International Tourism Monitor
Annual Report 2007

Kingdom of Bhutan

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Forward

With tourist arrivals to Bhutan exceeding the twenty thousand mark, the year 2007 was yet another year of proud achievement for the Bhutanese tourism industry. A total of 21,094 international tourists arrivals contributed in excess of $US 10 million to the government exchequer in 2007, thus making it the most important economic sector for foreign exchange revenue generation. The trend in the growth of arrivals with visitor perceptions about the country, as presented in this annual tourism report justifies the wider recognition of the country on the global map, and gives us the confidence that the industry is awaiting greater times in the future.

This publication, the International Tourism Monitor report - 2007 like its earlier editions, presents an unparalleled insight into the current situation of the tourism industry. Whilst it lists innumerable opportunities for the government tourism planners, policy makers, tour operators and hoteliers to build upon a vibrant and a dynamic tourism sector, it also puts forth the growing necessity of strengthening the monitoring and evaluation - For example ‘carrying capacity management’ and ‘limits of acceptable changes’ in hotspots like Thimphu and Paro. The report also suggests other issues such as the royalty and tariff, hotels and other tourism infrastructure development, opening of new geographic regions, seasonality alleviation and spreading of the benefits of tourism across wider segments of the population. These priorities will continue to be addressed with our transition into a autonomous body; the Tourism Council of Bhutan, and is expected to facilitate us in striving to realize our mission.

I convey my appreciation to the officers of the Research Cell for their dedication and sincerity in bringing out this publication. With my heartfelt wishes for a successful 2008, it is with utmost pleasure that I give you the International Tourism Monitor 2007.

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Introduction

The 'Research and Information Technology Cell' under the Department is mandated with many responsibilities, out of which the primary is to undertake the situational analysis of the tourism industry in Bhutan. The International 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 Department in policy making and, overall, to ensure that tourism in the Kingdom develops in a sustainable manner, solidly grounded on factual findings as opposed to relying solely on anecdotal reports. The research in this report centres on annual 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 economic development within Bhutan. Some of the new features of this report include the calculation of quarterly occupancy rates of accommodation providers in different Dzongkhags, a summary of the findings for the major source markets, training achievements of the Hotel and Tourism Management Institute, employment in the tourism industry.

Methodology

This report – The International Tourism Monitor 2007 - is presented in three sections. The first section revolves around 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 data-base system (DoT) used for visa processing and costing. This data is compiled using information obtained from the Visa Application forms of those entering Bhutan, together with the Tourist Group Application form submitted by Bhutanese Tour Operators. Section 1 contains information which pertains to the entire calendar year of 2007.

The second section of this report presents results based on three 12 week data collection periods at Paro airport throughout 2007, by deputing trained enumerators to optimise the collection of feedback from departing tourists. The collection periods were selected to cover a 'peak season' period (March/April), a 'low season' period (June/July), and the

'Thimphu Tshechu' period (September/October). This data provides additional information to the TASHEL 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 2007 independently. It presents a summary of the overall characteristics and the performance trends of a particular source market to facilitate the reader to understand a specific market at a time.

Executive Summary

The tourism industry in Bhutan continued to grow in 2007 with international arrivals peaking at 21,094, a growth rate of 21.6% over the previous high of 2006. This figure represents a 340.0% increase in the last 10 years in terms of visitor arrivals. Likewise, gross earnings from tourism increased to a total $US 29.8 million, a growth of 24.8% over 2006. The tourism industry contributed $US 10.2 million as government revenue.

United States of America (USA) remained the single largest source market, providing in excess of a quarter of all visitors (27.4%), followed by the United Kingdom (UK) with 10.4%. Visitors from countries like Belize, Uganda, Mongolia, Mauritius, Fiji and Algeria were first timers to Bhutan in 2007. Sri Lanka, Taiwan and Portugal exhibited the largest growth rate compared to other source markets. Thailand, which ranked amongst the top five in 2006, continued to be stable in 2007 and thereby gaining the reputation of being one of the most important source markets. Global segmentation of source markets revealed that Europeans as a single entity, continued to dominate arrivals (41.6%). North-America constituted 30.8% and Asia/Asia-Pacific supplied 25.7% of all visitors.

Some 76.1% of all visitors flew in with the national flag carrier Druk-Air, and the remaining entered Bhutan via land, through Phuentsholing in the south. Phuentsholing is recorded as being used for both entry and exit, whilst Samdrup Jongkhar recorded exiting visitors only. Paro and Thimphu Dzongkhags continued to dominate bed nights with a 35.1% and 25.1% share respectively.

Whilst the vast majority of visitors to Bhutan continue to be of the cultural variety, a substantial proportion (12.3%) chooses to combine some trekking within their itineraries, resulting in an increase in trekking numbers. Only 4.3% of all visitors to Bhutan visited solely for the purpose of undertaking a trek. Whilst ‘Paro Tsechu’, ‘Thimphu Tsechu’ and ‘Bumthang Jambay Drub’ constitute important cultural events, ‘Druk-path Trek’ and ‘Jhomolhari Trek’ were the most frequented trekking trails in 2007. The average length of stay among the major source markets was 7.9 days on average. Switzerland recorded the longest length of stay with 10.4 days on average, followed by the Netherlands staying for 9.9 days.

Over the years, the seasonality problem has been improving with tourist distribution gradually levelling out throughout the year with notable increases during the months of February and December. Just five months - March, April, September, October and November - accounted for 77.9% of all bed nights.

There were 5,166 organised tour groups in 2007, out which the majority of the visitors preferred to travel as 2 persons in a group. The average group size was calculated at 4 people per group.

As of December 2007, there are 343 registered local tour operators in Bhutan. Only 58.3% of the local tour operators were operational in 2007, out of which 31.5% accounted for less than 10 tourists. Bhutan Tourism Corporation Limited (including Luxury Division) continued to dominate with 19.7% of the total share of bed nights, followed by Etho Metho Tours and Treks with 8.2%. The top 12 operators in 2007 controlled over 55.2% of all bed nights recorded in 2007.

As of December 2007, there are 121 accredited accommodation providers. Olathang Hotel (Paro) accounted for the maximum bed nights with 9.5%, Zangto Pelri Hotel (Punakha) hosted 4.8% of total bed nights and River View Hotel (Thimphu) hosted 4.6% of all bed nights.

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 (87.5%) and for the majority, this was their first visit to Bhutan. Approximately one third of the visitors came to Bhutan as a single holiday destination, and 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 and newspapers. The most popular attractions/activities were found to be visiting Thimphu, Paro and visiting Dzongs/Temples. The major draw cards to Bhutan were found to be 'Unique culture', 'Nature', the 'Undiscovered' spectre, and 'Buddhism'.

The most commonly cited areas for improvement were the acceptance of Credit Cards and international ATM cards for payment of services, more toilets and restrooms along the highways, improvement of road conditions and hotel standards.

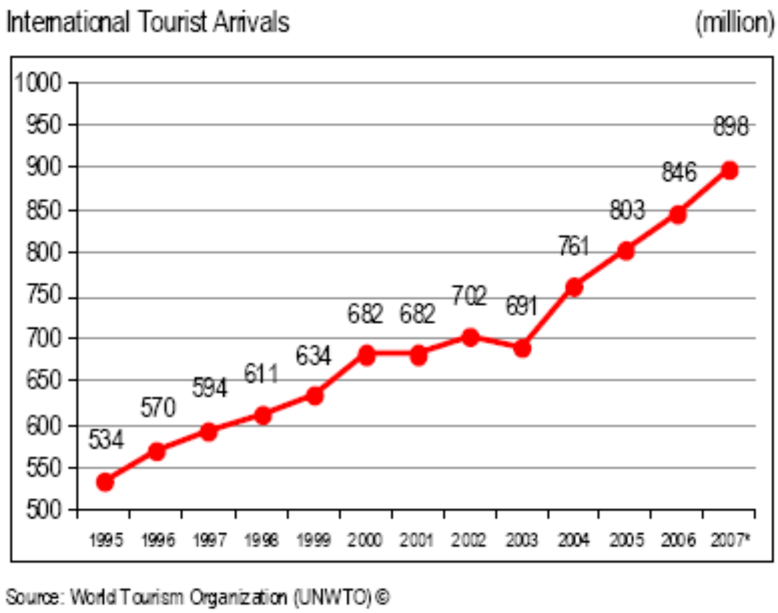
Global Tourism in 2007 (source: UNWTO)

In 2007, international tourist arrivals grew by an estimated 6.0% globally to reach a new record figure of nearly 900 million – an astonishing achievement given that the 800 million mark was only reached two years earlier. This represents nearly 52 million more arrivals than in 2006, well over the total count for either the Middle East or Africa. In fact, world tourism enjoyed its fourth consecutive year. In focus of growth in 2007 above the long-term forecast of 4.1% and, surprisingly, it even exceeded the 5.5% increases recorded in 2005 and 2006.

All the different regions registered increases compared to previous years. According to UNWTO, the Middle East topped the regional growth ranking, with an estimated 13.0% rise to 46 million international tourist arrivals in 2007. The Middle East is emerging as a strong tourism destination with visitor numbers climbing much faster than for the world overall. In second place was Asia and the Pacific up by 10.0% to 185 million, followed by Africa, with +8.0% to 44 million. Africa confirmed its good momentum sustaining the growth of 2006, and has now averaged 7.0% growth a year since 2000. The Americas (+5.0%) did much better than last year, achieving 142 million arrivals, driven by the good results in North America as the USA doubled its growth rate. Europe, the world's largest destination region, with a share of over 50.0% of all international tourist arrivals, grew by 4.0% to reach 480 million.

The additional 52 million arrivals estimated by UNWTO for 2007, over 2006's level, was split 19 million for Europe, 17 million for Asia and the Pacific, 6 million for the Americas, 5 million for the Middle East and 3 million for Africa. Performance in 2007 was all the more impressive because of the many different factors potentially impacting negatively on demand – from the continued volatility of aviation fuel prices (resulting in fuel surcharges by airlines), exchange rate fluctuations (and notably the continued weakness of the US dollar), and the economic slowdown and credit crunch in the last few months of the year. Health and security concerns persisted, with the occurrence of isolated terrorist incidents, and isolated outbreaks of avian flu, foot and mouth disease and other health scares in different countries. There were also floods, hurricanes, landslides and forest fires.

Global International Tourist Arrivals, 2007 (source: UNWTO)



Global Tourism Forecast for South Asia – 2008

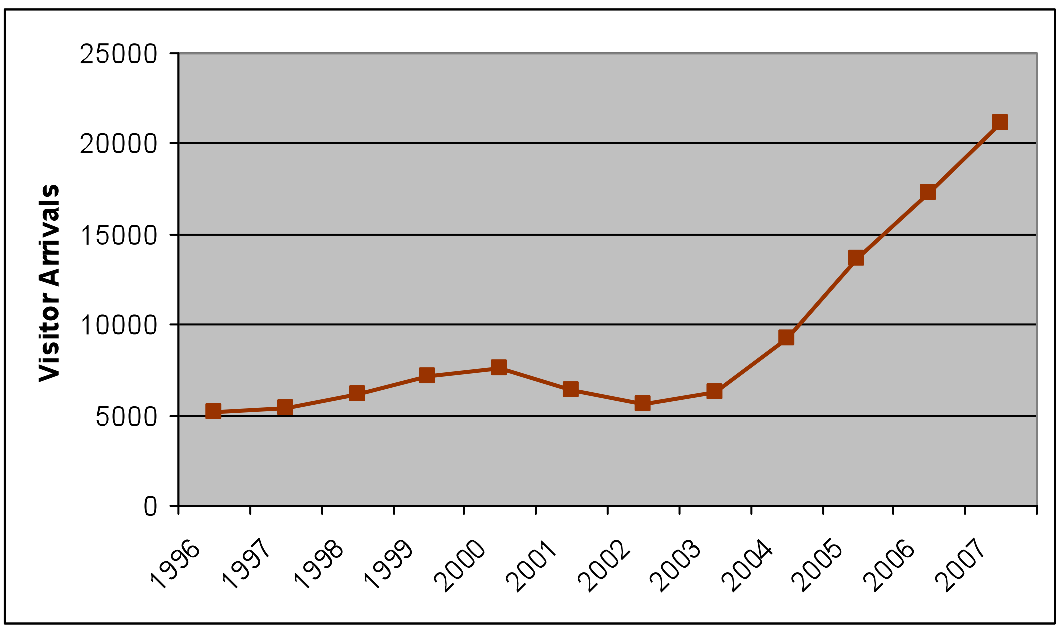
The contribution of Travel & Tourism to Gross Domestic Product is expected stay the same at 6.1% (US$90.8 bn) in 2008. Employment is expected to rise to 36,544,000 jobs in 2008. The real GDP growth is expected to be 7.2% in 2008 and to average 7.0% per annum over the coming 10 years. Export earnings from international visitors and tourism goods are expected to generate 6.9% of total exports (US$22.6 bn) in 2008.

Section 1 – TASHEL Data

International Arrivals to Bhutan

Visitor arrivals to Bhutan in 2007 totalled 21,094 marking an increase of 21.6% over the 2006 figure. Notable reasons for the continuing growth may be many-fold, but of particular significance is the level of international recognition of Bhutan as a top travel destination and the increasing impact of word-of-mouth. Additionally, Bhutan was continually in the limelight of international media coverage because of the Nation's centennial year of Monarchy and the democratisation of the government. A total number of 243 familiarization (FAM) visitors, 25 media personnel (invitees only) and 31 aircrew members came to Bhutan in 2007.

Graph 1.1
<u>International Arrivals to Bhutan 1996 - 2007</u>



Major Source Markets

Graph 1.2 and Table 1.1 illustrate that the trends in the major source markets continue to remain the same amongst the top source markets with the United States of America dominating with 27.4% of total arrivals in 2007. This was followed United Kingdom (10.4%), Japan (9.5%), and Germany (6.9%). An increase of 52.6% over 2006 in Australian arrivals effectively replaced Australia as the fifth major source market for Bhutan in 2007. The Thai market which gained importance in 2006 continued to be stable in 2007 with 3.4% of total arrivals.

Travellers from Belize, Uganda, Mongolia, Mauritius, Fiji and Algeria were first timers to Bhutan in 2007, thereby increasing the range of potential major source markets for the future of the Bhutanese tourism industry. In terms of growth amongst the major source markets in 2007 compared to 2006, countries like Portugal (+255.0%), South Korea (+186.0%), Israel (+230.4%), Taiwan (+277.1%), Hungary (+202.7%), Luxembourg (+ 200.0%), Sri Lanka (+300.0%), Romania (+200.0%) recorded highest improvements.

The increasing numbers of Asian visitors is a trend worth noting, and suggests viable marketing opportunities outside of the traditional markets of the USA, UK and Europe.

Of greater importance, in terms of impact and earnings, are bed nights. As Table 1.4 illustrates, in terms of bed-nights, whilst the same countries feature as the top four source markets, both the ranking order and the market share percentages differ.

Graph 1.2

Major Source Markets

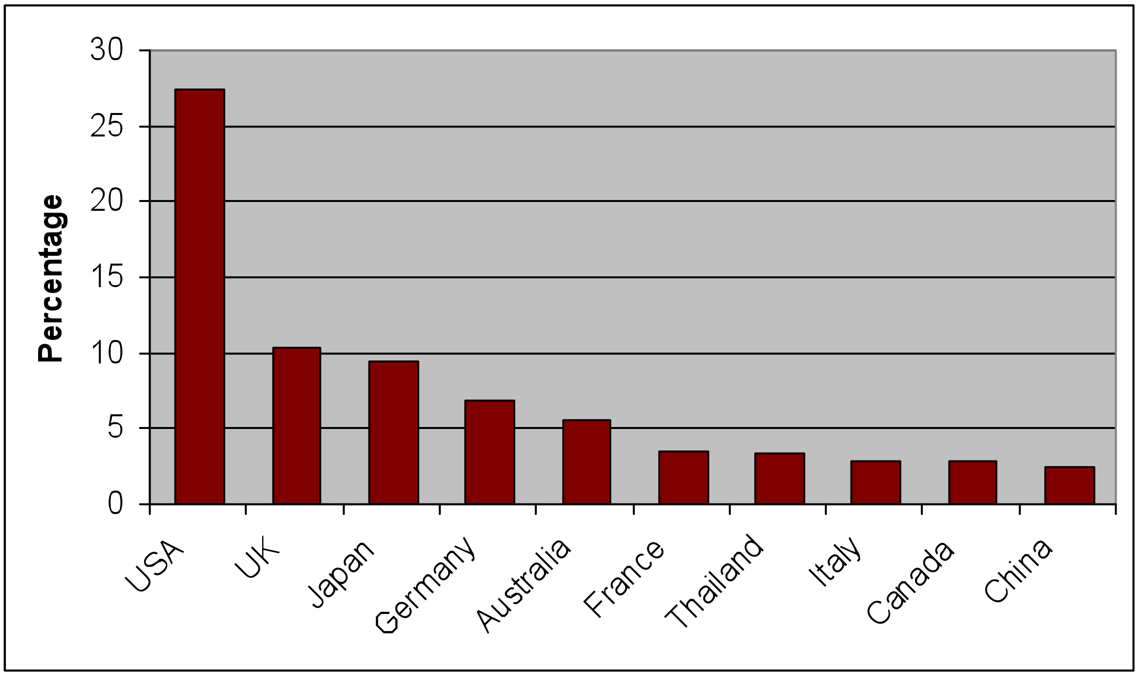


Table 1.1
Major Source Markets by Nationality and Year

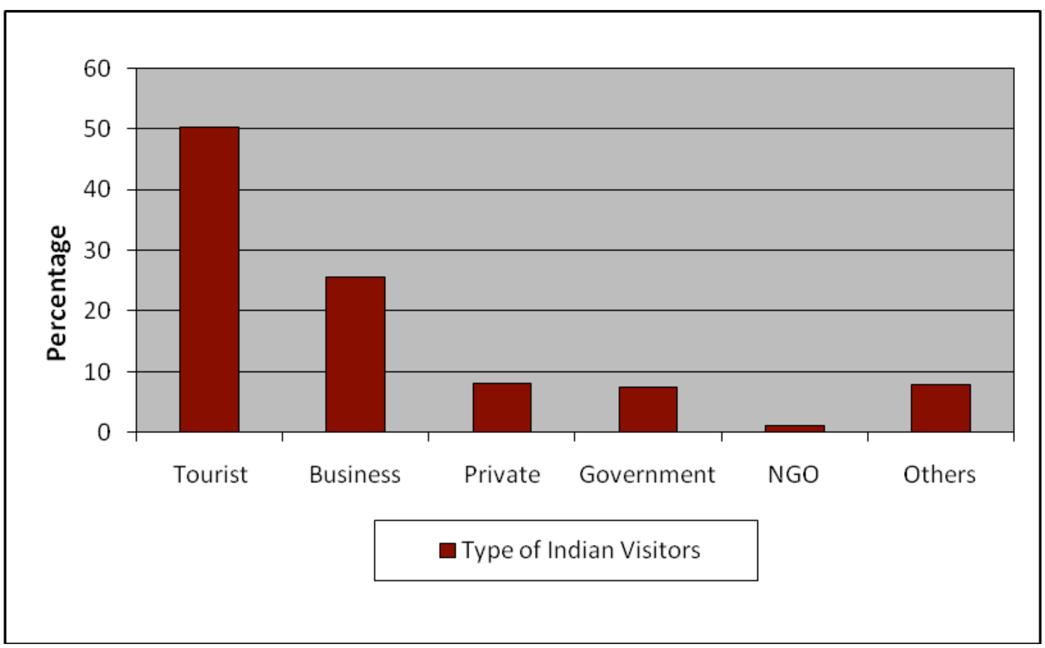
Nationality	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	% of 2007 Total
USA	1,471	2,122	2,754	2,149	1,913	1,803	3,242	4,681	5,018	5,773	27.4
United Kingdom	686	646	595	681	519	605	954	1,462	1,952	2,193	10.4
Japan	1,032	1,102	875	1,038	892	951	1,087	1,554	1,815	2,008	9.5
Germany	520	574	662	414	346	497	671	1,042	1,074	1,456	6.9
Australia	64	131	179	138	214	165	315	458	774	1,181	5.6
France	366	236	399	287	192	285	434	532	708	738	3.5
Thailand	19	71	92	36	46	66	30	96	776	707	3.4
Italy	218	276	156	192	177	331	462	529	648	614	2.9
Canada	82	149	194	197	166	119	257	292	375	588	2.8
China	12	11	10	27	25	23	78	234	362	504	2.4
Netherlands	370	362	359	180	197	179	163	329	389	497	2.4
Spain	109	117	141	70	68	77	198	185	281	444	2.1
Year Totals	**6,204**	**7,051**	**7,559**	**6,393**	**5,599**	**6,261**	**9,249**	**13,626**	**17,344**	**21,094**	

NB – Please note that columns do not add to the year-end totals – only the top 12 source markets are detailed. Year totals are shown at the base of the table.

Regional Tourism

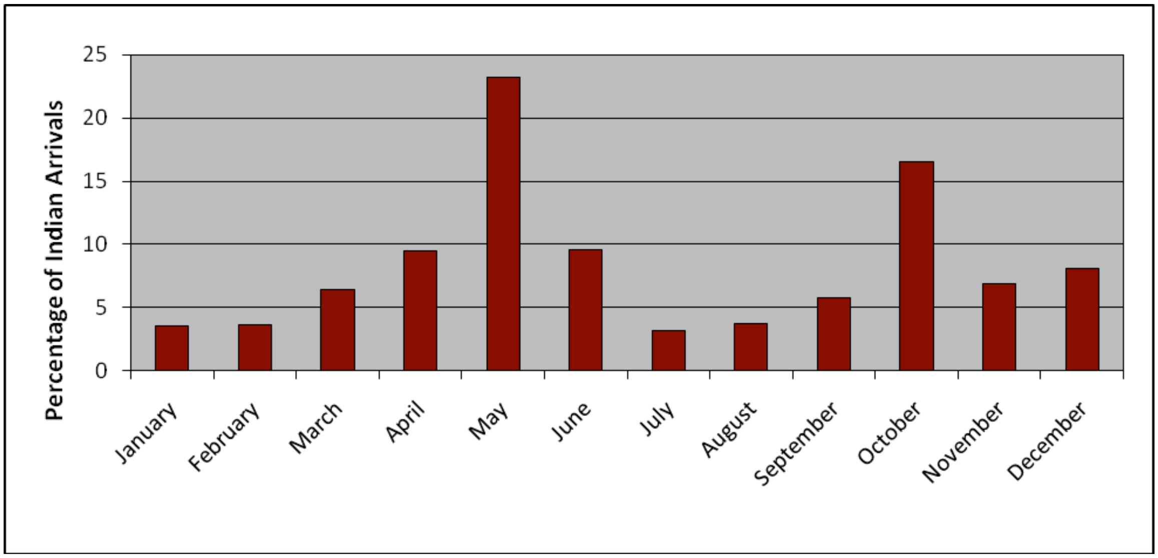
Source markets of India, Bangladesh and Maldives are categorised as regional source markets as visitors from these countries do not directly contribute to the government revenue because of the open-border policy, whereby visitors do not require a visa. Due to this different arrival and visa conditions, these source markets are not reflected in the TASHEL system and have therefore not been included in any of the following tables or graphs. That said, it does not mean that the regional visitors are not important as visitors from India alone outnumber the USA source market by 1:3, thus making it the most important market in terms of total arrivals. Indian tourist arrivals visiting Bhutan as recorded by Department of Immigration peaked at 34,478 visitors in 2007, out of which 17,344 visited for the purpose of holidaying. The Indian source market alone could play a major role in alleviating the seasonality problem of the tourism industry as many visitors from India visit Bhutan during the summer months to escape the soaring temperatures of the Indian Sub-continent. The graph below shows the types of Indian visitors in 2007. The majority (50.3%) visited for the purpose of 'Holidaying', followed by those visiting for 'Business/Work' purposes with 25.6%. Some 7.9% and 7.3% were categorised as 'Private guests' and 'Government guests' respectively. 'Others' mainly comprised of visitors coming to Bhutan to meet friends and relatives residing in Bhutan.

