following a volcanic eruption in Iceland last April and the problematic weather conditions in parts of Europe and the USA in December.

2010 also saw the rise in importance of mega-events – sport, culture and exhibitions - in terms of their extraordinary ability to attract visitors and position host countries as attractive tourism destinations. Notable examples include the Winter Olympics in Canada, the Shanghai Expo in China, the FIFA World Cup in South Africa and the Commonwealth Games in India.

Asia (+13%) was the first region to recover and the strongest growing region in 2010. International tourist arrivals into Asia reached a new record at 204 million last year, up from 181 million in 2009. Africa (+6% to 49 million), the only region to show positive figures in 2009, maintained growth during 2010, benefiting from increasing economic dynamism and the hosting of events such as the FIFA World Cup in South Africa. Results returned to double digits in the Middle East (+14% to 60 million) where almost all destinations grew by 10% or more.

In Europe (+3% to 471 million) recovery was slower than in other regions due to the air traffic disruption caused by the volcanic eruption in Iceland of and the economic uncertainty affecting the euro zone. However, the sector gained momentum from the second half of the year and some individual countries performed well above the regional average, but this was not sufficient to bring overall results above the losses of 2009.

The Americas (+8% to 151 million) rebounded from the decline in 2009 brought on by the economic hardship suffered in North America and the impact of the influenza A(H1N1) outbreak. The return to growth in the US economy has helped improve the region's results as a whole, as did the increasing regional integration in Central and South America and the vitality of Latin American economies. Growth was strongest in South America (+10%).

Section 1 - Tashel Data

VISITOR ARRIVALS IN 2010

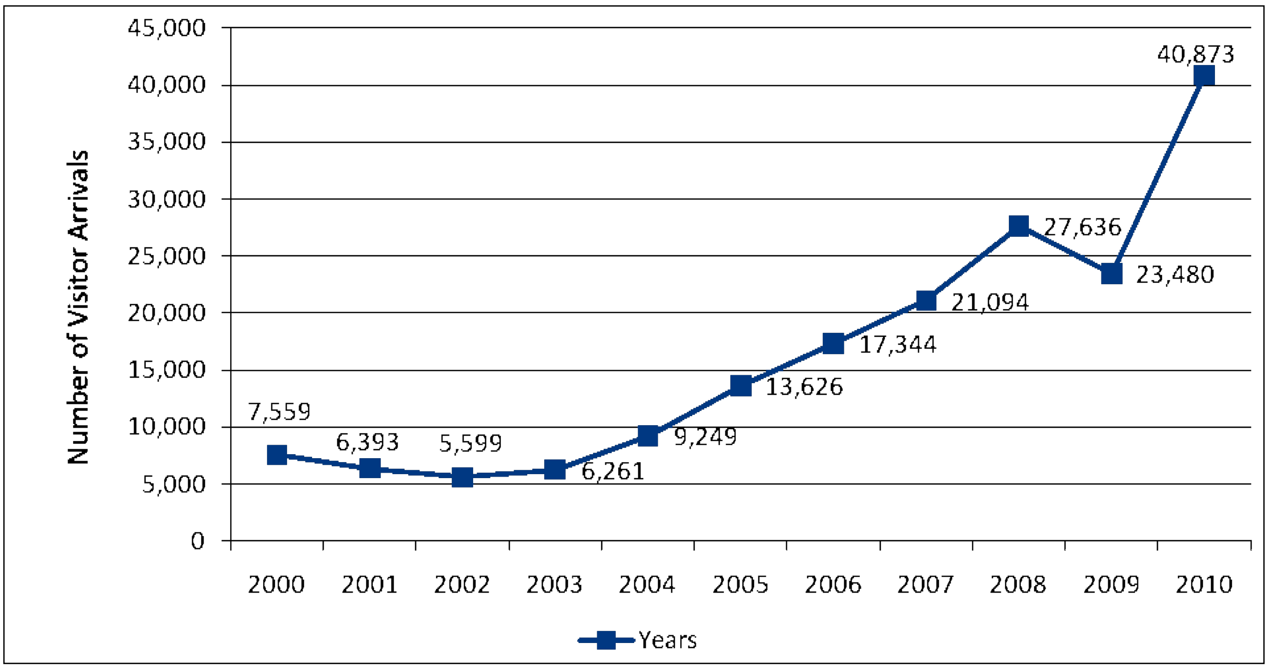
Visitor arrivals to Bhutan in 2010 peaked at 40,873. This figure represents the actual high-end visitors which also includes 'Regional' arrivals (India, Bangladesh and Maldives) that entered Bhutan by 'Air', International MICE (Meetings, Incentives, Conferences, Exhibitions) and FAM (Familiarisation) arrivals. International arrivals after the 2009 slump rebounded well with an increase of +15.83%, corresponding to a figure peaking at 27,196 visitors. Graph 1.2 illustrates the types of visitor arrivals to Bhutan in 2010.

MAJOR SOURCE MARKETS

Graph 1.3 and Table 1.1 illustrate the trends in the major source markets. Though the markets continue to remain the same, notable changes were recorded in the performance trends amongst these major markets. While USA and Japan continues to dominate the arrivals, Germany saw an increase of +41.78% and as a result overtook UK which saw a decrease in arrivals by -9.96% compared to 2009. China represents a promising new market and was rated in the top five major markets for the first time with an increase of +30.71% over 2009. Other Asian markets also continue to emerge with significant growth rates recorded for Thailand, Singapore and Malaysia, Taiwan, South Korea and Philippines.

In terms of growth from other source markets in 2010, there was a huge increase from Romania (+173.68%), Denmark (+169.28%), South Africa (+118.75%), Slovenia (+113.33%) and Turkey (+96.68%).

Graph 1.1
Visitor Arrivals to Bhutan 2000-2010



Arrivals from countries who had never visited Bhutan before were Virgin Islands, American Samoa, Bahamas, Brunei Darussalam, Uzbekistan, Malta, Namibia, Chad, Uganda, Reunion, Tanzania, Honduras, Trinidad and Tobago and Malta - therefore suggesting the growing interest from potential visitors and increasing the market range.

Graph 1.2
Types of Visitor Arrivals

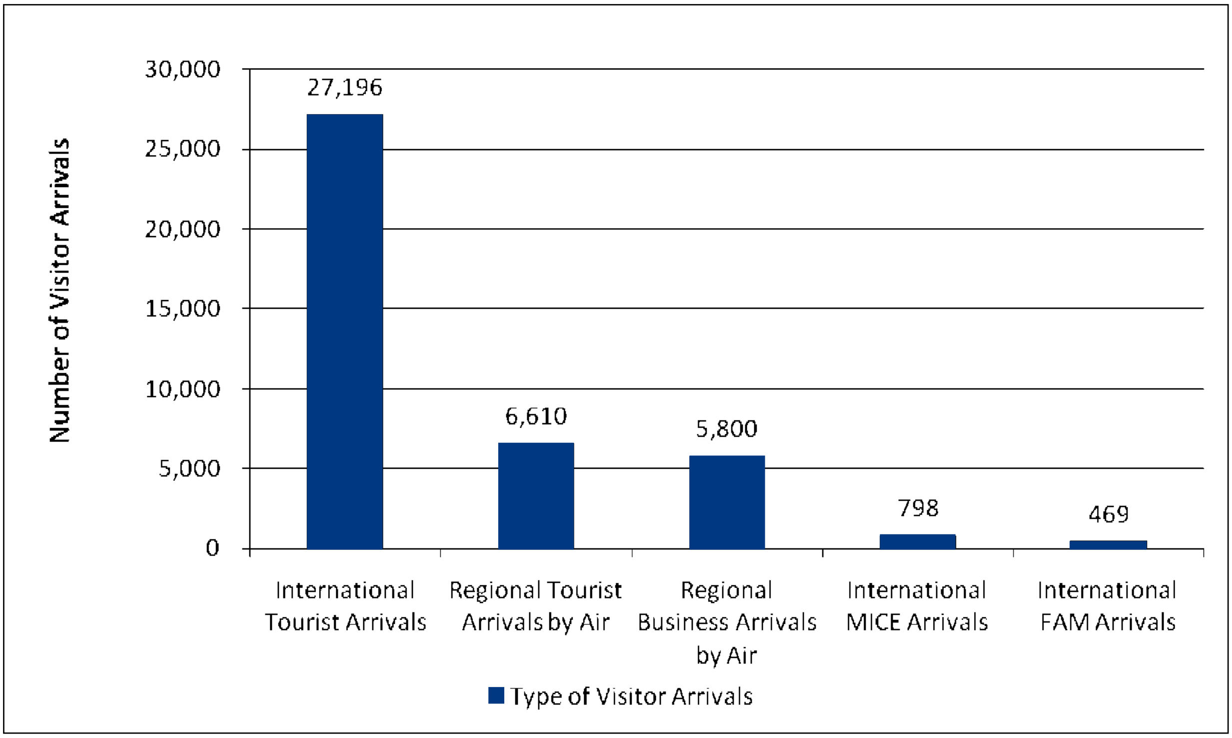
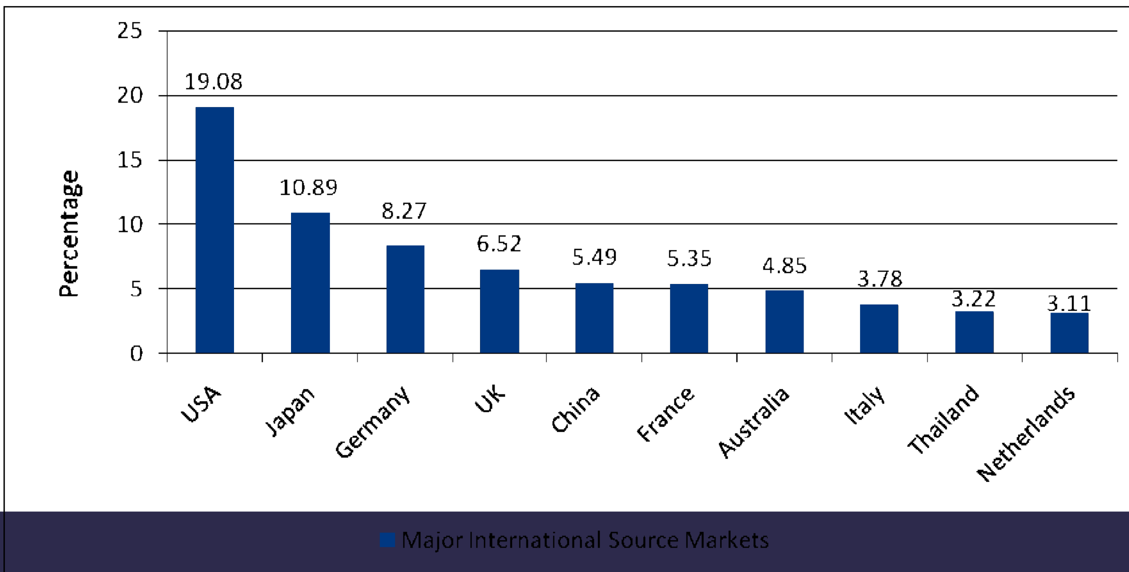


Table 1.1
Major International Source Markets by Nationality and Year

Nationality	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	% change from 2009
Germany	414	346	497	671	1,042	1,074	1,456	1,717	1,587	2,250	**41.78%**
Australia	138	214	165	315	458	774	1,181	1,524	970	1,318	**35.88%**
Italy	180	197	179	163	329	389	497	751	759	1,028	**35.44%**
China	36	46	66	30	96	776	707	1,069	1,143	1,494	**30.71%**
France	287	192	285	434	532	708	738	1,402	1,189	1,454	**22.29%**
Netherlands	192	177	331	462	529	648	614	915	780	847	**8.59%**
USA	2,149	1,913	1,803	3,242	4,681	5,018	5,773	6,941	4,786	5,189	**8.42%**
Japan	1,038	892	951	1,087	1,554	1,815	2,008	2,745	3,136	2,963	**-5.51%**
United Kingdom	681	519	605	954	1,462	1,952	2,193	2,758	1,968	1,772	**-9.96%**
Thailand	36	46	66	30	96	776	707	627	975	875	**-10.25%**
Year Totals	**6,393**	**5,599**	**6,261**	**9,249**	**13,626**	**17,344**	**21,094**	**27,636**	**23,480**	**27,196**	

NB – 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.

Graph 1.3
Major Source Markets for International Arrivals



REGIONAL TOURISM

The biggest source market in terms of tourist arrivals is India, which falls under the category of 'Regional' markets which also include Bangladesh and Maldives. Visitors from these countries do not require a visa and are exempt from the tariff structure due to bilateral agreements. Due to this different arrival and visa conditions, these source markets are not reflected in the Tashel-Online System because regional tourist visas are directly issued by the Department of Immigration. The Tourism Council of Bhutan only processes international tourist visas to the Department of Immigration for issuance of visas and as a result do not possess data on the regional segment.

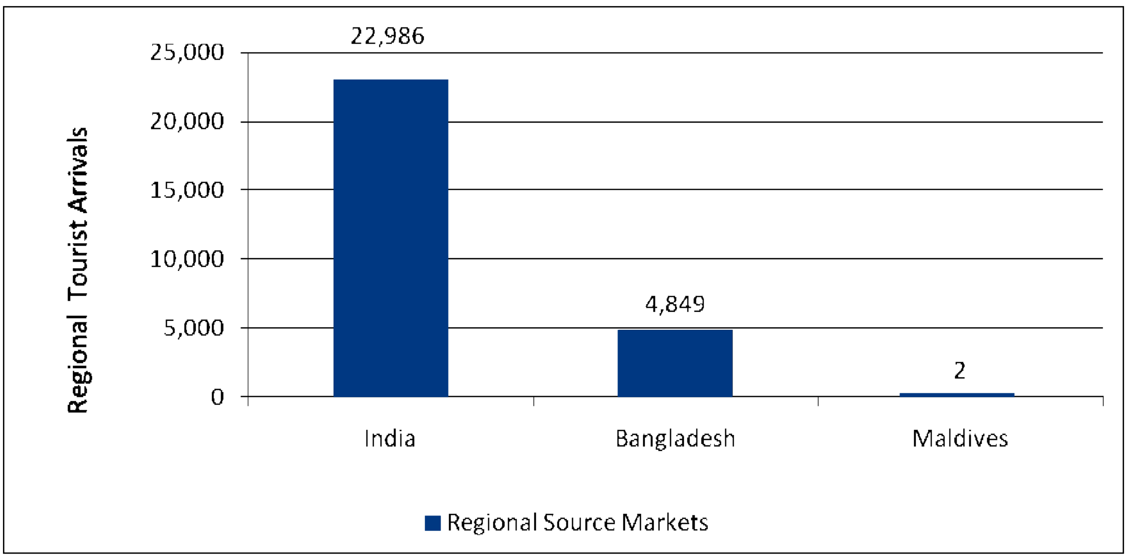
According to the Department of Immigration, there were 27,837 'Regional' tourists who came to Bhutan solely for the purpose of holidaying. This figure marked an increase of + 30.46%, a growth rate that is double the International visitors' rate. This suggests that there is a growing interest in Bhutan as a tourism destination for the neighbouring regional markets. Some 21,227 of them came overland and the remaining 6,610 entered the country by Air. The latter is considered high-end as they contribute greatly to the aviation industry and the hotel industry by staying in a tourism accredited accomodation. The high-end visitors from India could greatly help mitigate seasonality and also make the industry more resilient during economic crisis around the world. The high-end Indian market does have the potential due to the growing middle-class who spends more on holidaying compared to earlier years.

GLOBAL SEGMENTATION OF MAJOR SOURCE MARKETS

Graph 1.5 below shows the global segmentation of international markets. Tourist traffic according to global region distribution in 2010 remained almost the same as of 2009, with majority (43.22%) of the visitors originating from Europe. This was followed by the Asia/Asia-Pacific region with 31.95% which included important markets like Japan, China, Australia and Thailand. The North American region contributed 22.58% of all arrivals which includes important markets like USA and Canada. The North American segment represented a -5.65% decrease compared to in 2009. As opposed to in 2009, where Europe had seen a decrease in arrivals mainly owing to the global recession, it saw a +33.88% increase in 2010. The largest growth rate was recorded for visitors from the Asia/Asia-Pacific region with an increase of +60.10% compared to 2009. This indicates that the Asia/Asia-pacific markets are exhibiting increasing interest in Bhutan and therefore proving to be the most emerging market region, tipping the balance of arrivals from Europe and North America. Table 1.2 shows the country-wise breakdown of international source markets.

Graph 1.4

Regional Visitor Arrivals



Graph 1.5

Global Segmentation of Source Markets

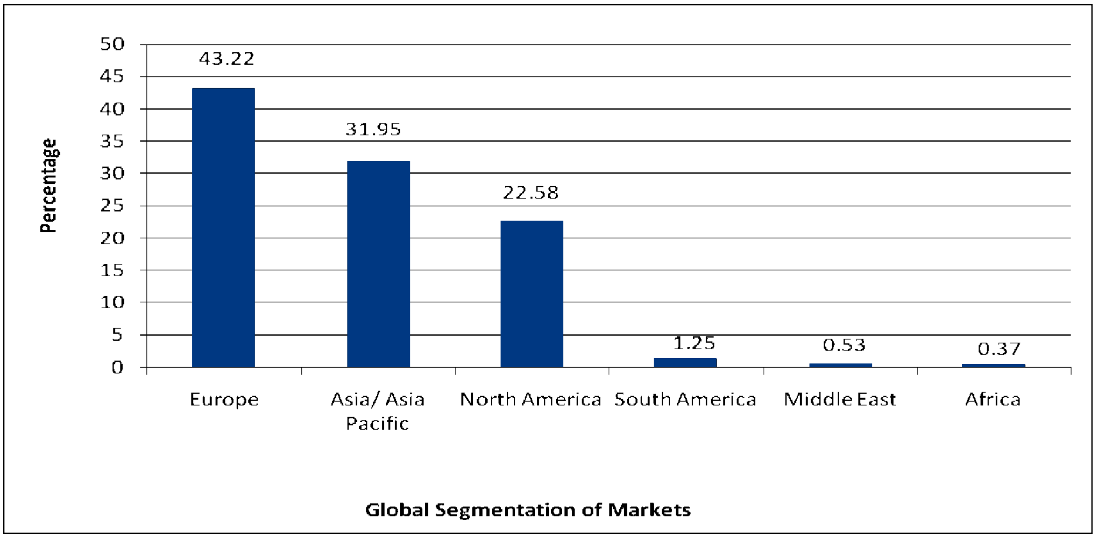


Table 1.2

Country-wise Breakdown of International Source Markets

Source Markets	Arrivals	Proportion of Total Arrivals	Proportion of Change from 2009
A. North American Region			
America (US)	5,189	19.08%	+8.42%
Canada	786	2.89%	+41.36%
Mexico	166	0.61%	+32.8%
B. European Region			
Germany	2,250	8.27%	+41.78%
United Kingdom	1,772	6.52%	-9.96%
France	1,454	5.35%	+22.29%
Italy	1,028	3.78%	+35.44%
Netherlands	847	3.11%	+8.59%
Switzerland	789	2.90%	+54.3%
Spain	528	1.94%	+8.87%
Austria	505	1.86%	+20.24%
Denmark	412	1.51%	+169.28%
Belgium	404	1.49%	+10.99%
Russia	275	1.01%	+1.85%
Poland	268	0.99%	45.65%
Finland	174	0.64%	+8.07%
Sweden	137	0.50%	+55.68%
Norway	136	0.50%	+47.82%
Portugal	116	0.43%	0.00%
Turkey	100	0.37%	+96.08%
Greece	88	0.32%	-17.76%
Czech Republic	71	0.26%	+5.19%
Hungary	65	0.24%	+32.65%
Slovenia	64	0.24%	+113.33%
Ireland	59	0.22%	0.00%
Romania	52	0.19%	+173.68%
Slovakia	32	0.12%	-39.62%
Estonia	31	0.11%	+121.42%
Ukraine	27	0.10%	-3.57%
Luxembourg	23	0.08%	+43.75%
Bulgaria	11	0.04%	-8.33%
Latvia	9	0.03%	+200.00%
Lithuania	7	0.03%	+75.00%
Cyprus	5	0.02%	0.00%
Malta	5	0.02%	-

Belarus	2	0.01%	0.00%
Serbia and Montenegro	2	0.01%	-
Gibraltar	1	0.003%	100.00%
Andorra	1	0.003%	-200.00%
Croatia	1	0.003%	-300.00%
C. South American/Caribbean Region			
Brazil	229	0.84%	+28.65%
Argentina	40	0.15%	-32.20%
Colombia	27	0.01%	+92.85%
Peru	19	0.07%	+216.66%
Chile	18	0.07%	+125.00%
Costa Rica	10	0.04%	-
Trinidad and Tobago	4	0.01%	-
Dominican Republic	4	0.01%	-
Venezuela	3	0.01%	-62.50%
Jamaica	3	0.01%	-
Honduras	2	0.01%	-
Uruguay	1	0.003%	0.00%
Ecuador	1	0.003%	-
Belize	1	0.003%	-
Bahamas	1	0.003%	-
Paraguay	1	0.003%	-
Virgin Islands U.S	1	0.003%	-
D. African Region			
South Africa	70	0.26%	118.75%
Egypt	10	0.04%	-44.44%
Lithuania	6	0.02%	+50.00%
Kenya	4	0.01%	+100.00%
Tanzania	3	0.01%	-
Swaziland	3	0.01%	-25.00%
Mauritius	1	0.003%	-80.00%
Benin	1	0.003%	-
Namibia	1	0.003%	-
Chad	1	0.003%	-

Uganda	1	0.003%	-
Reunion	1	0.003%	-
E. Middle East Region			
Israel	127	0.47%	-20.13%
United Arab Emirates	8	0.03%	+700.00%
Lebanon	5	0.01%	+400.00%
Kuwait	2	0.01%	-50.00%
Iran	1	0.003%	-100.00%
Jordan	1	0.003%	-
Oman	1	0.003%	0.00%
F. Asian /Asia-Pacific Region			
Japan	2,963	10.89%	-5.52%
China	1,494	5.49%	+30.71%
Australia	1,318	4.85%	+35.88%
Thailand	875	3.22%	-10.26%
Singapore	785	2.87%	+10.88%
Malaysia	356	1.31%	-2.99%
Taiwan	184	0.68%	+121.69%
South Korea	182	0.67%	+271.42%
Philippines	119	0.44%	+101.69%
Indonesia	110	0.40%	+12.24%
New Zealand	105	0.39%	-13.93%
American Samoa	70	0.26%	-
Nepal	60	0.22%	+46.34%
Viet Nam	31	0.11%	+24.00%
Sri Lanka	30	0.11%	+400.00%
Chinese – Macau	3	0.01%	+200.00%
Pakistan	2	0.01%	-60.00%
Myanmar	1	0.003%	-80.00%
Mongolia	1	0.003%	-
Brunei Darussalam	1	0.003%	-
Uzbekistan	1	0.003%	-
Maldives	1	0.003%	-

ROAD AND AIR ACCESSIBILITY

Accessibility continues to be a bottleneck for tourism, but some improvements have been made by opening Bagdogra as a Drukair Sector (convenient for those who combine their trip with Sikkim, Darjeeling and Kalimpong), opening Samdrup Jongkhar and Gelephug as road access points, and improving the Phuntsholing-Thimphu highway – a main artery for tourists flow. Whilst some 84.72% of all visitors used air as the preferred mode of entry to Bhutan, the remainder entered overland by road. With the opening of Samdrup Jongkhar for tourist traffic, it is being increasingly used with some 1.78% of all total arrivals in 2010 entering through this eastern gateway. It is used more as an exit point with 4.17% of the total exiting from it. The Samdrup Jongkhar access point has helped boost tourism in lesser developed areas like Eastern and Southern Bhutan especially for the Merak Sakteng trek (110 visitors) which was opened in 2010.

