BHUTAN TOURISM MONITOR
Annual Report
2011

Kingdom of Bhutan

Publication: Plans and Programs Division

Produced by the **Tourism Council of Bhutan**

Foreword

Anchored on a bedrock policy of 'High Value, Low Impact' tourism, the Royal Government had committed to boost tourism arrivals by launching a raft of initiatives and programmes. A careful review of the performance of the tourism industry in 2011 reveals that it is in the right trajectory, having comfortably achieved all its primary targets for significantly contributing towards a more equitable socio-economic development and greater employment opportunities. This is in no small measure due to the concerted efforts of the Royal Government, the wholehearted participation of the private sector and aviation sector in, inter alia, promotion and marketing, product diversification and enhancement of services.

The year 2011 is a milestone for the industry in every sense of the word. With record arrivals, it also marks one of the highest growth rates in the history of our tourism industry. Major source markets have shown unprecedented growths, validating Bhutan as a high-end destination on the global travel map. Significant hike in monthly arrivals, particularly during the leaner periods portray the welcome trend of tourism emerging as an all- season industry.

The government's sustained efforts to improve infrastructure and accessibility have seen some major advancement. To name a few; revoking the Route Permits has greatly reduced administrative burden and facilitated easier travel; the new Tashel-Online system for issuances of visas has enhanced efficiency and transparency in the operations; introduction of credit card and related infrastructure has greatly boosted tourism yield, Drukair's additional aircraft with increased flight frequencies have augmented airline capacity; Commissioning two domestic airports with flight operations by Drukair and Bhutan Airlines have opened up a vista of new possibilities. All these and more bode well for promoting sustainable and responsible tourism in the country and indeed the pursuit of GNH.

Following extensive consultations with government agencies, private sector and a reputed international firm Bhutan has unveiled a new tourism brand identity with a new logo and a matching apt tagline "Happiness is a place". Vigorous initiatives to leverage the fresh image through, among other things, joint initiatives, media marketing, and travel fairs commensurate with the high growth rates, will remain a priority to further consolidate Bhutan's positioning as a high-end destination.

We are happy to present the Bhutan Tourism Monitor (BTM) 2011. This report attempts to provide objective information, factual findings and analyses to meet the varied needs of the growing tourism industry. It seeks to ensure the tourism industry has the timely information it needs to support policy, marketing and commercial decisions relating to the sector. I recommend the report to all stakeholders desiring additional market intelligence, and the government and the civil service for an up-to-date information on the tourism industry.

Tashi Deleg.

Kesang Wangdi
Director General

Bhutan

Happiness is a place

Tourism Council of Bhutan

Royal Government of Bhutan
www.tourism.gov.bt

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Sources: courtesy Survey of Bhutan & Department of Roads

International Boundary
District Boundary
Blacktopped Road
Feeder Road
Trek route
Major Town (Population 20,000+)
Town/District headquarters
Small town/village/community
Pass/Peak
Campsite
China
Nepal
Bangla desh
India
Myangmar
Lhuntse
Trashiyangtse
Jakar
Zhemgang
Mongar
Trashigang
Pema Gatshel
Gelephu
Samdrup Jongkhar
Dungkhar
Duer Tsachu
Taochenchen
Nga Lhakhang
Thakung
Ugyen Choling
Gorsum
Thangbi
Kurjey
Tang
Phokpey
Pangshithang
Ungar
Minji
Pemi
Yalang
Dechen Peirithang
Khoma
Yotongla 3425 m
Shertangla 3596 m
Ura
Thrumshingla 3780 m
Sengor
Autsho
Gelegpa
Shershong
Khosala
Wangduegang
Buli
Dakpai
Zurphey
Tingtibi
Mangdichu
Khomshar
Lingmithang
Nezaygang
Gyelpoizhing
Kurichu
Gangola
Korila 2298
Yadi
Chaskhar
Sherichu
Kanglung
Khaling
Trashiyangphu
Thrimshing
Wamrong
Mokuror
Khothakpa
Tshelingkhor
Narphung
Nagor
Surey
Gomphu
Pangkhar
Dogar
Ngangla
Panbang
Aje Bridge
Lalai
Mathanguri
Ngangllam
Dewathang
Kawalpani
Dalim
Samrang
Jampani
Dekiai
Daifam
Darangga
Tamalpur
Tengla
Bogaigoan
Barpeta
Pardshala
Rangia
TO GUAHATI
Tamzhengtshen
Duksum
Tshenkharla
Ramjer
Bartsham
Jamkhar
Chazam
Phongmey
Radi
Bidung
Rangjung
Riju
Dramitse
Jyonkhar
Sakteng
Saypho
Merak
Chisangang 6950
Noma

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INTRODUCTION

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

METHODOLOGY

This report – The Bhutan Tourism Monitor 2011 - is presented in four sections. The first section presents the actual statistical data of tourist arrivals, their profile, preferences and activities and the changes compared to the last few years. It is based on data produced by the Tashel-Online System database used for visa processing and costing. Information that is generated from this system pertains to the data that the Tour Operators' provide while applying for visas online. Section 1 contains information, which pertains to the entire calendar year of 2011.

Sections 2 and 3 present results of exit surveys carried out for international visitors and regional high-end visitors respectively. The data was collected using administered interviewer-conducted surveys over a collection period of five months at Paro airport throughout 2011. The collection periods were spread over the year to collect feedback pertaining to that particular time of visitation. Findings of the exit surveys provide a more in-depth 'snapshot' of the visitors' travel behaviours, motivations, patterns and preferences.

The fourth section presents an in-depth analysis of the top 10 markets of 2011 independently. It presents a summary of the overall characteristics and the performance trends of a particular source market mainly aimed for country-specific marketing for tour operators.

EXECUTIVE SUMMARY

Visitor arrivals to Bhutan peaked at 64,028 in 2011, a figure that marked a record growth rate of +56.65%, the highest growth rate in the history of Bhutan's tourism industry. This figure also includes regional high-end visitors, MICE (Meetings, Incentives, Conferences, Exhibitions) visitors and FAM (Familiarisation) visitors. Whilst international Dollar paying arrivals alone recorded an increase of +35.19%, the regional high-end also saw a +32.30% upswing, inferring stable economic conditions worldwide. Gross earnings from international tourism alone reached USD 47.68 million, an increase of +32.52% over 2010.

The regional high-end market of India continues to be the biggest source market for Bhutan contributing to almost a quarter of all visitor arrivals. The notable hike in Indian visitors in 2011 is also attributed to the channel marketing initiatives facilitated by the government. As a result, Make my Trip, one of India's biggest travel operators started selling Bhutan to their high-end clientele thereby significantly boosting arrivals. United States of America (USA) remained the largest international source market, providing 16.61% of the total international Dollar paying visitors, followed by Japan with 10.52%. China's influx in arrivals resulted in soaring up to the third most important market contributing 7.73% of all international visitors. Bhutan's unprecedented popularity amongst the Chinese is an eye-catcher given that Bhutan received much lesser Chinese visitors up until 2009. Record increase in the top Asian markets such as Japan, China, Thailand, Singapore and Taiwan culminated in the Asia/ Pacific region taking over Europe, as the biggest market region in the world.

Visitors from USA and UK dominated the bed nights with 18.16% and 8.87% respectively. Paro (31.88%) and Thimphu (23.71%) Dzongkhags dominated the bed nights share. The months of October and November received maximum tourists. Whilst these months are high seasons, hike in arrivals was also owing to one of Bhutan's biggest events – the Royal Wedding of their Majesties- attracting visitors from around the world.

In 2011, there were 128 accommodation providers accredited by the Tourism Council of Bhutan with a capacity of 2,805 rooms offering 5,572 beds per night. Figures show that '4-Star' category of accommodation providers recorded the highest annual occupancy rate with 40.67%, followed by '3-Star' category with an occupancy rate of 33.83%.

Visitors by activity constituted 77.09% of the Cultural type, followed by Nature-based visitors accounting for 18.74%, which included 'Trekking' (9.25%), 'Bird Watching, Flora and Fauna' (5.30%), and 'Adventure Sports' (4.19%). The most frequented treks were 'Drukpath' trek and 'Jhomolhari Trek'. The most popular festivals were 'Thimphu Tsechu' and 'Paro Tsechu'.

The average length of stay remained almost the same at 7.53 days.

There were 741 registered local tour operators in 2011, which marked an increase of +9.62% compared to in 2010. Norbu Bhutan Travel dominated the arrivals with 11.10% of the market share followed by Bhutan Tourism Corporation Limited (including Luxury Division) with 6.44%. Top 12 tour operators accounted for 41.66% of total international arrivals.

According to a recent analysis done by the Tourism Council of Bhutan, there were 8,818 people directly employed by the tourism industry. A universally accepted dictum takes the ratio of indirect employment at a multiplier of 1.5 of direct employment. According to this dictum, there were 13,227 indirectly employed. Therefore a total of approximately 22,045 people are currently employed by the tourism industry.

For the international segment, majority of the visitors to Bhutan were found in the 'Over 60 years' age bracket and were well educated, with most holding university qualifications. They mainly were first-time visitors and approximately two-third of the visitors came to Bhutan as a single holiday destination. Those who had combined their holiday with other countries mostly visited Nepal, India, and Thailand. Word-of-mouth continued to be the most powerful primary source of information followed by information from the Internet, Television and travel magazines. Most popular attractions/activities were found to be visiting Paro, Thimphu and visiting Dzongs/Temples. The major draw cards to Bhutan were found to be 'Unique culture', 'Natural Beauty', the 'Undiscovered' spectre, and 'Buddhism'. 'Tsechu/Festival dates', Advice of an agent', and 'Favourable weather conditions' are the main determining factors while choosing when to visit Bhutan. A majority of 66.35% (16.43% strongly agree, 49.92% agree) indicated that Bhutan represents a good value for money.

Motivations and preferences of the regional segment were different compared to the international segment in many ways. They were mostly younger falling between the age bracket '36-45', and dominated by male visitors. As many as two-thirds of the regional visitors were travelling on their own without being assisted by local tour operators. Whilst the majority came for the purpose of holidaying, a significant 21.31% came for business purposes. They mainly travelled alone. Amongst many options for probable holiday destinations, many considered Thailand, Ladakh, Malaysia and Sikkim/Darjeeling as compelling holiday destinations. A clear majority (74.79%) of them expressed satisfaction with the pricing and quality of goods and services, therefore suggesting a bigger potential for the regional markets.

Complaints and suggestions for improvement were bad road conditions; lack of garbage control and management; limited quality and diversity of food and restaurants; poor hotel standards; lack of restrooms along the road; etc. A need for regulated pricing of souvenirs was also rated higher this year with 4.77% indicating exorbitant prices for souvenirs.

KEY ACHIEVEMENTS IN 2011

1. Domestic airports

With the opening of airports in Batpalathang, Bumthang and Yonphula, Trashigang and with the launch of first domestic air services on December 17, 2011, travelling to eastern parts of Bhutan has been greatly enhanced. Drukair, the national airline of Bhutan, and Bhutan Airlines, the country's first private airlines offers domestic flights to these two new airports.

2. Negative list finalized and adopted

Requirement of Route Permits for international tourists have been waived off and has reduced administrative burden and facilitated easier travel.

3. Manas officially opened for Tourism

Royal Manas National park was officially opened for tourism in 2011.

4. Roadside Amenities for tourists

In an effort to improve visitor's experience, the following amenities were built:

- Cafeteria in Sengor, Mongar
- Cafeteria and rest room in Tango, Thimphu
- Bird watching campsite in Yongkola, Mongar

5. Development of Home Stays/Farm Houses and Community lodge

A total of 17 home stays/farm houses in Haa, and 1 community lodge in Zhemgang has been developed and is now open for tourist accommodation.

6. Collaboration with Make My Trip(MMT) travel agent

As a strategy to address seasonality issue, a contract was signed between TCB, Drukair and Make My Trip to bring in high-end regional tourist during the lean season month of June. As a result the arrivals increased by 99.5% in June.

7. PR agencies appointed

The TCB appointed PR agencies based in USA, Japan, Germany and Russia to promote Bhutan in their source markets

.

8. Joint Marketing initiatives

Under micro marketing initiatives successful tripartite joint marketing campaigns have been pursued between TCB, the Foreign Tour Operators and their counterpart Bhutanese Tour Operators.

9. Organization of influential media FAM

As part of media marketing influential media FAM groups have been organized by TCB in collaboration with Drukair, Hotels and Tour operators to promote Bhutan as a destination in various source markets.

10. Interactive websites launched

Interactive websites in Japanese and Russian languages have been launched in Japan and Russia.

11. New festivals introduced

- Haa Summer Festival on 9-10th July, 2011 in Haa
- Takin Festival on 9-10th June, 2011 at Tsharijathang, Laya
- Nomads Festival on 23-25th February, 2011 in Nagsephel Chhokortoe Valley, Bumthang
- Masutake Festival on 18-21st August,2012 in Ura, Bumthang
- Rhododendron Festival on 2nd weekend of May, 2013 in Lampheri,Thimphu

12. Dochula Druk Wangyel Tshechu

TCB supported in developing a new and unique winter festival for the visitors as one of the initiatives to diversify products.

13. Craft Baazar shifted

Crafts bazaar started in October 2011. With the new venue above Taj Tashi, the crafts bazaar is open 7 days a week, providing an opportunity for the visitors to purchase traditional Bhutanese arts and crafts.

14. Online IDEC system introduced

Online IDEC system was successfully introduced to facilitate the local tour operators to apply and get the tax exemption online such as import of tourist buses, adventure and hotel equipments.

GLOBAL TOURISM IN 2011 (SOURCE: UNWTO)

International tourist arrivals grew by 4.40% in 2011 to a total 980 million, up from 939 million in 2010, in a year characterized by a stalled global economic recovery, major political changes in the Middle East and North Africa and natural disasters in Japan. By region, Europe (+6%) was the best performer, while by sub-region South-America (+10%) topped the ranking. Contrary to previous years, growth was higher in advanced economies (+5.0%) than in emerging ones (+3.8%), due largely to the strong results in Europe, and the setbacks in the Middle East and North Africa.

Europe surpasses the half billion mark in 2011. Despite persistent economic uncertainty, tourist arrivals to Europe reached 503 million in 2011, accounting for 28 million of the 41 million additional international arrivals recorded worldwide. Central and Eastern Europe and Southern Mediterranean destinations (+8% each) experienced the best results. Although part of the growth in Southern Mediterranean Europe resulted from a shift in traffic away from the Middle East and North Africa, destinations in the Mediterranean also profited from improved outbound flows from markets such as Scandinavia, Germany and the Russian Federation.

Asia/Pacific (+6%) was up 11 million arrivals in 2011, reaching a total 216 million international tourists. South Asia and South-East Asia (both +9%) benefited from strong intraregional demand, while growth was comparatively weaker in North-East Asia (+4%) and Oceania (+0.3%), partly due to the temporary decline in the Japanese outbound market.

The Americas (+4%) saw an increase of 6 million arrivals, reaching 156 million in total. South America, up by 10% for the second consecutive year, continued to lead growth.

Central America and the Caribbean (both +4%) maintained the growth rates of 2010. North America, with a 3% increase, hit the 100 million tourists mark in 2011.

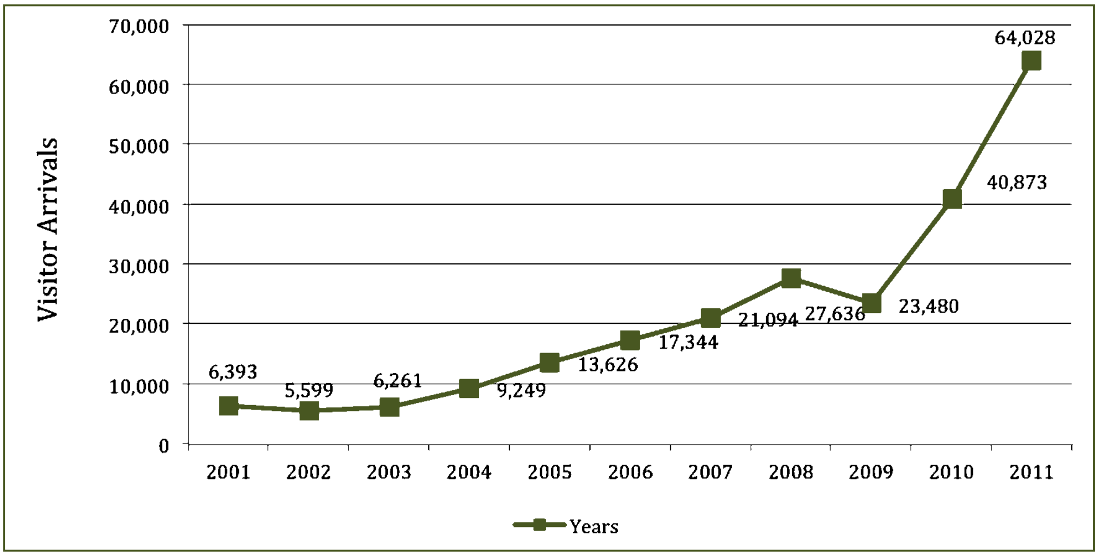
Africa maintained international arrivals at 50 million, as the gain of two million by Sub-Saharan destinations (+7%) was offset by the losses in North Africa (-12%). The Middle East (-8%) lost an estimated 5 million international tourist arrivals, totalling 55 million. Nevertheless, some destinations such as Saudi Arabia, Oman and the United Arab Emirates sustained steady growth.

Section 1 – Annual Tourism Statistics

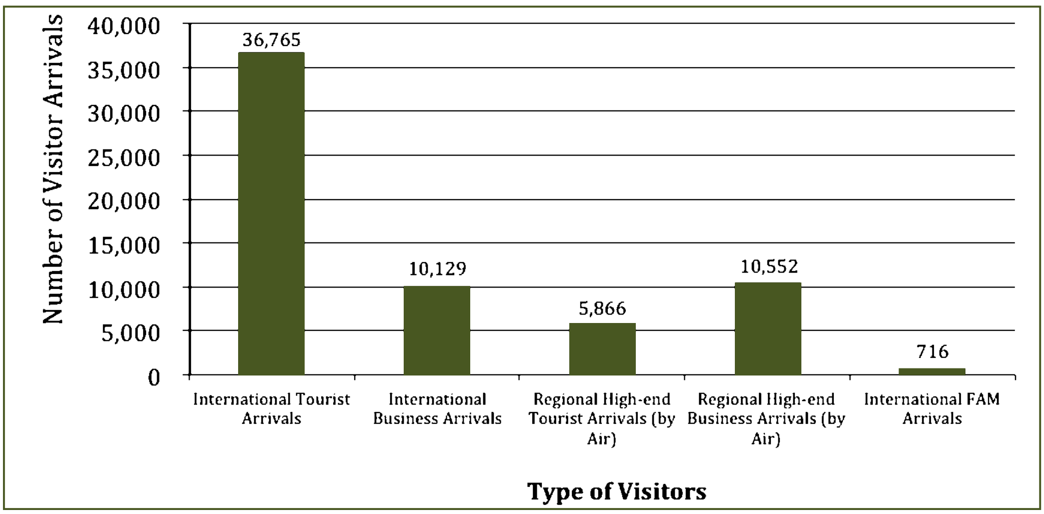
VISITOR ARRIVALS IN 2011

The year 2011 recorded the highest number of visitor arrivals in the country peaking at 64,028* visitors, a figure that represents an unprecedented growth of +56.65% over 2010. The figure includes international visitors (57.42%), regional high-end visitors (25.64%), MICE (Meetings, Incentives, Conferences, Exhibitions) visitors (15.82%) and FAM (Familiarisation) visitors (1.12%). International Dollar paying arrivals alone recorded an increase of +35.19%, corresponding to a total of 36,765 international arrivals. The increase in arrivals in 2011 represents the highest growth rate ever recorded in the history of Bhutan's tourism industry. Graph 1.2 illustrates the types of visitor arrivals to Bhutan in 2011.

Graph 1.1
Visitor Arrivals to Bhutan 2001-2011



Graph 1.2
Types of Visitor Arrivals



* Note : The total tourist arrivals do not include the high-end regional tourist arrivals by land which accounts for 1,728 visitors

REGIONAL TOURISM

India, Bangladesh and Maldives are referred as 'regional' markets as visitors from these countries do not require a visa and are exempt from the tariff structure due to bilateral relations that promotes an open border policy. There were 53,223 'Regional' tourists who visited Bhutan in 2011 (source: Department of Immigration). Out of this, some 16,418 were of the high-end type who used the air mode of transport. They are considered high-end due to the fact that they contribute to tourism receipts significantly through airline earnings. This high-end figure marks an increase of +148.38% compared to the previous year. The high-end visitors from the region, especially India offsets heavy reliance on the international markets only.

Note: Due to different arrival and visa conditions as opposed to the international segment, the Department of Immigration directly issues their visas and as a result the Tourism Council of Bhutan do not possess in-depth data on the regional segment. Therefore the remaining topics in this Chapter (Section 1) pertain to data retrieved from the Tashel-Online system that deals with international visitors only.

MAJOR INTERNATIONAL SOURCE MARKETS

Graph 1.3 and Table 1.1 illustrate the trends in the major source markets. Though the markets continue to remain the same, notable changes were recorded in the performance trends amongst these major markets. While USA and Japan continued to dominate arrivals, China saw record increase (+93.84%) in arrivals taking it to third place in the market charts, surpassing major markets like UK and Germany. Asian major source markets like Thailand and Singapore also recorded significant growth rates of +155.43% and 71.85% respectively. UK rebounded well in 2011 with a growth rate of +57.73% after experiencing a dip (-9.96%) in 2010. Majority of the major markets recorded significant growth rates thereby suggesting stable economic conditions globally.

In terms of growth from other source markets in 2011, there was a huge increase from Lithuania (+528.57%), Latvia (+388.89%), Ukraine (300.00%), Venezuela (+1033.33%), Chile (+150.00%), Taiwan (+384.24%), Indonesia (+168.18%), Argentina (+100.00%).

Arrivals from countries who had never visited Bhutan before were Azerbaijan, Kyrgyzstan, Sudan, Antigua, El Salvador, Granada, Haiti, Bosnia, Andorra and Yemen - therefore suggesting the growing interest from potential visitors and increasing the market range.

Graph 1.3

Major Source Markets for International Arrivals

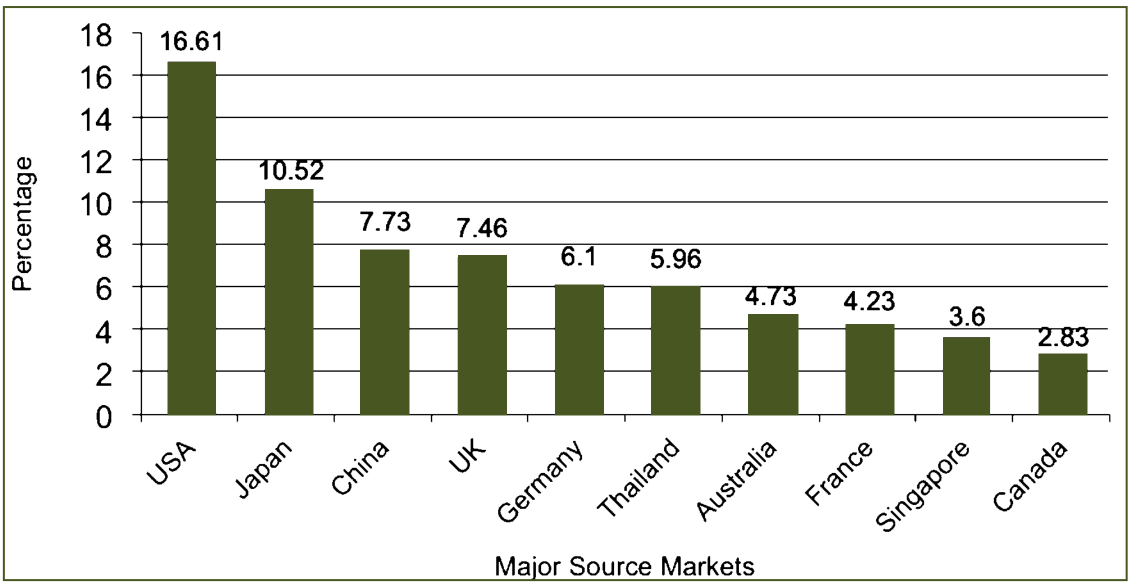


Table 1.1
Major Source Markets by Growth Rates

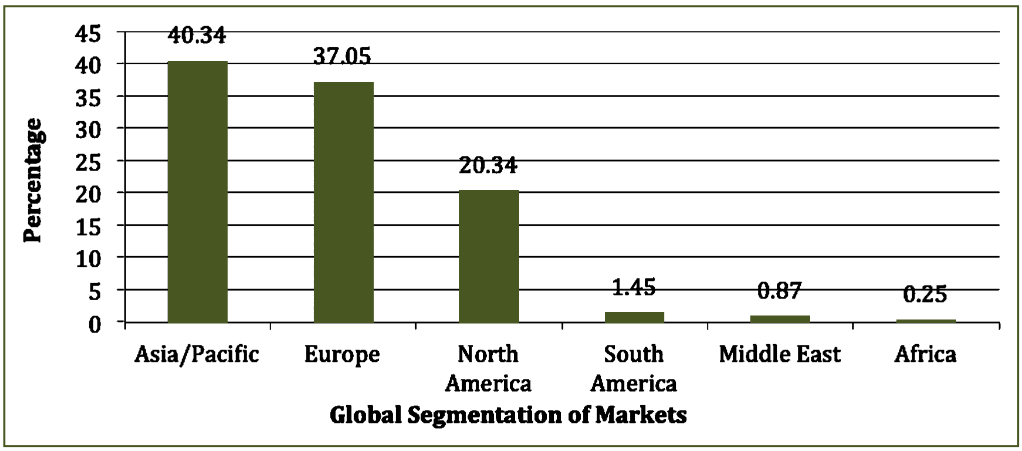
Nationality	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	% Change from 2010
Thailand	46	66	30	96	776	707	627	975	875	2,235	+155.43%
China	25	19	78	234	364	504	1,069	1,143	1,494	2,896	+93.84%
Singapore	68	77	198	185	281	444	667	708	785	1,349	+71.85%
United Kingdom	519	605	954	1,462	1,952	2,193	2,758	1,968	1,772	2,795	+57.73%
Canada	166	119	257	292	375	588	852	556	786	1,061	+34.99%
Australia	214	165	315	458	774	1,181	1,524	970	1,318	1,773	+34.52%
Japan	892	951	1,087	1,554	1,815	2,008	2,745	3,136	2,963	3,943	+33.07%
United States of America	1,913	1,803	3,242	4,681	5,018	5,773	6,941	4,786	5,189	6,226	+19.98%
France	192	285	434	532	708	738	1,402	1,189	1,454	1,585	+9.01%
Germany	346	497	671	1,042	1,074	1,456	1,717	1,587	2,250	2,287	+1.64%
Year Totals	**5,599**	**6,261**	**9,249**	**13,626**	**17,344**	**21,094**	**27,636**	**23,480**	**27,196**	**36,765**	

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

GLOBAL SEGMENTATION OF MAJOR INTERNATIONAL SOURCE MARKETS

Graph 1.4 below shows the global segmentation of international markets. Tourist traffic according to global region distribution in 2011 saw a notably reversing trend. The European markets no longer dominate visitor arrivals as the Asia/Pacific has surpassed arrivals in 2011 constituting 40.34% of all arrivals. This was directly attributed to the exponential growth in top Asian markets, especially Thailand and China with +155.43% and +93.84% growth rates respectively.

Europe constituted 37.05% followed by the North America region with 20.34%. Table 1.2 shows the country-wise breakdown of international source markets.



Graph 1.4
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 2010
A. North American Region			
United States of America	6,226	16.61%	+19.98%
Canada	1,061	2.83%	+34.99%
Mexico	224	0.60%	+34.94%
B. European Region			
United Kingdom	2,795	7.46%	+57.73%
Germany	2,287	6.10%	+1.64%
France	1,585	4.23%	+9.01%
Italy	1,014	2.71%	-1.36%
Netherlands	933	4.49%	+10.15%
Switzerland	781	2.08%	-1.11%
Spain	727	1.94%	+37.69%
Belgium	539	1.44%	+33.42%
Austria	528	1.41%	+4.55%
Denmark	430	1.15%	+4.37%
Poland	311	0.83%	+16.04%
Russia	291	0.78%	+5.82%
Sweden	256	0.68%	+86.86%
Finland	245	0.65%	+40.80%
Portugal	214	0.57%	+84.48%
Norway	214	0.57%	+57.35%
Czech Republic	135	0.36%	+90.14%
Ukraine	81	0.22%	+300.00%
Ireland	78	0.21%	+32.20%
Greece	70	0.19%	-20.45%
Turkey	66	0.18%	-34.00%
Hungary	45	0.12%	-30.77%
Lithuania	44	0.12%	+528.57%
Latvia	44	0.12%	+388.89%
Slovakia	38	0.10%	+18.75%
Romania	35	0.09%	-32.69%
Luxembourg	33	0.09%	+43.48%
Bulgaria	11	0.03%	0
Slovenia	11	0.03%	-82.12%
Armenia	10	0.03%	-
Iceland	7	0.02%	-
Croatia	6	0.02%	+600.00%
Malta	4	0.01%	-20.00%
Cyprus	4	0.01%	-20.00%
Liechtenstein	3	0.01%	-
Albania	2	0.01%	-
Serbia	2	0.01%	0
Bosnia	2	0.01%	-
Estonia	2	0.01%	-93.55%
Belarus	1	0.003%	-50.00%
Andorra	1	0.003%	0
Montenegro	1	0.003%	-
C. South American/Caribbean Region			
Brazil	304	0.81%	+32.75%
Argentina	80	0.21%	+100.00%
Chile	45	0.12%	+150.00%
Colombia	45	0.12%	+66.67%
Venezuela	34	0.09%	+1033.30%
Peru	12	0.03%	-36.64%
Guatemala	11	0.03%	-
Trinidad and Tobago	3	0.01%	-25.00%

El Salvador	2	0.01%	-
Panama	2	0.01%	-
Granada	1	0.003%	-
Haiti	1	0.003%	-
Belize	1	0.003%	0
Jamaica	1	0.003%	-66.77%
Antigua	1	0.003%	-
Costa Rica	1	0.003%	-90.00%
Cuba	1	0.003%	-
D. African Region			
South Africa	62	0.17%	-11.43%
Mauritius	14	0.04%	+1300.00%
Kenya	6	0.02%	+50.00%
Chad	3	0.01%	+200.00%
Nigeria	3	0.01%	-
Sudan	1	0.003%	-
Tanzania	1	0.003%	0
Namibia	1	0.003%	0
Benin	1	0.003%	-
E. Middle East Region			
Israel	278	0.74%	+118.90%
Jordan	21	0.06%	+2000.00%
Kuwait	8	0.02%	+300.00%
United Arab Emirates	5	0.01%	-37.50%
Iran	4	0.01%	+300.00%
Lebanon	4	0.01%	-20.00%
Oman	2	0.01%	+100.00%
Saudi Arabia	2	0.003%	-
Bahrain	1	0.003%	-
Yemen	1	0.003%	-

F. Asia/Pacific Region			
Japan	3,943	10.52%	+33.07%
China	2,896	7.73%	+93.84%
Thailand	2,235	5.96%	+155.43%
Australia	1,773	4.73%	+34.52%
Singapore	1,349	3.60%	+71.85%
Taiwan	891	2.38%	+384.24%
Malaysia	788	2.10%	+121.35%
South Korea	407	1.09%	+123.63%
Indonesia	295	0.79%	+168.18%
Nepal	145	0.39%	+141.67%
New Zealand	144	0.38%	+37.14%
Philippines	128	0.34%	+7.56%
Viet Nam	80	0.21%	+158.06%
Kazakhstan	15	0.04%	-
Mongolia	7	0.02%	+600.00%
Sri Lanka	6	0.02%	-80.00%
Laos	4	0.01%	-
Myanmar	3	0.01%	+200.00%
North Korea	3	0.01%	-
Brunei Darussalam	3	0.01%	+200.00%
Pakistani	2	0.01%	0
Azerbaijan	1	0.003%	-
Kyrgyzstan	1	0.003%	-

ROAD AND AIR ACCESSIBILITY

Bhutan has been channelling concerted efforts to improve its accessibility to dispel perceptions of being rated as a difficult country to visit due to limited infrastructure. The country has been debottlenecking many issues for example, Drukair acquired more aircrafts to cater to growing number of demand; Route Permits have been revoked to facilitate easier movement inside the country; opening Bagdogra as a Drukair Sector in 2010 encouraged circuit tourism to combine Sikkim, Darjeeling and Kalimpong; Samdrup Jongkhar and Gelephug were opened as road access points; The Phuntsholing-Thimphu highway went major widening works – a main artery for tourists flow etc. The aviation industry entered a new milestone in 2011 with the privatisation of airlines that offer domestic flights within the country. Bhutan has now been made easily accessible.

