Bhutan Tourism Monitor

Annual Report 2009

Kingdom of Bhutan

Tourism Council of Bhutan

Research and IT Section

Tourism Council of Bhutan

Produced by the Tourism Council of Bhutan

Foreword

Growing popularity of Bhutan as an exclusive travel destination led to another successful year for tourism industry in 2008. The profile was further enhanced by some of the significant events which took place both in Bhutan and abroad in 2008, providing enormous publicity for the tourism industry and Bhutan as whole. A new king was crowned; Bhutan celebrated hundred years of monarchy; and held its first general election for parliamentary democracy. Similarly, Bhutan participated in the 42nd

Smithsonian Folklife Festival in Washington D.C showcasing its living culture and tradition. This was followed by the Dragon's Gift exhibition held at the Rubin Museum of Art in New York City.

There was an increase of 31.0% tourist arrivals in 2008 registering one of the highest growth percentages so far in the history of tourism in Bhutan. Similarly, tourism contributed USD. 38.8 million in 'Gross earnings' and USD. 13.3 million as Royalty', which reflected an increase of 30.1% and 29.9% respectively compared to 2007. However, the contribution of tourism industry will be significantly higher if the contribution is measured by the help of Tourism Satellite Accounting (TSA) standards. The current figure reflects only that of tariff paying tourists and it does not include other segments and types of tourism.

Bhutan has experienced mostly cultural tourism so far and its tremendous potential remains to be fully harnessed. This can be achieved by diversifying primarily into nature including Community Based Tourism (CBT), Business Tourism and Wellness Tourism products. A much wider product range coupled with quality service will provide added attractions to tourists. This should broaden the demography of the visitors, repeat visitations and indeed address the seasonality and the need for a more equitable and spatial distribution of tourism benefits.

We are happy to present the Bhutan Tourism Monitor (BTM) 2008. The name of the publication is changed to Bhutan Tourism Monitor because it portrays the trends of tourism in Bhutan. This is the 4th edition and the Tourism Council of Bhutan strives to improve its publication every year because it serves as an important source of information. I hope that this report will be of use not only to government policy makers and tourism planners but also to private entrepreneurs.

This publication would not have been possible without the hard work and contribution of my colleagues at TCB and cooperation of other agencies.

Kesang Wangdi
Director General
Tourism Council of Bhutan

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Introduction

The ‘Research and Information Technology Cell’ under the Council is mandated with many responsibilities, out of which the primary is to undertake the situational analysis of the tourism industry in Bhutan. The Bhutan Tourism Monitor strives to provide insight for future marketing strategies, to highlight necessary improvement of services, to assist tour operators in product development, to guide the Council in policy making and, overall, to ensure that tourism in the Kingdom develops in a sustainable manner, 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. In addition to the above, this report also includes the calculation of quarterly occupancy rates of accommodation providers in different Dzongkhags, a summary of the findings for the major source markets, and training achievements of the Hotel and Tourism Management Institute.

Methodology

This report – The Bhutan Tourism Monitor 2008 - is presented in three sections. The first section presents the actual statistical data of the tourist arrivals, their profile, preferences and activities and the changes compared to the last few years. It is based on data produced by the TASHEL data-base system (TCB) 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 2008.

The second section of this report presents results based on three 12 week data collection periods at Paro airport throughout 2008, 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 (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 2008 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 2008 with international arrivals peaking at 27,636, a growth rate of 31.01% over the previous high of 2007. Likewise, gross earnings from tourism increased to a total $US 38.8 million, a growth of 30.2% over 2007. The tourism industry contributed $US 13.8 million as government revenue. The tourist arrivals have been growing constantly since 1989 with a slight drop in 2001 due to unavoidable circumstances.

United States of America (USA) remained the single largest source market, providing in excess of a quarter of all visitors (25.1%), followed by the United Kingdom (UK) with 10.1%. Though their growth in actual figure might not have been significant, countries like Lebanon (+800%), Ukraine (+780%), Bulgaria (+550%), Sri Lanka (+550%), Kuwait (+400%), Roman (+300%), etc., exhibited the largest growth rate compared to other source markets. Among the top 12 source markets, China showed huge increase of 112.1% increase compared to 2007. Countries like Vietnam (-72.0%), Cambodia (-66.7%), Saudi Arabia (-60.0%), Portugal (-56.3%), Venezuela (-54.6%), Colombia (-54.6%), Hungary (-51.8%), and Argentina (-51.25) showed a drop in arrivals compared to 2007 arrivals.

Global segmentation of source markets revealed that Europeans as a single entity, continued to dominate arrivals (42.3%) with small increase compared to 2007. North-

America constituted 28.7% and Asia/Asia-Pacific supplied 27.2% of all visitors. North America's contribution was slightly lower compared to 2007.

Drukair, the national airline is the preferred way of visiting Bhutan with 81.7% of the total visitors using Drukair as their mode of transport. Similarly, 18.3% of the visitors entered Bhutan using road and which represents a slight drop compared to the previous year. Now with Gelephu and Samdrup Jongkhar access points open for tourism, this segment is expected to increase in the years to come. Some 87.1% of all visitors also used Drukair to exit the country.

Visitors from the USA and UK dominate both in terms of arrivals and bed nights. Paro (33.0%) and Thimphu (24.5%) Dzongkhags dominate the bed nights. Not surprisingly, March, April, May, September, October, and November had the highest number of bed nights recorded and these months were the preferred months by most nationalities. However, July saw 100.2% increase in bed nights signalling it as a potential high season.

There were 132 hotels in 2008 registered with TCB and this includes 8 luxury hotels and 29 regional hotels. This figure represents 9.1% increase compared to 2007. There were 11 new hotels completed and opened for tourist in 2008. Occupancy rate is comparatively high in high-end hotels and hotels in Punakha and Wangdue show higher occupancy rates. Again, Olathang hotel in Paro topped in terms of bed nights accounting for 7.6% of the total bed nights followed by Zangto Pelri Hotel in Punakha with 4.7% of the total bed nights.

Though only 4.4% of all the visitors visited solely for Trekking, it is an important activity undertaken by Cultural tourists. Druk-path Trek received the highest number of trekkers with 736 followed by Jhomolhari Trek (709), Gangtey Trek (393), Bumthang Cultural Trek (339), etc. Out of the top 12 trek routes Wild East Rodongla Trek (347.4%), Laya/Gasa Trek (73.2%), Jhomolhari Trek (55.1%) and Lunana Snoman Trek (49.2%) saw a significant increase in number of trekkers.

The average length of stay among the major source markets was 7.8 days Switzerland recorded the longest length of stay with 10.4 days on average, followed by the Netherlands staying for 9.7 days. Asian visitors stay comparatively for short duration.

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 June, July, November and February.

There were 6,676 organised tour groups in 2008, 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. The average group size and number of persons in a group have not changed for past few years.

As of December 2008, there were 475 registered local tour operators in Bhutan. Only 53.8% of the local tour operators were operational in 2008. Bhutan Tourism Corporation Limited (including Luxury Division) continued to dominate with 17.9% of the total share of bed nights, followed by Etho Metho Tours and Treks with 5.7%. The top 12 operators in 2008 controlled over 51.5% of all bed nights recorded in 2007.

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 (87.1%) and for the majority, this was their first visit to Bhutan (90.1%). 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, internet and television. Same like in 2007, 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'.

Advice of an agent, favourable weather conditions, and holiday timing at the source market are the main determining factors while choosing when to visit Bhutan.

The most commonly cited areas for improvement were the improvement of hotels and its services, roads, variety in food, acceptance of Credit Cards and international ATM cards for payment of services, more toilets and restrooms along the highways, improvement of road conditions.

Global Tourism in 2008 (source: UNWTO)

The year 2008 saw an overall of 2% growth in international tourist arrival compared to 7% growth in 2007. The total international tourist arrivals reached to 924 million up to 16 million over 2007 (UNWTO Barometer, January 2009). The first half of 2008 looked very promising for the tourism industry with 5% increase but moved into -1% in the second half of 2008.

In the last six months of 2008 Europe (-35) and Asia (-3%) were highly impacted compared to other regions like America (+1%), Africa (+4%), and Middle East (+5%). All these regions saw double digit growth in 2007. According to UNWTO, for the year as a whole (2008), all regions were positive expect Europe, which suffered stagnation in arrivals. The regions that did well were Middle East (+11%), Africa (+5%) and the Americas (+4%).

Though there was 2% growth for Asia and the Pacific in 2008 it was very low compared to 11% increase in 2007. In the average growth of 2%, South Asia and South East Asia both saw an average increase of 4%. Regions like Middle East and Africa did well compared to other regions but comparatively poor compared to 2007.

Some of the regions that did quite well in 2008 are Macao (China), India, Turkey, Morocco, Jordan, Egypt, Lebanon, Panama, Honduras, Nicaragua, the Republic of Korea, and Indonesia.

However, theoverall share of inbound international tourist arrivals for 2008, Europe leads with more than half of all the international tourist arrival. Asia and the Pacific and the Americas also did quite well by receiving 20% and 16% of the world's inbound tourist arrivals.

World Inbound Tourism: International Tourist Arrivals 2008

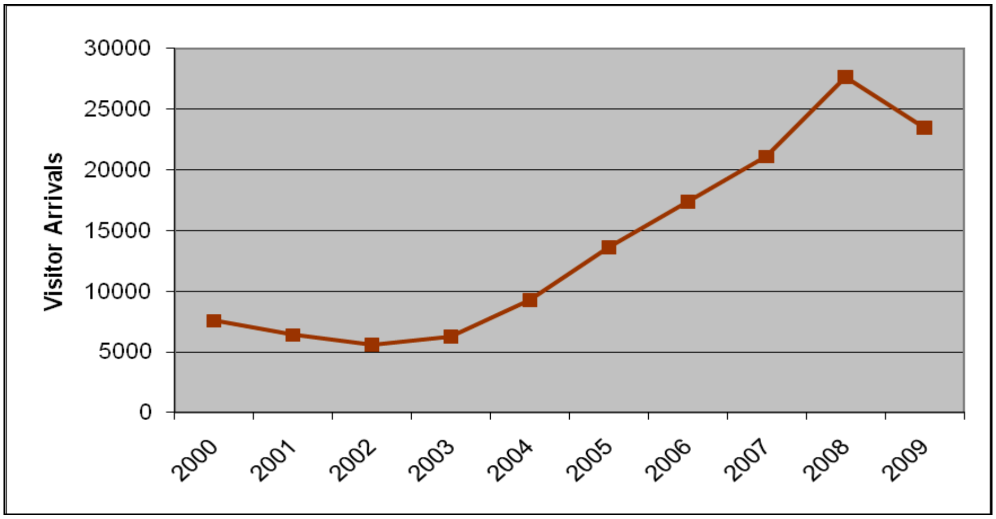
Global International Tourist Arrivals, 2008 (source: UNWTO)

Section 1 – TASHEL Data

International Arrivals to Bhutan

As a result of the global recession and the H1N1 pandemic in 2009, the performance of the tourism industry in Bhutan was impacted with international arrivals dropping at 23,480, a decrease of 15.0% over the previous high of 2008. Given that the surge in arrivals in 2008 was mainly attributed to the Coronation and Centenary celebrations and the Smithsonian festival, this year's figure actually show a good performance than expected. This decline therefore marks a reversal of the rapidly growing trend of visitor arrivals since 2002.

Graph 1.1
International Arrivals to Bhutan 2000 - 2009



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 20.4% of total arrivals in 2009. This was followed by Japan (13.4%), United Kingdom (8.4%), and Germany (6.8%). However, the figures clearly show that the majority of the markets of America and Europe saw a considerable slump with -31.1% decrease from USA and -28.6% decrease from UK compared to the previous year. On the contrary, there was significant growth recorded for top Asian markets like Japan, China, Singapore and Malaysia. This clearly indicates suggested that the economic downturn mainly impacted travel behaviour in the western world.

In terms of growth from other source markets in 2009 compared to 2008, there was a huge increase from countries like Argentina (+181.0%), Indonesia (+172.2%), Greece (+137.8%), Israel (+103.9%) and Viet Nam (+257.1%).

Some of the new visitors in 2009 were from Bosnia, Liechtenstein, Andorra, Chinese-Macau and Bahrain suggesting the growing interest from potential visitors from these and other countries for tour operators to target while marketing.

Graph 1.2

Major Source Markets

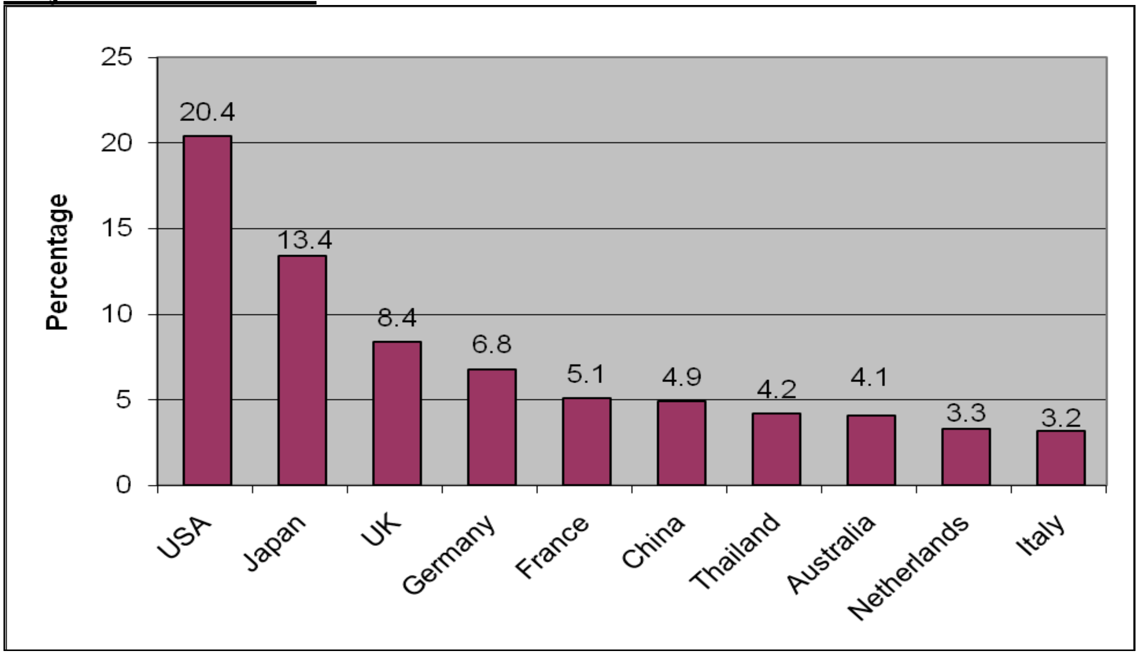


Table 1.1
Major Source Markets by Nationality and Year

Nationality	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	% of 2009 Total
USA	2,754	2,149	1,913	1,803	3,242	4,681	5,018	5,773	6,941	4,786	**20.4**
Japan	875	1,038	892	951	1,087	1,554	1,815	2,008	2,745	3,136	**13.4**
United Kingdom	595	681	519	605	954	1,462	1,952	2,193	2,758	1,968	**8.4**
Germany	662	414	346	497	671	1,042	1,074	1,456	1,717	1,587	**6.8**
France	399	287	192	285	434	532	708	738	1,402	1,189	**5.1**
China	92	36	46	66	30	96	776	707	1,069	1,143	**4.9**
Thailand	92	36	46	66	30	96	776	707	627	975	**4.2**
Australia	179	138	214	165	315	458	774	1,181	1,524	970	**4.1**
Netherlands	156	192	177	331	462	529	648	614	915	780	**3.3**

Italy	359	180	197	179	163	329	389	497	751	759	2.7
Year Totals	**7,559**	**6,393**	**5,599**	**6,261**	**9,249**	**13,626**	**17,344**	**21,094**	**27,636**	**23,480**	

NB – Please note that columns do not add to the year-end totals – only the top 10source markets are detailed. Year totals are shown at the base of the table.

Regional Tourism

Source markets like 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.

In 2009, there were 20,847 Indian tourists who came to Bhutan solely for the purpose of holidaying. Out of this 17,031 came overland and the remaining 3,816 used Druk Air to enter the country. Contrary to international visitors, the Indian source market marked a 23.23% increase in arrivals despite the global recession. This suggests that the Indian source market was hugely untouched by the repercussions of the economic meltdown and could be marketed as a valuable source market. The high-end visitors from India could greatly help mitigate seasonality and also make the industry a resilient one given the rising standards of the middle-class in India.

Global Segmentation of Major Source Markets

Graph 1.3 below shows the global segmentation of international markets. Tourist traffic according to global-region distribution in 2009 remained almost the same as of 2008, with majority (41.3%) of the visitors originating from Europe. This was followed by the Asia/Asia-Pacific region with 33.2% which included important markets like Japan and Australia. The North American region contributed 20.4% of all arrivals which included important markets like the US and Canada. This represented a more than -8.0% decrease compared to in 2008. A slight change in trend was recorded as visitors from Europe and North America saw decrease in arrivals whereas visitors from the Asia/Asia-Pacific region increased significantly by 5.0%. Africa, Middle-East and South American regions also recorded increase in arrivals therefore suggesting that Bhutan's image as a travel destination seems to be growing geographically every year. Table 1.2 shows the country-wise breakdown of source markets for 2009.

Graph 1.3
Global Segmentation of Source Markets

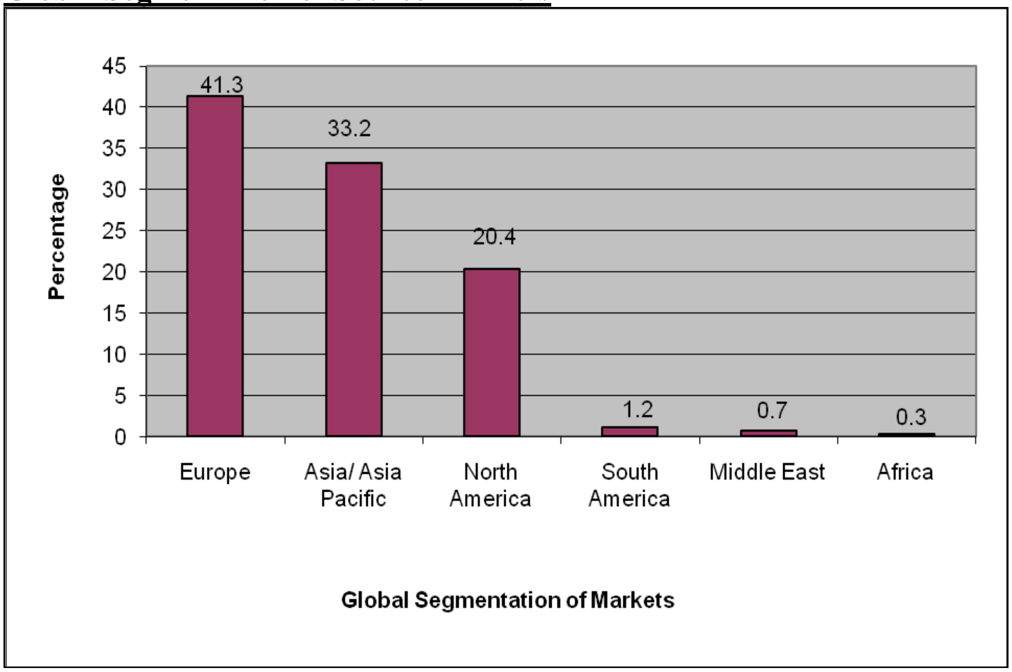


Table 1.2
Country-wise Breakdown of International Source Markets

Source Markets	Arrivals	Proportion of Total Arrivals	Proportion of Change from 2008
A. North American Region			
American (US)	4,786	20.4%	-31.1%
Canadian	556	2.4%	-34.7%
Mexican	125	0.5%	-9.4%
B. European Region			

British	1,968	8.4%	-28.6%
German	1,587	6.8%	-7.6%
French	1,189	5.1%	-15.2%
Dutch	780	3.3%	-14.8%
Italian	759	3.2%	1.1%
Swiss	543	2.3%	-9.1%
Spanish	485	2.1%	-39.6%
Austrian	420	1.8%	-11.0%
Belgian	364	1.6%	-15.7%
Russian	270	1.2%	10.2%
Polish	184	0.8%	-21.0%
Finnish	161	0.7%	-15.7%
Danish	153	07%	20.5%
Portuguese	116	0.5%	27.5%
Greek	107	0.5%	137.8%
Norwegian	92	0.4%	-15.6%
Swedish	88	0.4%	-50.3%
Czech	77	0.3%	18.5%
Irish	59	0.3%	-39.8%
Turkish	51	0.2%	-44.0%
Slovakian	53	0.2%	-3.7%
Hungarian	49	0.2%	-9.3%
Slovenian	30	0.1%	-52.4%
Ukrainian	28	0.1%	-36.4%
Romanian	19	0.1%	58.3%
Luxembourg	16	0.1%	14.3%
Estonian	14	0.1%	-74.1%
Bulgarian	12	0.1%	-7.7%
Cypriot	5	0.02%	-16.7%
Croatian	4	0.02%	-50.0%
Lithuanian	4	0.02%	-87.5%
Latvian	3	0.01%	-66.7%
Andorran	3	0.01%	3.0%
Belarusian	2	0.01%	0
Liechtenstein	2	0.01%	2.0%
Bosnian	1	0	1.0%
Yugoslavian	1	0	1.0%
C. South American Region			
Brazilian	178	0.8%	-28.5%
Argentinean	59	0.3%	181.0%
Colombian	14	0.1%	180.0%
Chilean	8	0.03%	-46.7%
Venezuelan	8	0.03%	-20.0%

Peruvian	6	0.03%	-14.3%
Guatemalan	2	0.01%	2.0%
Uruguay	1	0	1.0%
D. African Region			
South African	32	0.1%	-50.8%
Egyptian	18	0.1%	18.0%
Mauritian	5	0.02%	66.7%
Moroccan	4	0.02%	4.0%
Swazi	4	0.02%	300.0%
Lithuanian	4	0.02%	-87.5%
Kenyan	2	0.01%	100.0%
Tunisian	1	0	1.0%
E. Middle East Region			
Israeli	159	0.7%	103.9%
Kuwaiti	4	0.02%	-20.0%
Saudi Arabian	3	0.01%	50.0%
Iranian	2	0.01%	2.0%
Lebanese	1	0.00	-88.9%
United Arab Emirates	1	0.00	-85.7%
Omani	1	0.00	-75.0%
Bahraini	1	0.00	1.0%
F. Asian /Asia-Pacific Region			
Japan	3,136	13.4%	14.2%
Chinese	1,143	4.9%	6.9%
Thai	975	4.2%	55.5%
Australia	970	4.2%	-36.4%
Singaporean	708	3.0%	6.2%
Malaysian	367	1.6%	66.1%
New Zealander	122	0.5%	-32.2%
Indonesian	98	0.4%	172.2%
Taiwan an	83	0.4%	-27.2%
Philippino	59	0.3%	-18.1%
South Korean	49	0.2%	-49.5%
Nepalese	41	0.2%	-47.4%
Vietnamese	25	0.1%	257.1%
Sri Lankan	6	0.03%	-76.92
Burmese	5	0.02%	0
Kazakh	5	0.02%	400.0%
Pakistani	5	0.02%	400.0%
Cambodian	2	0.01%	100.0%
Chinese - Macau	1	0	1.0%

Road and Air Accessibility

Accessibility continues to be a major bottleneck for the tourism industry. Whilst some 83.4% of all visitors used the national airline, Druk-Air to enter Bhutan, the remainder entered overland by road. With the opening of Samdrup Jongkhar for tourist traffic in 2008, its being increasing used with few tourists with some 0.8% of all total arrivals in 2009 entering through this eastern gateway. It is used more as an exit point with 3.7% the total exiting from it. Samdrup Jongkhar will help boost tourism in lesser developed areas like Eastern and Southern Bhutan especially after the Merak Sakteng trek will be opened for tourism in 2010.