Phuentsholing is the most used option for road traffic with 13.50% of the total entering from it and 11.16% exiting from it. One of the important factors for tourists using Phuentsholing as an entry or exit point is because of the one night royalty free incentive provided by the Government for making a halt in registered hotels. The same incentive is now being provided for a halt in Samdrup Jongkhar to encourage hotel occupancy and at the same time help increase the flow of tourists to those areas (regions). Gelephug was only used as an exit point.

Air exit continues to be the most preferred choice for tourists. In 2010, some 84.67% boarded the plane to exit Bhutan.

The problem of accessibility leads to inequitable regional tourism development. Realising this, the Tourism Council of Bhutan has designated these lesser visited areas as the Eastern and Southern Circuits for tourism with clear policies and proper infrastructure development activities that are currently being undertaken. The Government's plan to develop domestic air services in Trashigang, Bumthang and Gelephug by mid 2011 should greatly enhance accessibility and help the tourism industry spread its benefit to these regions.

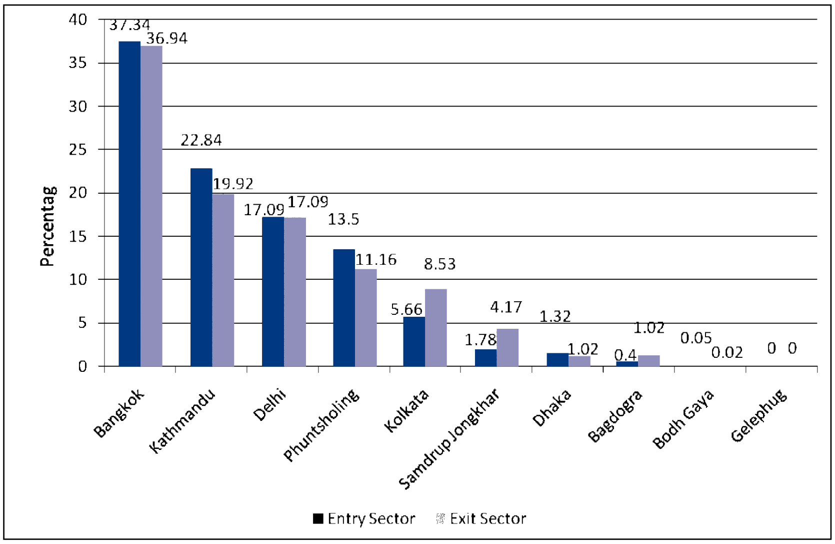
Table 1.3

Road and Air Accessibility

Access Points	Entry Sector	Proportion of Entry Sector	Exit Sector	Proportion of Exit Sector
Bangkok	10,155	37.34%	10,046	36.94%
Kathmandu	6,211	22.84%	5,418	19.92%
Phuentsholing	3,672	13.50%	3,036	11.16%
Delhi	4,649	17.09%	4,647	17.09%
Kolkata	1,539	5.66%	2,320	8.53%
Dhaka	358	1.32%	278	1.02%
Samdrup Jongkhar	485	1.78%	1134	4.17%
Bodh Gaya	16	0.05%	15	0.02%
Bagdogra	111	0.40%	276	1.02%
Gelephug	0	0.00%	1	0.003%

Graph 1.6

Entry and Exit Sectors



Graph 1.6 above shows that a substantial number of visitors who enter by road do not necessarily exit by road. However, there is a slight increase in tourists who exited compared to who entered from Samdrup Jongkhar.

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 207,290 bed nights registered in 2010. The United States remained the most important source market, constituting 21.07% of all visitor bed nights spent in Bhutan. Germany (9.67%) is the next most important source market in terms of bed nights after the USA. Table 1.4 below shows that albeit Japan contributing more than UK in terms of arrivals, in terms of bed nights, the UK market stands higher as visitors from UK stay longer than the Japanese.

The top ten markets contributed to almost three quarters (74.23%) of the total beds nights recorded in 2010.

Similarly, other major countries like UK (8.15%), France (6.36%), Australia (5.60%), Netherlands (4.24%), and Italy (4.02%) continued to be equally important source markets both in terms of arrivals and bed nights. Even though China was rated top five in terms of arrivals, their lesser bed nights result in being the 10th most important market in terms of bed nights .

Table 1.4

Major Source Markets by Bed Nights

Source Markets	Bed Nights	Proportion of Total Bed Nights	Percentage change compared to 2009
USA	43,666	21.07%	+9.17%
Germany	20,040	9.67%	+33.5%
United Kingdom	16,400	8.15%	-5.45%
Japan	15,743	7.59%	-6.40%
France	13,175	6.36%	+26.84%
Australia	11,606	5.60%	+27.58%
Netherlands	8,785	4.24%	+9.54%
Italy	8,327	4.02%	+29.22%
Switzerland	8,244	3.98%	+42.36%
China	7,354	3.55%	+20.26%
Total Annual Bed Nights	**207,290**	**74.23%**	

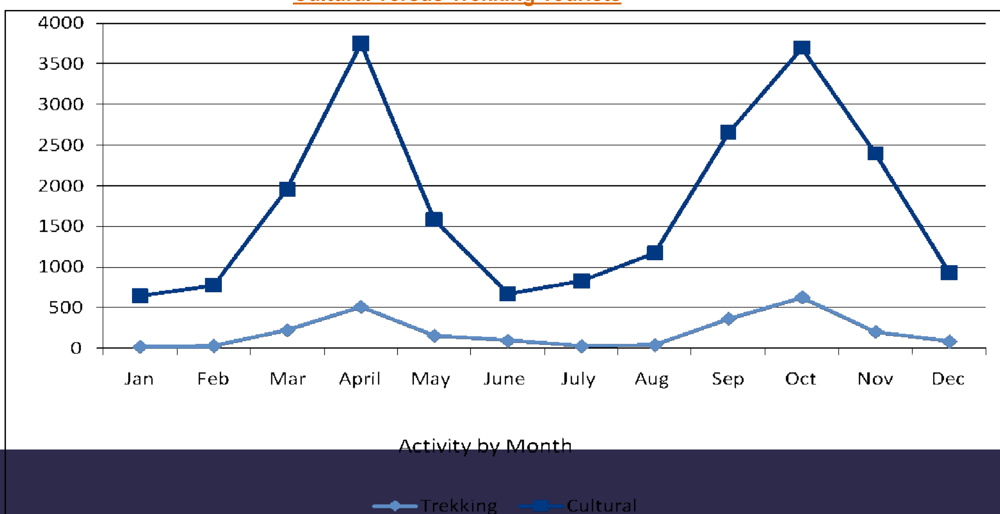
TOURISTS BY ACTIVITY (CULTURAL VERSUS TREKKING)

Although Bhutan has a huge forest cover which possesses one of the richest bio-diversity and pristine environment in the region, it is mainly seen as a cultural destination as majority of the visitors (89.87%) come for the living culture and the colourful festivals. As a policy to showcase an authentic experience for the visitors, the tourism products which are on offer are predominantly existing activities (festivals) and cultural sites that hold great importance to everyday lives of the people. As a result other tourism products have not been fully explored which in turn creates a high incidence of seasonality, one of the challenges of the tourism industry of Bhutan. Opportunities for nature based tourism are being explored at present as the new tourism policy also states that a paradigm shift from culture to nature-based tourism is needed as a bid to diversify tourism products in order to attract increasing number of tourists. This will also create prospects to keep tourists for longer duration. 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.

Trekking is a part of nature based tourism activity. Trekking in Bhutan varies from a night to about 40 nights crossing high mountains and trespassing beautiful villages. Some 2,753 tourists (10.13%) were of the trekking type. The following Graph 1.7 shows the month wise arrivals for cultural and trekking tourists. Some cultural tourists combine their itinerary with nature tourism.

Graph 1.7

Cultural versus Trekking Tourists



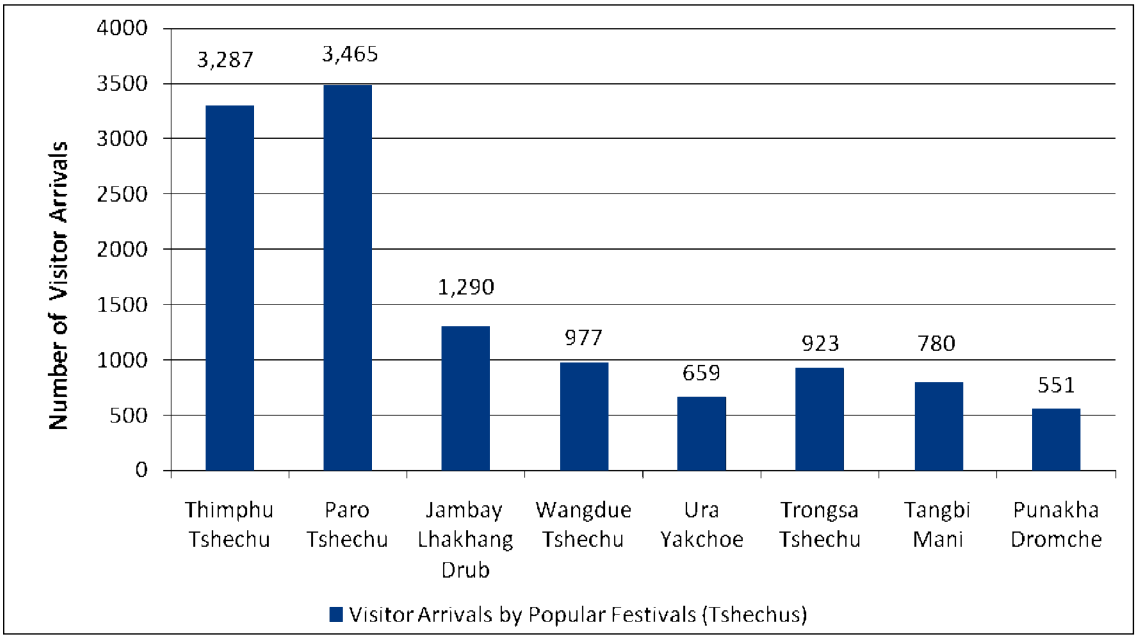
CULTURAL TOURISTS BY POPULAR FESTIVALS.

Ever since Bhutan was opened for tourism, festivals remained one of the most visited attractions. Festivals chiefly comprise of Tshechus – religious festivals – that are performed both by monks and laymen annually in Dzongs and temples.

Paro Tshechu and Thimphu Tshechu remains to be the most popular festivals for tourism with some 3,465 and 3,287 visitors respectively. The single most reason for the seasonal nature for tourism is because of these two festivals which tour operators continue to market extensively. Contrary to 2009 findings where Paro Tshechu and Thimphu Tshechu recorded declining numbers, it saw huge growth in 2010 with +62.37% and +28.35% respectively. Jambay Lhakhang Drub received 1,290 tourists followed by Wangdue Tshechu with 977 tourists. Some of the other popular festivals were Ura Yakchoe, Trongsa Tshechu, Tangbi Mani and Punakha Dromche.

Graph 1.8

Cultural Tourists by Popular Festivals



TREKKERS BY ROUTE

Trekking tourists accounted for 10.13% of the total visitors and increased by +14.52% compared to 2009. The most frequented were the 'Jhomolhari Trek that accounted for 756 tourists, followed by 'Drukpath' Trek with 614 visitors, both with a increase of +26.23% and +13.49% respectively compared to the previous year. Bumthang Cultural Trek recorded 243 trekkers (decrease of -17.91%), the Laya/Gasa Trek (a decrease of -51.35%) followed by Gangtey Trek with 217 trekkers (a decrease of -10.70%). However, the Merak Sakteng which was officially opened in September 2010 saw 110 visitors in its first year of operation and was rated as the 7th most frequented trek routes. The piloted 'Community-based Nature Tourism Trek' in Nabji-Korphu received 71 tourists, a figure that represents a stagnating trend since its introduction in 2006. This suggests that necessary interventions like increased marketing and product maintenance be taken by relevant stakeholders in order to improve visitation into the communities on this route.

Table 1.5
Trekkers by Route

Name of the Trek	No. of Trekkers	% Total	% Change from 2009
Jhomolhari Trek	756	27.46%	+26.23%
Drukpath Trek	614	22.30%	+13.49%
Bumthang Cultural trek	243	8.83%	-17.91%
Laya/Gasa Trek	224	8.14%	-51.35%
Gangtey Trek	217	7.88%	-10.70%
Lunana Snowman Trek	110	3.96%	-0.90%
Merak Sakteng Trek	110	3.96%	+292.86%
Samtengang Winter Trek	86	3.12%	+1.18%
Nabji Khorphu Trek	71	2.58%	-1.39%
Chelela Trek	60	2.18%	-13.21%
Total	**2,753**	**90.41%**	

AVERAGE LENGTH OF STAY

The average length of stay in 2010 was recorded at 7.6 days. 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 and Netherlands spending around 10.4 days in Bhutan. This was closely followed by UK (9.3 days) and France (9.1 days).

Tourists from the top source market, the USA stayed for 8.4 days. Asian tourists staying for shorter duration is a stable trend and does not seem to change with the years. Japanese stayed for an average of 5.5 days, Chinese for 4.9 days and Thai for 4.3 days. This indicates that these Asian Markets are mainly of the Cultural type who does not take part in trekking which at least requires a week.

Table 1.6

Average Length of Stay by Nationality

Source Markets	Bed Nights	Proportion of Total Bed Nights	Average Length of Stay
Switzerland	8,244	3.98%	**10.4 days**
Netherlands	8,785	4.24%	**10.4 days**
United Kingdom	16,400	8.15%	**9.3 days**
France	13,175	6.36%	**9.1 days**
Germany	20,040	9.67%	**8.9 days**
Australia	11,606	5.60%	**8.8 days**
Canada	6,902	3.33%	**8.8 days**
United States of America	43,666	21.07%	**8.4 days**
Italy	8,327	4.02%	**8.1 days**
Japan	15,743	7.59%	**5.3 days**
China	7,354	3.55%	**4.9 days**
Thailand	3,805	1.84%	**4.3 days**
Total	**207,290**	**27196**	**7.6 days**

SEASONALITY OF VISITATION (BASED ON BED NIGHTS)

Seasonality continues to be a major problem faced by the tourism industry. The figures were not encouraging as the peak months continued to get bloated in arrivals whilst the lean months of January (-24.26% decline from 2009), June (-6.85% decline from 2009), July (-2.11% decline from 2009) and August (-7.27% decline from 2009) received even lesser than the previous year. While it was relieving to see greater arrivals in the month of February (+50.97% growth from 2009) and November (+55.56% growth from 2009), the huge increase in March (+82.57%) was mainly owing to the change of calendar for the popular Paro Tshechu which was witnessed in April last year. Table 1.7 shows that March, April, September, October, and November are the months

Table 1.7

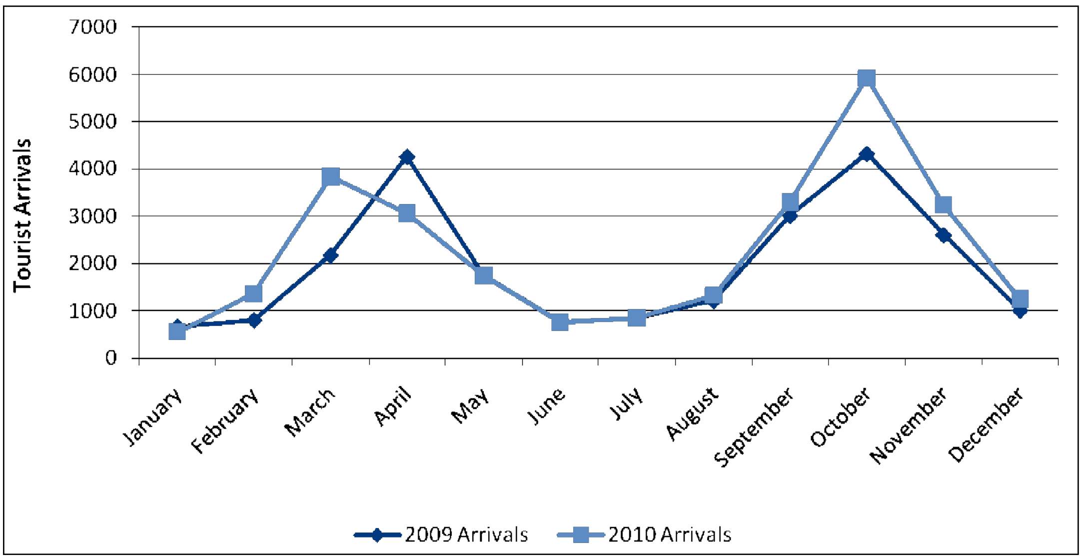
Bed Nights by Month

Month	Bed Nights 2009	Bed Nights 2010	% Change in 2009 over 2009
January	3,866	2,928	-24.26%
February	5,150	7,775	+50.97%
March	16,790	30,654	+82.57%
April	33,231	25,046	-24.63%
May	11,663	11,924	+2.24%
June	5,082	4,734	-6.85%
July	5,401	5,287	-2.11%
August	7,292	6,762	-7.27%
September	26,420	22,531	-14.72%
October	37,999	51,056	+34.36%
November	19,796	30,795	+55.56%
December	6,801	7,798	+14.66%

that most tourists visit Bhutan in 2010. This trend is directly attributed to the festival seasons falling in the above months and the favourable weather conditions.

The trend might change in 2011 and in future as the Tourism Council of Bhutan has identified products that are under development in Eastern and Southern parts of Bhutan. The opening of Samdrup Jongkhar and Gelephu in 2009 did have increase in arrivals in those regions, thereby helping the tourism spread.

Graph 1.9
Visitation by Month



MAJOR SOURCE MARKETS BY SEASON OF VISITATION

Most visitors from the top source markets – USA, UK, Germany, France, Australia, Italy and Netherlands– chose to visit Bhutan during autumn (September – November) and spring (March - May) months. Important Asian Markets of Japan and China mostly visited in the spring months followed by autumn months. Japanese, Chinese, Thai and Italian arrivals were almost equally distributed over the year. Japan (22.51%) and Italy (18.29%) had significant arrivals in the summer (June-August) months, and Thailand (26.06%), China (20.01%), Australia (10.70%) had significant arrivals in the winter. These preferences of different source markets for different times of visitation could help alleviate the 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	604	11.64%	1,769	34.09%	376	7.25%	2,440	47.02%
Japan	461	15.56%	1,044	35.23%	667	22.51%	791	26.70%
Germany	103	4.58%	783	34.80%	110	4.89%	1,254	55.73%
United Kingdom	165	9.31%	578	32.62%	28	1.58%	1,001	56.49%
China	299	20.01%	400	26.77%	248	16.60%	547	36.61%
France	117	8.05%	527	36.24%	122	8.39%	688	47.32%
Australia	141	10.70%	459	34.83%	91	6.90%	627	47.57%
Italy	103	10.02%	251	24.42%	188	18.29%	486	47.28%
Thailand	228	26.06%	307	35.09%	124	14.17%	216	24.69%
Netherlands	80	9.45%	239	28.22%	87	10.27%	441	52.07%

TOUR GROUP SIZE

There were 7,196 tour groups that visited Bhutan in 2010. The group size varied with some groups as big as 118 persons 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 4 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 2009.

Table 1.9

Tour group Size

Number of Pax in Group	Number of Groups	Total Number of Arrivals
1	1,616	1,616
2	3,099	6,198
3	490	1,470
4	577	2,308
5	219	1,095
6	183	1,098
7	123	861
8	119	952
9	83	747
10	100	1,000
11	72	792
12	69	828
13	61	793
14	46	644
15	45	675
16	73	1,168
17	46	782
18	38	684
19	28	532
20	26	520
21	14	294
22	18	396
23	7	161
24	9	216
25	3	75
26	5	130
27	1	27
28	1	28
29	1	29
30	1	30
31	3	93
32	2	64
33	3	99
35	2	70
37	3	111
38	1	38
39	1	39
41	1	41
42	1	42
57	1	57
58	1	58
70	1	70
72	1	72
75	1	75
118	1	118
Total	**7,196**	**27,196**

SPREAD OF TOURISM IMPACT

In the Graph 1.10 the spread of tourism impact is graphically demonstrated by keeping in mind the geographical position of the Dzongkhags laterally across the country. This means out of the western regions Haa and Gasa are not doing well. Similarly, most of Eastern and Southern regions do not receive many tourists.

Paro (30.80%) hosted the maximum bed nights followed by Thimphu (23.92%), Wangdue (12.96%), Bumthang (11.60%), and Punakha (8.43%). Whilst the trend continues to remain the same compared to 2009, it is interesting to note that Trashigang and Samdrup Jongkhar hosted 2.14% and 0.82% of the total bed nights respectively, which is a significant increase compared to the last few years. This can be mainly attributed to the official opening of the Samdrup Jongkhar entry point for tourism in 2009. It was also recorded that a few Dzongkhags like Pema Gatshel, Tsirang, Dagana and Sarpang saw few tourist stopovers for the first time.