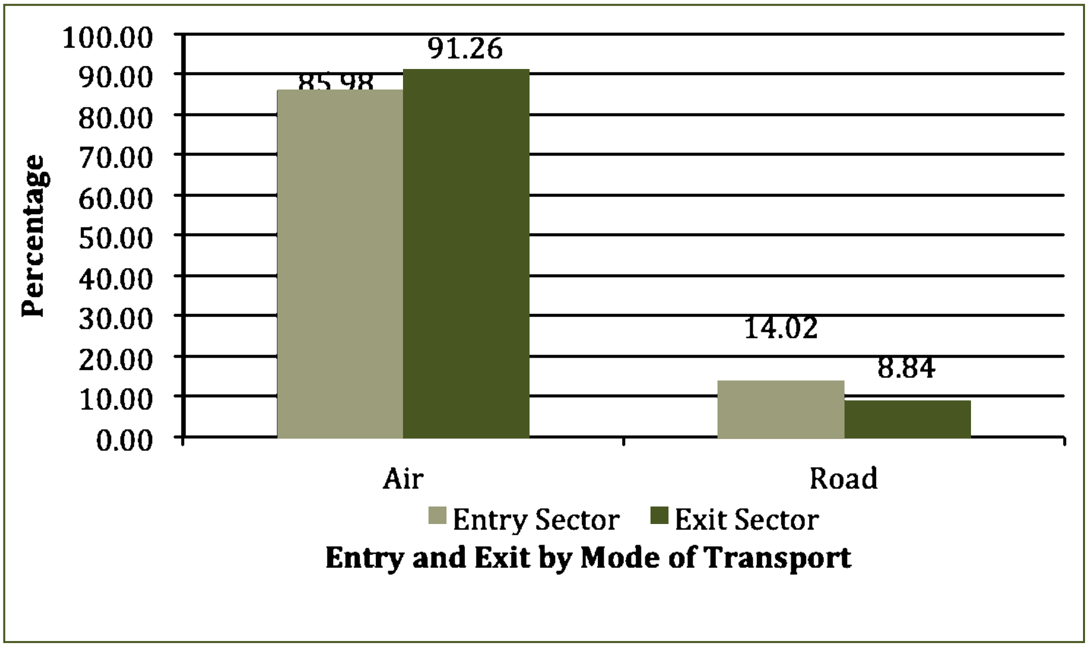
Some 85.98% of all visitors used air as the preferred mode of entry to Bhutan, the remainder entered overland by road. Whilst Bangkok and Delhi remains to be popular air sectors, visitors seldom use the Bodh Gaya sector. With the opening of Samdrup Jongkhar, it is being increasingly used with some 1.80% of all total arrivals in 2011 entering through this gateway. It is used more to exit the country with 4.32% the total exiting from it. The Samdrup Jongkhar access point has helped boost tourism in lesser-developed areas like Eastern and Southern Bhutan.

Phuentsholing is the most used option for road traffic with 12.20% of the total entering from it and 5.73% exiting from it. One of the important factors for tourists using Phuentsholing as an entry or exit point is because of the one night royalty free incentive provided by the Government for making a halt in registered hotels. The same incentive is now being provided for a halt in Samdrup Jongkhar to encourage hotel occupancy and at the same time help increase the flow of tourists to those areas (regions). Some 32 tourists exited from Gelephug.

Graph 1.5 illustrates that the air exit continues to be the most preferred choice for tourists. In 2011, some 91.26% boarded the plane to exit Bhutan.

Table 1.3
Road and Air Accessibility

Access Points	Entry Sector	Proportion of Entry Sector	Exit Sector	Proportion of Exit Sector
Bangkok	14,473	39.37%	15,006	40.27%
Kathmandu	9,152	24.89%	8,569	23.04%
Delhi	5,293	14.40%	6,476	17.34%
Phuentsholing	4,484	12.20%	2,206	5.73%
Kolkata	1,977	5.38%	2,654	6.95%
Samdrup Jongkhar	663	1.80%	1,688	4.32%
Bagdogra	374	1.02%	373	1.01%
Dhaka	301	0.82%	326	0.88%
Guwahati	36	0.10%	78	0.20%
Bodh Gaya	6	0.02%	71	0.18%
Gelephug	6	0.02	32	0.08%



Graph 1.5
Entry and Exit by Mode of Transport

MAJOR INTERNATIONAL SOURCE MARKETS BY BED NIGHTS

Measuring the importance of source markets based on length of stays (bed nights) is an even more valuable indicator, since yield and revenue are linked intrinsically to length of stay. The arrival figure is important but what is more important is the number of nights spent in Bhutan. There were 276,880 bed nights registered in 2011. The United States remained the most important source market, constituting 18.16% of all visitor bed nights spent in Bhutan. United Kingdom (8.87%) with a +49.69% growth rate is the next most important source market in terms of bed nights after the USA. Table 1.4 below shows that albeit Japan contributing more than UK in terms of arrivals, in terms of bed nights, the UK market stands higher as visitors from UK stay longer than the Japanese.

The top ten markets constituted 69.18% of the total beds nights recorded in 2011.

Similarly, other major countries such as Japan (7.69%), Germany (7.68%), Australia (5.97%) and China (5.31%) continued to be equally important source markets both in terms of arrivals and bed nights. Highest growth rate was in the Chinese market with +99.81% over last year. Albeit China being the third highest market in arrival numbers, their lesser bed nights features them in the 6th position in terms of bed nights.

Table 1.4
Major Source Markets by Bed Nights

Source Markets	Bed Nights	Proportion of Total Bed Nights	Percentage change compared to 2010
United States of America	50,288	18.16%	+15.17%
United Kingdom	24,549	8.87%	+49.69%
Japan	21,297	7.69%	+35.28%
Germany	21,274	7.68%	+6.16%
Australia	16,527	5.97%	+42.40%
China	14,694	5.31%	+99.81%
France	14,065	5.08%	+06.76%
Thailand	9,773	3.53%	+28.42%
Singapore	9,591	3.46%	+36.18%
Canada	9,503	3.43%	+37.68%
Total Annual Bed Nights	**276,880**	**69.18%**	

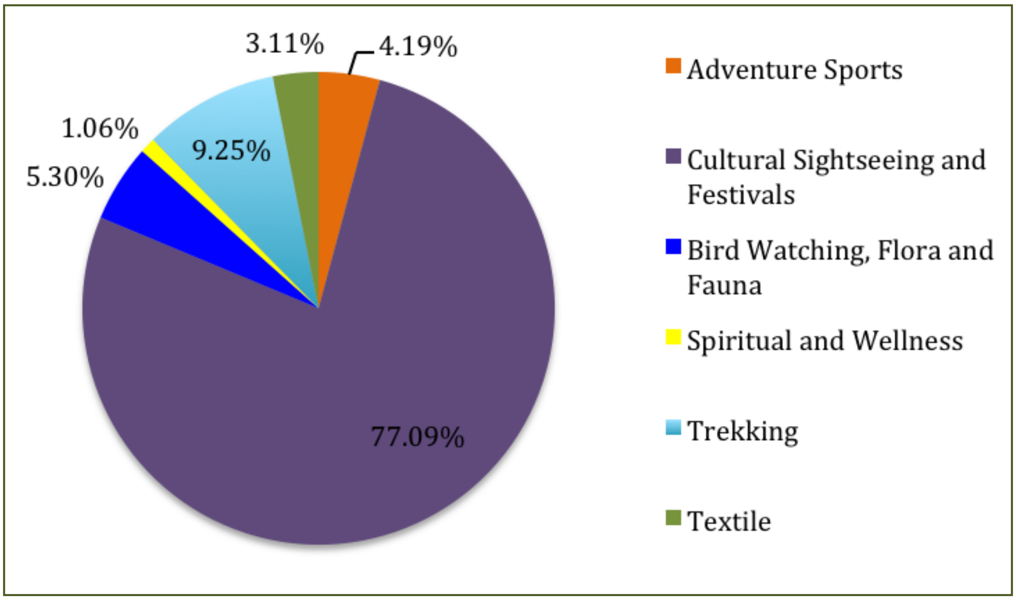
VISITORS BY ACTIVITY

Bhutan is mainly seen as a cultural destination as indicated by the majority of the visitors (77.09%) of the cultural type. Visitors came to witness Bhutan's age-old living culture and colourful festivals and the daily ways of life in Bhutan. As a policy to showcase an authentic experience for the visitors, the tourism products that are on offer are predominantly existing activities (festivals) and cultural sites that hold great importance to everyday lives of the people.

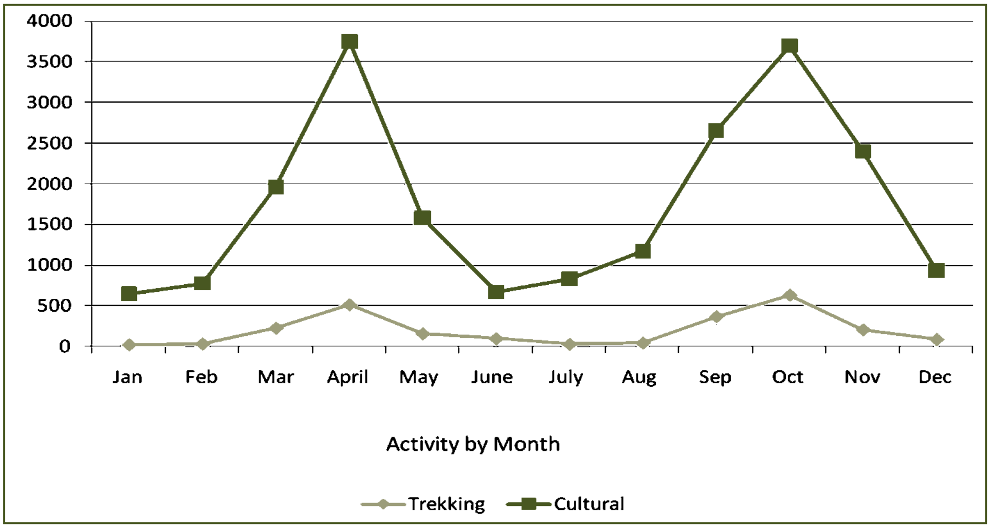
Nature-based activities accounted for 18.74%, which included 'Trekking' (9.25%), 'Bird Watching, Flora and Fauna' (5.30%), and 'Adventure Sports' (4.19%). 'Adventure Sports' segment showed significant increase in arrivals for mainly rafting, kayaking, motorcycling, biking and fishing activities. The tourism policy encourages more nature and adventure based experiences in a bid to diversify products as it will encourage longer stays and repeat visitations. The Tourism Council of Bhutan designated the lesser-visited parts of the country by establishing the Eastern and the Southern Circuits as priority areas for tourism promotion and development.

The following Graph 1.6 shows the visitor by activity and Graph 1.7 shows monthly arrivals for cultural and trekking tourists, some cultural tourists combine their itinerary with nature tourism.

Graph 1.6
Visitors by Activity



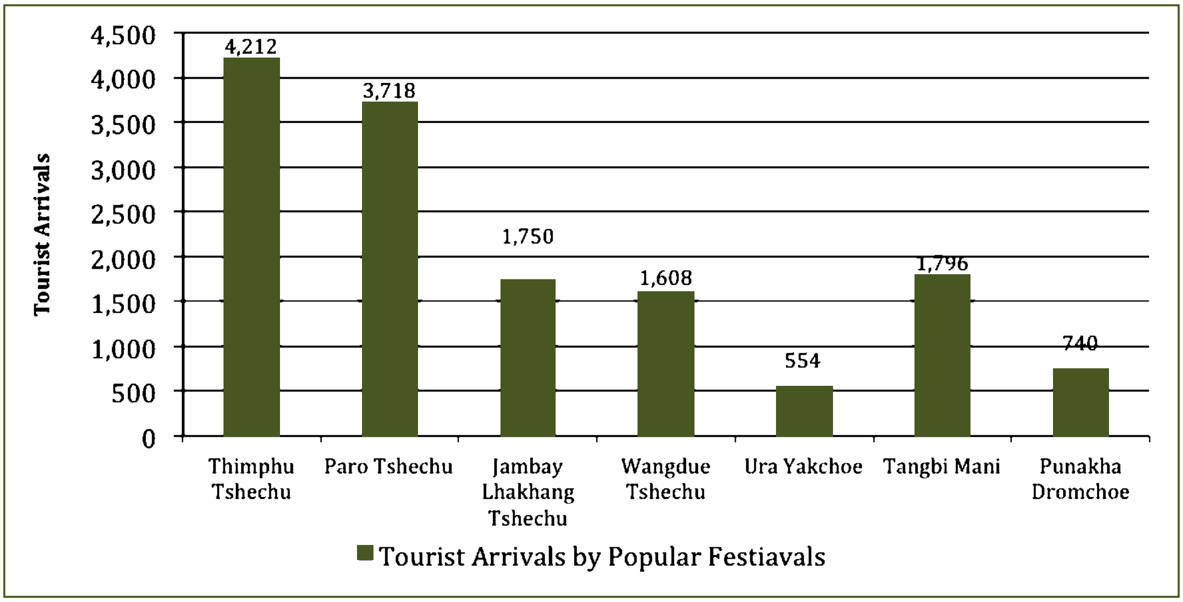
Graph 1.7
Cultural versus
Trekking Seasonality



TOURISTS BY POPULAR FESTIVALS

Ever since Bhutan was opened for tourism, festivals remained one of the most visited attractions. Festivals chiefly comprise of Tsechus – religious festivals – that are performed both by monks and laymen annually in Dzongs and temples. Thimphu Tsechu and Paro Tsechu continue to receive maximum visitations with record arrivals of 4,212 and 3,718 visitors respectively in 2011. Thimphu Tsechu arrivals went up by +28.72% and Paro Tsechu saw a +7.30% increase over 2010. Tangbi Mani (1,796) experienced the highest growth in arrivals by a +125.64% rise, exceeding arrivals for Jambay Lhakhang Drub, which received 1,750 tourists. Some of the other popular festivals were Ura Yakchoe and Punakha Dromche. Figures for Trongsa Tsechu, a popular festival that is usually performed in December is not featured this year as it was scheduled in January 2012.

Graph 1.8
Tourists by Popular Festivals



TREKKERS BY ROUTE

Trekking tourists accounted for 9.25% of the total visitors. This year, the Drukpath Trek surpassed Jomolhari trek with 977 visitors accounting for 28.72% of all trekkers. The trek marked a significant increase of +59.12% in arrivals. Jomolhari trek trailed closely with 745 trekkers, followed by Laya Gasa Trek with 274 visitors. Treks that recorded dissipating figures were Gangtey Trek (-26.27%), and Nabji Korphu Community-based Trek (-45.07%). On the other hand, the new community-based trek, the Merak Sakteng Trek received 138 visitors thereby indicating a good market for such products.

Table 1.5
Trekkers by Route

Name of the Trek	No. of Trekkers	Percentage Total
Drukpath Trek	977	28.72%
Jomolhari Trek	745	21.90%
Laya Gasa Trek	274	8.05%
Bumthang Cultural trek	241	7.08%
Gangtey Trek	160	4.70%
Merak Sakteng Trek	138	4.06%
Samtengang Winter Trek	118	3.47%
Lunana Snowman Trek	110	3.23%
Dagala Thousand Lakes Trek	108	3.17%
Sagala Trek	105	3.09%
Bumthang Owl Trek	93	2.73%
Sinchula Trek	89	2.62%
Chelela Trek	81	2.38%
Nabji Korphu Trek	39	1.15%
Nub-Tshona Pata Trek	31	0.91%
Punakha Winter Trek	25	0.73%
Gangkhar Phuensum Trek	21	0.62%
Masagang Trek	14	0.41%
Dur Hot Spring Trek	13	0.38%
Wild East Rodungla Trek	11	0.32%
Dongla Trek	6	0.18%
Rigsum Goenpa Trek	2	0.06%
Gangjula Trek	1	0.03%
Total	**3,402**	

AVERAGE LENGTH OF STAY

The average length of stay in 2011 was recorded at 7.53 days. Trends for source markets and their average length of stay remain almost the same over the years. The source market with highest average length of stay was Switzerland spending around 10.45 days in Bhutan. This was closely followed by Netherlands (10.01 days), Australia (9.32 days) and Germany (9.30 days). UK and France recorded shorter stays this year.

Tourists from the top source market, the USA stayed for 8.08 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 5.40 days, Chinese for 5.07 days and Thai for 4.37 days.

Table 1.6
Average Length of Stay by Major Markets

Source Markets	Bed Nights	Proportion of Total Bed Nights	Average Length of Stay
Switzerland	8,161	781	10.45 days
Netherlands	9,338	933	10.01 days
Australia	16,527	1,773	9.32 days
Germany	21,274	2,287	9.30 days
Canada	9,503	1,061	8.96 days
France	14,065	1,585	8.87 days
United Kingdom	24,549	2,795	8.78 days
Italy	8,716	1,014	8.60 days
United States of America	50,288	6,226	8.08 days
Singapore	9,591	1,349	7.11 days
Japan	21,297	3,943	5.40 days
China	14,694	2,896	5.07 days
Thailand	9,773	2,235	4.37 days
Year Total	**276,880**	**36,765**	**7.53 days**

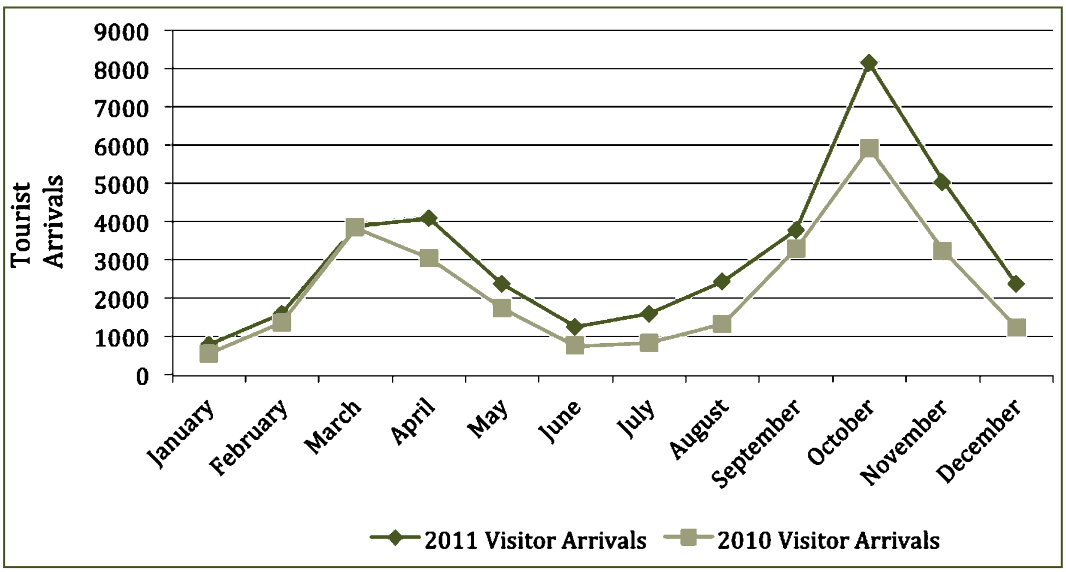
SEASONALITY OF VISITATION (BASED ON BED NIGHTS)

This year's figures show huge improvements in arrivals during lean seasons, therefore suggesting that the days of extreme seasonality experienced by the tourism industry maybe a thing of the past. Least visited months of August (+98.34%), December (+91.72%), June (+77.02%), July (+68.09%) and January (+61.30%) recorded maximum increase rates in arrivals compared to last year. This positive trend is hugely due to the record increase in arrivals from top Asian markets such as Japan, China, Thailand and Singapore whose visitation tends to spreads across the year as shown in Table 1.8. On the contrary, peak months of March (-9.18%) and September (-9.09%) saw a slight slump in arrivals compared to the previous year. October continues to dominate arrival figures, which was furthermore bolstered by the influx of visitors who specifically came to visit the Royal Wedding in October this year. Graph 1.9 shows that March, April, September, October, and November are the months that most tourists visited Bhutan in 2011. This is, to a large extend, attributed to the festival seasons and favourable weather conditions that coincide with the above months.

Table 1.7
Bed Nights by Month

Month	Bed Nights in 2010	Bed Nights in 2011	Percentage Change from 2010
January	2,928	4,723	+61.30%
February	7,775	8,977	+15.46%
March	30,654	27,840	-9.18%
April	25,046	30,510	+21.82%
May	11,924	19,185	+60.89%
June	4,734	8,380	+77.02%
July	5,287	8,887	+68.09%
August	6,762	13,412	+98.34%
September	22,531	20,483	-9.09%
October	51,056	72,373	+41.75%
November	30,795	47,126	+53.03%
December	7,798	14,950	+91.72%

Graph 1.9
Visitation by Month



MAJOR SOURCE MARKETS BY SEASON OF VISITATION

Travel patterns pertaining to preferred holiday times for various nationalities is crucial for country-wise marketing purposes. While it is understood that visitors choose their time of year to visit depending on prevailing conditions like festival dates and favourable weather in the destination, it also provides some insights into their holiday times. Most visitors from the top source markets – USA, UK, Germany, France, Australia, Canada and Italy – chose to visit Bhutan during autumn (September – November) and spring (March - May) months. Visitations from important Asian markets such as Japan, China, Thailand and Singapore were distributed throughout all seasons. Besides these top Asian markets, a significant number of Italians (17.16%) and Australians (10.43%) also visited during the summer monsoon seasons, which receive lesser tourists. Similarly some 13.65% of Australians and 11.69% of Americans also visited during the lean winter season. These preferences of different source markets with different times of visitation could help spread and balance visitations over a year.

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	728	11.69%	1,927	30.95%	492	7.90%	3,079	49.45%
Japan	578	14.66%	1,039	26.35%	1,086	27.54%	1,240	31.45%
China	608	20.99%	457	15.78%	619	21.37%	1,212	41.85%
United Kingdom	180	6.44%	811	29.02%	130	4.65%	1,674	59.89%
Germany	136	5.95%	741	32.40%	98	4.29%	1,312	57.37%
Thailand	620	27.74%	590	26.40%	649	29.04%	376	16.82%
Australia	242	13.65%	506	28.54%	185	10.43%	840	47.38%
France	107	6.75%	553	34.89%	150	9.46%	775	48.90%
Singapore	343	25.43%	313	23.20%	194	14.38%	499	36.99%
Canada	113	10.65%	310	29.22%	56	5.28%	582	54.85%
Italy	26	2.56%	344	33.93%	174	17.16%	470	46.35%

TOUR GROUP SIZE

There were 10,067 tour groups that visited Bhutan in 2011. The group size varied with some groups as big as 86 people in a group. The maximum number of groups travelled as couples (2-member group) followed by a 4-member group. The average group size was 4 persons. This average group size can be an important factor especially for the Government to look at when deciding on issuing tax incentive for the purchase of vehicle (carrying capacity) to carry tourists and while devising small group surcharges. This tells us that most visitors prefer to travel in small groups ranging from 1 to 4 members. This was also the trend in 2010.

Table 1.9
Tour group Size

Number of Pax in Group	Number of Groups	Total Number of Arrivals
1	2,513	2,513
2	4,174	8,350
3	770	2,310
4	737	2,948
5	252	1,260
6	242	1,452
7	148	1,036
8	165	1,320
9	131	1,179
10	118	1,180
11	102	1,122
12	102	1,224
13	82	1,066
14	69	966
15	73	1,095
16	85	1,360
17	64	1,088
18	35	630
19	45	855
20	42	840
21	14	294
22	13	286
23	8	184
24	10	240
25	13	325
26	5	130
27	4	108

Number of Pax in Group	Number of Groups	Total Number of Arrivals
28	3	84
29	4	116
30	4	120
31	1	31
32	1	32
33	3	99
34	4	136
35	5	175
36	3	108
37	1	37
38	2	76
39	2	78
40	3	120
41	1	41
44	2	88
45	1	45
46	1	46
48	1	48
56	1	56
58	1	58
60	1	60
63	1	63
76	1	76
78	1	78
80	1	80
81	1	81
86	1	86
Total	**10,067**	**36,765**

SPREAD OF TOURISM IMPACT

In the Graph 1.10 the spread of tourism impact is graphically demonstrated by keeping in mind the geographical position of the Dzongkhags laterally across the country. It clearly illustrates that the peaking levels of visitors are concentrated mainly on the western part of the country in Paro, Thimphu and Punakha and in the central Dzongkhag of Bumthang.

Paro (31.88%) hosted the maximum bed nights followed by Thimphu (23.71%), Wangdue (15.82%), Punakha (6.75%) and Bumthang (10.60%), and whilst the trend continues to remain the same compared to 2010, it is interesting to note that Trashigang and Samdrup Jongkhar hosted 1.81% and 0.81% of the total bed nights respectively, which is a significant increase compared to the last few years. This can be mainly attributed to the official opening of the Samdrup Jongkhar entry point and the opening of Merak Sakteng Trek, which recorded 138 visitors in 2011. It was also recorded that Samtse Dzonghag recorded visitors for the first time.

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

Graph 1.10
Bed Nights by Dzongkhags

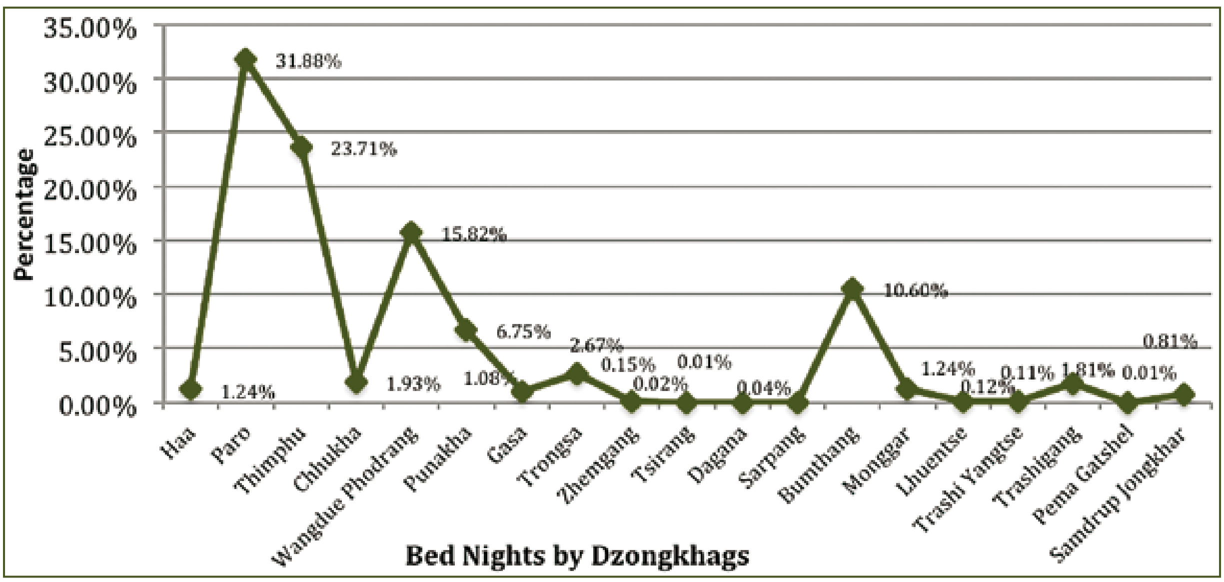


Table 1.10
Dzongkhag Arrivals and Bed Nights

Dzongkhag	Tourist Arrivals	Bed Nights
Paro	36,432	88,257
Thimphu	35,282	65,627
Wangdue Phodrang	28,319	43,803
Punakha	12,023	18,697
Bumthang	11,362	29,357
Trongsa	6,454	7,397
Chhukha	5,212	5,331
Trashigang	2,875	4,993
Haa	2,638	3,426
Monggar	2,359	3,426
Samdrup Jongkhar	2,109	2,251
Gasa	409	3,003
Lhuentse	288	337
Trashi Yangtse	219	296
Zhemgang	195	407
Sarpang	90	119
Tsirang	45	60
Pema Gatshel	33	39
Dagana	9	17
Samtse	3	3

ACCOMMODATION PROVIDERS BY BED NIGHTS

Olathang Hotel (Paro) dominated the bed nights share of accommodation providers by realizing 3.57% of the total bed nights in 2011. This was followed by Phuntsho Pelri Hotel with 3.24% and Meri Phuensum Resort (Punakha) with 2.98%.

The top 12 accommodation providers accounted for a total of 31.11% thereby indicating that the bed nights share are getting increasingly distributed as opposed to dominating more than half of the bed nights a few years ago. This is because there has been an influx of new accommodation providers every year and as a result the hospitality sector is getting more competitive. Tenzingling Resort in Paro and Kisa Hotel in Thimphu recorded significant increases in occupancy compared to 2010. Increased occupancy for luxury hotels like Uma Resort and Zhiwaling Hotel substantiates an increasing demand for high-end hotels, albeit their premium price-tags.

Table 1.11
Accommodation Providers by Bed Nights

Accommodation Providers	Bed Nights	2011 Proportion of Annual Bed Nights (%)
Olathang Hotel – Paro	9,891	3.57%
Phuentsho Pelri Hotel – Thimphu	8,967	3.24%
Meri Phensum Resort – Punakha	8,257	2.98%
Uma Resort – Paro	8,020	2.90%
Zangto Pelri Hotel – Punakha	7,845	2.83%
Tashi Namgay Resort -Paro	7,592	2.74%
Kisa Hotel - Thimphu	6,625	2.39%
Damchen Resort- Punakha	6,152	2.22%
Tenzingling Resort- Paro	6,135	2.22%
Zhiwaling Hotel- Paro	6,092	2.20%
River View Hotel – Thimphu	5,406	1.95%
Yangkhil Resort- Trongsa	5,186	1.87%
Cumulative Total	**86,168**	**31.11%**
Total	**276,846**	**100%**

CATEGORIES OF ACCOMMODATION PROVIDERS

The Tourism Council of Bhutan continued assessing and accrediting accommodation providers in 2011 as per the 'Star Classification' system for standardisation. Properties are now classified according to the number of stars they merit based on a set of criteria that ensures and espouses the "high value, low volume" tourism policy. In 2011, there were 128 accredited properties that were divided into 8 '5-Star' category, 7 '4-Star' category, 40 '3-Star' category, 54 '2-Star' category and 19 '1-Star' category properties.

The Tourism Council of Bhutan has set a minimum requirement of a '3-star' property for tourism accommodation to encourage quality delivery to justify the tourism policy to promote high-end tourism. However, the majority of the hotels are classified as '2-Star' category and which were open for business in 2011 are being encouraged to upgrade their properties.

Table 1.12 illustrates the unavailability of accredited hotels and guesthouses in Dzongkhags that are not listed and only '1-Star' category of accommodation providers available in the eastern circuit of Trashigang, Monggar, Samdrup Jongkhar, and Trashi Yangtse.

Table 1.12
Categories of Accommodation Providers

Dzongkhag	5 Star Accommodation Providers	4 Star Accommodation Providers	3 Star Accommodations Providers	2 Star Accommodation Providers	1 Star Accommodations Providers
Paro	3	1	14	18	5
Thimphu	2	4	8	9	3
Bumthang	1	2	9	11	2
Punakha	1	0	1	3	0
Wangdue Phodrang	1	0	1	5	0
Trongsa	0	0	1	0	1
Chhukha/ Phuntsholing	0	0	4	1	0
Trashigang	0	0	0	1	1
Monggar	0	0	0	3	0
Haa	0	0	0	1	2
Samdrup Jongkhar	0	0	0	2	2
Trashi Yangtse	0	0	0	0	1
Total	**8**	**7**	**40**	**54**	**19**

OCCUPANCY RATE COMPARISON BY ACCOMMODATION CATEGORIES

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

This analysis focuses on the October month as it pertains to the month with maximum bed nights registered in 2011 in order to demonstrate occupancy rates for the busiest tourism season.

According to the 'Star Classification', there are a total of 424 beds in the '5-Star' category that supplies a total of 12,720 beds per month. In October this category recorded occupancy of 69.92% and an annual occupancy of 30.98%. Similarly, there are 392 beds in the '4-Star' category with 11,760 beds per month, 2,115 beds in the '3-Star' with 63,450 beds per month, 2,145 beds in the '2-Star' category with the capacity of 64,350 beds per month, 496 beds in the '1-Star' category with 14,880 beds per month. Figures show that '4-Star' category recorded the highest annual occupancy rate with 40.67%.

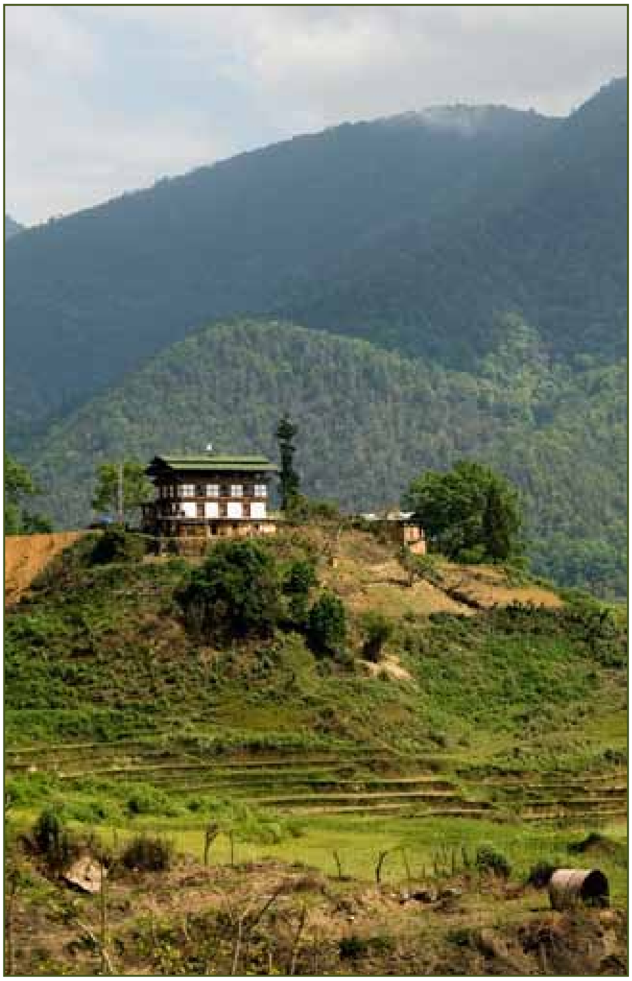


Table 1.13
Occupancy Rates by Type of Accommodation (October and Annual)

Type of Accommodation	Number of Rooms per Night	Number of Beds per Night	Available Beds in a Month	Bed Nights Realised in October (highest month)	Occupancy Rate (October- Highest Month)	Annual Occupancy Rate
5-Star Accommodation	212	424	12,720	8,894	69.92%	30.98%
4-Star Accommodation	196	392	11,760	8,776	74.63%	40.67%
3-Star Accommodation	1,064	2,115	63,450	36,678	57.81%	33.83%
2-Star Accommodation	1,084	2,145	64,350	30,880	47.99%	27.55%
1-Star Accommodation	249	496	14,880	2,768	47.07%	19.12%
Total	**2,805**	**5,572**	**167,160**	**-**	**-**	**-**

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

ACCOMMODATION ANALYSIS AND OCCUPANCY RATE OF INTERNATIONAL HOTELS

Tourism accommodation accredited by the Tourism Council of Bhutan amounts to 128 properties that supplies 2,508 rooms with a capacity of 5,572 beds every night. Number of beds increased by +14.46% compared to last year. A total of 167,160 beds are available in a month, which means that if all the beds were occupied in all the 128 registered accommodation providers every night, the current beds supply would be able to cater to more than in excess of 7.25 times than that of the overall annual occupancy of 2011. This tells us that we have enough hotels in Bhutan at present though they may not be equally distributed in all regions.