Phuentsholing is the most used option for road traffic with 15.9% of the total entering from it and 9.3% of the total used it as the preferable exit point by road. One of the important factors for tourists using Phuentsholing as an entry or exit point is because of the one night royalty free incentive provided by the government for making a halt in one of the Tourism Council approved hotels. The same incentive is now provided for a halt in Samdrup Jongkhar to encourage hotel occupancy in the Dzongkhag and at the same time help increase the flow of tourists to those areas (regions).

Air exit continues to be the most preferred choice for tourists. In 2009, some 87.1% used Drukair for exiting Bhutan.

The problem of accessibility leads to inequitable regional tourism development. However, with clear policies and proper infrastructure development together with easy access will help many regions in Bhutan benefit from tourism. The government's plan to develop domestic air services in Trashigang, Bumthang and Gelephug by 2011 should greatly enhance accessibility and help the tourism industry spread its benefit to different regions.

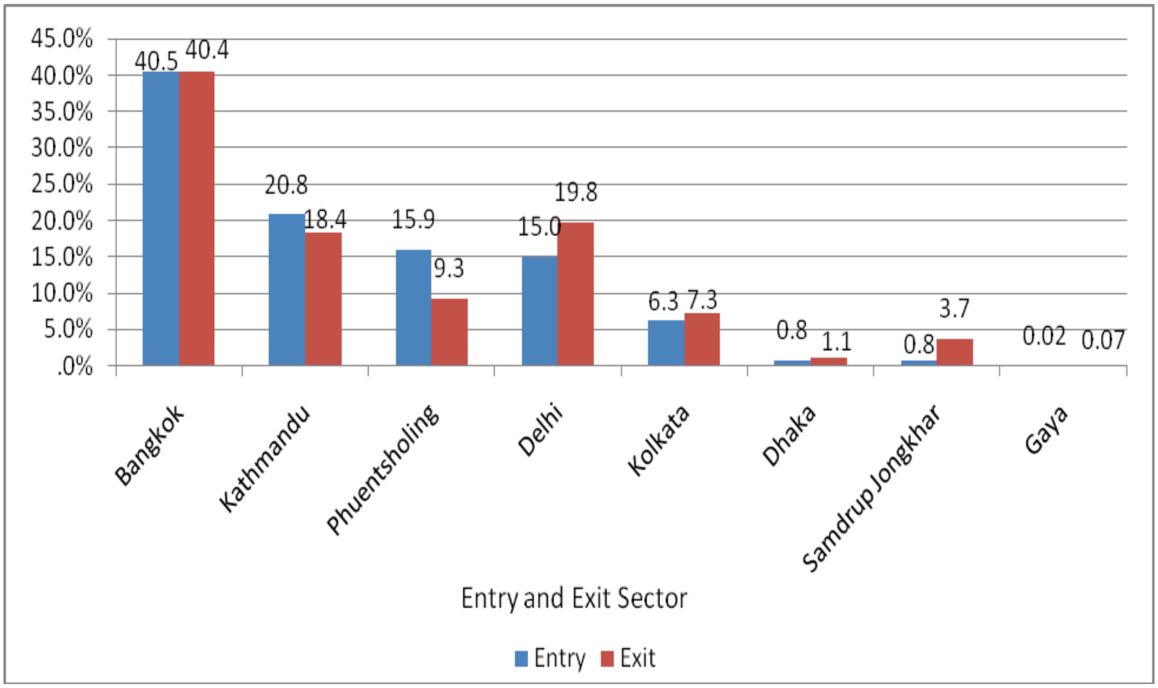
Table 1.3
Road and Air Accessibility

Access Points	Entry Sector	Proportion of Entry Sector	Exit Sector	Proportion of Exit Sector

Bangkok	9,504	40.5%	9,481	40.4%
Kathmandu	4,879	20.8%	4,320	18.4%
Phuentsholing	3,730	15.9%	2,180	9.3%
Delhi	3,513	15.0%	4,642	19.8%
Kolkata	1,481	6.3%	1,722	7.3%
Dhaka	183	0.8%	259	1.1%
Samdrup Jongkhar	186	0.8%	859	3.7%
Gaya	4	0.02%	17	0.07%

Graph 1.4 below shows that a substantial number of visitors who enter by road do not necessarily exit by road. However, there is a slight increase in tourists who exited compared to who entered from Samdrup Jongkhar.

Graph 1.4
<u>Entry and Exit Sectors</u>



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. The arrival figure is important but what is more important is the number of nights spent in Bhutan. The United States remained the most important source market, constituting 22.3% of all visitor bed nights spent in Bhutan. The United Kingdom (9.7%) is the next most important source market both in terms of bed nights after the USA. Table 1.4 below shows that albeit Japan contributing more than UK in terms of arrivals, in terms of bed nights the UK market stands higher as visitors from UK stay longer than the Japanese.

The top five markets contributed to more than in excess of half (55.6%) the total beds nights recorded in 2009.

Similarly, other countries like Germany (8.4%), France (5.8%), Australia (5.1%), Netherlands (4.5%), and Italy (3.6%) continued to be equally important source markets both in terms of arrivals and bed nights. The only other Asian country after Japan that made significant contribution to bed nights is China.

Table 1.4
Major Source Markets by Bed Nights

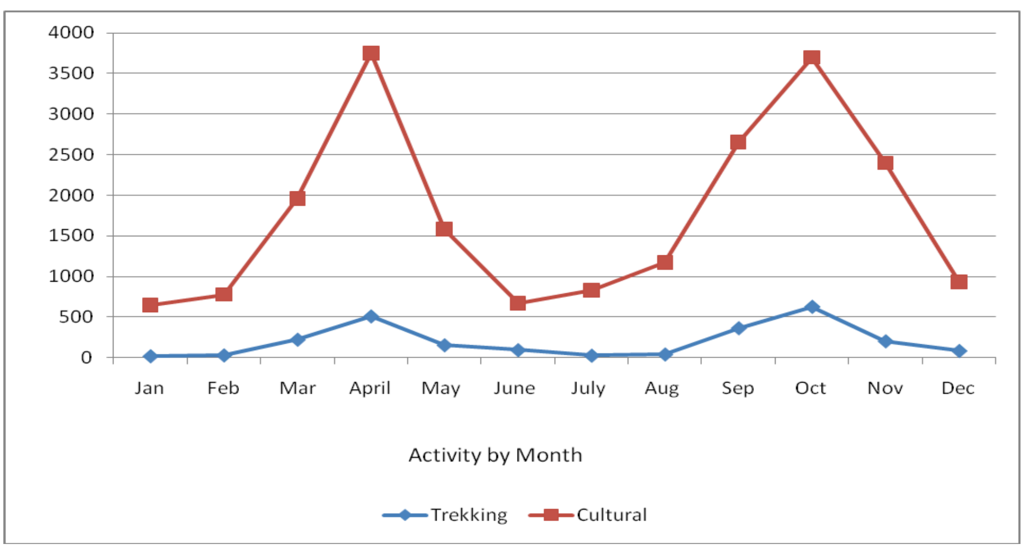
Source Markets	Bed Nights	Proportion of Total Bed Nights	Percentage change compared to 2008
USA	39,998	22.3%	-25.4%
United Kingdom	17,354	9.7%	-19.4%
Japan	16,819	9.4%	+14.5%
Germany	15,011	8.4%	+17.2%
France	10,387	5.8%	+12.8%
Australia	9,097	5.1%	-28.8%
Netherlands	8,020	4.5%	-4.4%
Italy	6,444	3.6%	+22.7%
China	6,115	3.4%	+14.9%
Switzerland	5,791	3.2%	+9.7%
Total	**179,491**		

Tourists by Activity (Cultural versus Trekking)

Although Bhutan has a huge forest cover which possesses one of the richest bio-diversity and pristine environment in the region, it is mainly seen as a cultural destination as majority of the visitors (89.8%) come for the living culture and the colourful festivals. As a policy to showcase an authentic experience for the visitors, the tourism products which are on offer are predominantly existing activities (festivals) and cultural sites that hold great importance to everyday lives of the people. As a result other tourism products have not been fully explored which in turn creates a high incidence of seasonality, one of the challenges of the tourism industry of Bhutan. Opportunities for nature based tourism potential are being explored at present as the new tourism policy also states that a paradigm shift from culture to nature-based tourism is needed as a bid to diversify tourism products in order to attract increasing number of tourists. This will also create prospects to keep tourists for longer duration. The Tourism Council of Bhutan with other stakeholders is already developing a series of products in the lesser visited areas which will be on offer from 2011.

Trekking is a part of nature based tourism activity. Trekking in Bhutan varies from a night to about 40 nights crossing high mountains and trespassing beautiful villages. Of the 23,480 tourists who came in 2009, some 2,404 tourists (10.2%) were of the trekking type. Out of the 2,404 trekkers, only 863 tourists solely came for the purpose of undertaking a trek. The remaining 1,541 trekkers belonged to the category of people who combined at least one trek to a cultural tour. Out of 179,491 bed nights in 2009, trekking accounted for 14,203 bed nights, an equivalent of 7.9%. The following ‘Graph 1.5’ shows the month wise arrivals for cultural and trekking tourists, some cultural tourists combine their itinerary with nature tourism.

Graph 1.5
Cultural versus Trekking Tourists

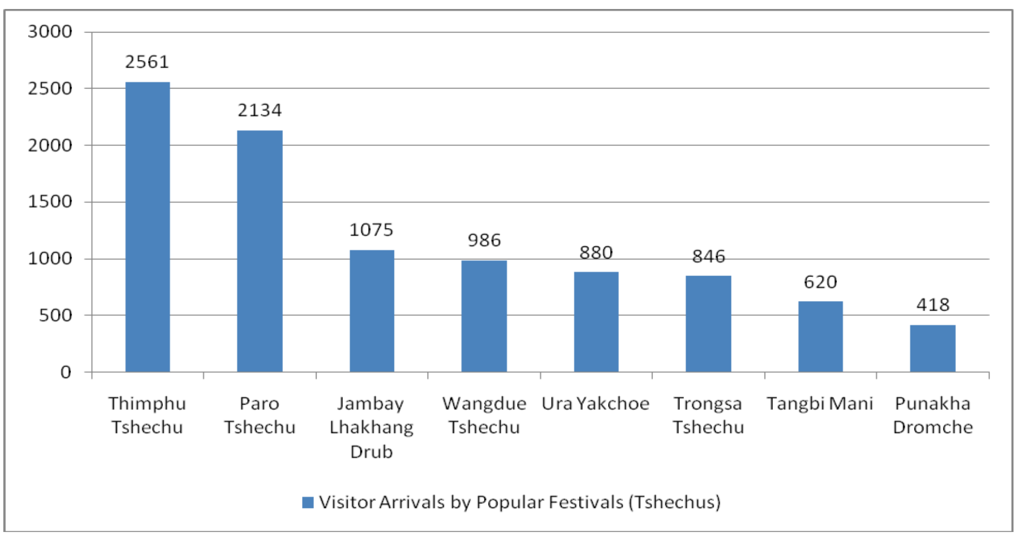


Cultural Tourists by Popular Festivals.

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

Thimphu Tsechu and Paro Tshechu experienced receding numbers with -22.3% and -6.1% decrease compared to 2008. Thimphu Tshechu saw 2,561 tourists followed by Paro Tshechu with 2,134 tourists. Jambay Lhakhang Drub received 1075 tourists followed by Wangdue Tshechu with 986 tourists. Some of the other popular festivals were Ura Yakchoe, Trongsa Tshechu, Tangbi Mani and Punakha Dromche.

Graph 1.6
Cultural Tourists by Popular Festivals



Trekkers by Route

Trekking figures by route decreased drastically compared to in 2008. The most frequented were the 'Druk-path Trek' that accounted for 541 tourists, followed by 'Jhomolhari Trek' with 517 visitors, both with a decrease of -26.5% and -27.1% respectively compared to 2008. Similarly, Bumthang Cultural Trek recorded 296 trekkers (decrease of -12.7%), Gangtey Trek recorded 243 trekkers (a decrease of -38.2%) followed by the Laya/Gasa Trek with 148 trekkers (a decrease of -11.9%). However, the Nub Tshonapatta Trek which had recorded a huge decrease in 2008, in turn recorded a huge increase (193.8%) in 2009. The Samtengang Winter Trek also recorded growth in arrivals with 41.7% in 2009.

The piloted 'Community-based Nature tourism Trek' in Nabji-Korphu received 72 tourists, a figure that represents a stagnating trend since its introduction in 2006. This suggests that necessary interventions like increased marketing and product maintenance be taken by relevant stakeholders in order to improve visitation into the communities en-route.

The Merak-Sakteng Trek which recorded 28 arrivals is an interesting case. Albeit not being officially opened for tourism, there has been an interesting occurrence of higher visitor arrivals every year. This is as a result of the Ministry of Home and Cultural Affairs issuing ad-hoc special permits to some tour operators, thereby making it possible for some visitors to trek through Merak and Sakteng. This however would be more streamlined once the trek is officially opened in 2010 for tourism.

Table 1.5

Trekkers by Route

Name of the Trek	No of Trekkers	% Total	% Change
Druk path Trek	541	22.5%	-26.5%
Jhomolhari Trek	517	21.5%	-27.1%
Bumthang Cultural trek	296	12.3%	-12.7%
Gangtey Trek	243	10.1%	-38.2%
Laya/Gasa Trek	148	6.2%	-12.0%
Lunana Snowmen Trek	111	4.6%	-39.0%
Nub Tsonopatta Trek	94	3.9%	193.8%
Samtengang Winter Trek	85	3.5%	41.7%
Nabji Khorphu Trek	72	3.0%	-1.4%
Gasa Hot Spring Trek	53	2.2%	-23.2%
Wild East Rodungla Trek	36	1.5%	-57.7%
Sinchula Trek	31	1.3%	-42.6%
Total	**2,404**	**92.6%**	

Average Length of Stay

The average length of stay for 2009 was 7.6 days compared to 7.8 days for 2008. Trends for source markets and their average length of stay remain almost the same over the years. The source market with highest average length of stay was Switzerland spending on average 10.7 days in Bhutan. This was closely followed by Netherlands (10.3 days) and Germany (9.5 days).

Tourists from the top source market, the USA stayed for 8.4 days. Asian tourists staying for shorter duration is a stable trend and does not seem to change with the years. Japanese stayed for an average of 5.5 days, Chinese for 5.4 days and Thai for 4.6 days.

This figure suggests that the global recession whilst affecting the overall visitor arrivals, it hardly affected the decision of those who visited to lower their length of stays in Bhutan to cut on their travel spending.

Table 1.6
Average Length of Stay by Nationality

Source Markets	Bed Nights	Proportion of Total Bed Nights	Average Length of Stay
Switzerland	5,791	3.2%	**10.7 days**
Netherlands	8,020	4.5%	**10.3 days**
Germany	15,011	8.4%	**9.5 days**
Australia	9,097	5.1%	**9.4 days**
United Kingdom	17,354	9.7%	**8.8 days**
France	10,387	5.8%	**8.7 days**
Italy	6,444	3.6%	**8.5 days**
USA	39,998	22.3%	**8.4 days**
Canada	4,661	2,6%	**8.3 days**
Japan	16,819	9.4%	**5.4 days**
China	6,115	3.4%	**5.3 days**
Thailand	4,483	2.5%	**4.6 days**

Seasonality of Visitation (Based on Bed Nights)

Although the problem of severe seasonality faced by the tourism industry seemed to be have levelled out to a significant degree in 2009, it is not encouraging as this was caused by the drastic decrease in visitation in the peak months of March, September and October, rather than seeing an increase in arrivals during the lean months. This change in pattern could be directly attributed to the global recession as many tour groups booked in advance for the peak seasons applied for cancellation in 2009. In other words, it is highly likely that the unequal number of visitors visiting Bhutan throughout the year will continue in 2010 as tour operators continue to sell festivals as their main packages. The following Table 1.7 shows that April, October, and November are the months that most tourists visit Bhutan in 2009. This trend is directly attributed to the festival seasons falling in the above months.

However despite the global recession, it is very encouraging to see huge increase in bed nights for the month of January (+25.4%) which is still considered as the least visited month. 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 other lean months (December, June, July) saw lesser decline rates as compared to the high seasons of Spring and Autumn.

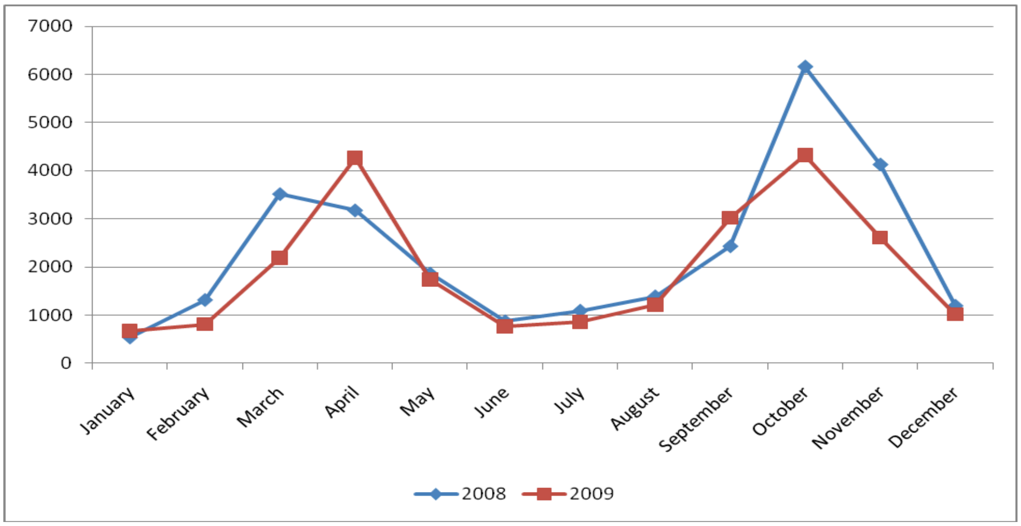
The trend might change in 2010 and in future as the Tourism Council of Bhutan has identified products that are under development in Eastern and Southern parts of Bhutan. The opening of Samdrup Jongkhar and Gelephu in 2009 did have increase in arrivals in those regions, thereby helping the tourism spread.

Table 1.7
Bed Nights by Month

Month	Bed Nights 2008	Bed Nights 2009	Percentage Change in 2009 over 2008
January	3,083	3,866	+25.4%
February	8,592	5,150	-40.1%
March	28,609	16,790	-41.3%%
April	24,826	33,231	+33.9%
May	12,990	11,663	-10.2%
June	6,334	5,082	-19.8%
July	6,776	5,401	-20.3%
August	8,906	7,292	-18.1%
September	22,596	26,420	-16.9%

October	55,236	37,999	-31.2%
November	34,104	19,796	-42.0%
December	8,064	6,801	-15.7%

Graph 1.7
Visitation by Month



Major Source Markets by Season of Visitation

Most visitors from the top source markets – USA, UK and Germany– chose to visit Bhutan during autumn (September – November) and spring (March - May) months. Important Asian Markets of Japan and China mostly visited in the spring months followed by the autumn months. Japan had significant arrivals in the summer (23.1%) (June-August) months, and China had a good number of arrivals in the winter (31.3%) months. Thailand (19.1%) and Italy (21.7%) had a significant number of arrivals in summer. These preferences of different source markets for different times of visitation could help alleviate the seasonality.