Graph 1.3
<u>Indian Arrivals to Bhutan - 2007 (source: Department of Immigration)</u>



Graph 1.4 shows the time of visitation for the visitors originating from India. Majority (23.2%) visited during the month of May, followed by 16.5% visiting in October. Given the fact that January and July were the least visited months with 3.5% and 3.1% respectively, favourable weather conditions seem to be one of the main factors influencing the time of visitation of the Indian tourists.

Graph 1.4
<u>Seasonality of Indian Visitors to Bhutan</u>



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 2007 remained almost the same as of 2006, with majority (41.6%) of the visitors originating from Europe. The ever increasing US market contributed highly to the North American region with 30.8% of all arrivals in 2007. Asia/Asia-Pacific region which included important markets like Japan and Australia constituted 25.7% of all visitors. Bhutan's image as a travel destination seems to be gaining credence in regions such as South America (0.8% of all visitors), Middle East region (0.8%) and Africa (0.3%). Table 1.2 shows the country-wise breakdown of source markets for 2007.

Graph 1.5
Global Segmentation of Source Markets

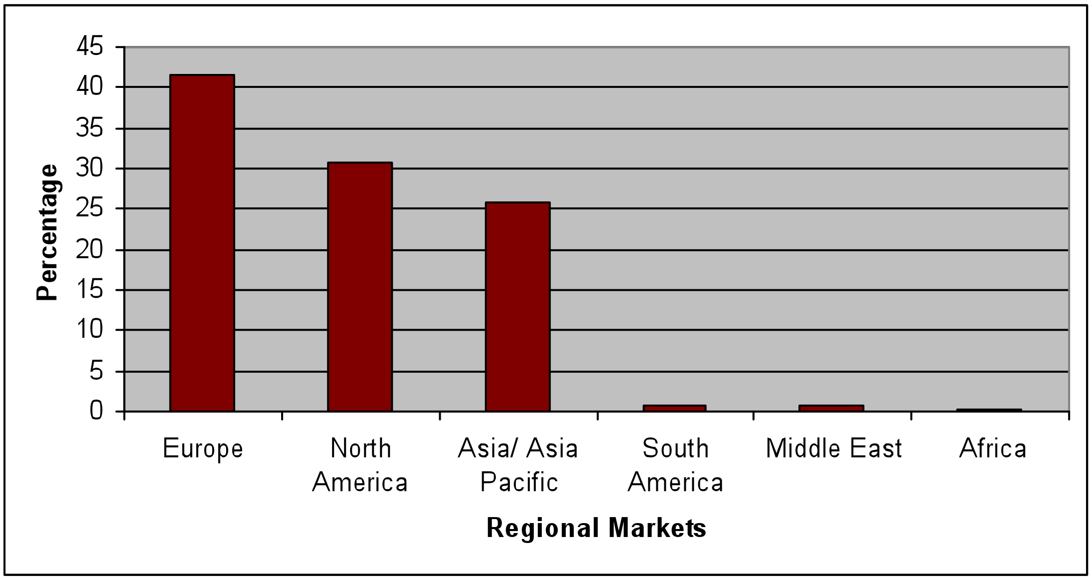


Table 1.2
Country-wise Breakdown of International Source Markets

Source Markets	Arrivals	Proportion of Total Arrivals	Proportion of Change from 2006
A. North American Region			
United States of America	5,773	27.4%	+15.1%
Canada	588	2.8%	+56.8%
Mexico	127	0.6%	+74.0%
B. European Region			
United Kingdom	2,193	10.4%	+33.6%
Germany	1,456	6.9%	+35.6%
France	738	3.5%	+4.2%
Italy	614	2.9%	-5.2%
Netherlands	497	2.4%	+27.8%
Spain	444	2.1%	+58.0%
Austria	443	2.1%	-8.5%
Switzerland	396	1.9%	-7.3%
Belgium	291	1.4%	+32.3%
Poland	252	1.2%	+89.5%
Portugal	208	1.0%	+225.0%
Russia	204	1.0%	+63.2%

Denmark	170	0.8%	+100.0%
Sweden	166	0.8%	+61.2%
Norway	116	0.6%	+11.5%
Hungary	112	0.5%	+202.7%
Turkey	94	0.5%	+84.3%
Finland	76	0.4%	+117.1%
Czech Republic	71	0.3%	+44.9%
Ireland	56	0.3%	+9.8%
Estonia	37	0.2%	-24.5%
Greece	29	0.1%	-30.9%
Latvia	24	0.1%	+71.4%
Luxembourg	24	0.1%	+200.0%
Slovenia	21	0.1%	-22.2%
Slovakia	18	0.1%	-33.3%
Lithuania	9	0.04%	+9.0%
Iceland	7	0.03%	-46.2%
Ukraine	5	0.02%	-61.5%
Romania	3	0.01%	+200.0%
Bulgaria	2	0.01%	+2.0%
Yugoslavia	1	0%	-66.7%
C. South American Region			
Brazil	79	0.37%	+43.6%
Argentina	43	0.2%	+10.3%
Venezuela	22	0.1%	-35.3%
Colombia	11	0.05%	-21.4%
Chile	5	0.02%	-58.3%
Belize	2	0.01%	+2.0%
Ecuador	1	0%	+1.0%
Costa Rica	1	0%	+1.0%
Cuba	1	0%	-66.7%
D. African Region			
South Africa	62	0.29%	+31.9%
Uganda	1	0%	+1.0%
Mauritius	1	0%	+1.0%
Egypt	1	0%	0%
Algeria	1	0%	+1.0%
E. Middle East Region			
Israel	152	0.72%	+230.4%
United Arab Emirates	7	0.03%	+7.0%
Saudi Arabia	5	0.02%	+5.0%
Iran	3	0.01%	+3.0%
Lebanon	1	0%	-90.0%
Kuwait	1	0%	0%
F. Asian /Asia-Pacific Region			
Japan	2,008	9.52%	+10.6%
Australia	1,181	5.6%	+52.6%
Thailand	707	3.35%	-8.9%
China	504	2.39%	+39.2%

Singapore	350	1.66%	+94.4%
South Korea	172	0.82%	+186.7%
Taiwan	132	0.63%	+277.1%
New Zealand	127	0.6%	+9.5%
Malaysia	94	0.45%	+91.8%
Indonesia	46	0.22%	-24.6%
Philippines	42	0.2%	-41.7%
Nepal	31	0.15%	+24.0%
Vietnam	25	0.12%	+92.3%
Sri Lanka	4	0.02%	+300.0%
Cambodia	3	0.01%	0%
Fiji	1	0%	+1.0%
Pakistan	1	0%	+1.0%
Mongolia	1	0%	+1.0%

Road and Air Accessibility

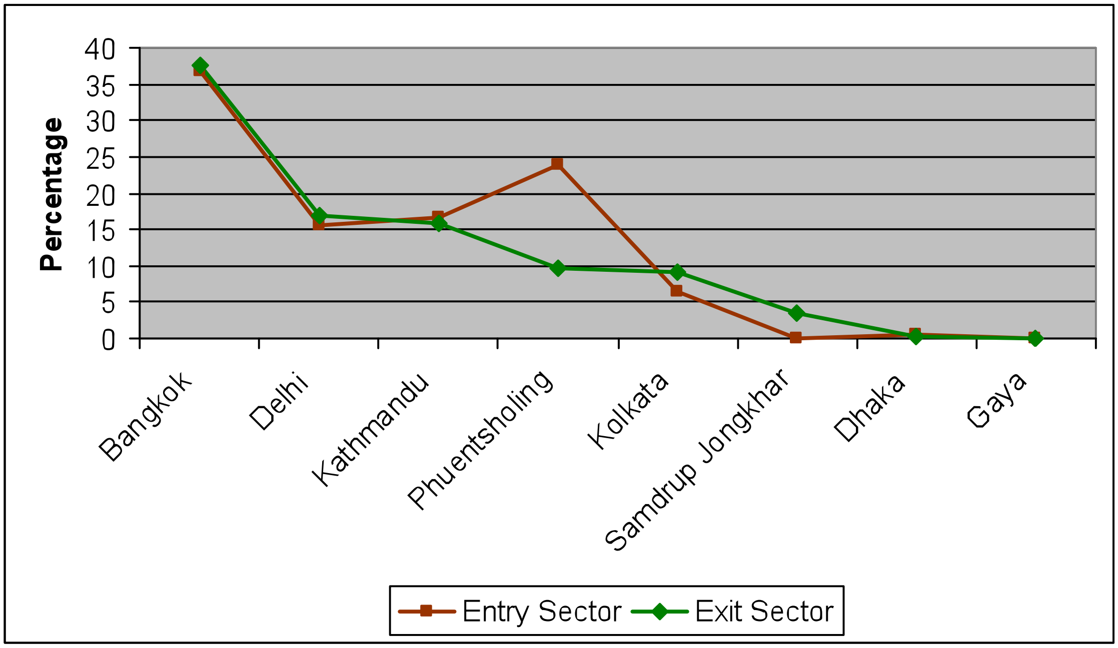
Accessibility continues to be a bottleneck for the tourism industry. Whilst some 76.1% of all visitors used the national airline; Druk-Air to enter Bhutan, the remainder entered overland by road. With the increase in arrivals every year, the number of travellers by road is on an increasing trend with 23.9% of all arrivals entering through Phuntsholing, which is currently the only entry point open for tourists. Visitors travelling by air preferred Bangkok as the most favoured port of embarkation/disembarkation with 36.7% and 37.6% of all arrivals entering and exiting respectively. Only 3.5% (a slight increase over 2006) of all visitors who combined their holiday itinerary with the neighbouring Indian town of Assam exited via Samdrup Jongkhar and another 9.7% of the total arrivals exited through Phuntsholing. The fact that Samdrup Jongkhar remains officially closed for tourist entry continues to be an impediment to tourist arrivals in the eastern and southern parts of Bhutan.

Table 1.3
Road and Air Accessibility

Access Points	Entry Sector	Proportion of Entry Sector	Exit Sector	Proportion of Exit Sector
Bangkok	7,736	36.7%	7,934	37.6%
Delhi	3,313	15.7%	3,580	17.0%
Kathmandu	3,523	16.7%	3,362	15.9%
Phuentsholing	5,041	23.9%	3,491	9.7%
Kolkata	1,364	6.5%	1,922	9.1%
Samdrup Jongkhar	0	0	745	3.5%
Dhaka	110	0.5%	47	0.2%
Gaya	7	0.03%	13	0.06%

Graph 1.6 below shows that a substantial number of visitors who enter by road do not necessarily exit by road. This could be attributed to the seasonal nature of the tourism industry where the demands in air tickets especially during the Tsechus are peaking, and as a result many travellers are left with no option but to enter the country by road.

Graph 1.6
Entry and Exit Sectors



Major 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. This analysis shows that it is possible for source markets that do not rate highly in terms of arrival numbers to gain primacy based on their length of stays. The United States remained the most important source market, constituting almost one third (29.5%) of all visitor bed nights spent in Bhutan. Table 1.4 below demonstrates that source markets like Japan and Thailand which are registered as major source markets based on arrivals, do not necessarily concur to its arrival ratings because of their shorter length of stays.

Whilst the top source markets in terms of bed nights continue to dominate every year, the contribution of Australia in terms of bed nights is substantially increasing over the years, thereby making it the fourth most important source market in 2007. The United Kingdom accounted for 11.8% of the total bed nights followed by Germany with 8.2%.

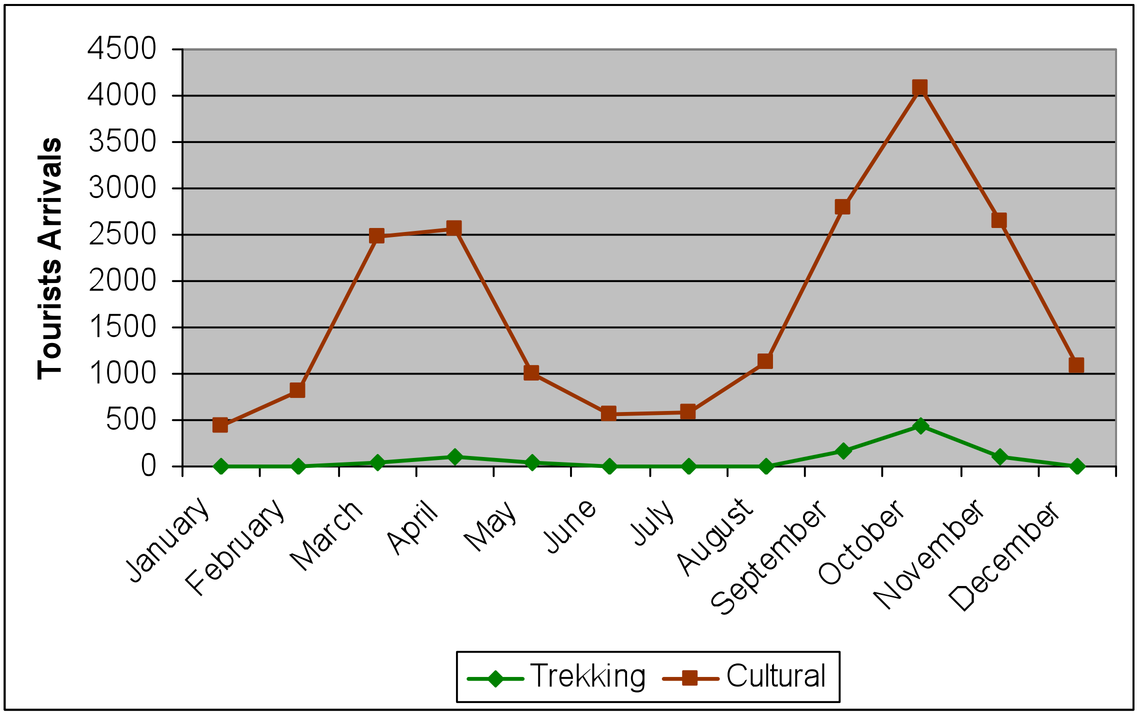
Table 1.4
<u>Major Source Markets by Bed Nights</u>

Source Markets	Arrivals	Bed Nights	Proportion of Total Bed Nights
USA	5,773	50,173	**29.5%**
United Kingdom	2,193	19,963	**11.8%**
Germany	1,456	13,894	**8.2%**
Australia	1,181	11,114	**6.5%**
Japan	2,008	11,099	**6.5%**
France	738	7,098	**4.2%**
Canada	588	5,155	**3.0%**
Italy	614	5,048	**3.0%**
Netherlands	497	4,930	**2.9%**
Switzerland	504	4,107	**2.4%**
Austria	444	3,771	**2.2%**
Thailand	707	3,268	**1.9%**
Total	**21,094**	**169,914**	**100%**

Tourists by Activity (Cultural versus Trekking)

Of the 21,094 tourists hosted in 2007, only 2,587 (12.3%) of them combined their cultural itinerary with at least one trek. The remaining was exclusively of the cultural type. Trekking, for our purposes of statistical analysis is defined as “any visitor who undertakes a hike that demands at least one night’s halt in a natural environment”. This means that visitors who do not undertake a registered trek route, but spends at least one night’s halt in a natural environment is considered as trekking. Of the 12.3% who had undertaken a trek, only 903 (4.3%) had visited Bhutan solely for the purposes of trekking, which validates the fact that Bhutan remains a “niche market” for trekking tourists. This is because Bhutan continues to be viewed as a very expensive trekking destination when compared to competitors in the region. Trekking accounted for 9.6% of all bed nights spent in Bhutan. Graph 1.7 below further highlights that trekking in Bhutan is largely affected by seasonal weather conditions.

Graph 1.7
<u>Cultural versus Trekking Tourists</u>

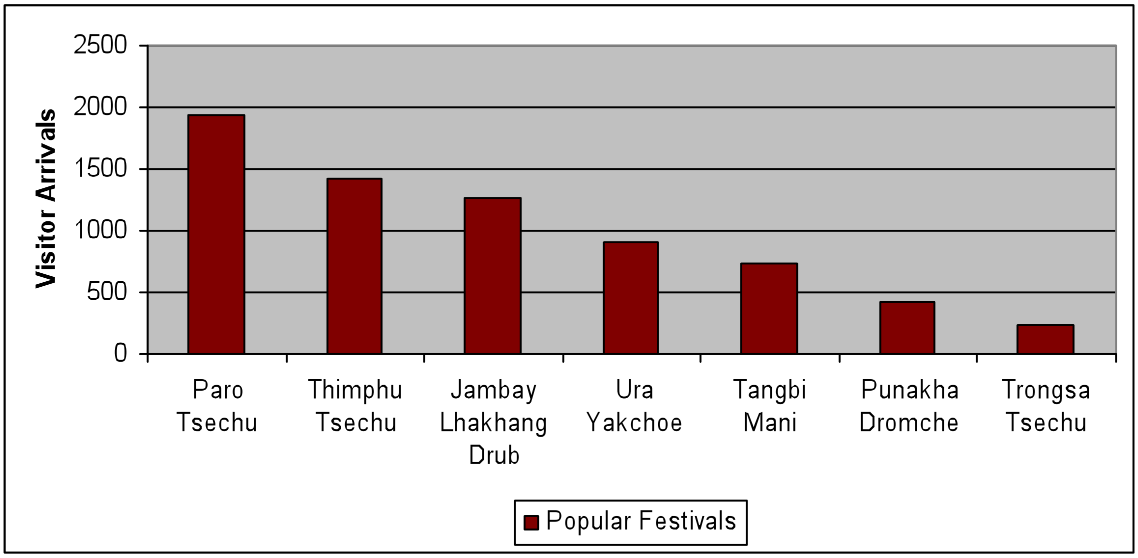


Cultural Tourists by Popular Festivals.

Visitors to Bhutan remain predominantly of the cultural type and festivals are featured as the main cultural product. Festivals chiefly comprise of Tsechus that are witnessed annually in Dzongs and temples. Out of the many Tsechus spread over the year, Paro Tsechu and Thimphu Tsechu remain the most popular ones with 1,936 tourists and 1,428 tourists visiting respectively. These two cultural products also account for the maximum bed night months and reflect the fact that Tour Operators market Bhutan's unique culture and lifestyle through these products. Jambay Lhakhag Drub (1,265 visitors), Ura Yakchoe festival (900 visitors) and Tangbi Mani (735 visitors) combined with some of the most popular temples in the country, make Bumthang a cultural hotspot for tourists.

Feedback from departing tourists has shown that satisfaction levels amongst Bhutan's cultural visitors is high, but that the limited number of festivals promoted do not encourage repeat visitation.

Graph 1.8
<u>Cultural Tourists by Popular Festivals</u>



Trekkers by Route

The most frequented trek routes in 2007 was the 'Druk-path Trek' that accounted for 665 tourists, followed by 'Jhomolhari Trek' with 457 visitors. 'Gangtey Trek' which accounted for the highest number of trekkers in 2006 declined to third position with 405 visitors. The 'Lunana Snowman Trek' which is featured as the most difficult trek route in Bhutan rated highly with almost double the number of arrivals compared to 2006. The piloted 'Community-based Nature tourism Trek' in Nabji-Korphu received 81 tourists (a high of 30.0% over 2006) with 15 tour operators selling the product. This is a trend worth noting as this supports the fact that high-end visitors to Bhutan who have had considerable travel experiences have a penchant for responsible tourism products that are founded on the principles of sustainability. To date, this new type of community-based trekking has received good reviews from both tourists and the villagers alike (CBNT Report - Impact Analysis Study, 2007). This augurs well for the cautious development of similar community-based products.

Table 1.5
Trekkers by Route

Name of the Trek	No of Trekkers	% Total
Druk-path Trek	665	26.1%
Jhomolhari Trek	457	17.9%
Gangtey Trek	405	15.9%
Bumthang Cultural Trek	322	12.6%
Lunana Snowman Trek	122	4.8%
Laya/Gasa Trek	97	3.8%
Nabji Korphu Winter Trek	81	3.2%
Gasa Hot Spring Trek	72	2.8%
Nub Tshonapata Trek	67	2.6%
Samtengang Winter Trek	57	2.2%
Sinchula Trek	56	2.2%
Chelela Nature Trek	41	1.6%
Total	**2,548**	**95.7%**

NB –The total number of treks includes trips undertaken by trekkers who completed more than one trek route.

Average Length of Stay

The average length of stay by nationality remained constant, with the majority of international visitors staying for approximately 7.9 days on average. Visitors from Switzerland recorded a considerable increase that placed it as the source market with the longest length of stay of 10.4 days in 2007, followed by the Netherlands with 9.9 days. France and Germany also recorded longer length of stays over 2006 figures with 9.6 days and 9.5 days respectively. Canada decreased on the ratings down to the seventh place with 8.8 days recorded in 2007. A common trend over the last few years have revealed that EU countries which are rated highly as the major source markets to Bhutan have exhibited longer length of stays exceeding 9 days on average, whereas dominant Asian markets like Japan and Thailand records shorter length of stays of approximately 5 days on average. USA has displayed a stable length of stay over the years by not fluctuating less than 7 days and not exceeding 9 days on average.

Table 1.6
Average Length of Stay by Nationality

Source Markets	Bed Nights	Proportion of Total Bed Nights	Average Length of Stay
Switzerland	4,107	**2.4%**	**10.4 days**
Netherlands	4,930	**2.9%**	**9.9 days**
France	7,098	**4.2%**	**9.6 days**
Germany	13,894	**8.2%**	**9.5 days**
Australia	11,114	**6.5%**	**9.4 days**
United Kingdom	19,963	**11.8%**	**9.1 days**
Canada	5,155	**3.0%**	**8.8 days**
USA	50,173	**29.5%**	**8.7 days**
Austria	3,771	**2.2%**	**8.5 days**
Italy	5,048	**3.0%**	**8.2 days**
Japan	11,099	**6.5%**	**5.5 days**
Thailand	3,268	**1.9%**	**4.6 days**

Seasonality of Visitation (Based on Bed Nights)

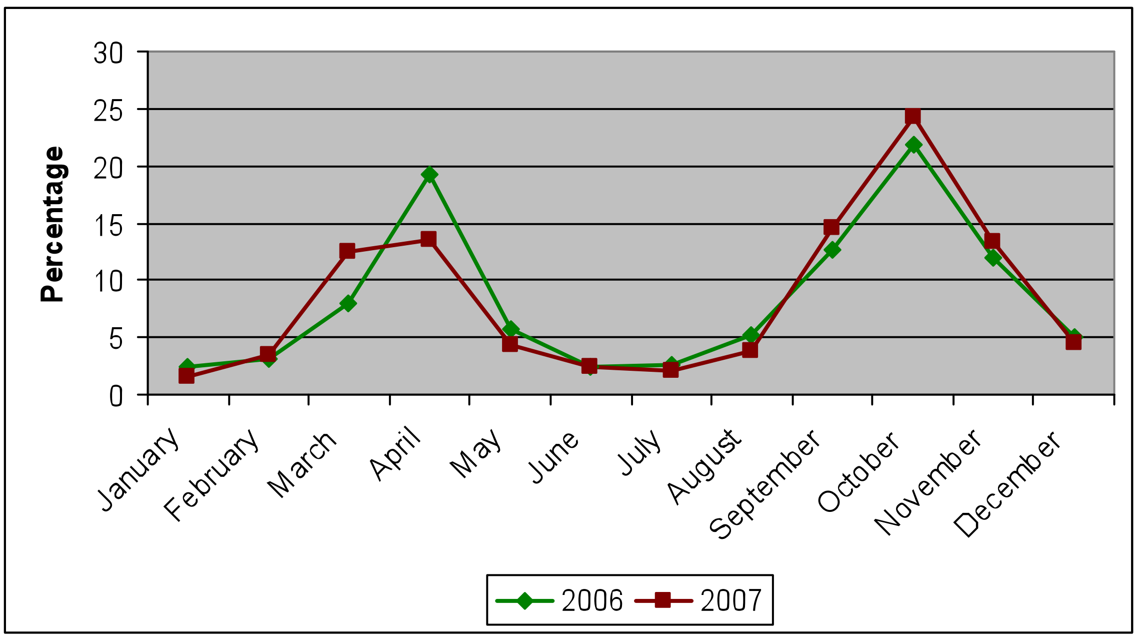
The seasonal nature of the tourism industry is improving with some considerable increase during the low season arrivals. The months of February (+71.8%), March (+90.5%), June (+37.9%) and December (+44.0%) recorded the highest improvements over the 2006 figures. Table 1.7 demonstrates the peak months of February, March, April, May, August, September, October, November and December, continue to dominate and together they account for some 94.0% of total annual bed nights. The drastic change in the number of bed nights for the months of March and April is because Paro Tsechu was witnessed from the 29th of March till the 2nd April in 2007, compared to 2006 when it was witnessed in March. This further shows that the seasonal nature of the tourism industry is highly dependent on the festival dates of Paro and Thimphu Tsechus. Just five months - March, April, September, October and November - accounted for 77.9% of all bed nights.