Graph 1.10

Bed Nights by Dzongkhags

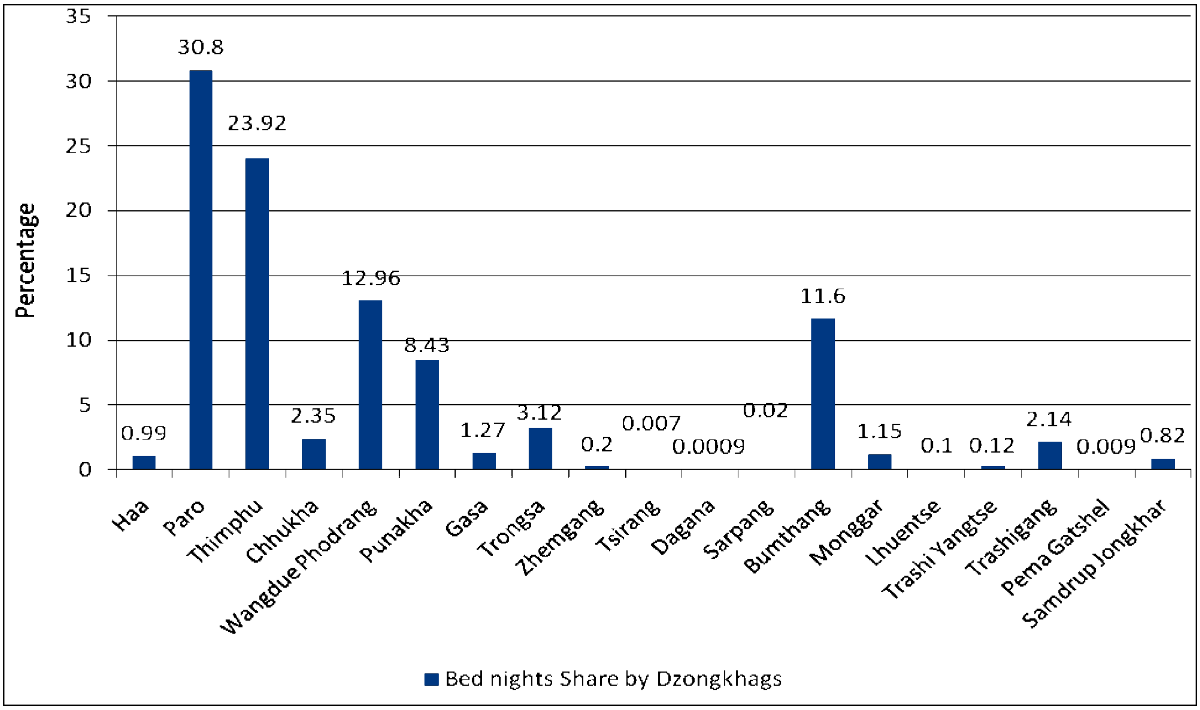


Table 1.10
Dzongkhag Arrivals

Dzongkhag	2010 Tourist Arrivals	2010 Bed Nights
Paro	27,196	63,846
Thimphu	26,667	49,585
Wangdue Phodrang	18,978	26,869
Punakha	13,135	17,474
Bumthang	10,169	24,046
Trongsa	5,424	6,462
Chhukha	4,705	4,868
Gasa	1,896	2,629
Monggar	1,822	2,374
Trashigang	1,607	4,435
Haa	1,579	2,045
Samdrup Jongkhar	1,216	1,697
Trashi Yangtse	189	256
Zhemgang	157	414
Lhuentse	155	213
Sarpang	33	42
Pema Gatshel	9	18
Tsirang	9	15
Dagana	2	2

ACCOMMODATION PROVIDERS BY BED NIGHTS

Olathang Hotel (Paro) dominated the bed nights share of Accommodation Providers by realizing 3.78% (7,832 bed nights) of the total bed nights in 2010. This was followed by Meri Phuensum Resort (Punakha) with 3.10% (6,434) and River View Hotel (Thimphu) with 2.98% (6,175).

The top 12 accommodation providers accounted for a total of 30.46% 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 directly because there are new properties coming up every year and as a result the hospitality sector is getting more competitive. Tashi Namgay Resort in Paro recorded a huge increase in occupancy compared to 2009 and as result was rated as the hotel with the eighth highest occupancy rates. For the first time, Zhiwaling Hotel, a '5-Star' resort in Paro was featured in the top 12 properties thereby suggesting a good market for the high-end luxury hotels. This is also substantiated by the fact that FDI (Foreign Direct Investment) hotels like Uma Resort and Aman Resorts continue to consistently have higher occupancy rates.

Table 1.11
Accommodation Providers by Bed Nights

Accommodation Providers	Bed Nights	2010 Proportion of Annual Bed Nights (%)
Olathang Hotel – Paro	7,832	3.78%
Meri Phensum Resort – Punakha	6,434	3.10%
River View Hotel – Thimphu	6,175	2.98%
Hotel Phuentsho Pelri – Thimphu	6,071	2.93%
Zangto Pelri Hotel – Punakha	5,897	2,84%
Dewachen Hotel – Wangdue	5,778	2.79%
Damchen Resort – Punakha	5,748	2.77%
Tashi Namgay Resort – Paro	5,443	2.63%
Uma Resort – Paro	5,260	2.54%
Zhiwaling Hotel – Paro	4,810	2.32%
Dragon Nest Hotel – Thimphu	4,791	2.31%
Wangdi Choling Lodge – Bumthang	4,781	2.31%
Cumulative Total	**69,020**	**30.46%**
Total	**207,290**	**100%**

CATEGORIES OF ACCOMMODATION PROVIDERS

The Tourism Council of Bhutan, in keeping with the tourism policy of "High Value, Low Impact", implemented a new system for standardisation of hotels and Accommodation Providers by rolling out the 'Star Classification' system for accreditation. Accommodation Providers are now classified under three broad categories– 'Hotels', 'Guest Houses' and 'Serviced Apartments'. Each of these accommodation types are further divided into their respective Star categories. After a rigorous countrywide assessment procedure, a total of 119 properties were approved for tourism. There are now 8 '5-Star hotels', 5 '4-Star hotels', 13 '3-Star hotels', 51 '2-Star Hotels' and 14 '1-Star hotels', therefore totalling a number of 91 registered hotels in the country. There is 1 '4-Star Guest House', 7 '3-Star Guest Houses', 11 '2-Star Guest Houses and 5 '1-Star Guest Houses', therefore totalling a number of 24 Guest Houses. There are 4 'Serviced Apartments' also registered for tourism occupancy.

The Tourism Council of Bhutan has set a minimum requirement of a '3-Star' property for tourism accommodation to encourage the "High Value, Low Impact" policy. Many accommodation providers who do not meet this requirement are encouraged to upgrade their properties to at least a '3-Star' category. Given that many of the existing accommodation providers do not meet this minimum requirement, it would be imperative to have a robust Monitoring system in place to ensure that the tour operators and hoteliers comply with this regulation.

The new 'Star Classification' has recorded a growth of +9.17% in the total number of registered accommodation providers compared to 2009.

Table 1.12

Categories of Accommodation Providers

Dzongkhag	5 Star Hotels	4 Star Hotels	3 Star Hotels	2 Star Hotels	1 Star Hotels	4 Star Guest House	3 Star Guest House	2 Star Guest House	1 Star Guest House	Serviced Apartments
Paro	3	0	5	22	3	0	1	0	0	0
Thimphu	2	4	3	10	2	0	0	2	0	3
Bumthang	1	1	0	4	0	1	5	8	2	0
Punakha	1	0	0	3	0	0	0	0	0	1
Wangdi Phodrang	1	0	1	4	0	0	0	0	1	0
Trongsa	0	0	1	0	1	0	1	0	0	0
Chhukha/ Phuntsholing	0	0	3	2	0	0	0	0	0	0
Trashigang	0	0	0	0	1	0	0	1	1	0
Mongar	0	0	0	2	0	0	0	0	1	0
Haa	0	0	0	2	2	0	0	0	0	0
Samdrup Jongkhar	0	0	0	2	2	0	0	0	0	0
Tsirang	0	0	0	0	3	0	0	0	0	0
Total	**8**	**5**	**13**	**51**	**14**	**1**	**7**	**11**	**5**	**4**

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 rate for the hotels registered under the new 'Star Classification' carried out by the Tourism Council of Bhutan. This analysis centre around the October month as it pertains to the month with the maximum bed nights registered in 2010 and demonstrates that limited occupancy rates are recorded for even the busiest tourism season.

According to the 'Star Classification' of accommodation providers, there are a total of 424 beds in the '5-Star Hotel' category and supplies a total of 12,720 beds per month. Only a little in excess of a quarter (35.55%) of the beds of '5-Star Hotels' were occupied in October, and recorded an annual occupancy rate of 17.04% for this category. Similarly, there are 300 beds in the '4-Star Hotel' category and supplies 9,000 beds per month, 842 beds in the '3-Star Hotel' with the capacity of 25,260 beds per month, 1,041 beds in the '2-Star Hotel' category with the capacity of 61,950 beds per month, 360 beds in the '1-Star Hotel' category with 10,800 beds per month. Figures show that the '3-Star Hotel' category of hotels recorded the highest annual occupancy rate (24.94%). This figure however pertains to only 'Dollar paying Tourist' and in reality the occupancy rates will be higher as this does not include Government guests, Regional tourists, Business, Corporate and Walk-in guests.

The maximum number of existing hotels are classified fall under the '2-Star' category and property owners are upgrading their hotels to at least a '3-Star' to be able to accommodate international tourists.

For the second segment of accommodation providers classified as 'Guest Houses', there are 28 beds in the '4-Star Guest House' category, 347 beds in the '3-Star Guest House' category, 322 in the '2-Star Guest House' category and 106 beds in the '1-Star Guest House' category.

The final segment of the accommodation providers are classified as 'Serviced Apartments' that recorded the minimum annual occupancy rate of 12.86% only.

Table 1.13

Occupancy Rates by Type of Accommodation (October and Annual)

Type of Accommodation	Number of Rooms per Night	Number of Beds per Night	Available Beds in a Month	Bed Nights Realised in October (highest month)	Occupancy Rate (October-Highest Month)	Annual Occupancy Rate
5-Star Hotel	212	424	12,720	4,522	35.55%	17.04%
4-Star Hotel	150	300	9,000	2,899	32.21%	18.77%
3-Star Hotel	421	842	25,260	11,434	45.27%	24.94%
2-Star Hotel	1,041	2,065	61,950	14,902	24.04%	19.23%
1-Star Hotel	176	360	10,800	1,723	15.93%	13.89%
4-Star Guest House	14	28	840	297	35.36%	16.48%
3-Star Guest House	180	347	10,410	2,557	24.56%	22.69%
2-Star Guest House	166	322	9,660	2,468	25.55%	16.21%
1-Star Guest House	57	106	3,180	830	26.10%	14.08%
Serviced Apartments	37	74	2,220	423	19.05%	12.86%
Total	**2,454**	**4,868**	**146,040**	**-**	**-**	**-**

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 tourists, government guests, corporate guests and local tourists.

ACCOMMODATION ANALYSIS AND OCCUPANCY RATE OF INTERNATIONAL HOTELS

The 'Star Classification' carried out in 2010 registered 119 hotels for tourism accommodation that supplied 2,454 hotel rooms with a capacity of 4,868 beds every night. Therefore a total of 146,040 beds are available in a month for international tourist occupancy. This standardisation exercise recorded an increase of +16.44% growth in the number of beds per month over 2009. This means that if all the beds were occupied in all the 119 registered accommodation providers every night, the current beds supply would be able to cater to more than in excess of 8.45 times than that of the overall annual occupancy of 2010. This tells us that we have enough hotels in Bhutan at present though they may not be equally distributed in all regions.

Table 1.14 show that the main tourism "Hot Spots" of Thimphu, Paro and Bumthang registered minimal occupancy rates, therefore substantiating the fact that it is reaching saturation levels of beds on supply in these Dzongkhags. The private sector needs to focus on delivering quality rather than adding to the quantity of hotels in the country. Furthermore, investment in accommodation should be focused in Dzongkhags where there are no international standard hotels. Areas such as Zhemgang, Gasa, Tashi Yangtse and Lhuentse Dzongkhags do not have registered hotels, and hence is affected by a lack of accommodation providers. Table 1.15 below shows the occupancy rates of hotels in different Dzongkhags quarterly.

Table 1.14

Accommodation Analysis and Occupancy Rate of International Accommodation Providers

Dzongkhag	Total Rooms	Total Beds	Available Bed Nights per Month	Bed Nights Realised in Oct 2010	October Occupancy Rate (Month with highest bed nights)	Overall Annual Occupancy Rate in 2010
Paro	741	1,484	44,520	14,685	32.99%	**11.95%**
Thimphu	651	1,302	39,060	11,286	28.89%	**10.58%**
Bumthang	441	855	25,650	7,325	28.56%	**7.81%**
Punakha	135	264	7,920	3,311	41.81%	**18.39%**
Wangdi Phodrang	122	239	7,170	6,705	63.5%	**31.23%**
Trongsa	66	128	3,840	1,569	40.86%	**16.62%**
Chhukha/P-Ling	116	226	6,780	1,127	16.62%	**5.98%**
Trashigang	37	74	2,220	1,490	67.12%	**16.65%**
Monggar	35	68	2,040	757	37.12%	**9.70%**
Haa	28	56	1,680	512	30.48%	**10.09%**
Samdrup Jongkhar	54	118	3,540	545	15.40%	**4.00%**
Tsirang	28	54	1,620	2	0.12%	**0.08%**
Total	**2,454**	**4,868**	**146,040**	**49,314**	**33.77%**	-

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 Indian tourists, government guests, corporate guests and local tourists.

Table 1.15

Occupancy Rates of Hotels by Dzongkhags (Quarterly)

Dzongkhag	December- February	March-May	June-August	September- November
Paro	9.39%	33.66%	9.32%	47.62%
Thimphu	10.23%	32.83%	10.29%	46.64%
Bumthang	5.31%	30.98%	7.72%	55.98%
Punakha	11.12%	40.56%	9.44%	38.90%
Wangdi Phodrang	10.64%	25.84%	8.68%	54.84%
Trongsa	6.08%	36.72%	6.53%	50.67%
Chhukha/P-ing	6.10%	40.42%	4.13%	49.35%
Trashigang	2.99%	29.07%	3.44%	64.50%
Monggar	4.98%	25.11%	3.54%	66.37%
Haa	5.64%	17.16%	9.92%	67.28%
Samdrup Jongkhar	2.24%	29.21%	3.59%	64.96%
Gasa	0.68%	12.59%	6.91%	80.72%
Trashi Yangtse	8.45%	26.76%	14.55%	50.23%
Zhemgang	12.32%	55.56%	0	32.13%
Lhuentse	3.29%	10.33%	0.47%	85.92%
Sarpang	0	0	0	100%
Pema Gatshel	0	0	0	100%
Tsirang	0	0	0	100%
Dagana	0	0	0	100%

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 Indian tourists, government guests, corporate guests and local tourists.

ADDITIONAL ACCOMMODATION PROVIDERS

From the Table 1.16 it shows that almost all hotels proposed or under construction are in western and central Bhutan where there is already huge number of hotels. This is a serious problem if tourist arrivals do not increase or unless these upcoming hotels intend to target to regional and domestic tourists. If this trend continues, it is very likely that hoteliers will slowly compromise on their services and facilities to cut down on room rates. This poses a threat to the "High Value, Low Impact" policy. The only way of being optimistic of constantly increasing number of hotels in already highly concentrated areas is by assuming that with competition there will be improvement in quality and service coupled with the hope of constantly increasing tourist arrivals.

In 2010, there were 42 hotels under construction and upon completion there will be an additional 978 rooms and 1,954 beds.

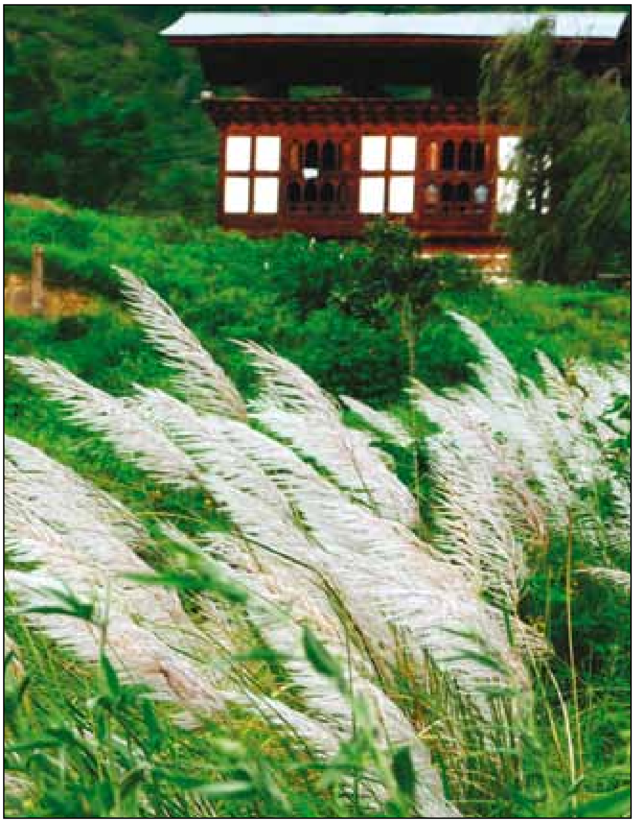


Table 1.16
Additional Accommodation Providers

Dzongkhag	Hotels Under Construction	Additional Rooms	Additional Beds
Thimphu	6	150	300
Paro	11	220	440
Punakha	9	150	300
Trongsa	1	20	40
Bumthang	5	230	460
Wangdi Phodrang	3	70	140
Trashigang	2	50	100
Phuntsholing	1	38	74
Monggar	1	20	40
Samdrup Jongkhar	3	30	60
Total	**42**	**978**	**1,954**


CHOPSTICK

TOUR OPERATOR SHARE OF INTERNATIONAL MARKET

The number of tour operators are constantly increasing. This is because tour operations business is seen as very lucrative. Moreover, it may be fair to mention that getting a tour operator license is very easy. There were 676 licensed tour operators in 2010 which is an increase of +8.68% compared to 2009. However, only 318 local tour operators were operational in 2010.

In 2010, Norbu Bhutan Travel dominated the visitor arrivals share by bringing in 12.32% of the 2010 international arrivals. This was followed by Bhutan Tourism Corporation Limited (including Luxury Division) with 6.66% and Etho Metho Tours and Treks (4.13%). New entrant to the top 12 biggest tour operators was Himalayan Kingdom who brought in 1.81% of the total share. Top 12 local tour operators accounted for almost half (47.51%) the total arrivals in 2010.

Table 1.17
Tour Operator Share of Market (based on Bed Nights)

Tour Operator	Number of Visitor Arrivals	Proportion of Annual Visitor Arrivals
Norbu Bhutan Travel	3,351	12.32%
Bhutan Tourism Corp Ltd (Including Luxury Division)	1,810	6.66%
Etho Metho Tours and Treks	1,124	4.13%
Yangphel Tours and Travels	1,082	3.98%
International Treks and Tours	1,026	3.77%
All Bhutan Connection	926	3.40%
Bhutan Mandala Tours and Treks	698	2.57%
Windhorse Tours and Treks	663	2.44%
Rainbow Tours and Treks	636	2.34%
Gangri Tours and Treks	594	2.18%
Kingyal Tours and Treks	521	1.92%
Himalayan Kingdom	491	1.81%
Cumulative Totals	**12,922**	**27.51%**

TOURISM EARNINGS (IN USD MILLION)

It is very difficult to measure the real benefit of tourism. 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 the double of the direct tourism benefit.

Measuring the real tourism benefits or earnings is a huge challenge as tourism receipts only pertain to the economic contributions that come out of the tariff paying tourists (earnings) as reflected in numerous publications. This therefore does not give a full picture as it does not include regional, domestic, and outbound tourism also. It also does not include other direct benefits like Druk-Air earnings and handicraft sales. It becomes specifically challenging as there seem to be no mechanism to measure the benefits of tourism revenue that is used for Health and Education sectors.

In 2010, the tourism industry generated USD 35.98 million as direct gross earnings, out of which USD 11.43 million was generated as direct revenue for the Government through the "Royalty' only. This figure in reality is higher as this does not include Business Income Tax (BIT) paid by the private tourism stakeholders. Gross earnings increased by +12.86% compared to 2009. In reality, the tourism earning is estimated to be approximately in excess of USD 80 million if receipts from Drukair, Regional high-end spending and handicrafts sales are included. Graph 1.19 shows the breakdown of tourism earnings.