Table 1.8

Source Markets by Season of Visitation

Source Markets	Number of Tourists and % of Annual Total							
	December-February		March – May		June - August		September – November	
United States of America	682	14.2%	1501	31.4%	418	8.7%	2185	45.7%
Japan	347	11.1%	1151	36.7%	724	23.1%	914	29.1%
United Kingdom	181	9.2%	752	38.2%	115	5.8%	920	46.7%
Germany	79	5.0%	584	36.8%	90	5.7%	834	52.6%
France	86	7.2%	501	42.1%	87	7.3%	515	43.3%
China	229	20.0%	402	35.2%	154	13.5%	358	31.3%
Thailand	44	4.5%	318	32.6%	186	19.1%	427	43.8%
Australia	120	12.4%	325	33.5%	56	5.8%	469	48.4%
Netherlands	95	12.2%	273	35.0%	52	6.7%	360	46.2%
Italy	38	5.0%	252	33.2%	165	21.7%	304	40.1%

Tour Group Size

In 2008, there were 6,676 groups who visited Bhutan compared to 5,166 groups in 2007. The group size varied with some groups as big as 63 persons in a group. The highest number of groups was group of two (couple) followed by group of one. This tells us that most visitors prefer to travel either in couple or travel alone. This was also the trend in 2007.

The average group size for 2009 was 4 persons. This average group size can be an important factor especially for the government to look at when deciding on issuing tax incentive for the purchase of vehicle (carrying capacity) to carry tourists.

Table 1.9
Tour group Size

Number of Pax in Group	**Number of Groups**	**Total Number of Arrivals**
1	1,284	1,284
2	2,559	5,118
3	459	1,377
4	415	1,804
5	221	1,055
6	150	900
7	113	791
8	99	792
9	100	900
10	81	810
11	75	825
12	64	768
13	61	793
14	50	700
15	36	540
16	72	1,152
17	47	799
18	39	702
19	24	456
20	16	320
21	11	231
22	7	154
23	4	92
24	2	48
25	3	75
27	3	81
28	2	56
29	1	29
30	3	90
31	1	31
32	3	96
34	1	34
36	2	72
37	1	37
43	3	129

50	1	50
52	1	52
53	1	53
71	1	71
99	1	99
Total	**6,017**	**23,480**

Spread of Tourism Impact

As mentioned above, one of the important ways to analyze the performance of a tourism destination is to look at the bed nights. The higher number of bed nights is directly related to increased income and employment generation. In 2009, there was a decrease of -15.04% in bed nights compared to 2008.

In the Graph 1.8 the spread of tourism impact is demonstrated by keeping in mind the geographical spread of the country. This means out of the western regions Haa and Gasa are not doing well. Similarly, most of Eastern and Southern regions do not receive many tourists.

Likewise, Dzongkhag-wise, Paro (31.97%) hosted the maximum bed nights followed by Thimphu (25.13%), Bumthang (11.47%), Wangdue (11.60%) and Punakha (10.32%). Dzongkhags that are hardly benefitted are Lhuentse, Trashi Yangtse, Zhemgang, Mongar, and Samdrup Jongkhar.

Out of the twenty Dzongkhags, five are not even in the picture which means that there is no benefit out of tourism in those Dzongkhags.

Table 1.10 shows that all tourists who visit Bhutan stay at least a night in Paro and Thimphu.

Graph 1.8

Bed Nights by Dzongkhags

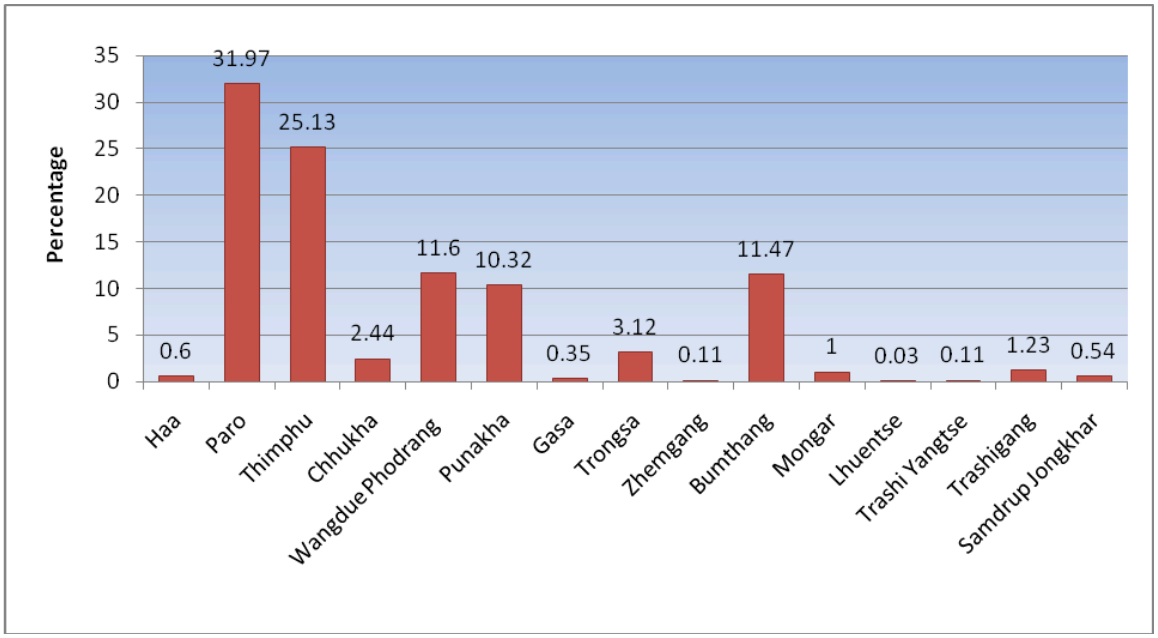


Table 1.10

Dzongkhag Arrivals

Dzongkhag	**2009 Visitor Number**
Zhemgang	79
Trashi Yangtse	98
Paro	23,480
Lhuentse	38
Thimphu	[illegible]
Wangdue	14,686
Punakha	11,847
Bumthang	8,852
Trongsa	4,430
Chhukha	4,244
Trashigang	1,225
Mongar	1,215
Samdrup Jongkhar	903
Haa	658
Gasa	86

Accommodation Providers by Bed Nights

Even though Olathang Hotel (Paro) dominated the bed nights share by realizing 5.43% (9,739 bed nights) of the total bed nights in 2009, this figure marked a substantial decrease of -41.59% compared to 2008. This was followed by River View Hotel (Thimphu) with 3.85% and Meri Phuensum Resort (Punakha) with 3.64% of the total bed nights which also recorded a -15.43% and a -0.46% decrease respectively compared to in 2008.

Out of the top 12 hotels in 2009, only Dewachen Hotel in Phobjikha, Wangdue recorded a huge increase in occupancy (59.17%) compared to in 2008. Except for Uma Resort (Paro), none of the other luxury hotels made it to top 12 this year which suggests that many visitors to Bhutan cut on their holiday spending which may be attributed to the global recession.

Table 1.11
Accommodation Providers by Bed Nights

Accommodation Providers	Bed Nights	2009 Proportion of Annual Bed Nights (%)
Olathang Hotel – Paro	9,739	5.43
River View Hotel – Thimphu	6,903	3.85
Meri Phensum Resort – Punakha	6,212	3.46
Hotel Phuentsho Pelri – Thimphu	5,654	3.15
Jumolhari Hotel- Thimphu	5,150	2.87
Dewachen Hotel – Wangdue	5,052	2.81
Dragon Nest Hotel – Thimphu	4,821	2.69
Wangdichholing Lodge - Bumthang	4,376	2.44
Zangto Pelri Hotel - Punakha	4,250	2.37
Uma Resort – Paro	3,953	2.2
Dragon Roots Hotel- Thimphu	3,937	2.19
Yangkhil Hotel – Trongsa	3,888	2.17
Cumulative Total	**63,935**	**35.63%**
Total	**179,491**	**100%**

Categories of Accommodation Providers

The Tourism Council of Bhutan, in keeping with the tourism policy "High value – low volume', categorizes accommodations as per the "Regulation for Accommodation of tourists 1999'. Under this Regulations there are three different categories – A, B, & C. However, to cater to regional tourists the TCB has developed, informally, a fourth category that targets to regional tourists which are classified under regional category hotels. However, soon this system of categorization will be replaced by the international "Star" classification system. With this new classification system more number of hotels will be encouraged to upgrade their hotel facilities and services.

In 2008, there were 103 hotels accredited to cater to international tourists. This is about 10.8% increase compared to 93 hotels in 2007. This does not include 29 regional hotels that cater to regional tourists in 2008. However, including the regional hotels the total number of hotels for 2008 reaches 132 which is 9.1% increase from 2007. The total numbers of newly completed hotels in 2008 were as follows: three of 'Grade A", four 'Grade B' hotels, three of 'Grade C' hotels and one of regional hotel. If we observe the number of "Grade A" hotels for 2007 and 2008, in 2008 the number has decreased by 8 and this is because in 2008 the TCB decided not to include (categorize) the luxury hotels under 'Grade A' hotel.

Table 1.12
Categories of Accommodation Providers

Dzongkhag	Grade A Hotels	Grade B Hotels	Grade C Hotels	Regional
Chhukha/P-Ling	1	2	1	4
Trashigang	0	0	2	0
Mongar	0	2	1	2
Paro	7	18	9	3
Haa	0	1	1	1
Thimphu	12	13	3	17
Samdrup Jongkhar	5	1	2	1
Bumthang	6	7	8	2
Punakha	2	4	1	3
Tsirang	0	0	1	1
Wangdi Phodrang	1	4	2	0
Trongsa	1	2	0	0
Total	**23**	**55**	**31**	**34**

Note: There are three luxury hotels in Paro, two in Thimphu, one in Punakha, one in Wangdue and one in Bumthang.

Occupancy Rate Comparison by Accommodation Categories

Occupancy rate is an important factor to determine the performance of a hotel just like the average length of stay for a destination. Higher in both areas is a good signal. The Table 1.13 shows the occupancy rate for those hotels registered to cater to international tourists for the month of October only.

For the month of October there were 29,574 bed nights available for "Grade A" hotels and 18, 786 bed nights were realized reaching 63.5% as the occupancy rate. Compared to the other two categories B and C, grade A did well in October 2008. In terms of percentage, hotels in Bumthang and Punakha did well in October with hotels in Bumthang recording 112.0% occupancy rate and hotels in Punakha with 102.4% occupancy rate.

Similarly, the ‘Grade B’ hotels had 46.4% occupancy rate with hotels in Punakha (93.1%) and Wangdi/Gantey (85.9%) doing well. For ‘Grade C’ hotels, surprisingly hotels in Trashigang (33.1%) did well. Some of the ‘Grade C’ hotels in Thimphu, Punakha, Wangdi/Gantey and Monggar have not realized even a single night.

However, it is very important to keep in mind the number of bed nights available in a place (region) when discussing about occupancy rate. Some areas will have high occupancy rate though the number of nights spent by tourists in those areas are less compared to other areas with less occupancy rate. This is because fewer tourists visiting areas with few bed nights available will have higher occupancy rate.

Table 1.13
Occupancy Rates for Hotel Categories (October)

Dzongkhag	**Grade A**			**Grade B**			**Grade C**		
	Available bed nights	**Bed nights realised**	**Occupancy (October)**	**Available bed nights**	**Bed nights realised**	**occupancy (October)**	**Available bed nights**	**Bed nights realised**	**Occupancy (October)**
Trashigang	-	-	-	-	-		1,302	560	43.01%
Monggar	-	-	-	1,767	389	22.01%	930	38	4.09%
Haa	-	-	-	744	68	9.14%	341	0	0
Samdrup Jongkhar	-	-	-	899	0	0	1,302	29	2.23%
Paro	14,105	5,220	37.0%	17,701	4012	22.67%	4,123	263	6.38%
Thimphu	18,972	[illegible]	27.94%	[illegible]	[illegible]	[illegible]	1,829	0	0
Bumthang	4,774	1,944	40.72%	9,362	3,837	40.98%	9,517	967	10.16%
Punakha	496	302	60.89%	5,146	3,143	61,08%	744	0	0
Wangdi/Gangtey	1,333	892	66.92%	4,743	3,060	64.52%	496	0	0
Trongsa	1,116	898	80.47%	2,480	318	12.82%	-	-	-
Chhukha/P-Ling	1,705	259	15,19%	2,790	592	21.22%	-	-	-
Total	**42,501**	**14,815**	**34.86%**	**58,991**	**17,951**	**30.49%**	**20,584**	**1,857**	**9.02%**

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. Occupancy rates for 'Grade A' hotels in Punakha and Bumthang show more than 100% rate and this could be because of additional beds put in during busy October month.

Accommodation Analysis and Occupancy Rate of International Hotels

In 2008 there were 105,858 bed nights available in a month just from the hotel registered to cater to international tourists. This means with 103 hotels, including luxury hotels and excluding regional hotels, they can cater to almost four times the arrival of 2008 in a month. So in a year they can cater to 1,270,296 tourists provided that they all spread evenly throughout the country where all the 103 hotels are located. This tells us that we have enough hotels in Bhutan at present though they may not be equally distributed in all regions.

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 TCB 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

Accommodation Analysis and Occupancy Rate of International Accommodation Providers

ongkhag	Total Rooms	Total Beds	Available Bed Nights per Month	Bed Nights Realised in Oct 09	October Occupancy Rate	Overall Annual Occupancy Rate
Paro	753	1,371	41,130	12,000	29.18%	11.63%
Thimphu	692	1,112	33,360	8,678	26.01%	11.27%

Bumthang	415	763	22,890	5,423	23.69%	**7.58%**
Punakha	110	206	6,180	3,942	63.79%	**27.77%**
Wangdi Phodrang	110	212	6,360	4,038	63.49%	**24.26%**
Trongsa	62	116	3,408	1,324	38.85%	**13.68%**
Chhukha/P-Ling	107	158	4,740	851	17.95%	**7.70%**
Trashigang	21	42	1,260	584	46.35%	**14.64%**
Mongar	52	87	2,610	427	16.36%	**5.73%**
Haa	18	35	1,050	134	12.76%	**8.55%**
Samdrup Jongkhar	39	71	2,130	247	11.60%	**3.76%**
Tsirang	**6**	**10**	**300**		0	0
Total	**2,385**	**4,183**	**125,418**	-	-	-

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

Table 1.15

Occupancy Rates of Hotels by Dzongkhags (Quarterly)

Dzongkhag	December-February	March-May	June-August	September-November
Trashigang	5.06%	35.25%	4.16%	55.53%
Mongar	4.23%	35.40%	6.58%	53.79%
Paro	8.76%	34.04%	10.93%	46.27%
Haa	4.46%	26.37%	29.43%	39.74%
Thimphu	9.44%	34.31%	10.94%	43.11%
Samdrup Jongkhar	8.64%	35.07%	4.58%	51.71%
Bumthang	9.84%	33.35%	8.36%	52.45%
Gasa	2.57%	12.20%	4.82%	80.41%
Punakha	9.13%	13.99%	9.82%	40.06%
Wangdi Phodrang	11.85%	33.05%	8.87%	46.23%
Trashi Yangtse	9.42%	32.96%	4.71%	59.31%
Trongsa	10.83%	32.52%	5.47%	51.18%
Zhemgang	25.13%	41.71%	2.01%	31.15%
Chhukha/P-Ling	6.16%	41.53%	6.30%	46.01%
Lhuentse	0	51.06%	0	48.94%

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

Additional Accommodation Providers

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

In 2008, there were 46 hotels proposed and under construction compared to 42 hotels in 2007. Out of 42 hotels proposed or under construction in 2007, a total of 11 were completed in 2008, including regional hotels. With another 46 hotels there will be an additional of 1,704 bed available for tourist consumption.

Table 1.16
Additional Accommodation Providers

Dzongkhag	**New Hotels (Under Construction and Proposed)**	**Additional Rooms**	**Additional Beds**
Thimphu	7	59	118
Paro	20	258	480
Punakha	3	62	91
Trongsa	2	20	40
Bumthang	10	108	216
Wangdi Phodrang	4	47	93
Laya	1	10	20
Phuntsholing	1	12	24
Haa	1	-	-
Total	**49**	**576**	**1080**

Tour Operator Share of International Market

There has been a constant mention in this report that bed nights is one of the most important factors to look at when analyzing the performance of a destination, hotel, tour operators, etc. With more number of nights spent in Bhutan there is an increasing opportunity to bring economic and other benefits not only to tour operators but to the wider sections of Bhutanese society.

The number of tour operators is constantly increasing. This is because tour operations business is seen as very lucrative. Moreover, it may be fine to mention that getting a tour operator license is very easy. There were 475 licensed tour operators in 2008 which is an increase of 38.5% compared to 2007. However, only 53.5% (254) was operational. This is a serious problem as those inactive may not necessarily be able to provide quality experience to tourists thus undermining our high value tourism policy.

In 2008, the top four tour operators remained same from that of 2007 when looking at the tour operator's share of bed nights. Though Gangri Tours and Trekking Company had more number of bed nights in 2008 compared to 2007 it went down to 9th from 5th position. The new tour operators who did well in 2008 are Norbu Bhutan Travels (2.5%) and All Bhutan Connection (2.4%). Compared to 2007, tour operators realized comparatively higher bed nights in 2008.

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

Cumulative Totals	**12,113**	**89833**	**50.06%**
Tour Operator	**Tourists**	**Bed Nights**	**Proportion of Annual Bed Nights (%)**
Norbu Bhutan Travels	2,839	17703	9.86%
Bhutan Tourism Corp Ltd (Including Luxury Division)	2388	19298	10.75%
International Treks and Tours	1033	8435	4.70%
Etho Metho Tours and Treks	998	8039	4.48%
Bhutan Mandala Tours and Treks	886	4390	2.45%
Yangphel Tours and Travels	853	6832	3.81%
All Bhutan Connection	755	5508	3.07%
Sakten Tours and Treks Ltd	536	3939	2.19%
Kingyal Tours and Treks	525	3173	1.77%
Windhorse Tours and Treks	464	3690	2.06%
Rainbow Tours and Treks	418	4453	2.48%
Gangri Tours and Treks	418	4373	2.44%

Trainings

The training of hospitality and tourism personnel is very important. It is them who either make or break the experience of tourists. The tourism industry will see a major turn in professionalizing the tourism workforce with the Hotel and Tourism Management Training Institute (HTMTI) on full swing by the end of 2009. Currently, the Training Unit which is under the Council trains tourism workforce. The trainings are also offered to other lesser tourism impacted areas.

In 2008, there were 615 guides trained. Out of which 476 were cultural guides and 139 trekking guides. This is 362.4% increase from the total number of guides trained in 2007. Guides are very important for the tourism industry and they are rightly called as "Ambassadors of Bhutan" as they are the first and last points of contact for tourists.

Tourism Earnings (in $US Million)

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

Measuring the real tourism benefits or earnings is a huge challenge for Bhutan. The tariff system or the unique tourism policy has in a way slightly defined the word 'tourism' differently making it difficult to measure tourism benefit. In most cases only tourist arrivals and economic contributions that come out of the tariff paying tourists (earnings) are reflected in numerous publications. This does not give a full picture as it does not include regional, domestic, and outbound tourism. It also does not include other direct benefits like Drukair earnings and handicraft sales.

In 2008, the tourism industry contributed US$38.8 million to the economy directly which is 30.2% increase compared to 2007. The tourism industry's direct contribution to the government's exchequer was US$13.3 million.

Table 1.18

Tourism Earnings ($US)

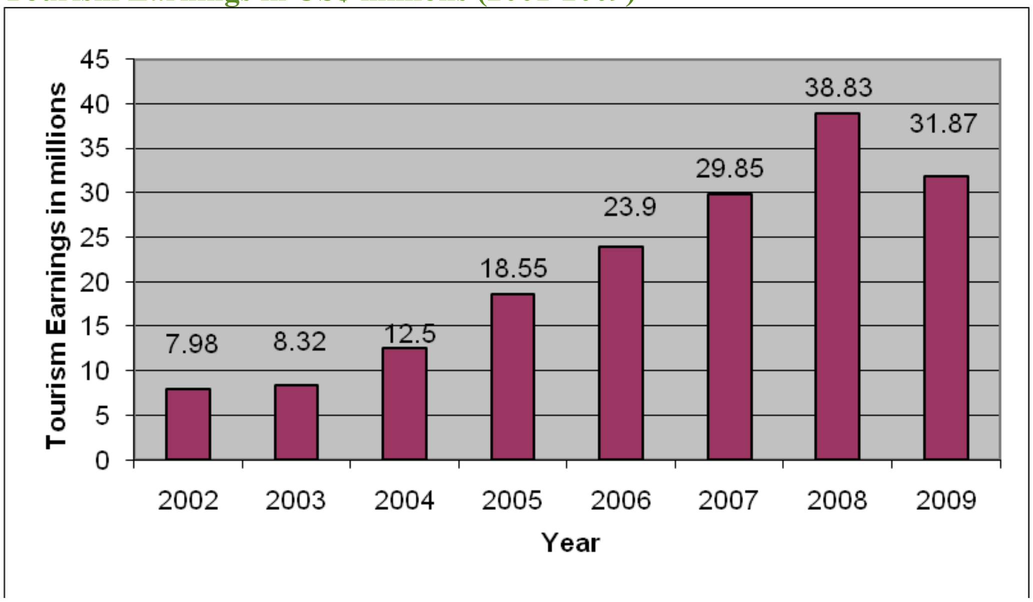
Year	**Arrivals**	**Gross Earnings $US in millions**	**% Growth/Decline in Annual Revenue**
2001	6,393	$9.195	-12.4%
2002	5,599	$7.980	-13.2%
2003	6,261	$8.324	+4.31%
2004	9,249	$12.502	+50.19%
2005	13, 626	$18.546	+48.34%
2006	17,344	$23.919	+21.11%
2007	21,094	$29.846	+24.78
2008	**27,636**	**$38.829**	**+30.10%**
2009	**23,480**	**$31.875**	**-17.91%**

Table 1.19

Tourism Earnings Breakdown ($US)

Earnings Breakdown	**Earnings $US in millions**
TD Fund	0.23
Operators Net	19.84
Gross Earnings	21.87
Royalty	10.66
20% Surcharge	0.26
Operators Gross	20.48
80% Surcharge	1.06
2% Tax	0.41

Graph: 1.9
Tourism Earnings in US$ millions (2001-2009)



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 1,999 (7.23% 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).