Table 1.7
Bed Nights by Month

Month	Bed Nights 2006	Bed Nights 2007	Percentage Change in 2007 over 2006
January	2,578	2,661	+3.2%
February	3,398	5,838	+71.8%
March	11,154	21,246	+90.5%
April	27,379	22,865	-16.5%
May	7,795	7,390	-5.2%
June	2,958	4,080	+37.9%
July	2,992	3,384	+13.1%
August	5,595	6,543	+16.9%
September	18,438	24,560	+33.2%
October	34,877	41,068	+17.8%
November	17,028	22,662	+33.1%
December	5,289	7,617	+44.0%

The seasonal nature of the tourism industry which was believed to be chiefly attributable to seasonal weather conditions seem to be not entirely true as the lean months have been exhibiting a stable growth over the years. The uneven distribution of arrivals over the year is also largely attributable to the lack of access points in southern and eastern parts of Bhutan, where weather conditions are considerably more favourable during lean seasons. The proposed opening of Samdrup Jongkhar to tourist traffic in the near future and the possible construction of airports in Sarpang and Trashigang, present opportunities for places such as Merak Sakteng and Manas to further diversify the tourism product on offer in Bhutan. The perceptions of potential visitors regarding weather etc can only be altered by the information source they rely on; chiefly off shore agents. Likewise, better information regarding the availability of cultural performances, such as Tsechus, throughout the year could do much to alleviate seasonality.

Graph 1.9
Visitation by Month



Major Source Markets by Season of Visitation

More than half (52.2%) of all the visitors from USA chose to visit the country during the autumn months (September-November) and another quarter (25.8%) visited during the spring months (March-May). Likewise, the time of visitation for most of the important source markets like UK, Germany, France, and Australia are during the spring and the autumn months. However, visitors from the top Asian markets originating from Thailand, Japan and China show an even distribution of visitation over the year which over the years has been one of the main reasons for the alleviation of the seasonality problem. Of the total visitor arrivals from Japan, some 26.5% visited between the months of June-August and another 12.7% during the winter months of December till February, and of the total Thai arrivals, some 20.1% visited during the summer monsoon months (June-August) and 18.7% during the winter months (December-February). Asian Markets like South Korea and Singapore also rated significantly during the lean months of June-August. Portugal also saw a big increase in arrivals during the summer months in 2007.

Visitors from Italy and Spain have exhibited a strong disposition to visit the country starting from the month of August which is officially considered a lean month. August in 2007 registered 14.2% of the total Italians and 23.2% of the total Spanish arrivals in 2007. These occurrences are good trends which would facilitate country-wise marketing by the tour operators based on target months.

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	
USA	782	13.5%	1,490	25.8%	485	8.4%	3,016	52.2%
United Kingdom	227	10.4%	652	29.7%	89	4.0%	1,225	55.9%
Japan	256	12.7%	553	27.5%	532	26.5%	667	33.2%
Germany	75	5.2%	426	29.3%	81	5.6%	874	60.0%
Australia	95	8.0%	465	39.4%	32	2.7%	589	49.9%
France	64	8.7%	234	31.7%	54	7.3%	386	52.3%
Thailand	138	19.5%	267	37.8%	142	20.1%	160	22.6%
Italy	40	6.5%	248	40.4%	105	17.1%	221	36.0%
Canada	42	7.1%	258	43.9%	25	4.3%	263	44.7%
China	87	17.3%	150	29.8%	126	25.0%	141	28.0%
Netherlands	49	9.9%	82	16.5%	58	11.7%	308	62.0%
Spain	20	4.5%	61	13.7%	149	33.6%	214	48.2%

Tour Group Size

The number of organised tour groups by local tour operators to Bhutan saw a record high of 5,166 groups in 2007 which were of varying degrees of group sizes some as big as 94 visitors in a group. Like in 2006, the majority of tourists to Bhutan continue to travel as a couple. The next most popular travel group were individuals who preferred to travel alone.

The average group size was found to be 4 persons – (21,094/5,166 = 4.1).

Table 1.9
Tour group Size

Number of Pax in Group	Number of Groups	Total Number of Arrivals
1	1,058	1,058
2	2,213	4,426
3	354	1,062
4	401	1,604
5	167	835
6	131	786
7	99	693
8	85	680
9	61	549
10	53	530
11	60	660
12	68	816
13	52	676
14	61	854
15	52	780
16	55	880
17	45	765
18	44	792
19	31	589
20	17	340
21	11	231
22	6	132
23	12	276
24	4	96
25	3	75
26	3	78
28	2	56
29	2	58
30	1	30

32	1	32
33	2	66
34	2	68
36	2	72
38	1	38
41	2	82
47	1	47
60	1	60
61	1	61
67	1	67
94	1	94
Total	**5,166**	**21,094**

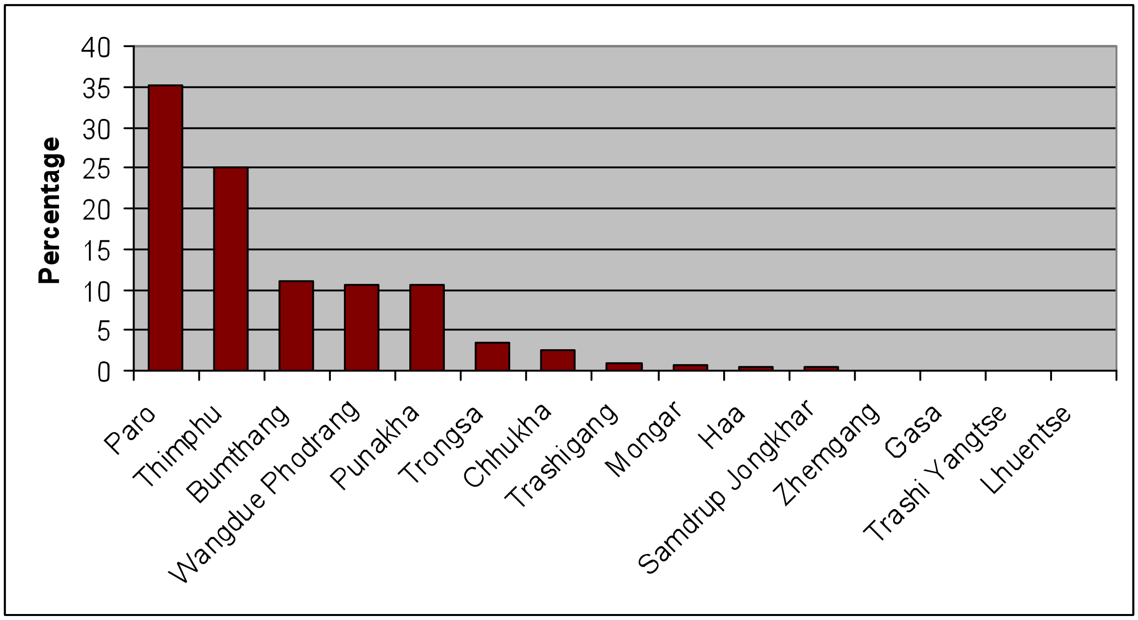
Spread of Tourism Impact

The geographical spread of tourism in Bhutan directly determines the degree of impact of various factors and bottlenecks like the lack of infrastructure, geographic weather conditions and seasonality etc. that affect the tourism industry as a whole. This indicator also provides a framework for policy makers to introduce policies that would control the growth rate in the most frequented Dzongkhags and promote entrepreneurship and investment in Dzongkhags that have lower tourism impact. A balanced geographical spread will also act as one of the strategies to sever the opinions of visitors about Bhutan as a "once in a lifetime destination". Assessing the current spread of tourism – using bed nights per Dzongkhag as an indicator - is therefore important.

A total of 169,914 bed nights were recorded in 2007, out of which Paro and Thimphu Dzongkhags still dominated the bed nights share with 35.1% and 25.1% respectively. That is, just two Dzongkhags – Paro and Thimphu – comprised 60.2% of all bed nights. This figure is increasing every year and it is not a favourable observation for the tourism industry, as other Dzongkhags continue to receive lesser benefits out of the tourism industry. Bumthang hosted 11.0% of the total bed nights followed by Wangdi Phodrang which recorded 10.6% of the total bed nights. However, the eastern Dzongkhags of Trashigang (1,709 bed nights), Mongar (1,406 bed nights) and Samdrup Jongkhar (722 bed nights) recorded a slightly higher bed nights compared to 2006 figures. The key to increase tourist arrivals in the eastern region would be to open Samdrup Jongkhar to tourist traffic. Whilst Trashi Yangtse (93 bed nights) and Lhuentse (bed nights) recorded lowest bed nights, the southern Dzongkhags of Tsirang, Dagana, Sarpang, Pema Gatshel and Samtse did not receive any tourists at all.

Graph 1.10

Bed Nights by Dzongkhags



Accommodation Providers by Bed Nights

Total number of registered accommodation providers in 2007 reached 121 properties, an increase of 63.5% over the total number of registered providers in 2006. Whilst a few new hotels did account for this substantial increase in the number of DoT accredited providers, the majority account for those hotels around the country that catered mainly to regional tourists. Out of the total registered, some 93 hotels are categorised as hotels catering to international visitors and the remaining 28 as 'Regional' that mainly target regional visitors. Hotels under the 'Regional' category also caters to international tourists in areas which do not have any standard accommodation providers.

Olathang Hotel in Paro continued to dominate with 9.5% of all bed nights, followed by Zangto Pelri Hotel in Punakha with 4.8% of the total bed nights. Druk Hotel and Hotel River View in Thimphu accounted for 4.6% and 4.3% of all bed nights respectively. The newly registered Hotel Phuntsho Pelri performed well with 4.2% of the total share of bed nights in 2007. Most of the top providers are concentrated in the usual destinations – Thimphu, Paro, Punakha and Wangdue Phodrang. No accommodation providers from Bumthang were in the 12 positions, which show that there are too many hotels for the limited number of bed nights registered in the Dzongkhag. Visitors to Dzongkhags like Zhemgang, Gasa, Trashi Yangtse and Lhuentse – none of which have any DoT registered lodging facilities - lead to the clandestine use of unregistered sub-standard hotels for tourists.

Table 1.10
Accommodation Providers by Bed Nights

Accommodation Providers	Bed Nights	2007 Proportion of Annual Bed Nights (%)
Olathang Hotel - Paro	16,122	9.5%
Zangto Pelri Hotel - Punakha	8,178	4.8%
Druk Hotel - Thimphu	7,873	4.6%
River View Hotel - Thimphu	7,342	4.3%
Hotel Phuntsho Pelri - Thimphu	7,079	4.2%
Jomolhari Hotel – Thimphu	5,405	3.2%
Uma Resort - Paro	5,193	3.1%
Meri Phensum Resort - Punakha	4,851	2.9%
Kyichu Resort – Paro	4,117	2.4%
Dragon Nest Resort - Wangdue	4,110	2.4%
Yangkhil Hotel – Trongsa	3,909	2.3%
Dewachen Hotel – Wangdue	3,750	2.2%
Cumulative Total	**77,929**	**45.9%**
Annual Total	**169,914**	**100%**

Categories of Accommodation Providers

The Department of Tourism has adopted a system of approving and classifying the hotels on the basis of the facilities and services provided by them. The 93 accredited hotels of international standards are categorised into 18 'Grade A', 50 'Grade B' and 25 'Grade C' hotels, whereas the remaining 28 hotels are categorised as 'Regional'. 'Regional' category hotels do not thrive on international visitors, but rather on regional arrivals. The occupancy analysis in this report is limited to international tourist standard hotels as there has been no prior statistical study on regional visitors.

Table 1.11
Categories of Accommodation Providers

Dzongkhag	Grade A Hotels	Grade B Hotels	Grade C Hotels	Regional
Paro	5	16	7	3
Thimphu	6	10	3	13
Bumthang	2	7	7	2
Punakha	1	4	0	2
Wangdi Phodrang	2	4	1	0
Trongsa	1	2	0	0
Chhukha/P-Ling	1	3	1	4
Trashigang	0	0	2	0
Monggar	0	2	1	2
Haa	0	1	1	1
Samdrup Jongkhar	0	1	2	1
Total	**18**	**50**	**25**	**28**

Occupancy Rate Comparison by Accommodation Categories

The occupancy analysis for accommodation providers according to the hotel categories gives valuable insights about the preference levels of visitors, which can be used by local entrepreneurs to invest and upgrade in the kind of hotels preferred by international visitors. One of the ways to determine the distribution of bed nights across different category hotels is by taking the occupancy levels of the highest month of visitation i.e. October. The '18 Grade A' hotels recorded a 63.9% occupancy rate in October with 17,563 beds occupied out of the total 27,497 bed nights available in a month. Likewise, 'Grade B' and Grade C hotels registered 26.3% and 5.5% occupancy levels respectively. Whilst 'Grade A' hotels are faring well, 'Grade B' hotels - which depend largely on international tourists - seem to be severely underutilised, even during the peak month of October. This is not a surprising finding given that Bhutan attracts a large number of high-end visitors who are fairly unyielding about the kind of services they prefer. This finding shows that local entrepreneurs should invest in high quality hotels as this also facilitates increased spending by visitors. 'Grade C' hotels, which are generally located in less popular tourist Dzongkhags, cater to business and local travellers and are thus not nearly so dependent on tourists for survival.

Table 1.12
<u>Occupancy Rates for Hotel Categories (October)</u>

Dzongkhag	Grade A			Grade B			Grade C		
	Available bed nights	Bed nights realised	Overall occupancy (October)	Available bed nights	Bed nights realised	Overall occupancy (October)	Available bed nights	Bed nights realised	Overall occupancy (October)
Paro	11,160	7,170	64.2%	18,724	2,475	13.2%	5,673	149	2.6%
Thimphu	9,455	6,032	63.8%	10,385	2,354	22.7%	2,325	0	0
Bumthang	1,736	964	55.5%	7,068	2,836	40.1%	8,649	630	7.3%
Punakha	744	529	71.1%	4,960	2,903	58.5%	-	-	-
Wangdi/Gangtey	1,829	1,360	74.3%	4,247	2,470	58.2%	496	44	8.9%
Trongsa	1,116	911	81.6%	2,480	245	9.9%	-	-	-
Chhukha/P-Ling	1,705	597	35.0%	1,953	286	14.6%	-	-	-
Trashigang	-	-	-	-	-	-	1,302	269	20.7%
Monggar	-	-	-	1,767	199	11.3%	930	0	0
Haa	-	-	-	744	147	19.8%	341	4	1.2%
Samdrup Jongkhar	-	-	-	899	63	7.0%	1,302	67	5.1%

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.

Accommodation Analysis and Occupancy Rate of International Hotels

The 93 accredited international standard hotels located across Bhutan, together account for 1,860 rooms and 3,320 beds per night, which multiplies to a number of 99,660 beds in a month. One interesting way of looking at the accommodation equation is to measure occupancy levels for the peak month of visitation; October. For example, Punakha and Wangdue Phodrang dominated in terms of occupancy levels for the month of October with 75.9% and 67.2% respectively. Of the available 34,410 bed nights per month in Paro, only 15,323 were realised (equating to an overall Dzongkhag occupancy rate of 44.5% for the month). Completing the same calculation for other areas within the country revealed a 43.8% occupancy rate for Thimphu, 28.5% for Bumthang, and substantially lower rates elsewhere. These figures however show only the brightest side of the equation – because they relate to the single highest month of visitation. The overall occupancy level in Bhutan is affected substantially by seasonality, and results in a disconcerting overall annual occupancy rate of just 12.4% average. On a global scale this is an appallingly low annual occupancy level. Table 1.13 below shows the peak month (October) occupancy rate across different Dzongkhags. For reference purposes, the annual occupancy rate is also shown.

Table 1.13
Accommodation Analysis and Occupancy Rate of International Accommodation Providers

Dzongkhag	Total Rooms	Total Beds	Available Bed Nights per Month	Bed Nights Realised in Oct 07	October Occupancy Rate	Overall Annual Occupancy Rate
Paro	624	1,147	34,410	15,323	44.5%	**13.6%**
Thimphu	432	715	21,450	9,400	43.8%	**16.3%**

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.

There is also discordant growth of accommodation providers in different areas. The number of hotel rooms built in the last three years is heavily disproportionate to the increase in arrivals over the same period. 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 but the potential for growth is good. Areas such as Zhemgang, Gasa and Lhuentse Dzongkhags which do not have DoT registered hotels, are hence affected by a lack of accommodation providers. Table 1.14 below shows the occupancy rates of hotels in different Dzongkhags quarterly.

Table 1.14
Occupancy Rates of Hotels by Dzongkhags (Quarterly)

Dzongkhag	December-February	March-May	June-August	September-November
Paro	5.0%	15.6%	4.8%	**29.8%**
Thimphu	6.6%	20.5%	6.2%	**32.9%**
Bumthang	2.3%	12.3%	2.6%	**19.9%**
Punakha	14.1%	32.7%	10.2%	**55.4%**
Wangdi Phodrang	9.1%	29.3%	7.7%	**48.1%**
Trongsa	5.0%	18.7%	2.6%	**28.7%**
Chhukha/P-Ling	2.7%	10.1%	1.8%	**15.4%**
Trashigang	2.4%	13.3%	0.7%	**28.9%**
Monggar	1.0%	5.9%	0.5%	**10.6%**
Haa	0.5%	8.9%	2.4%	**17.8%**
Samdrup Jongkhar	1.0%	3.6%	0.1%	**6.7%**
Average Occupancy	**4.5%**	**15.3%**	**3.6%**	**26.7%**

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

Some 42 new hotels which will supply an additional 1,607 beds per night, are slated for completion in 2008. In spite of low and in some instances very low occupancy rates, investors continue to invest in Thimphu and Paro which already faces an over-supply of accommodation providers; such endeavours are of high risk and also endanger the future success of existing properties. Even taking into account the projected growth in arrivals, an increase of this proportion is not only unwarranted, but will further decimate the already questionable occupancy rates for most destinations.

Capacity management strategies and zoning laws are crucial at this juncture in order to best utilise existing accommodation infrastructure and to prevent the costly mistakes associated with over-supply.

Table 1.15
Additional Accommodation Providers

Dzongkhag	New Hotels (Under Construction and Proposed)	Additional Rooms	Additional Beds
Thimphu	12	327	619
Paro	15	270	508
Punakha	3	62	91
Trongsa	1	26	52
Bumthang	8	132	264
Wangdi Phodrang	2	25	53
Laya	1	10	20
Total	**42**	**852**	**1,607**

Tour Operator Share of International Market

There has been unprecedented growth in the number of tour operators in 2007. The Regional Trade and Industry Office (RTIO) issued 62 more licenses, making a total of 343 registered local tour operators in Bhutan. This 22.1% increase can be attributed to the change in the policies of the RTIO to reduce the annual registration fees of tour operators and also the general perception of the people who wrongly misconstrue tourism as an easy business. Only 58.3% of the local tour operators were operational in 2007, out of which 31.5% accounted for less than 10 tourists. The top 12 operators accounted for 55.2% of the total share of bed nights in 2007.

Bhutan Tourism Corporation Limited (including Luxury Division) continued to dominate with 19.7% of the total share of bed nights, followed by Etho Metho Tours and Treks with 8.2%. Most of the top tour operators continued to perform well except Yu-Druk Tours and Travels which could not be rated amongst the top 12 operators. This figure shows that the tourism industry in Bhutan is dominated by a few well established operators.

Table 1.16
Tour Operator Share of Market (based on Bed Nights)

Tour Operator	Tourists	Bed Nights	Proportion of Annual Bed Nights (%)
Bhutan Tourism Corp Ltd (Including Luxury Division)	4,558	33,424	19.7%
Etho Metho Tours and Treks	1,590	13,922	8.2%
International Treks and Tours	1,078	9,723	5.7%
Yangphel Tours and Travels	1,046	8,745	5.1%
Gangri Tours and Trekking Co	514	5,167	3.0%
Rainbow Tours and Treks	488	4,940	2.9%
Windhorse Tours and Treks	405	3,668	2.2%
Sakten Tours and Treks Ltd	492	3,615	2.1%
Kingyal Tours	493	2,922	1.7%

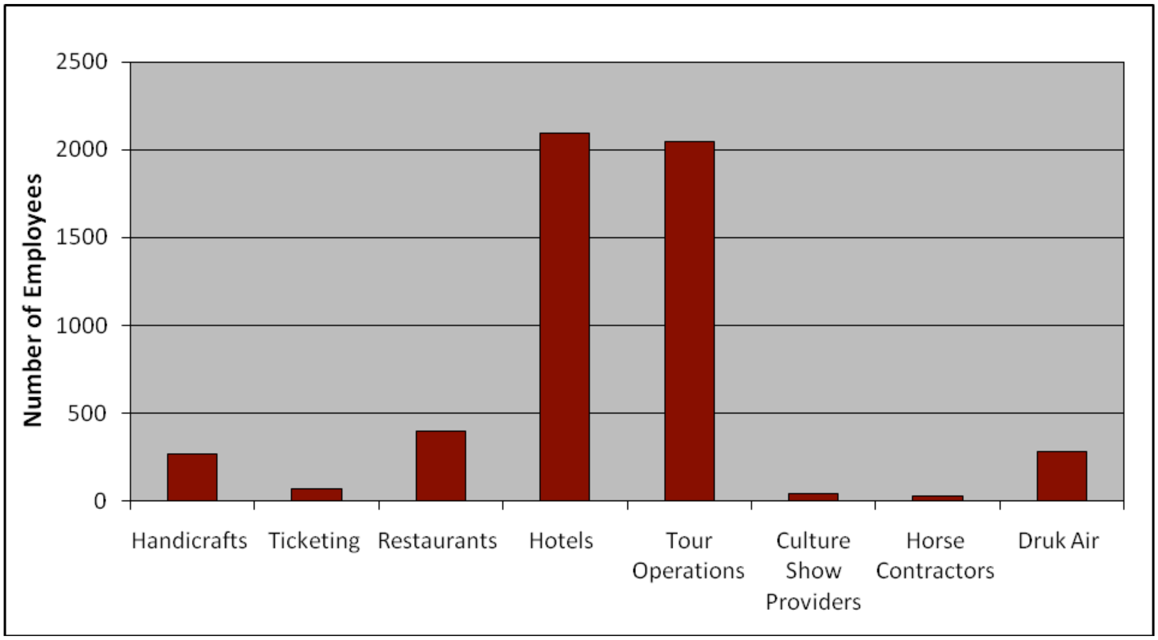
Tourism Employment

A recent employment survey conducted by the Department determined the total number of people employed by the international tourism industry. Findings show that some 5,214 people, both permanent and seasonal employees are directly employed as of 2007. The largest segment of tourism employment was attributed to the 'Hotel Industry' with 2,096 people working as different service providers in a hotel, followed closely by the 'Tour Operations' segment with 2,045 employees working as proprietors of tour operators, permanent and seasonal tour guides, accountants etc. The 'Restaurant Business' employed 388 people, 'Druk Air' had 281 employees, 'Handicrafts Sector' employed 266 people, 'Ticketing Agents' employed 68 people. Some entertainment business which specialised in showcasing Bhutanese culture to tourists in the form of 'Cultural Shows' employed 43 people, and finally the full-time 'Horse Contractors' for tourists comprised of 26 people.

Whilst this survey was a first attempt to quantify the contribution of the tourism industry to the overall employment scenario in Bhutan, it should be noted that these preliminary findings only present an abstract of the employment figures, that largely pertains to direct service providers to international tourists only. A more in-depth research needs to be conducted on the basis of a "Value Chain Analysis" across the tourism chain, as it is common knowledge that many more people benefit out of tourism.