Table 1.18
Tourism Earnings (USD)

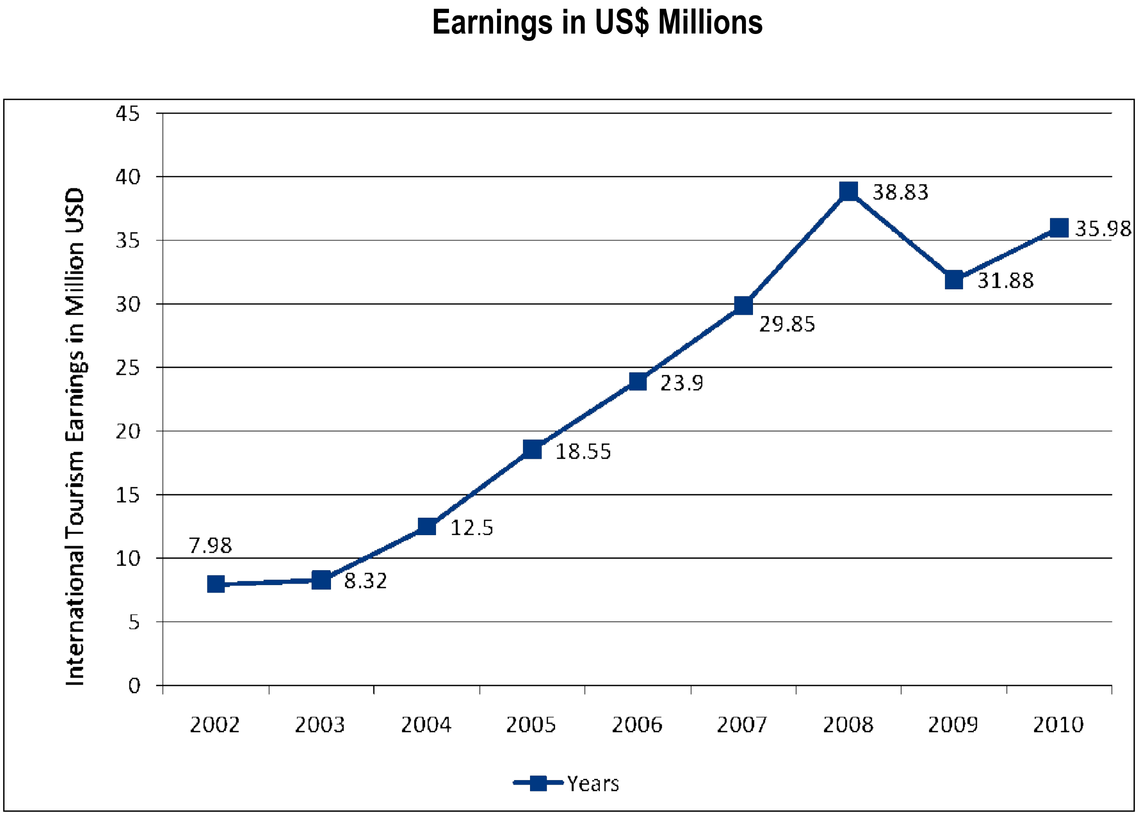
Year	Arrivals	Gross Earnings USD in millions	% Change from Previous Year
2001	6,393	$9.20	-12.4%
2002	5,599	$7.98	-13.2%
2003	6,261	$8.32	+4.3%
2004	9,249	$12.50	+50.2%
2005	13, 626	$18.55	+48.3%
2006	17,344	$23.92	+21.1%
2007	21,094	$29.85	+24.8%
2008	27,636	$38.83	+30.1%
2009	23,480	$31.88	-17.9%
2010	**27,196**	**$35.98**	**+12.86%**

Table 1.19
Tourism Earnings Breakdown (USD)

Earnings Breakdown	Earnings $US in millions
Gross Earnings	35.98
Royalty	11.43
20% Surcharge	0.31
Operators Gross	23.41
80% Surcharge	1.22
2% Tax	1.89
Operators Net	22.83

Graph: 1.11

Tourism Earnings in USD millions (2002-2010)



Section 2 – Exit Surveys

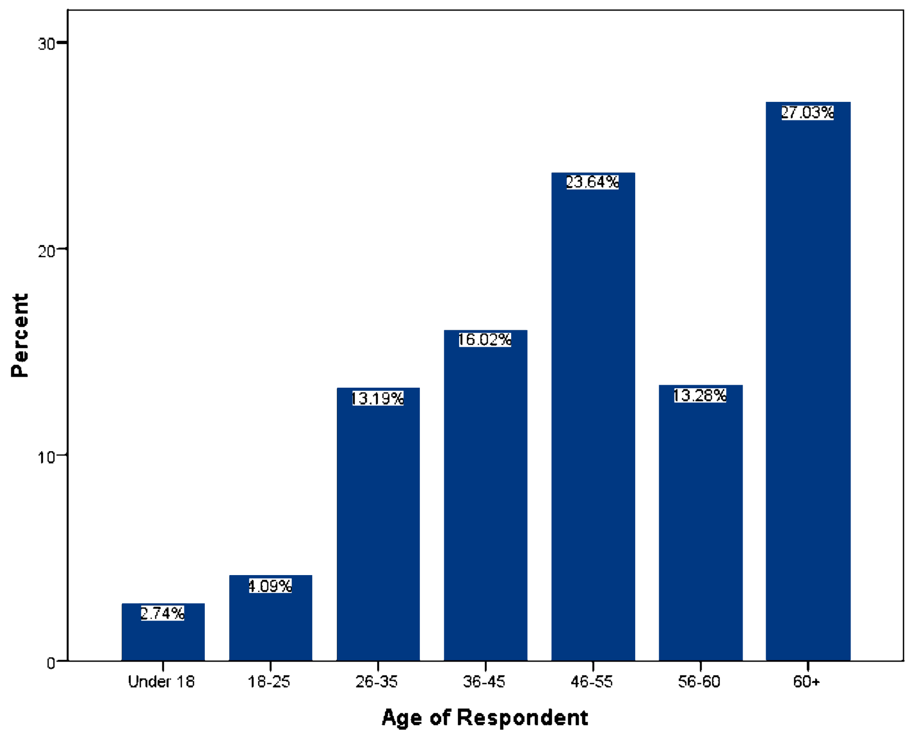
All results in Section 2 are findings from data collected using an administered (i.e. interviewer conducted) exit survey methodology, in which departing tourists were interviewed for their first-hand feedback. A total number of 2,658 (9.77% of total arrivals) tourists were interviewed over a 12 week period which was collected over three collection periods at the Paro international airport. The three collection periods were March 21th – April 18th (high season) coinciding with the Paro Tshechu, September 26th – October 21st (high season) coinciding with the Thimphu Tshechu and June 10th – July 8th (low season).

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 as opposed to the statistical correctness of the overall yearly arrivals. For better targeted marketing, such information is critical.

AGE OF VISITORS

Of the total sample size, some 63.95% were more than 46 years of age. Similar to the past findings, the dominant age bracket was 'Over 60' with 27.03% of all respondents falling under this segment, followed by the '46 - 55' years bracket with 23.64%. The '36 to 45' years also rated significantly with 16.02%. The constant trend of young travellers not getting rated highly thus suggests that the pricing policy mainly attracts elderly people who are generally richer, who seek a cultural experience as opposed to young people seeking an adventurous holiday. With the new discount scheme of availing student discounts for travellers 'less than 26 years', the Tourism Council of Bhutan expects a hike in the number of young travellers in the coming years.

Graph 2.1
Age of Visitors

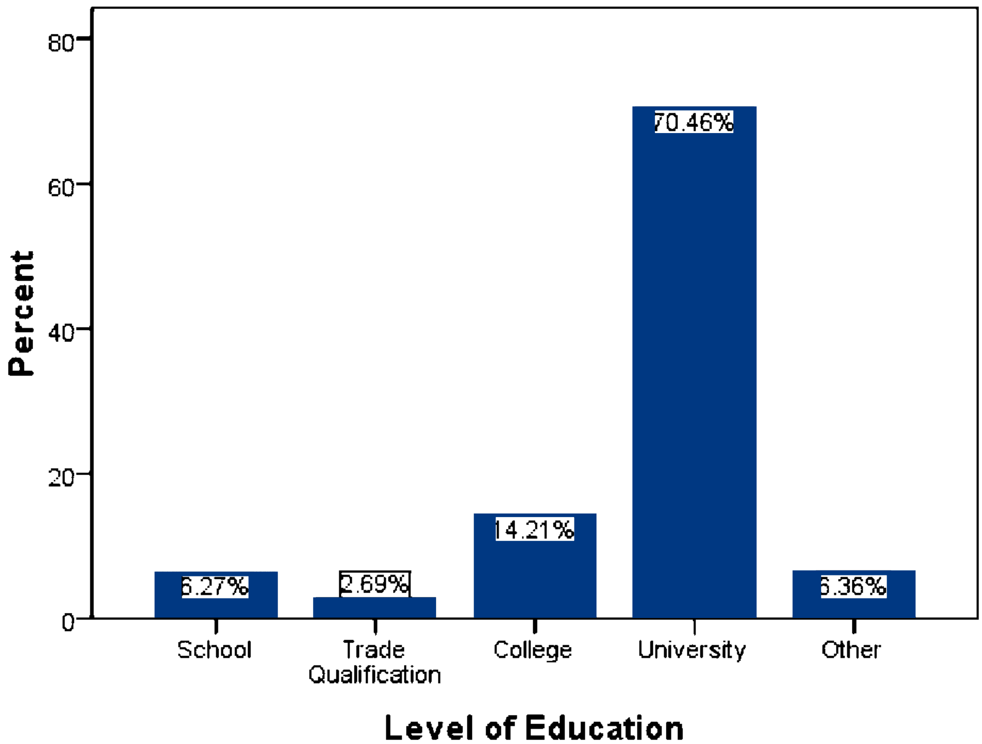


LEVEL OF VISITOR EDUCATION

Visitors coming to Bhutan are generally of the well educated lot and the trend continues for 2010 with 70.46% of all respondents indicating that they at least attended a university. This was followed by 14.21% whose minimum level of qualification was 'College' level.

The fact that well educated tourists come to Bhutan is a positive point for "High Value, Low Impact" tourism policy. As long as Bhutan receives well educated, fairly older and assuming that they are well travelled, there will be very minimal negative impacts of tourism.

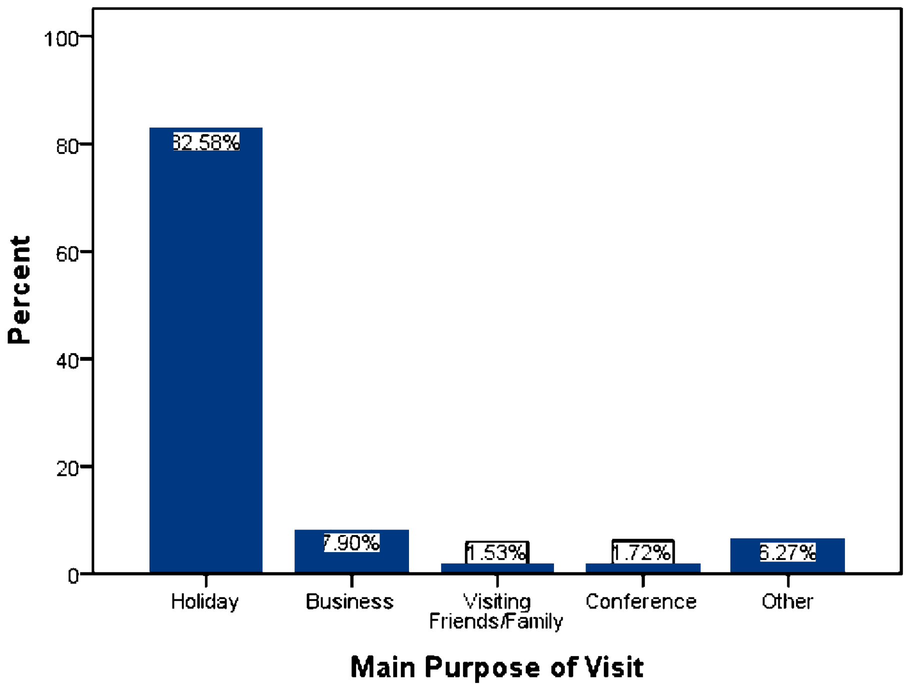
Graph 2.2
Visitors' Level by Education



VISITORS MAIN PURPOSE OF VISIT

As expected the main purpose of visit for most tourists coming to Bhutan was for the purpose of holiday trip (82.58%). Holiday trips dominate enormously compared to other purposes of their visit. A total of 7.90% out of the total sample came here for business and only 1.72%% came here mainly for Meeting, Incentives, Conventions, and Events (MICE). MICE visitors are negligible but it is an important segment of the tourism industry. Now with a considerable increase in MICE infrastructure (hotels with conference facilities), Bhutan has great potential to attract MICE tourism especially from the regional

Graph 2.3
Main Purpose of Visit



markets of India and Bangladesh, whose corporate sector is ever expanding and these markets are not subject to tourist royalty to come to Bhutan. However, the fairly expensive airfare dissuades the MICE travellers to visit Bhutan given the cheaper alternatives in the region.

Bhutan does not attract the Visiting Friends & Relatives (VFR) segment, especially of the high-end type because of visa regulations on foreign workers and given that majority of the expatriate population are from across the Indian border who mainly comprise of construction workers.

COMPOSITION OF VISITORS TRAVEL PARTY

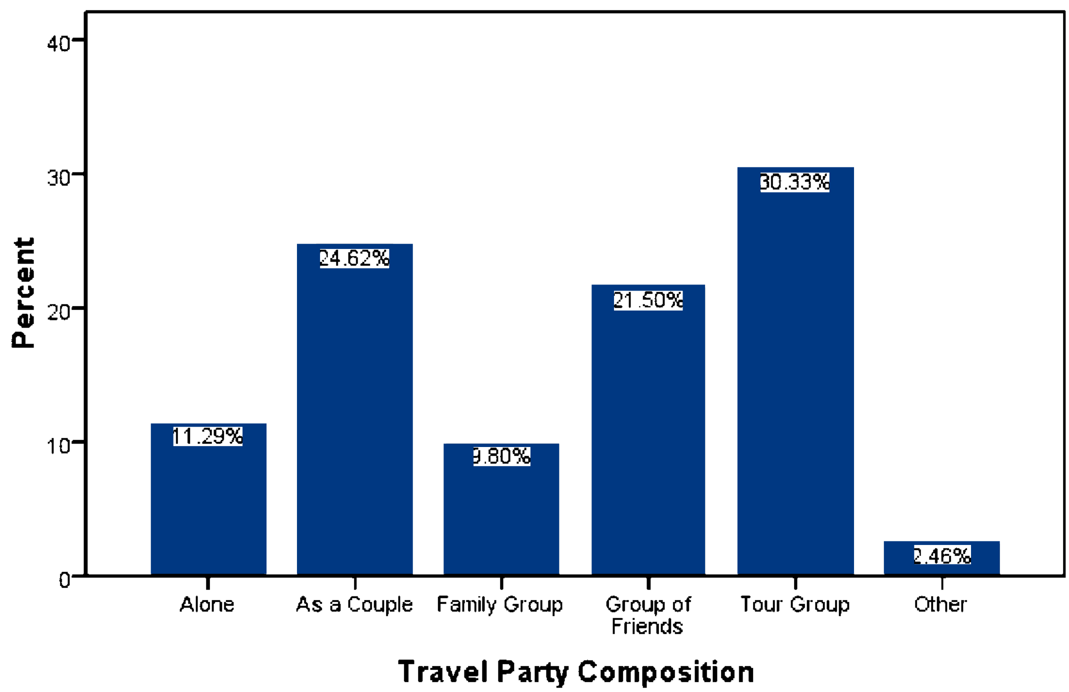
The repeated trends of visitor's travel party to Bhutan being dominated by the 'Tour Group' segment (30.33%) is not surprising given that international visitors have to visit Bhutan through a registered local tour operator who offers organised travel packages. Amongst those sampled in 2010, some 24.62% travelled as a 'Couple' and followed by 'Group of Friends' with 21.50%, thereby indicating that many also prefer personalised smaller group sizes to travel to Bhutan.

Such information on composition of travel party is important for future marketing and the design of marketing messages and advertising. 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. When cross-tabulated, there is a strong preference for tourists from the USA to travel as 'Tour Group' (32.30%) followed by "As a Couple" segment with 30.88%. Visitors from some of the main European markets including Germany, Netherlands, Austria and Switzerland are more inclined to travel as 'Group of Friends'. Whilst some of the main Asian markets like Japan and China also prefer the 'Group of Friends' segment, others like Australia, Canada, France and the UK mostly prefer to travel as couples.

Majority of the visitors from India prefer to travel 'Alone (39.84%)' owing to the fact that they are mainly business travellers.

Graph 2.4
Composition of Visitors Travel Party

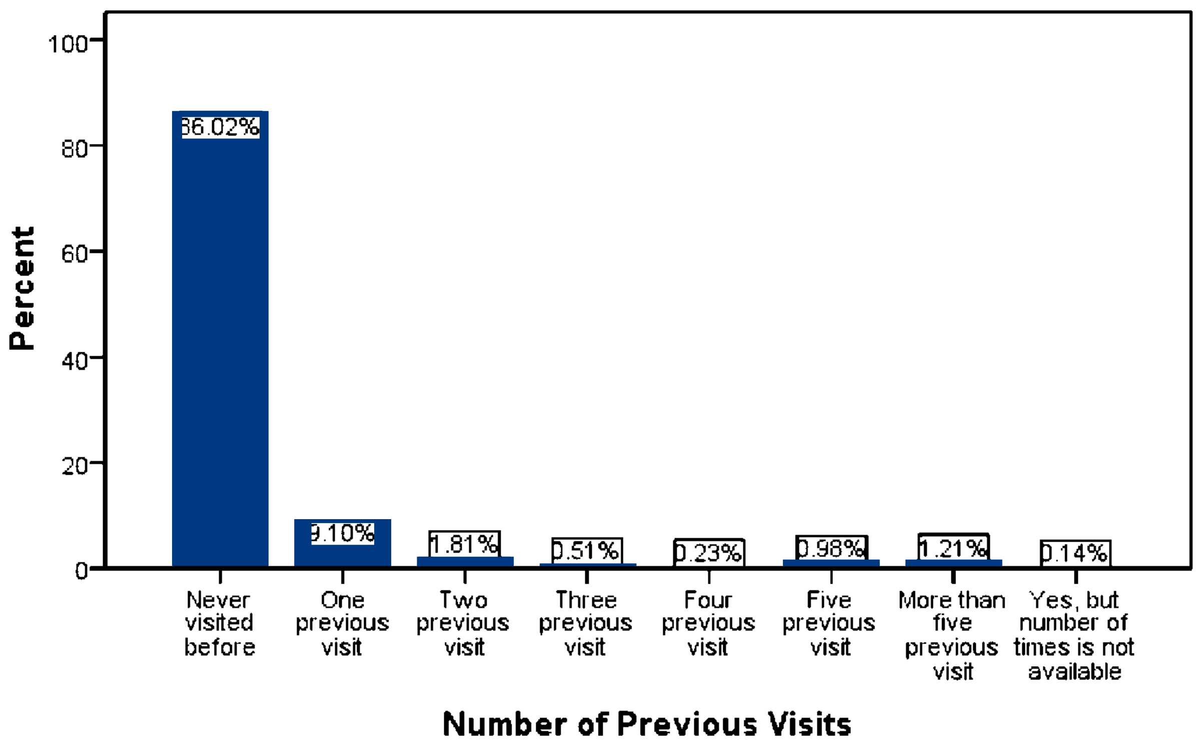


REPEAT VISITATION PATTERN OF VISITORS

Similar to the past findings, majority of the visitors coming to Bhutan continue to be first-timers with an overwhelming 86.02% visiting Bhutan for the very first time in 2010. Out of the ones who indicated that they have been to Bhutan earlier, the only category of visit to rate significantly was the 'One Previous Visit' category, with 9.10% - a figure that represents a significantly higher incidence than in 2009. Some 1.21% of the total respondents indicated that they visited the country more than five times. Cross-tabulation of nationality versus the number of visits reveals that the maximum repeat visitors are from India who comes to Bhutan for business purposes.

Of the 13.10% who were repeat visitors, source markets like USA, Germany, Austria and Japan recorded the maximum repeat visitations. Repeat visitation is very low as many people view Bhutan as a "once in a lifetime", cultural destination with limited geographical spread of tourism. Moreover, Bhutan is very dependant on cultural tourism which does not encourage repeat visitation. To encourage a higher incidence of repeat visitation, the Tourism Council of Bhutan is focusing on creating a wider product range focusing on 'Nature', and also encouraging visitations in eastern and southern parts of Bhutan (places with very negligible tourism) to increase the tourism spread by designating it as priority circuits supported by a number of initiatives to boost arrivals in the area. Coupled with the growing demand for sustainable tourism products amongst the type of high-end visitors worldwide, and given Bhutan's rich biodiversity, it provides Bhutan an opportunity to develop more nature-based tourism products that could be some of the best in the world.

Graph 2.5
Patterns of Repeat Visitation



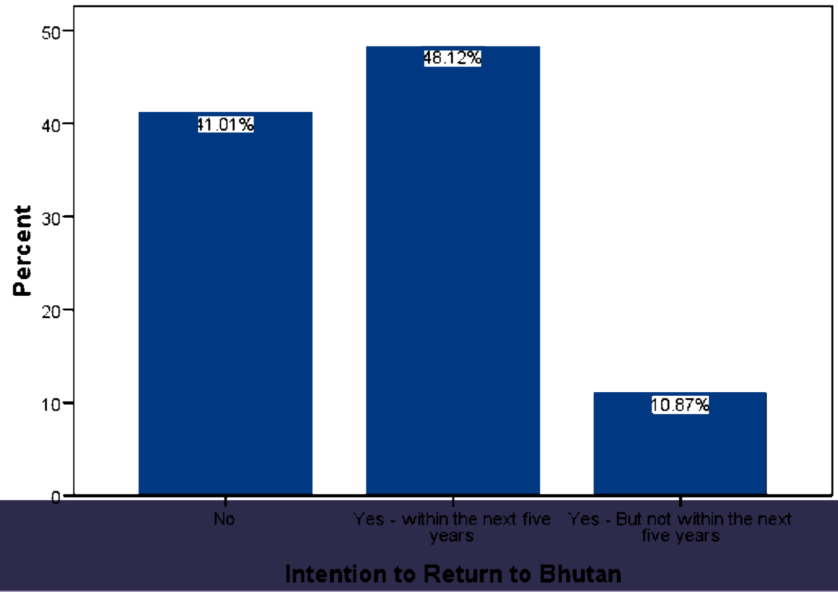
INTENTION TO RETURN TO BHUTAN

Respondents clearly expressed their opinions about a possible return to Bhutan. While almost half (48.21%) indicated that they would possibly consider returning back to Bhutan in the next 5 years (an indication of high satisfaction levels), another 41.01% indicated that they will not return at all - thereby sealing the fact that Bhutan remains to be indeed "a once in a lifetime experience". This further suggests a need for diversified products and more geographical access in order to give visitors the impression that there is more to Bhutan than being just a once in a lifetime destination.

Cross-tabulation of nationality and intention to return shows that some 61.46% of the visitors from UK indicated to return to Bhutan within the next 5 years followed by Japanese (58.39%), Australian (56.63%) and US nationalities (40.03%). Similarly, visitors from Austria, Netherlands and many other European markets also indicated that they might possibly return to Bhutan for another holiday within the next 5 years. These figures are particularly important for tour operators for country-wise marketing purposes.