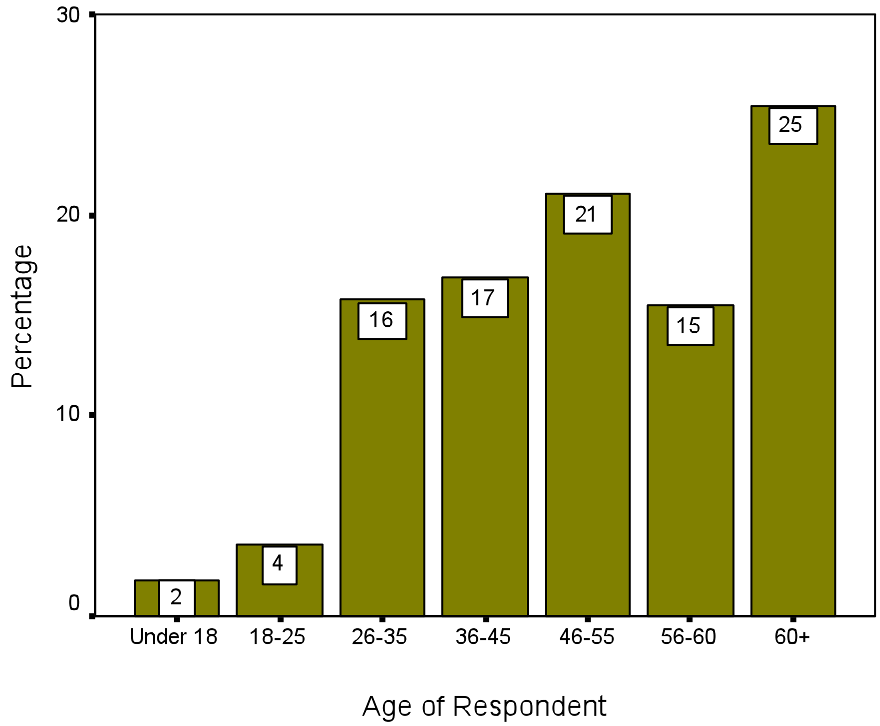
This data provides additional information to the TASHEL system. It gives a more in-depth "snapshot" of the visitors' travel behaviours, motivations, patterns and preferences as opposed to the statistical correctness of the overall yearly arrivals. For better targeted marketing such information is critical.

Age of Visitors

In excess of 81.8% of the total sampled was more than 36 years of age. Similar to the past findings, the dominant age bracket was 'Over 60' with 25.3% of all respondents falling under this segment, followed by the '46 to 55' years bracket with 23.1%. The '36 to 45' years also rated significantly with 18.8%.

Of more relevance to those operators attempting to better target their marketing is 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
Age of Visitors



Age of Visitors by Nationality

The only two countries with maximum of 60+ age group visiting Bhutan were the United States of America and Belgium. The following table 2.1 tells us that more and more numbers of young and fairly old tourists come and visit Bhutan making a slight change in the age group of tourists visiting Bhutan compared to previous years.

Italy, France and Japan had highest number of youth under 18 years of age visiting Bhutan. Similarly, there are significant numbers of visitors in the age group of 18 – 60.

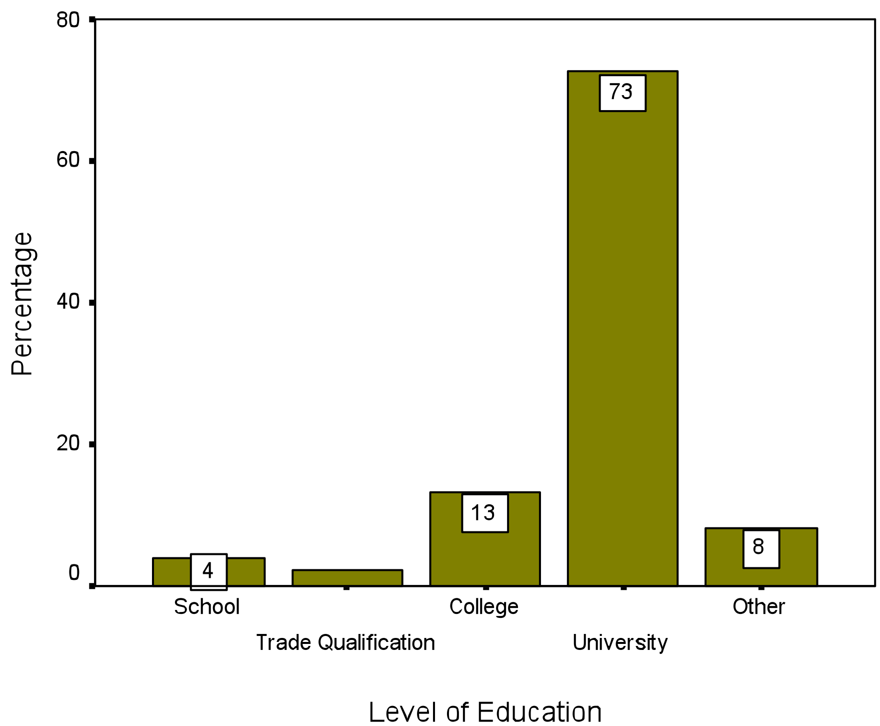
One of the important things to keep in mind, especially for hotels, is to work on services which will support and enhance their stay in hotels. For example wheel chair and elevator services will be an important factor to attract older and disabled visitors.

Level of Visitor Education

The general believe of well educated tourists coming to Bhutan still holds true according to the following graph 2.2. From the total sampled in 2008, 86.3% has college or university education. Therefore, visitors coming to Bhutan are generally well educated.

The fact that well educated tourists come to Bhutan is a positive point for "High value" tourism policy. As long as Bhutan receives well educated, fairly older and assuming that they are well travelled it will not have to worry about the negative impact of tourism.

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



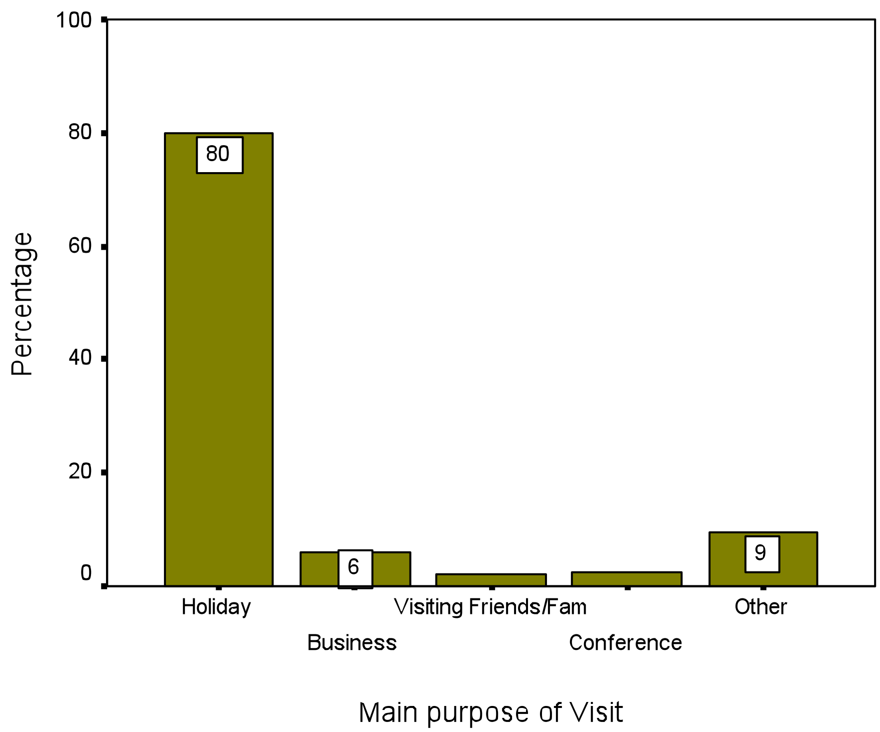
Visitors Main Purpose of Visit

The main purpose of visit for most tourists coming to Bhutan in 2008 was for the purpose of holiday trip (87.1%). Holiday trips dominate enormously compared to other purposes of their visit. A total of 5.7% out of the total sample came here for business and this also includes 1.4% who came here mainly for Meeting, Incentives, Conferences, and Events

(MICE). The MICE tourism is negligible but it is an important segment of tourism industry. The MICE tourism is growing in Bhutan with more and more MICE infrastructure being built. Bhutan has great potential to attract MICE tourism because of its exclusivity which will add to the overall experience of MICE travellers.

Bhutan has not really been able to attract the Visiting Friends & Relatives (VFR) segment. The fewer visitors coming for purposes other than for holidaying purposes indicated that this (VFR) may be a segment worth considering for promotion.

Graph 2.3
<u>Main Purpose of Visit</u>



Composition of Visitors Travel Party

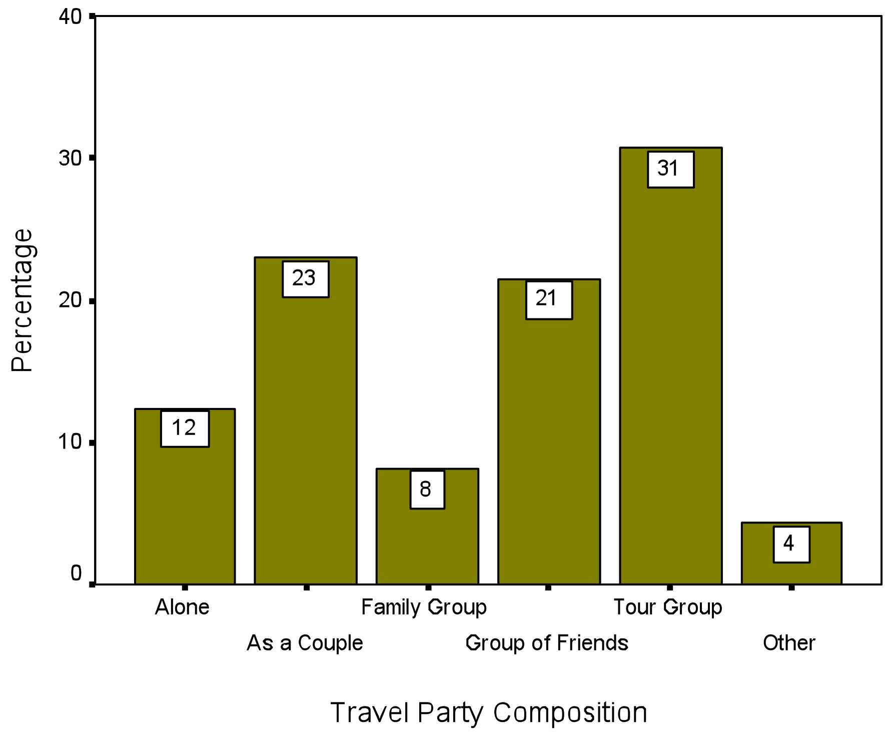
The pattern of travel party has been consistent in the past few years. Given that international visitors to Bhutan have to visit Bhutan through a registered local tour operator who offers organised travel packages, it is not surprising that majority of the respondents (34.9%) indicated that they were part of a 'Tour Group', which is predominantly featured as the predominant travel party every year. Amongst those sampled in 2008, some 23.5% travelled as a 'couple', thereby indicating that many local tour operators handle very small groups.

Such information on composition of travel party 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 coupled with the information concerning nationality. When cross-tabulated, there is no strong preference for tourists from the USA when in comes to deciding on travel party composition. Though 32.95% (highest) of them said they prefer to travel in a tour group, almost equal preference is given to other travel party composition like travelling 'Alone (24.88)', 'As a Couple (30.64%)', 'Family Group (29.38%)', and 'Group of Friends (27.18%)'.

Visitors from India prefer to travel in a 'Family Group (8.76%)' and "Alone (7.46%)'. Similarly visitors from Australia like to travel 'As a Couple' and as 'Group of Friends'.

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

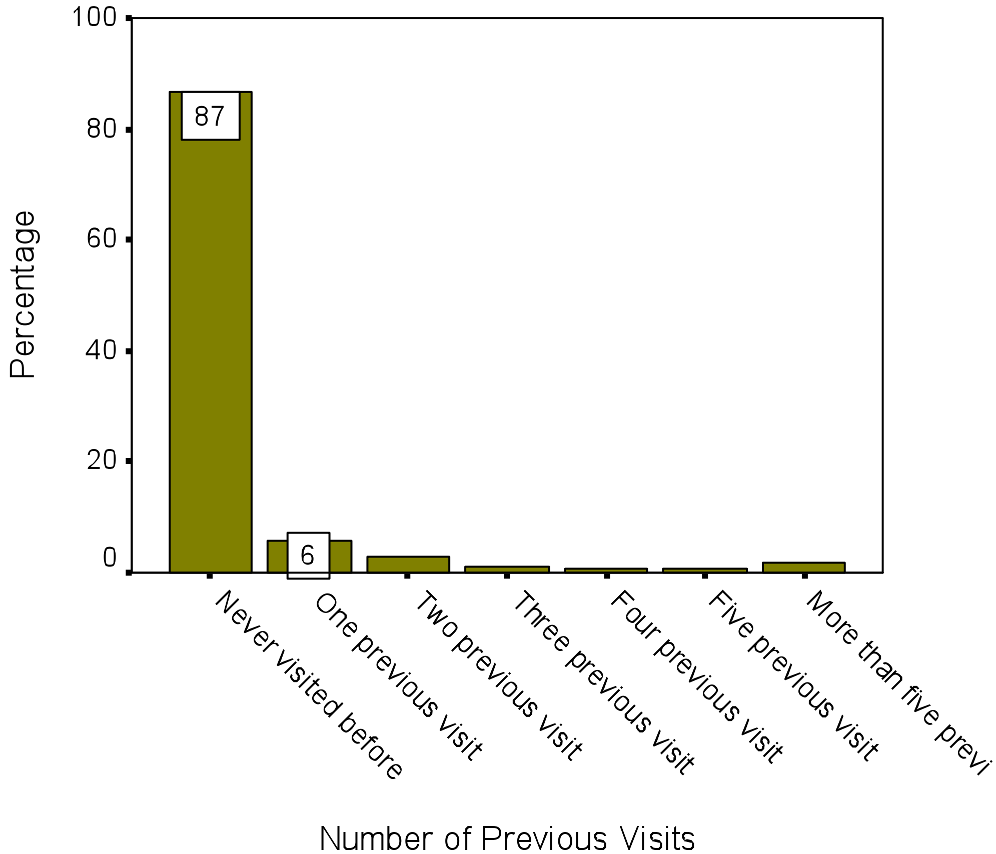


Repeat Visitation Pattern of Visitors

Similar to the past findings, majority of the visitors coming to Bhutan continue to be first-timers with an overwhelming 90.1% visiting Bhutan for the very first time in 2008. The only other category of visit to rate significantly was the 'One Previous Visit' category, where 4.9% of those sampled cited that this was their second visit to Bhutan.

Of the 10.1% who were repeat visitors, source markets like USA, Germany, and Japan recorded the maximum repeat visitations. Repeat visitation is very low as many people view Bhutan as a "once in a lifetime", cultural destination with limited geographical spread of tourism. Moreover, Bhutan is very dependant on cultural tourism which does not encourage repeat visitation. To encourage a higher incidence of repeat visitation, development of a wider product range focusing on '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.

Graph 2.5
Patterns of Repeat Visitation

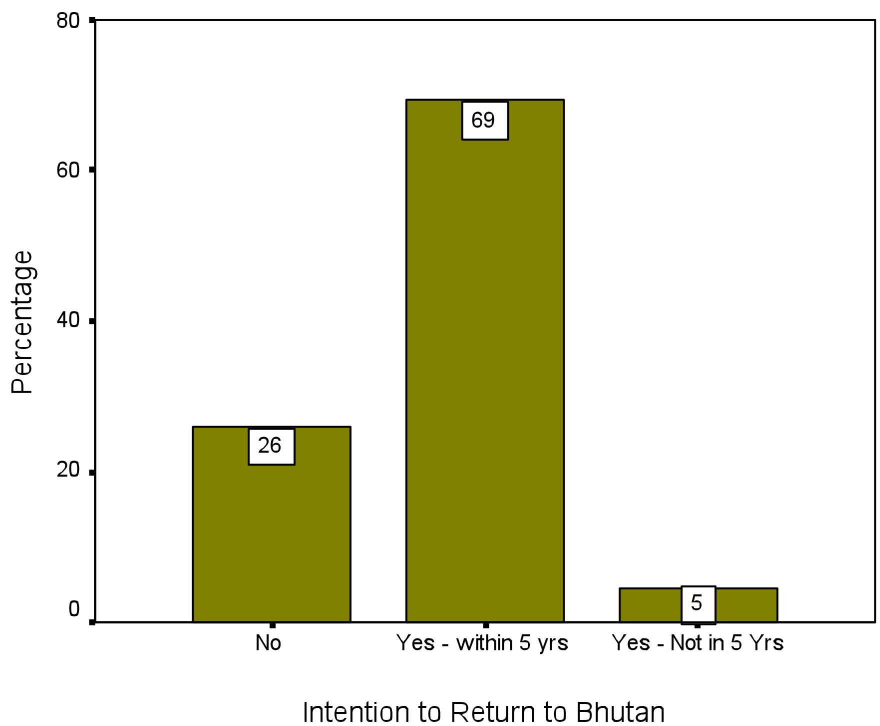


Intention to Return to Bhutan

The year 2008 was a special year not only for the tourism industry but also to the Bhutanese people. A new king was crowned and 100 years of monarchy was celebrated throughout the country. This brought good publicity through various print and broadcast media coverage creating great interest amongst visitors.

This historic event in 2008 created (in some way) interest to come back to Bhutan where 70.2% said they will come back to Bhutan. Cross-tabulation of nationality and intention to return shows that 28.2% of the Americans are interested to come back to Bhutan within next five years. Similarly, visitors from Australia and United Kingdom are also interested to come back to Bhutan within next five years. Americans (24.9%) topped the list of interested to return to Bhutan but not within next five years followed by Germans with 6.1%. These figures are particularly important for tour operators for country-wise marketing purposes.

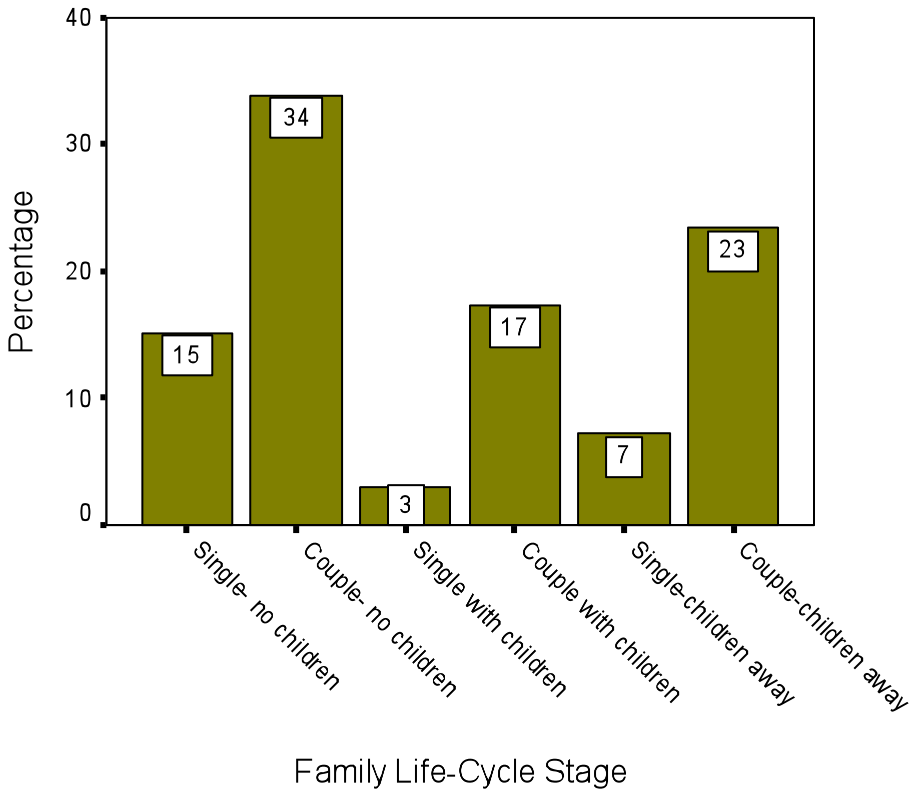
Graph 2.6
Intention to Return to Bhutan



Family Stage of Visitors

Family Life-Cycle Stage has implications for market segmentation, profiling and promotion, especially in accordance with the type of products offered. Similar to the findings of 2007, 'Couple with no children' was recorded as the largest segment (34.1%), closely followed by 'Couple with children who have left home' (Empty Nesters). The 'Singles with No Children' (14.5%) and 'Couple with children Still at home' (17.6%) categories also rated significantly.