Table 1.14 show that the main tourism "Hot Spots" of Thimphu, Paro and Bumthang registered lower occupancy rates due to an oversupply of beds compared to lesser visited areas which have less hotels. This suggests that investment in accommodation should be focused in Dzongkhags where there are less or no international standard hotels. Zhemgang, Gasa, Tsirang, Tashi Yangtse and Lhuentse Dzongkhags do not have registered hotels, and hence are affected by a lack of accommodation providers. Interestingly, Table 1.14 illustrates that Punakha recorded an inundated occupancy level for the month of October far surpassing the total number of beds available in the Dzongkhag. This unusual trend can be attributed to the big wedding event of the Royal Couple that resulted in an influx in arrivals. Table 1.15 below shows the occupancy rates of hotels in different Dzongkhags quarterly.

Table 1.14
Accommodation Analysis and Occupancy Rate of International Accommodation Providers

Dzongkhag	Total Rooms	Total Beds	Available Bed Nights per Month	Bed Nights Realised in Oct 2011	October Occupancy Rate (Month with highest bed nights)	Overall Annual Occupancy Rate in 2011
Paro	964	1,930	57,900	21,175	36.57%	12.70%
Thimphu	756	1,512	45,360	17,880	39.42%	12.06%
Bumthang	420	813	24,390	8,435	34.58%	10.03%
Punakha	115	224	6,720	10,374	154.38%	35.19%
Wangdue Phodrang	146	287	8,610	4,643	53.93%	33.56%
Trongsa	93	182	5,460	2,201	40.31%	11.29%
Chhukha/P-Ling	139	272	8,160	1,480	18.14%	5.44%
Trashigang	26	52	1,560	1,399	89.68%	26.67%
Monggar	53	104	3,120	968	31.03%	9.15%
Haa	28	56	1,680	832	49.52%	16.99%
Samdrup Jongkhar	54	118	3,540	588	16.61%	5.30%
Trashi Yangtse	11	22	660	90	13.64%	3.74%
Total	**2,508**	**5,572**	**167,160**	**70,065**	**41.91%**	-

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

Table 1.15
Occupancy Rates of Hotels by Dzongkhags (Quarterly)

Dzongkhag	December- February	March-May	June-August	September- November
Paro	11.19%	29.23%	11.82%	47.76%
Thimphu	10.49%	27.02%	12.54%	49.96%
Bumthang	7.04%	27.21%	8.77%	56.98%
Punakha	12.29%	27.64%	12.47%	47.59%
Wangdue Phodrang	10.04%	29.41%	10.91%	49.64%
Trongsa	7.26%	26.92%	7.17%	58.66%
Chhukha/P-ing	5.50%	31.38%	8.84%	54.29%
Trashigang	10.35%	26.64%	3.40%	59.60%
Monggar	12.93%	27.73%	3.09%	56.25%
Haa	7.56%	28.11%	14.01%	50.32%
Samdrup Jongkhar	13.51%	26.12%	3.15%	57.22%
Gasa	2.10%	14.09%	1.86%	81.95%
Trashi Yangtse	4.39%	23.31%	7.43%	64.86%
Zhemgang	35.29%	17.65%	11.76%	35.29%
Lhuentse	8.61%	50.45%	2.08%	38.87%
Sarpang	35.29%	17.65%	11.76%	35.29%
Tsirang	35.00%	1.67%	8.33%	55.00%
Dagana	0	5.88%	0	94.12%
Samtse	0	100.00%	0	0

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

TOUR OPERATOR SHARE OF INTERNATIONAL MARKET

Some 141 new tour operator's licences were issued in 2011, therefore taking the total number to 741 registered tour operators. However, only 318 local tour operators were operational in 2011.

Norbu Bhutan Travel continued to dominate the market share by bringing in 11.10% of the total international arrivals in 2011. This was followed by Bhutan Tourism Corporation Limited (including Luxury Division) with 6.44%. All Bhutan Connection with 3.79% was featured in the Top 3 tour operators for the first time with an unprecedented increase in arrivals in 2011. International tours and Treks also climbed to fourth position overtaking Etho Metho Tours and Treks with 3.07%. New entrant to the Top 12 biggest tour operators was Druk Travel Services Pvt. Ltd accounting for 1.66% of the total visitors. The Top 12 accounted for 41.46% of total arrivals in 2011.

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

Tour Operator	Number of Visitor Arrivals	Proportion of Annual Visitor Arrivals
Norbu Bhutan Travels	4,159	11.10%
Bhutan Tourism Corp Ltd (Including Luxury Division)	2,413	6.44%
All Bhutan Connection	1,420	3.79%
International Treks and Tours	1,151	3.07%
Etho Metho Tours and Treks	1,138	3.04%
Yangphel Tours and Travels	1,075	2.87%
Himalayan Kingdom Tours	970	2.59%
Bhutan Mandala Tours and Treks	697	1.86%
Rainbow Tours and Treks	658	1.76%
Kingyal Tours and Treks	637	1.70%
Druk Travel Services Pvt. Ltd	624	1.66%
Windhorse Tours, Treks and Expeditions	596	1.59%
Cumulative Totals	**15,538**	**41.46%**

TOURISM EARNINGS (IN $US MILLION)

In 2011, the tourism receipts from international visitors (Dollar paying) alone generated USD 47.68 million as direct gross earnings, out of which USD 14.89 million was generated as direct revenue for the Government through the "Royalty" (35% tourism levy on daily tariff) only. Other taxes such as the Business Income Tax (BIT) and Sales Taxes paid by tourism service providers also translate into government revenue, therefore increasing revenue generated by the tourism industry. Gross earnings increased by an unprecedented +32.52% compared to 2010, which marks the biggest increase rate in the last 10 years.

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

The tourism earning is estimated to be approximately in excess of USD 105 million if receipts from Drukair, regional tourism, domestic tourism, and earnings from the handicrafts sector are included. Table 1.18 shows the breakdown of tourism earnings.

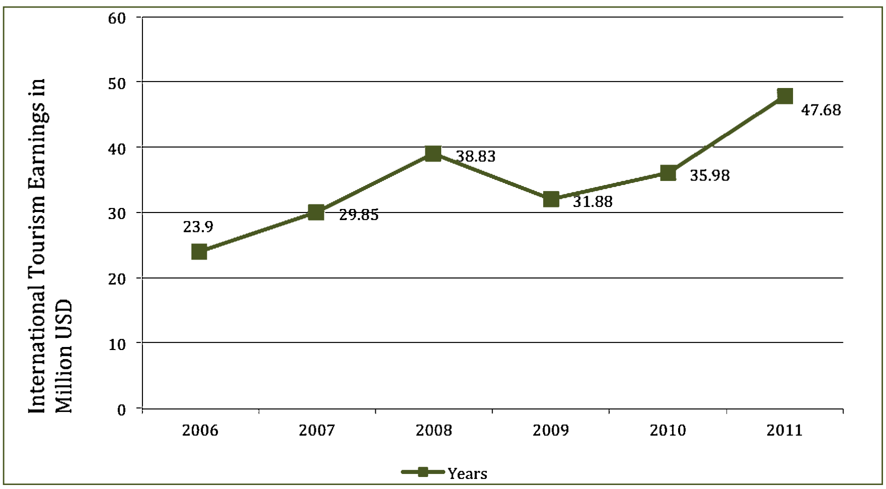
Table 1.17
Tourism Earnings (in USD)

Year	Arrivals	Gross Earnings USD (million)	% Change from Previous Year
2006	17,344	23.92	+21.1%
2007	21,094	29.85	+24.8%
2008	27,636	38.83	+30.1%
2009	23,480	31.88	-17.9%
2010	27,196	35.98	+12.86%
2011	**36,765**	**47.68**	**+32.52%**

Table 1.18
Tourism Earnings Breakdown (USD)

Earnings Breakdown	Earnings USD (million)
Gross Earnings	47.68
Royalty	14.89
Visa Fee from Tourists	0.74
Visa Fee from FAM visitors	0.014
20% Surcharge	0.41
Operators Gross	31.63
80% Surcharge	1.64
2% Tax	0.63
Operators Net	31.00

Graph: 1.11 Tourism Earnings in USD millions (2006-2011)



Section 2 – Exit Surveys for International Visitors

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

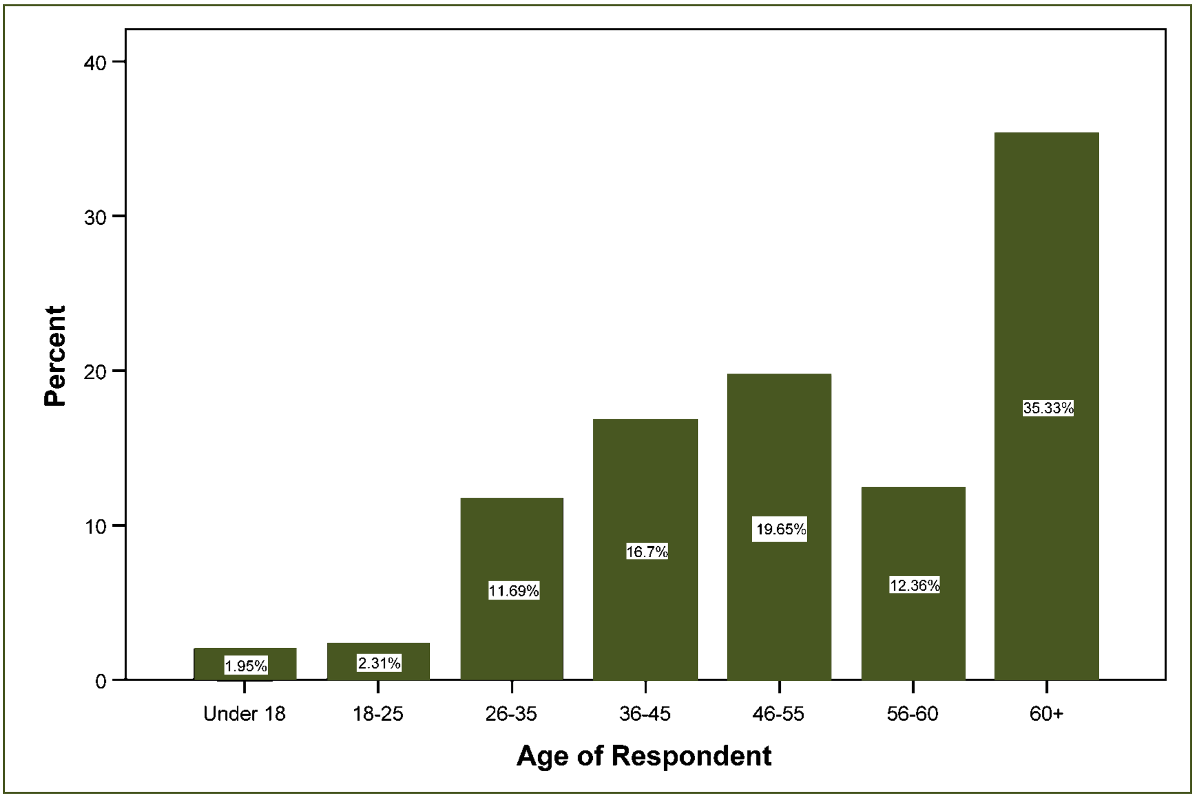
Sample size for 2011 was significantly increased to 8,607 for International visitors as opposed to only 2,658 in the previous year. This was a deliberate move to present statistically reliable findings by reducing margin of errors. A total of five surveys lasting more than five months were carried out over different parts of the year to capture data pertaining to specific visitation times.

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

AGE OF VISITORS

International visitors are mostly (67.34%) more than 45 years of age. Similar to earlier findings, the dominant age bracket was 'Over 60' years with 35.33% of all respondents falling under this segment, followed by the '46 to 55' years bracket with 19.65%. The '36 to 45' years also rated significantly with 16.70%, followed closely by '56 to 60' years age bracket with 12.36%. The constant trend of young travellers not getting rated highly thus suggests that the pricing policy mainly attracts elderly people who are generally richer, who seek a cultural experience as opposed to young people seeking an adventurous holiday.

Graph 2.1
Age of Visitors

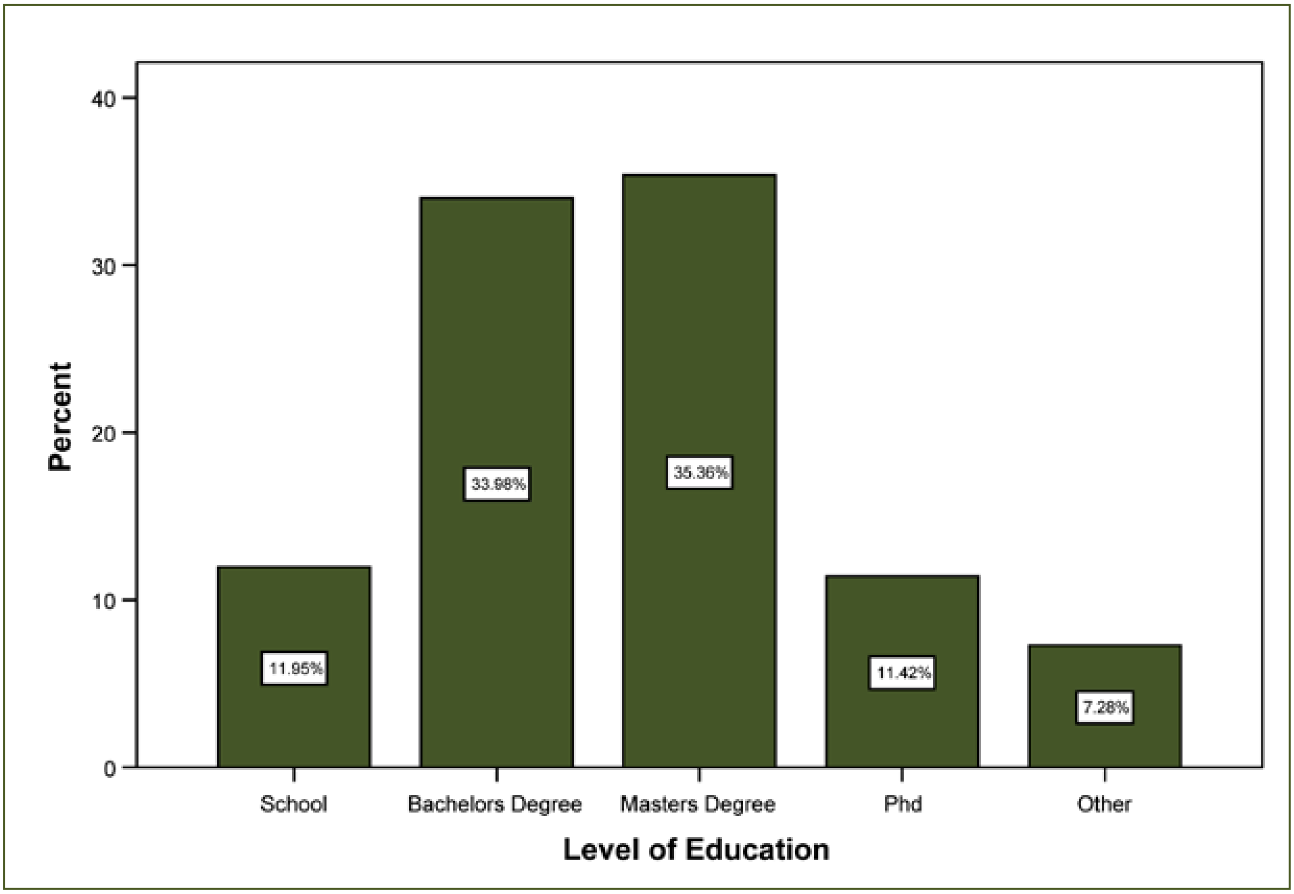


LEVEL OF VISITOR EDUCATION

Visitors coming to Bhutan are of the well-educated lot and the trend continues for 2011 with 80.76% of all respondents holding at least a Bachelor's degree. Out of that, some 35.36% had a Master's Degree and another 11.42% indicated to have Doctorate qualifications.

The fact that well-educated tourists come to Bhutan is a positive point for "High Value, Low Volume" tourism policy. As long as Bhutan receives well educated, fairly older and assuming that they are well travelled, there will be very minimal negative impacts of tourism. This trend will be accentuated with the new tourism tariff of USD 250 per person per day.

Graph 2.2
Visitors' Level of Education



COMPOSITION OF VISITORS TRAVEL PARTY

Whilst the composition of the visitors' travel party was distributed almost equally across all categories, the dominant segment remained to be 'Tour Groups' with 35.01%. This finding is not surprising given that international visitors have to avail the services of a registered local tour operator who offers organised travel packages to Bhutan. The local tour operator often functions as a ground handler for offshore agents who markets and organises these tour groups to Bhutan. Visitors travelling 'As a Couple' closely followed by 'Group of Friends' with 23.70% and 23.10% respectively, also indicates that many also prefer personalised smaller groups to travel to Bhutan.

Such information on composition of travel party is important for future marketing and packaging. It also has implications for infrastructure planning. In terms of marketing, the 'Travel Party Composition' is even more important coupled with the information concerning nationality. When cross-tabulated, there is a strong preference for tourists from USA to travel as part of a 'Tour Group' (32.91%) or 'As a Couple' (30.63%). Similarly, visitors from some of the main European markets including Germany, UK, France, Italy, Netherlands and Switzerland also prefer to travel in 'Tour Groups' and 'As a Couple'. Figures in Table 1.2 clearly suggest that some of the main Asian markets like Japan, China, Thailand and Singapore prefer the 'Group of Friends' segment.

Graph 2.3
Composition of Visitors Travel Party

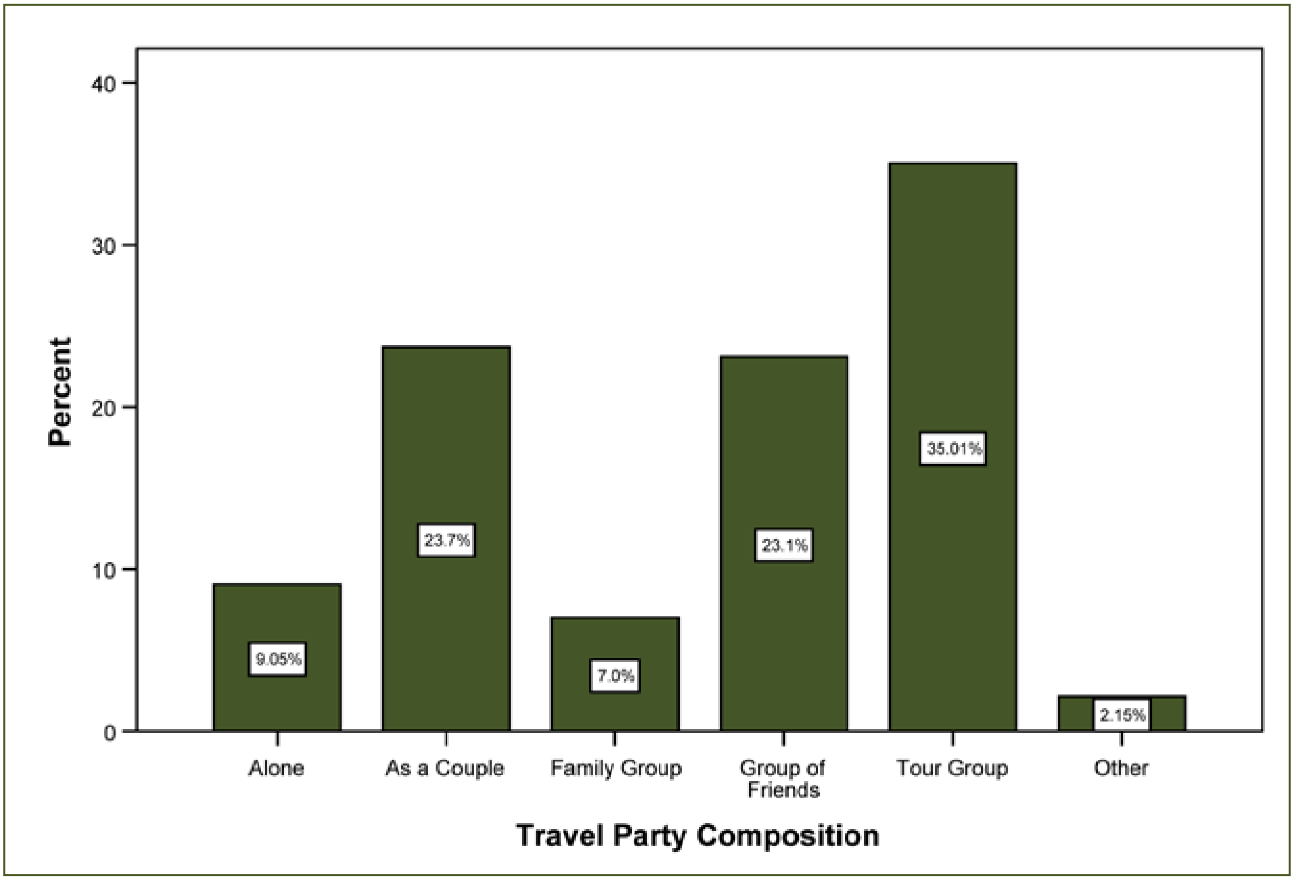


Table 2.1
Travel Party Composition by Major Markets

Major Source Market	Alone (%)	As a Couple (%)	Family Group (%)	Group of Friends (%)	Tour Group (%)	Others (%)
USA	8.28	30.63	8.12	18.47	32.91	1.59
Japan	20.68	9.77	7.95	26.82	30.91	3.86
Germany	7.67	26.75	5.11	19.93	40.03	0.51
UK	6.79	26.92	4.91	14.09	46.54	0.75
China	6.50	18.93	7.06	37.29	27.40	2.82
France	8.12	27.23	7.07	24.61	31.15	1.83
Australia	7.17	22.27	9.35	24.92	34.74	1.56
Thailand	4.59	6.89	9.18	39.03	32.40	7.91
Italy	12.83	17.65	6.95	11.76	49.73	1.07
Netherlands	13.02	25.12	6.05	9.77	45.58	0.47
Switzerland	10.00	37.60	8.40	11.20	31.60	1.20
Canada	11.00	28.80	8.41	23.62	25.89	2.27
Singapore	5.33	21.67	7.00	40.67	24.00	1.33

REPEAT VISITATION PATTERN OF VISITORS

This year's findings reveal a higher incidence of repeat visitors. While majority are still first-timers to Bhutan with 67.11%, there was a significant increase in numbers of visitors who indicated that they had visited Bhutan before. Some 22.53% indicated that they had visited Bhutan on three previous occasions, followed by 7.03% who visited once. This reversing trend could be highly attributed to one of the Bhutan's biggest events as the country celebrated the Royal Wedding of the King and Queen. Many friends of Bhutan came from all over the world to be part of the celebration. This positive change could also be the result of many policy changes to support and strengthen the tourism industry by the government. For example, the requirement of special permits to various touristic places was revoked, thereby allowing visitation to new places – a strong motivation for repeat visitation. Several concerted efforts into product diversification resulted in the opening of Merak-Sakteng Community-based trek where visitation was restricted before. Merak and Sakteng valleys of the nomadic highlanders of far Eastern Bhutan had been a much awaited tourism destination amongst people who had visited Bhutan before, and its opening should have attracted many repeat visitors.

Graph 2.4
Patterns of Repeat Visitation

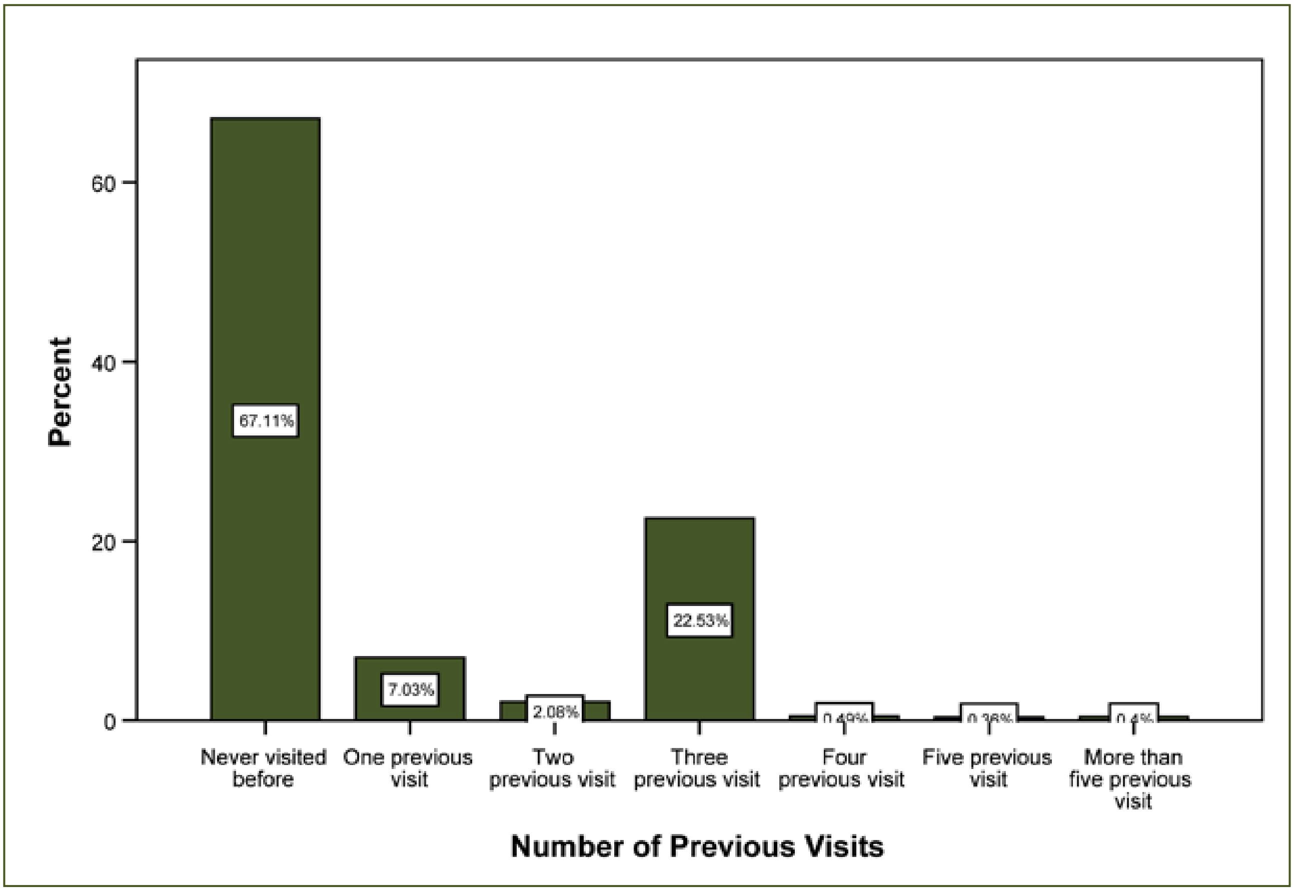


Table 2.2
Repeat Visitors by Major Markets

Major Source Markets	Never visited before (%)	One previous visits (%)	Two previous visits (%)	Three previous visits (%)	Four previous visits (%)	Five previous visits (%)	More than five previous visits (%)
USA	66.56	4.88	0.96	26.70	0.21	0.42	0.27
Japan	47.27	18.18	4.32	26.82	1.59	1.14	0.68
Germany	63.59	10.43	3.42	21.71	0.17	0.17	0.51
UK	87.86	3.38	1.25	7.01	0.25	0.25	0.00
China	68.73	5.63	1.97	22.25	0.28	0.28	0.85
France	70.87	7.61	2.62	17.85	0.26	0.52	0.26
Australia	66.10	4.82	1.40	26.59	0.78	0.00	0.31
Thailand	65.56	12.76	3.06	17.35	0.77	0.26	0.26
Italy	80.21	6.95	5.35	6.42	1.07	0.00	0.00
Netherlands	73.61	7.41	2.78	15.74	0.00	0.46	0.00
Switzerland	73.31	8.76	2.79	13.94	0.80	0.40	0.00
Canada	72.49	2.59	0.32	24.60	0.00	0.00	0.00
Singapore	71.19	3.64	0.99	23.18	0.00	0.33	0.66

INTENTION TO RETURN TO BHUTAN

Respondents clearly expressed their opinions about a possible return to Bhutan. An encouraging number of respondents (68.25%) indicated that they would surely visit Bhutan again in the near future (an indication of high satisfaction levels). The rest believed that Bhutan is indeed "a once in a lifetime experience" and will not visit again.

Table 2.3 illustrates the cross-tabulation of major markets and intention to return to Bhutan. These figures are particularly important for tour operators for country-wise marketing purposes.