Graph 2.6

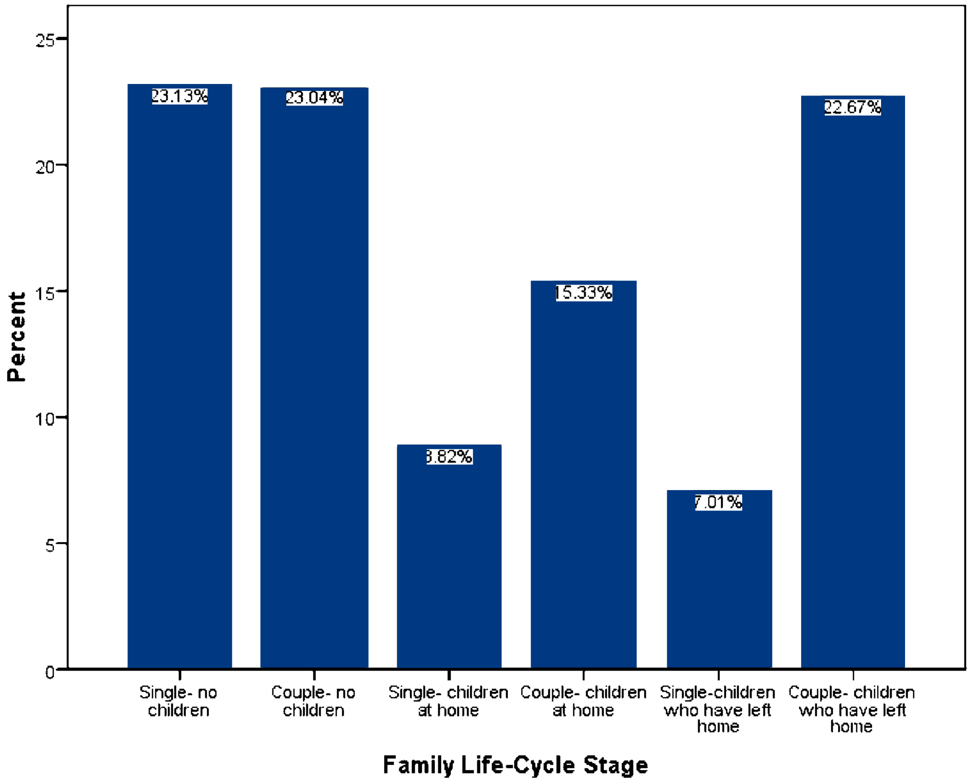
Intention to Return to Bhutan



FAMILY STAGE OF VISITORS

Family Life-Cycle Stage has implications for market segmentation, profiling and promotion, especially in accordance with the type of products offered. 'Single with no children' was recorded as the largest segment (23.13%), closely followed by 'Couple with no children' with 23.04% and 'Couple with children who have left home' with 22.67%. 'Couple with children still at home' segment also rated significantly (15.33%).

Graph 2.7
Family Stage of Visitors



BHUTAN AND CIRCUIT TOURISM

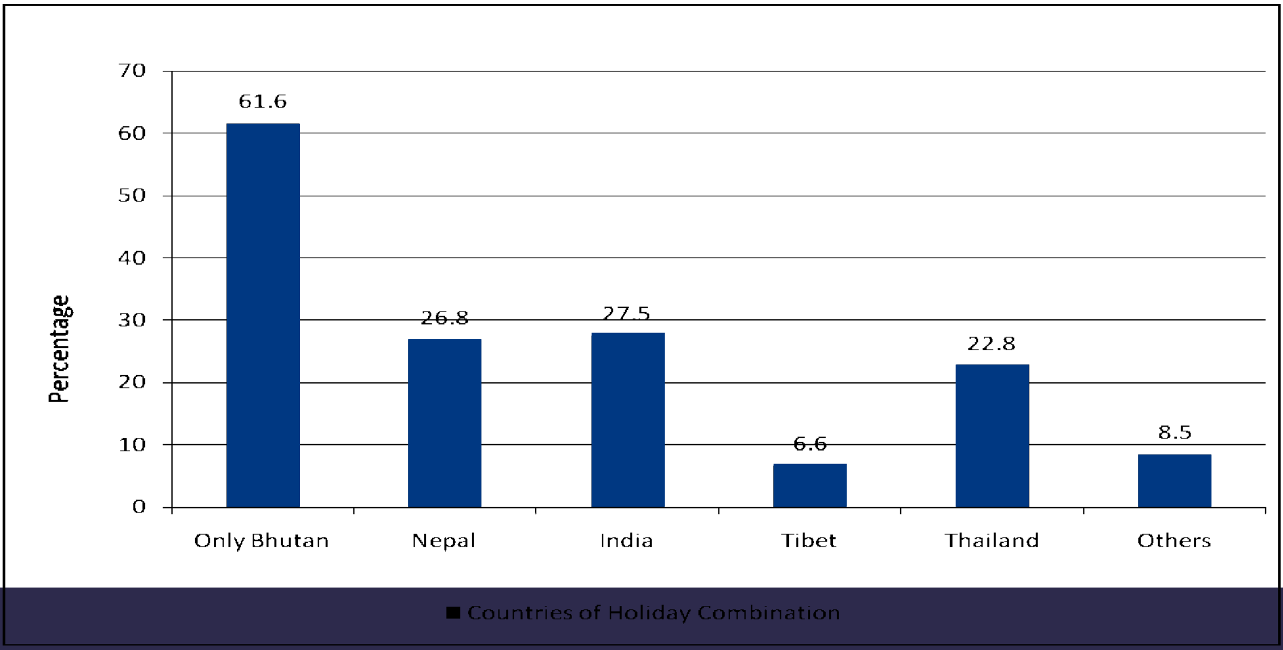
Sampled visitors were asked to indicate whether Bhutan was their sole and primary destination, or whether it was part of a circuit of destinations. This question is asked in order to understand valuable information regarding possible future marketing partnerships and networks. Compared to in 2009 where only 36.90% indicated that Bhutan was their only destination, in 2010 this figure saw a huge increase with some 61.60% indicating that Bhutan was their only destination for this particular trip. Others indicated that they combined their Bhutan trip with India (27.50%), Nepal (26.80%) and Thailand (22.8%). As opposed to visitors preferring Thailand more in 2009, visitors combining with India saw a huge increase in 2010. Tibet seems to be the least favourite circuit for travellers to combine their Bhutan visit mainly owing to the fact that no direct flights connect Bhutan with the northern neighbour.

A cross-tabulation between 'Nationality' and 'Circuit Tourism' indicated that majority of the visitors from USA combined their travel itineraries with Thailand (46.28%) and India (34.29%). Of the British travellers some 36.46% combined their Bhutan holiday with India, Thailand (28.83%) and Nepal (22.74%).

German, French, Dutch and Italian visitors mostly combined their trip with Nepal. Majority of the Japanese and other Asian markets like Singapore and China combined it with Thailand as it is closest entry sector to Bhutan.

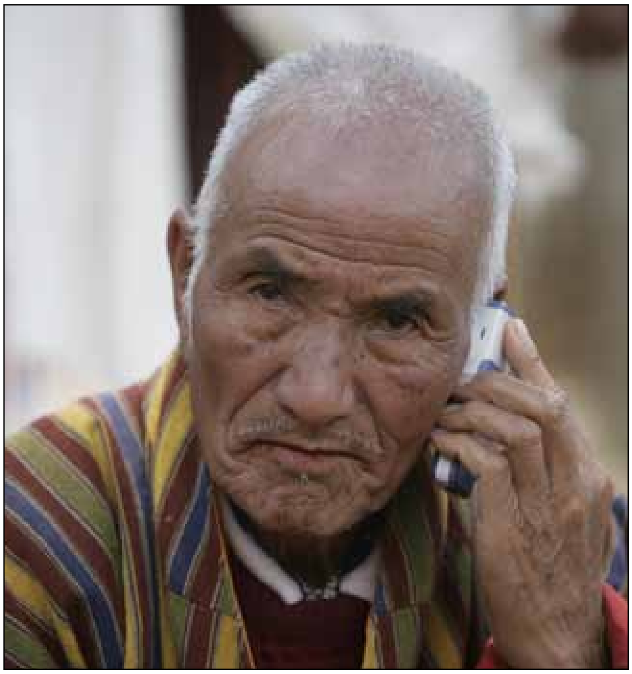
Graph 2.8

Bhutan and Circuit Tourism



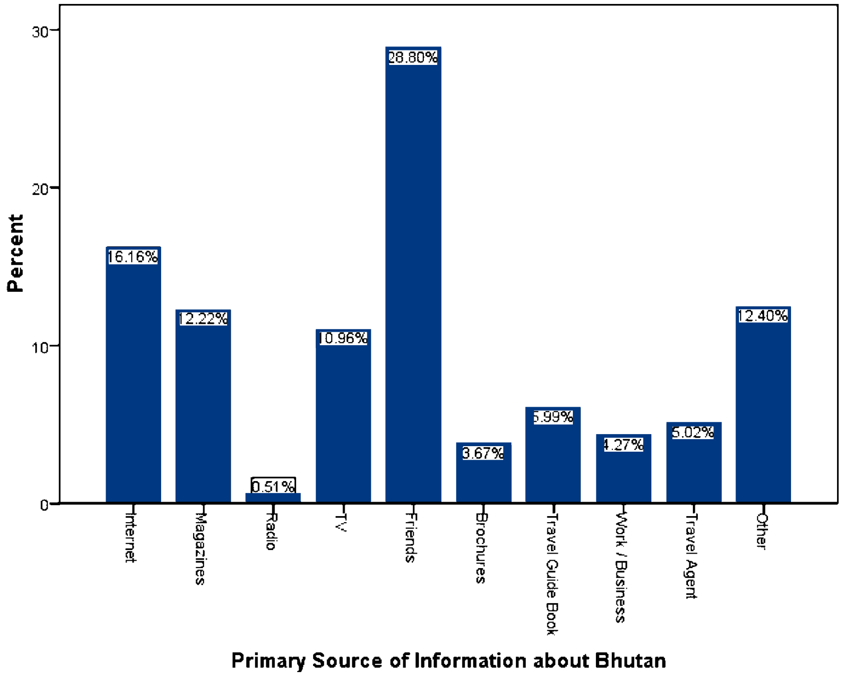
PRIMARY INFORMATION SOURCE

In order to understand the medium of information sources, respondents were asked to indicate where/how they had first learned of Bhutan. 'Word-of-mouth' was cited as the most important source with 28.80% of those sampled indicating that 'Friends and Family members' had been their primary source of information. This finding also substantiates the high satisfaction levels of visitors as they encourage other people to visit the country. Of interesting note is the fact that the 'Internet' (16.16%) which rated second to 'Word-of-mouth' was featured highly this year compared to earlier years, thus creating a change in the otherwise unwavering trends over the years. This could be particularly attributed to the internet marketing initiatives in terms of paid advertisements that the Tourism Council of Bhutan had undertaken with BBC and other popular Online Travel Purchasers like the Responsibletravel.com and Makemytrip.com in 2010. 'Magazines and Newspapers' also accounted for first-hand information for 12.22% of all respondents. The importance of magazines as an information source validates the Tourism Council's policy of inviting renowned travel writers from around the world to visit Bhutan, and also by attending international trade fairs. Tour operators also do magazine ads with their off-shore partners. This was closely followed by 'TV' (10.96%) which also rated higher than in 2009.



Graph 2.9

Primary Information Source for Visitors



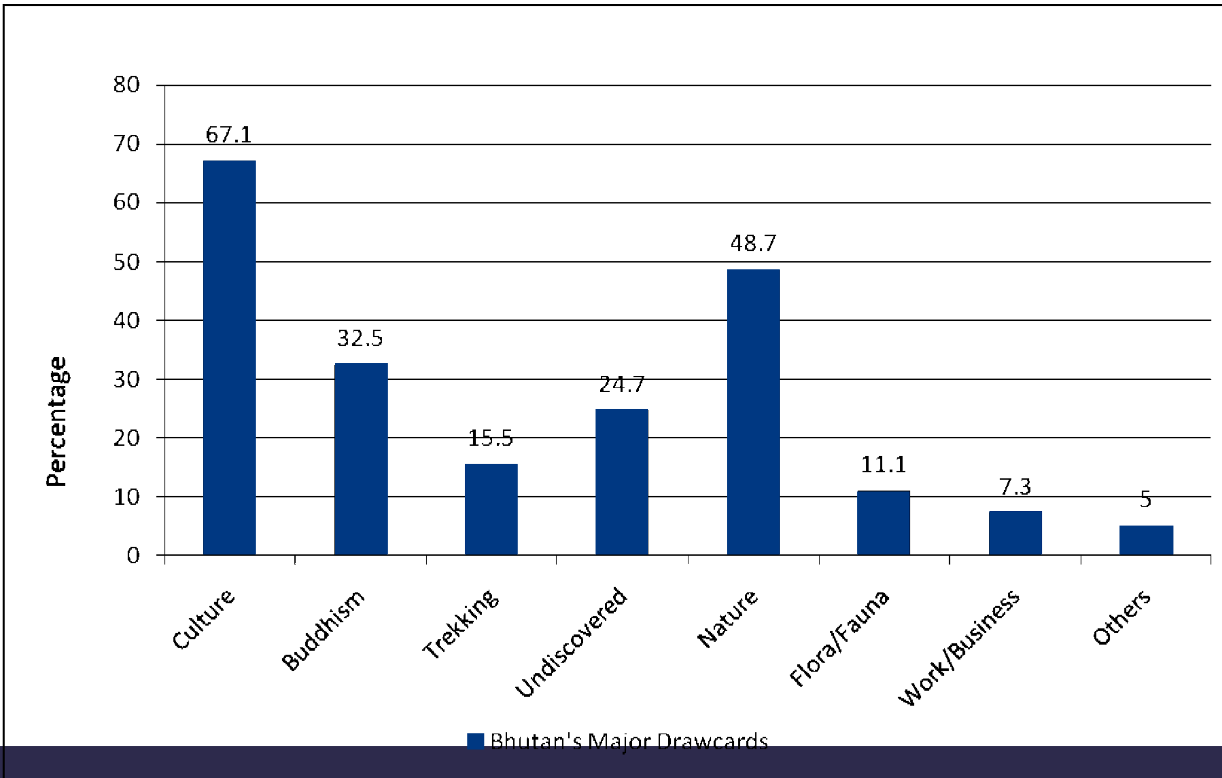
BHUTAN – MAJOR ATTRACTION

Respondents were asked to cite the major draw cards to Bhutan in order to determine the perceptions of the visitors on Bhutan as a tourist destination. Graph 2.10 indicates the number of respondents who provided the exact answer. The highest rated draw card was 'Culture' with 67.10% of all the responses, followed by 'Nature' (48.70%). Similarly, other draw cards were 'Buddhism' (32.50%), 'Undiscovered' (24.7%), 'Trekking' (15.5%), 'Flora/Fauna (11.10%), and 'Work/ Business' (7.3%).

The Tourism Council of Bhutan asserts that 'Culture and Nature' are Bhutan's 'Unique Selling Proposition (USP).' This is proven true with this and previous research. In the following graph 2.10, 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 'Culture and Nature' even more significant.

Graph 2.10

Major Attraction to Bhutan

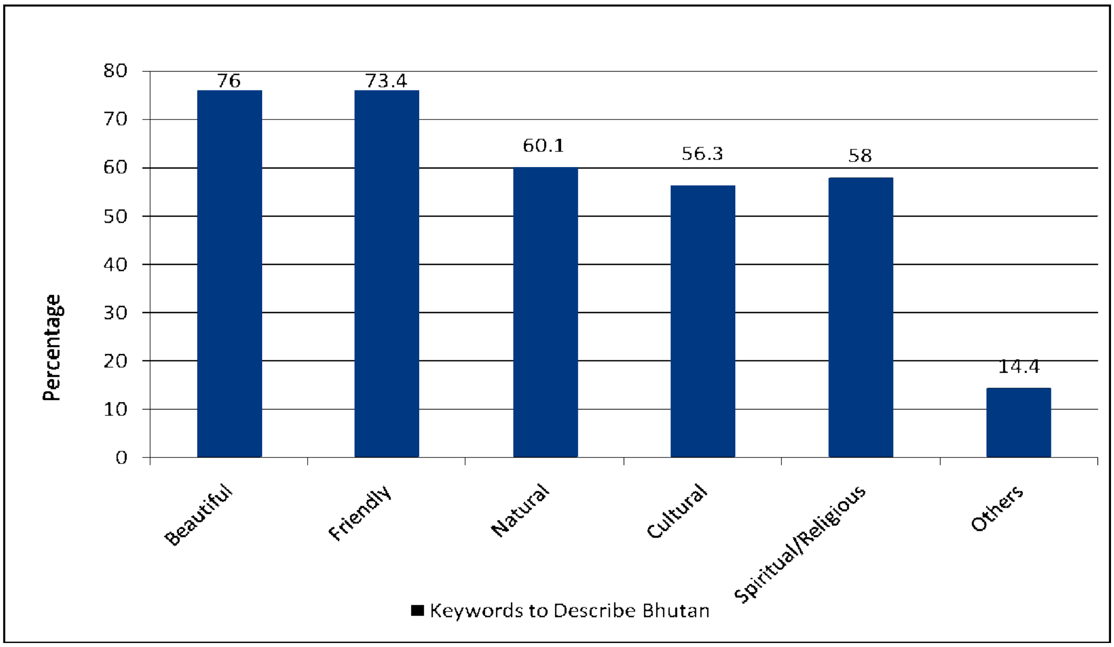


KEYWORDS TO DESCRIBE BHUTAN

Respondents were asked to list two or three keywords to describe Bhutan. From a wide range of responses, the most popular keywords were; 'Beautiful' (76.0%), 'Friendly' (73.4 %), 'Natural' (60.1%), 'Religious/Spiritual' (58.0%) and 'Cultural' (56.3%). Some other keywords used to describe Bhutan were 'Unspoiled', 'Astute', 'Pristine', 'Undiscovered', 'Timeless' and 'Happy' etc.

These impressions assist in determining some of the activities that the visitor really liked about his/her experience. Tour operators would be well advised to bear such identifiers in mind when constructing future promotional strategies. For example, some 73.4% of the respondents cited 'friendly' – indicating that they enjoyed the interaction with local people and for people who used 'natural' shows that they appreciated the pristine nature and therefore a need for more Nature products. This is something to be capitalised upon in marketing activities and borne in mind when preparing itineraries.

Graph 2.11
Keywords describing Bhutan



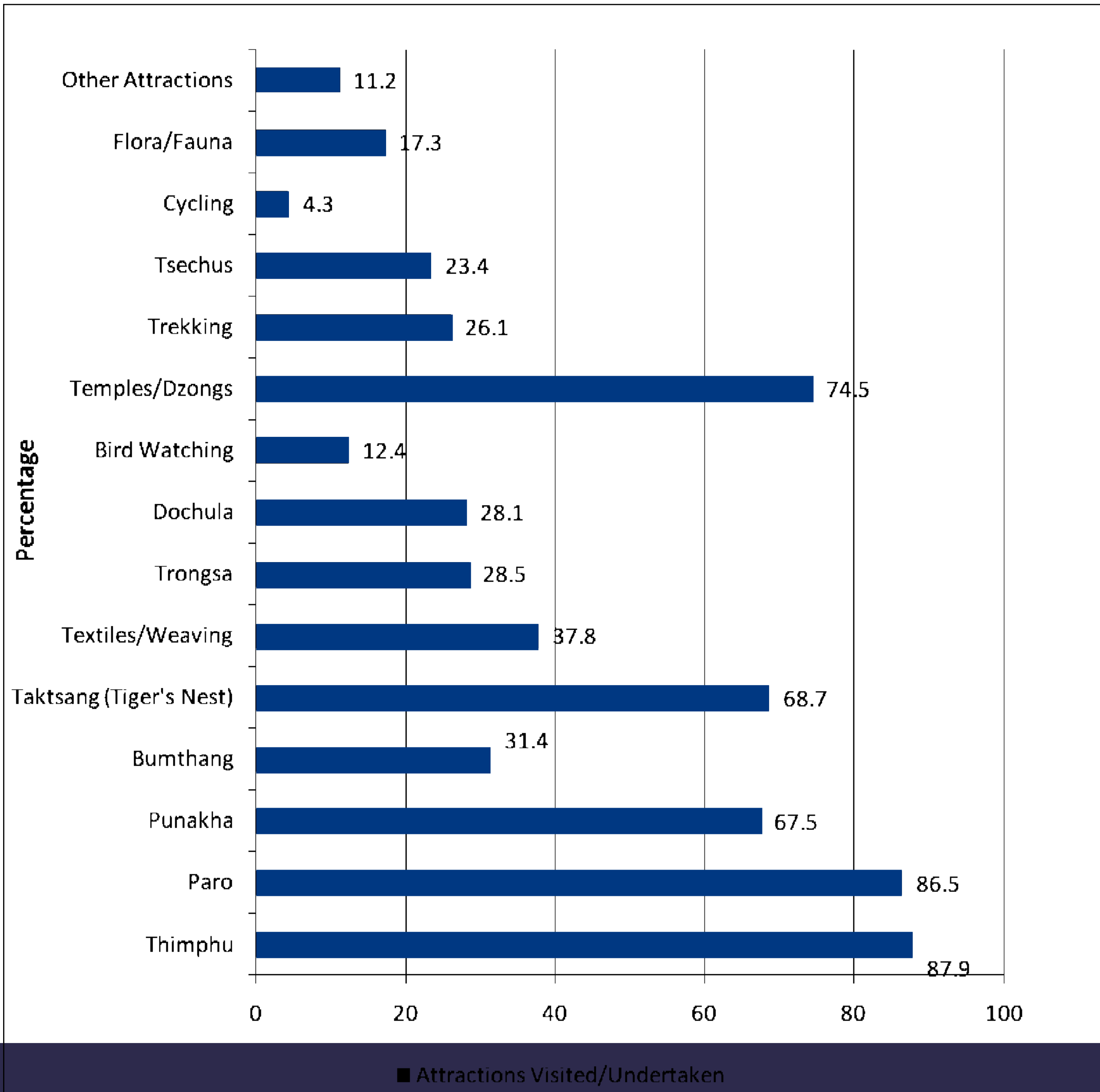
ATTRACTIONS VISITED/ACTIVITIES UNDERTAKEN

Respondents cited that they had visited a range of attractions and/or undertaken various activities. A distinct majority of 87.90% of all respondents visited the capital city Thimphu, thus making it the most visited attraction of 2010, followed closely by 86.50% of all respondents visiting Paro.

Of the total respondents, some 74.50% visited temples and Dzongs which are the most important cultural heritages in the country. Of all the visitors who had visited temples and Dzongs some 68.70% visited Taktsang monastery, thereby making it the most visited temple in Bhutan. This may have resulted in overcrowding and measures like introducing a premium may need to be taken to control visitation.