Graph 2.7
Family Stage of Visitors



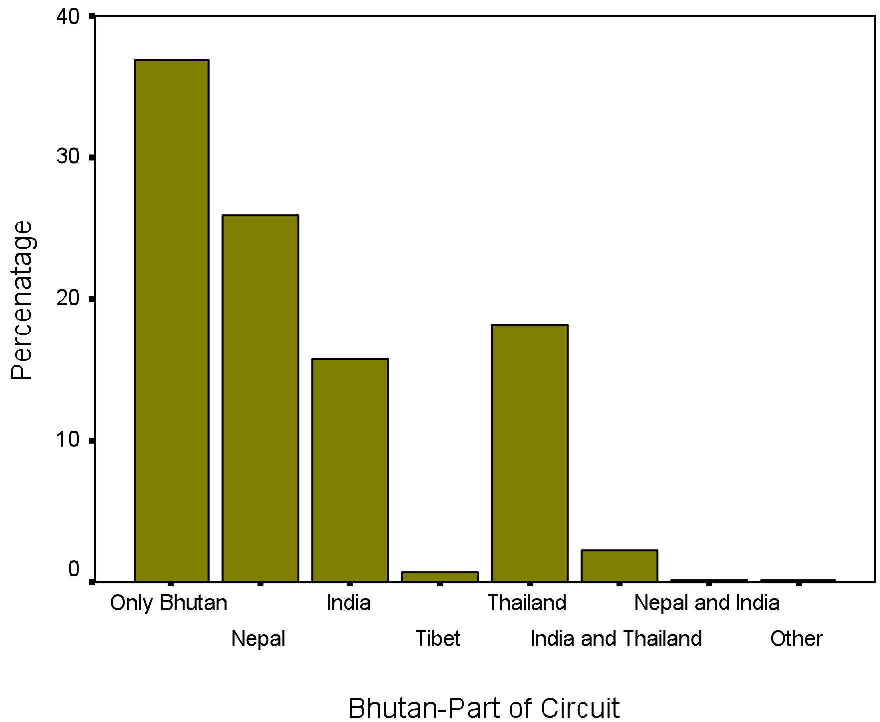
Bhutan and Circuit Tourism

Sampled visitors were asked to indicate whether Bhutan was their sole and primary destination, or whether it was part of a circuit of destinations. This question is asked in order to understand valuable information regarding possible future marketing partnerships and networks. Some 33.3% of the sampled respondents indicated that Bhutan was their only destination. Similar to previous years India (22.1%), Nepal (22.9%) and Thailand (17.8%) are the favourite circuit of destinations that visitors combine with their Bhutan holiday.

Though cross-tabulation between 'Nationality' and 'Circuit Tourism' indicated that majority of the visitors from the USA combined their travel itineraries with Thailand (52.4%), most still combine their trips with other neighbouring countries like Tibet (33.3%), India (30.8%), and Nepal (14.6%).

Tourists from Germany (25%) and France (25%) like to combine their trips with Nepal and India. However, 33.3% of both Americans and Japanese combine their trips to Bhutan with Nepal and Tibet.

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

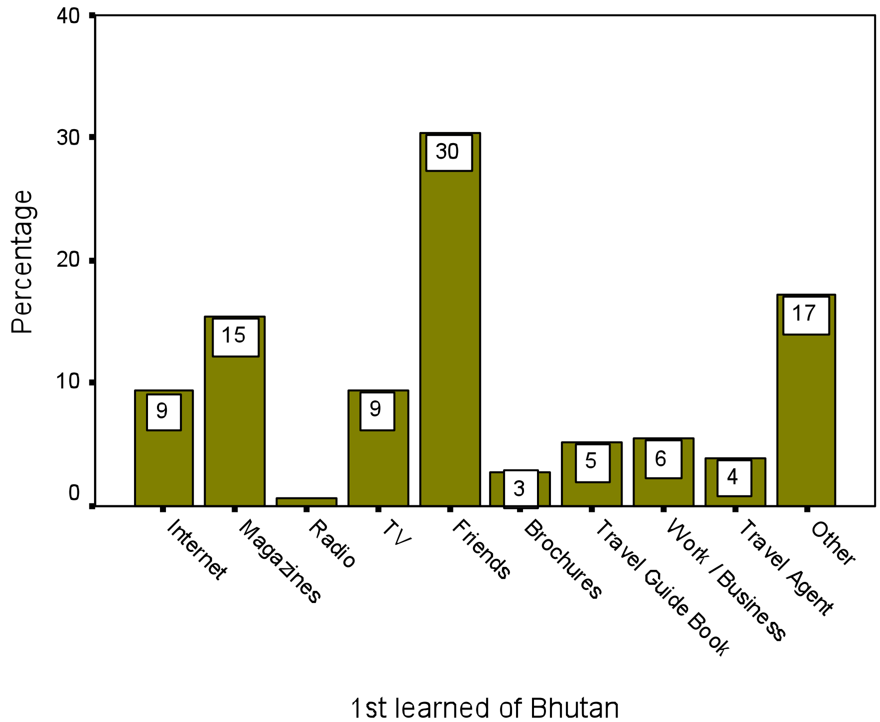


Primary Information Source

In order to understand the medium of information sources, respondents were asked to indicate where/how they had first learned of Bhutan. 'Word-of-mouth' as always, was cited as the single most important source with 29.5% 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 16.8% 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 9.6% and 9.7% 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. The main sources of information remain unchanged since the production of this report and it makes it easier to plan its marketing activities by prioritizing them.

Graph 2.9

Primary Information Source for Visitors

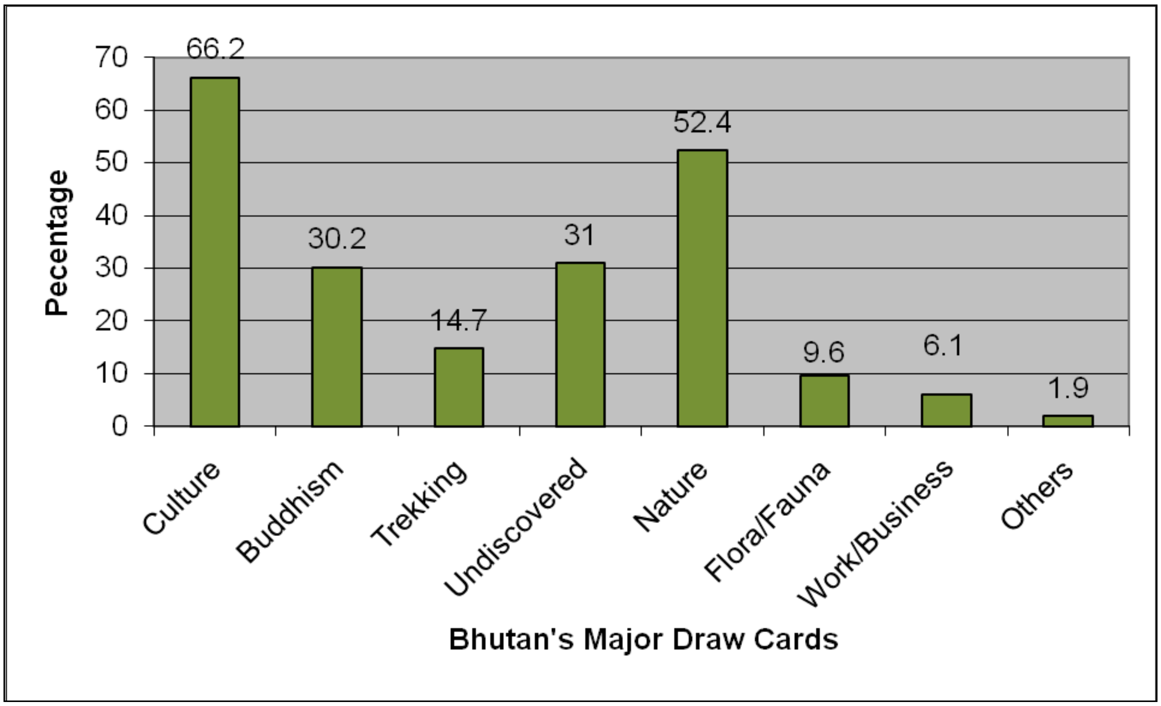


Bhutan – Major Attraction

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. The highest rated draw card was 'Culture' with 70.6% of all the responses, followed by 'Nature' (58.1%). Similarly, other draw cards were 'Undiscovered' (34.1%), 'Buddhism' (32%), 'Trekking' (17.5%), 'Flora/Fauna (9.4%), and 'Work/Business' (3.7%).

The Tourism Council of Bhutan asserts that 'Culture and Nature' are Bhutan's 'Unique Selling Proposition (USP).' This is proven true with this and previous research. In the following graph 2.10, categories are presented as per the responses of departing tourists but some of the responses can be safely included under the main 'Culture and Nature' category making 'Culture and Nature' even more significant.

Graph 2.10
Major Attraction to Bhutan

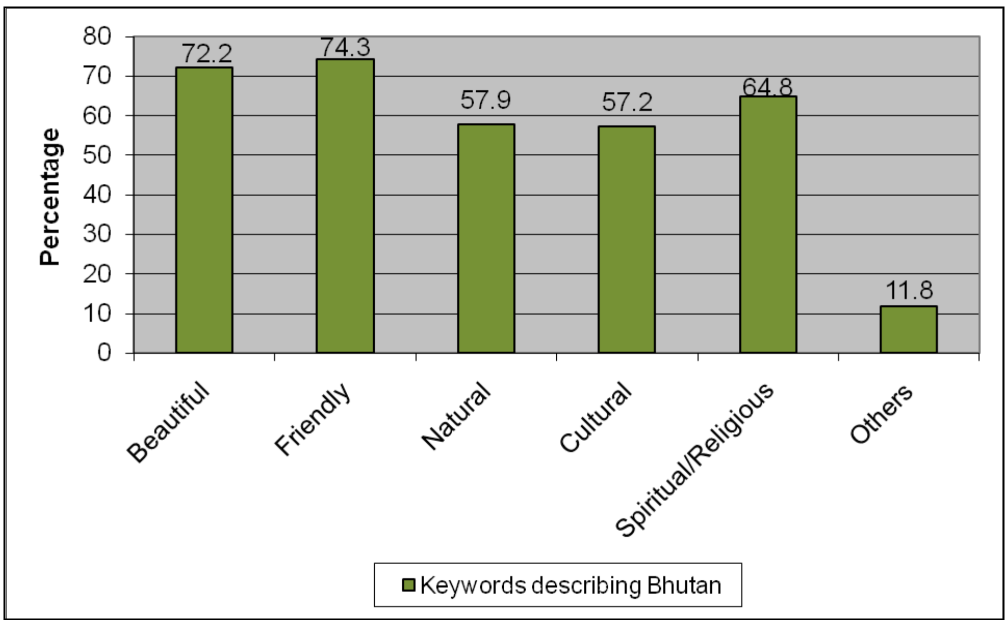


Keywords to Describe Bhutan

Respondents were asked to list two or three keywords to describe Bhutan. From a wide range of responses, the most popular key words were; 'Beautiful' (76.8%), 'Friendly' (75.6 %), 'Religious/Spiritual' (59.8%), 'Natural' (56.3%), 'Cultural' (53.2%) and 'Unspoiled' (11.4%).

These impressions assist in determining some of the activities that the visitor really liked about his/her experience. Tour operators would be well advised to bear such identifiers in mind when constructing future promotional strategies. For example, 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 88.4% of all respondents visited Paro, thus making it the most visited attraction of 2008, followed closely by 88.3% of all respondents visiting Thimphu. Of the total respondents, some 79.7% of the respondents visited temples and Dzongs which are the most important cultural heritages in the country.

Compared to 2007, in 2008 there were more tourists visiting Taktsang than Punakha with similar trend applying to Trekking and Bumthang.

Table 2.2
Attractions Visited/Activities Undertaken

Attraction/Activity	%
Paro	88.90
Thimphu	86.30
Temples/Dzongs	79.40
Taktsang	79.40
Punakha	70.00
Textiles/Weaving	37.60
Trekking	28.00
Bumthang	33.20
Trongsa	30.70
Dochula	27.90
Festivals	28.70
Flora/Fauna	15.90
Bird Watching	12.10
Cycling	1.60

Seasonality of Visitation

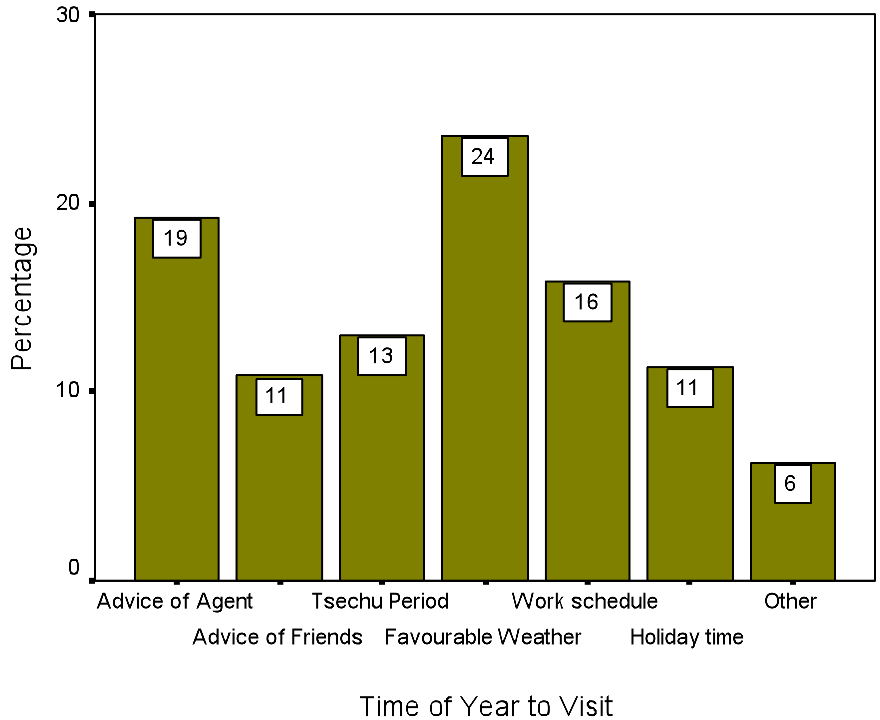
Seasonality for Bhutan, even though it is decreasing over time, is still a challenge. To better understand the possible causes of such marked seasonality, visitors were asked to indicate how they chose the time of year to visit Bhutan. Two main important elements of the problem of seasonality are 'Advice of an Agent (21.9%) and 'Favourable Weather' (21.6%). In other words, the choice of visiting Bhutan is mainly guided by the advice of an agent and the favourable weather conditions in Bhutan. The advice of an agent, both abroad and in Bhutan, play an important role in creating confidence in visitors visiting

Bhutan. For example, tourists would hear or know about the favourable weather from their agents and similarly they will depend on their agents for other information. Therefore, it is critical that agents are well informed.

'Holiday Time' (18.3%) (that is, the holiday period in the source market) is also of significance. 'Word-of-mouth' by family and friends, and 'Business/Work schedule' also rated significantly with 10.9% and 12.5% respectively.

Graph 2.12

<u>Visitors Selection of Month of Visitation</u>



Value for Money

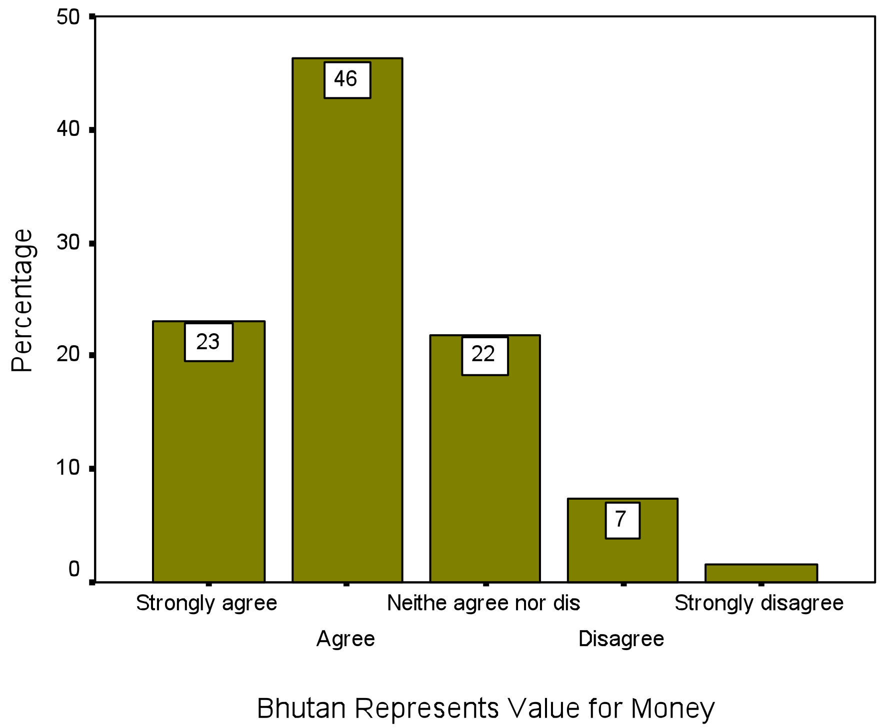
In response to the general impression created among potential visitors by misinforming them of Bhutan "being an expensive destination", respondents were asked to indicate whether they believed Bhutan represented "Good Value for Money". A majority (68.5%) agree that Bhutan represents a good value for money destination.

Cross tabulation of nationality and value for money indicates that Americans top the category of strongly agree with 42.4% but only few visitors from Belgium (0.43%) and Netherlands (1.3%) strongly agree to the question of value for money.

Whilst these opinions are of those that actually visited, there may be many more potential visitors who simply eliminate Bhutan as their choice of destination based on their perception of Bhutan's pricing policy. As explained by some respondents, there seem to exist some misunderstanding about the tariff system as foreigners tend to presume that $US. 200 per night 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

Value for Money Perception



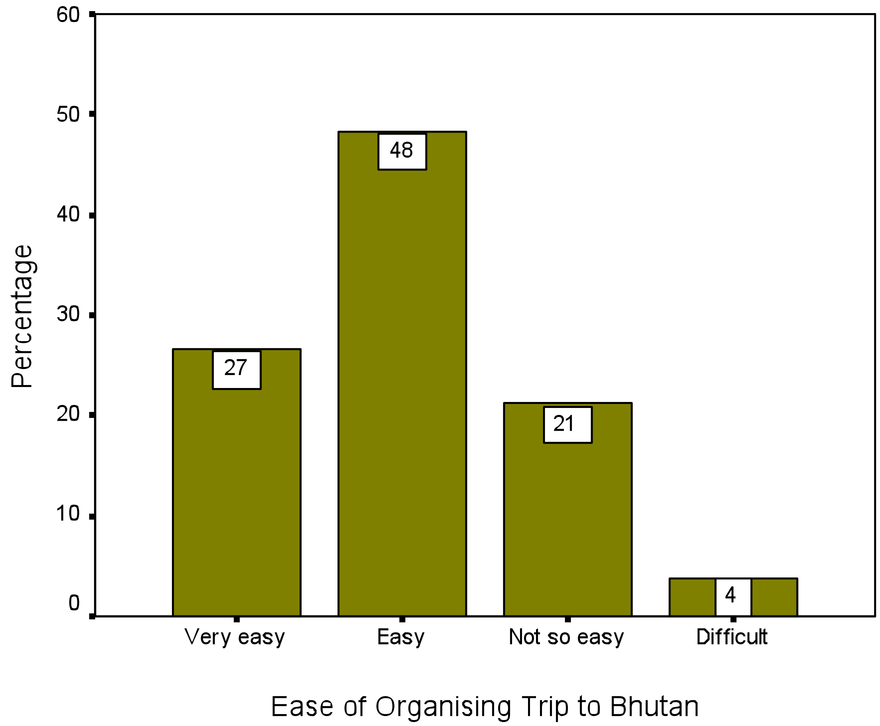
Ease of Organising Trip to Bhutan

One of the biggest hurdles of visiting a destination can be the difficulty of organizing a trip and more than that is finding what a visitor is looking for. Therefore, all sampled respondents were asked to assess the ease of organising their trip to Bhutan. Little less than half (48.9%) said it is easy to organize trip to Bhutan with 29% even finding it very easy to organize a trip to Bhutan. This is not a surprising finding as all the visitor travel arrangements are taken care of by their local tour operators. Some 20.7% of those sampled indicated that they had encountered some difficulty in organising their visit (17.6% 'Not So Easy' and 3.1% '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

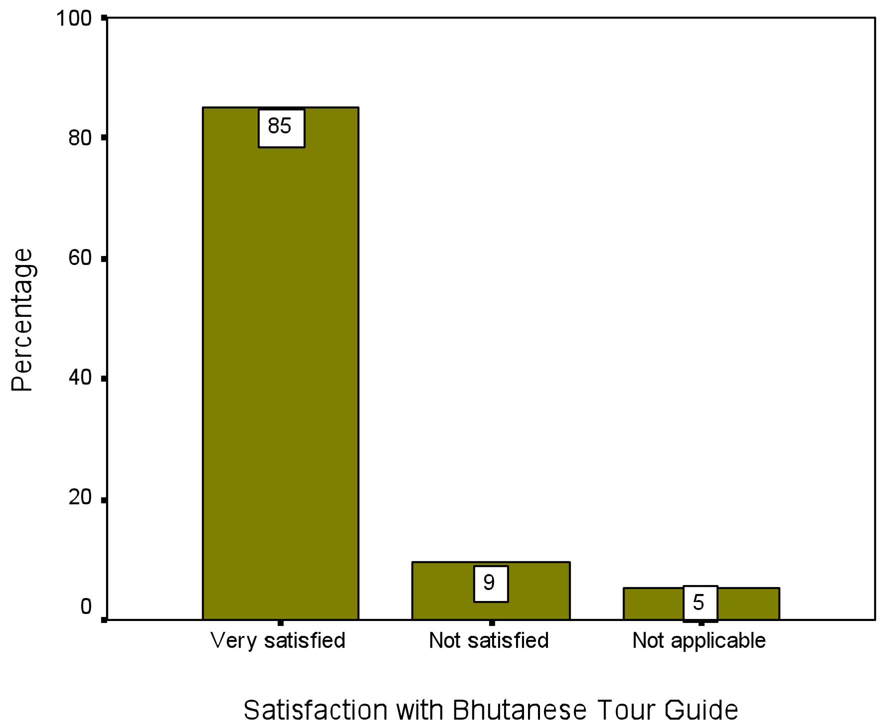


Satisfaction with Bhutanese Tour Guides

When tourists are in Bhutan our national and local tour guides who act as ambassadors are the chief source of information and interpretation for visitors. Therefore, it is important to gain insight into visitor satisfaction levels with guides. Compared to 2007 (92.9%), in 2008 (89.3%) there is a slight drop for 'Very Satisfied' category by 3.6% though most tourists were very satisfied with the guides.