Graph 2.5
Intention to Return to Bhutan

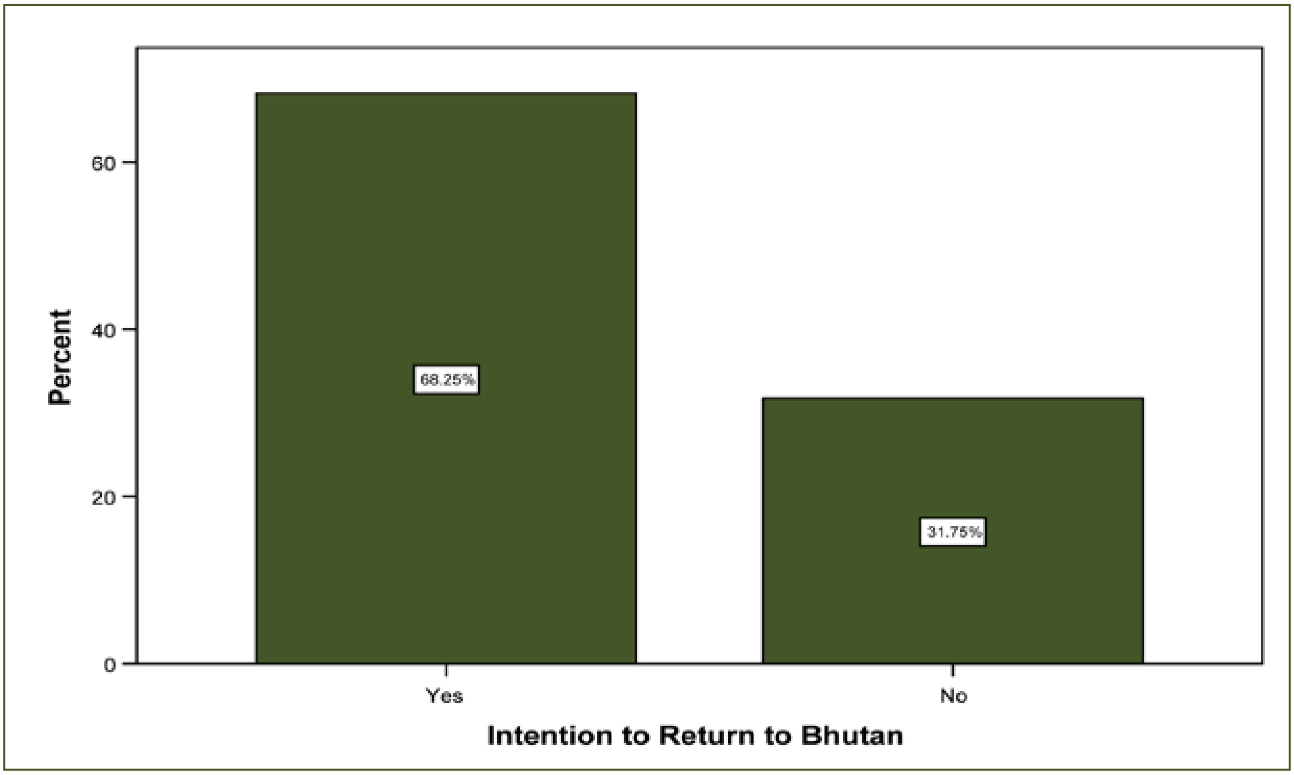


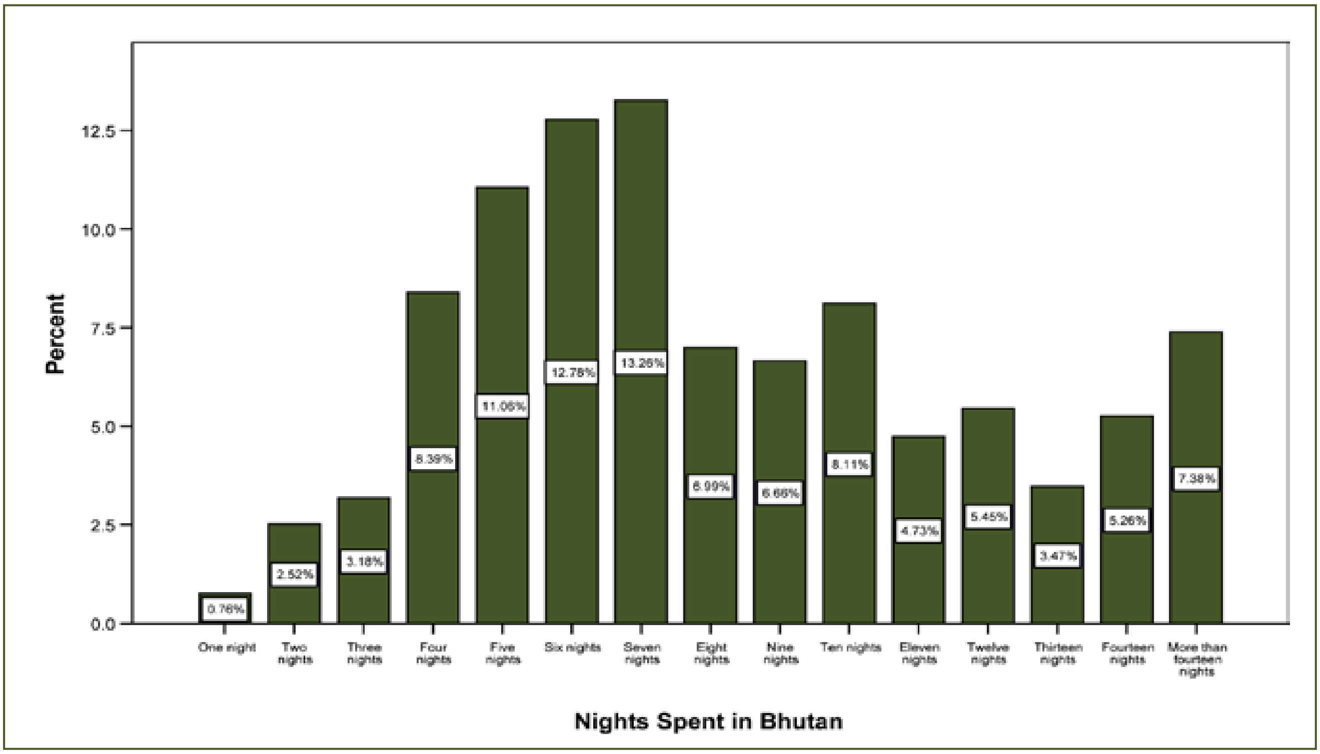
Table 2.3
Intention to Return to Bhutan by Nationality

Major Markets	Yes (%)	No (%)
USA	63.65	36.35
Japan	80.92	19.08
Germany	66.49	33.51
UK	59.38	40.62
China	80.74	19.26
France	63.78	36.22
Australia	66.77	33.23
Thailand	80.51	19.49
Italy	72.13	27.87
Netherlands	54.46	45.54
Switzerland	74.06	25.94
Canada	63.12	36.88
Singapore	81.12	18.88

VISITORS' LENGTH OF STAY

A little in excess of half (51.95%) of the respondents stayed for less than 8 nights. This implies that the remaining 48.95% availed Duration Discounts offered by the government to encourage longer stays. On average, the majority of the visitors stayed for 7 nights (13.26%) followed by 6 nights (12.78%) and 5 nights (8.39%). A significant number (8.11%) stayed for 10 nights and another 7.38% stayed for longer duration exceeding 14 nights.

Graph 2.6
Visitors' Length of Stay

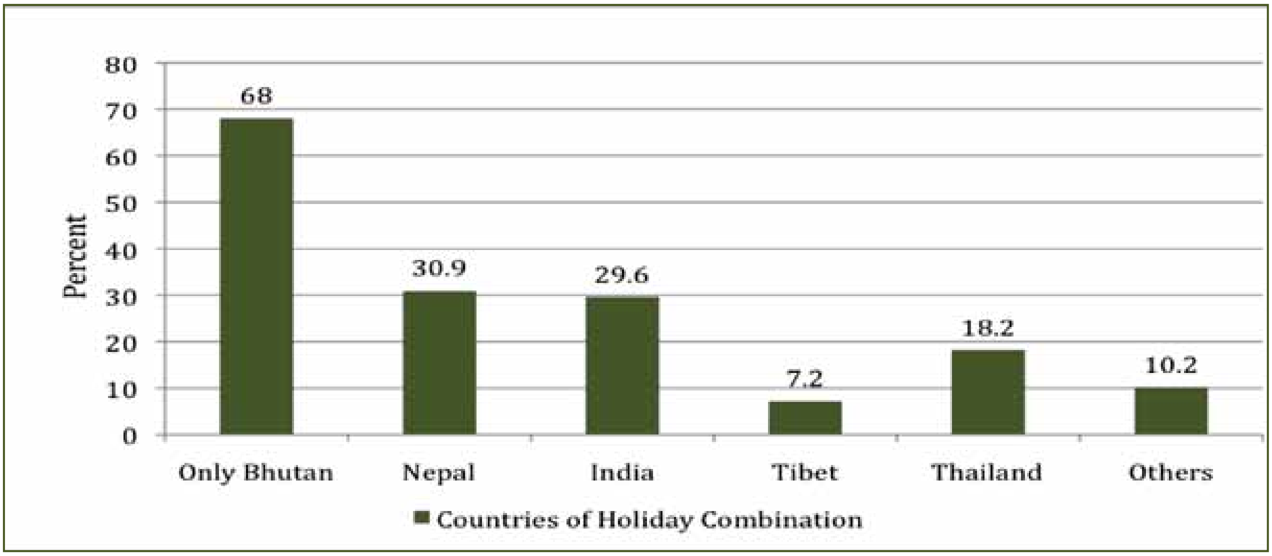


BHUTAN AND CIRCUIT TOURISM

Sampled visitors were asked to indicate whether Bhutan was their sole and primary destination, or whether it was part of a circuit of destinations. This question is asked in order to understand valuable information regarding possible future marketing partnerships and networks. With some 68.0% of visitors indicating that Bhutan was their only destination implies that many are willing to spend a lot more money on long-haul international flights to experience Bhutan. In other words visitors to Bhutan are generally affluent. Others indicated that they combined their Bhutan trip with Nepal (30.90%), India (29.6%), and Thailand (18.20%). Tibet was rated as the least favourite circuit owing to the fact that no direct flights connect Bhutan with the northern neighbour. Some also visited Cambodia, Laos, Vietnam, Indonesia and Bangladesh during this trip.

Table 2.4 illustrates the preferences of major markets with circuit tourism. An even number of visitors from the USA combined their travel itineraries with Thailand (31.83%), India (30.63%), Nepal (30.45%) and Tibet (9.71%). British travellers combined their Bhutan holiday with Nepal (47.81%) and India (38.92%). Italy, China and Canada mainly combined their Bhutan trip with Nepal. Germany, France, Netherlands and Switzerland preferred India. Asia-Pacific markets like Japan, Singapore an Australia mainly preferred Thailand. Interestingly, a significant number of Canadians also combined their Bhutan trip with Tibet.

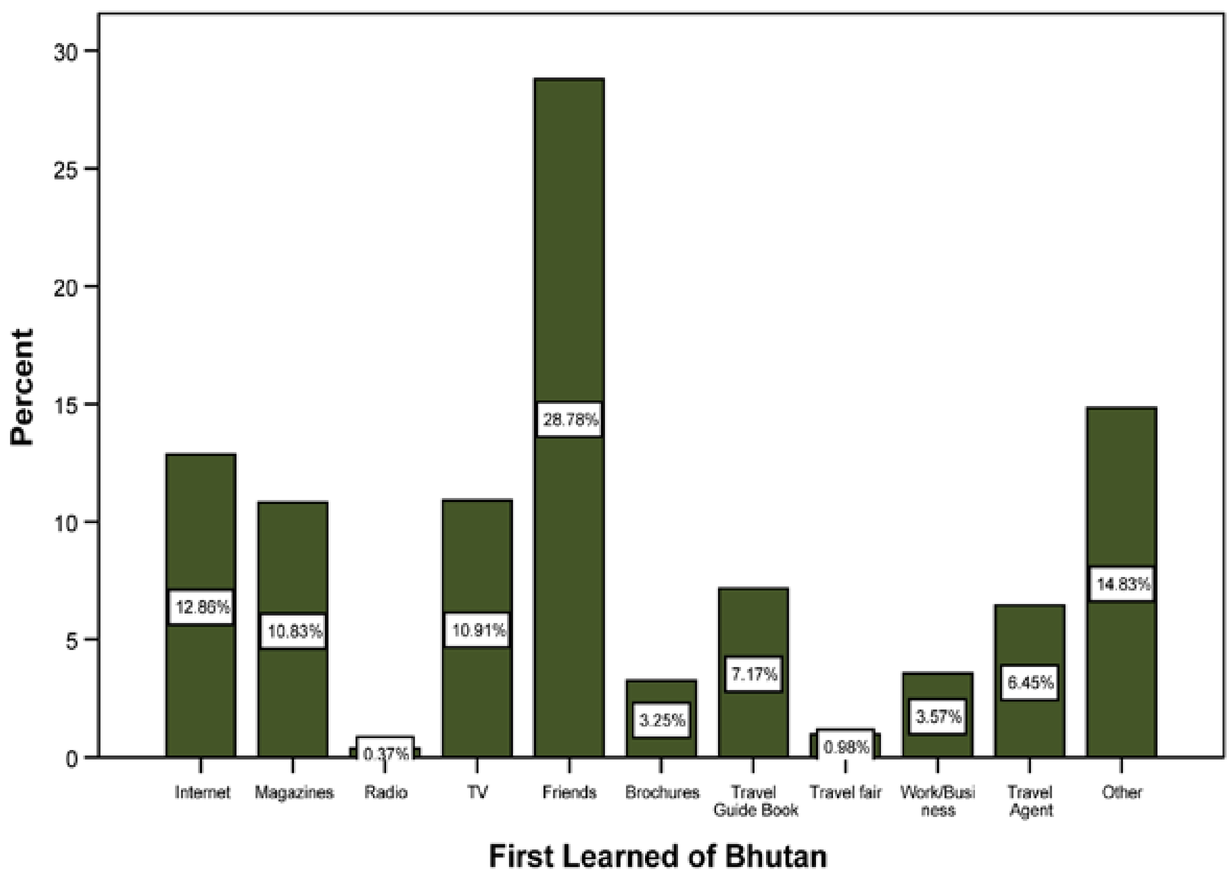
Graph 2.7
Bhutan and Circuit Tourism



PRIMARY INFORMATION SOURCE

In order to understand the medium of information sources, respondents were asked to indicate where/how they had first learned of Bhutan. 'Word-of-mouth' was cited as the most important source with 28.78% of those sampled indicating that 'Friends and Family members' had been their primary source of information and even recommended visiting Bhutan. This finding also substantiates the high satisfaction levels of visitors as they encourage other people to visit the country. Internet (12.86%), Magazines (10.83%), TV (10.91%) and Travel Guide Books (7.17%) also rated significantly as important sources of information on Bhutan.

Graph 2.8
Primary Information Source for Visitors

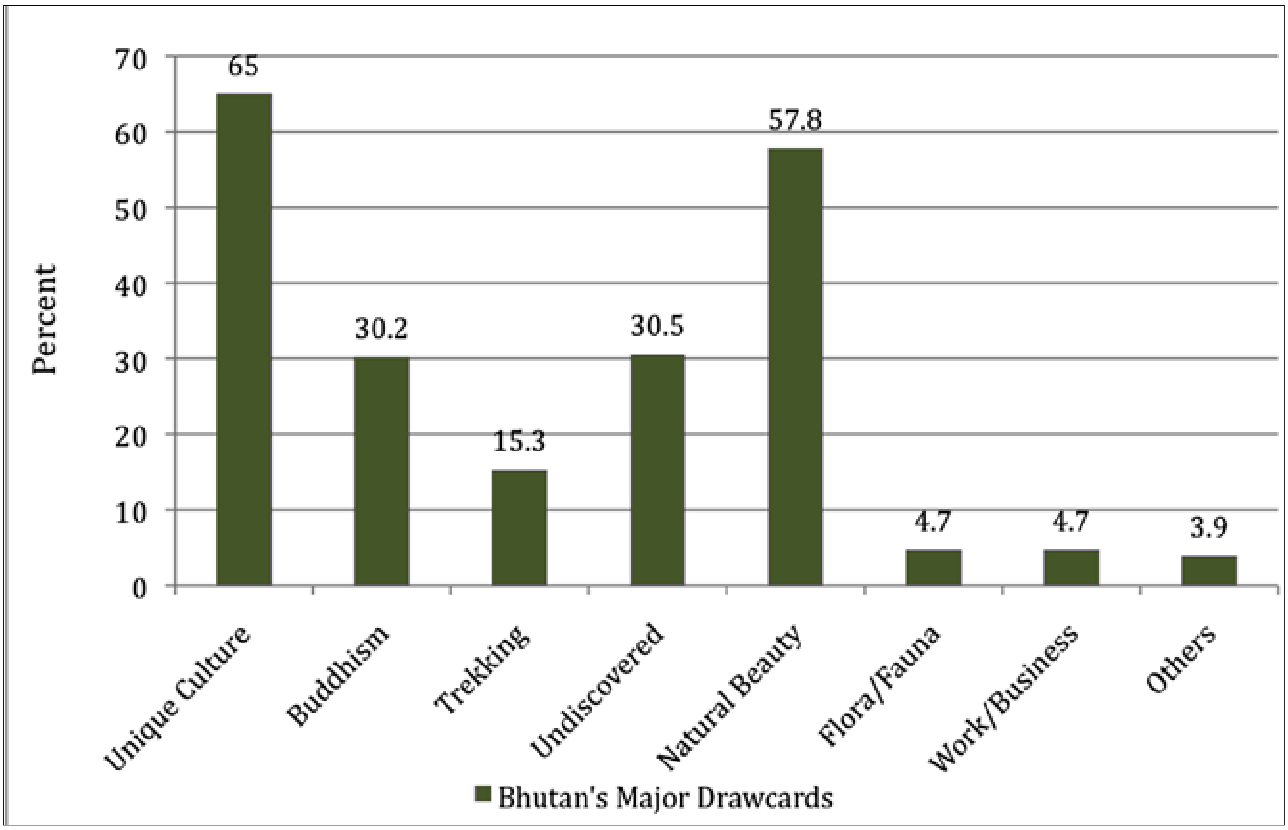


BHUTAN – MAJOR DRAW CARDS

Respondents were asked to cite what exactly inspired them in the first place and what did they expect to see during their visit to Bhutan. The major draw cards and visitor perceptions about Bhutan as a destination seem to be stemming out from the fact that it is a Himalayan Buddhist country with a unique living culture and pristine environment. This is validated by the responses of visitors who indicated that the highest rated draw card was 'Culture' with 65.0%, followed by 'Natural Beauty' (57.80%). Similarly, other draw cards cited were 'Undiscovered' (30.50%), 'Buddhism' (30.20%), and 'Trekking' (15.3%).

Bhutan is regarded as a destination that combines the best of culture and nature. This is proven true with this and previous research. In the following Graph 2.9, categories are presented as per the responses of departing tourists but some of the responses can be safely included under the main 'Culture and Nature' category making this segment even more significant.

Graph 2.9
Major Attraction to Bhutan

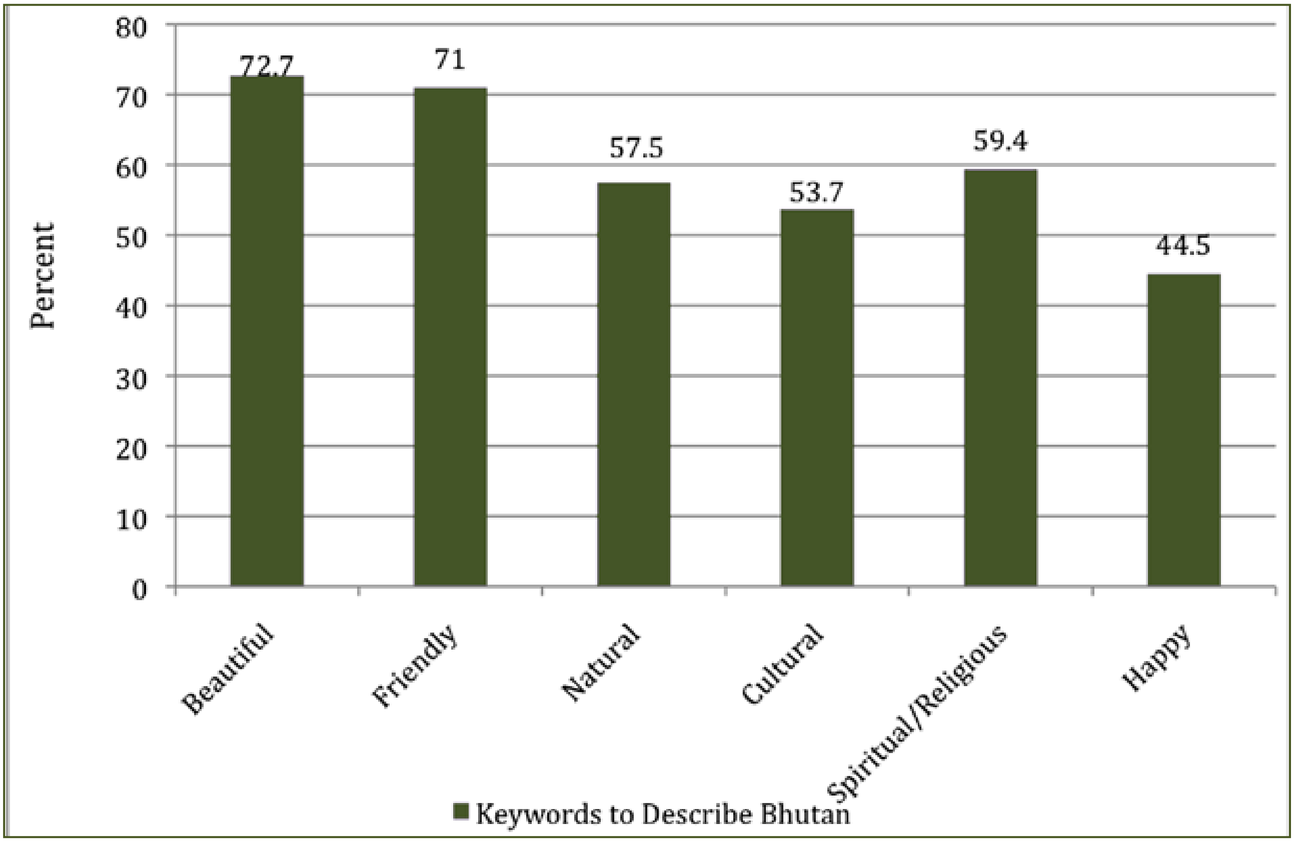


KEYWORDS TO DESCRIBE BHUTAN

Respondents were asked to list two or three keywords to describe Bhutan. From a wide range of responses, the most popular keywords were; 'Beautiful' (72.70%), 'Friendly' (71.0 %), 'Natural' (60.1%), 'Religious/Spiritual' (59.40%), 'Cultural' (53.70%) and Happy (44.5%). Some other keywords used to describe Bhutan were 'Unspoiled', 'Astute', 'Pristine', 'Undiscovered', 'Timeless' etc.

These impressions assist in determining some of the activities that the visitor really liked about his/her experience. Tour operators could use such identifiers when constructing future promotional strategies. For example, some 71.0% of the respondents citing 'Friendly' – illustrates the need to foster people interaction by ways of hosting the visitors in local homes etc. Similarly, people who said that Bhutan was 'Natural' means that many visitors are nature lovers and therefore would appreciate more development of nature-based products. This is something to be capitalised upon in marketing activities and borne in mind when preparing itineraries.

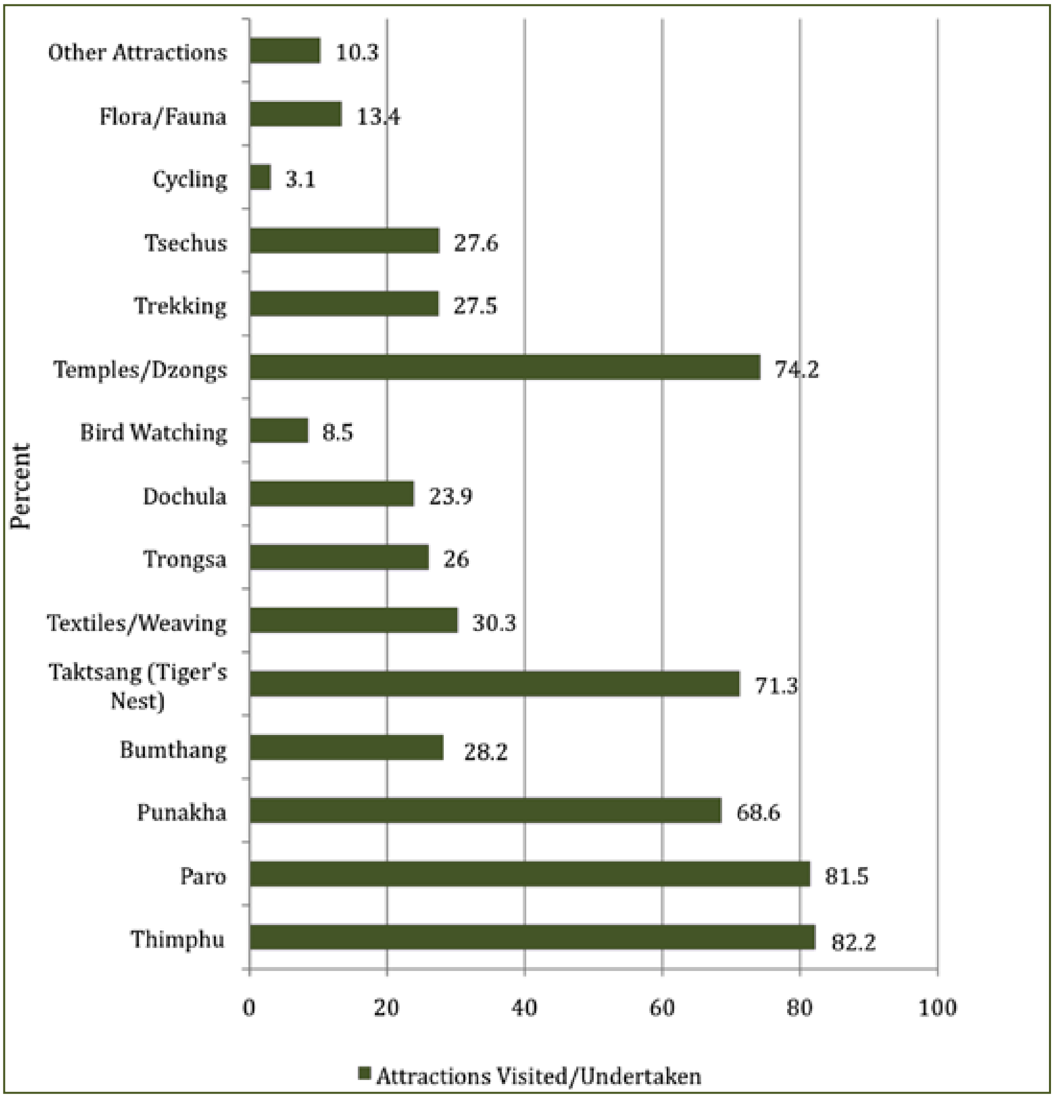
Graph 2.10
Keywords describing Bhutan



ATTRACTIONS VISITED/ACTIVITIES UNDERTAKEN

Respondents cited that they had visited a range of attractions and/or participated in various activities. A majority of 82.20% of all respondents visited the capital city Thimphu, thus making it the most visited attraction of 2011, followed closely by 81.50% of all respondents visiting Paro. Of the total respondents, some 74.20% visited temples and Dzongs, which are the most important cultural heritages in the country. Out of this, some 71.30% visited the popular Tiger's Nest monastery, thereby making it the most visited temple in Bhutan. This may have resulted in overcrowding and measures like introducing a premium may need to be introduced to control visitation to very popular places.

Graph 2.11
Attractions Visited/Activities Undertaken

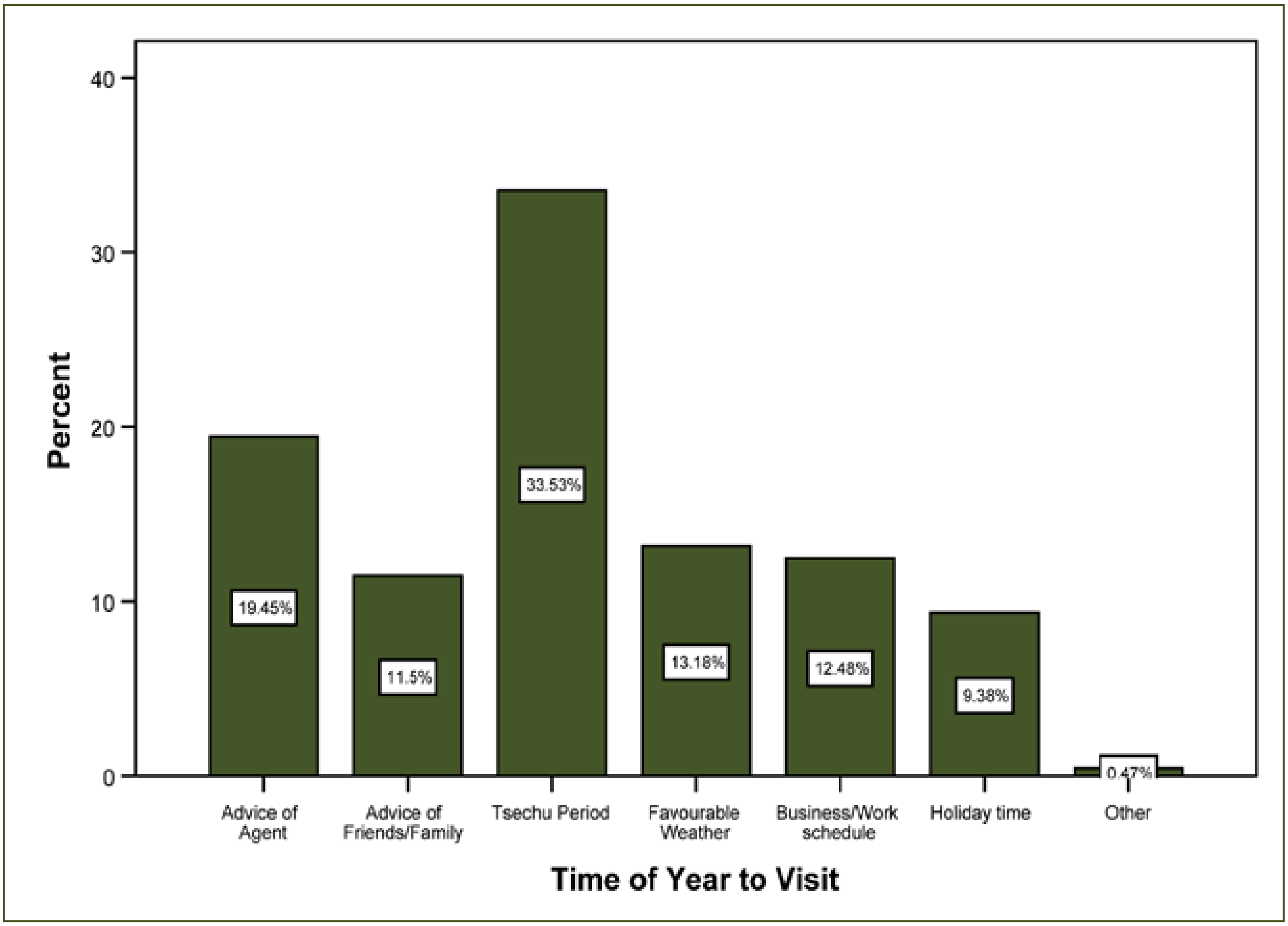


VISITORS' TIME OF VISIT

Visitors were asked to indicate how they chose the time of year to visit Bhutan. As proven by this finding and findings of earlier researches, the most determining factor for the cause of seasonality is the timing of popular festivals (Tsechus) with 33.53% indicating that they visited Bhutan to witness a particular festival, followed by 'Advice of an Agent' (24.37%). The latter suggest that the time for visitation to Bhutan is greatly influenced by the marketing messages that tour operators disseminate to their clients. Only 13.18% indicated that 'Favourable Weather' conditions in Bhutan influenced their time of visitation. Some 12.48% indicated 'Business/Work Schedule', thereby suggesting a significant number of business and corporate travellers to Bhutan.

Graph 2.12

Visitors Time of Visitation



HOLIDAY TIME IN SOURCE MARKETS

Respondents were asked to indicate the holiday timing in their country. The majority of the sampled cited the summer months of June, July and August as their holiday time and they would normally go for a vacation during these months. This is particularly interesting as Bhutan receives lesser visitation during these months mainly because the monsoon rains dissuades visitors to come to Bhutan at this time. Further research confirmed that visitors plan their holidays during their children's school summer holidays. This finding suggests that if Bhutan adopts a policy to incentivise and promote family trips during summer, visitor arrivals during the summer months could be leveraged to a certain extent. Some 23.56% indicated that they normally have a vacation in autumn (September-November), followed by 12.19% who vacationed during spring (March-May).

It is even more important to know the holiday time for the outbound major markets. Table 2.4 illustrates the prevailing trends in major source markets. Most of Bhutan's major markets like USA (62.71%), Germany (63.62%), UK (65.65%), France (64.71%), Italy (81.76%), Netherlands (79.45%), Switzerland (68.75%) and Canada (60.63%) markets travel during summer. Asian Major markets like Japan, China and Singapore have their holiday timing equally spread over summer and autumn months. Australia's holiday timing is in winter (summer in Southern Hemisphere) as suggested by 41.17% of the respondents.