Graph 2.12

Attractions Visited/Activities Undertaken

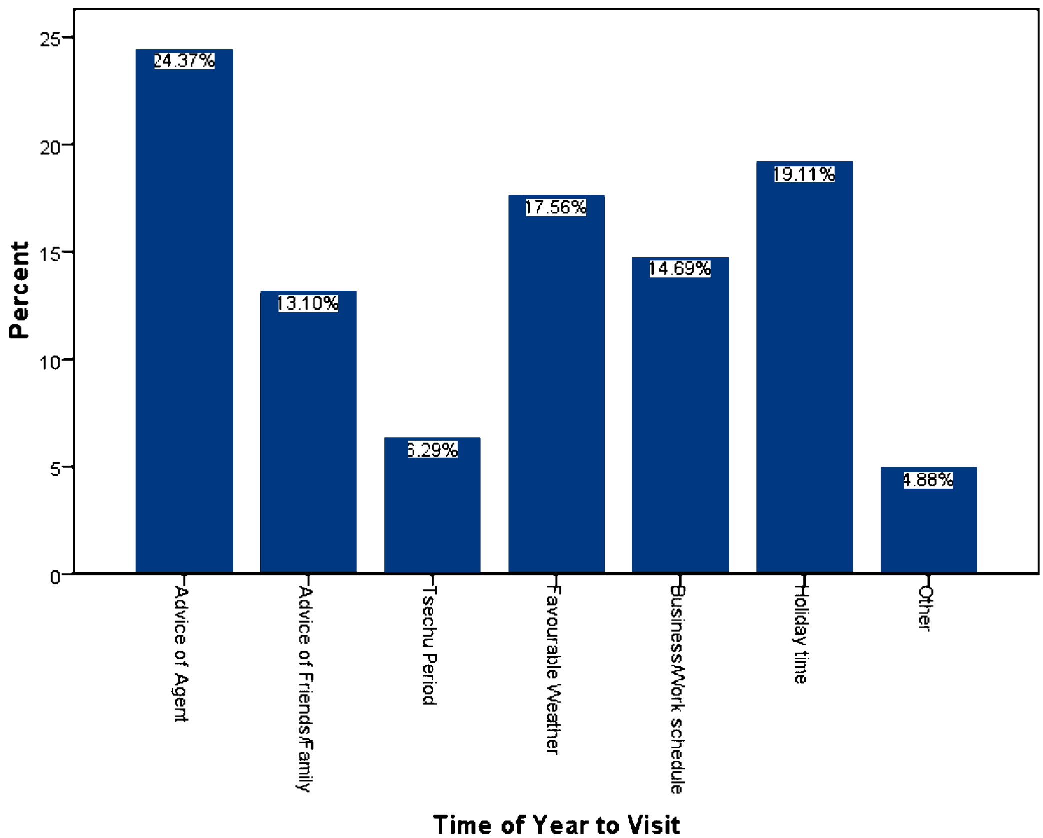


VISITORS' TIME OF VISIT

Seasonality for Bhutan, even though it is decreasing over time, is still a challenge as the spring and autumn seasons receive the maximum visitations. To better understand the possible causes of such seasonality, 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, the most determining factor for the cause of seasonality is the 'Advice of an Agent' (24.37%) as opposed to conventional belief that weather conditions and concentration of festivals cause seasonality. This suggests that the time for visitation to Bhutan is greatly influenced by the marketing messages that tour operators disseminate to their clients. Majority of the tour operators sell popular festivals like Paro Tshechu and Thimphu Tshechu therefore influencing visiting times. 'Holiday Time' was rated second as the reason of selecting the time to visit Bhutan. 'Favourable Weather' (17.56%) and 'Work/Business Schedule' (14.69%) also determined the time of visit for some. 'Advice of Friends/Family' also influenced visitation time for 13.10% of the total respondents.

Graph 2.13

Visitors Selection of Month of Visitation

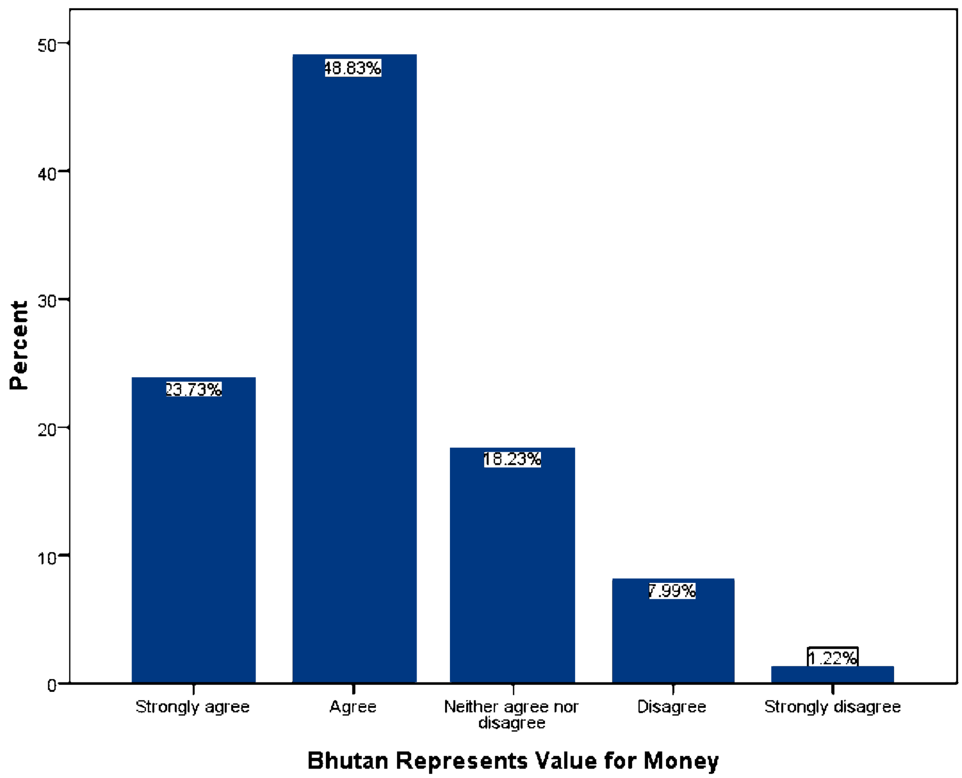


VALUE FOR MONEY

In response to the general impression that Bhutan is seen as an "expensive destination" by potential visitors, respondents were asked to indicate whether they believed Bhutan represented "Good Value for Money". A majority of 72.56% (23.73% strongly agree and 48.83% agree) indicated that Bhutan represents a good value for money. This figure represents a slight improvement compared to the findings in the last 3 years.

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 foreigners tend to presume that USD 200 per night is only the government tariff, and that they have to bear the additional expenditures for accommodation, food and other travel facilities separately. Therefore much advocacy and awareness is imperative in order to dismiss the wrong perceptions about the tariff policy in the international community. Such clarifications could be disseminated through popular media vehicles like the Internet, Magazines/Newspapers, TV and radio which are the main primary sources of information on Bhutan.

Graph 2.14
Value for Money Perception

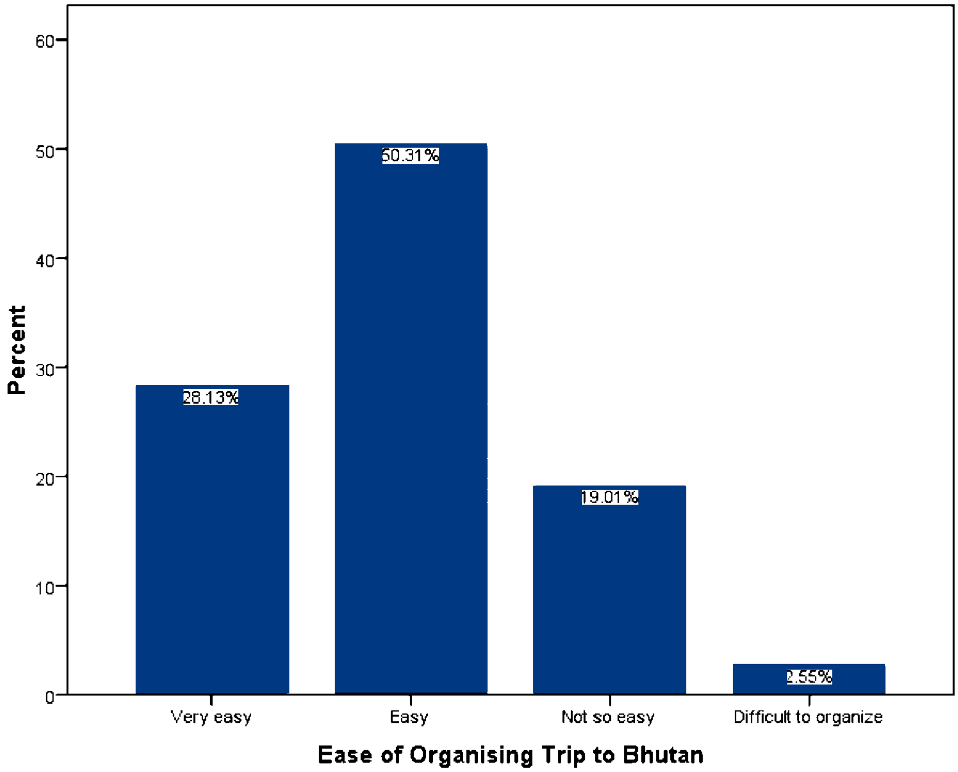


EASE OF ORGANISING TRIP TO BHUTAN

One of the biggest hurdles of visiting a destination can be the difficulty of organizing a trip and more than that is finding what a visitor is looking for. Therefore, all sampled respondents were asked to assess the ease of organising their trip to Bhutan. More than in excess of three quarters (78.44%) of the total respondents indicated that it was easy to organise their Bhutan trip. This is not a surprising finding as the visitor travel arrangements are done by their local tour operators. The remaining quarter of those sampled indicated that they had encountered some difficulty in organising their visit (21.2% 'Not So Easy' and 3.8% 'Difficult').

Anecdotal evidence suggests that amongst those reporting some difficulty in organising their trip were mainly due to the inconveniences caused due to flight availabilities and abrupt cancellations due to weather conditions, and a lack of an online booking system for those who are not visiting Bhutan through a tour operator.

Graph 2.15
Visitors Ease of Organising Travel to Bhutan

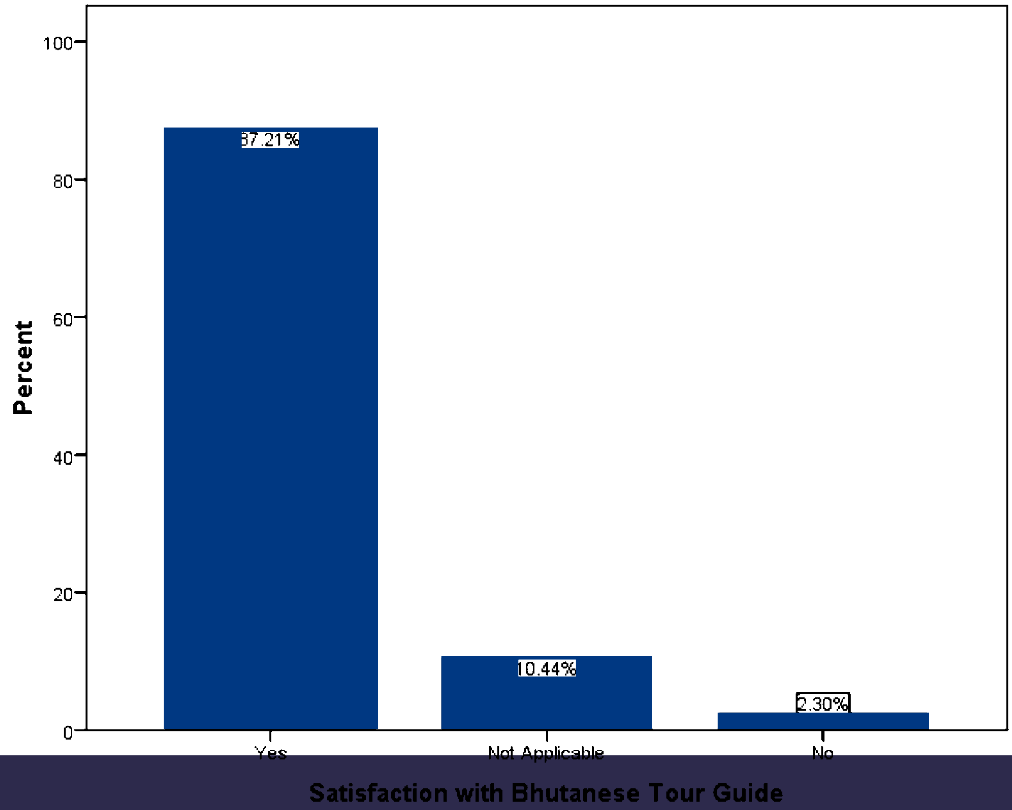


SATISFACTION WITH BHUTANESE TOUR GUIDES

When tourists are in Bhutan, local tour guides who act as ambassadors are the chief source of information and interpretation for visitors. Therefore, it is important to gain insight into visitor satisfaction levels about their guides. Visitors were generally pleased with the quality and the services of their guides with 87.21% indicating that the guides were highly professional and knowledgeable. Tour guides in general have also gained to understand the sensitivity of their level of services and are becoming more and more professional and competitive with their relative experiences.

Only 2.30% of the total sampled indicated that they were not satisfied with their guides.

Graph 2.16
Satisfaction with Bhutanese Tour Guides

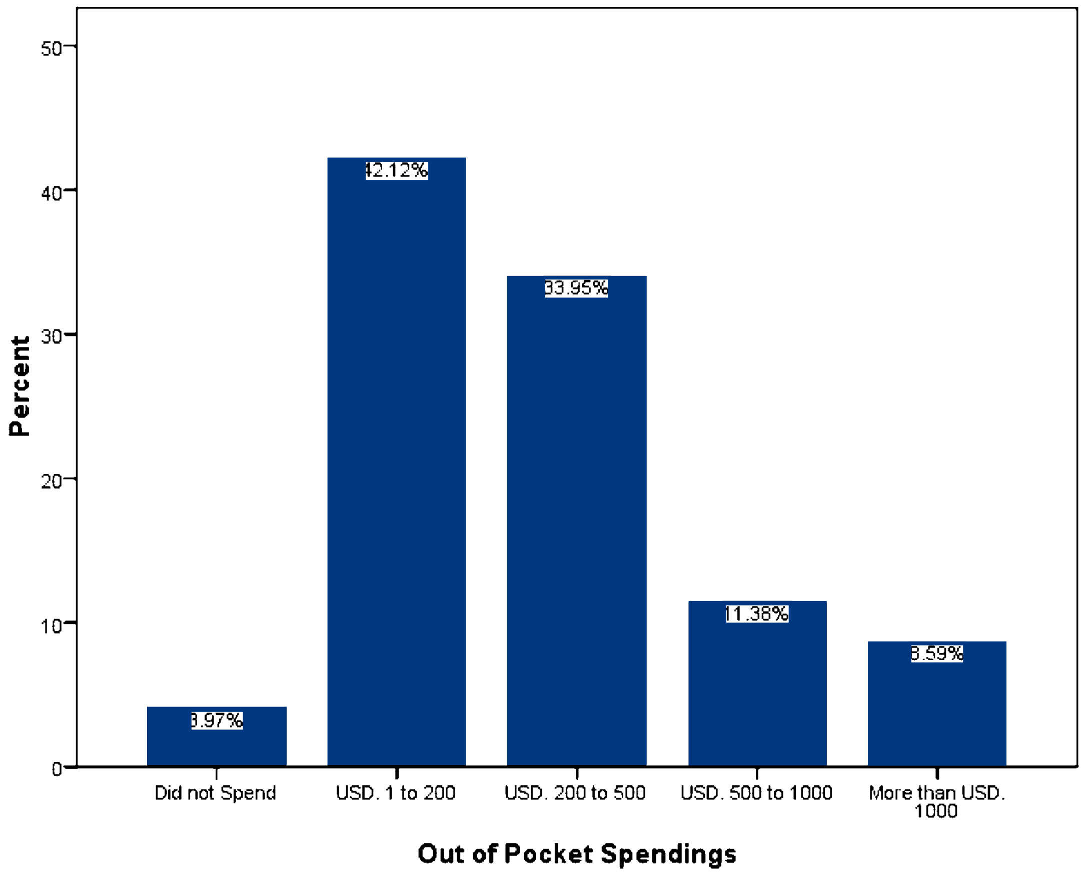


OUT OF POCKET SPENDING

All tour packages sold by local tour operators are inclusive of the 'Royalty' Government levy that translates directly into revenue, board and lodging, transport, guiding services etc. Therefore respondents were asked if they had spent anything extra out of their pockets besides the package price to determine the impact of tourism on the local economy. Majority (42.12%) of the visitors spent less than USD 200 followed by 33.95% spending between USD 200 to USD 500. Even though they explained that this extra spending was mainly for shopping, it is not a substantial amount. This finding indicates that there is a need for local entrepreneurs to produce an attractive range of tourism souvenirs and products that is reasonably priced to encourage visitors to spend more. Visitors often complained that the handicrafts are priced exorbitantly compared to the neighbouring countries like India, Nepal and Tibet.

Graph 2.17

Out of Pocket Spending by Visitors



ADDITIONAL FACILITIES AND IMPROVEMENTS

Respondents were asked to make comments about tourism related services and infrastructures as well as suggest ways to enhance a visitor's experience in Bhutan. Of the total sampled, around 20.13% of the total samples expressed dissatisfaction with at least one of the different services on offer. The remaining did not complain about anything about their Bhutan trip and were satisfied with the services offered.

This year, out of the 22.13% of who complained or made suggestions, majority (19.46%) complained about the lack of public toilets and rest rooms along motorable roads, followed by the 'Bad Roads' (18.06%), generally referring to narrow roads and the sub-standard condition of roads. Many also indicated that the absence of ATM and international banking facilities hindered for easy transaction of money. Visitors usually ended up carry cash money while visiting Bhutan which therefore also affects spending patterns.

Some 12.23% also indicated that Bhutan lacked Internet and Communication Facilities like Wi-Fi and Broadband connections in hotels especially. Hotel related complaints were made by only 9.87% of the total respondents. 'Overcrowding of Dogs' used to be featured as a highly occurring complaint and now it seems to be improving over the years. About 11.38% of those who made suggestions also indicated that there was a need for a wider variety of Food and Restaurants/Kitchens as they found the food to be boring and less diversified.

Some (7.63%) expressed that Drukair needed improvement especially because of the inconvenience caused due to abrupt cancellations during bad weather. Some 5.73% of those who complained indicated that there was a need for proper garbage management especially along trek routes and towns.

Others indicated that souvenir shops had limited original Bhutanese products with no proper pricing regulations, lack of information centres for tourists etc.

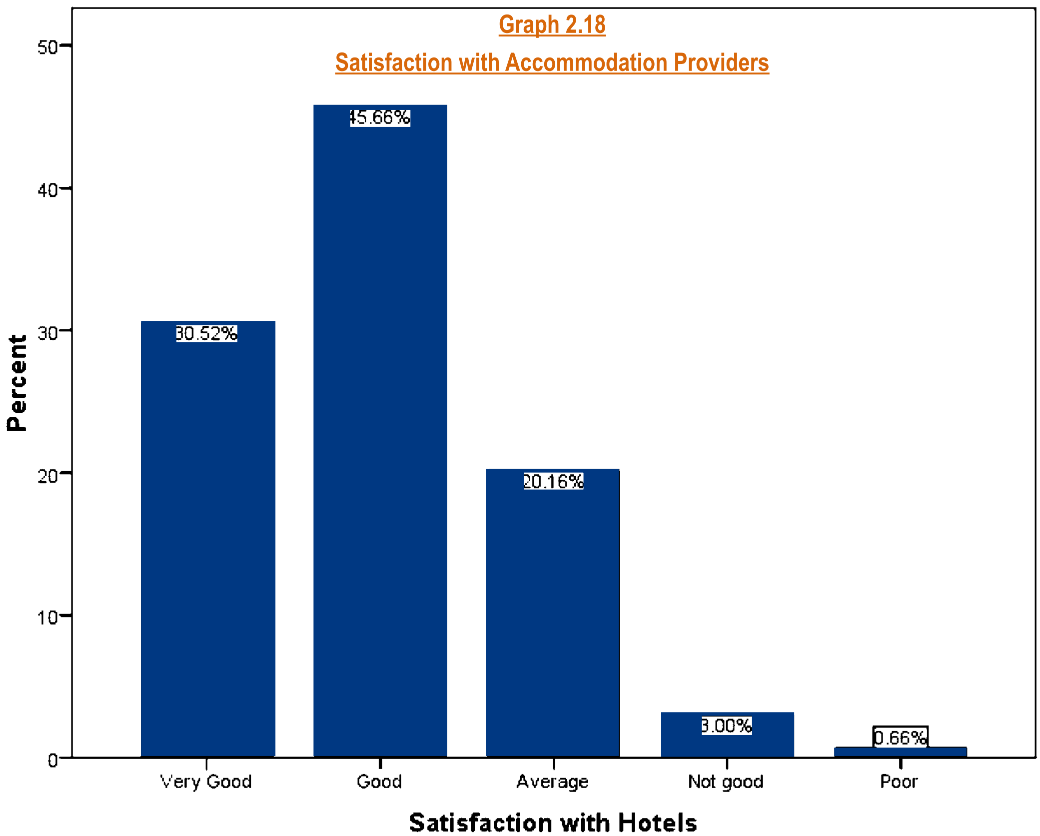
Table 2.1
Suggestions for Improvement

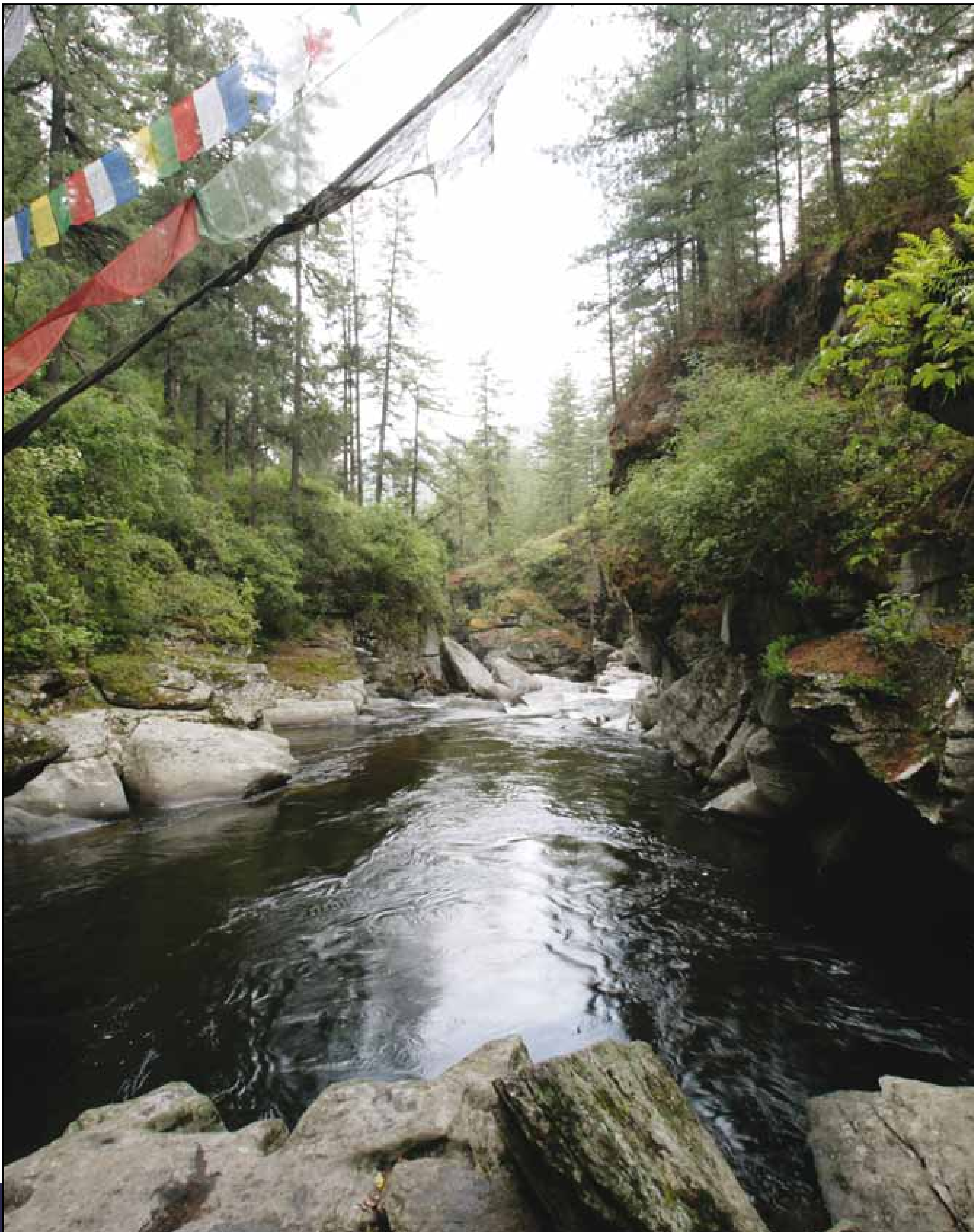
Opinion	%
Lack of Public toilets and rest rooms	19.46%
Bad Roads	18.06%
Lack of Credit Card and ATM facilities	15.77%
Limited Internet and Communication facilities	12.23%
Inadequate Food and Restaurants variety	11.38%
Hotels related complaints	9.87%
Druk-Air related complaints	7.63%
Lack of Garbage control and management	5.76%
Overcrowding of dogs	4.09%
Limited souvenir shops with limited Bhutanese products	4.00%
No pricing regulations of retail items	2.10%
Lack of Information Counters	0.31%