Graph 1.11

Tourism Employment

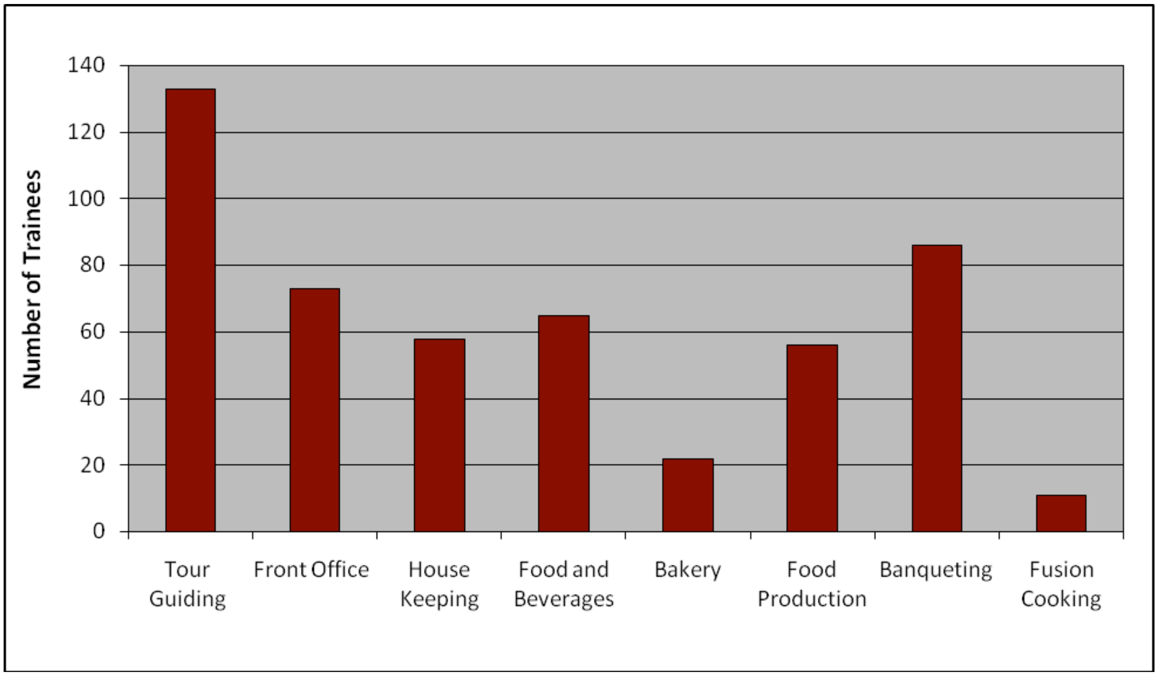


Trainings

The Hotel and Tourism Management and Training Institute (HTMTI), the training unit of the Department offers various professional trainings to individuals wanting to pursue a competitive career in the tourism industry. In 2007 a total of 504 individuals completed trainings in various tourism courses like 'Tour Guiding (133)', 'Front Office Management (73)', 'House Keeping (58)', 'Food and Beverages (65)', 'Baking (22)', 'Food Production (56)', 'Banqueting (86)' and 'Fusion Cooking (11)' in preparation for the expected upsurge in demands in 2008.

Graph 1.12

Trainings Provided by HTMTI- 2007



Tourism Earnings (in $US Million)

The tourism industry contributed in excess of $US.10 million as foreign exchange revenue to the Government exchequer. Gross earnings totalled $US.29.846, which represents an increase of 24.78% compared to the 2006 earnings as shown in Table 1.17 below. A more detailed breakdown of the annual earnings is given in Table 1.18.
It should be noted that Table 1.18 below does not include revenue earned through air receipts to Druk Air.

Table 1.17

Tourism Earnings ($US)

Year	Arrivals	Gross Earnings $US in millions	% Growth/Decline in Annual Revenue
2000	7,559	$10.498	

Table 1.18

Tourism Earnings Breakdown ($US)

Earnings Breakdown	Earnings $US in millions
Royalty	10.24
Film Royalty	0.005
20% Surcharge	0.23
Operators Gross	18.95
80% Surcharge	0.92
2% Tax	0.38
TD Fund	0.21
Operators Net	18.36

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 2,013 (9.5% of total arrivals) tourists were interviewed over a 12 week period which was collected over three collection periods at the Paro airport. The three collection periods were March 25th – April 21st (high season) coinciding with the Paro Tsechu, September 15th – October 12th (high season) coinciding with the Thimphu Tsechu and June 18th – July 15th (low season).

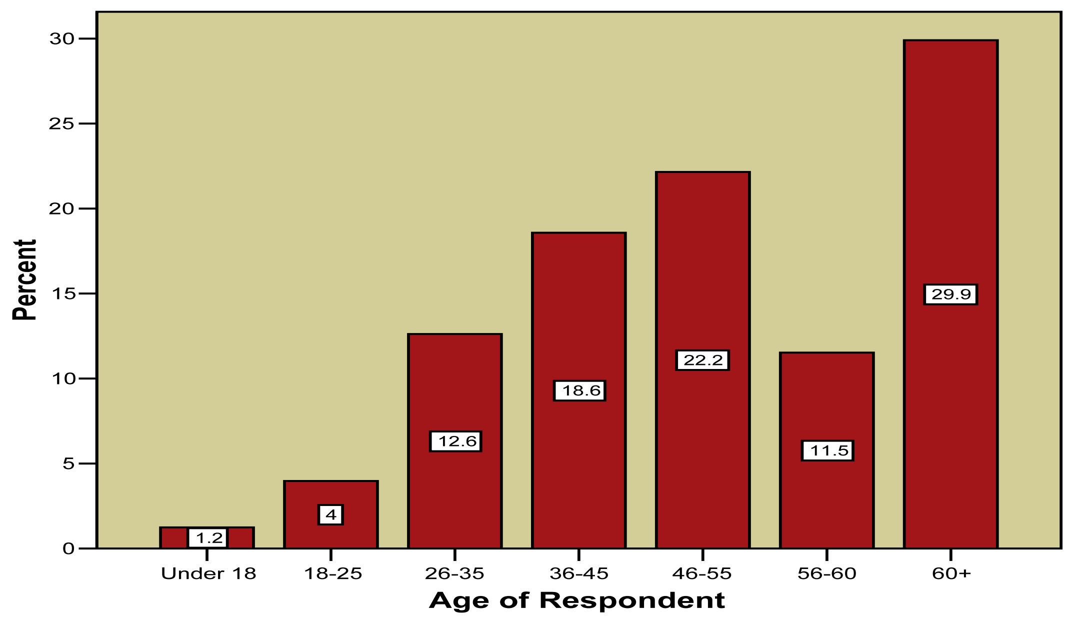
This data provides additional information to the TASHEL system. It gives a more in-depth "snapshot" of the visitors' travel behaviours, motivations, patterns and preferences as opposed to the statistical correctness of the overall yearly arrivals. For better targeted marketing such information is critical.

Age of Visitors

In excess of 82.0% of the total sampled were more than 36 years. Similar to the earlier findings, the dominant age bracket was the 'Over 60' years with 29.9% of all respondents falling under this segment, followed by the '46 to 55' years bracket with 22.2%. The '36 to 45' years also rated significantly with 18.6%.

Of more relevance to those operators attempting to better target their marketing are the 'Age' findings when coupled with 'Nationality' (presented on table 2.1). Such findings give specific indications for the development of segmented marketing efforts.

Graph 2.1
<u>Age of Visitors</u>



Age of Visitors by Nationality

Cross-tabulating the age and nationality variables provides further detail regarding current and potential source market segments. As might be expected (based on previous anecdotal evidence), for most major source markets, visitors tend to be in the 'Over 60' years category. Majority of the respondents from USA, Italy, Australia and Austria tended to be 'Over 60' years, where as majority of the respondents from the Switzerland, India and Netherlands were between the age bracket ‘36 to 45’ year’. Source markets of UK, Germany, Japan and France had visitors across all age groups.

Table 2.1
Age of Visitors by Nationality

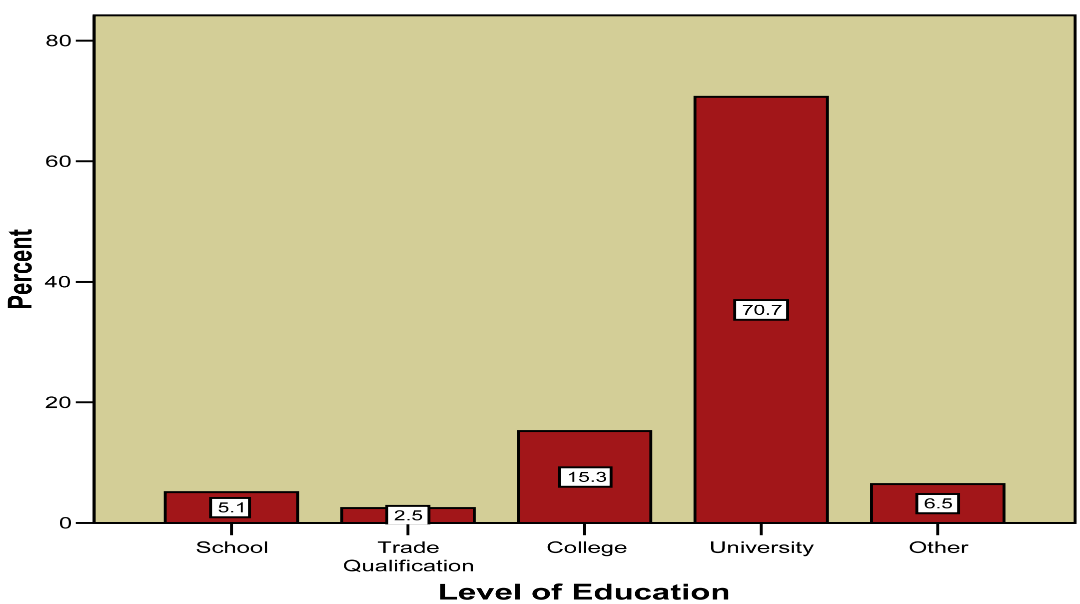
	Under 18 years	18 - 25 years	26 – 35 years	36 – 45 years	46 – 55 years	55 – 60 years	Over 60 years
U.S.A	0.3%	4.2%	10.1%	11.1%	22.8%	13.4%	37.8%
U.K	1.3%	1.9%	10.8%	22.8%	23.4%	10.8%	29.1%
Japan	1.2%	9.8%	22.0%	20.7%	7.3%	9.8%	29.3%
Germany	0	1.1%	13.7%	23.2%	26.3%	8.4%	27.4%
France	2.3%	2.3%	6.1%	25.0%	25.0%	11.4%	27.3%
Italy	0	0	13.9%	13.9%	22.2%	11.1%	38.9%
Australia	0.8%	3.2%	10.4%	17.6%	22.4%	10.4%	35.2%
Switzerland	0	2.2%	15.6%	26.7%	20.0%	13.3%	22.2%
Austria	4.1%	2.0%	6.1%	16.2%	8.2%	8.2%	55.1%
India	4.0%	9.3%	25.3%	30.7%	13.3%	2.7%	14.7%
Netherlands	0	4.8%	14.3%	38.1%	19.1%	14.3%	9.5%

Level of Visitor Education

One common finding over the last few years of visitor profile analysis has shown that majority of the visitors who come to Bhutan are highly qualified, or have held a minimum of a university degree. Of the total sampled in 2007, an overwhelming majority of visitors held ‘University degrees’ or higher (70.7%). Some 15.3% indicated that they had attained ‘College’ level education. Given that the profile of visitors who come to Bhutan are of the elderly age bracket coupled with the fact that they are highly educated, it could be concluded that travellers to Bhutan have considerable travel experiences who are highly discerning when it comes to making comparisons of travel experiences in other countries. Bhutan is unlikely to be their first international trip.

Qualitative data supports this assumption. When considering this finding, together with the feedback provided by departing visitors, it is not difficult to see why visitors expect greatly improved levels of service from hospitality staff in Bhutan

Graph 2.2
<u>Visitors' Level of Education</u>

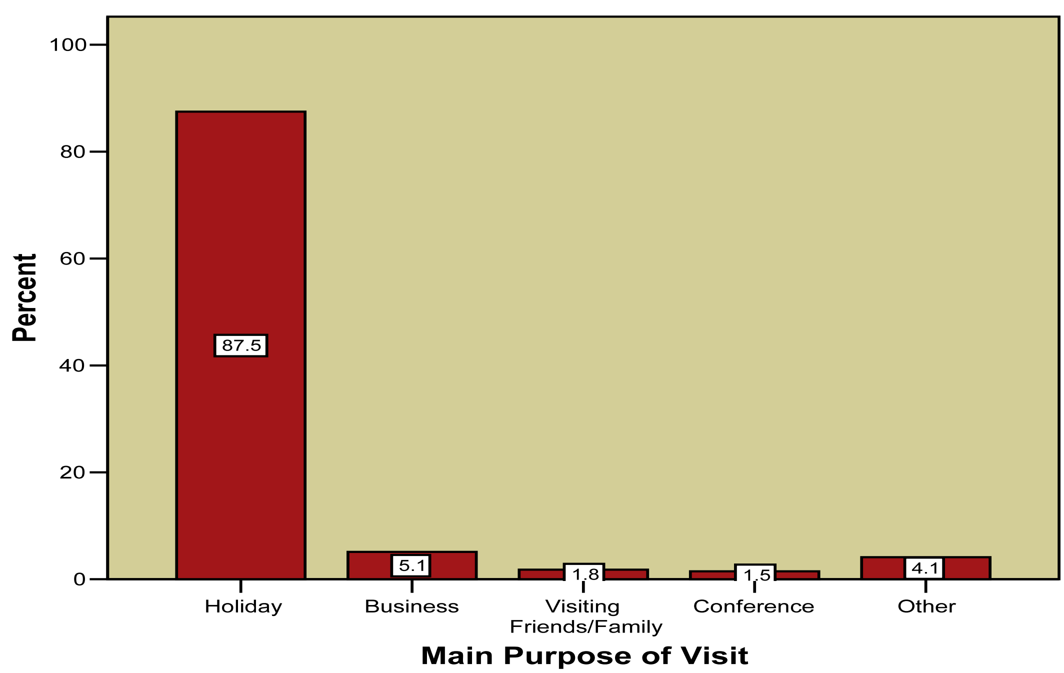


Visitors Main Purpose of Visit

As manifest, majority of visitors arriving in Bhutan throughout 2007 were visiting the Kingdom for the purpose of 'Holidaying' (87.5%). A total of 5.1% of those sampled were visiting for 'Business' purposes out of which a quarter (25.2%) of the respondents originated from India.

The conference sector commonly referred to as the M.I.C.E (meetings, incentives, conferences, exhibitions) sector continued to be of little importance (accounting for just 1.5% of all arrivals). Bhutan is as yet limited in its appeal as a M.I.C.E destination due to its relative isolation, limited transport options and daily tariff. Fundamental to a successful M.I.C.E industry are the availability of cheap and charter airfares, ease of visa procurement and accessible location.

Graph 2.3
Main Purpose of Visit



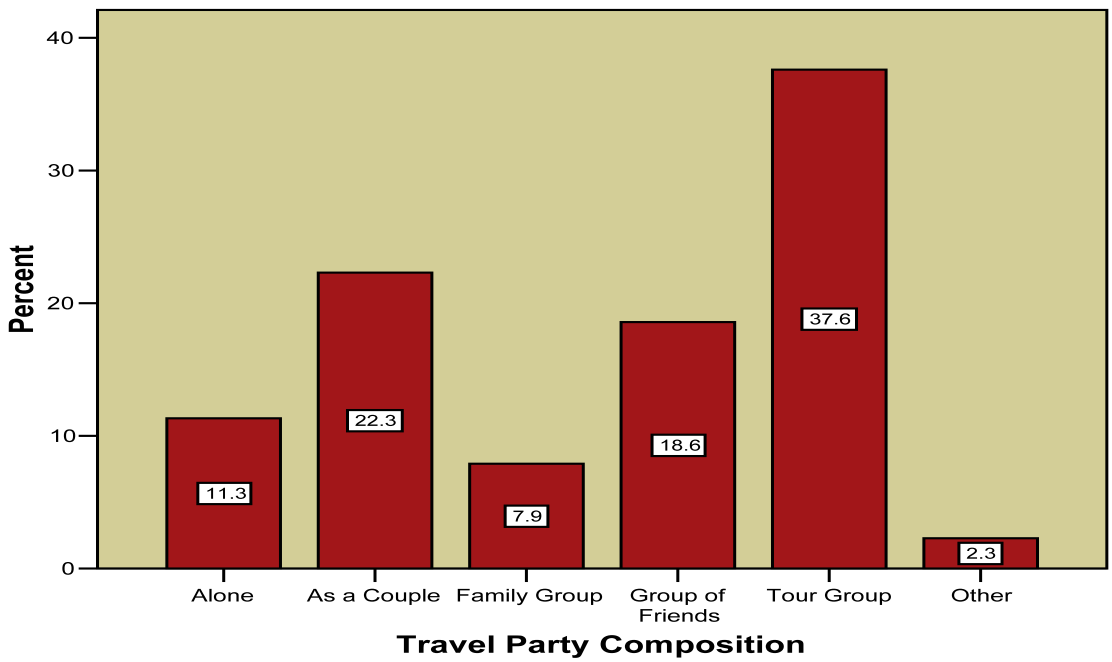
Composition of Visitors Travel Party

The pattern of travel party has been consistent in the part few years. Given that international visitors to Bhutan have to visit Bhutan through a registered local tour operator who offers organised travel packages, it is not surprising that majority of the respondents (37.6%) indicated that they were part of a ‘Tour Group’, which is predominantly featured as the predominant travel party every year. Amongst those sampled in 2007, some 22.3% travelled as a ‘couple’, thereby indicating that many local tour operators handle very small groups. Travelling as ‘Group of Friends’ accounted for 18.6% of the respondents and ‘Travelling Alone’ (11.3%) were also oft cited.

This information is again 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 when coupled with the information concerning nationality. When cross-tabulated, the data shows clearly that visitors from USA and UK and Germany tended to travel as either a part of a tour group or as couples. Of the total, some 43.6% of the Americans, around 38.6% of the British, and 44.2% of Germans travelled as part of a tour group, whereas another 24.6% of the remaining Americans, some 28.5% of the remaining British and another 28.4% of the German visitors travelled as couples. Whilst majority of the sampled visitors from Austria and Italy tended to travel with ‘Groups of Friends’ with 34.7% and 38.9% respectively. Visitors from Switzerland tended to travel mostly as couples. Indian travellers sampled during the survey were predominantly lone travellers (42.7% travelling Alone), and this is likely linked strongly to their purpose of visit (often business). Understanding the group formation within which various nationalities prefer to travel, aids greatly not only in designing appropriate marketing campaigns but also in the design of tour itineraries.

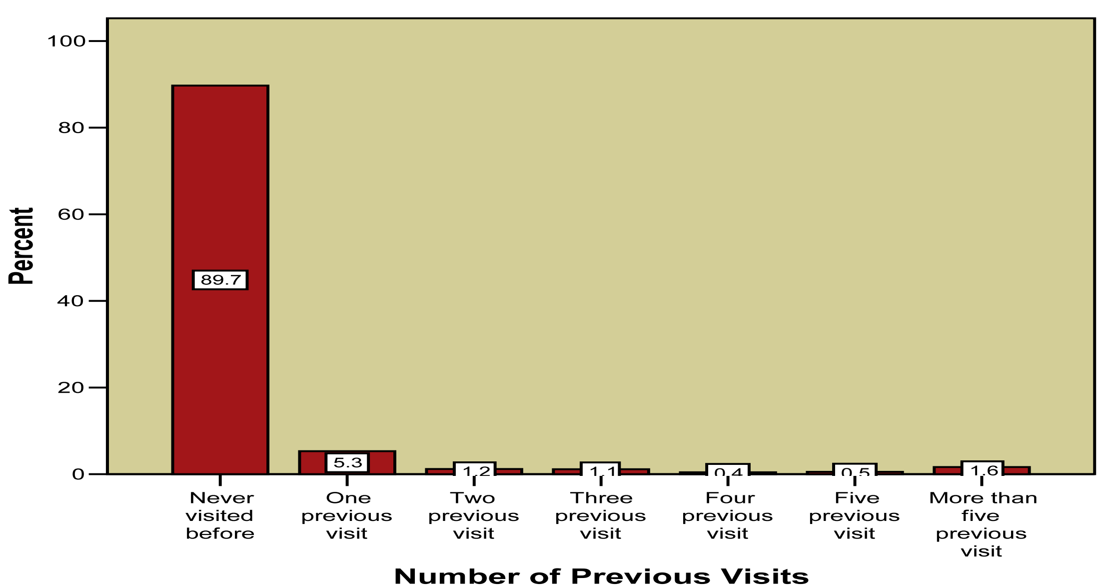
Graph 2.4
<u>Composition of Visitors Travel Party</u>


40
30
20
10
0
Percent
11.3
22.3
7.9
18.6
37.6
2.3
Alone
As a Couple
Family Group
Group of Friends
Tour Group
Other
Travel Party Composition

Repeat Visitation Pattern of Visitors

Similar to the earlier findings, majority of the visitors coming to Bhutan continue to be first-timers with an overwhelming 89.7% visiting Bhutan for the very first time in 2007. The only other category of visit to rate significantly was the 'One Previous Visit' category, where 5.3% of those sampled cited that this was their second visit to Bhutan. Of the 10.3% who were repeat visitors, source markets like USA, Switzerland, Japan and India 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. To encourage a higher incidence of repeat visitation, development of a wider product range focusing on 'Adventure and Sports', 'Nature' is critical, and also that there are other areas that could be visited other than the usual places like Paro, Thimphu, Punakha and Bumthang. There is a growing demand for sustainable tourism products which is based on the premise of responsible tourism, amongst the type of high-end visitors who come to Bhutan and this provides Bhutan an opportunity to develop more nature-based tourism products like the Nabji-Korphu Community-based Nature Tourism Trek (CBNT Report, 2007).

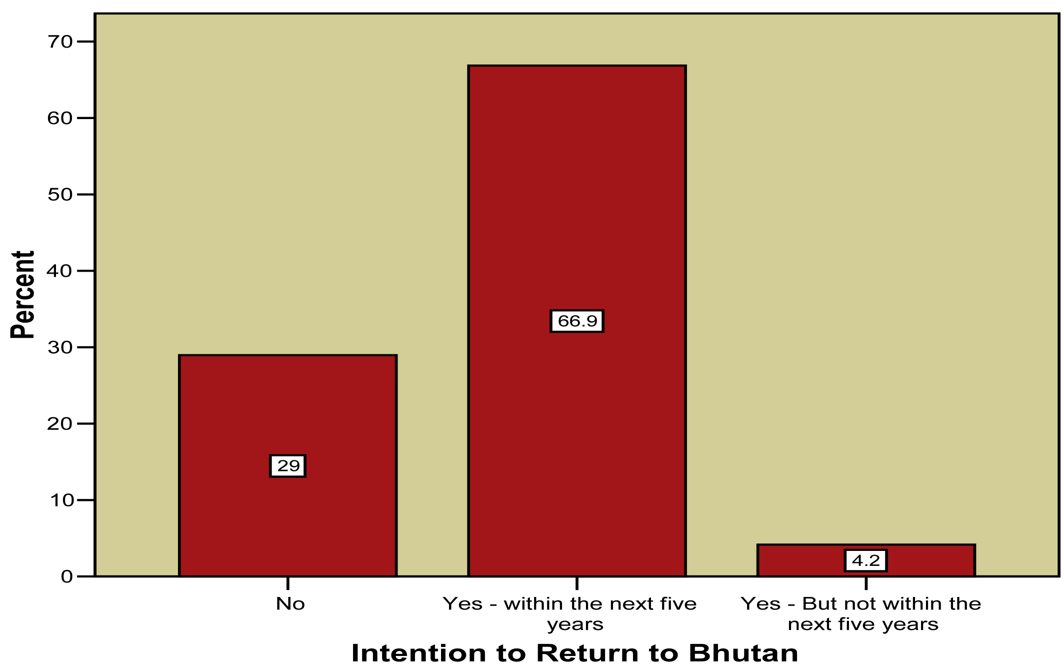
Graph 2.5
Patterns of Repeat Visitation



Intention to Return to Bhutan

A good publicity of the nation's transition into a democratic country, through various print and broadcast media coverage has created interest amongst visitors in 2007. Unlike the previous years, this year recorded an increase in the number of people intending to visit Bhutan after five years (66.9%). Respondents indicated that they were keen to witness the changes brought in by the democratisation of the country in the near future. Cross-tabulation of nationality and intention to return figures indicate a likely increase in the figures of repeat visitations. Of those intending to revisit within five years, some 65.2% were from the United States, 68.4% were from Germany, 67.7% were from the United Kingdom and 70.3% of all respondents from Japan. These figures are particularly important for operators for country-wise marketing purposes.