Graph 2.13
Holiday Time in Source Markets

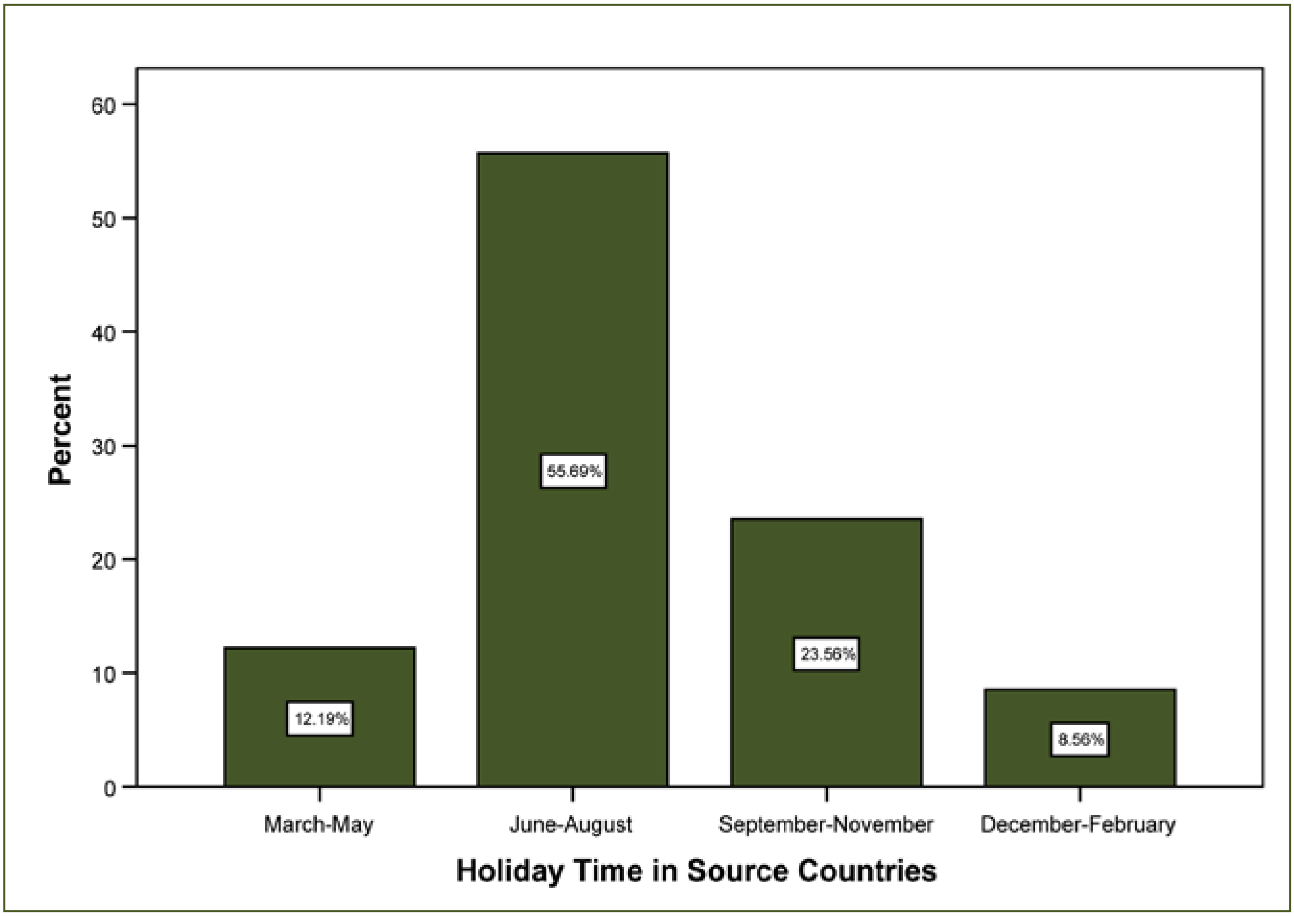


Table 2.4
Holiday Time by Major Source Markets

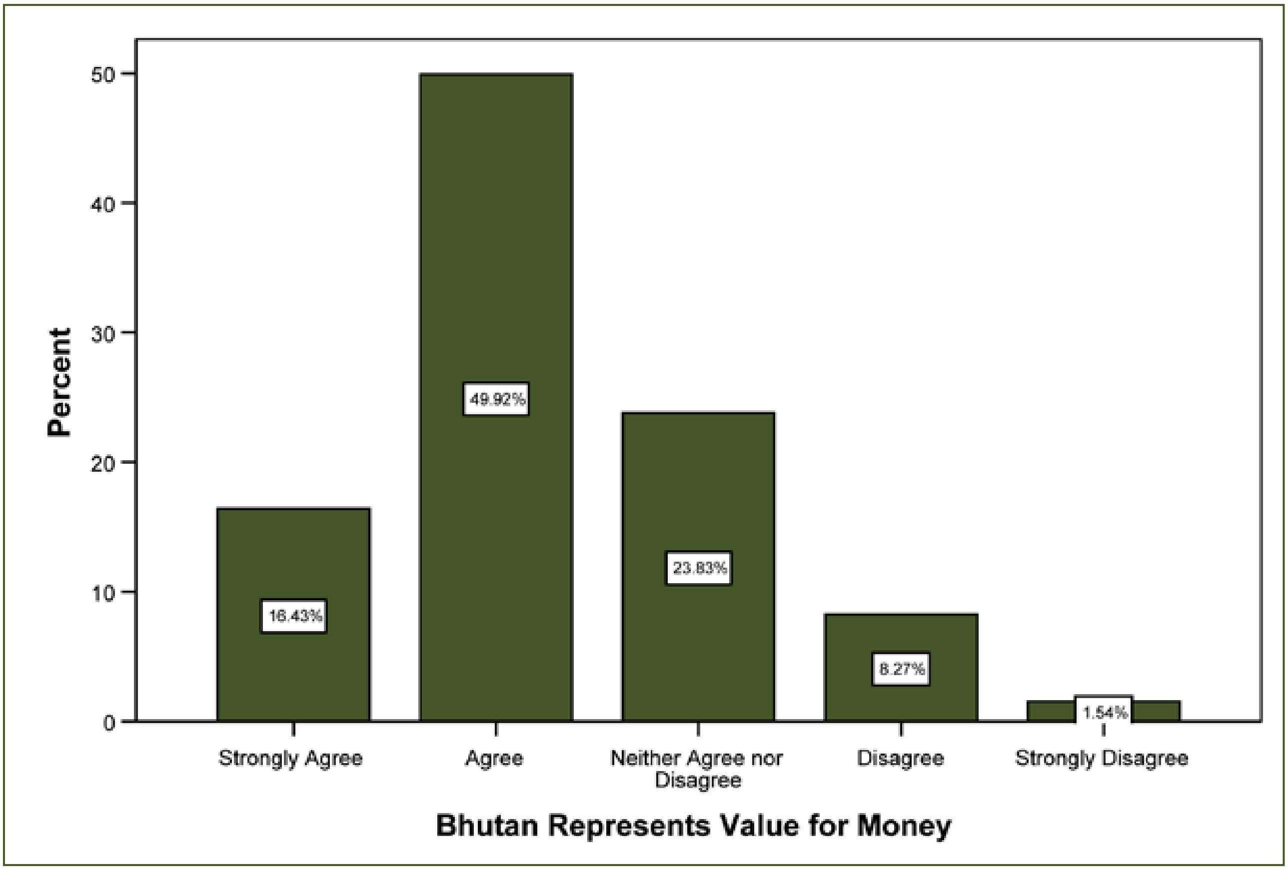
Major Source Markets	March-May (%)	June-August (%)	September-November (%)	December-February (%)
USA	12.00	62.71	21.31	3.98
Japan	15.93	45.42	31.53	7.12
Germany	8.73	63.62	25.57	2.08
UK	15.05	65.65	17.63	1.67
China	10.90	37.18	44.87	7.05
France	6.62	64.71	26.10	2.57
Australia	12.41	26.13	20.30	41.17
Thailand	44.83	9.09	32.60	13.48
Italy	3.38	81.76	14.19	0.68
Netherlands	5.66	79.25	14.47	0.63
Switzerland	10.10	68.75	19.71	1.44
Canada	11.81	60.63	22.05	5.51
Singapore	13.41	34.96	31.71	19.92

VALUE FOR MONEY

In a bid to evaluate the general impression that Bhutan is seen as an "expensive destination", respondents were asked to indicate whether they believed Bhutan represented "Good Value for Money". Whilst a majority of 66.35% (16.43% strongly agree and 49.92% agree) indicated that Bhutan represents a good value for money, this figure shows a slight decrease in ratings compared to last year.

Whilst these opinions are of those that actually visited, there may be many more potential visitors who simply eliminate Bhutan as their choice of destination based on their perception of Bhutan's pricing policy. As explained by some respondents, there seem to exist some misunderstanding about the tariff system, as potential visitors tend to presume that USD 200 per day is only the government tariff, and that they have to bear additional expenditures for accommodation, food and other travel facilities separately. Therefore much advocacy and awareness is imperative to dispel wrong perceptions about the tariff policy in the international community. Such clarifications could be disseminated through popular media vehicles like the Internet, Magazines/Newspapers, TV and radio, which are the main primary sources of information on Bhutan.

Graph 2.14
Value for Money Perception

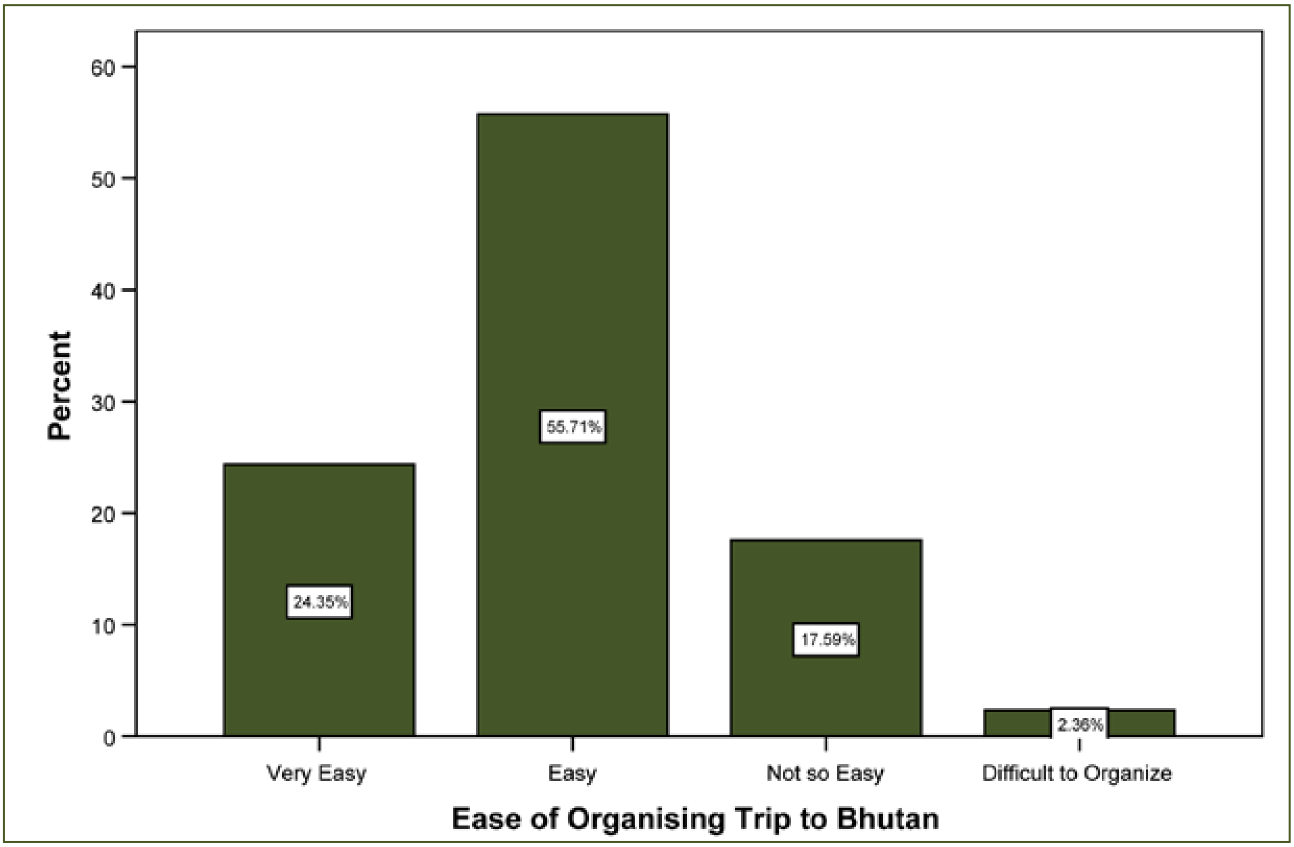


EASE OF ORGANISING TRIP TO BHUTAN

One of the biggest hurdles of visiting a destination can be the difficulty of organizing a trip. Whilst Bhutan is encouraging more visitations and marketing itself as an emerging destinations, a misnomer that Bhutan restricts visitors, or visas are incredibly difficult to get seems to exists in the international community. Many are not aware that as long a visitor is willing to pay the tariff, there is no ceiling how many visitors can visit per year. Sampled respondents were asked to assess the ease of organising their trip to Bhutan. More than in excess of three quarters (80.06%) of the total respondents indicated that it was easy to organise their Bhutan trip. This is in fact not a surprising finding as their local tour operators do all the travel arrangements. Some 19.95% of those sampled indicated that they had encountered some difficulty in organising their visit (17.59% 'Not So Easy' and 2.36% 'Difficult').

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

Graph 2.15
Visitors' Ease of Organising Travel to Bhutan

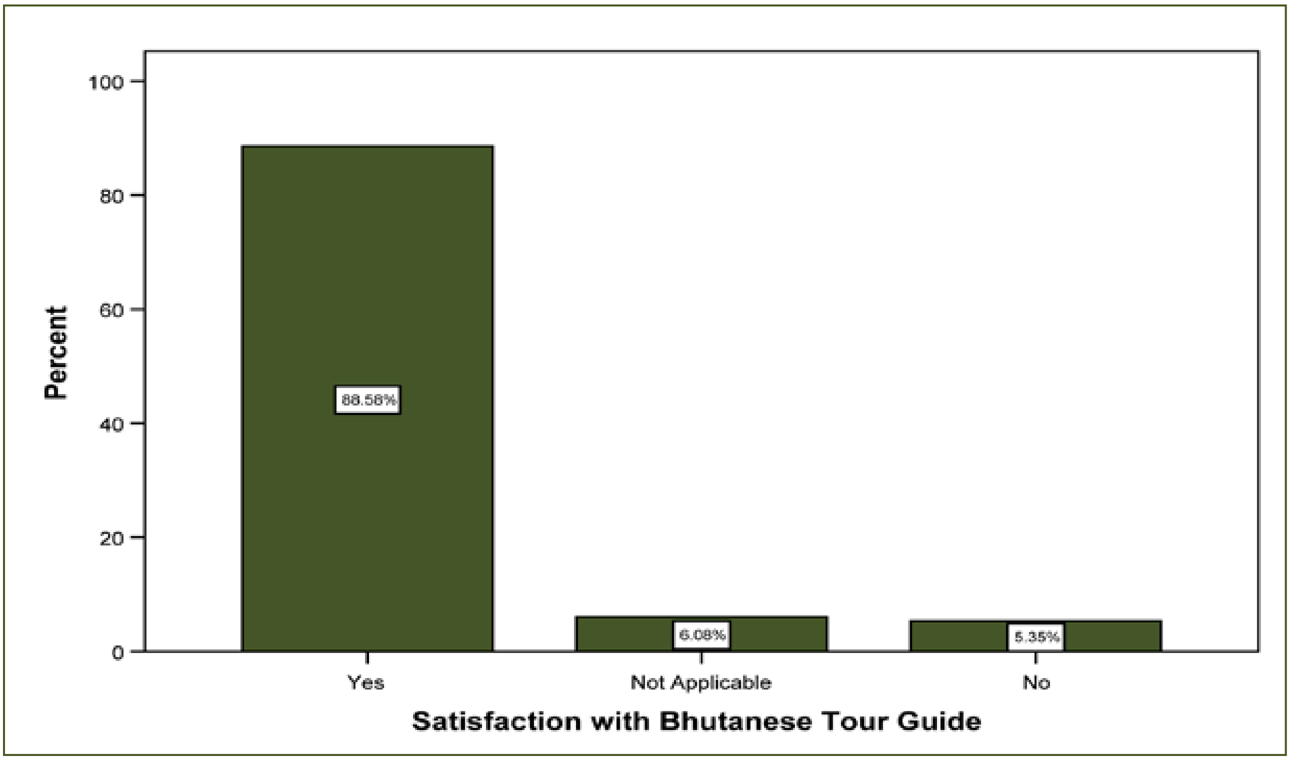


SATISFACTION WITH BHUTANESE TOUR GUIDES

When tourists are in Bhutan, local tour guides act as ambassadors of the country by showcasing Bhutan in a best possible way. Overall satisfaction levels of visitors hugely depend on the personal character and conduct of the guides. Findings illustrate that visitors were generally pleased with the quality and the services of their guides with 88.58% indicating that the guides were highly professional and knowledgeable. Tour guides in general have also gained to understand the sensitivity of their level of services and are becoming more and more professional and competitive.

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

Graph 2.16
Satisfaction with Bhutanese Tour Guides

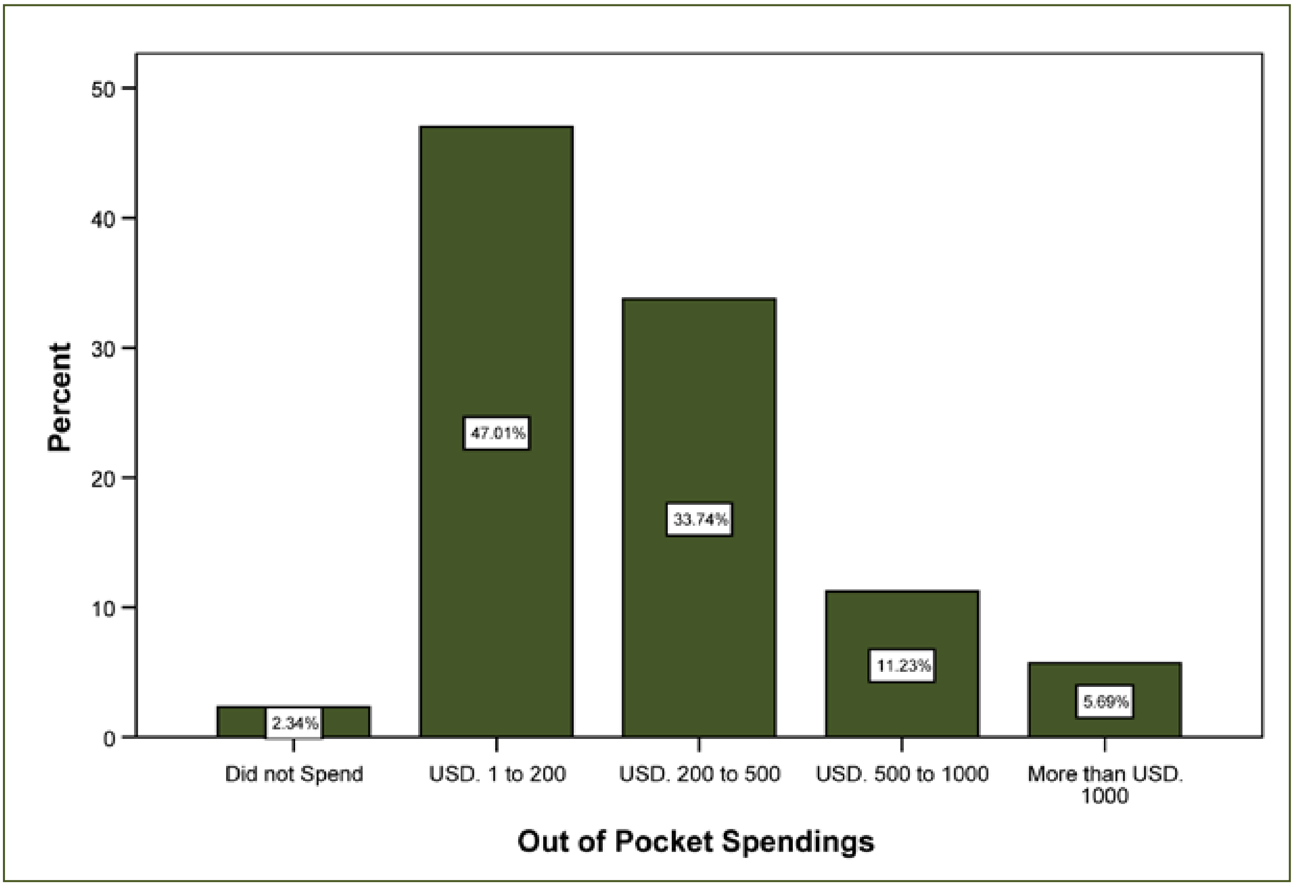


OUT OF POCKET SPENDING

The daily tariff that visitors pay to come to Bhutan is an all-inclusive package rate that includes 'Royalty' – which goes as government revenue, full board, transport, guiding services etc. This however does not include airfare for flights in and out of Bhutan. Besides the airfare and the daily tariff (package price), respondents were asked if they had spent any extra money on any additional goods and services while they were in Bhutan. Majority (47.01%) of the visitors spent less than USD 200 followed by 33.74% spending between USD 200 to USD 500. Even though they explained that this extra spending was mainly for shopping, it is not a substantial amount. This finding indicates that there is a need for local entrepreneurs to produce an attractive range of tourism souvenirs and products that is reasonably priced to encourage visitors to spend more. Visitors often complained that souvenirs and handicrafts are expensive compared to the neighbouring countries of India, Nepal and Tibet. Some 16.92% spent more than USD 500 during their trip to Bhutan.

Graph 2.17

Out of Pocket Spending by Visitors

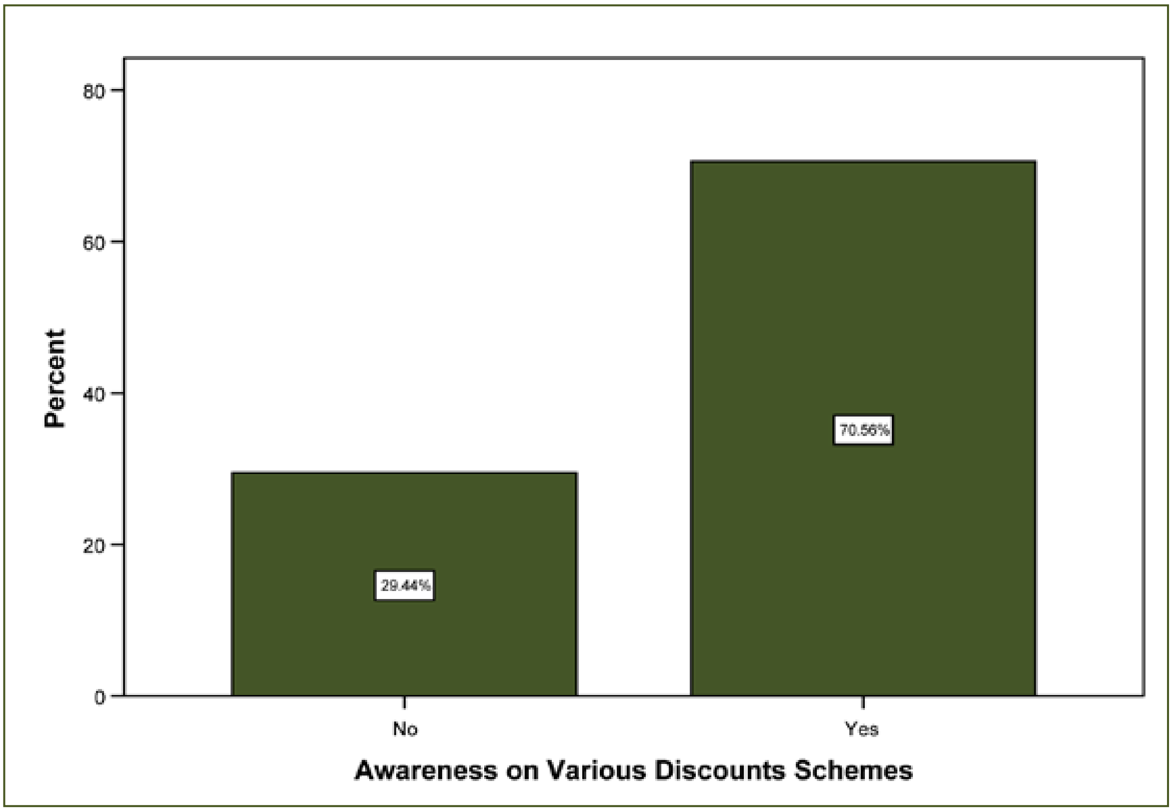


VISITORS' AWARENESS ON VARIOUS DISCOUNT SCHEMES

For the first time this survey also included questions to elicit awareness levels of visitors on the availability of various discounts like group-size, duration, student and child discounts. The Graph below illustrates that 70.56% of all visitors were aware and informed of these discount schemes. Almost one third did not know of the prevailing discount facilities. This figure further demonstrates that there is a need for proper advocacy and awareness to communicate these facilities with potential visitors to Bhutan.

Graph 2.18

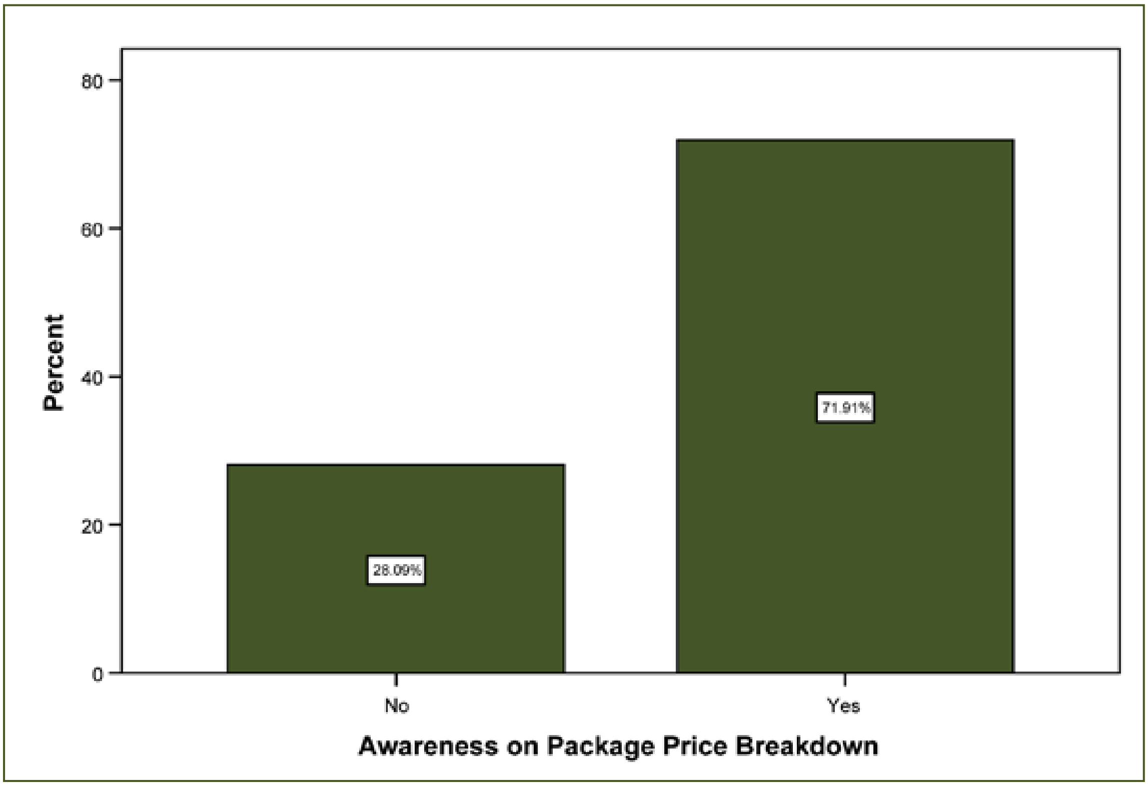
Visitors' Awareness on Various Discount Schemes



AWARENESS ON THE BREAKDOWN OF PACKAGE PRICE

This year, respondents were also asked if they were aware of what are included in their package prices. A clear majority (71.91%) indicated that they knew what the package price included. Some 28.09% mentioned that whilst they knew that it is an all-inclusive fee, they did not know the exact breakdown of package prices as retailed by the tour operators. This is also attributed to the fact that many offshore agents sell Bhutan packages without full disclosure on the details. Few shared their curiosity to know more about how the Government utilises the tourism levy (Royalty of USD 65 out of USD 200), as the visitors are aware they are paying a premium to visit Bhutan.

Graph 2.19
Awareness on the Breakdown of Package Prices

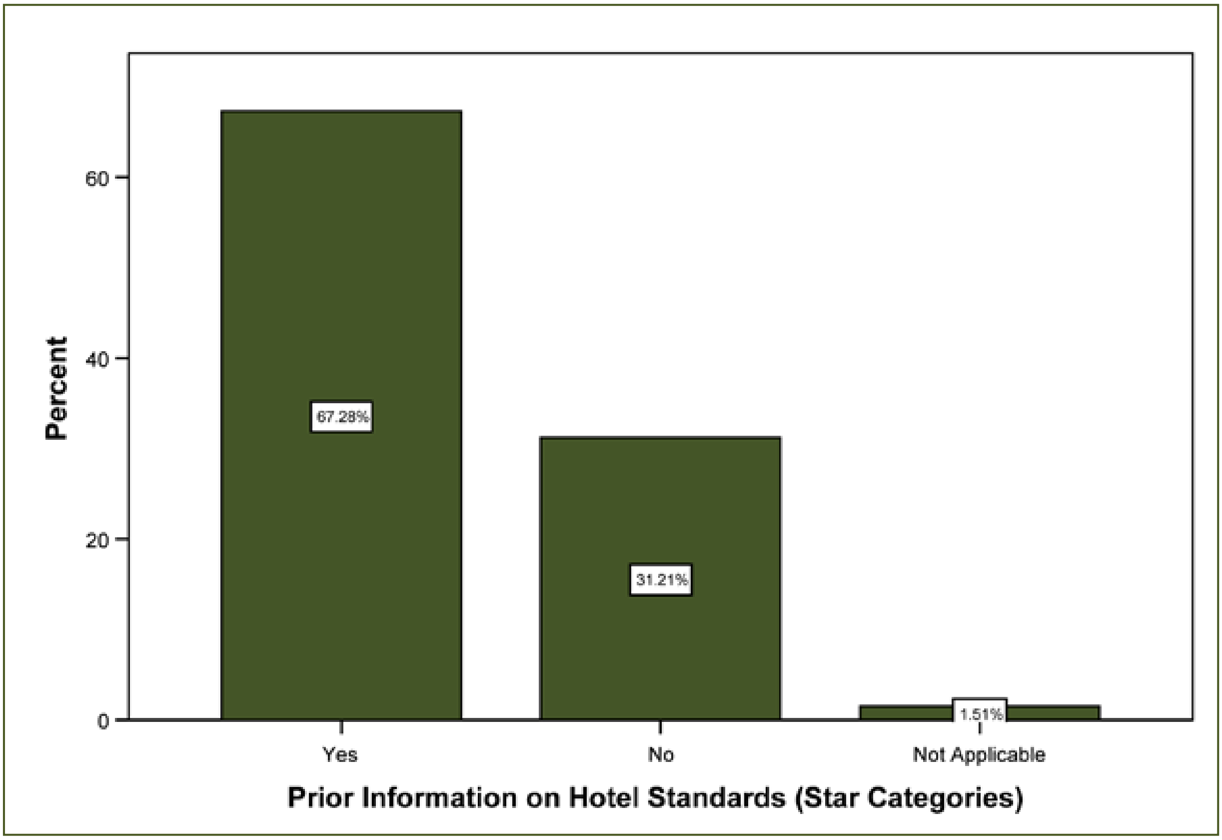


PRIOR INFORMATION ON HOTELS

This year, respondents were also asked to indicate if they had prior information on what kind of hotels they were being provided by their tour operators. This was especially in keeping with the regulation that international visitors are compulsorily required to be hosted in a minimum standard of 3-Star hotel category as accredited by the recent Star Classification System. This was instituted by the Government to ensure the quality promise of Bhutan as a high-end tourism destination.

Some 67.28% of the total visitors acknowledged their awareness on the minimum entitlement of a 3-Star category hotel included in the package price. The remaining 31.21% did not have any prior information on the standards of hotels they were booked in.

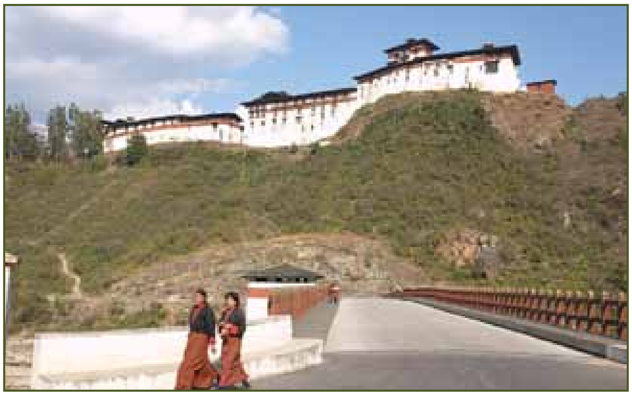
Graph 2.20
Prior Information on Hotel Standards



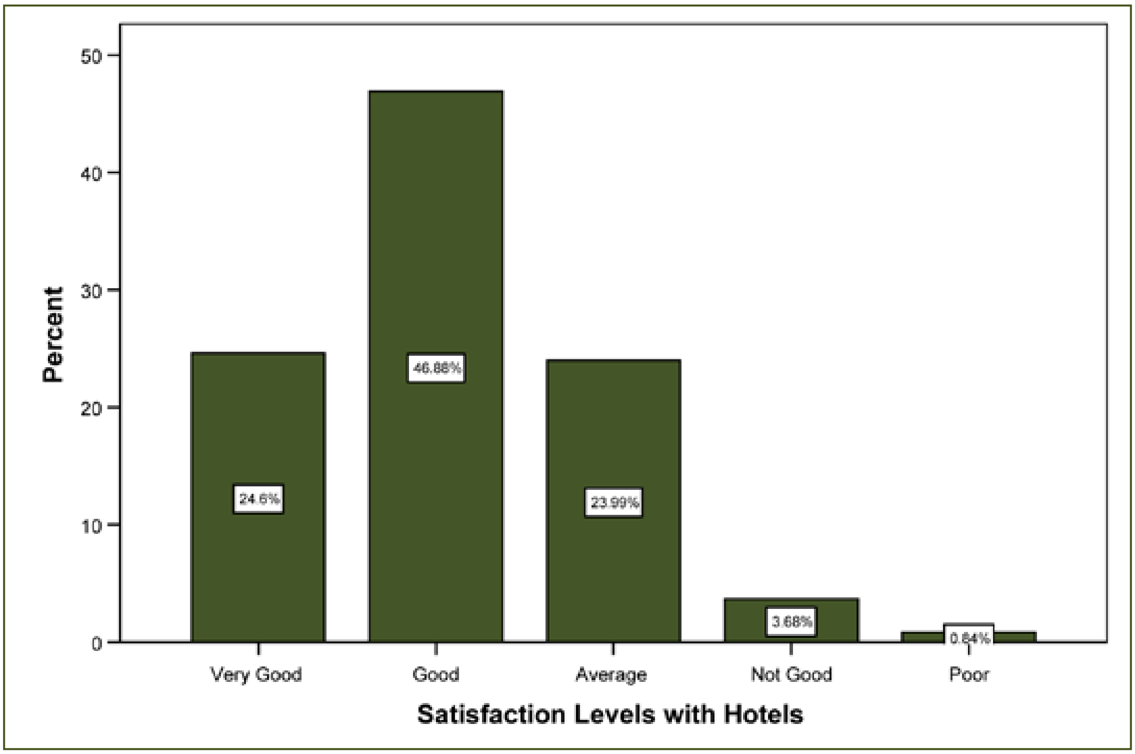
SATISFACTION LEVELS WITH ACCOMMODATION PROVIDERS

Accommodation plays an important role in adding to the experience of a destination to a visitor. This also includes the quality of services provided by the staff and facilities included in a hotel. The Tourism Council of Bhutan makes it mandatory for tour operators to keep their guests in accredited properties. All hotels are assessed and approved by the Council to cater to tourists. This is mainly to encourage hotels to improve their services and facilities. The Tourism Council of Bhutan has now rolled-out the 'Star Classification' system with a minimum of a 3-Star rating required for a tourist accommodation to ensure quality services.