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 6.6% of the total sampled indicated that they were not satisfied with their guides. However, the performance of guides will improve with the Hotel and Tourism Training Management Institute (HTMTI) taking full swing.

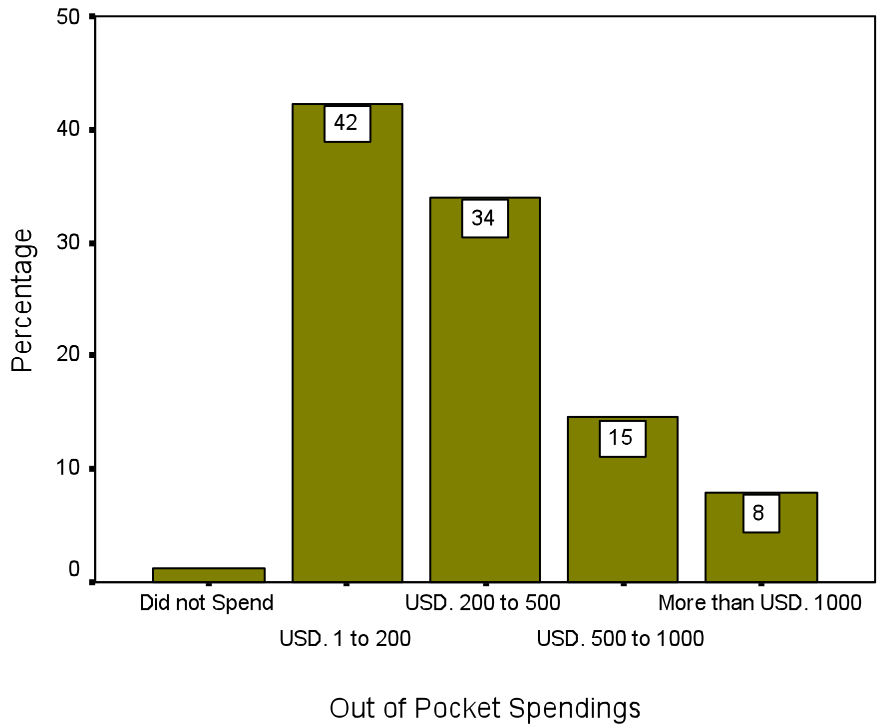
Graph 2.15
<u>Satisfaction with Bhutanese Tour Guides</u>



Out of Pocket Spending

All tour packages sold by local tour operators are general inclusive of amenities like tourists royalty, bed and breakfast, transport, guiding services etc. Therefore respondents were asked if they had spent anything extra out of their pockets besides the package price to determine the impact of tourism on the local economy. Majority (75.8%) of the visitors spent less than USD. 500 mainly for shopping and food. This finding indicates that there is a need for local entrepreneurs to produce an attractive range of tourism souvenirs and products that is reasonably priced to encourage visitors to spend more. Visitors often complained that the handicrafts are priced exorbitantly compared to the neighbouring countries like India, Nepal and Tibet.

Graph 2.16
<u>Out of Pocket Spending by Visitors</u>



Additional Facilities and Improvements

The respondents were asked to make comments about tourism related services and infrastructures as well as suggest ways to enhance their experience in Bhutan. Of the total sampled, around 33.8% expressed their dissatisfaction with the hotel sector which ranged from poor plumbing services, lack of hot water, poor sanitation, dirty and poor bathroom facilities, poor staff services, etc. Similarly, some 10.4% commented that hotels and other food service providers lacked variety in food. Some also complained that most food outlets did not have vegetarian option or had limited vegetarian option.

. Some 11.4% indicated that motorable roads needed improvement and suggested that introducing helicopter services will not only help reduce the risk but also make travel time quicker for tourists.

Some expressed the need for ATM facilities (9.2%) and they think that with ATM facilities widely available the Bhutanese economy, especially the handicraft sector, will highly benefit. Tourists are not informed in advance of the limited ATM facilities. Therefore, this leads to tourists spending less in Bhutan.

Similarly, respondents suggested having solid waste management plans, clean public toilets (highly recommends to have toilets every after few hours on highways), improve Drukair airport facilities and services (fare is quite high), limited locally made handicrafts are quite expensive, and guides will have to know more about culture and Buddhism.

Some respondents also commented on having to wire tour payments as “too much of a hassle” and credit card payment systems should be introduced.

Table 2.3
Suggestions for Improvement

Opinion	**%**
Hotels & related	33.8
Roads	11.4
Food (Variety)	10.4
ATM facilities	9.2
Internet services	7.9
Garbage	7.3
Public toilet	5.3
Dogs	3.5
Drukair related	3.9

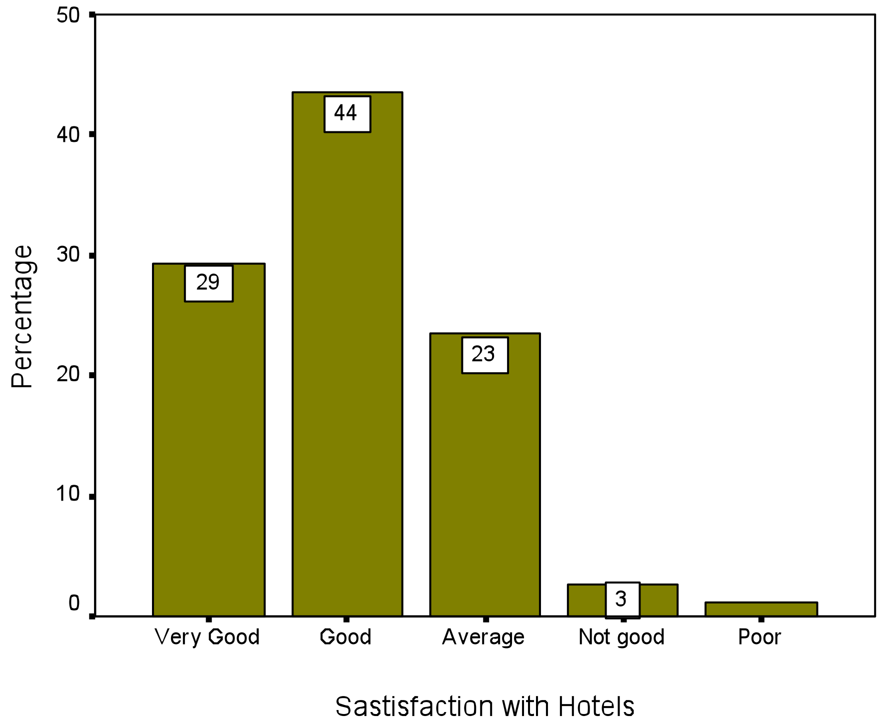
Credit card payment	2.6
Handricraft expensive	1.8
Guide	1.2
Airport east/helicopter	1.0

Satisfaction with hotels

Hotel plays an important role in adding to the experience of a visitor. This will also include the services provided by the staff and facilities included in a hotel. The Tourism Council of Bhutan makes it mandatory for tour operators to keep their guests in TCB accredited properties. All hotels approved by the Council are assessed by the Council to cater to tourists. This is mainly to encourage hotels to improve their services and facilities.

Most tourists (71.0%) were satisfied with the hotels stating that the hotels were good. Some 23.2% said the quality of hotels was average and some 4.4% saying the hotels were not good. Though most tourists were satisfied with the hotels, the need to improve hotel standards including services (cleanliness) is still necessary. Even though the Council provides support in terms of training hotel staff, strict monitoring on facilities and most importantly, functional aspects of the facilities need to be looked at. Similarly, the quality of facilities used must also be monitored.

Graph 2.17
<u>Hotel Improvements</u>



Section 3 – Source Markets Summary

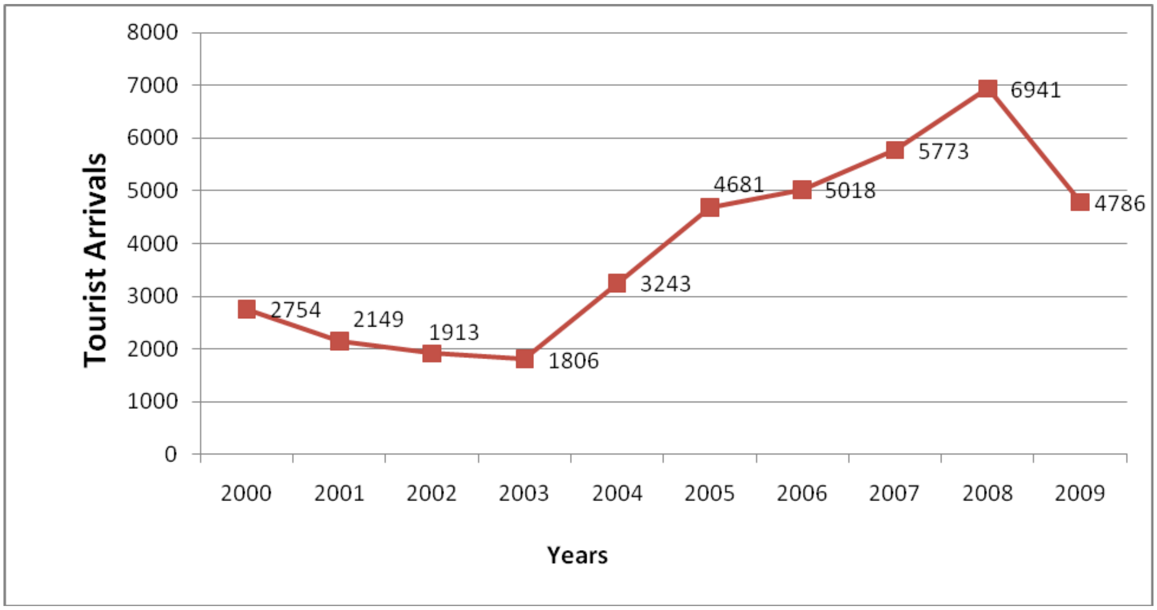
Section 3 of the report provides a country wise analysis of the top 12 source markets independently. It is a collection of findings which are summarised according to a particular source market to enable the reader to understand the various trends and patterns of behaviour of a particular market at a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

United States of America

The United States has been the important source market for Bhutan for many years, taking the top position in terms of total arrivals and bed nights. In 2008, there were 6,939 tourists from the US which is a 20.2% increase compared to 2007. It constituted 27.3% of the total bed nights for 2008. Tourists from USA stay for 8.7 days on average and 46.8% preferred to visit Bhutan during September, October, and November months.

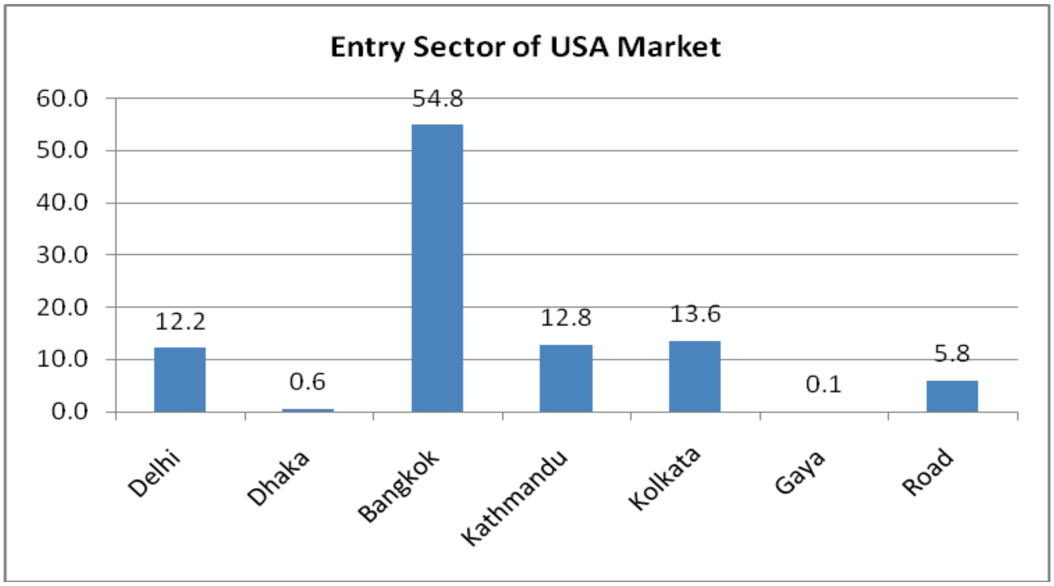
The responses from the tourists interviewed at the Paro Airport show that 67.4% of the visitors from US have university degree. About 90.8% came for holiday and most (92.1%) of them were visiting Bhutan for the first time. They like to combine their tour program with Thailand (31.3%) by travelling in groups (38.7%). Most of the visitors are couple with no children (33.8%) and they have heard about Bhutan from their friends (37.1%).

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. A very small proportion of the Americans entered through Dhaka and Bodh Gaya in India.

Graph 3.2
Port of Entry of US Arrivals

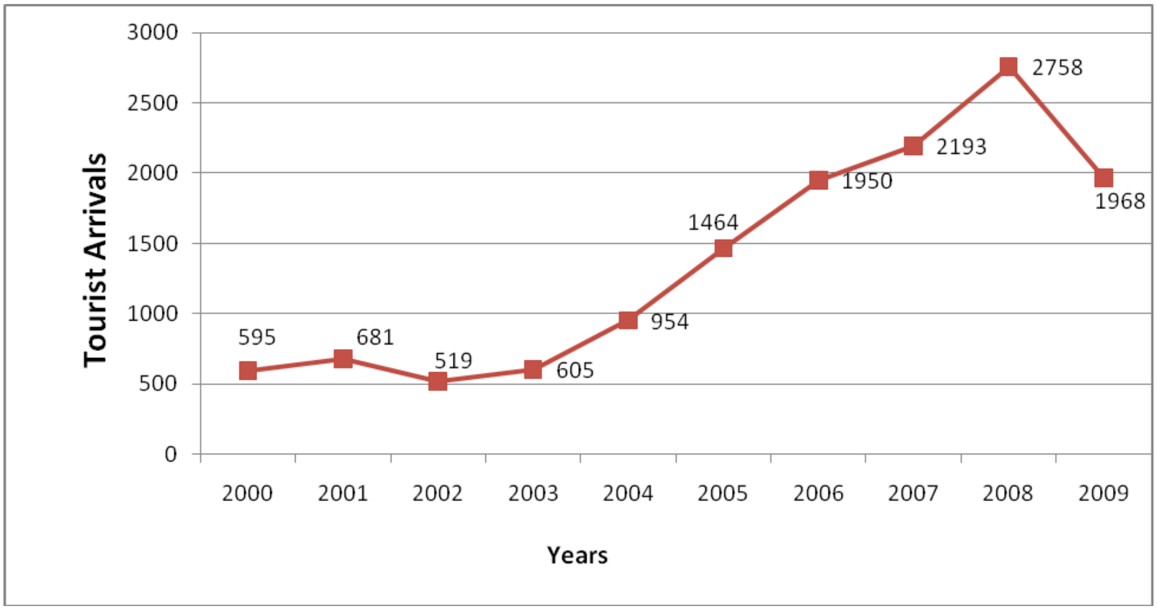


United Kingdom

The United Kingdom also remains as the second important source market both in arrival figures and bed nights. There were 2,758 tourists in 2008 with an increase of 25.8% compared to 2007. There has been a constant increase since 2003. Tourists from United Kingdom stay for 9.2 days and most (55.7%) visitors like to visit during September, October, and November months.

Tourists from the United Kingdom are highly educated with 70.3% of them with university degree and most of them coming to Bhutan for holiday (92.3%). About 33.8% of them prefer to join group tours and they like to combine their trip with Nepal (41.5%). Most visitors are first timers (87.7%) with 40.0% of them couple with no children. They have heard about Bhutan from their friends (27.7%) and 60.8% of them would like to return to Bhutan within 5 years.

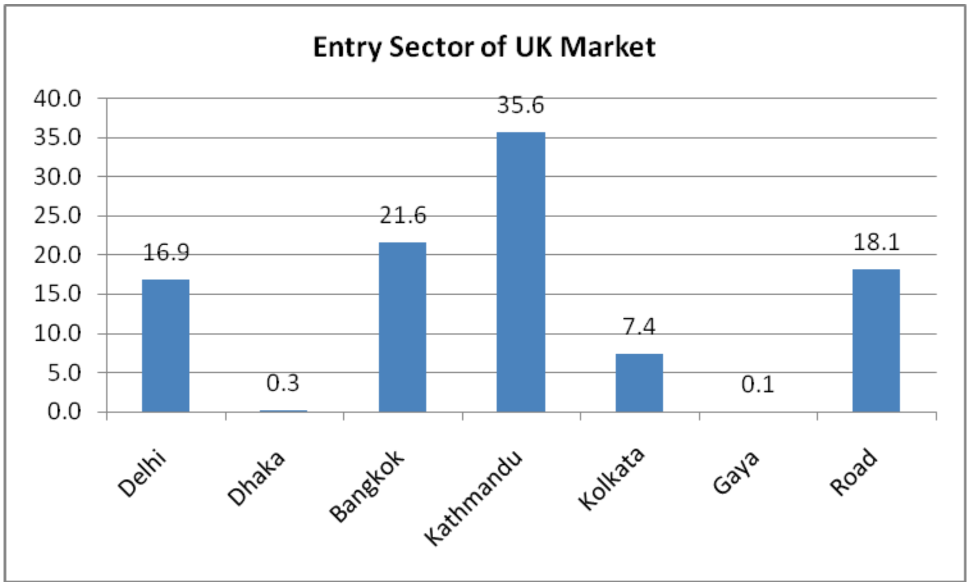
Graph 3.3
Visitor Arrivals from United Kingdom



Graph below 3.4 shows the preferred entry sectors of the British visitors in 2008. Only a hand full of visitors came through Dhaka and Gaya. More than a quarter of the total arrivals originating from United Kingdom came in through Kathmandu and little less than a quarter preferred to entry from Bangkok. Some 18.1% preferred to came via road as their mode of transport.