Graph 2.6
Intention to Return to Bhutan

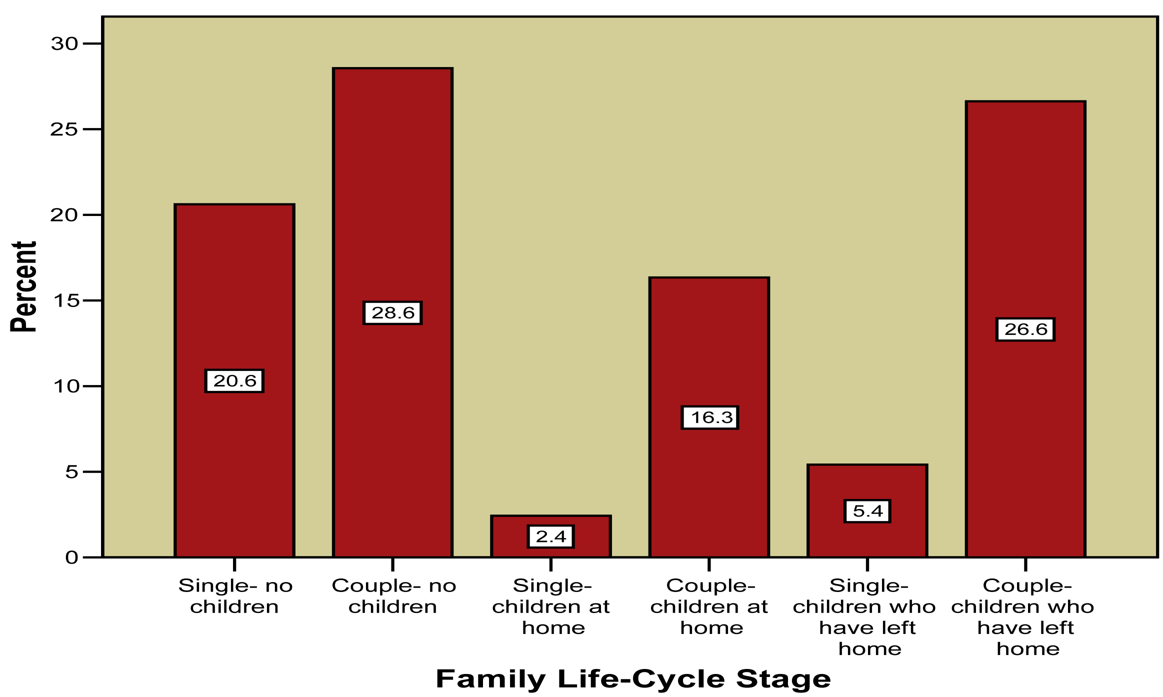


Family Stage of Visitors

Family Life-Cycle Stage has implications for market segmentation, profiling and promotion, especially in accordance with the type of products offered. Similar to the findings of 2006, the 'Couple with no children' was recorded as the largest segment (28.6%), closely followed by 'Couple with children who have left home' (Empty Nesters). The 'Singles with No Children'(20.6%) and 'Married with Children Still at Home' (16.3%) categories also rated significantly.

Cross-tabulation between 'Family Life-Cycle Stage' and 'Travel Party Composition' showed that of all 'Empty Nest Retirees' and 'Single with no children' segments, the majority preferred to travel as part of a tour group. The majority of couples who had no children, or either whose had left home preferred to travel as couples. Many of the couples whose children had left home also travelled as groups of friends.

Graph 2.7
Family Stage of Visitors

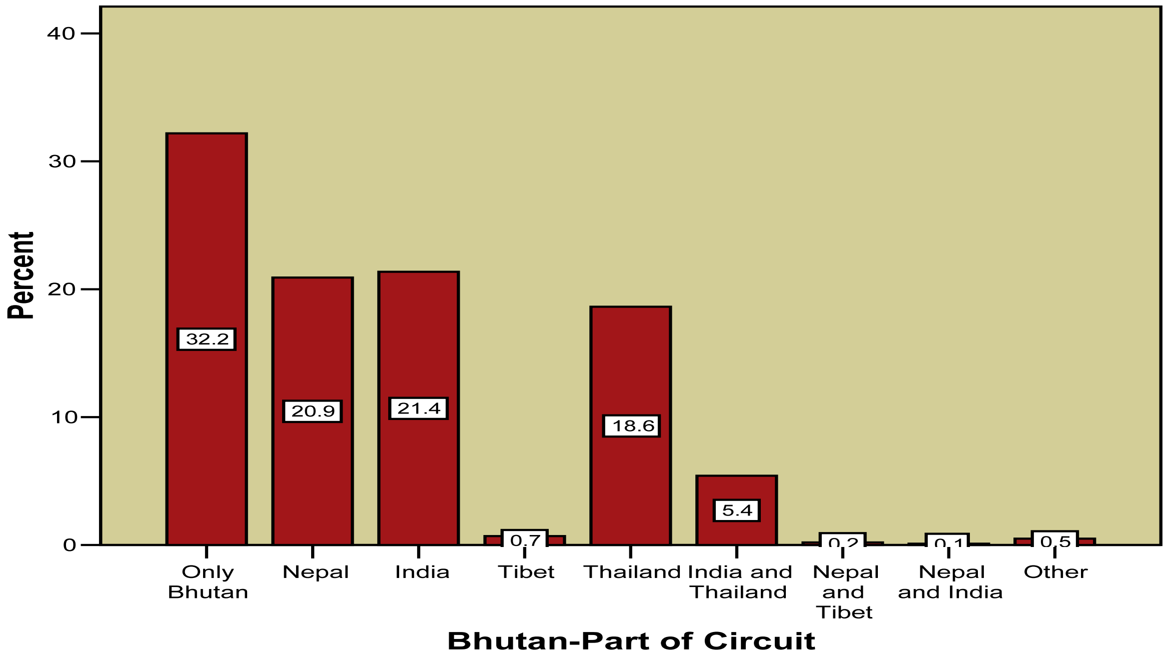


Bhutan and Circuit Tourism

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 gain what could be valuable information regarding possible future marketing partnerships and networks. Some 32.2% of the sampled respondents indicated that Bhutan was their only destination. India, Nepal and Thailand are the favourite circuit of destinations that visitors combine with their Bhutan holiday. Some 21.4% of the sampled included India in their itinerary, followed closely by Nepal with another 20.9%. Some 18.6% of the sampled combined their Bhutan holiday with Thailand.

Cross-tabulation between 'Nationality' and 'Circuit Tourism' indicated that whilst majority of the visitors from USA combined their travel itineraries with Thailand (33.3%), majority of the visitors from Austria and Italy combined Nepal (53.1% and 41.7% respectively). UK (25.9%), Germany (25.3%) and France (43.2%) preferred India. The majority of the Australians (37.6%), Japanese (67.1%) and Swiss (33.3%) indicated that Bhutan was their only destination. A total of 76.0% of the Indian respondents also visited Bhutan only, which is not a surprising finding given the purpose of their visit (Business/Work).

Graph 2.8
<u>Bhutan and Circuit Tourism</u>

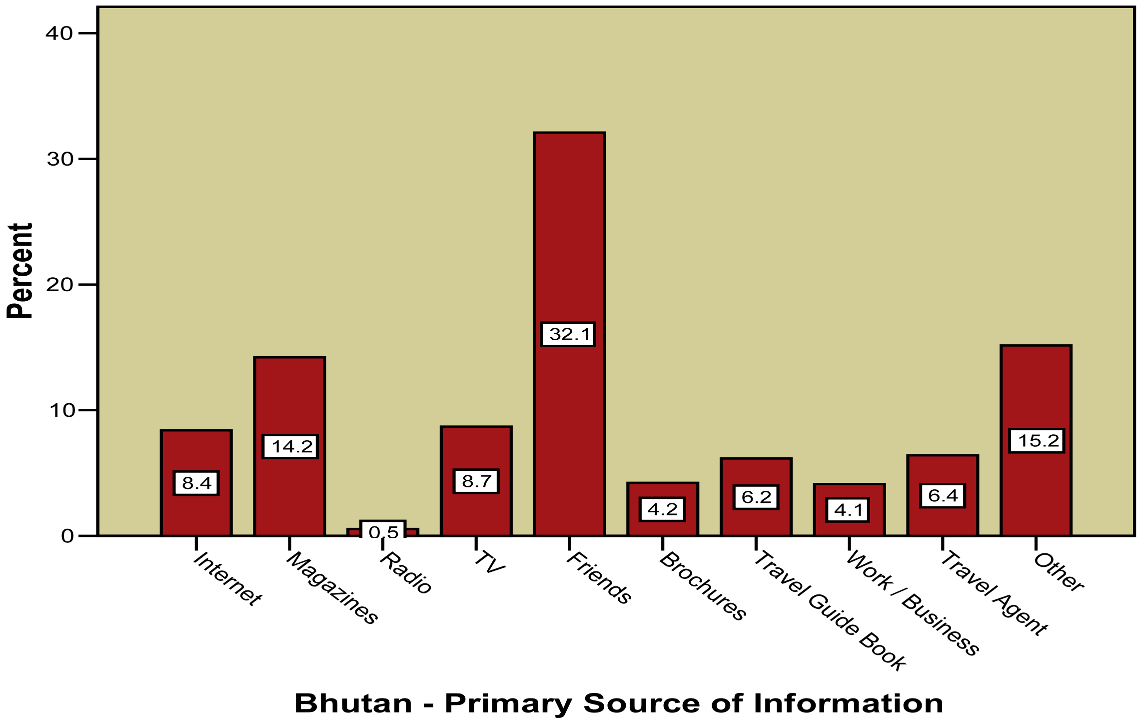


Primary Information Source

In order to understand the medium of information sources and the transfer rate of information, respondents were asked to indicate where/how they had first learned of Bhutan. ‘Word-of-mouth’ as always, was cited as the single most important source with 32.1% of those sampled indicating that ‘Friends’ 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. ‘Magazines and Newspapers’ also accounted for first-hand information for 14.2% of all respondents. The importance of magazines as an information source validates the Department’s policy of inviting renowned travel writers from around the world to visit Bhutan, and also by attending international trade fairs. ‘TV’ and ‘Internet’ also accounted for 8.7% and 8.4% as primary sources of information respectively, as Bhutan has also been in the limelight of the media coverage specifically because of the democratisation process of the country.

Graph 2.9

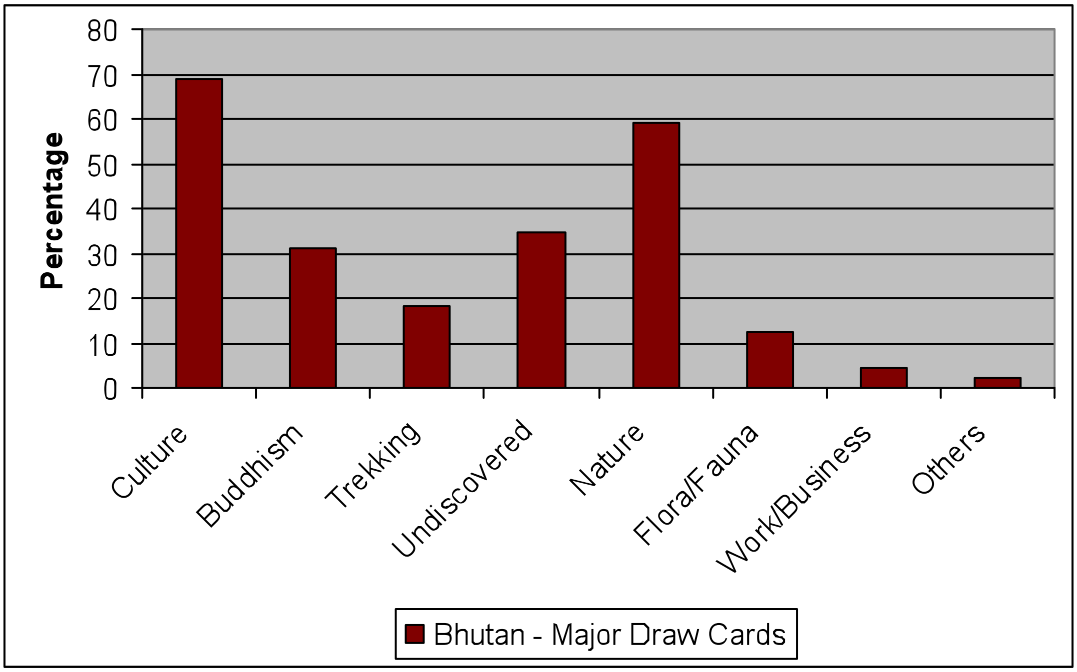
Primary Information Source for Visitors



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 cited. 'Unique Culture' rated highest at 68.9%, followed by 'Nature' (59.3%), 'Undiscovered' (34.7%), 'Buddhism' (31.3%), 'Flora/Fauna' (12.6%) and 'Work/Business' (4.6%). Whilst all the choices were rated almost identically to the findings of 2006, the only notable change was a slight increase in the 'Flora/Fauna' segment, thus showing that there is a growing interest about Bhutan amongst visitors who are specialised in plants and animals tours. This is a positive finding that encourages more specialised tours like bird-watching, flower and butterfly tours etc. which will add to the charm of Bhutan as an exclusive destination.

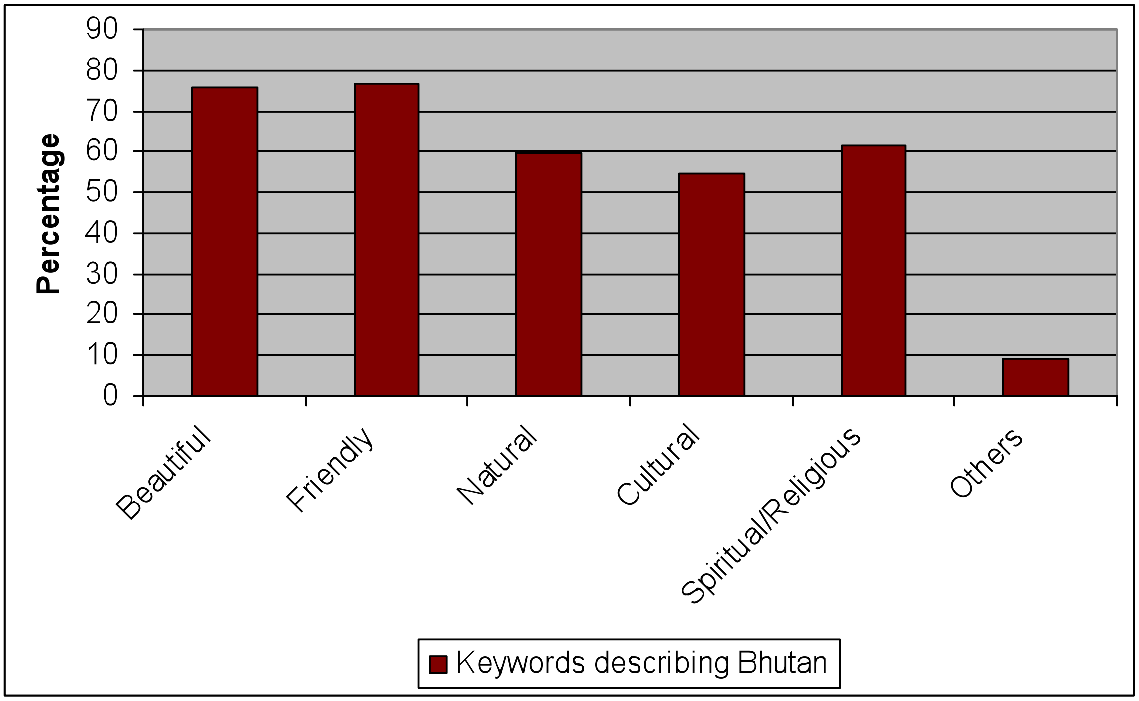
Graph 2.10
<u>Major Attraction to Bhutan</u>



Keywords to Describe Bhutan

Respondents were asked to list two or three keywords that they might use to describe Bhutan. From an array of myriad citing, the often were; 'Friendly' (76.9 %), 'Beautiful' (75.6%), 'Natural' (59.5%), 'Religious' (61.4%), 'Cultural' (54.6%) and 'Unspoiled' (9.0%). These impressions assist in determining what it was that the visitor really liked about his/her experience. Operators would be well advised to bear such identifiers in mind when constructing future promotional strategies. For example, the majority of visitors this year described Bhutan as 'friendly' – indicating that they enjoyed the interaction with local people. 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 87.0% of all respondents visited Paro, thus making it the most oft visited attraction of 2007, followed by 83.9% of all respondents visiting Thimphu. Of the total respondents, some 77.5% of the respondents visited temples and Dzongs which are the most important cultural heritages in the country. Some 66.8% of the respondents visited Punakha. Bumthang also remained a popular destination with 30.8% of all respondents visiting mainly for its rich heritage and colourful festivals. Some 29.9% and 27.4% of the sampled respondents undertook trekking and attended at least one Tsechu (festival) respectively.

Table 2.2
Attractions Visited/Activities Undertaken

Attraction/Activity	%
Paro	87.0%
Thimphu	83.9%
Temples/Dzongs	77.5%
Punakha	66.8%
Taktsang	64.5%
Textiles/Weaving	35.5%
Bumthang	30.8%
Trekking	29.9%
Trongsa	28.5%
Festivals	27.4%
Flora/Fauna	19.5%
Dochula	19.4%
Bird Watching	8.7%

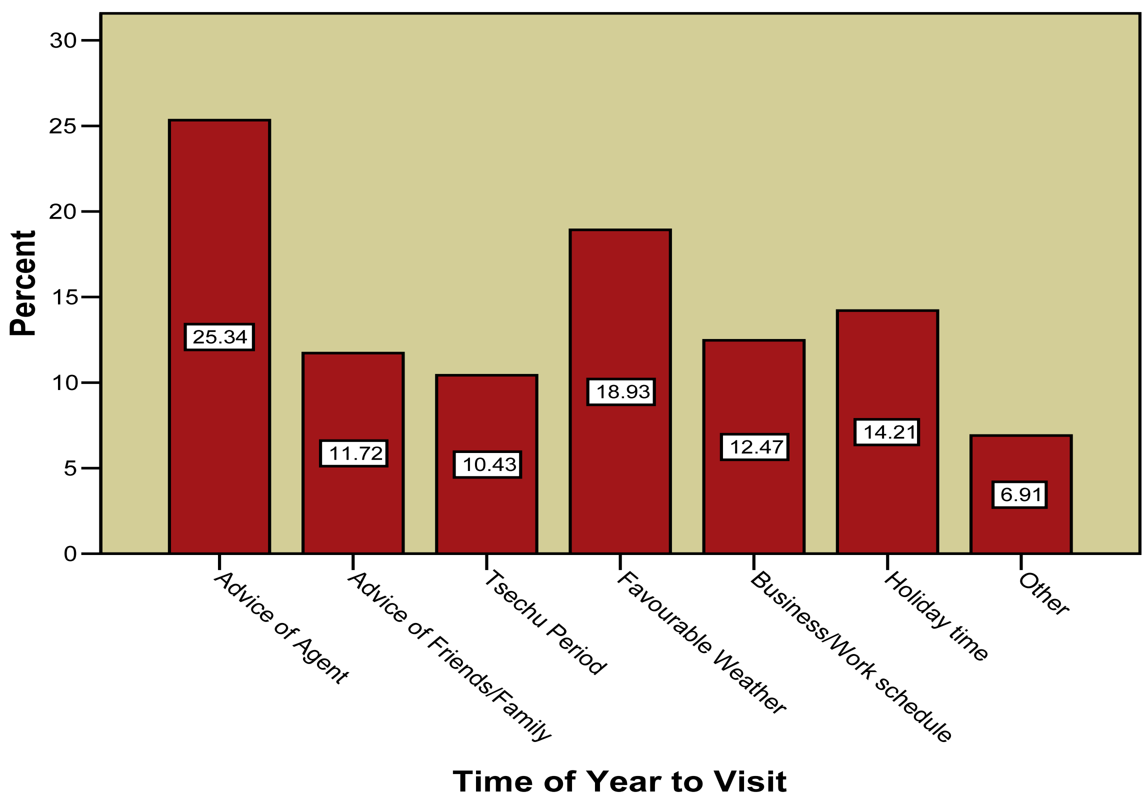
Seasonality of Visitation

Seasonality for Bhutan, even though it is decreasing over time, it is still a challenge. To better understand the possible causes of such marked seasonality, visitors were asked to indicate how they chose the time of year to visit Bhutan. Seasonality problem in the tourism industry not only is affected by seasonal climatic conditions (18.9%) and lack of diverse products, but also because of the marketing messages of the tour operators as shown by 25.3% of respondents, whose time of visit was chosen based on the 'Advice of their Agent'. Their perceptions of weather conditions are likely based on the information given by their agents (off-shore) and/or friends, because some respondents indicated that winters (low visitation months) in Bhutan is a very favourable time to visit. 'Holiday Time' (14.2%) (that is, the holiday period in the source market) is also of significance.

‘Word-of-mouth’ by family and friends, and ‘Tsechu period’ also rated significantly with 11.7% and 10.4% respectively. Whilst little can be done about ‘Business/Work schedules’ (12.5%) – much can be done to alter perceptions regarding the best times of year to visit.

Graph 2.12

Visitors Selection of Month of Visitation



Value for Money

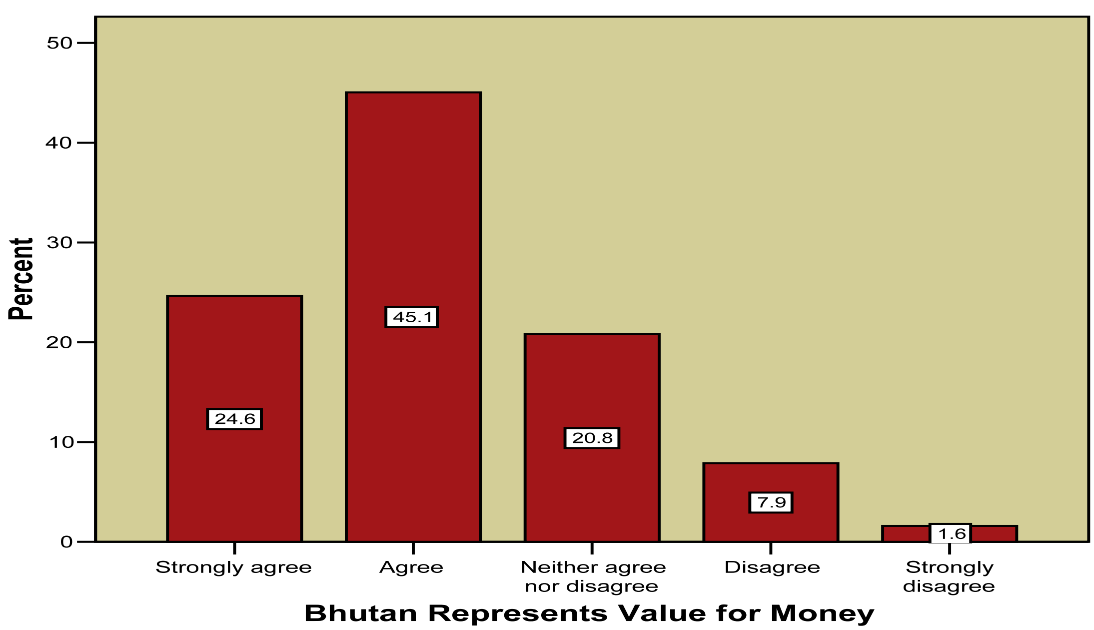
In response to anecdotal accounts of Bhutan “being an expensive destination”, respondents were asked to indicate whether they believed Bhutan represented “Good Value for Money”. A slight increase over the 2006 figure, some 69.7% indicated that they agreed that Bhutan did represent good value for money (24.6% strongly agreed, and

45.1% agreed). This figure along with the fact that ‘word-of-mouth’ remains as the most influential primary source of information about Bhutan, indicates that visitors derive high satisfaction levels out of their holiday in Bhutan. A total of 20.8% neither agreed nor disagreed. Some 9.2% indicated that they did not find Bhutan represented good value for money.