Most tourists (24.60% rated 'Very Good' and 56.88% rated 'Good') were satisfied with the their accmmodation. Some 23.99% said the quality of hotels was average and some 3.68% indicated 'Not Good'. Though most tourists were satisfied with the hotels, the need to improve hotel standards including services (cleanliness) and food quality is still necessary. Even though the Council provides support in terms of training hotel staff, strict monitoring on facilities, functional aspects of the facilities need to be looked at. This however represents an improvement on the ratings compared to a few years earlier, therefore suggesting that the star classification system has resulted in higher satisfaction levels.



Graph 2.21 Satisfaction Levels with Accommodation Providers



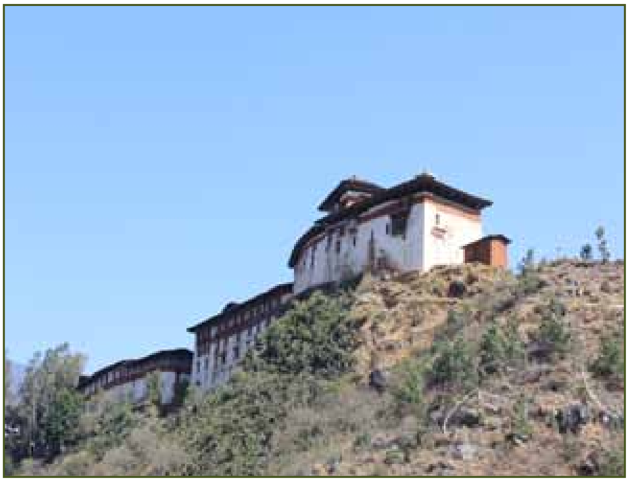
SATISFACTION LEVELS WITH FOOD AND RESTAURANTS

Findings from the last few years of visitor surveys recorded an increasing number of complaints relating to food and restaurants. This year, a specific question was included in the questionnaire to quantify this data. In 2011, a majority (62.29%) cited their satisfaction with the quality of food and restaurants in Bhutan. A significant 32.16% stated it was 'average' in quality and diversity. Some specifically mentioned the buffets were repetitive and monotonous with limited choices on the menu.

Graph 2.22 Satisfaction Levels with Food and Restaurants

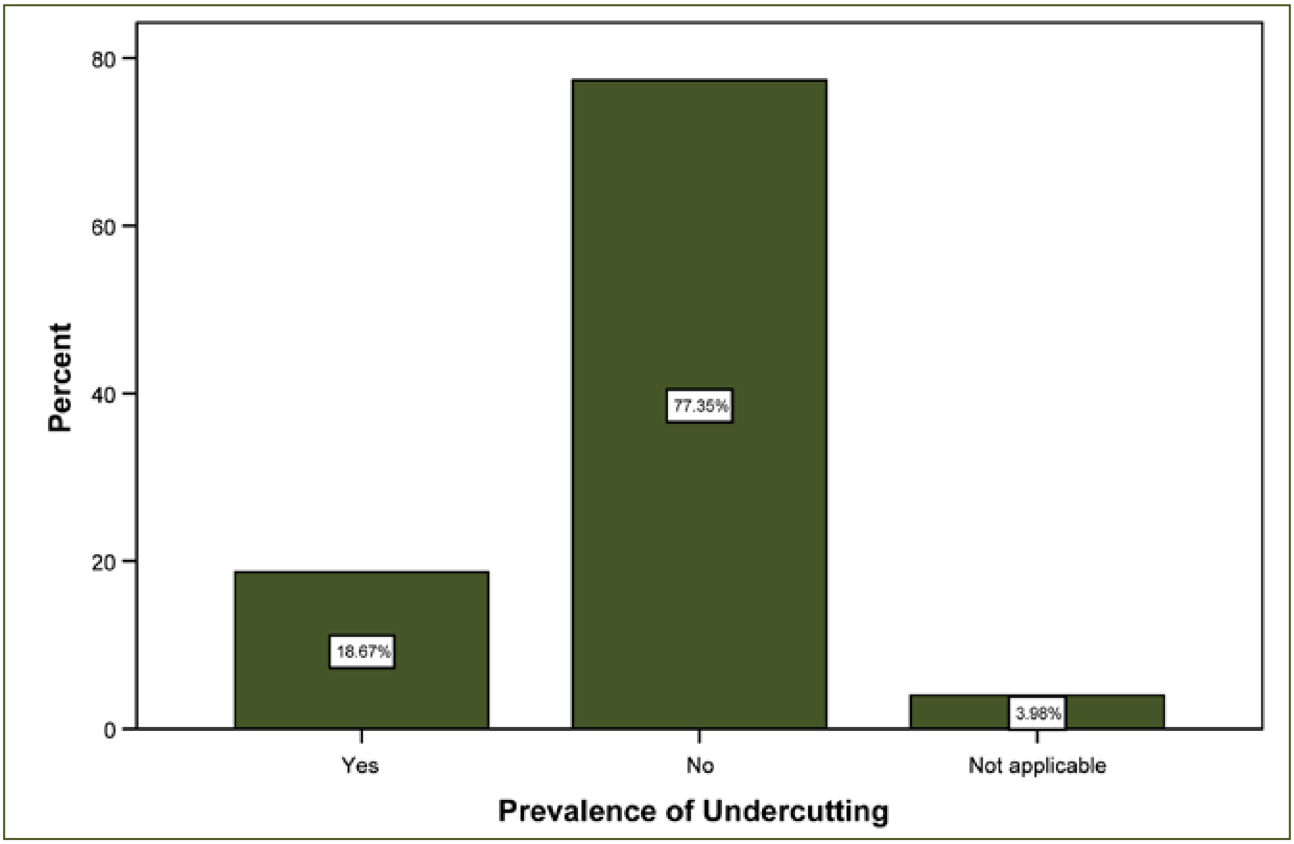
PREVALENCE OF UNDERCUTTING

Undercutting is a jargon widely accepted in Bhutan to describe a situation when a tour operator charges less than the prescribed minimum daily tariffs in order to attract budget-conscious visitors to Bhutan. This practice leads to unsatisfied visitors and this has direct bearing on the most important marketing tool for Bhutan – the 'Word-of-mouth'. There are prevailing speculations that tour operators who undercut provide sub-standard services and facilities to their clients and as a result tarnish the image of Bhutan as a high-end destination. This practise is forbidden in order to uphold the "High Value, Low Volume" tourism policy that assures and ensures the best quality services and facilities.



Findings this year show a high occurrence of undercutting with 18.67% of the total respondents acknowledging to have paid less than the prescribed daily tariffs. This finding necessitates a proper monitoring mechanism in order to dissuade tour operators from undercutting.

Graph 2.23 Prevalence of Undercutting



ADDITIONAL FACILITIES AND IMPROVEMENTS

Respondents were asked to make comments about tourism related services and infrastructures as well as suggest ways to enhance their experience in Bhutan. Of the total sampled, around 27.78% of the total sampled expressed dissatisfaction with at least one or more aspects of their Bhutan trip and made suggestions for improvements. The remaining did not complain about anything about their Bhutan trip. Many also urged to keep Bhutan as it is and control the number of inbound visitors to the country.

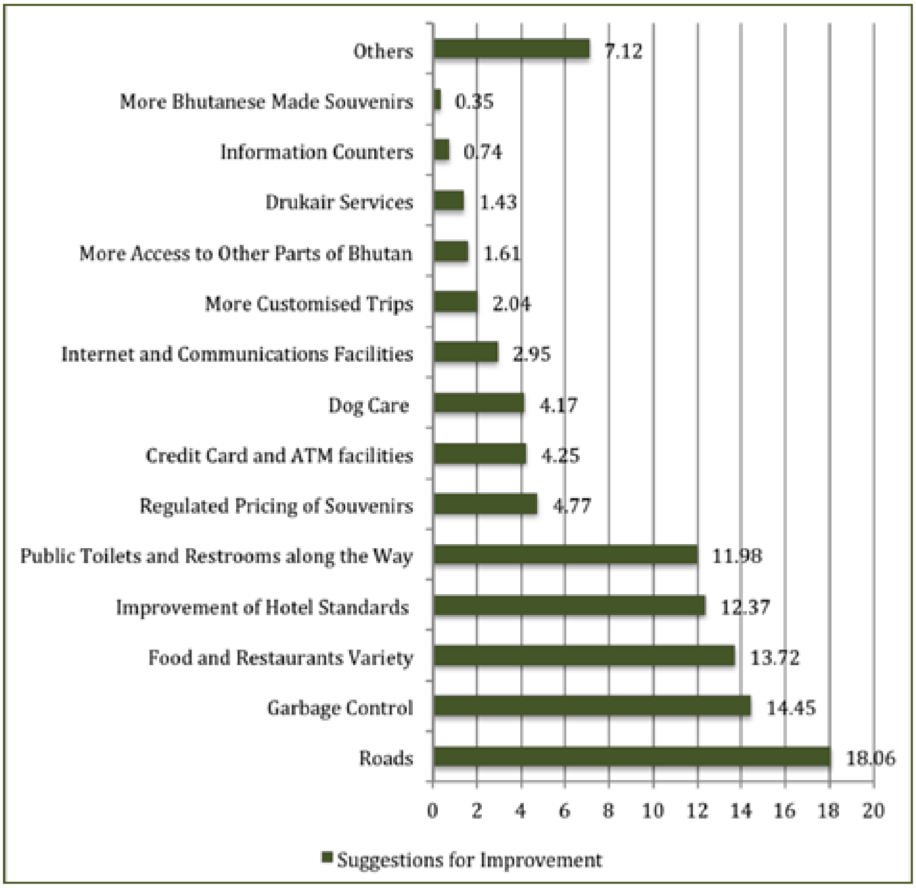
This year, out of the 27.78% who made suggestions, majority (19.46%) complained about poor road conditions. They specified that roads were "narrow", with "many pot poles", 'no proper retaining walls to keep the land above the roads from sliding". "No proper drainage" etc. This was followed by the unmanaged garbage with visitors indicating that the towns were "dirty with open drains", with "Doma spits everywhere", "littered trekking trails" etc.

Hotel related complaints rated highly this year with 13.72% expressing discontent with the quality and diversity of 'Food and Restaurants' followed by 12.37% who were not satisfied with the standards of hotels in Bhutan. As has been the case for the last few years, many (11.98%) also state that there is a dire need for public toilets and restrooms along highways as it becomes very inconvenient during travel times.

A noticeable change this year is that the complaints relating to the lack of Credit Card and ATM facilities have deceased considerably. This is however not surprising as many visitors seem to be using the recently introduced international banking facilities where visitors can use major Credit Cards like Mastercard and Visa in local banks.

'Overcrowding of Dogs' used to be featured as a highly occurring complaint and now it seems to be improving over the years.

Graph 2.24
Suggestions for Improvement



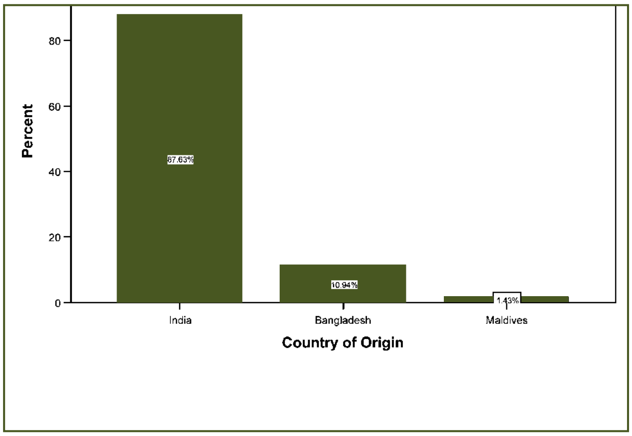
Section 3 – Exit Surveys for Regional Visitors

Visitors from India, Bangladesh and Maldives have different visa requirements as opposed to the international segment. These three countries in the region share an open border policy with Bhutan and travellers are immune to the system of paying a minimum tourism tariff. The high-end segment of these regional markets, dominated mainly by India, is the biggest source market for Bhutan's tourism industry. For the purpose of this study, any regional tourist entering Bhutan by air is considered 'high-end'. Therefore, privy of the fact that the regional segment cannot be neglected, this year an independent research was carried out to study the regional segment for the first time. All results in Section 3 are findings from data collected using an administered (i.e. interviewer conducted) exit survey methodology, in which a total of 1,954 regional tourists were interviewed for their first-hand feedback.

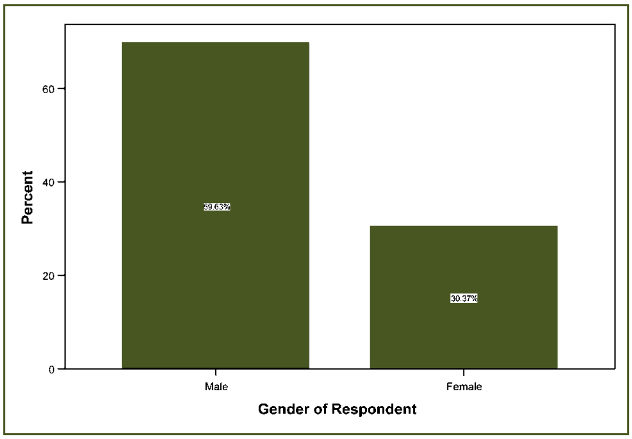
GENERAL PROFILE OF VISITORS

Majority of the visitors from the region are from India with 87.63% followed by Bangladesh (10.94%). Maldives only comprised of 1.43%. Visitors were predominantly male and as opposed to the international segment, they are much younger with majority of them falling in the age category of '36 – 45 years' followed by '26 - 35 years' category. Like the international visitors, regional high-end visitors are also highly educated with 84.81% of them having at least a Bachelor's Degree.

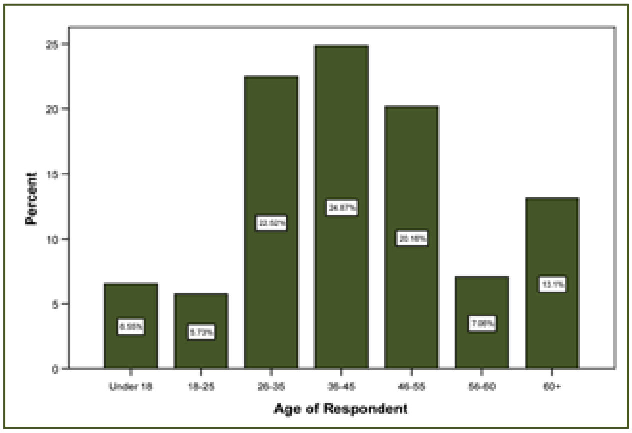
Graph 3.1 Country of Origin



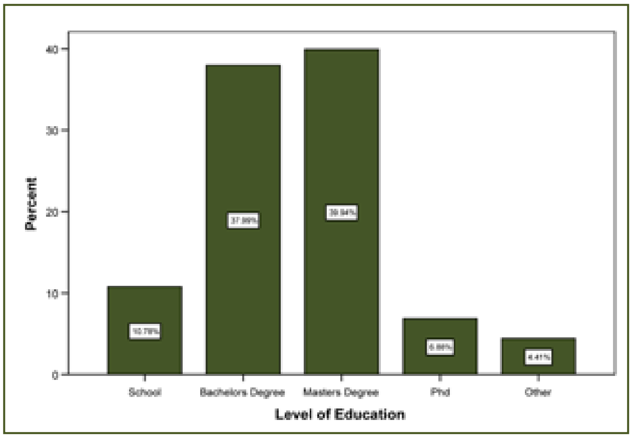
Graph 3.2 Gender of Visitors



Graph 3.3 Age of Visitors



Graph 3.4 Level of Education



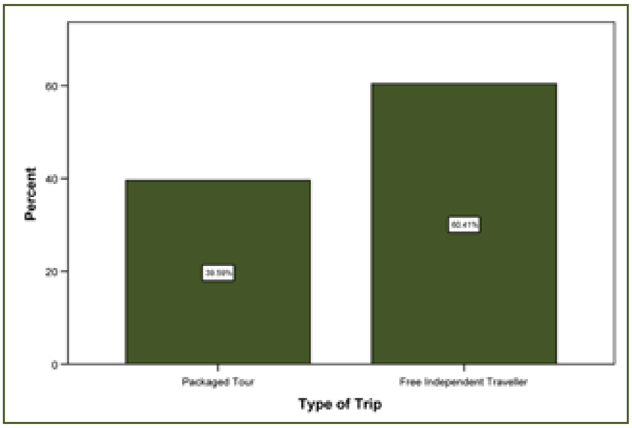
TRIP CHARACTERISTICS AND VISITOR PREFERENCES

Almost two third (60.41%) were Free Independent Travellers (on their own). Notwithstanding the exemption of packaged travel, the remaining some 39.59% visited as part of a 'Packaged Tour'. This is not surprising as many of the respondents were part of the charter groups of Make My Trip - a big tour company in India who initiated a special partnership with local players to boost high-end regional visitors to Bhutan in 2011.

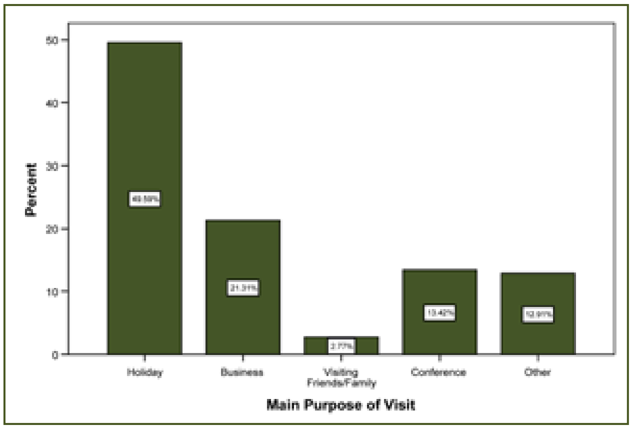
Regional visitors came to Bhutan mainly for the purpose of 'Holidaying' with 49.59% followed by the 'Business' category with 21.31%. A significant proportion (13.42%) were MICE visitors that mainly comprised of government and corporate guests, and 2.77% of the total respondents were visiting to meet friends and relatives (VFR) who were working in Bhutan. This is attributed to the high number of expatriate workers originating from the region.

They mainly travelled alone (33.33%), in 'Family Groups' (18.56%), 'As a Couple' (17.03%) as 'Group of Friends' (14.56%). Some 12.51% of the visitors travelled as a part of a 'Tour Group' in a packaged holiday.

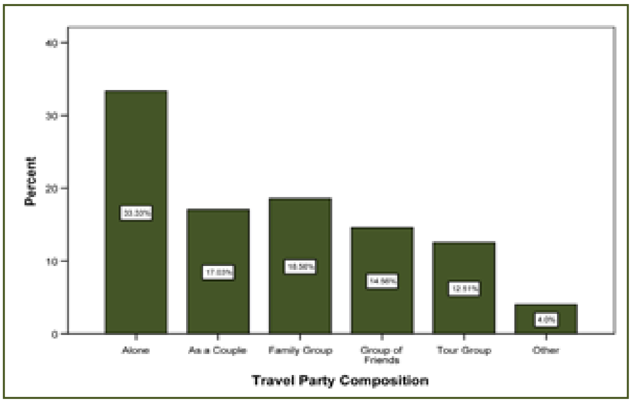
Graph 3.5 Type of Trip



Graph 3.6 Main Purpose of Visit



Graph 3.7 Travel Party Composition



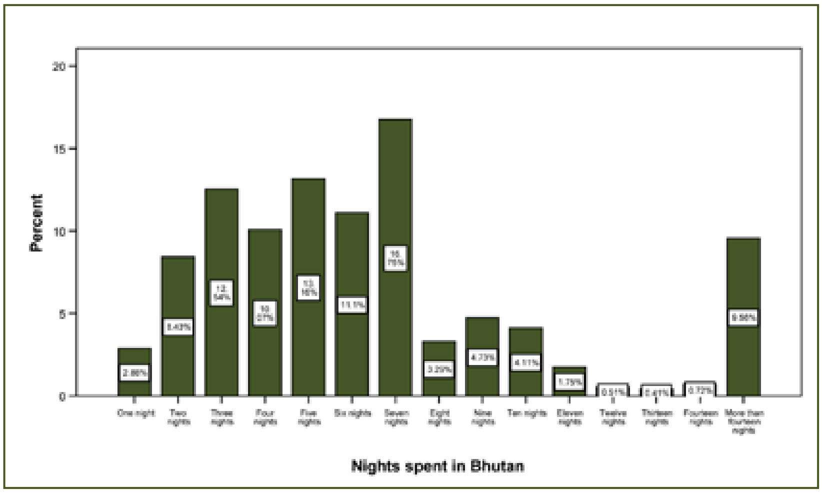
LENGTH OF STAY AND REPEAT VISITATIONS

Similar to international visitors, the regional high-end segment also preferred to stay not exceeding 7 days (74.93%). A significant 9.56% stayed for more than 14 nights thus indicating that respondents also included expatriates staying for longer durations in Bhutan.

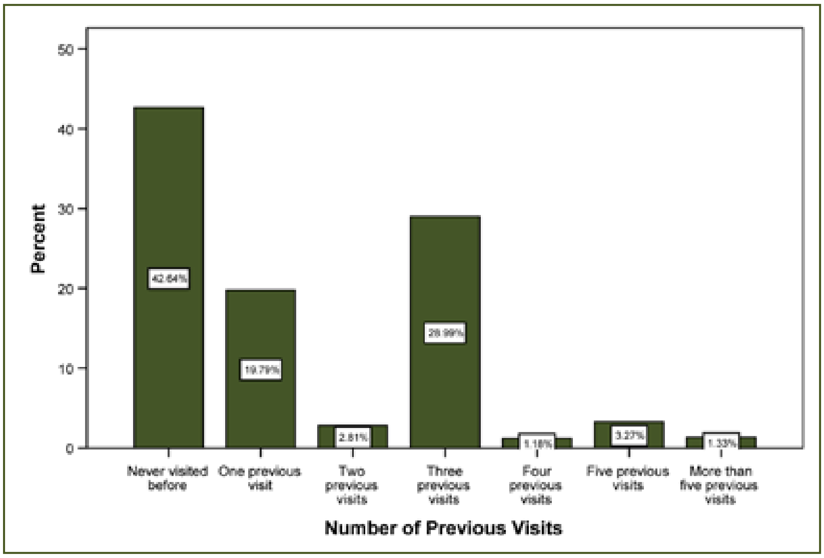
As expected, repeat visitations amongst regional travellers show more encouraging trends compared to international visitors. Whilst majority of the visitors were first-time visitors to Bhutan with 42.64%, many of them indicated they had visited Bhutan on 'three previous visits' (28.99%), followed by 'one previous visit' (19.79%), 'five previous visits (3.27%), and 'two previous visits' (2.81%).

An overwhelming 91.23% of the respondents indicated their interest to visit again.

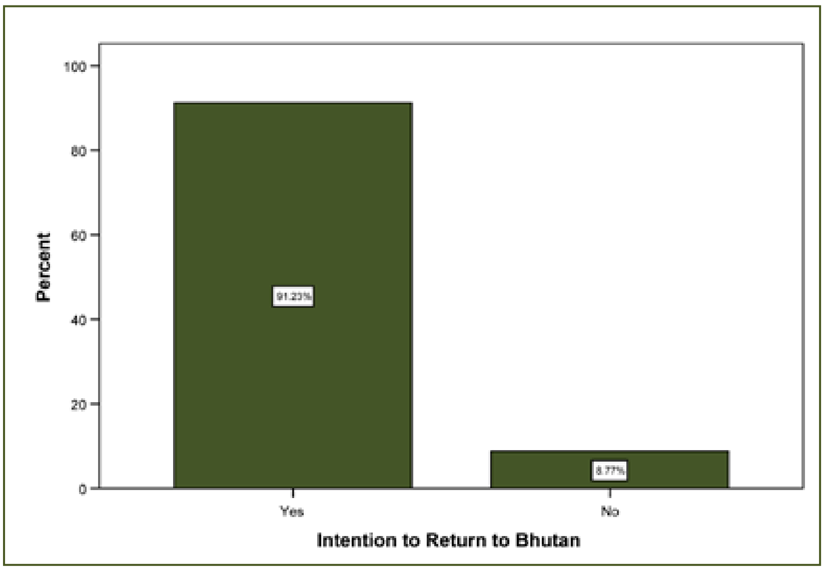
Graph 3.8
Length of Stay



Graph 3.9
Patterns of Repeat Visitation



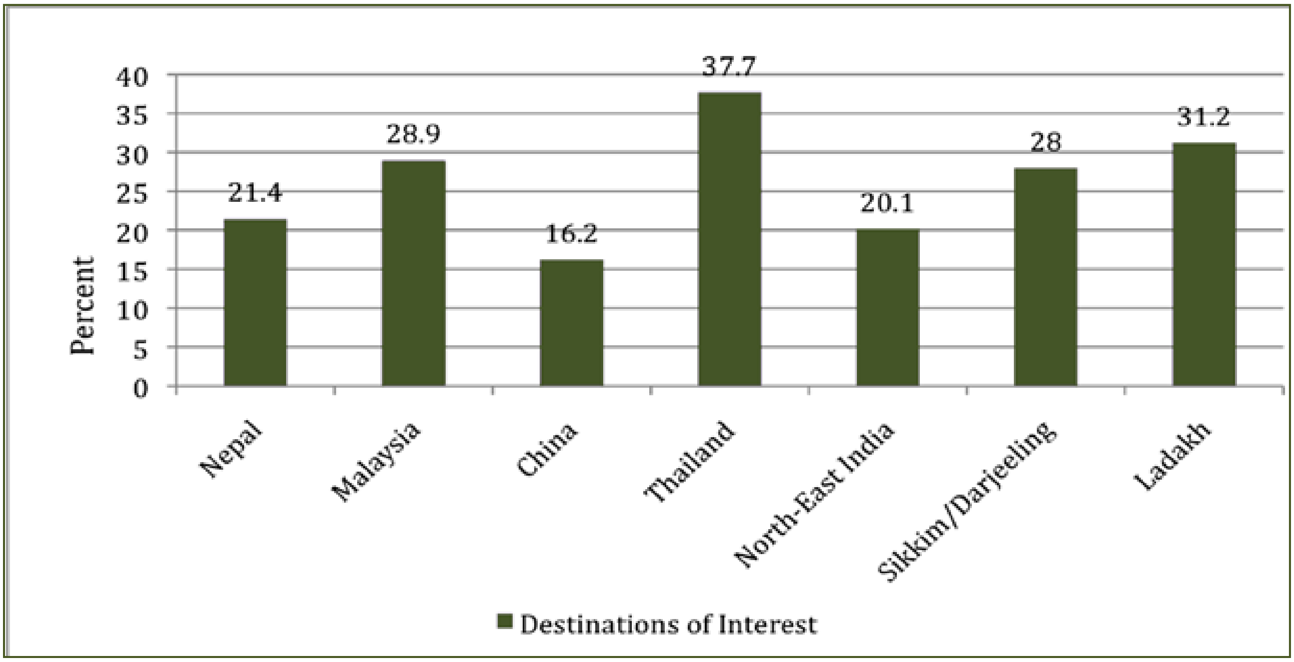
Graph 3.10
Intention to Return to Bhutan



HOLIDAY OPTIONS AND DESTINATIONS OF INTEREST

Sampled visitors were asked to indicate which other destinations/countries in the region did they consider visiting while planning their Bhutan holiday, or would consider for future vacations. This question is asked in order to understand valuable information regarding possible future marketing partnerships and networks and to understand their travel patterns. As expected, findings show that travellers visiting for business purposes only visited Bhutan while those who visited for the purposes of holidaying had several destinations of interest. Some 37.70% of holidaymakers considered Thailand before choosing Bhutan and might consider for their next holiday, 31.20% considered Ladakh and 28.90% considered Malaysia. Interest in the neighbouring hill stations of Sikkim/Darjeeling (28.0%) and North-East India (20.10%) offer excellent opportunities for creating circuit itineraries by combining Bhutan with these destinations.

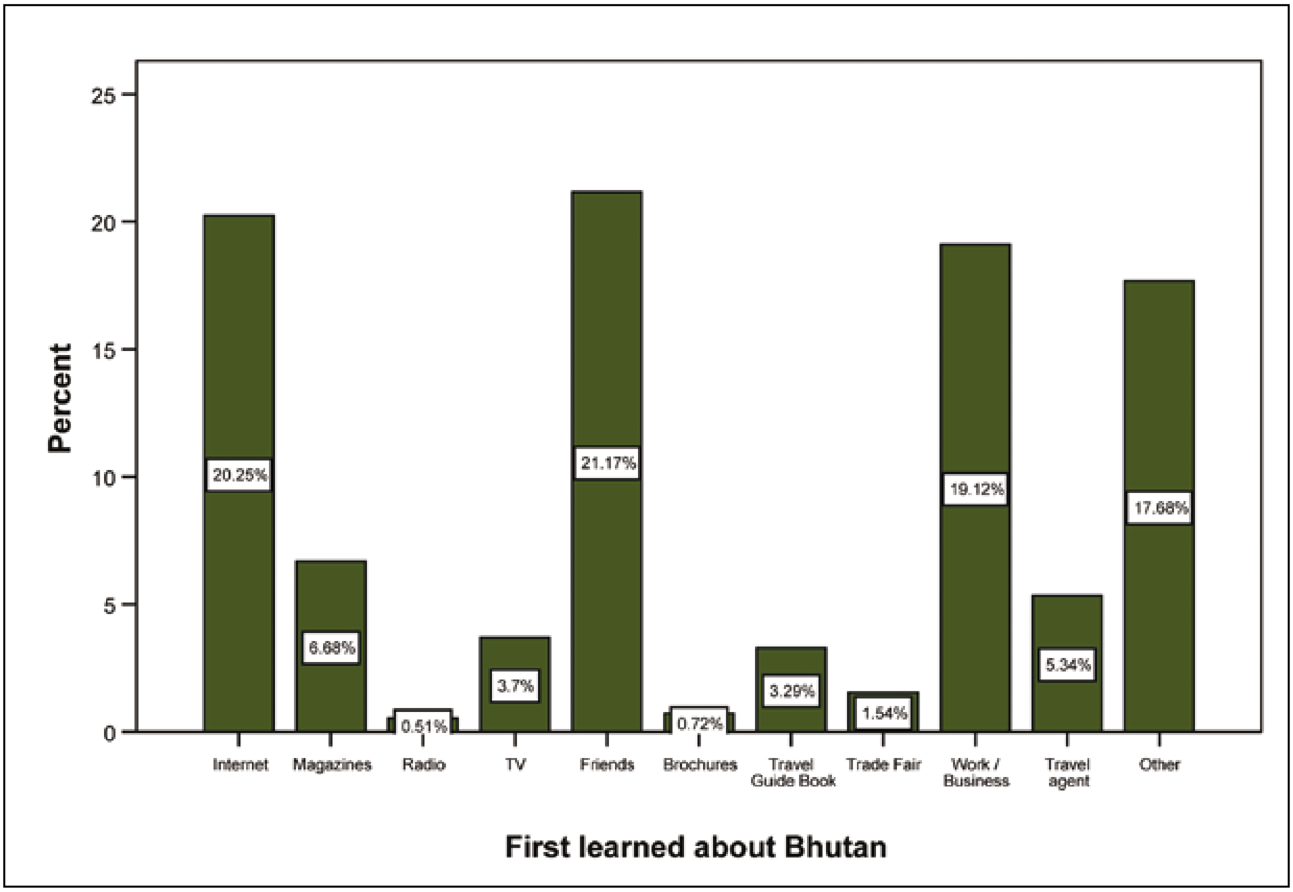
Graph 3.11
Destinations of Interest



PRIMARY INFORMATION SOURCE

Regional visitors heard about Bhutan through various sources amongst which the 'Word-of-mouth' was rated highest with 21.17% of the respondents indicating they heard it though their friends and relatives. Other sources included 'Internet' (20.25%), 'Work/Business' (19.12%), and 'Other sources' like 'Education', 'Geography', 'Indo-Bhutan Relations and Politics' (17.68%). Participation in major Trade Fairs in 2011 seemed to have introduced Bhutan to 1.54% of the total respondents.