SATISFACTION WITH ACCOMMODATION PROVIDERS

Accommodation plays an important role in adding to the experience of a visitor. This will also include the 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 TCB accredited properties. All hotels are assessed and approved by the Council to cater to tourists. This is mainly to encourage hotels to improve their services and facilities. The Tourism Council of Bhutan has now rolled-out the 'Star Classification' system with a minimum of a 3-Star rating required for a tourist accommodation to ensure quality services.

Most tourists (30.52% rated 'Very Good' and 45.66% rated 'Good') were satisfied with the hotels. Some 20.16% said the quality of hotels was average and some 3.0% indicated 'Not Good'. Though most tourists were satisfied with the hotels, the need to improve hotel standards including services (cleanliness) is still necessary. Even though the Council provides support in terms of training hotel staff, strict monitoring on facilities and most importantly, functional aspects of the facilities need to be looked at. Similarly, the quality of facilities used must also be monitored. This however represents an improvement on the ratings compared to a few years earlier, which suggests that the star classification system and up-gradation incentives provided by the government proves to create higher satisfaction with hotels amongst visitors.





Section 3 - Source Markets Summary

Section 3 of the report provides a country wise analysis of the top 13 source markets independently. It is a collection of findings which are summarised according to a particular source market to enable the reader to understand the various trends and patterns of behaviour of a particular market.

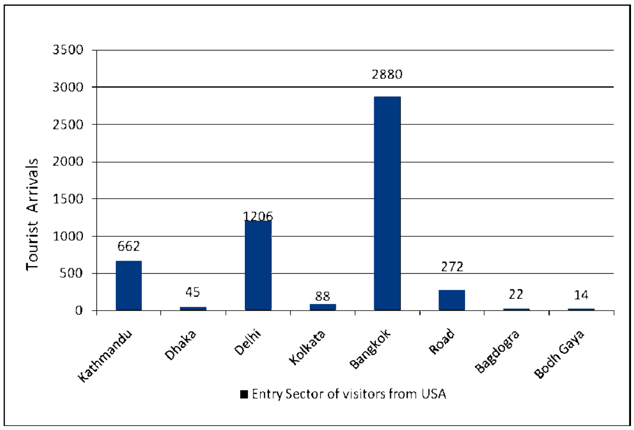
UNITED STATES OF AMERICA

The United States has been the most important source market for Bhutan for many years, taking the top position in terms of total arrivals and bed nights. In 2010, there were 5,189 tourists from USA, an increase of +8.42% compared to 2009. It constituted 21.07% of the total bed nights for 2010. Tourists from USA continued to stay for 8.4 days on average and 47.02% preferred to visit Bhutan during the autumn months (September –November) and another 34.09% visited in March-May.

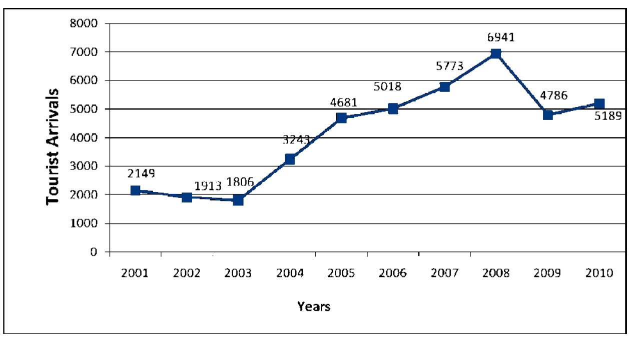
The responses from the tourists interviewed at the Paro Airport show that 63.70% of the visitors from USA have a university degree. About 87.25% came for the sole purpose of a holiday and most (91.13%) of them were visiting Bhutan for the first time. They like to combine their tour program with Thailand (38.24%), India (27.83%) and Nepal (25.13%) and some 32.32% came as part of tour groups and 30.88% travelled as couples. Most of the visitors are 'couples whose children have left home' (31.01%) and 'single with no children' (19.57%) and mainly heard about Bhutan from their friends (36.80%) and from the Internet (14.36%).

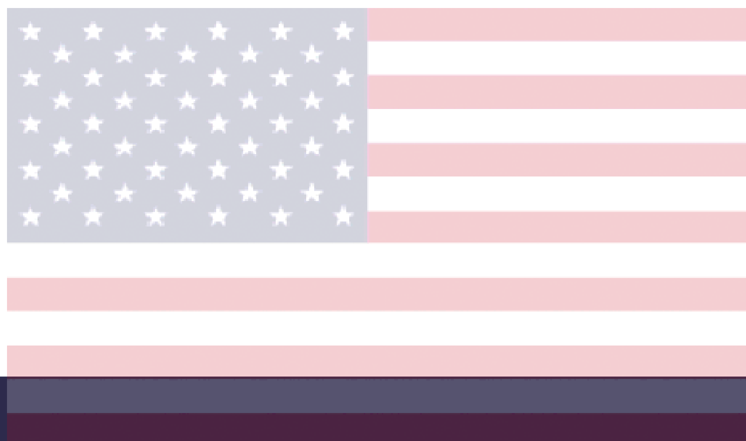
Graph 3.2 below shows the entry sector of the USA source market. Americans mainly prefer Thailand (2,880) as a transit port while visiting Bhutan. A significant number of visitors from USA also entered through Delhi (1,206), and Kathmandu (662). Only 227 Americans entered from the southern gateways by road.

Graph 3.2
Port of Entry of US Arrivals



Graph 3.1
Visitor Arrivals from the United States of America



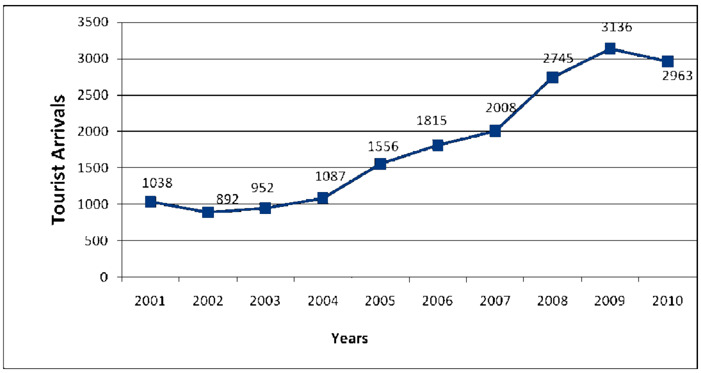


JAPAN

The most important Asian Market ranked second in terms of arrivals. There were 2,963 Japanese visitors which constituted 10.89% of the total arrivals and marked a decrease of-5.52% - a reversing trend for an otherwise steadily increasing market since 2002. Japan constituted 7.59% of the total bed nights in 2010. It is very interesting to note that almost a quarter (22.51%) of the total Japanese arrivals prefers to visit during June, July and August months and another 15.56% visited during the spring months. However, their average length of stay is one of the lowest with 5.3 days.

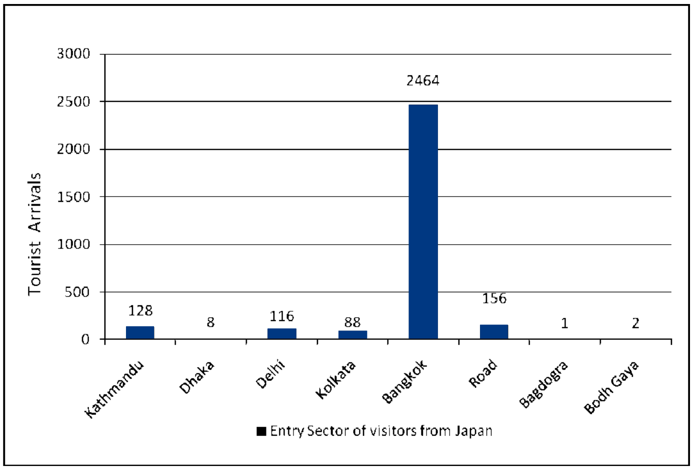
Like most visitors who come to Bhutan, Japanese are highly educated with most of them holding university degrees. In excess of half of the total visitors belonged to the '46+' age bracket. Their main purpose of visit is Holiday (75.78%) and they like to travel as part of 'Organised Tour Groups' (29.81%) and as 'Group of Friends' (26.09%). About 75.16% are first timers and they usually do not like to combine with other destinations when they come to Bhutan. Unlike any other markets, they mostly learned about Bhutan from TV (20.50%) followed by 'Friends' (19.25%). Many of Japanese visitors indicated that they would love to visit Bhutan again.

Graph 3.3
Visitor Arrivals from Japan



The graph 3.4 below shows the entry sector for the Japanese visitors in 2010. Majority of the visitors indicated that direct flights which are cheaper compared to the other sectors make Bangkok a favourable transit port (83.16%). This also complements to the above point of Japanese not combining their tour program with other destinations.

Graph 3.4
Port of Entry for Visitors from Japan



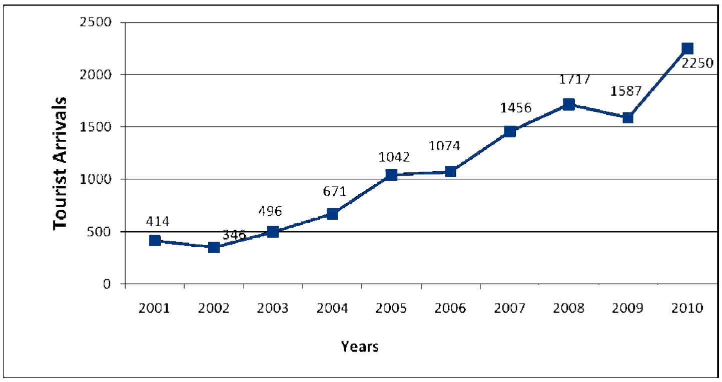
GERMANY

A total of 2,250 tourists from Germany visited Bhutan in 2010, corresponding to 8.27% of the total international arrivals to Bhutan. This year marked an increase of +41.78% compared to 2009. More than half (55.73%) 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 8.9 days and constituted about 9.67% of the total bed nights.

Like other markets, visitors from Germany are well educated with 75.24% holding university degrees. Some 81.07% visited Bhutan for the purpose of a holiday and most of them were first timers (91.26%). Like the Japanese, most Germans heard about Bhutan from 'Friends' (24.75%) and magazines (16.02%). Their preferred destination for circuit tourism is India (62.62%) and Thailand (20.87%).

Graph 3.5

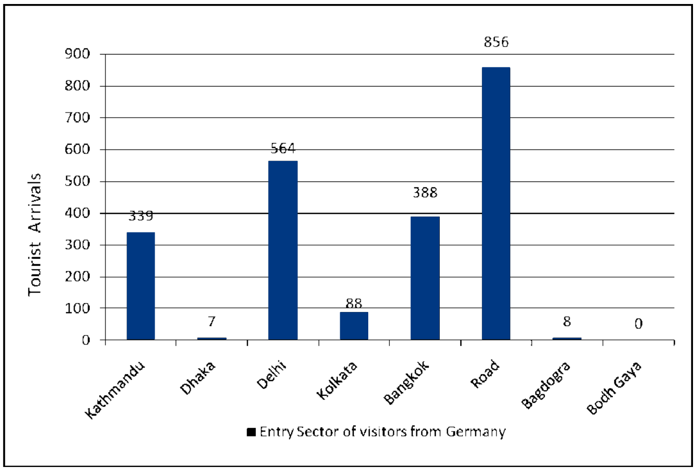
Visitor Arrivals from Germany



The graph 3.6 below shows the visitors' preferred mode of travel which is unlike the other top source markets of USA, UK and Japan. Majority (38.04%) of the Germans preferred to enter the country via road. This figure coupled with the number of visitors entering via Delhi and Kolkata justifies the fact that India remains as the most favoured destination for a possible combination during their trip to Bhutan.

Graph 3.6

Port of Entry for Visitors from Germany

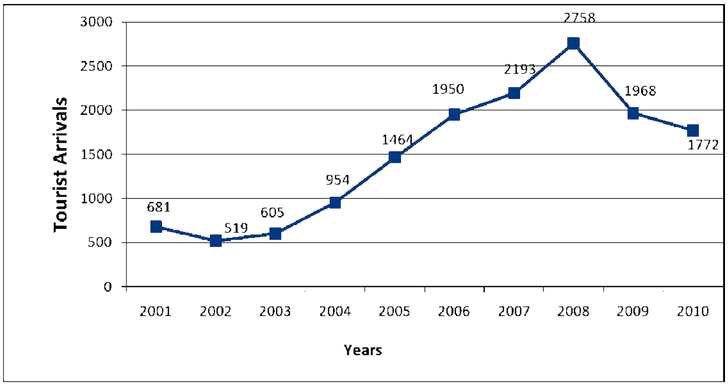


UNITED KINGDOM

The United Kingdom declined to fourth position in terms of arrivals. The downswing continues from 2008 and this year recorded a decrease of -9.96% suggesting a weak economic situation since the global recession. Some 1,772 tourists from the UK came to Bhutan in 2010 which corresponded to 6.62% of the total arrivals. However, British visitors stayed for an average length of 9.3 days and constituted to 8.15% of the total bed nights. In excess of half the total visitors (56.49%) visited during September, October, and November months.

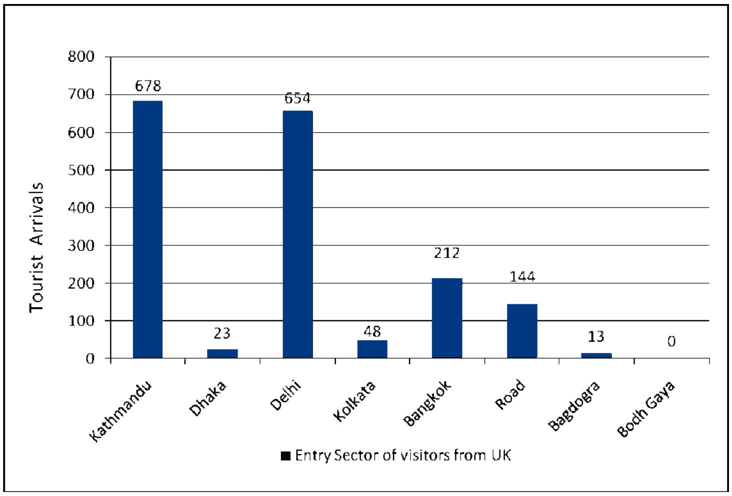
Tourists from the United Kingdom are mostly of the '46+' age bracket (73.96%) and are highly educated with 71.88% of them with university degrees and most of them came to Bhutan for holiday (96.80%). About 43.74% of them prefer to join group tours and another quarter (32.29%) of them like to travel as a couple. Most of them like to combine their trip with Nepal (53.13%) followed by India (27.08%). Most visitors are first timers (91.67%) and 33.33% of them are couple with no children. They have heard about Bhutan from TV (32.29%) and their friends (26.66%). Some 34.45% of them would like to return to Bhutan within 5 years.

Graph 3.7
Visitor Arrivals from United Kingdom



Graph below 3.8 shows the preferred entry sectors of the British visitors in 2010. Some 38.26% of the total preferred to enter through Kathmandu followed closely by Delhi (36.91%).

Graph 3.8
Port of Entry of UK Arrivals

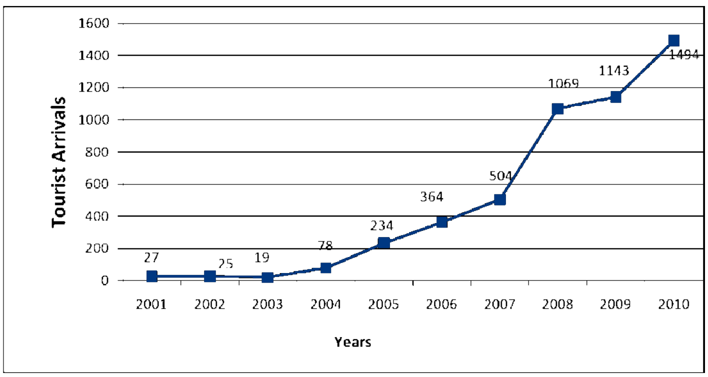


CHINA

China is increasingly becoming a dominant source market with almost a five-fold increase in just five years. With as few as only 27 visitors in 2001, this year saw a record high of 1,494 Chinese visitors in 2010, which accounted for 5.49% of the total arrivals. Chinese visitors do not have very strong preference on the time of visit though September, October and November months are rated higher by a narrow margin. China, like Japan, has one of the lowest average lengths of stay of 4.9 days.

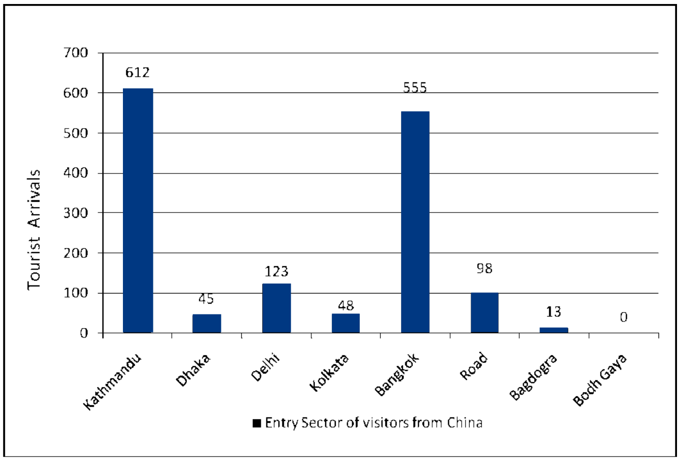
Visitors from China are highly educated with 81.82% holding university degrees. For the majority (87.27%) it is their first visit to Bhutan. Some 85.45% came solely for holiday in Bhutan and 45.45% of them indicated that they had included Nepal as part of their circuit while visiting Bhutan. Most of them (35.54%) travelled as part of a tour group, thereby indicating that tour operators in China are increasingly promoting Bhutan.

Graph 3.9
Visitor Arrivals from China



The graph 3.10 below shows the port of entry for the Chinese visitors. The majority of the visitors preferred 'Air' as their mode of transport with 40.96% of them entering through Kathmandu, closely followed by 37.15% entering through Bangkok. Only 6.56% preferred entering the country by road.

Graph 3.10
Port of Entry for Visitors from China



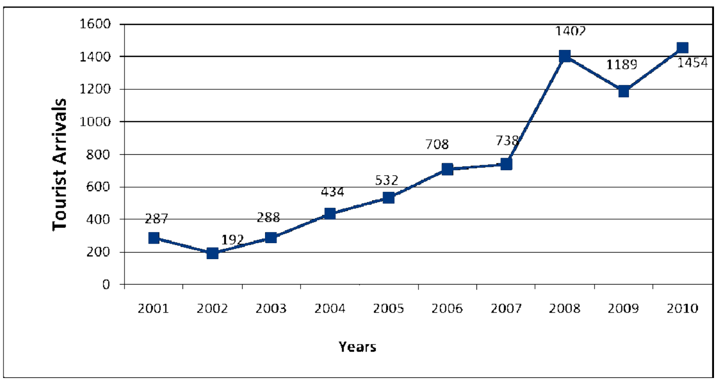
FRANCE

France was ranked the sixth most important market surpassing the arrivals from Australia. Even though 2009 recorded a decrease of -15.2% because of the global recession, the French market has rebounded well with an increase of +22.29%, therefore taking the arrivals to an all time high of 1,454 visitors in 2010. September, October and November months are the preferred months for French tourists with some 47.32% visiting. Average length of stay also increased to 9.1 days from the French market.