Whilst these opinions are of those that actually visited, there may be many more potential visitors who simply eliminate Bhutan as a destination choice 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 $US. 200 per day during peak season visitation, is only the government tariff, and that they have to bear the additional expenditures for accommodation, food and other travel facilities separately.

Graph 2.13

<u>Value for Money Perception</u>



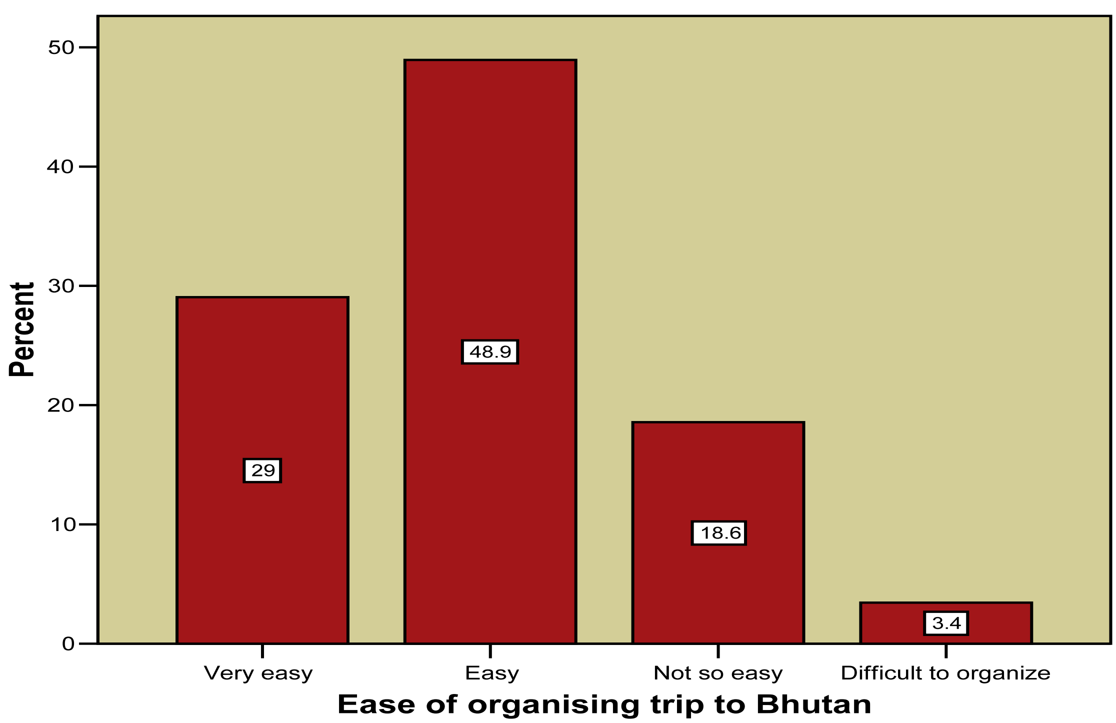
Ease of Organising Trip to Bhutan

All sampled respondents were asked to assess the ease of organising their trip to Bhutan. A total of 77.9% indicated that organisation had been 'Easy' (29.0% 'Very Easy' and 48.9% 'Easy'). This is not a surprising finding as all the visitor travel arrangements are taken care of by their local tour operators. Some 22.0% of those sampled indicated that they had encountered some difficulty in organising their visit (18.6% 'Not So Easy' and 3.4% 'Difficult').

Anecdotal evidence suggests that amongst those reporting some difficulty in organising their trip, the source of such difficulty was flight availability.

Graph 2.14

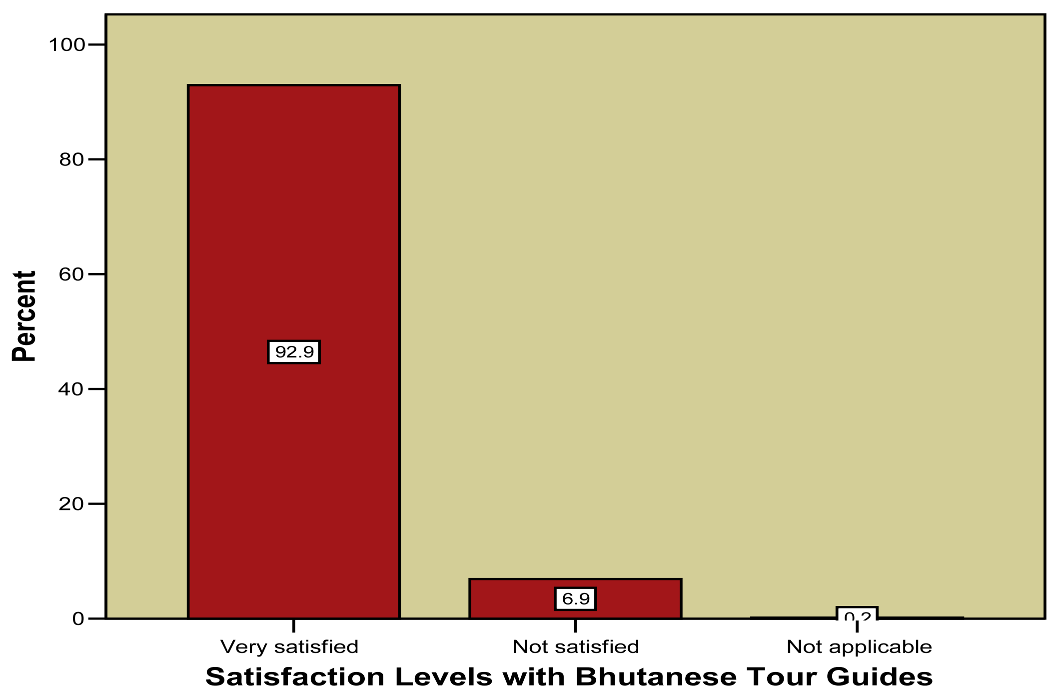
Visitors Ease of Organising Travel to Bhutan



Satisfaction with Bhutanese Tour Guides

Since local tour guides, who act as ambassadors are the chief source of information and interpretation for visitors, it is important to gain insight into visitor satisfaction levels with guides. A huge improvement over the 2006 figure of 78.7%, an impressive 92.9% of the total sampled in 2007 gladly indicated that they were absolutely satisfied with the services and the knowledge of their guides. Such accolades could be attributed to the successes of the Hotel and Tourism Management Institute of the Department of Tourism, who provides training to guides and also the commitment of the tour operators to improve the quality of their guides' services. 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 6.9% of the total sampled indicated that they were not satisfied with their guides.

Graph 2.15
<u>Satisfaction with Bhutanese Tour Guides</u>



Additional Facilities and Improvements

Respondents sampled for the exit survey were asked to make suggestions of the different tourism related services and infrastructure in order to gauge the areas requiring immediate attention for development or improvement. Of the 21.4% of the total sampled who indicated that there were areas of improvements in at least one or more areas of tourism facilities, majority (22.3%) indicated that Credit Cards and international ATM Banking should be introduced and widely accepted in Bhutan to facilitate travellers with payment of services. Another 21.8% expressed the importance of having proper public restrooms and lavatories along highways and major towns. Complaint about the conditions of roads rated highly this year because of the major changes in the highway connecting Paro and Thimphu which almost lasted the year round in 2007. Some 13.0% and 10.0% indicated improvements with internet facilities and hotel related services respectively. A further point of note that many of the visitors reiterated was the concern for protection and conservation of historical and cultural heritage, the natural landscapes and biodiversity. Such concerns reflect those of the increasingly environmentally conscious visitors.

Table 2.3
Suggestions for Improvement

Opinions	%
Credit card and ATM facilities	22.3%
Public toilets and restrooms	21.8%
Roads/Transport	16.7%
Internet and communications facilities	13.0%
Improvement of hotel standards	10.0%
Food and restaurants variety	5.8%
Dog care	3.0%
Garbage control	2.7%

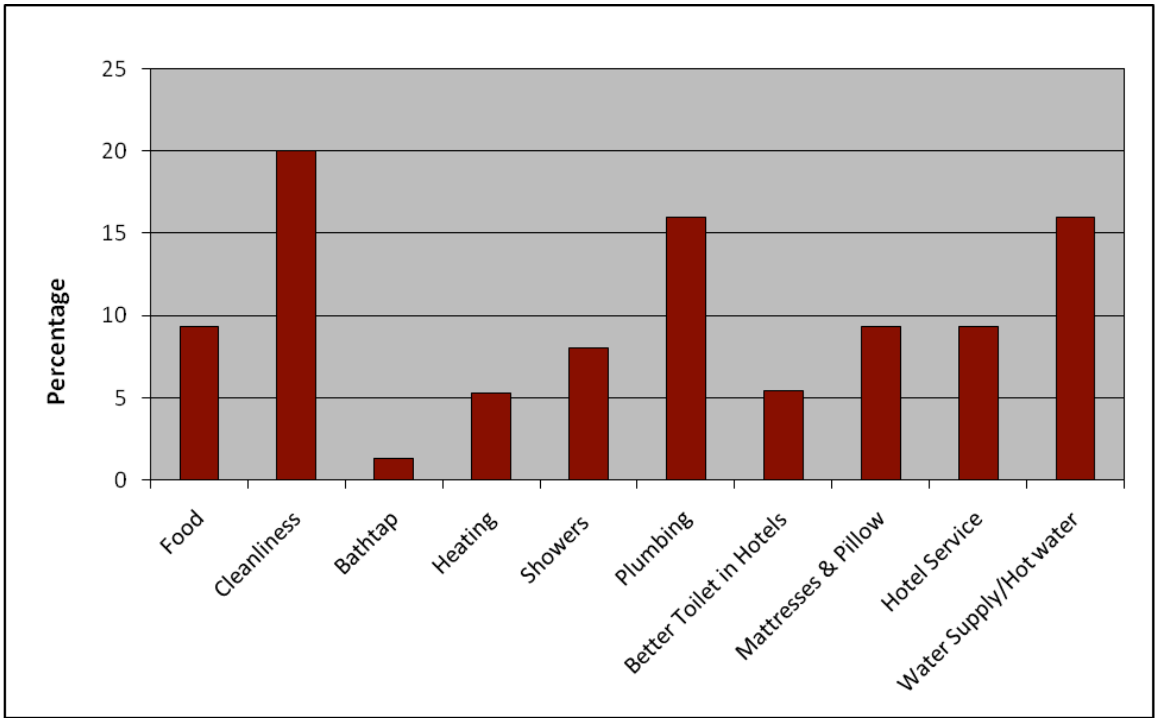
More souvenir shops	2.6%
Information counters	1.4%
Druk-Air services	0.2%

Hotel Improvements

A further evaluation of the complaints relating to the hotels are presented in the graph below. Of those respondents who cited a hotel related complaint, the mostly related to 'Cleanliness' of the hotel rooms and service providers (20.0%), 'Plumbing' in bathrooms (16.0%) and 'Hot water supply' in bathrooms (16.0%). A 9.3% each, out of the respondents who indicated of a hotel complaint related to quality of 'Food', 'Mattresses and pillows' and 'Services delivery'. A further 8.0% were dissatisfied with the lack of 'Showers' in bathrooms, or the quality of 'Showers', followed by 5.4% who indicated dissatisfaction with bathroom facilities in general.

Qualitative findings show that respondents also suggested improvements on the availability of additional services like gym, international newspapers, proper internet facilities, credit card facilities, proper Laundromat services, swimming pool, spa treatment, and handicap facilities like wheelchairs etc.

Graph 2.16
Hotel Improvements



Section 3 – Source Markets Summary

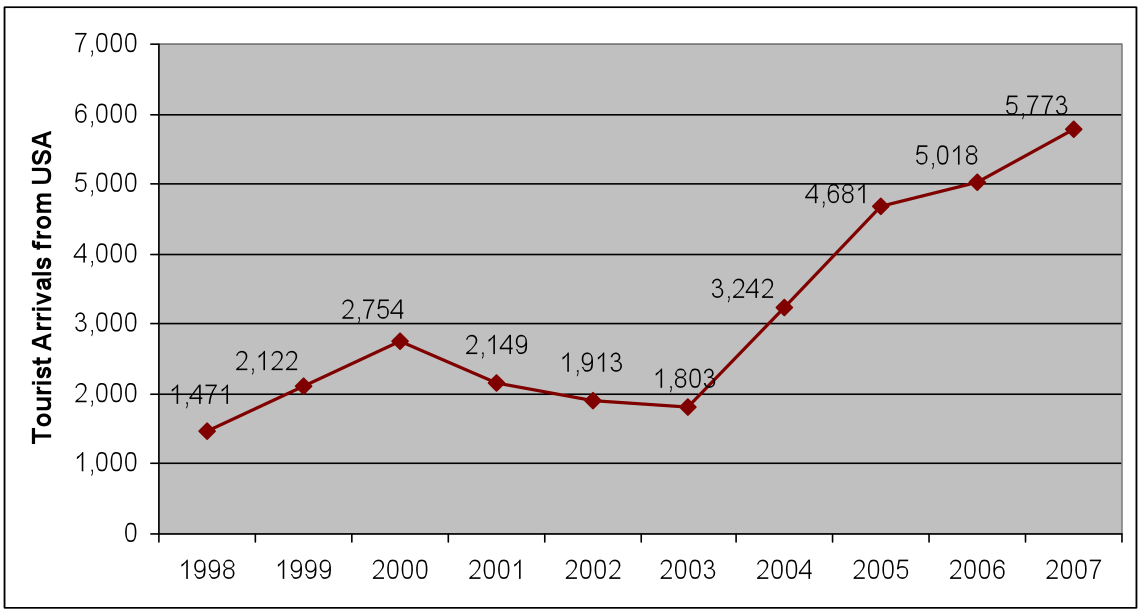
Section 3 of the report provides a country wise analysis of the top 12 source markets independently. It a collection of findings which are summarised according to a particular source market to enable the reader to understand the various trends and patterns of behaviour of a particular market at a time.

United States of America

Tourist traffic from the United States of America recorded an all time high with 5,773 arrivals, which contributed to 29.5% of all bed nights in 2007. This is an increase of 15.1% over 2006 arrivals, and in excess of 300.0% since its growth from 2003. Of the total arrivals from North American region, which included markets like Canada and Mexico, exactly 90.0% originated from the USA. Average length of stay was 8.7 days and more than half the arrivals preferred to visit during the autumn months of September, October and November.

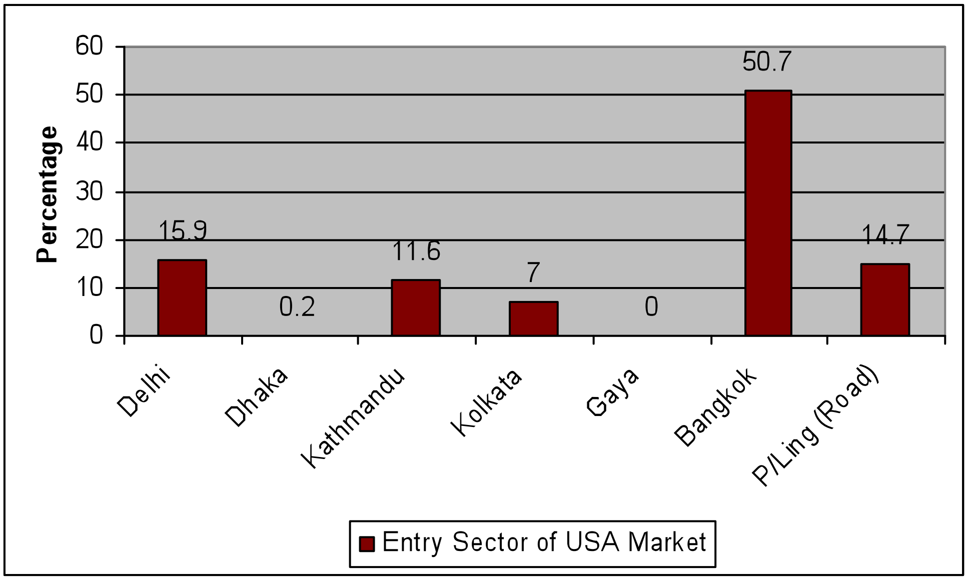
More than one third (37.8%) of the Americans were over the age of 60 years - which substantiates the fact that they are mostly of the cultural type, and majority tended to travel as part of a tour group. Some 62.2% of the visitors originating from America indicated that they wanted to revisit the country in the next 5 years. Thailand was the most favoured destination as a combined destination during their trip to Bhutan.

Graph 3.1
Visitor Arrivals from the United States of America



Graph 3.2 below shows the entry sector of the USA source market. Just over half of the visitors preferred to enter through Bangkok. Whilst a very small proportion of the Americans entered through Dhaka, none came in via Bodh Gaya in India.

Graph 3.2
Port of Entry of US Arrivals

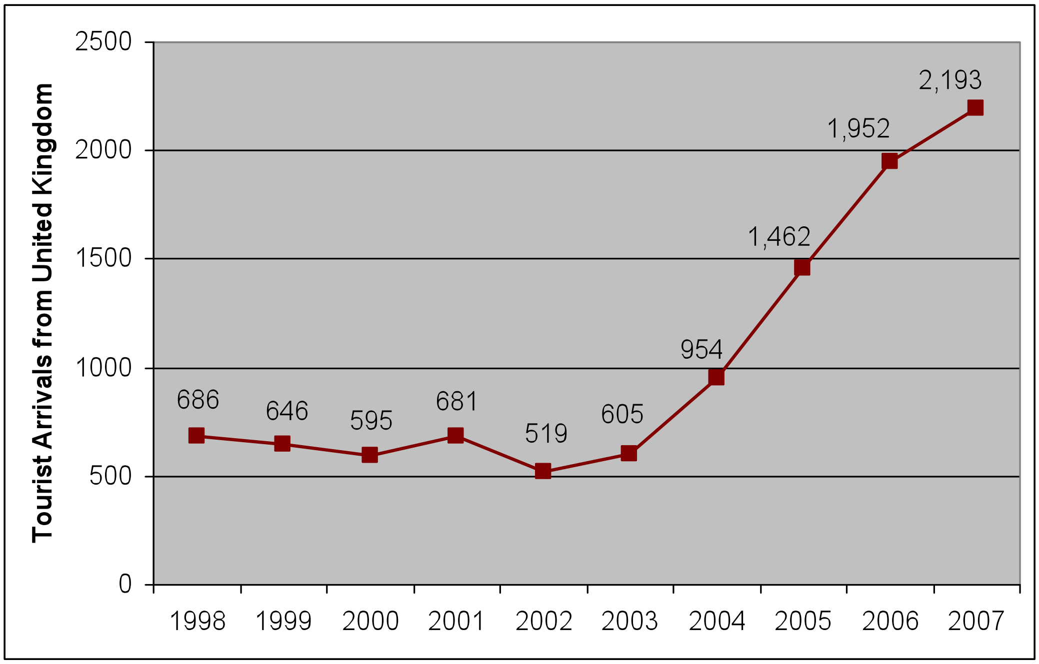


United Kingdom

The United Kingdom source market saw a significant growth of 33.6% over 2006, which effectively replaced Japan as the second most important source market for Bhutan. UK supplied 2,193 visitors that contributed 11.8% of all the bed nights in 2007. The length of stay was an average of 9.1 days, a figure slightly higher than the US market. Visitors from UK also tended to visit during the months of September, October and November with 55.9% visiting during these months. Spring months between March and May saw 29.7% of the total visitors originating from United Kingdom.

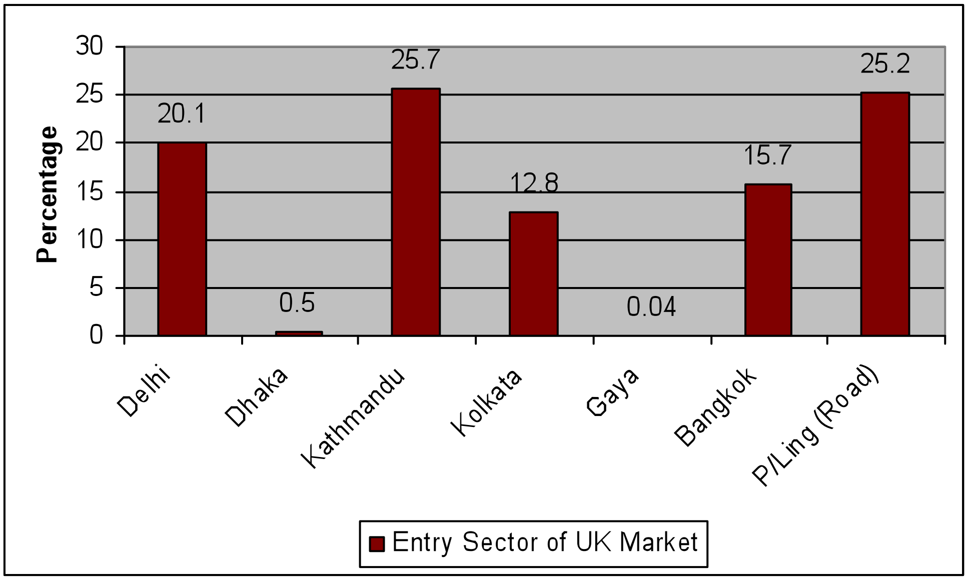
Some 29.1% of the British visitors aged over 60 years, another 23.4% and 22.8% aged between 46- 55 years and 36-45 years respectively. Visitors from UK mostly travelled as either a part of a tour group, or as couples. Some 67.7% of the British visitors interviewed showed an inclination to re-visit Bhutan again in the next 5 years.

Graph 3.3
Visitor Arrivals from United Kingdom



Graph below 3.4 shows the preferred entry sectors of the British visitors in 2007. The distribution of visitors by sector wise was quite spread out. Only a hand full of visitors came through Dhaka and Gaya. Whilst a quarter of the total arrivals originating from United Kingdom came in through Kathmandu, another quarter preferred road as their mode of transport and entered the country from Phuntsholing. Some 20.1% boarded from Delhi - which explains that majority of the British visitors like to visit India during their holiday in Bhutan.

Graph 3.4
<u>Port of Entry of UK Arrivals</u>

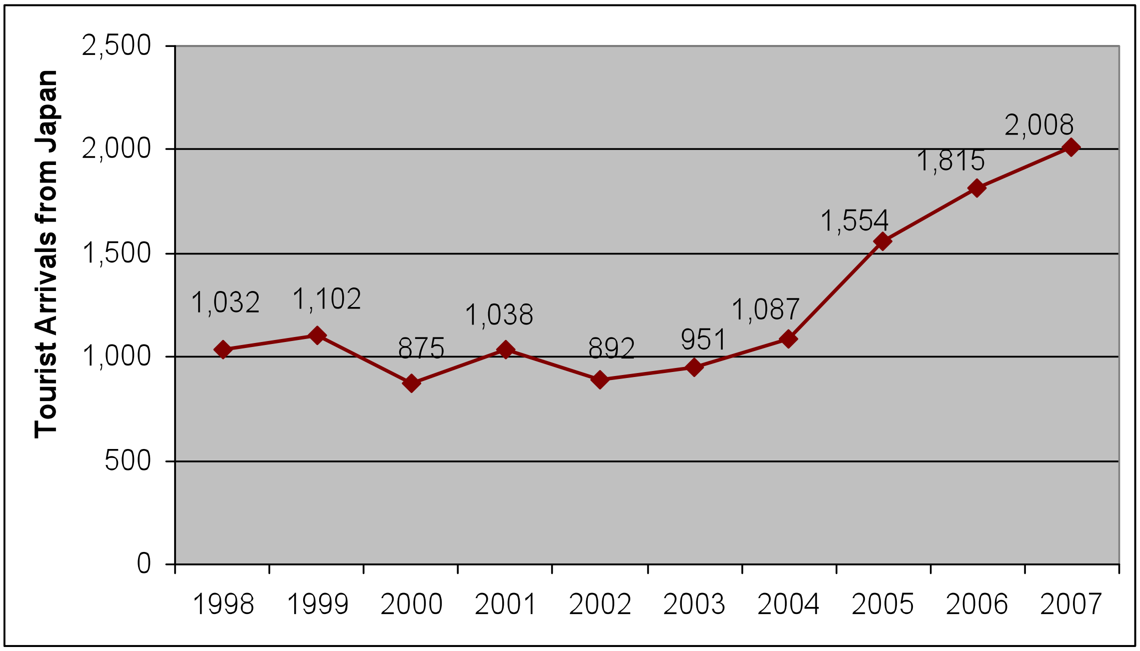


Japan

Japan contributed 2,008 visitors, an increase of 10.6% over the previous year. Japan is a source country that has maintained a constant growth rate since its growth from 2003 onwards. Its level of impact declined on the bed nights rating with only 6.5% of all bed nights recorded by Japanese visitors. This is explained by their extremely short length of stays of 5.5 days average. Even though a quarter of the Japanese visitors visited during the autumn months, almost an equal number visited during the months between March to August. The months between December and February also recorded 12.7% of the Japanese visitors, which is one of the highest figures for markets visiting during these months.