Graph 3.12
Primary Information Source for Visitors

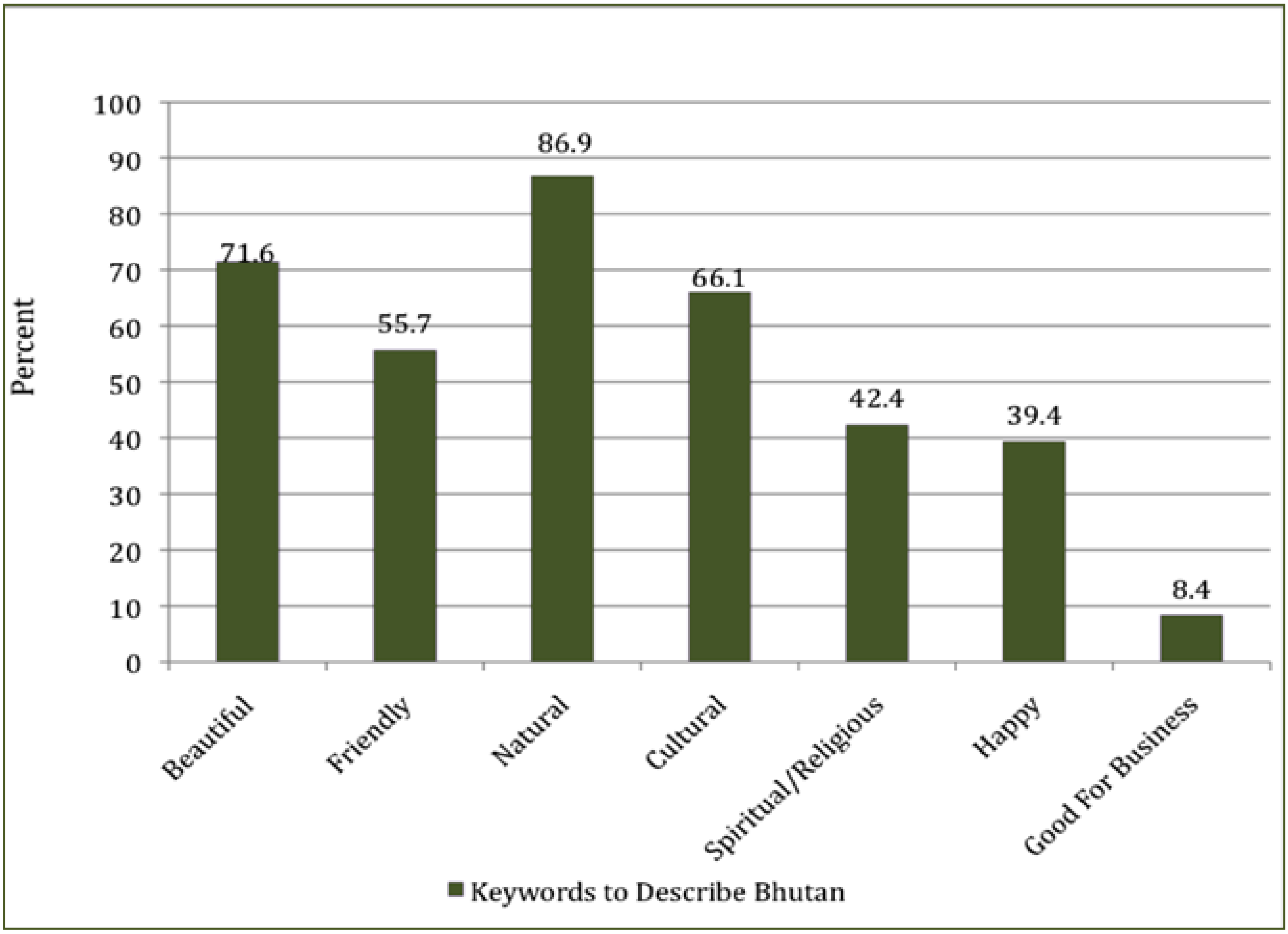


KEYWORDS TO DESCRIBE BHUTAN

Respondents were asked to list two or three keywords to describe Bhutan. From a wide range of responses, the most popular keywords were; 'Natural' (72.70%), 'Beautiful' (71.6 %), 'Cultural' (66.1%), 'Friendly (55.7%), 'Spiritual' (42.4%) and 'Happy' (39.4%). Of interesting note, only 8.4% indicated that Bhutan was 'Good for Business'.

These keywords suggest that Regional visitors appreciate the natural beauty and the pristine environment of Bhutan more than anything else.

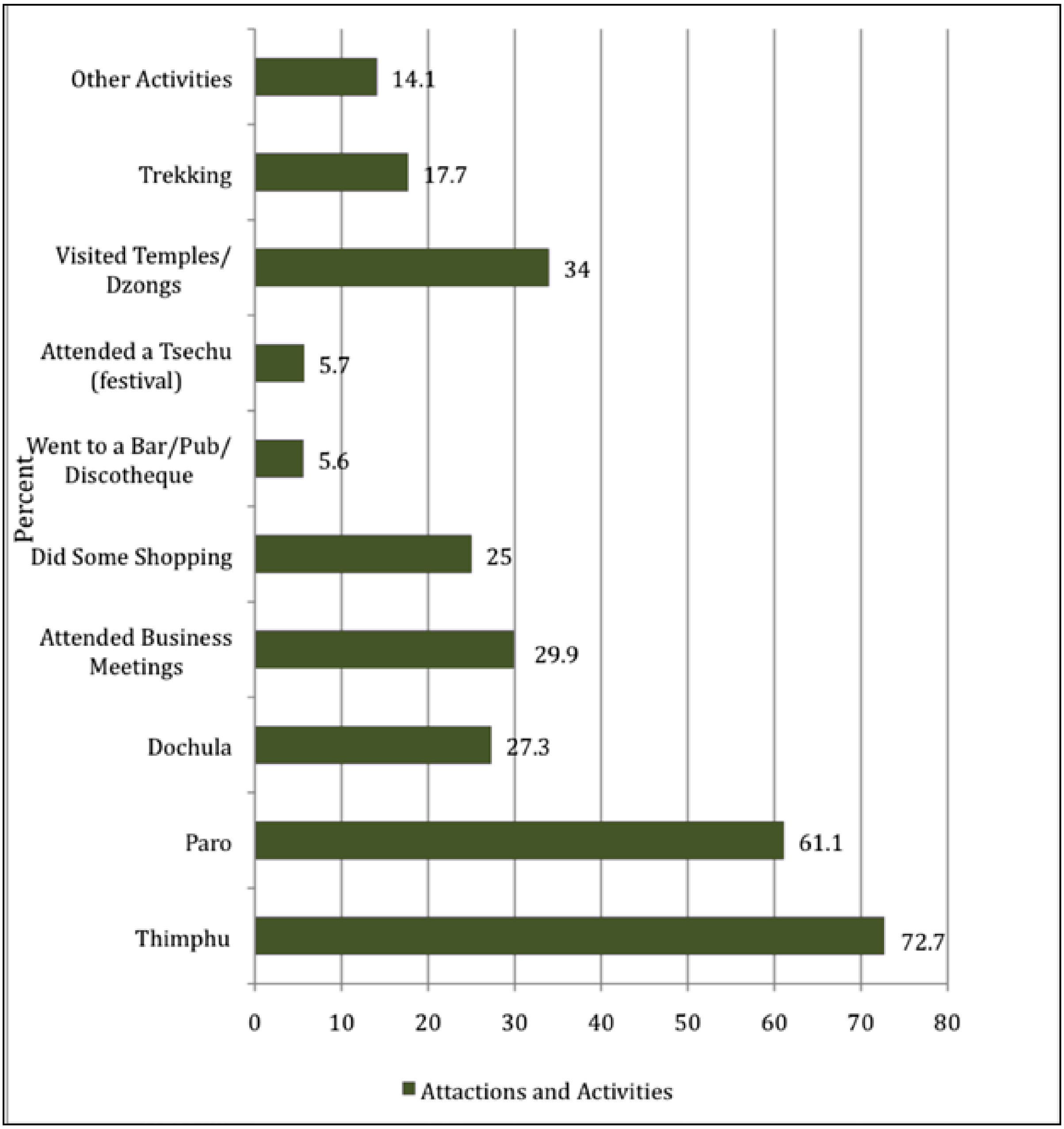
Graph 3.13
Keywords describing Bhutan



ATTRACTIONS VISITED/ACTIVITIES UNDERTAKEN

A majority of 72.70% of all respondents visited the capital city Thimphu, followed closely by 61.10% of all respondents visiting Paro. They seldom ventured to visit other parts of Bhutan. Some 34.0% visited at least a monastery or a Dzong and another 29.90% of the respondents indicated they attended one or more business meetings. A quarter (25.0%) of them also did shopping and a significant number (17.70%) of them also undertook a trek. Unlike majority of the international visitors who visited Bhutan for the purpose of witnessing a festival, Tsechus do not seem to be a major draw card for the regional high-end segment.

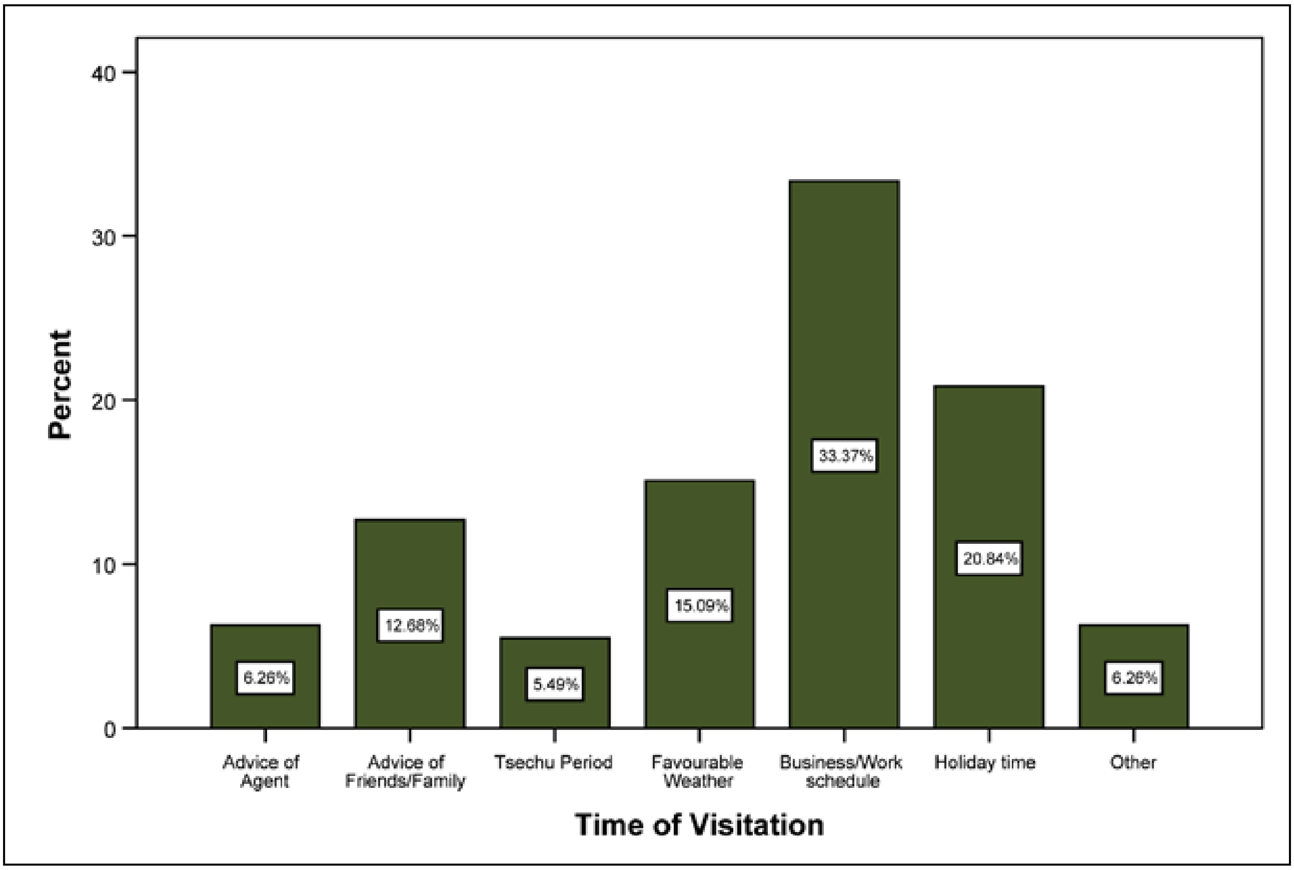
Graph 3.14
Attractions Visited/Activities Undertaken



FACTORS DETERMINING VISITORS' TIME OF VISIT

Visitors were asked what factors influenced them to choose the time of year to visit Bhutan. Findings indicate that motivations on the timing to visit Bhutan differ greatly between the international and regional visitors. A vast majority of international visitors travel to Bhutan to witness festivals and as a result their timing is depends on festival dates, whereas only 5.49% of regional visitors chose the visitation times based on festival dates. Responses were slightly skewed towards 'Business/Work Schedule' (33.37%) followed by visitors 'Holiday Time' (20.84%). 'Favourable Weather' conditions and 'Advice of Friends/Family' also influenced the time of visit for 15.09% and 12.68% of the sampled respondents respectively. The former bodes well for Bhutan as many regional travellers cited that they come to Bhutan to escape the sweltering heat waves that hit India in summer or to see snow in winter, which are both lesser-visited seasons for the international segment. Therefore the regional segment has a good potential to offset the seasonality of the tourism in Bhutan.

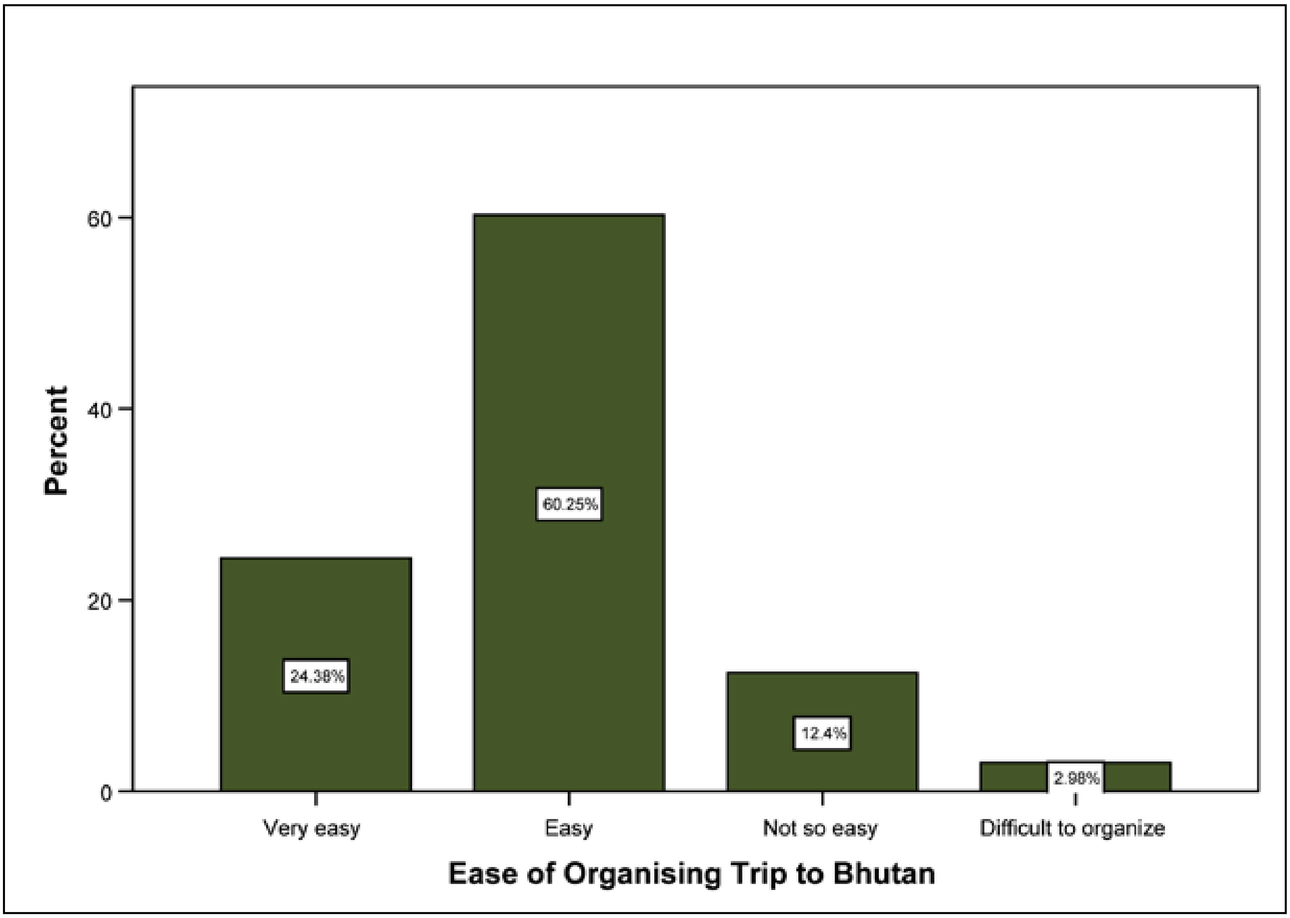
Graph 3.15
Factors affecting Time of Visitation



EASE OF ORGANISING TRIPS

Regional visitors indicated that organising trips to Bhutan is very easy (84.63%). This is not a surprising finding because regional travellers are allowed to visit Bhutan freely and independently without having to pay a premium tariff that the international visitors are liable to, and do not necessarily have to avail the services of a local tour operator. Those who did mention difficulties with organising their trip to Bhutan referred to unavailability of direct online ticket booking facilities with Drukair, lack of online information on hotels and booking procedures etc.

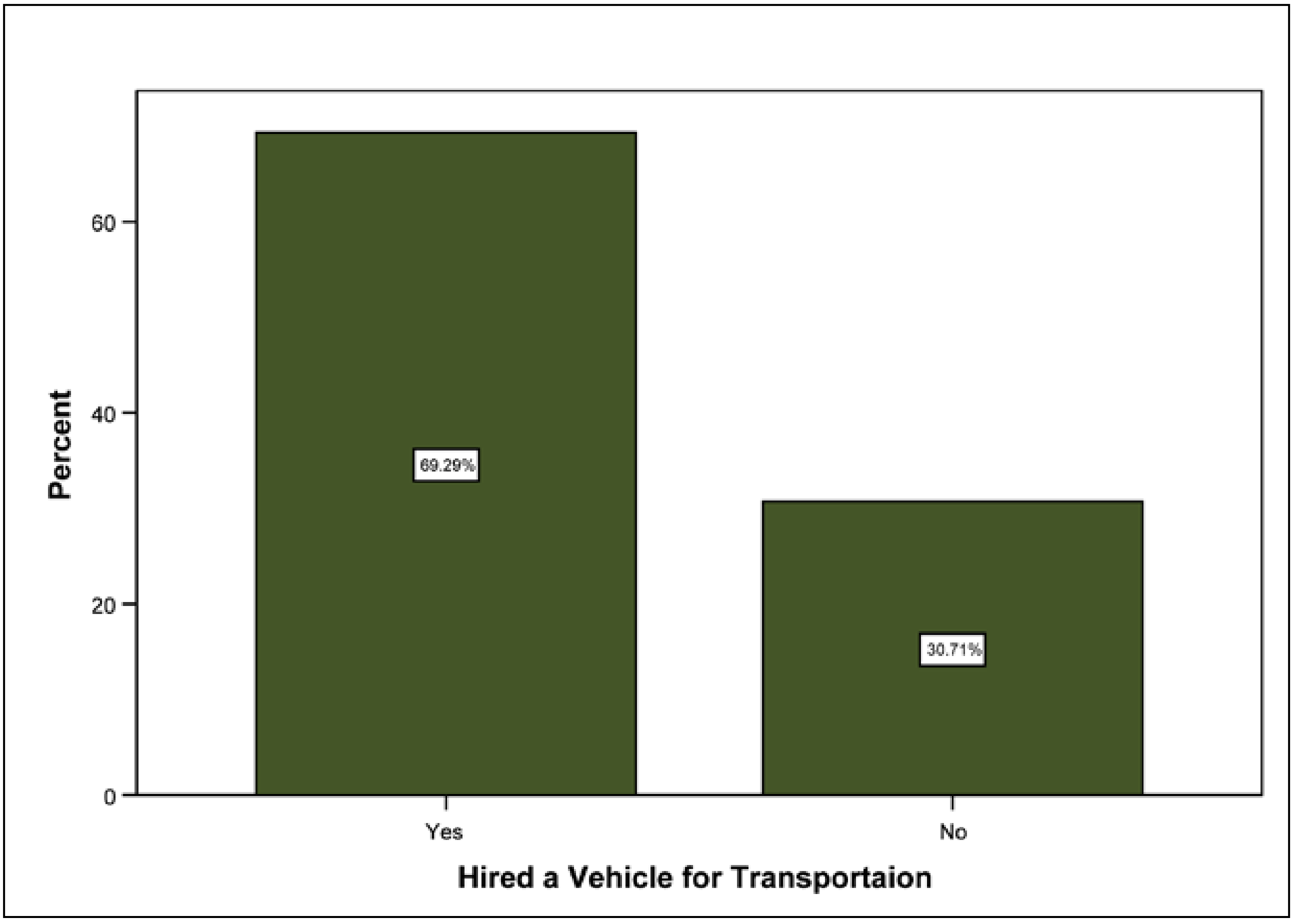
Graph 3.16
Ease of Organising Trips



TRANSPORT FACILITIES

In order to understand the patterns of spending, respondents were asked if they had hired a car for their travel within Bhutan as opposed to availing public transport facilities. This figure shows that a high number of regional visitors (69.29%) hired cars for local transport purposes, indicating a significant contribution to the local transport industry. Findings illustrate that regional visitors, like the international visitors also use high-end vehicles like Toyota Land Cruisers, Hiace buses, Coaster buses and also smaller vehicles and sedans. Many also used local taxi services.

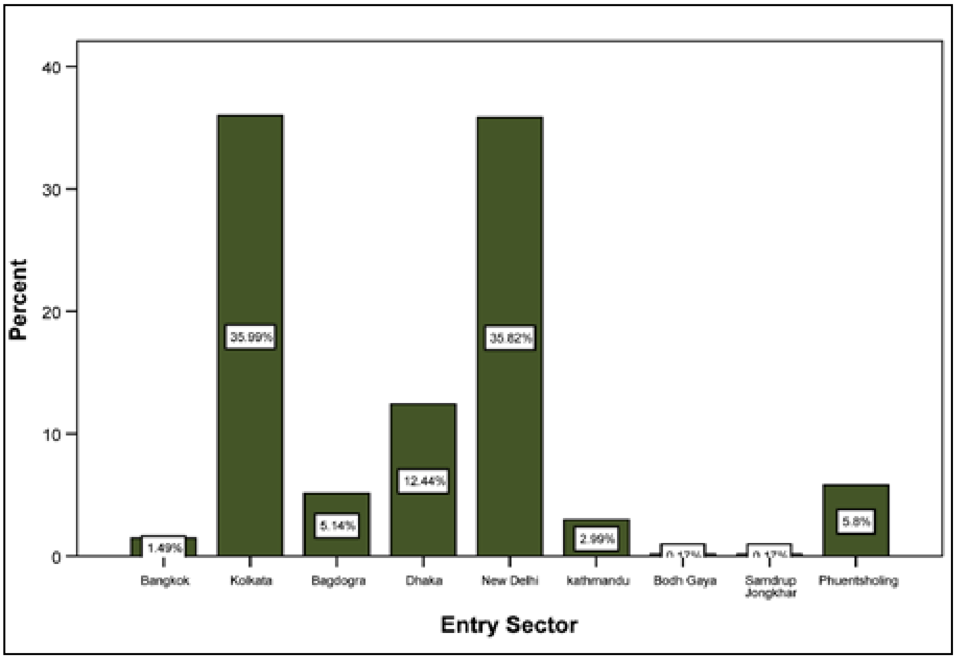
Graph 3.17
Hired a Vehicle for Local Transport



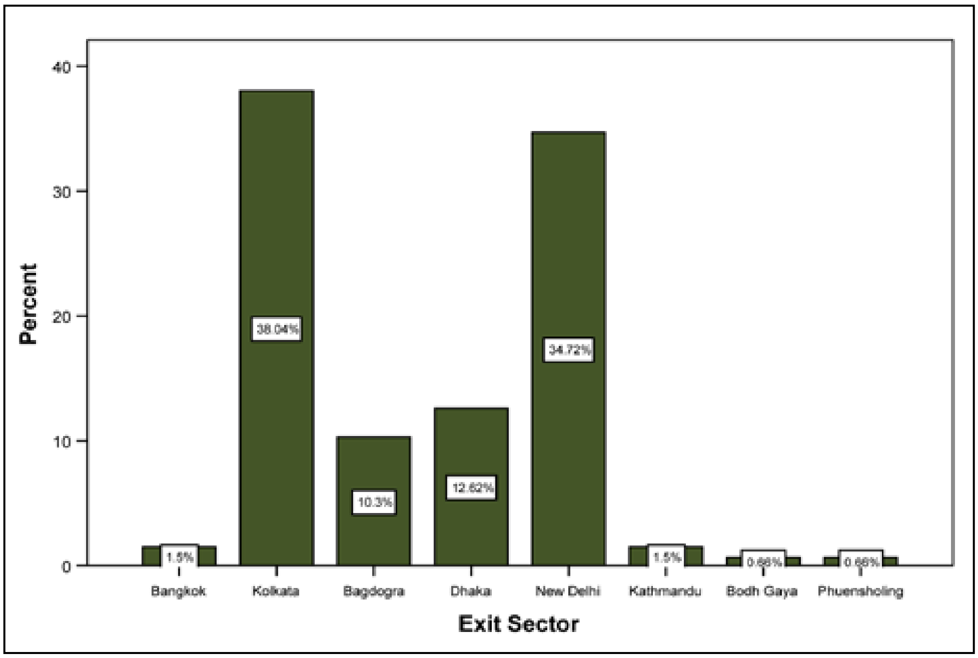
ENTRY AND EXIT SECTORS

Drukair flies to limited destinations in the region and therefore limits accessibility for many high-end visitors who reside in other metropolitan cities. Whilst many Indian tourists from the neighbouring states of Assam, West Bengal and Bihar often use the road to entry and exit Bhutan, many business and leisure visitors originating from the India enter through Kolkata (35.99%) and Delhi (35.82%). Visitors from Bangladesh enter and exit the country through Dhaka (12.44%). Drukair will be connecting Mumbai as one of their new destinations in 2012 and this is expected to increase inflow of high-end Indian visitors to Bhutan.

Graph 3.18
Entry Sector of Regional Visitors



Graph 3.19
Exit Sector of Regional Visitors



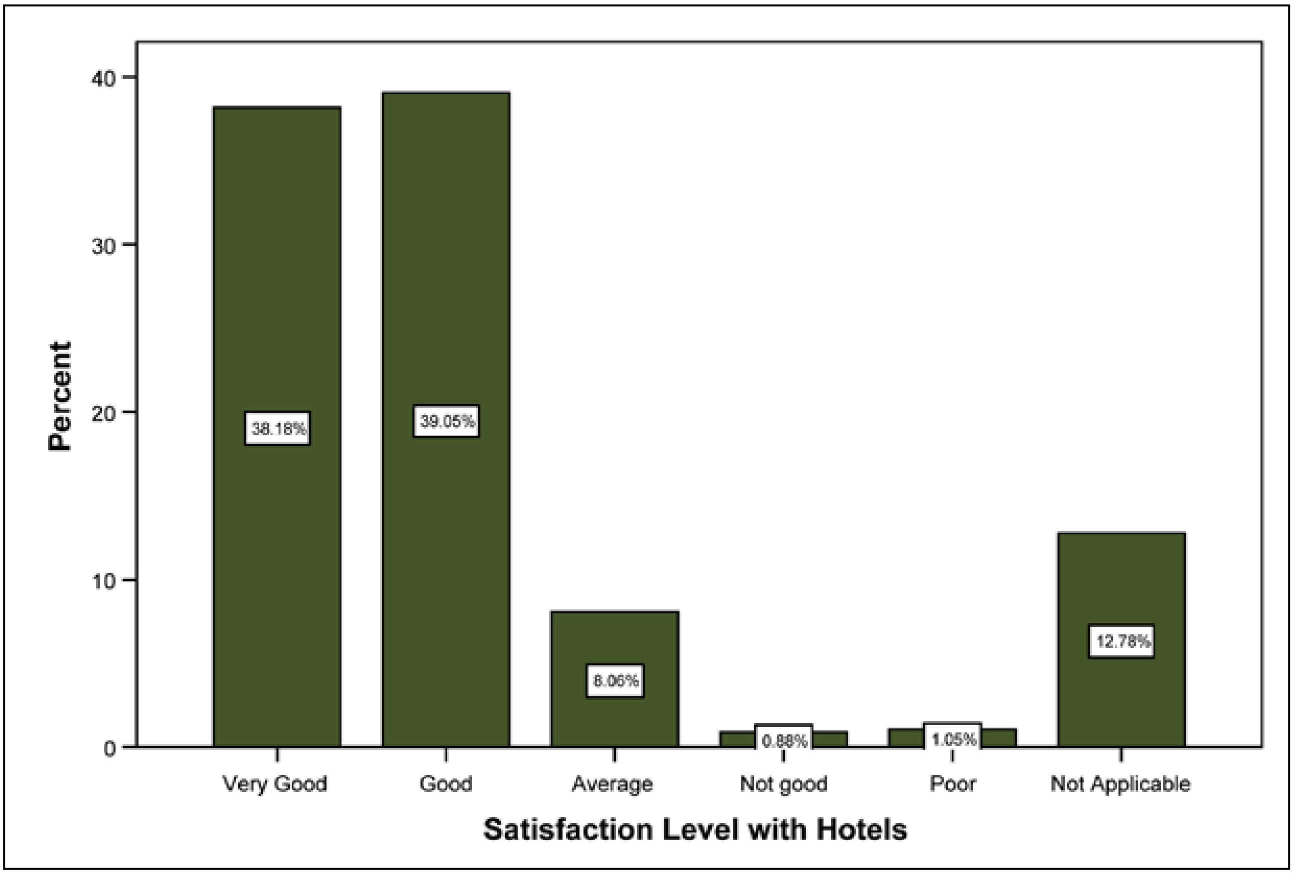
SATISFACTION LEVELS WITH HOTELS AND RESTAURANTS

Hotels are classified using the Star rating system depending on a set of criteria that espouse quality and authenticity. Whilst international Dollar paying tourists are required to be hosted in at least a 3-Star category property, the regional visitors can choose any hotel including the non-accredited ones. Findings indicate that there are a high number of Indian visitors who also stay in luxury 5-Star hotels, which mainly include the Taj Tashi in Thimphu.

Respondents indicated high satisfaction levels with a majority (77.23%) stating that the quality of hotels and their services were 'Very Good' (38.18%) and 'Good' (39.05%). Some 12.78% indicated that they did not stay in a hotel, therefore suggesting a high number of respondents who were expatriate workers, or those of the VFR (visiting friends and family) type.

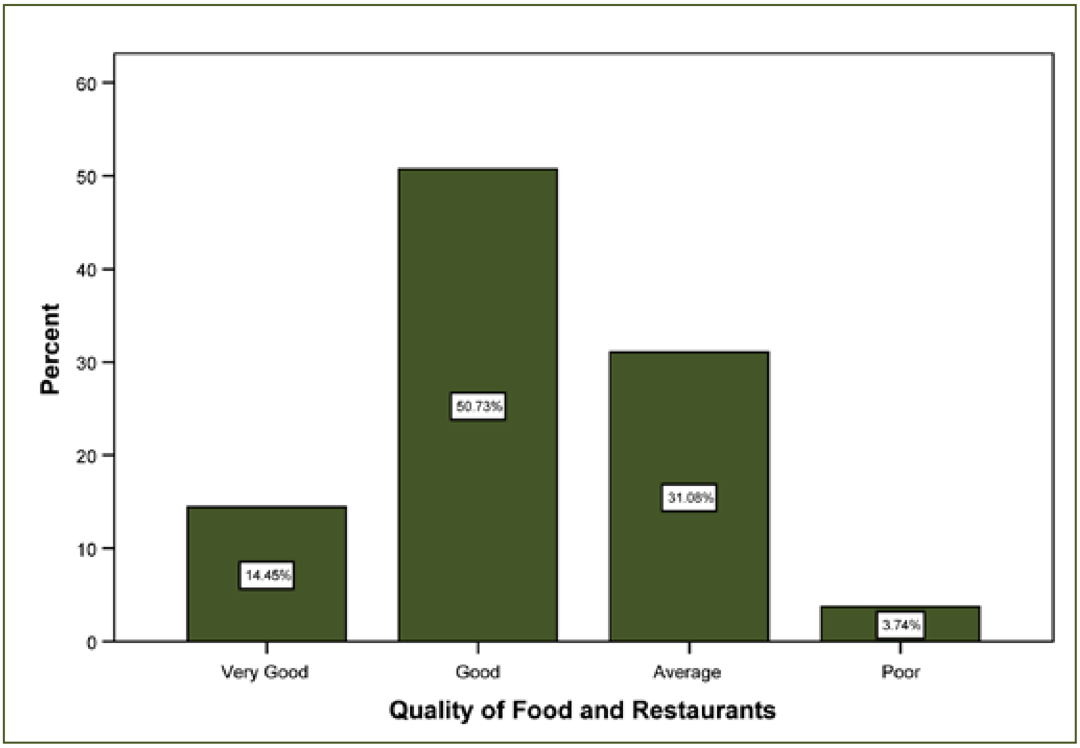
A destination's cuisine often contributes highly to the overall satisfaction levels of visitors. Only 65.18% indicated the food was satisfactory. Findings suggest that a high number of visitors (both regional and international) to Bhutan are not satisfied with the quality and diversity of food served in hotels and restaurants. Many of those who were not satisfied specified the lack of food diversity and very less options of vegetarian restaurants.