Some 30.90% of the French visitors belonged to the '46-55' age bracket. French tourists are highly educated with 76.92% of them holding university degrees. They mostly fall under the 'Couple whose children have left home' segment and their main purpose of visit is holidaying (86.54%). They prefer to travel as couples (32.72%). And they mostly combine their Bhutan holiday with India (40.38%). Most of them are first timers (92.31%) and they want to come back to Bhutan within next five years. They heard about Bhutan through various mediums and rated 'Magazines/Newspapers' as the main source with 23.08%.

Graph 3.11

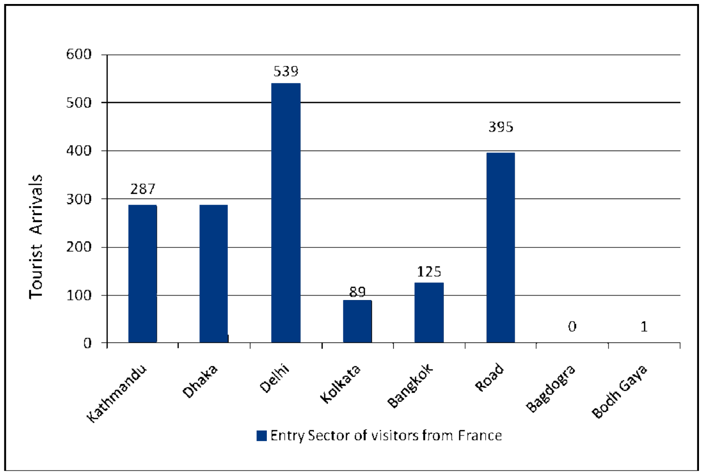
Visitor Arrivals from France



The graph below shows the port of embarkation for the visitors originating from France. Majority (37.07%) preferred to enter through Delhi which substantiates their preference to combine their trip with India followed by 27.17% of them entering by road. Kathmandu sector also rated significantly with 19.74%of them entering through it. Only 1 tourist entered through Bodh Gaya.

Graph 3.12

Port of Entry for Visitors from France

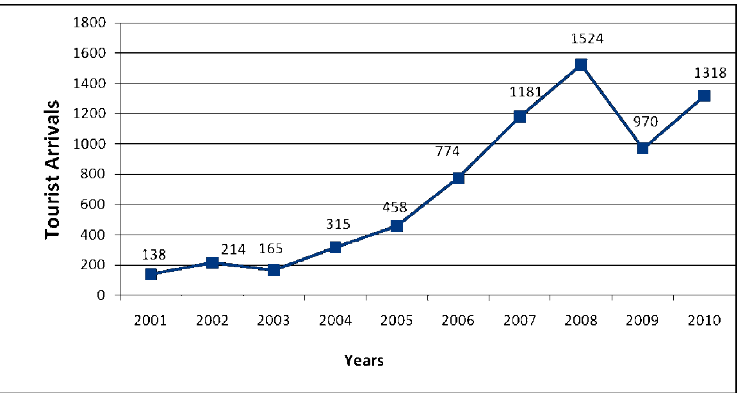


AUSTRALIA

Australia has also rebounded well after the recession with a marked increase of +35.88% compared to 2009, thus taking the numbers to 1,318 tourist arrivals. They constituted to 4.85% of the total visitors and 5.6% of the total bed nights. Majority (47.57%) of the Australians specifically prefer to visit Bhutan during September, October, and November and another 34.83% visited in the months of March, April and May. They stayed for 8.8 days. Their duration of stay represents a significantly shorter period compared to 9.4 days in 2009.

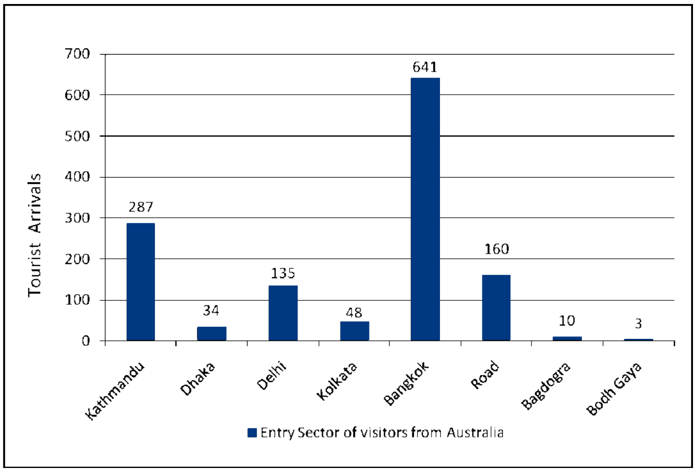
Some 89.38% came solely for holiday with Bhutan as their only destination. Most visitors are couple with no children and they are highly educated (73.45%). Their main source of information on Bhutan is through 'word-of-mouth' with 43.89% indicating that they got to know about Bhutan through friends and family members. They preferred to travel mainly as a couple (34.51%) followed by as part organised tour groups (31.86%).

Graph 3.13
Visitor Arrivals from Australia



Graph 3.14 below shows the preferred port of entry for the Australians. As there is no direct flight from Australia to Bhutan, they transit through Bangkok (48.63%) and Kathmandu (21.78%). Significant number (12.24%) of Australians also entered the country via road.

Graph 3.14
Port of Entry for Visitors from Australia



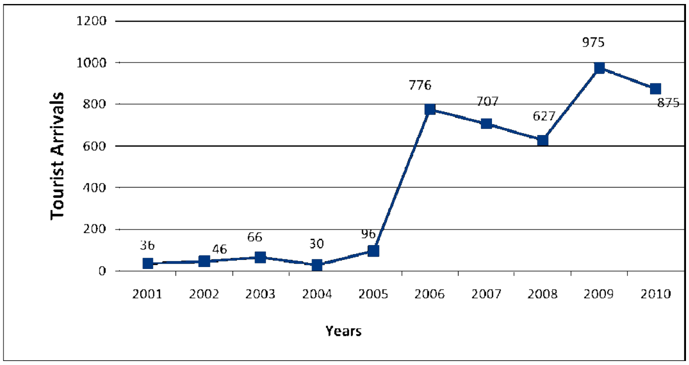
THAILAND

As depicted in the graph below, Thailand is also becoming a fast growing source market with a fluctuating trend in growth patterns. Whilst the Thai arrivals recorded a significant jump of +55.50% in 2009, this year saw a slump in arrivals with a decrease of -10.26%. The preferred time of travel for the Thai visitors is distributed over the year with 26.06% visiting between December-February, 35.09% visiting between March-May, 14.17% visiting between June-August and the remaining 24.69% visiting between September-November. They have the shortest length of stays with 4.3 days on average. They are predominantly cultural visitors who do not participate in trekking.

Some 87.24% came solely for the purpose of holidaying in Bhutan. Most visitors are couple with children still at home and were found to highly educated (79.09%). Their main source of information on Bhutan is derived from the growing ties between Thailand and Bhutan, especially after the remarkable visit by His Majesty the King in 2006.

Graph 3.15

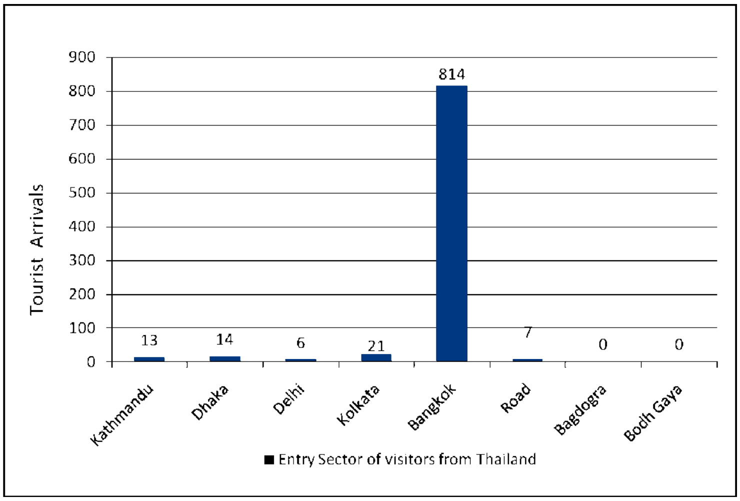
Visitor Arrivals from Thailand



The graph 3.16 below shows the port of entry for the Thai visitors. As can be expected of having a direct flight, a huge majority (93.03%) entered the country from Bangkok. The only other entry sector to rate significantly was Kolkata.

Graph 3.16

Port of Entry for Visitors from Thailand

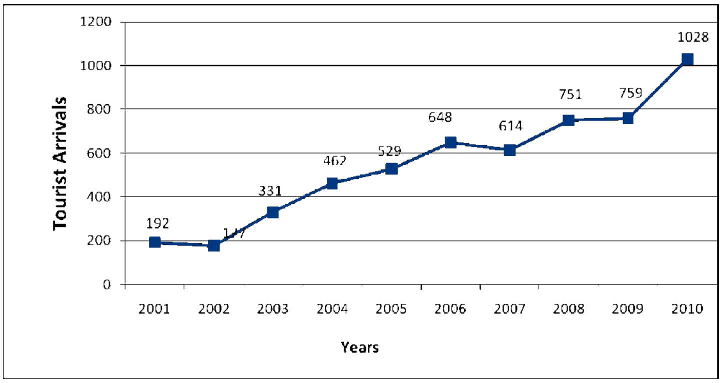


ITALY

Italy is one country whose arrivals represent a slowly but steadily growing pattern. This year recorded the highest growth rates in the last few years with +22.29%. This increase in growth rate has upped the rankings from tenth to the eighth position in 2010. Arrivals from Italy reached at 1,028 visitors which constituted 5.35% of all arrivals. Unique to this market is their travel times that largely span from July till November months. This market has potential to hugely alleviate seasonality during the monsoon months of July and August as their holiday time coincides with these months. Their average length of stay also remains almost constant with 8.1 days in 2010.

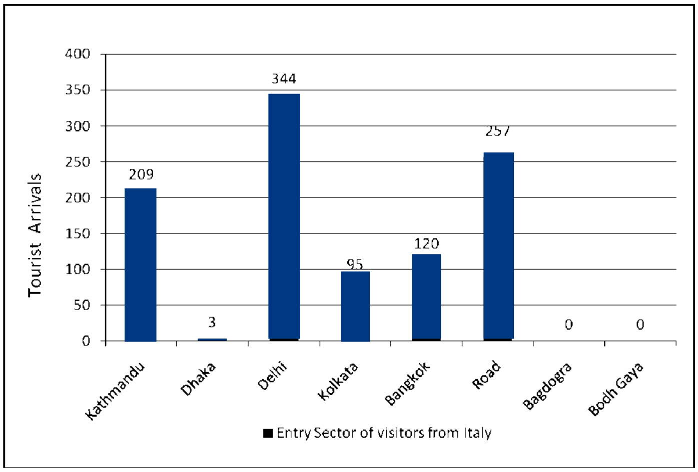
Italian visitors are slightly younger with a quarter of them (30.55%) falling in the '36-46' age bracket. They are highly educated with 75.0% of them holding a minimum of university degrees. Their main purpose of visit is holiday (80.56%) and most of them are first timers (91.67%). Bhutan is their only destination (69.44%) and they mainly heard about Bhutan from their friends (41.67%). They combined their Bhutan trip mainly with India and Nepal. Very few indicated that they combine it with Thailand.

Graph 3.17
Visitor Arrivals from Italy



The Graph 3.18 below shows the entry sector of the Italian visitors in 2010. The entry sector for the Italians were spread out across the various entry points to the country but majority of the visitors preferred to enter by air through Delhi (33.36%) and Kathmandu (20.33%). A significant number also entered by road (25.00%). No one entered from Gaya and Dhaka.

Graph 3.18
Port of Entry for Visitors from Italy

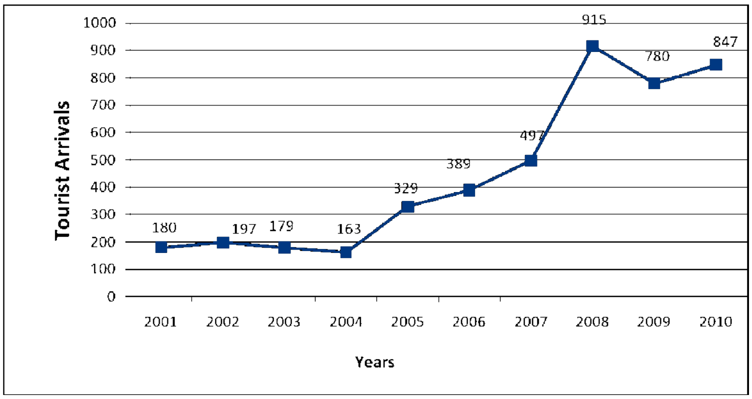


NETHERLANDS

From a fall in arrivals in 2009, arrivals from the Netherlands were upward bound with an increase of +8.50%. There were 847 Dutch arrivals which contributed to 3.11% of the total international arrivals. They also have one of the highest average lengths of stay 10.4 days thereby contributing 4.24% of the total international bed nights in 2010. Some 52.07% prefer to visit Bhutan during high festival season – September, October and November months.

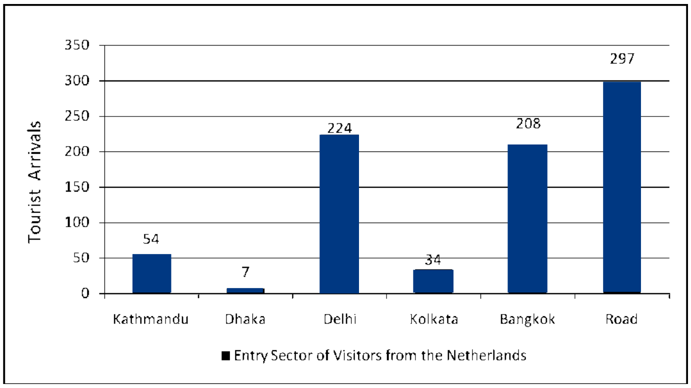
Dutch visitors come here mainly for holiday (92.46%) and they prefer to come in tour groups (45.89%) and as a couple (35.98%). They predominantly only visited Bhutan and used mainly India and Bangkok as transit ports. They were mainly couples whose children have left their homes.

Graph 3.19
Visitor Arrivals from the Netherlands



The graph 3.20 below shows the entry port for the visitors from the Netherlands. Unlike many source markets, a good proportion of 35.06% of the total arrivals from Netherlands preferred road as the mode of transport. Delhi attributed to 26.45% followed by Bangkok (24.55%).

Graph 3.20
Port of Entry for Visitors from the Netherlands



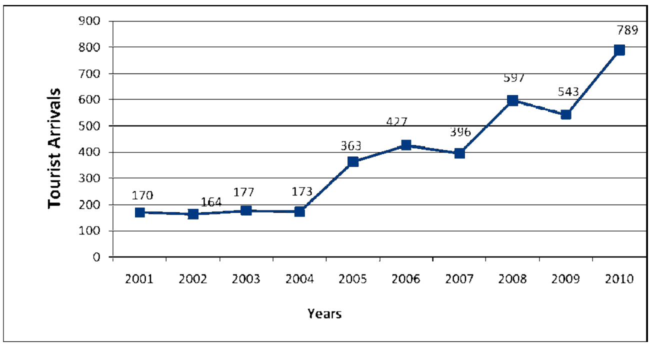
SWITZERLAND

Visitors from Switzerland peaked at 789 and represent a constantly growing trend since 2002. This year marked one of the highest growth rates in the last year years with +54. 30%. They have constantly maintained their status as the market with the longest length of stays with 10.4 days on average, and as result contributing significantly to the bed night figures that attributed to almost 4.0% of the total bed nights in 2010.

Visitors from Switzerland are mostly older people with 71.15% of them falling under the '45+' category of age. They are highly qualified with 86.77% of them holding a minimum of a university degree. They prefer to travel as 'Group of Friends' (38.41%) and 'as couples' (30.81%). Some 59.61% of them indicated that this trip was only for the purpose of visiting Bhutan. They preferred Bangkok and Kathmandu has transit ports.

Graph 3.21

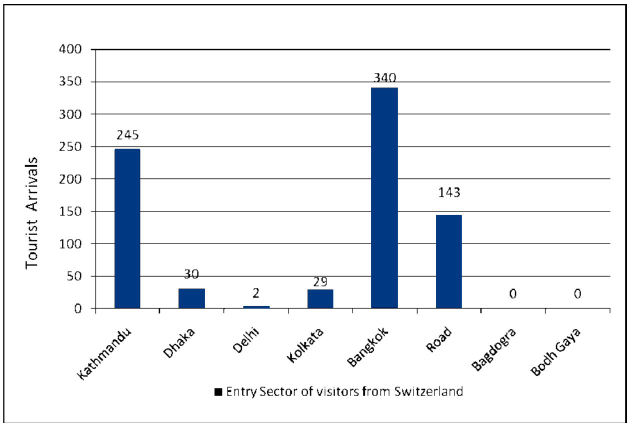
Visitor Arrivals from Switzerland



The graph 3.22 below shows the entry sector for Swiss visitors. Majority boarded the plane from Bangkok (43.09%) which shows that the Swiss prefer to combine their Bhutan holiday with Thailand. Whilst Kathmandu (31.05%) was also a preferred air access point, some 18.12% of the visitors also preferred the road mode of transport.

Graph 3.23

Port of Entry for Visitors from Switzerland

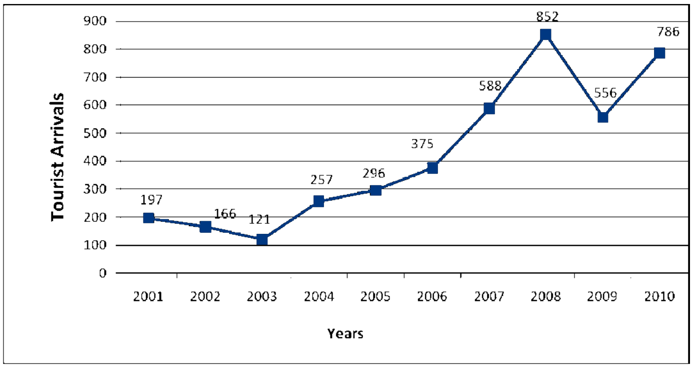


CANADA

Canada's ranking in the source markets charts according to number of arrivals is also declining mainly owing to the fact that some Asian markets have been growing on a very high rate. Specifically in 2009, it was also one of those severely affected by the recession which resulted in a -34.7% decrease over 2008. The Canadian Market however rebounded well with an increase of +41.36%, thus taking the Canadian arrivals to 786 visitors. Canada also has a higher average length of stay with 8.8 days and they prefer to visit during September, October and November months.

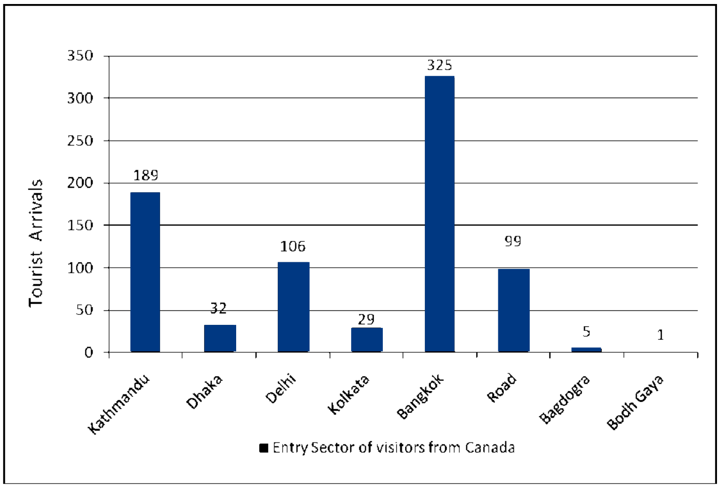
Visitors from Canada are mostly older people with majority falling in the '60+' and '46-55' age brackets. They are also highly qualified with 90.44% of them holding a minimum of a university degree. They prefer to travel as 'groups of friends' (33.73%), 'as couples' (28.92%) and 'as part of a tour group (22.89%). Some 43.37%% of them indicated that this trip was only for the purpose of visiting Bhutan. Other combined their trip with Thailand (37.35%), Kathmandu (22.89%) and India (18.07%).

Graph 3.23
Visitor Arrivals from Canada



The Graph 3.24 below shows the entry sector of the Canadian visitors in 2010. Bangkok (41.35%) is the main of port of entry followed by Kathmandu (24.05%) and Delhi (13.49%). Also a significant number of visitors from Canada also used road (12.21%) to enter Bhutan.

Graph 3.24
Port of Entry for Visitors from Canada

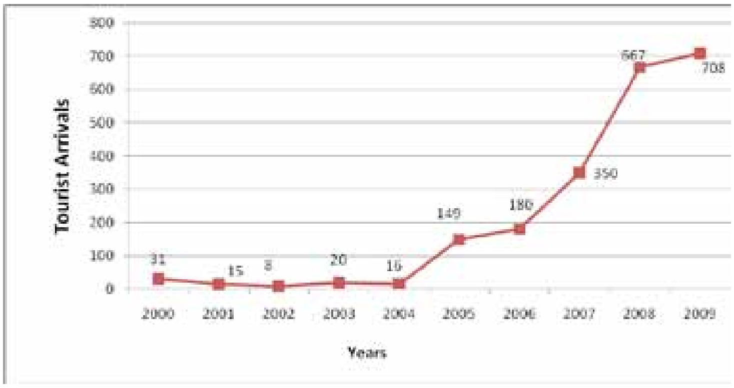


SINGAPORE

There were 708 visitors from Singapore in 2009 which corresponded to a 6.2% increase over the previous high. This Asian country including China and Thailand hold enormous potential in the coming years as they've been growing at an unprecedented rate. Most visitors (37.3%) visited Bhutan during September, October and November months. The visitors from Singapore constantly increased since 2004.

The Graph 3.26 below shows the entry sector of the Singaporean visitors in 2009. Bangkok (62.4%) is the main of port of entry for visitors from Singapore because of its proximity. However, significant numbers of visitors also entered through Kathmandu (27.8%). There was no visitor who entered from Gaya.

Graph 3.25
Port of Entry for Visitors from Singapore



Graph 3.26
Port of Entry for Visitors from Singapore