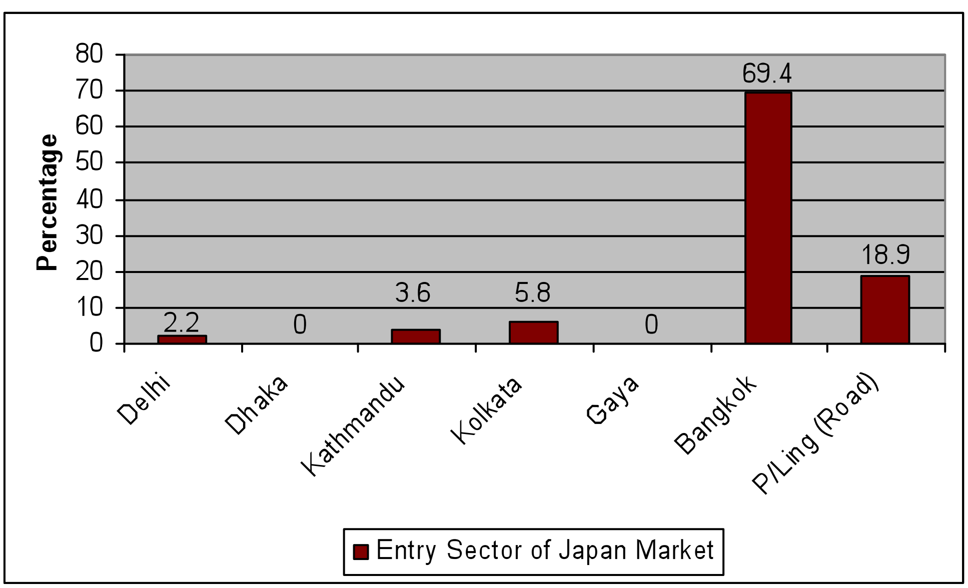
Whilst 29.3% of all Japanese visitors were more than 60 years, more than half of the total Japanese (52.2%) were young people aged 18 to 45 years. Visitors originating from Japan preferred to travel as part of tour groups and as groups of friends. Some 70.3% indicated that they intended to re-visit again in the next 5 years. Bhutan was the only destination for majority of the Japanese who visited Bhutan in 2007.

Graph 3.5
<u>Visitor Arrivals from Japan</u>



The graph 3.6 below shows the entry sector for the Japanese visitors in 2007. Majority of the visitors indicated that direct flights which are cheaper compared to the other sectors make Bangkok a favourable transit port. A considerable number also entered via Phuntsholing.

Graph 3.6
Port of Entry for Visitors from Japan

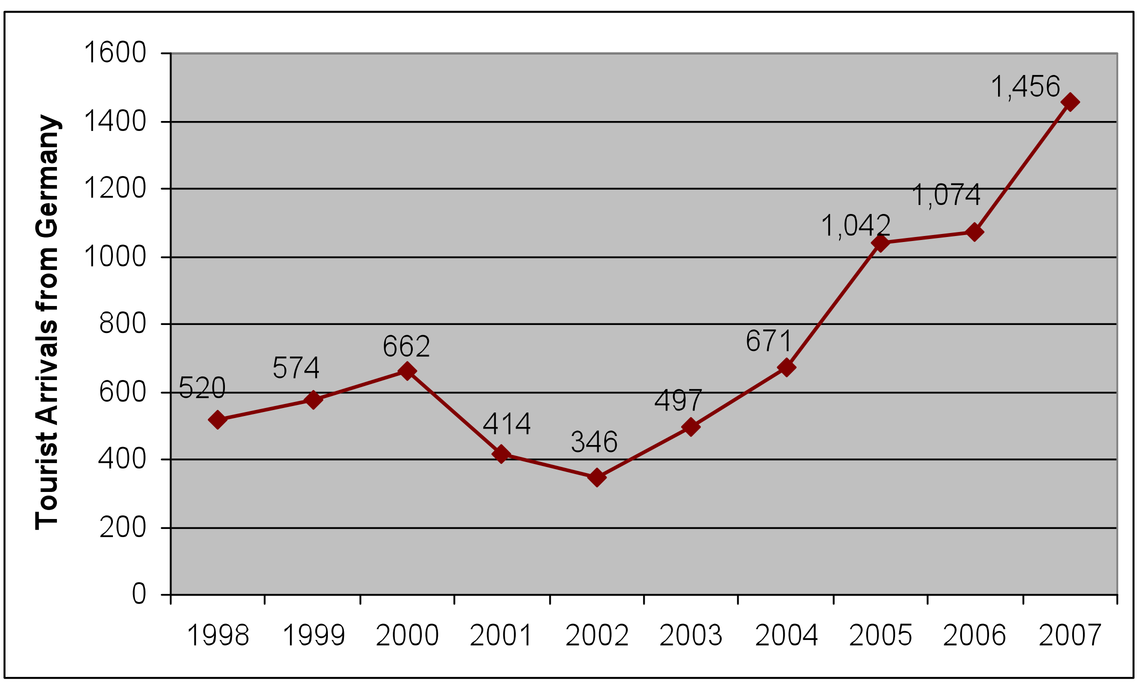


Germany

Germany remains as the second most important source market from the Europe region contributing 1,456 visitors in 2007, an increase of 35.6% over the previous year. It accounted for 8.2% of the total bed nights, making it the third most important source market in terms of bed nights. Their primacy over Japan in terms of bed nights is because of their longer length of stays averaging at 9.5 days. The Germans, like the Americans predominately visit during the peak seasons of September-November. Whilst 29.3% visited March-May, only 5.2% and 5.6% visited between December-February and June-August respectively.

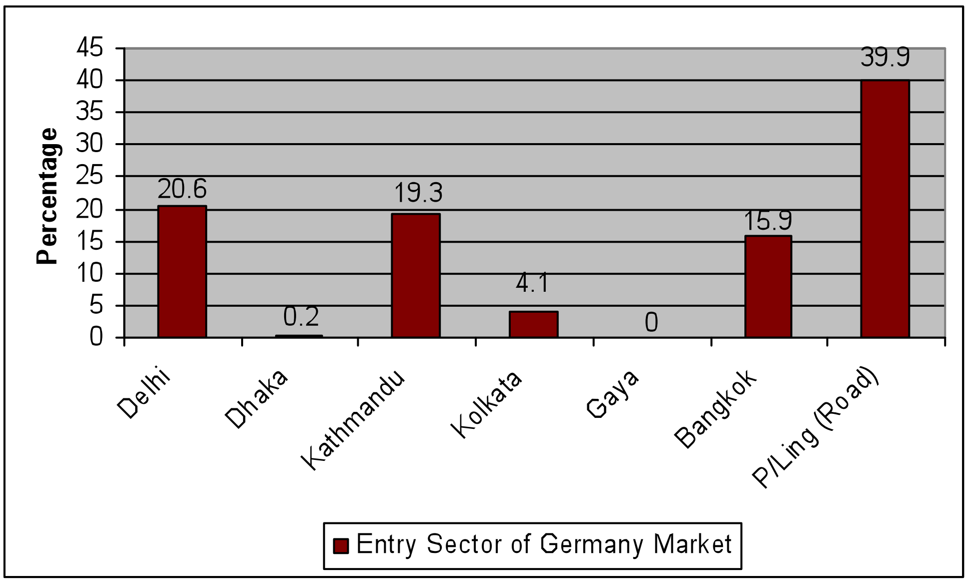
Almost a quarter were aged over 60 years, and another 45.9% were aged between 36-55 years. Majority preferred travelling as part of tour groups and couples. Some 68.4% of the interviewed respondents from Germany indicated that they intended to revisit Bhutan with the next 5 years.

Graph 3.7
Visitor Arrivals from Germany



The graph 3.8 below shows the visitors' preferred mode of travel is unlike the other top source markets of USA, UK and Japan. Majority (39.9%) of the Germans preferred to enter the country via Phuntsholing. 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 3.8
Port of Entry for Visitors from Germany

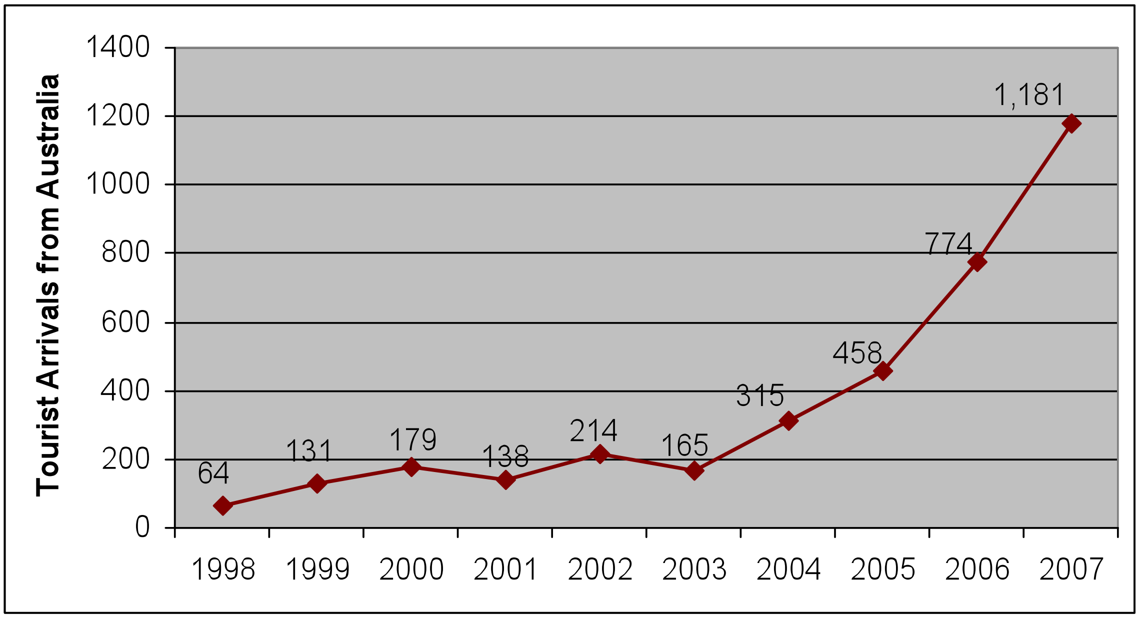


Australia

Australia is gaining importance over the years with arrivals peaking at 1,181, a growth of 52.6% over last year. After a decline in 2003 because of the SARS epidemic, tourist traffic from Australia has seen unprecedented growth with almost 4-fold the total arrivals in 2004. Australia which is featured under the Asian/Asia-Pacific region rates as the second most important source market next to Japan. It accounted for 6.5% of the total bed nights recorded in 2007, with an average length of stay of 9.4 days. Like the Germans, most of the Australians visit during the autumn and spring seasons. Whilst 8.0% visited during the winter season, only 2.7% came to Bhutan during the summer low months.

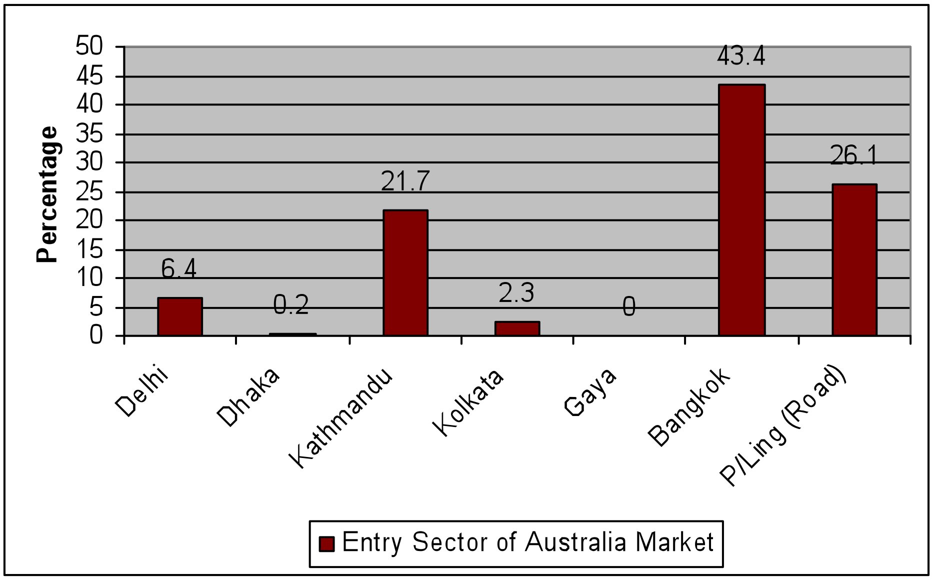
Some 35.2% of the visitors originating from Australia were more than 60 years, and another 50.4% were aged between 26 – 55 years. ‘Tour groups’ and ‘Couples’ segments were the preferred travel party composition.

Graph 3.9
Visitor Arrivals from Australia



Graph 3.10 below shows the preferred port of entry for the Australians. Whilst majority of the Australians indicated that Bhutan was their only destination, a considerable number also combined Nepal (26.4%) as part of their itineraries. This explains why Kathmandu rated significantly (21.7%) as an entry port. Some 43.4% of the visitors preferred Bangkok as their port of entry. A considerable number also entered the country by road from Phuntsholing.

Graph 3.10
Port of Entry for Visitors from Australia

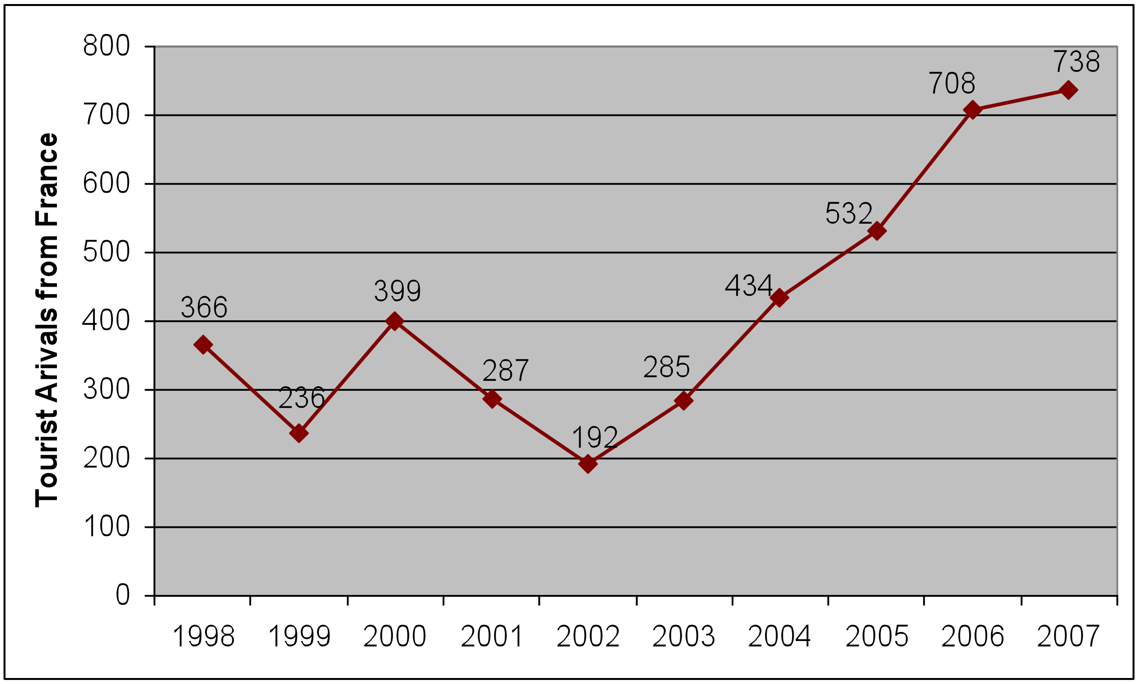


France

There had been a sudden plunge in the performance of the French market in 2001 due to the September 11 attacks on the World Trade Centre. From 2003 onwards, the French market which had been exhibiting an uninhibited growth till 2006, increased only by 4.2% in 2007. A total number of 738 arrivals contributed 4.2% of the total bed nights in 2007. The average length of stay however increased to 9.6 days from the previous average of 9.0 days. The peak months during spring (March-May) and autumn (September-November), accounted for 84.0% of the total French arrivals.

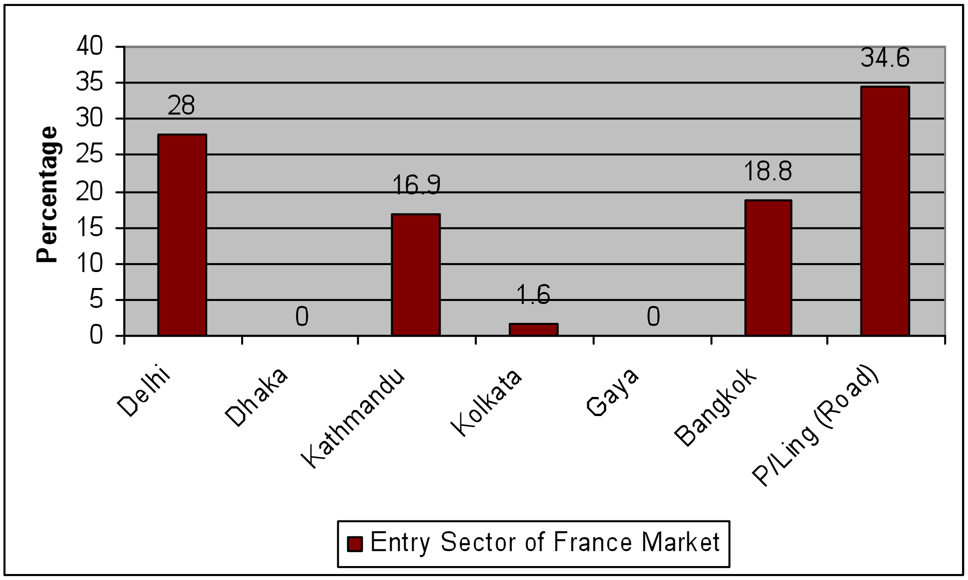
Some 27.3% were more than 60 years, and a quarter each were between the age 36-45 years and 46 to 55 years. Some 4.6% of the total French respondents were below 25 years. Whilst the majority travelled as part of tour groups and couples, some 18.2% of the respondents also travelled alone.

Graph 3.11
Visitor Arrivals from France



The graph below shows the port of embarkation for the visitors originating from France. Delhi (28.0%), Kathmandu (16.9%) and Bangkok (18.8%) rated significantly, but the majority preferred road as their mode of transport with 34.6% of total French respondents coming via Phuntsholing. Cross tabulation between the nationality versus circuit destination showed that while the French chiefly visited India, a quarter of them also visited Nepal. A significant number indicated that Bhutan was the sole destination.

Graph 3.12
<u>Port of Entry for Visitors from France</u>

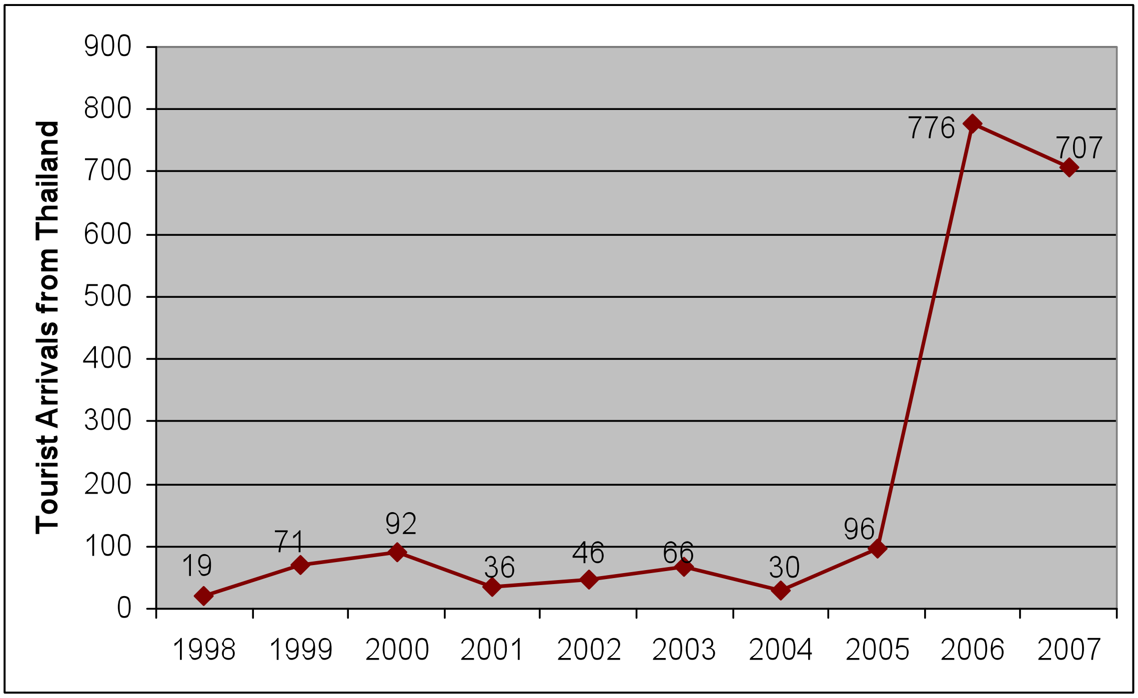


Thailand

Thailand has been a source market particularly of interest only after 2006 as shown in the graph below. With His Majesty the fifth King's momentous visit to Thailand in June, 2006, there was unprecedented growth in the Thai arrivals, which earned itself a place in the top 5 source markets in 2006. However, despite fear of receding, the Thai market continued to be stable with 707 visitors in 2007. Even though this represents a decrease of 8.9% compared to 2006, it proved itself to be a very potential market in the next few years. However, it accounted for only 1.9% of the total bed nights in 2007 as their length of stay averaged 4.6 days. Thailand can be one of the main source markets feasible for low season marketing as the Thais do not seem to have any predisposition to visit during a particular time of the year.

The Months between March-May recorded highest visitation with 37.8%, followed by months between September-November with 22.6%. The low months between June-August and December-February recorded 20.1% and 19.5% respectively. Bhutan was the sole destination for almost all the Thai arrivals and Bangkok was their main port of embarkation.