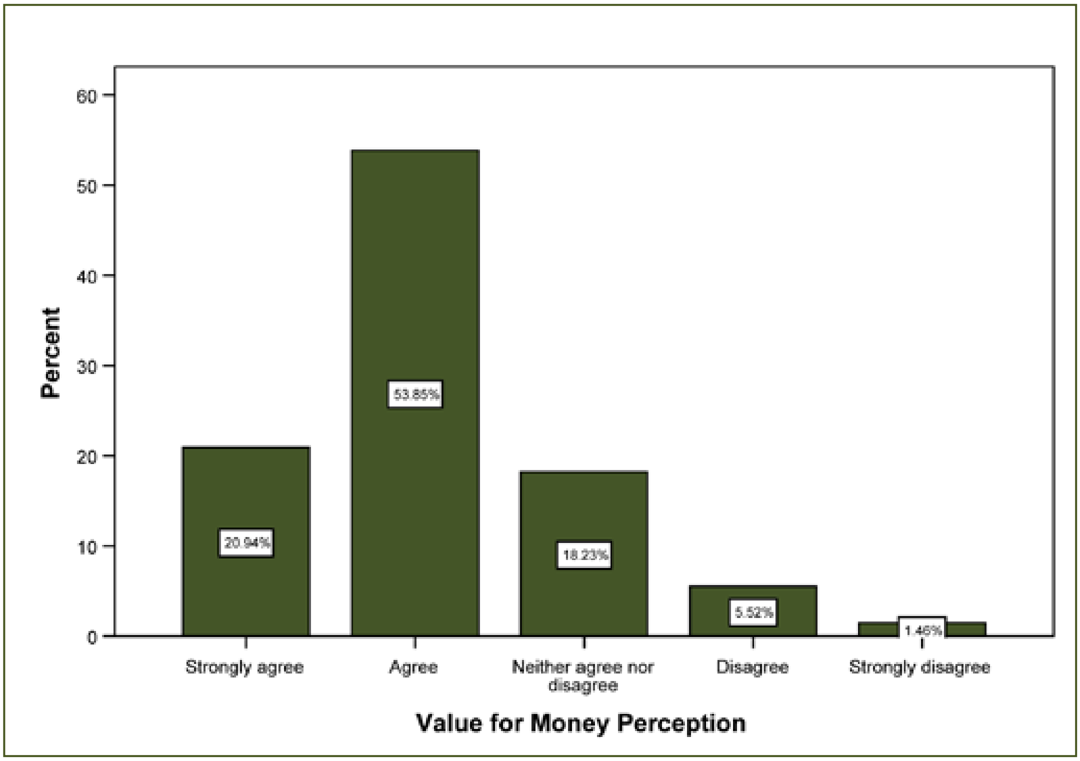
Graph 3.20
Satisfaction Levels with Hotels



Graph 3.21

Satisfaction Levels with Food and Restaurants





Graph 3.22

Value for Money Perception

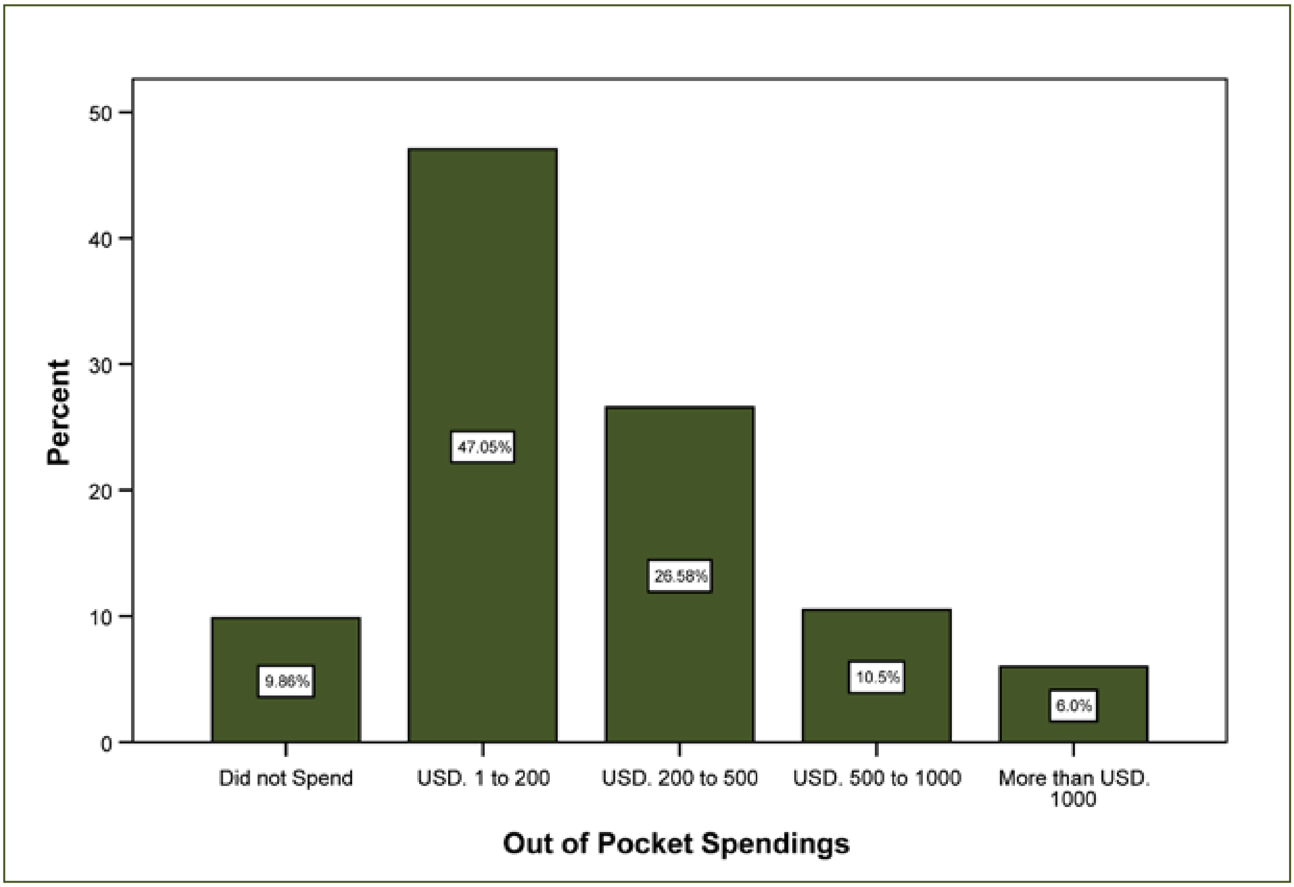
VALUE FOR MONEY

Regional visitors do not have to pay the international tourist tariff of USD 200 per day. Goods and services are consumed on their discretion to spend according to their budget. A clear majority (74.79%) of them expressed their satisfaction with the pricing and quality of goods and services, therefore suggesting a bigger potential for the regional markets.

OUT OF POCKET SPENDING

Besides the airfare paid by the high-end regional visitors, respondents were asked to approximate the total amount of money they spent on their trip to Bhutan, even including the package rates for those who visited with a local tour company. Spending patterns differed given the different profile of visitors. Given that regional visitors do not stay more than 4 days on average, almost half (47.05%) spent less than USD 200, followed by another 26.58% who spent between USD 200 – USD 500. Some 10.50% of the total respondents indicated that they spent between USD 500 – USD 1000 and another 6.0% spent more than USD 1000 during their trip to Bhutan, thereby suggesting a good proportion of luxury visitors.

Graph 3.23
Out of Pocket Spending by Regional Visitors



Section 4 – Source Markets Summary

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

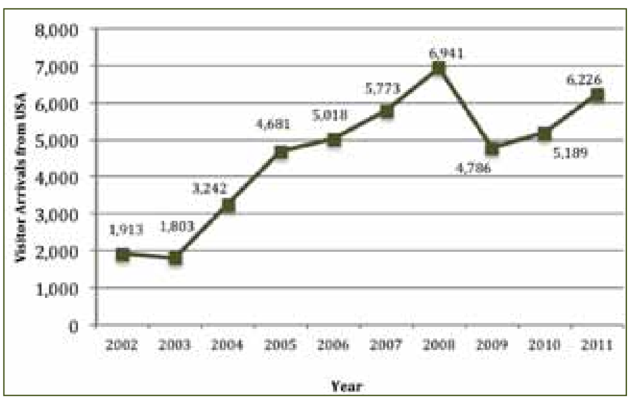
UNITED STATES OF AMERICA

The United States has been the most important source market for Bhutan for many years, taking the top position in terms of total arrivals and bed nights. In 2011, there were 6,226 tourists from USA, an increase of +19.98% compared to 2010. It constituted 18.16% of the total bed nights for 2011. Tourists from USA stayed for 8.08 days on average and 49.45% preferred to visit Bhutan during the autumn months (September –November) and another 30.95% visited in March-May.

Responses from the tourists interviewed at the Paro Airport show that 88.87% of the visitors from USA have a university degree. About 66.56% of them were visiting Bhutan for the first time, thereby indicating a high number of repeat visitors from USA. A majority (59.95%) came solely to visit Bhutan, and others liked to combine their tour program with Thailand (31.83%), India (30.63%) and Nepal (30.45%). Some 32.91% came as part of tour groups and 30.63% travelled as couples. A majority of 62.71% indicated that their vacation time is normally in between June to August.

Graph 4.1

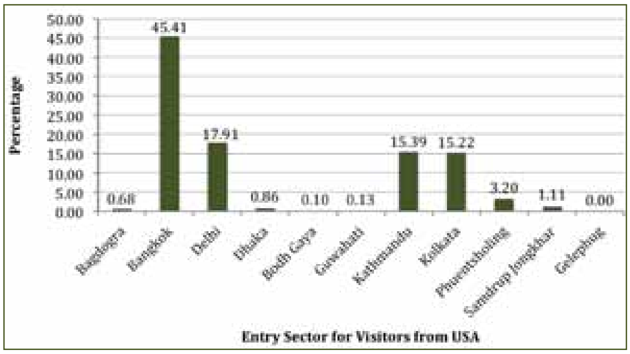
Visitor Arrivals from the United States of America



Graph 4.2 below shows the entry sector of the USA source market. Americans mainly prefer Bangkok (45.41%) to enter Bhutan. A significant number of visitors from USA also entered through Delhi (17.91%), Kathmandu (15.39%) and Kolkata (15.22%). Only 4.32% Americans entered by road.

Graph 4.2

Port of Entry of US Arrivals

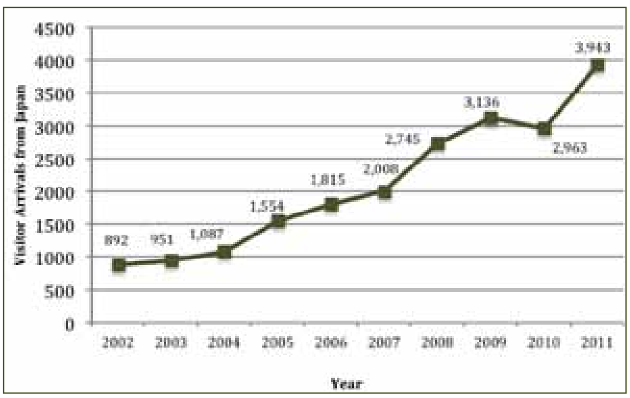


JAPAN

The most important Asian market ranked second in terms of arrivals. There were 3,943 Japanese visitors constituting 10.52% of the total arrivals in 2011. Growth rate was recorded at +33.07 compared to 2010. Japan's share of bed nights was at 7.69%. Their travel times are spread across the year with 31.45% travelling in September-November, another 27.54% in June-August (months with lesser visitations), and some 26.35% in March-May. The remaining visited in December-February. Average Length of Stay remained stable at 5.40 days as has been in the last few years.

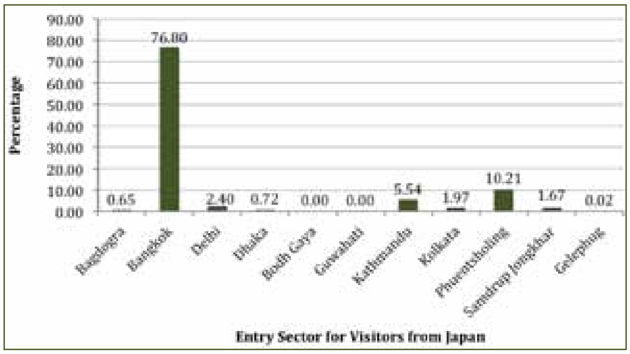
Like most visitors who come to Bhutan, Japanese are highly educated with most of them holding university degrees. Japanese visitors travelled mainly as part of 'Organised Tour Groups' (30.91%) and as 'Group of Friends' (26.82%). A good proportion (20.68%) also travelled alone. Some 47.27% indicated that it was their first visit to Bhutan, thereby indicating a high repeat rate. A majority (68.41%) indicated that Bhutan was their only destination during the trip. Others combined mainly with Thailand (26.36%) and Nepal (12.27%). Visitors indicated that their holiday time is generally in June-August (45.42%) and September-November (31.53%). Many Japanese visitors indicated that they would love to visit Bhutan again.

Graph 4.3
Visitor Arrivals from Japan



The graph 4.4 below shows the entry sector for the Japanese visitors in 2011. Majority of the visitors indicated that they entered through Bangkok (76.80%) as it the nearest port of embarkation. A significant 10.21% also entered through Phuentsholing by road.

Graph 4.4
Port of Entry for Visitors from Japan



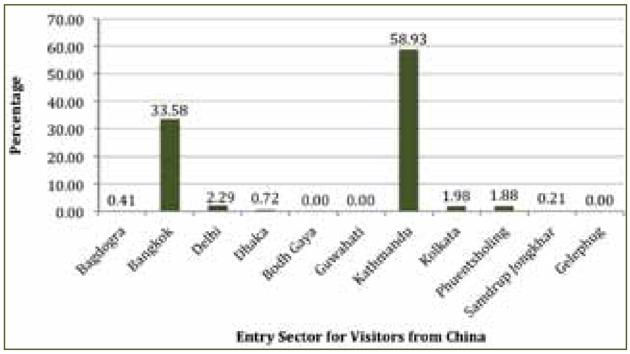
CHINA

China went up to third position in market charts in 2011 with growth rate almost twice as that of 2010 with a +93.84%. Arrivals from China were at an all time high of 2,896 visitors. With as few as less than 100 visitors in 2004, China's upsurge means a promising market for Bhutan. Chinese visitors mainly visited through September to November months, but visitation was spread across the year too. China, like Japan, has one of the lowest average lengths of stay of 5.07 days.

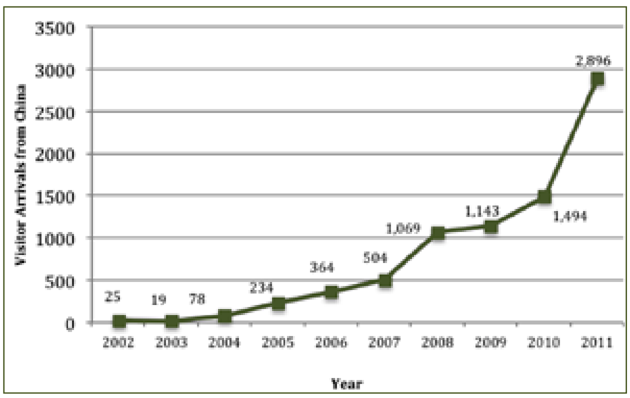
Visitors from China are highly educated with the majority holding university degrees. For 68.73%, this was their first visit to Bhutan and 70.68% indicated that they solely came to visit Bhutan during this trip. A significant number combined this trip with Nepal and Thailand. Many travelled as group of friends (37.29%) and as part of organised tour groups (27.40%). Majority (44.87%) of the Chinese respondents indicated that their holiday timing is in September-November, followed by 37.18% indicating that June-August is their holiday time.

The graph 4.6 below shows the port of entry for the Chinese visitors. The majority of the visitors preferred 'Air' as their mode of transport with 58.93% of them entering through Kathmandu, followed by 33.58% entering through Bangkok.

Graph 4.6
Port of Entry for Visitors from China



Graph 4.5
Visitor Arrivals from China

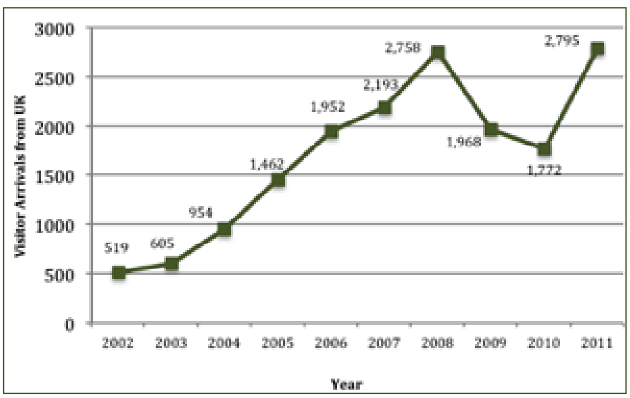


UNITED KINGDOM

United Kingdom, which dropped positions in 2010, rose again to be the number one European market owing to a +57.73% growth rate in 2011. Arrivals were recorded at 2,795 tourists corresponding to 7.46% of the total arrivals. Their average length of stay was 8.78 days and constituted to 8.87% of the total bed nights. In excess of half the total visitors (59.89%) visited during September, October, and November months.

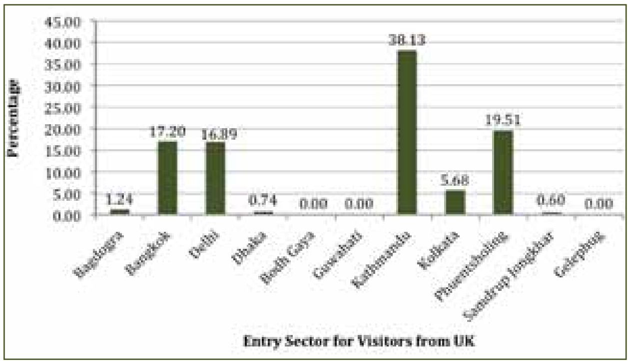
Tourists from the United Kingdom are mostly of the '46+'-age bracket and 79.56% of them were highly educated holding at least a university degree. About 35.01% of them preferred to join group tours and another 26.92% travelled as couples. An 87.86% majority visited Bhutan for the first time. Most (80.35%) of them visited Bhutan alone during this trip and some combined it mainly with Nepal and India. Some 65.65% indicated that their holiday time is in June-August.

Graph 4.7
Visitor Arrivals from United Kingdom



Graph below 4.8 shows the preferred entry sectors of the British visitors in 2011. Some 38.13% of the total preferred to enter through Kathmandu followed by Phuentsholing (19.51%). Bangkok (17.20%) and Delhi (16.89%) also had considerable entries.

Graph 4.8
Port of Entry of UK Arrivals

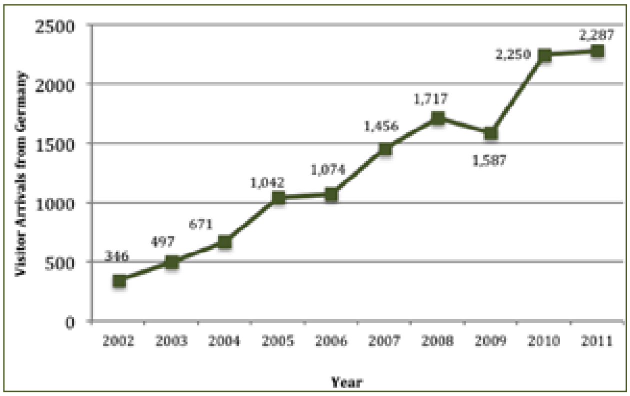


GERMANY

A total of 2,287 tourists from Germany visited Bhutan in 2011, corresponding to 6.10% of the total international arrivals to Bhutan. There was negligible growth rate of +1.64% in 2011 as compared to +41.78% in 2010. More than half (57.37%) of the total visitors from Germany visited Bhutan in the months of September, October, and November. The average length of stay of the Germans was recorded at 9.3 days, a slight increase over 2010. Total bed nights by German visitors accounted for 6.96%.

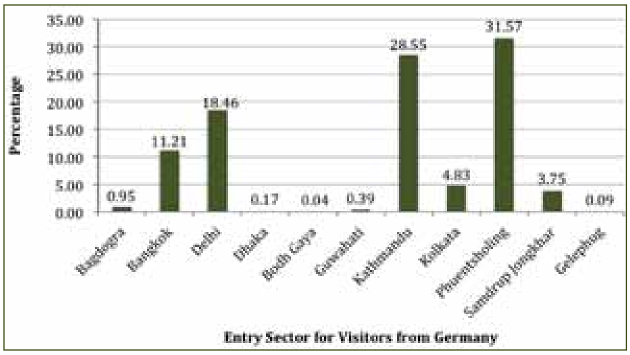
Like other markets, visitors from Germany are well educated with 85.22% holding university degrees. Germans travelled mainly by tour groups (40.03%) and as couples (26.75%). A sizeable 19.93% also travelled as groups of friends. Some 63.59% indicated that this was their first trip to Bhutan and another 66.49% had intentions to return to Bhutan for another visit. A 61.39% majority indicated that Bhutan was the only country to visit during this trip. For others, their preferred destination for circuit tourism was mainly India and Nepal. Germans have their holiday season in summer.

Graph 4.9
Visitor Arrivals from Germany



The graph 4.10 below shows the German visitors' preferred mode of travel is unlike the other top source markets of USA, UK and Japan. Majority (31.57%) of the Germans preferred road to enter the country through Phuensholing and another 3.75% from Samdrup Jongkhar. For people traveling by air, some 28.55% and 18.46% entered through Kathmandu and Delhi respectively. This figure justifies that Nepal and India remains as the most favoured destination for a possible combination during their trip to Bhutan.

Graph 4.10
Port of Entry for Visitors from Germany

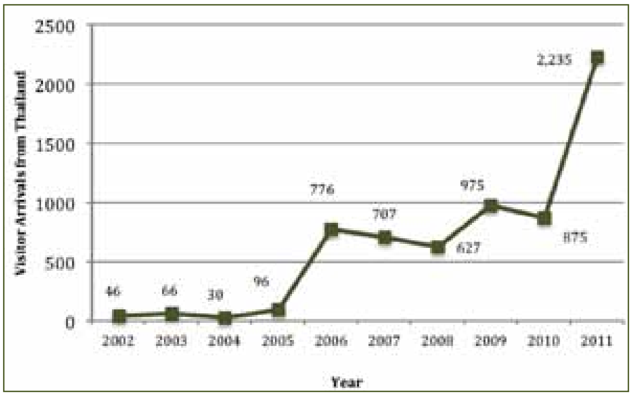


THAILAND

As depicted in the graph below, Thailand is also becoming a fast growing source market with a fluctuating trend in growth patterns. Thai arrivals rebounded back with a huge +155.43% growth rate after seeing a slight dip in 2010. Total Thai arrivals were 2,235 corresponding to 5.96% of all arrivals. Bed nights accounted for 3.53% only, given the shorter average length of stay of 4.37 days. Unlike other major markets, Thais preferred to travel during the lesser-visited month of summer and winter. This is useful to offset seasonality. They are predominantly cultural visitors and seldom participate in trekking.

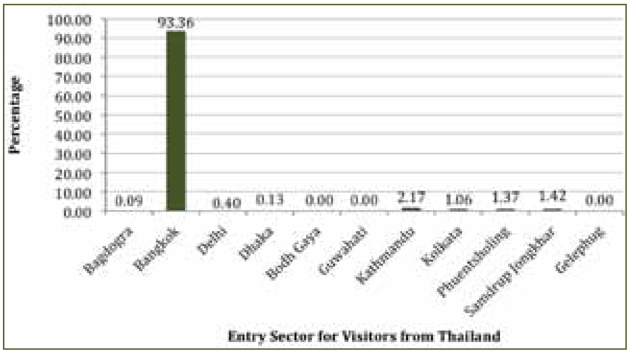
Majority of the Thai visitors are a well-educated lot. They mainly travel as group of friends (33.09%) and tour groups (32.40%). Some 65.56% were first-timers to Bhutan. A significant 12.76% had visited once before. A clear majority of 87.28% visited Bhutan only during this trip. Almost half (44.83%) indicated that their holiday time is from March to May, coinciding also with the long holiday to celebrate Thailand's popular festival- Songkran.

Graph 4.11
Visitor Arrivals from Thailand



The graph 4.12 below shows the port of entry for the Thai visitors. As can be expected of having a direct flight, a huge majority (93.36%) entered the country from Bangkok.

Graph 4.12
Port of Entry for Visitors from Thailand



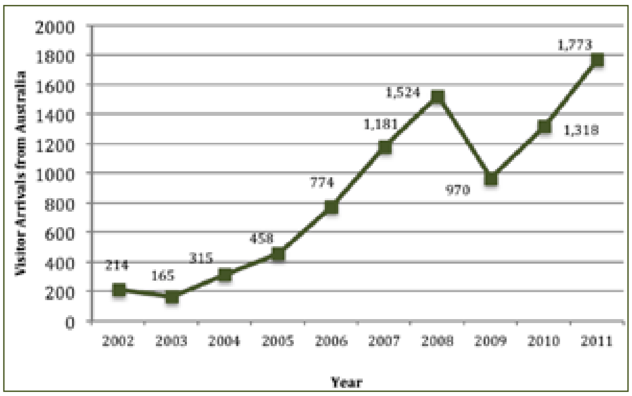
AUSTRALIA

Australia contributed 4.73% of international arrivals corresponding to 1,773 visitors in 2011. It saw a stable increase of +34.52% after a dip in 2009. They accounted for 5.97% of the total bed nights. Majority (47.38%) of the Australians specifically prefer to visit Bhutan during September, October, and November and another 28.54% visited in the months of March, April and May. They stayed longer in 2011 at an average of 9.32 days.

Australians were also highly educated. They preferred to travel as part of tour groups (34.74%), as groups of friends (24.92%) and as couples (27.23%). Some 66.10% visited Bhutan for the first time and another 66.77% expressed their intention to visit again. Some 64.07% visited Bhutan only; others combined it with Thailand, Nepal and India. Majority of the Australians indicated that their holiday time is in between December to February.

Graph 4.13

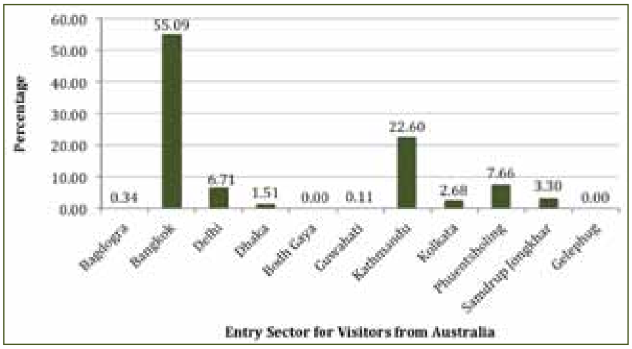
Port of Entry for Visitors from Australia



Graph 3.14 below shows the preferred port of entry for the Australians. As there is no direct flight from Australia to Bhutan, they transit through Bangkok (55.09%) and Kathmandu (22.60%). Significant number of Australians also entered the country via road through Phuentsholing (7.66%) and Samdrup Jongkhar (3.30%).

Graph 4.14

Port of Entry for Visitors from Australia



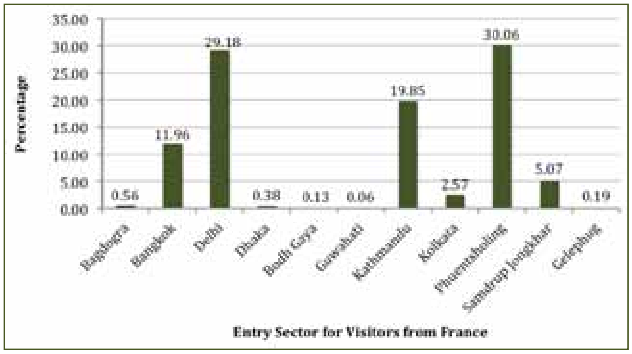
FRANCE

France was ranked the eighth most important market in 2011 with 1,585 visitors. It recorded an increase of +9.01%. Bed nights share was a 5.08% of all international bed nights. September, October and November months are the preferred months for French tourists with some 48.90% visiting. March – May months also had 34.89% of visitors. Average length of stay of the French market was recorded at 8.87 days.

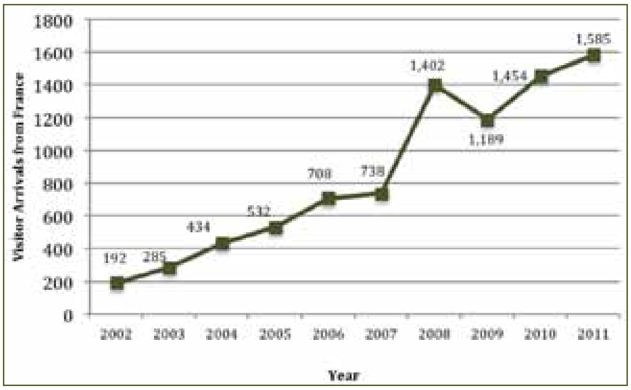
French tourists are highly educated with 88.05% of them holding university degrees. They prefer to travel mostly as tour groups (31.15%), as couples (27.23%) and as group of friends (24.61%). They mostly combine their Bhutan holiday with India (30.10%) and Nepal (29.06%). Most of them are first timers (70.87%) and 63.78% of them showed interest to visit Bhutan again. Their holiday timing is normally during summer with 64.71% indicating it.

The graph below shows the port of embarkation for the visitors originating from France. Majority (30.06%) preferred to enter through Phuentsholing, and another 29.18% entered though Delhi. Samdrup Jongkhar also recorded 5.07% entry numbers. This substantiates their preference to combine their trip with India. Kathmandu sector also rated significantly with 19.85% using this sector to enter Bhutan.

Graph 4.16
Port of Entry for Visitors from France



Graph 4.15
Visitor Arrivals from France

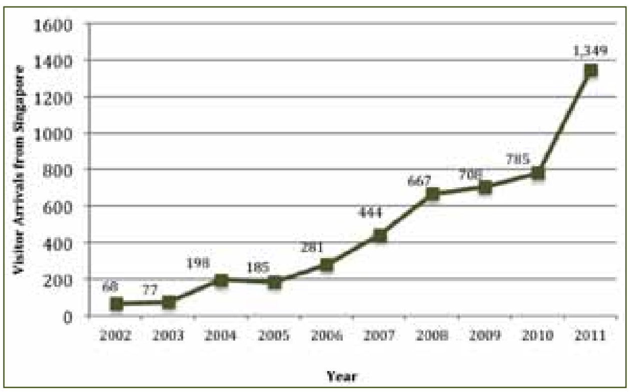


SINGAPORE

Singapore also represents a rapidly increasing Asian top market with 1,349 visitors in 2011, a figure marking an increase of +71.85% compared to its previous high. Bed nights accounted for 3.49% of all international visitors. Their travel times are spread over the year, but the months between September to November recorded a slightly higher visitation. Unlike the other bigger Asian markets, the Singaporeans stayed much longer with average length recorded at 7.11 days.

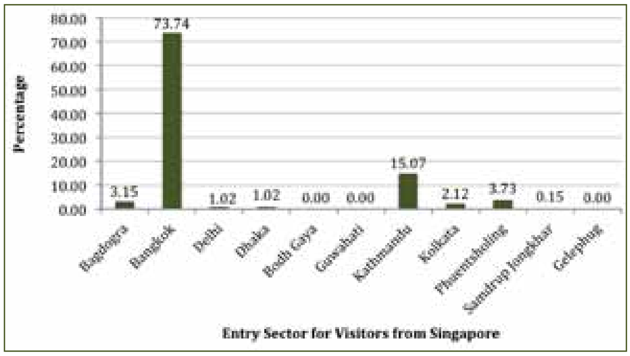
Singaporeans are highly educated with 93.66% of them holding a minimum of a university degree. They mainly combined their trip with Thailand and for the majority of them; this was their first visit. More than half of the visitors indicated their interest to visit again. For many, Bhutan was their only destination (87.12%) and they mainly heard about Bhutan from their friends. Singaporeans did not have a specific time of the year for holidays as the findings recorded varied responses, but a slight majority indicated the summer month of June-august is the time when they normally go for a holiday.

Graph 4.17
Visitor Arrivals from Singapore



The Graph 4.18 below shows the entry sector of the Singaporeans in 2011. They mainly entered through Bangkok as it the closest port of embarkation to Bhutan. Kathmandu also rated significant with 15.07%.

Graph 4.18
Port of Entry for Visitors from Singapore

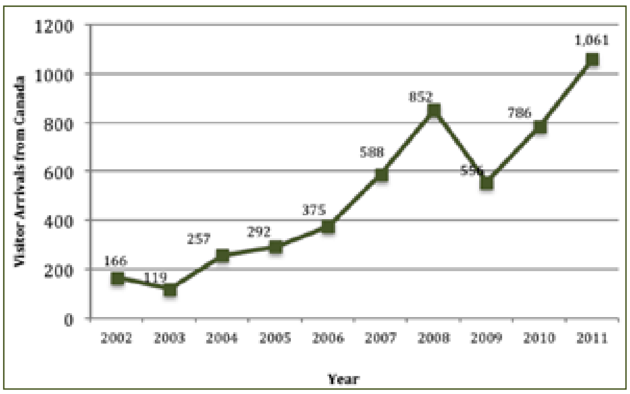


CANADA

Canada is seeing an upswing in arrivals after the 2009 recession. This year recorded an increase rate of +34.99% with arrivals peaking at 1,061. Bed nights share was at 3.43% of all international bed nights. A clear majority of 54.85% visited in between September – November autumn months. Canada has a higher average length of stay with 8.96 days.

Visitors from Canada are mostly older people with majority falling in the '60+' and '46-55' age brackets. They are also highly qualified with 92.77% of them holding a minimum of a university degree. Their travel party was spread across all categories with a slight majority travelling as couples (28.80%). For 72.49%, this was their first visit to Bhutan and another 63.12% expressed their intention to visit again. Some 62.46% indicated that this trip was to Bhutan only. Other combined their trip mainly with Nepal. A sizeable number also combined with Tibet. Canadians indicated that their normal holiday times in their country is in summer between the months of June-August.

Graph 4.19
Visitor Arrivals from Canada



The Graph 4.20 below shows the entry sector of the Canadian visitors in 2011. Bangkok (35.76%) is the main of port of entry followed by Kathmandu (26.73%) and Delhi (26.21%). Also a significant number of visitors from Canada also used road (7.10%) to enter Bhutan.

Graph 4.20
Port of Entry for Visitors from Canada