Graph 3.4

Port of Entry of UK Arrivals

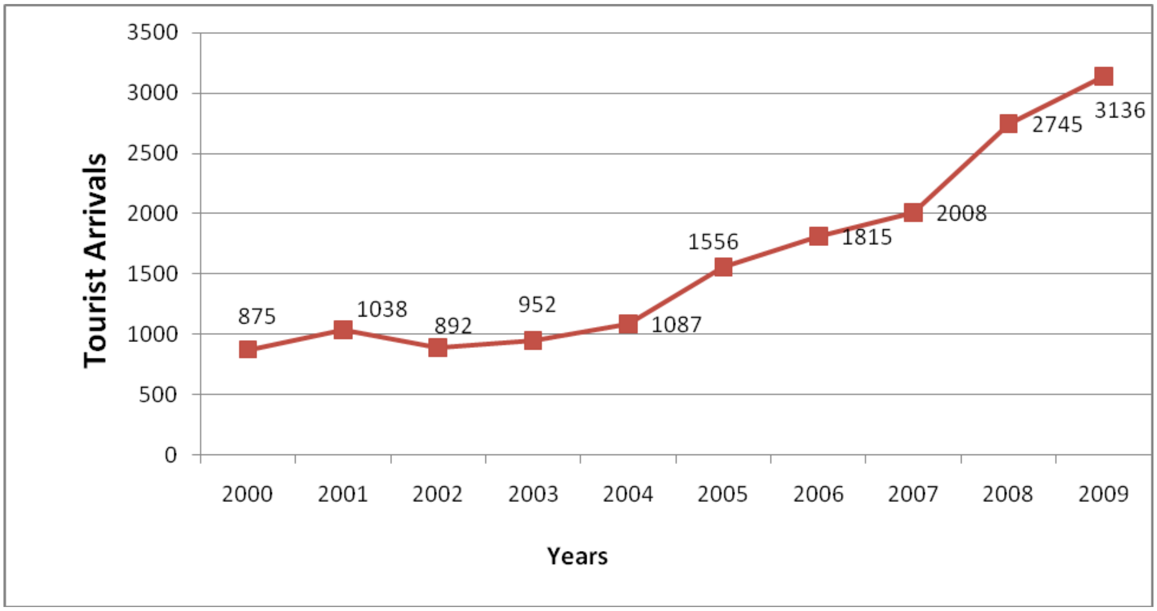


Japan

In 2008, we saw an increase of 36.7% (2,745) compared to 2007 in Japanese arrivals. This represented 7.1% of the total bed nights for 2008. Bhutan saw a constant increase in arrivals from Japan since 2002. It is very important for tour operators to know that most (28.9%) prefer to visit Bhutan during June, July and August months. However, their average length of stay is one of the lowest with 5.6 days.

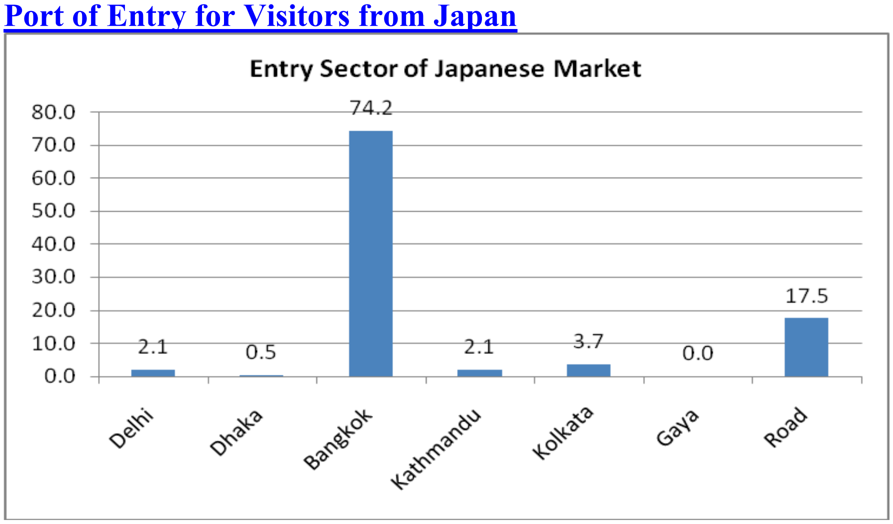
Like most visitors who come to Bhutan, Japanese are highly educated with most of them with university degrees. Their main purpose of visit is Holiday (73.1%) and they like to travel in groups. About 78.4% are first timers and they usually do not like to combine with other destinations when they come to Bhutan. Unlike most other visitors they learned about Bhutan from magazines. Tourists who have visited Bhutan would like to come back to Bhutan within next five years.

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



The graph 3.6 below shows the entry sector for the Japanese visitors in 2008. Majority of the visitors indicated that direct flights which are cheaper compared to the other sectors make Bangkok a favourable transit port. This also complements to the above point of Japanese not combining their tour program with other destinations

Graph 3.6
Port of Entry for Visitors from Japan

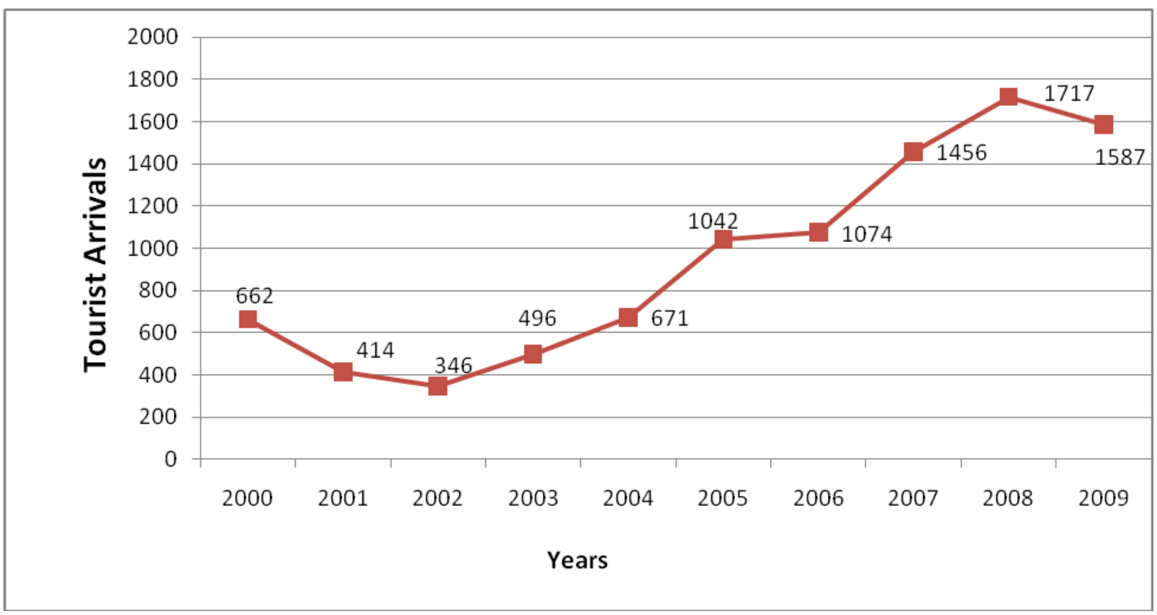


Germany

Like other countries, visitors from Germany to Bhutan decreased after the September 11 incident. However, there has been a constant increase since 2002 and there was about 17.9% increase in 2008 compared to 2007. Germany was in top three both in terms of arrivals and bed nights (7.0%). About 57.0% of the visitors visited Bhutan during September, October, and November months. The average length of stay for Germans is 9 days.

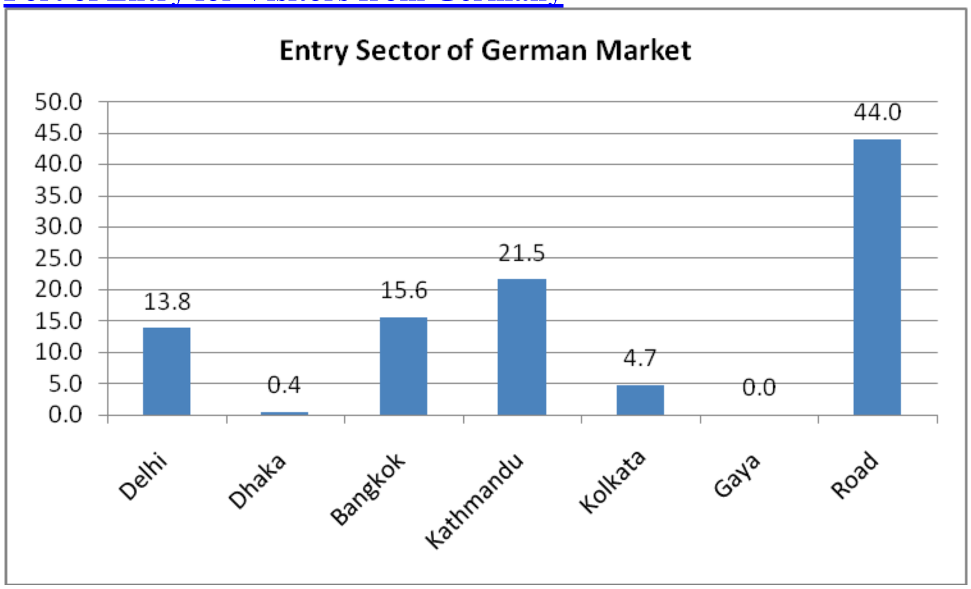
Not surprisingly, 72.1% of the Germans have university degrees. Some 83.7% visited Bhutan for holiday alone and most of them are first timers. Like the Japanese, most Germans heard about Bhutan from magazines. Their preferred destination for circuit tourism is India and they would like to visit Bhutan again within next five years.

Graph 3.7
Visitor Arrivals from Germany



The graph 3.8 below shows the visitors' preferred mode of travel which is unlike the other top source markets of USA, UK and Japan. Majority (44.0%) of the Germans preferred to enter the country via road. This figure coupled with the number of visitors entering via Delhi and Kolkata justifies the fact that India remains as the most favoured destination for a possible combination during their trip to Bhutan.

Graph 3.8
Port of Entry for Visitors from Germany



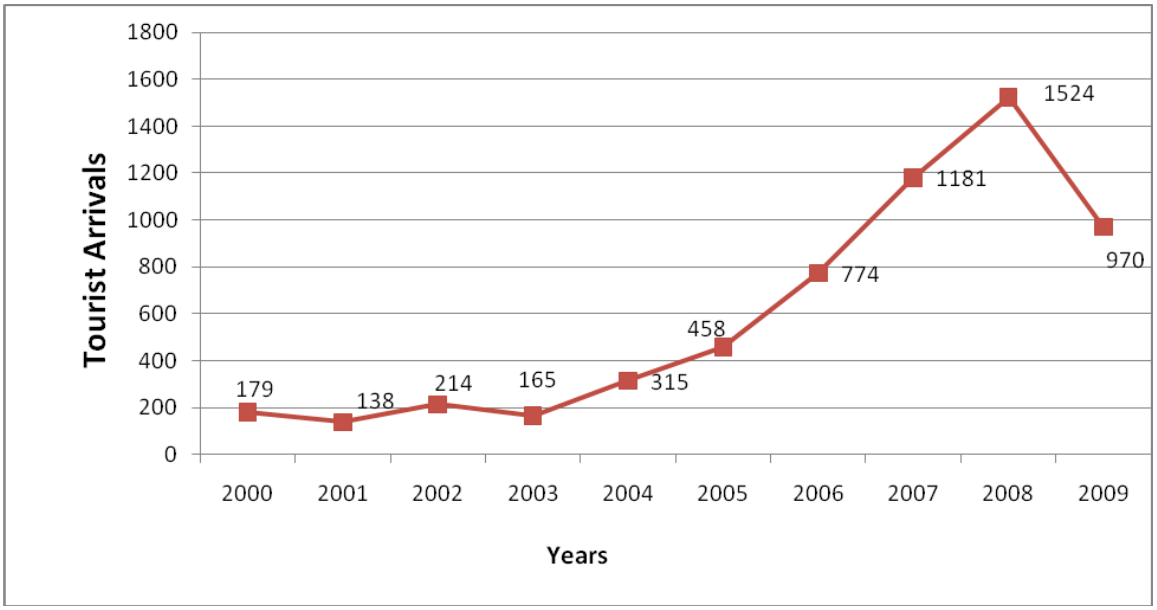
Australia

Australia remains as one of the top source markets with constant increase in arrival since 2003. In 2008, there were 1,524 tourists which is 29.0% increase compared to 2007. Out of 220,116 bed nights, Australia accounted for 14,467 bed nights contributing to 6.6% of the total bed nights. Australians prefer to visit Bhutan during September, October, and November months with 9.5 days as their average length of stay.

Some 95.6% came solely for holiday with Bhutan as their only destination. Most visitors are couple with no children and they are highly educated (76.5%). Their main source of information on Bhutan is their friends with 94.5% visiting Bhutan for the first time. They prefer to travel in groups and 60.1% of them are looking forward to visit Bhutan again within next five years.

Graph 3.9

Visitor Arrivals from Australia



Graph 3.10 below shows the preferred port of entry for the Australians. As there is no direct flight from Australia to Bhutan, they transit through Bangkok and Kathmandu. Significant number of Australians have also entered the country via road.

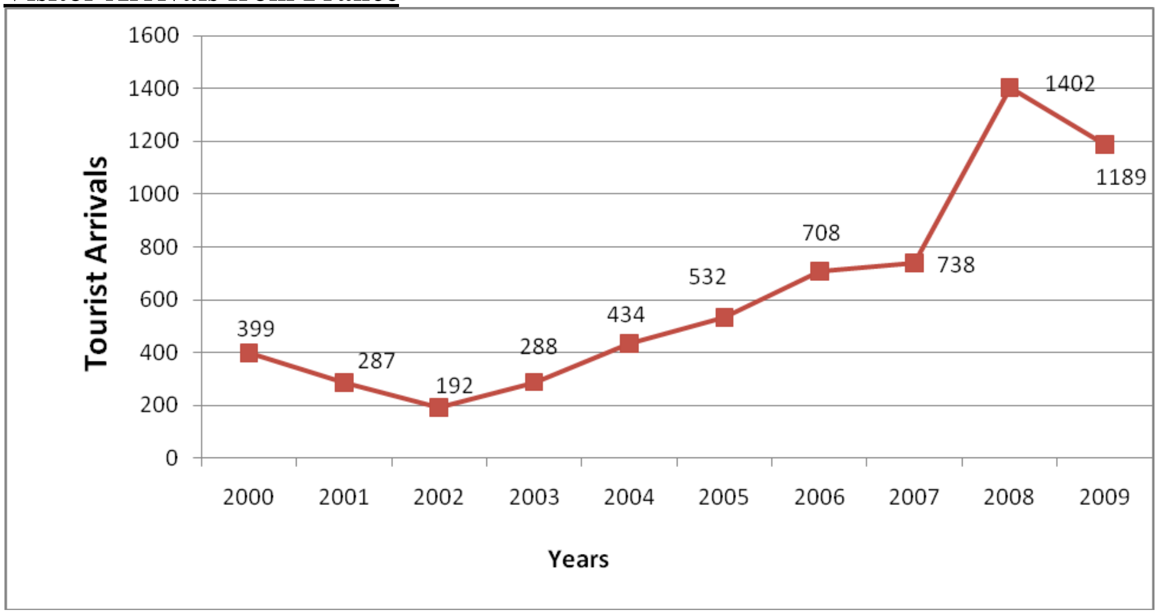
Graph 3.10
Port of Entry for Visitors from Australia

France

The French Market was unstable until 2002 with constant rise and fall in arrival figures. However, since 2003 the arrival constantly increased and there was a record high of 90.1% increase in 2008. September, October and November months are the preferred months for French tourists. They spend about 8.7 days in Bhutan and in 2008 they have contributed 5.6% of the total bed nights.

French tourists are highly educated with 80.3% of them with university degrees. They are mostly couple with no children and their main purpose of visit is holiday (90.8%). They prefer to join tour groups by combining their tour with India (35.5%). Most of them are first timers (92.1%) and they want to come back to Bhutan within next five years. Just like Germans and Japanese, they first knew about Bhutan from magazines (21.1%).

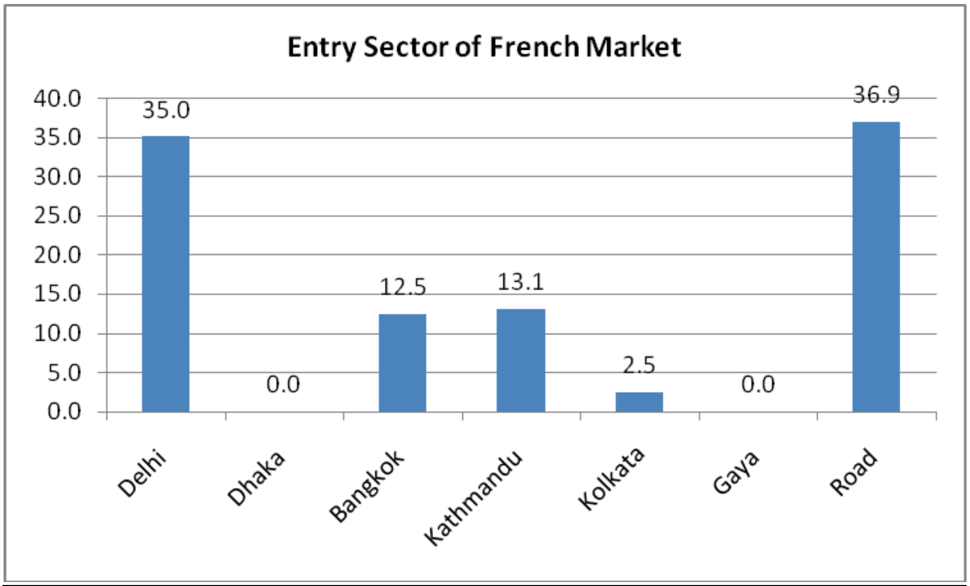
Graph 3.11
Visitor Arrivals from France



The graph below shows the port of embarkation for the visitors originating from France. Majority (36.9%) preferred to enter by road and this could be because they like to combine their trip with India. Entry by air from Delhi (35.0%), Kathmandu (13.1%) and Bangkok (12.5%) are also rated significantly.

The trend for Dhaka and Gaya remained same of 2007 with no entries from both sectors.

Graph 3.12
Port of Entry for Visitors from France

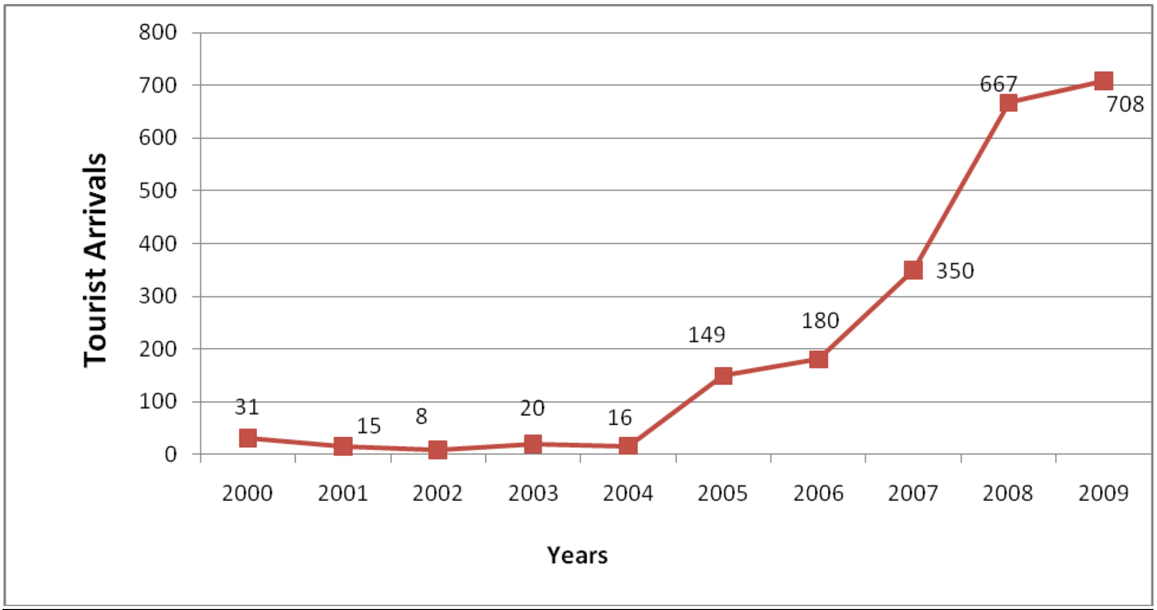


Singapore

There were 667 visitors from Singapore in 2008 with 90.6% increase compared to 2007 making it to the top 12 source markets. Most visitors like to visit Bhutan during September, October and November months. The visitors from Singapore constantly increased since 2004.

Graph 3.13
Visitor Arrivals from Singapore

The Graph 3.13 below shows the entry sector of the Singaporean visitors in 2008. Bangkok (67.8%) is the main of port of entry for visitors from Singapore because of its proximity. However, significant number of visitors also enter visa road. There was no visitor who entered from Gaya.



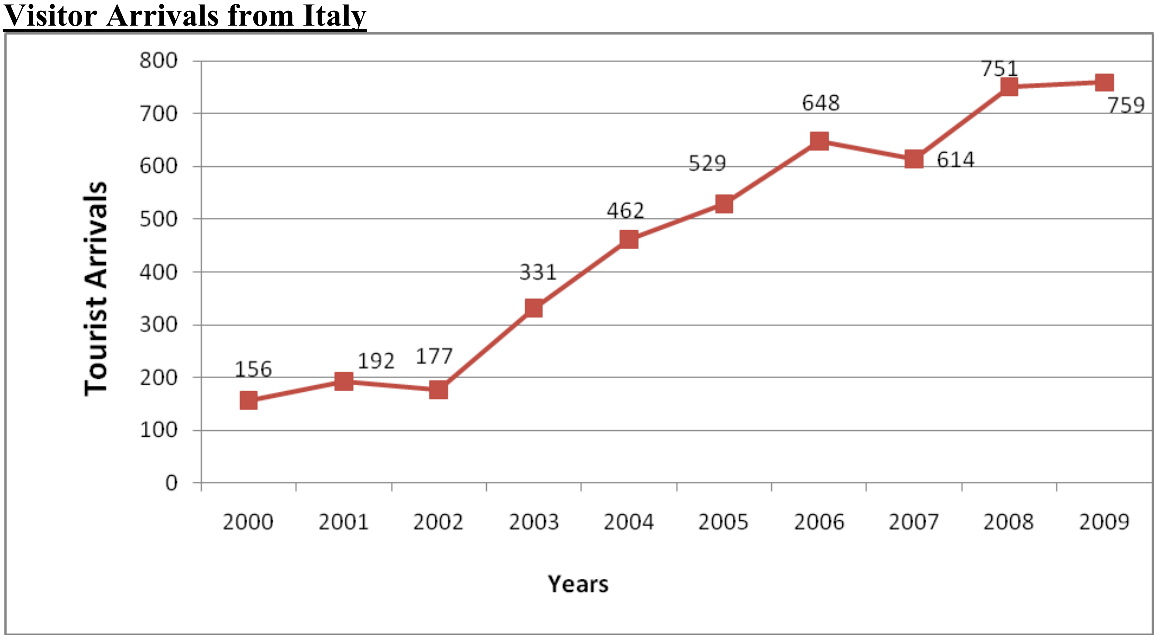
Graph 3.14
Port of Entry for Visitors from Singapore

Italy

Italy is one of the top twelve important markets both in terms of arrivals and bed nights. In 2008, there was an increase of 22.3% compared to 2007. This accounted for 2.8% of the total bed nights (6,189). Most visitors prefer to visit Bhutan during March, April, May, September, October, and November months. Their average length of stay was 8.2 days.