Graph 3.13
Visitor Arrivals from Thailand

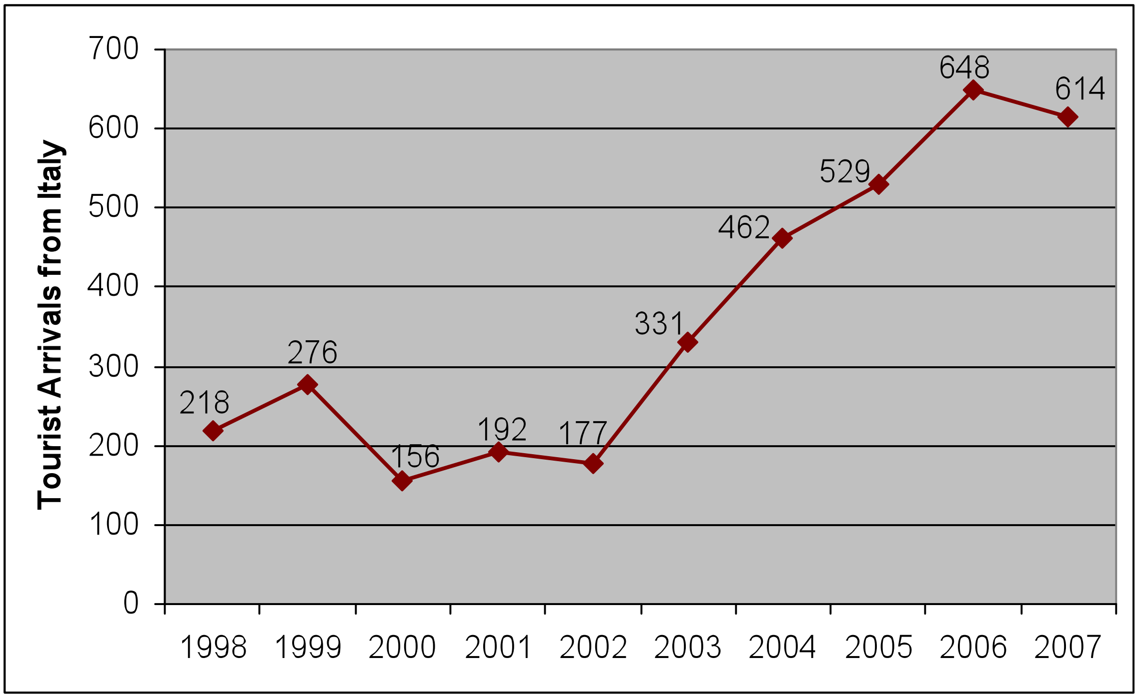


Italy

A slight decrease of 5.2% in the arrivals between 2006 and 2007 displaced its position from the fourth place to the eighth position in the major source markets ratings. Tourist arrivals totalled 614, which contributed 3.0% of all bed nights in 2007. The average length of stay for Italians remained constant with 8.2 days. The period of visitation for the Italians is of particular interest because it is the only European Market whose time of visitation spreads out over the year. Some 40.4% came during the months between March and May, another 36.0% and 17.1% between the months of September-November and June-August respectively. Italy also records maximum visitation specifically during the August month which can be attributed to the holiday time of the Italians. The months between December and February accounted for 6.5% of the total visitors originating from Italy.

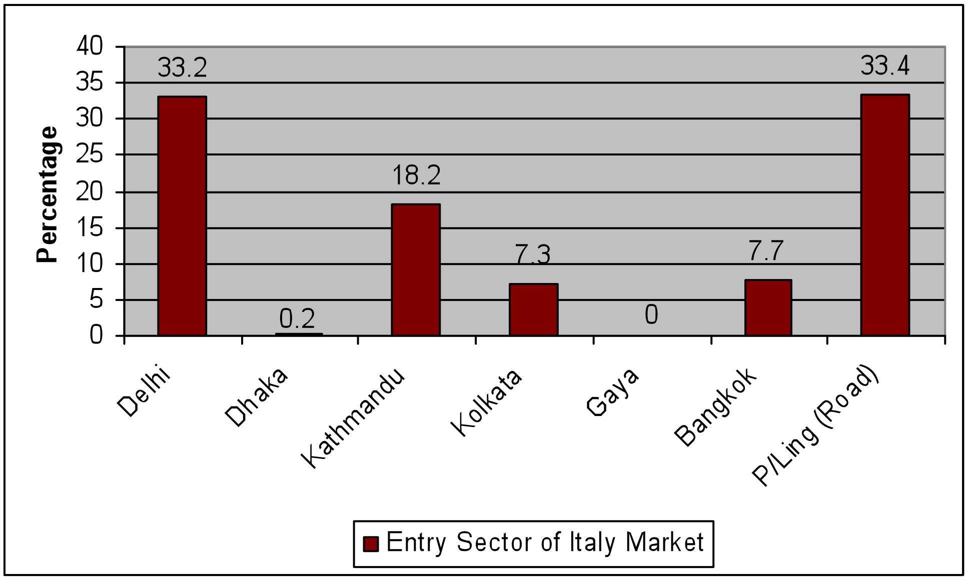
Whilst 38.9% of the visitors were over the age of 60, the remaining were almost evenly distributed between the age of 25 to 60. None of the Italian visitors who were sampled during the survey were under 25 years. Majority of the sampled visitors from Italy tended to travel with groups of friends. Whilst 41.7% included Nepal in their trip, some 30.6% indicated that Bhutan was their sole destination.

Graph 3.14
<u>Visitor Arrivals from Italy</u>



The Graph 3.15 below shows the entry sector of the Italian visitors in 2007. Port of entry was slightly skewed towards the Phuntsholing sector with 33.4% coming by road. This was closely followed by Delhi (33.2%) and Nepal (18.2%). Very few of them preferred Bangkok compared to other top source markets. Kolkata also rated significantly with 7.3%.

Graph 3.15
<u>Port of Entry for Visitors from Italy</u>

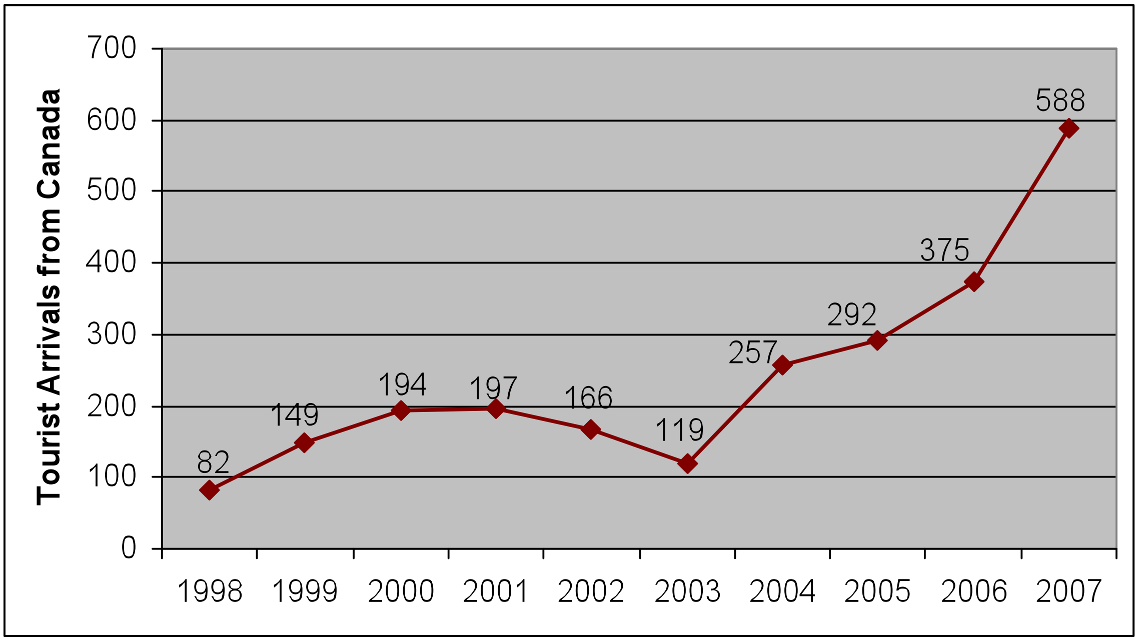


Canada

Canada crossed the 500 mark for the first time with 588 visitors recorded in 2007. This figure represents an increase of 56.8% over the 2006 figure. Canada accounted for 3.0% of the total bed nights in 2007 and 8.8 days recorded as average length of stay. Similar to the USA market, the Canadians chiefly visit during the peak months between September and November with 44.7% visiting, and also between March and May with 43.9%. Some 7.1% visited during the winter months.

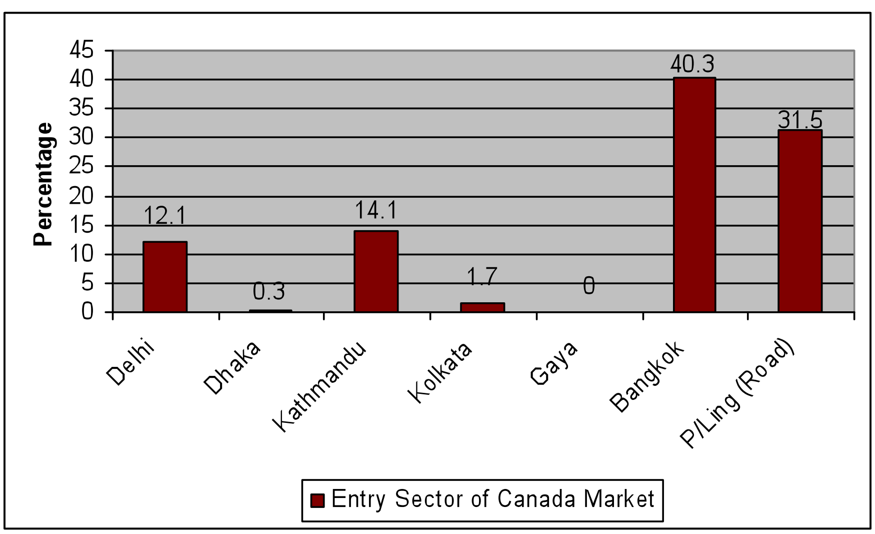
Majority of the visitors originating from Canada were above the age of 60. A cross tabulation between the 'Travel Party Composition' against the 'Nationality' of the respondent shows that they preferred travelling as 'Couples', or as 'Groups of Friends'.

Graph 3.16
<u>Visitor Arrivals from Canada</u>



The graph 3.17 below shows the entry sector for the Canadians. Majority boarded the plane from Bangkok which shows that the Canadians prefer to combine their Bhutan holiday with Thailand. Whilst Nepal (14.1%) and Delhi (12.1%) rated significantly, one third of the visitors also preferred the road mode of transport and entered the country from Phuntsholing.

Graph 3.17
<u>Port of Entry for Visitors from Canada</u>

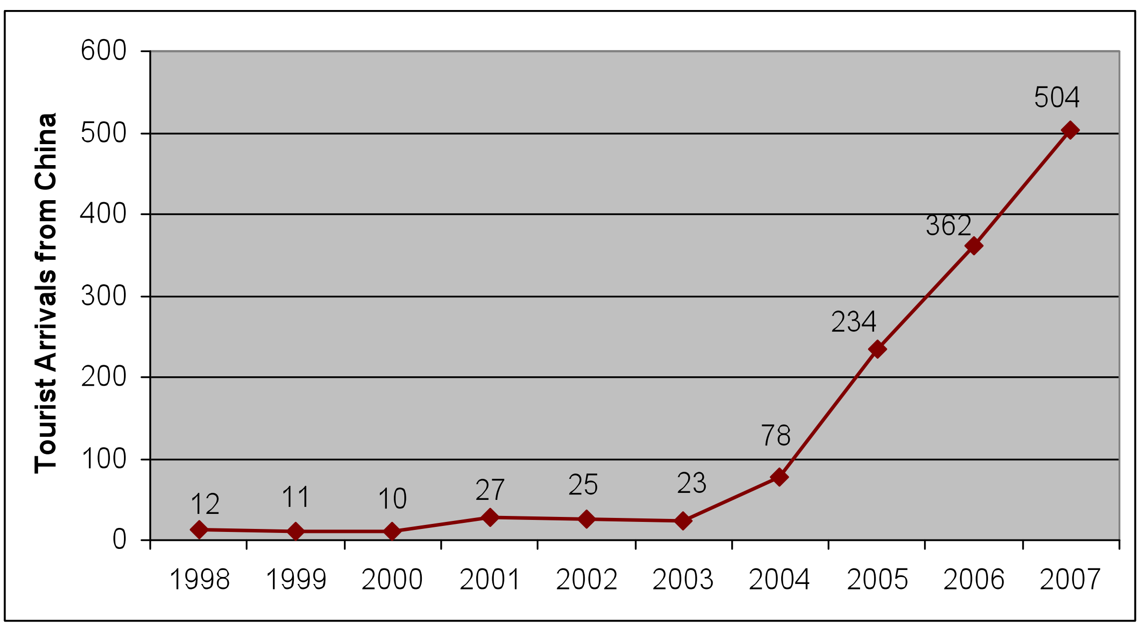


China

China, like Thailand is also emerging as a dominant Asian source market. The rise of the Asian markets is good news for Bhutan, chiefly because they complement the American/European markets by contributing highly during the low seasons, which eventually alleviate seasonality. The year 2007 recorded 504 Chinese visitors, which represents an increase of 39.2% over the previous high. They accounted for 1.7% of the total bed nights at an average length of stay recorded at 5.6 days.

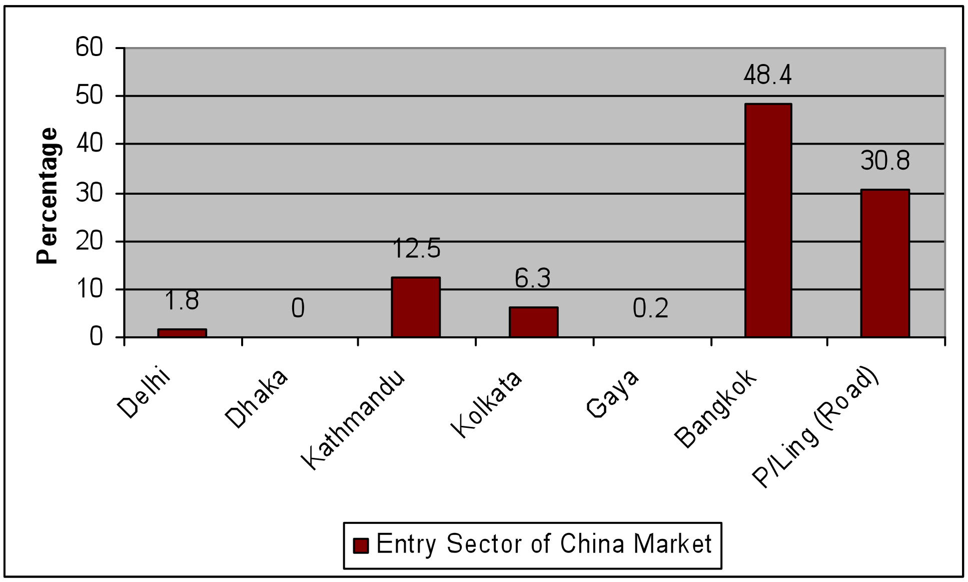
Time of visitation is almost evenly spread across the year with 29.8% visiting between the months of March-May, followed by the autumn months with 28.0%. Another 25.0% and 17.3% visited during the low months of June-August and December-January respectively.

Graph 3.18
Visitor Arrivals from China



The graph 3.19 below shows the port of entry for the Chinese visitors. The majority of the visitors preferred 'Air' as their mode of transport, but some 30.8% preferred visiting the country through Phuntsholing by road. The only other Druk-Air sector that rated significantly was Kathmandu with 12.5%.

Graph 3.19
<u>Port of Entry for Visitors from China</u>

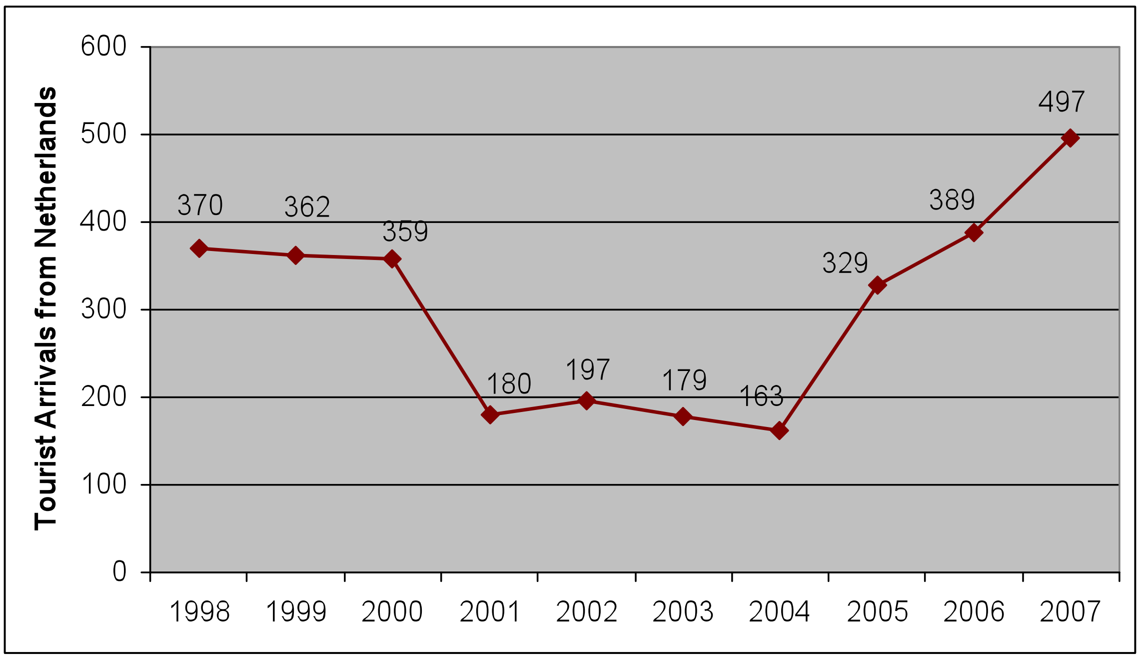


Netherlands

International arrivals from the Netherlands reached an all time high of 497 visitors in 2007, making it the fifth most important source market from the European region. This attributed to an increase of 27.8% over last year's figure. Visitors originating from the Netherlands accounted for 4,930 total bed nights, a 2.9% proportion of the total nights in 2007. The average length of stay for this source market was one of the highest with 9.9 days. The Dutch visitors exhibit a strong disposition to visit mainly during the Autumn months of September, October and November with 62.0% visitors. A significant proportion of the Dutch visitors also visited during the lean summer months with 11.7%.

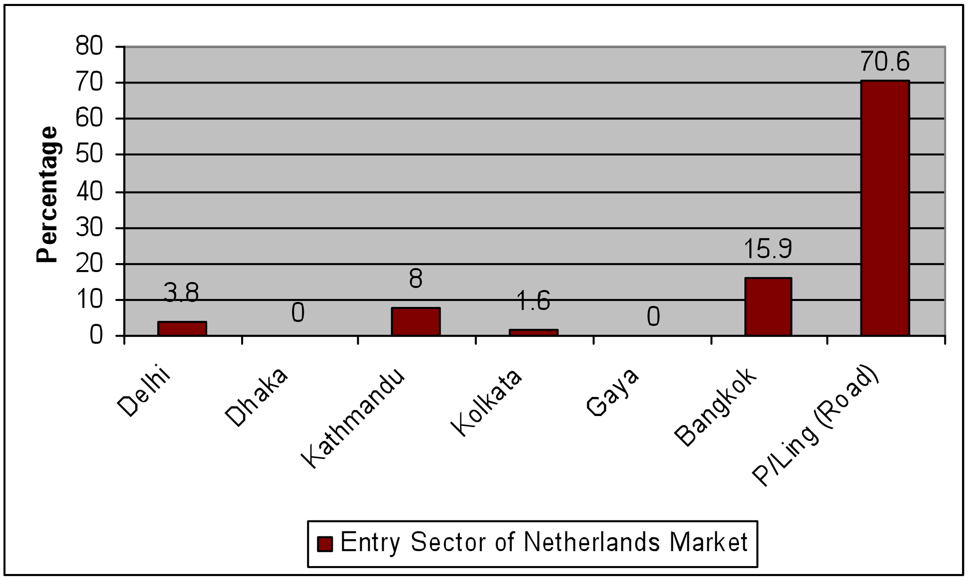
Exit survey figures showed that 38.1% of all respondents from the Netherlands belonged to the dominant age bracket of '36 to 45' years, followed by 19.1% of the '46 to 55' years bracket. Cross tabulation between the 'Travel Party Composition' and 'Nationality' revealed that the Dutch visitors preferred to travel as part of a tour group, or as couples. Whilst India and Thailand are widely included during their Bhutan holiday, Bhutan remains a sole destination for the majority sampled from the Netherlands.

Graph 3.20
Visitor Arrivals from the Netherlands



The graph 3.21 below shows the entry port for the visitors from the Netherlands. Unlike many source markets, a good proportion of 70.6% of the total arrivals from Netherlands preferred road as the mode of transport and entered the country through Phuntsholing. Bangkok attributed to 15.9% followed by Kathmandu by 8.0%. Delhi only recorded 3.8% of total arrivals in 2007.

Graph 3.21
Port of Entry for Visitors from the Netherlands

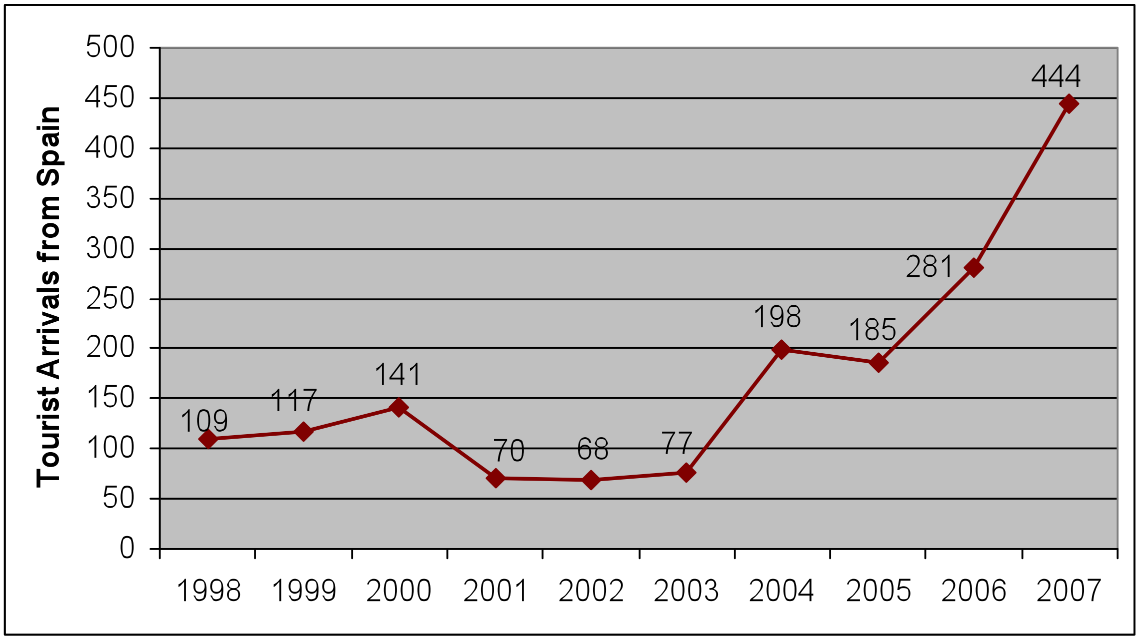


Spain

Spanish arrivals recorded one of the highest growth in 2007 with 58.0% increase over the 2006 figures. A total number of 444 visitors from Spain accounted for 2,920 bed nights. Whilst the majority (48.2%) visited during the autumn months, a significant 33.6% of all Spanish visitors also visited during the summer months of June, July and August, thus making it a potential source market which could hugely contribute to seasonality alleviation during low seasons. Only 13.7% visited during the peak months between March and May.

However, the average length of stay was recorded at 6.6 days, a figure which explains the triviality of the Spanish market on the number of bed nights. The Spanish visitors mostly included Nepal as part of their itinerary during their trip to Bhutan and preferred to travel largely as tour groups, or as groups of friends.

Graph 3.22
<u>Visitor Arrivals from Spain</u>



The graph below shows the port of entry for the Spanish visitors. Nearly half of the total Spanish visitors entered into the country through Kathmandu, which validates the fact that many of them include Nepal during their Bhutan trip. Some 15.3% and 4.9% entered via Bangkok and Phuntsholing respectively. Unlike other European source markets, the Spanish also entered through Kolkata (13.7%).

Graph 3.23
Port of Entry for Visitors from Spain