Italian visitors are highly educated with 68.9% of them with university degree. Their main purpose of visit is holiday (95.6%) and most of them are first timers (88.9%) with 46.7% of them looking to visit Bhutan again within next five years. Bhutan is their only destination (51.1%) and they heard about Bhutan from their friends.

Graph 3.15
Visitor Arrivals from Italy



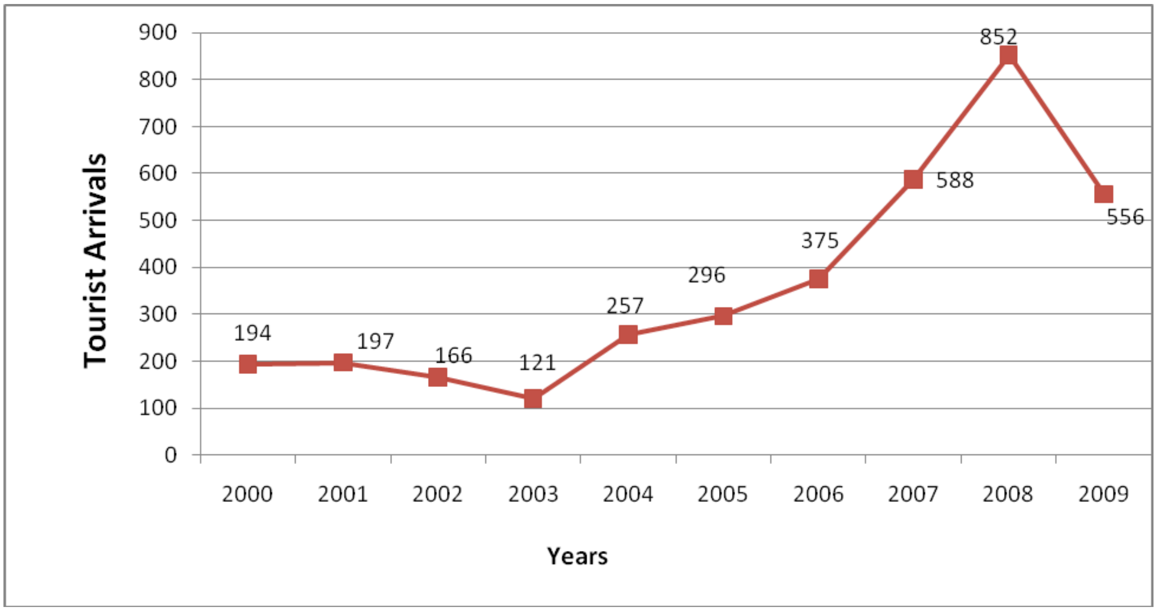
The Graph 3.16 below shows the entry sector of the Italian visitors in 2008. Some 33.0% of them entered Bhutan via road. Significant number of visitors also entered through Delhi (25.7%) and Kathmandu (21.8%). No one entered from Gaya and Dhaka.

Graph 3.16
Port of Entry for Visitors from Italy

Canada

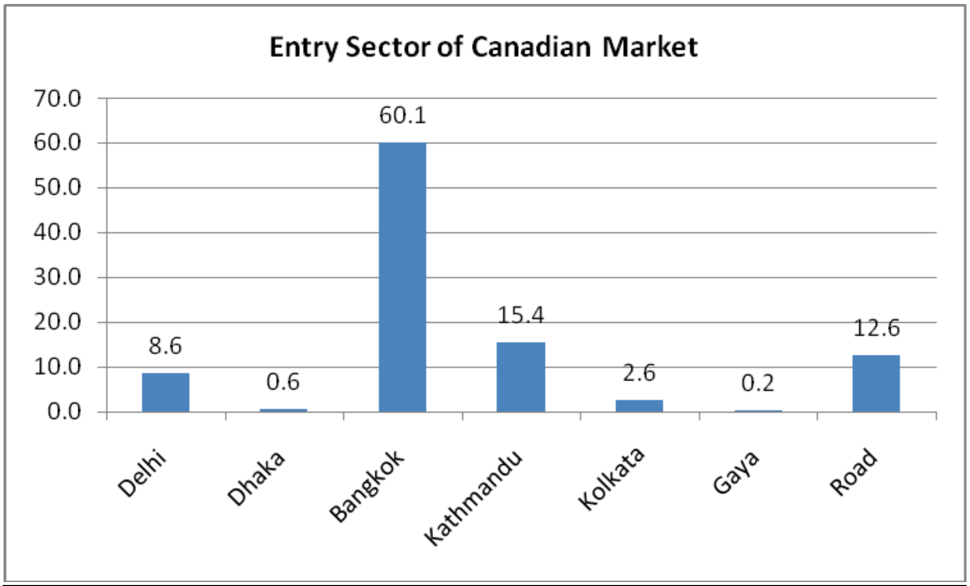
Arrivals from Canada were also affected by the SARs epidemics and September 11 incident because visitors from Canada decreased in 2002 and 2003. However, from 2004 Bhutan saw a constant arrival from Canada with 44.9% increase in 2008 (852) compared to 2007 (588). Canadian stay for about 8.9 days on average and they prefer to visit during September, October and November months.

Graph 3.17
Visitor Arrivals from Canada



The graph 3.18 below shows the entry sector for the Canadians. Majority boarded the plane from Bangkok (60.1%) which shows that the Canadians prefer to combine their Bhutan holiday with Thailand. Whilst Nepal (15.4%) and Delhi (8.6%) rated significantly, 12.6% of the visitors also preferred the road mode of transport.

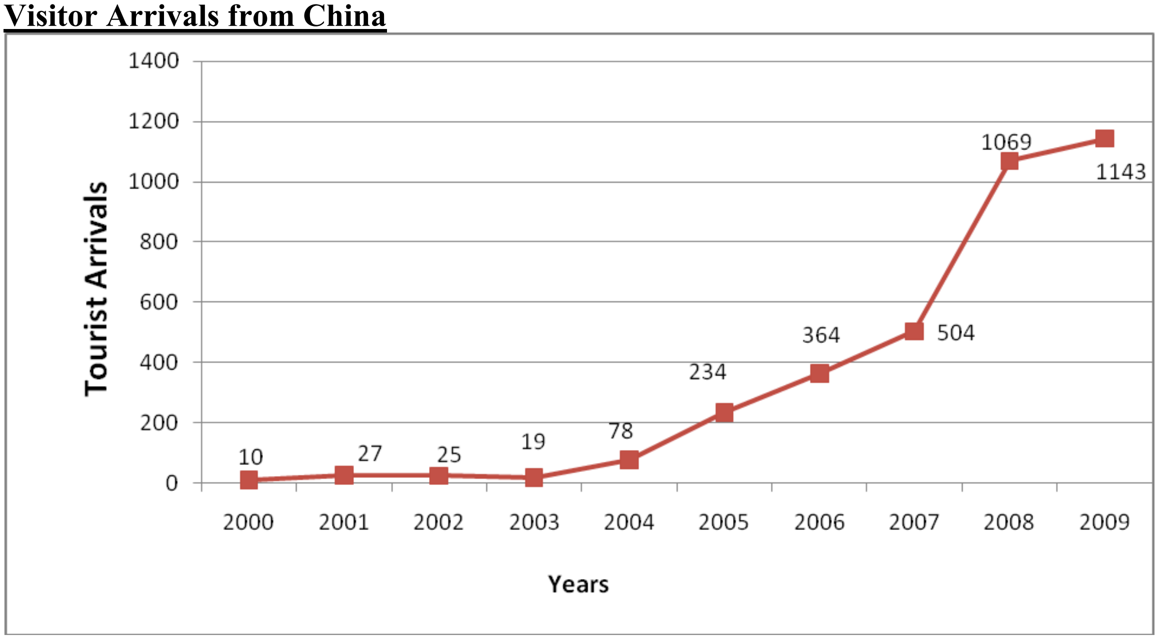
Graph 3.18
Port of Entry for Visitors from Canada



China

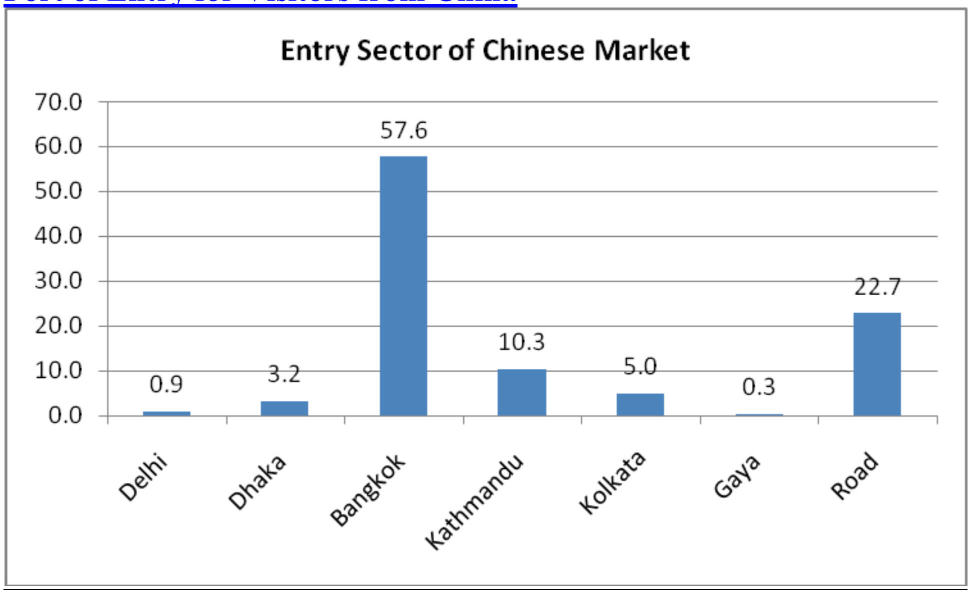
China as an important source market is growing constantly with 112.1% increase in 2008 compared to 2007. It also contributed about 2.7% of the total bed nights by contributing about 5,939 bed nights in total. Chinese visitors do not have very strong preference on the time of visit though September, October and November months are rated higher by a narrow margin. China, like Japan, has one of the lowest average length of stays of 5.6 days.

Graph 3.19
Visitor Arrivals from China



The graph 3.20 below shows the port of entry for the Chinese visitors. The majority of the visitors preferred 'Air' as their mode of transport, but some 22.7% preferred visiting the country by road. The only other Druk-Air sector that rated significantly was Kathmandu with 10.3%.

Graph 3.20
Port of Entry for Visitors from China

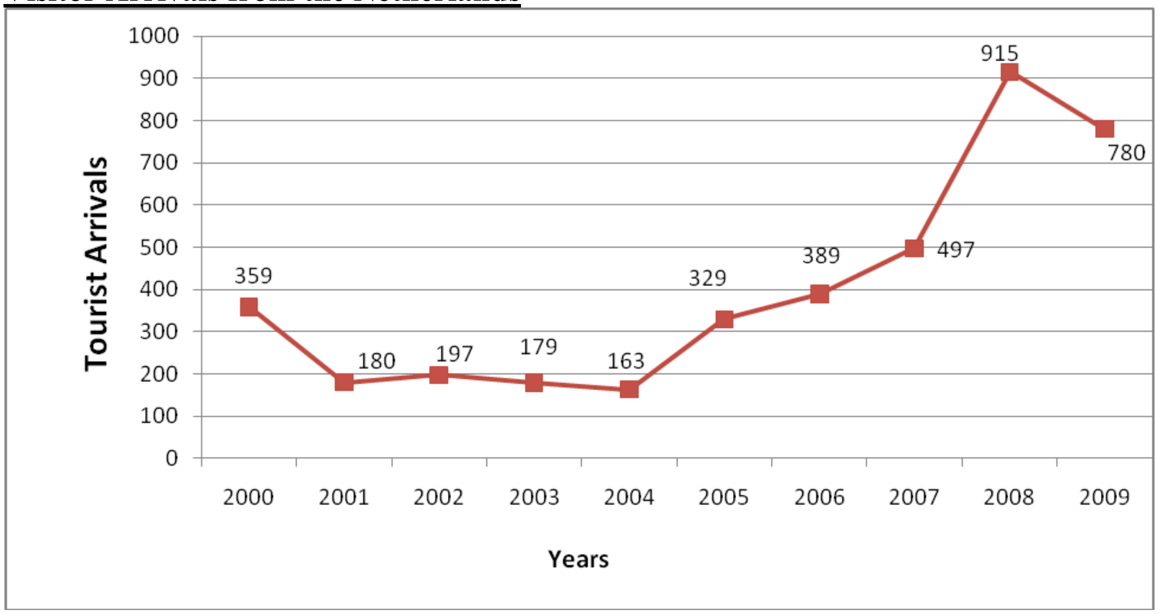


Netherlands

In 2008, Bhutan saw a huge increase in arrivals from Netherlands with 84.1% increase compared to 2007. It also contributed significantly in terms of bed nights by accounting 4.0% of the total bed nights. Netherlands represents the second highest in terms of average length of stay with 9.7 days and some 60.0% prefer to visit Bhutan during high festival season – September, October and November months.

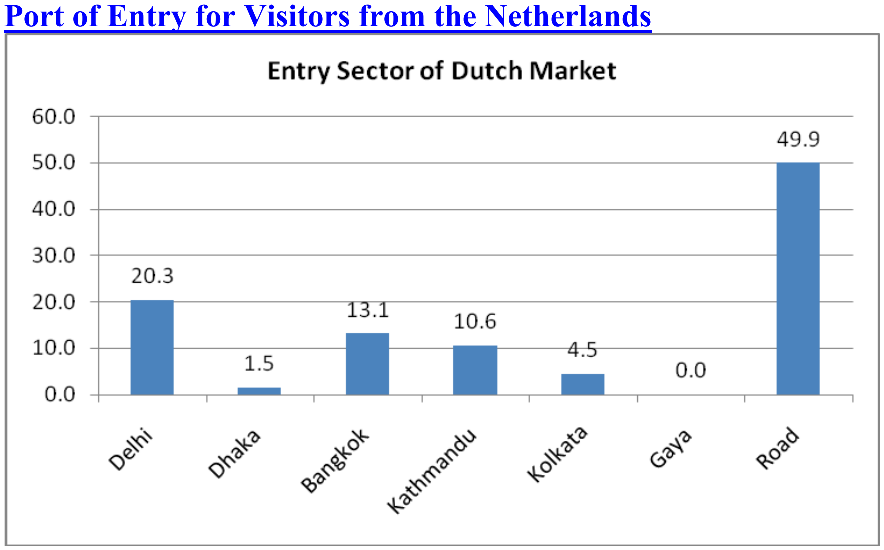
Dutch visitors come here for holiday (92.3%) and they prefer to come in groups (46.1%). They like to combine their trip with India with about 53.9% wishing to visit Bhutan again within next five years. Some 48.7% of the couple with no children who visited Bhutan mostly heard about Bhutan from magazines.

Graph 3.21
<u>Visitor Arrivals from the Netherlands</u>



The graph 3.22 below shows the entry port for the visitors from the Netherlands. Unlike many source markets, a good proportion of 49.9% of the total arrivals from Netherlands preferred road as the mode of transport. Delhi attributed to 20.3% followed by Bangkok (13.1%). About 10.6% visitors entered Bhutan via Kathmandu.

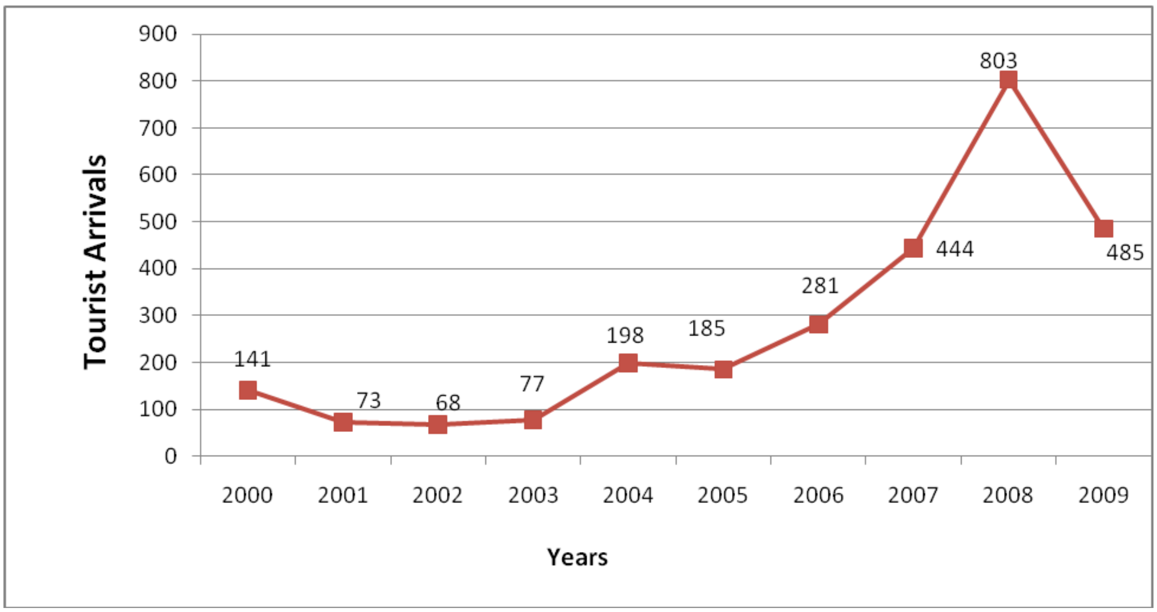
Graph 3.22
<u>Port of Entry for Visitors from the Netherlands</u>



Spain

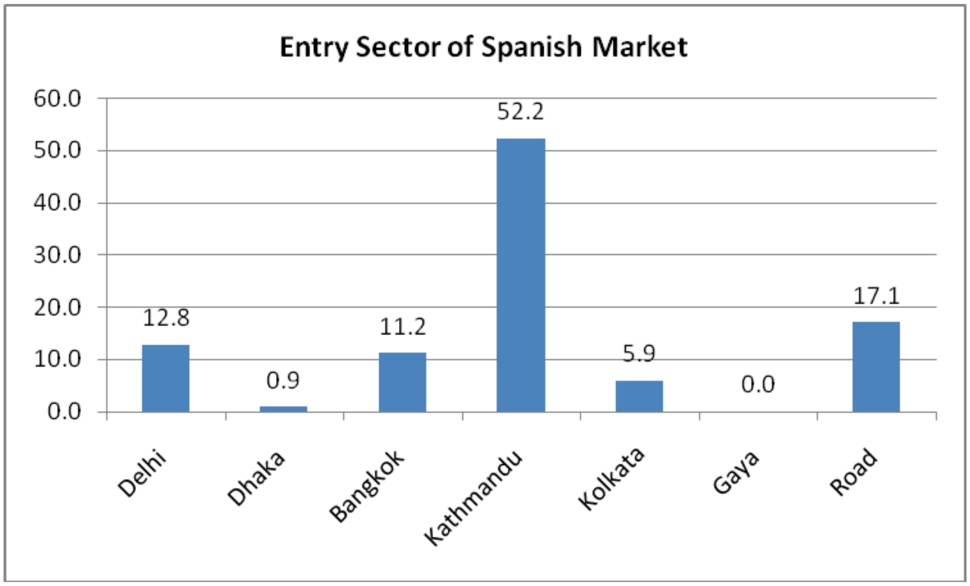
Spanish arrivals recorded one of the highest growth rates in 2008 with 80.9% increase compared to 58.0% increase in 2007. It also made a significant contribution in terms of bed nights by accounting for about 2.1% of the total bed nights in 2008. Visitors from Spain stay for shorter duration of about 5.9 days with most preferring to visit Bhutan during March, April and May months. Spanish market was also slightly impacted by September 11 incident but saw a constant increase since then.

Graph 3.23
Visitor Arrivals from Spain



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 12.8% and 11.2% entered via Delhi and Bangkok. However, significant number of visitors also entered via road (17.1%).

Graph 3.24
Port of Entry for Visitors from Spain


Entry Sector of Spanish Market
60.0
50.0
40.0
30.0
20.0
10.0
0.0
12.8
0.9
11.2
52.2
5.9
0.0
17.1
Delhi
Dhaka
Bangkok
Kathmandu
Kolkata
Gaya
Road