

REPORT ON TARGET MARKET TRENDS

Strengthening Tour Operator Associations in Bhutan and Costa Rica, a Bilateral Project Implemented by Association of Bhutanese Tour Operators and Ecole Experience under the Programme for South South Cooperation.
2008-2010



Contents

1	Introduction	2
2	Source Market.....	2
3	United States of America.....	2
3.1	Background	2
3.2	Arrival in Bhutan	4
4	United Kingdom	4
4.1	Background	4
4.2	Arrival in Bhutan	6
5	Japan.....	7
5.1	Background	7
5.2	Arrival in Bhutan	8
6	Germany	9
6.1	Background	9
6.2	Arrival in Bhutan	10
7	Australia	11
7.1	Background	11
7.2	Arrival in Bhutan	12
8	Market Analysis.....	12
8.1	Visitor Numbers	12
8.2	Observations	13
9	Conclusion and Recommendations	14
10	References	15

1 Introduction

ABTO is looking to further strengthen its position as a major player in the Bhutan tourism industry by aligning itself with international best practice in operating the association and by proactively seeking to provide more value to its members. To achieve this, desk research on top five source market has been conducted to determine how these goals can best be achieved in Bhutan’s unique context.

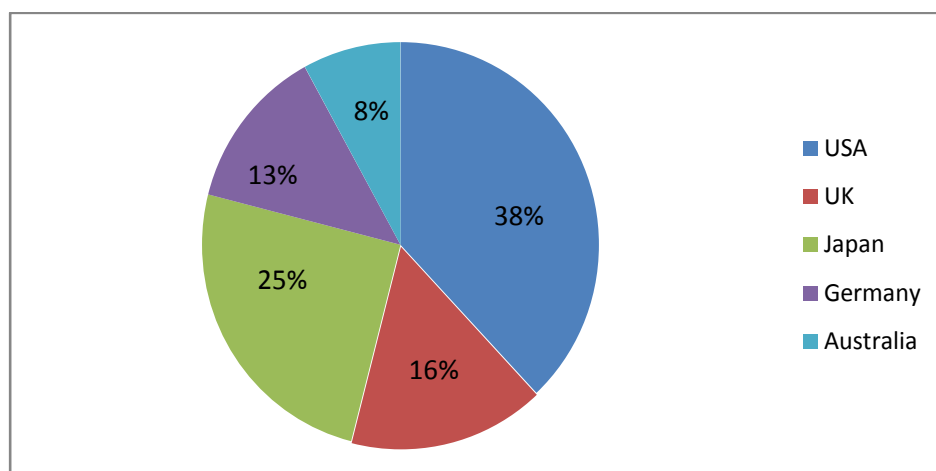
For the benefit of the users, efforts have been made to provide brief explanatory notes, coverage and data sources. The data in this report will serve as the principal source of information for the tour operators and other relevant stakeholders in the country.

2 Source Market

This report contains the desk research conducted by ABTO on the top five source markets namely the USA, UK, Germany, Japan and Australia. This research report gives an over view of the top five source markets. It enables the readers to understand the various markets and pattern of a particular market at a given time.

Understanding the profile of the top five source markets in terms of their population, Age Structure, Life Expectancy, GDP, Inflation and Unemployment Rate, arrival figures, flow and travel trends are analyzed for the past three years and conclusions drawn.

Top five source markets listed in terms their ranking:



3 United States of America

3.1 Background

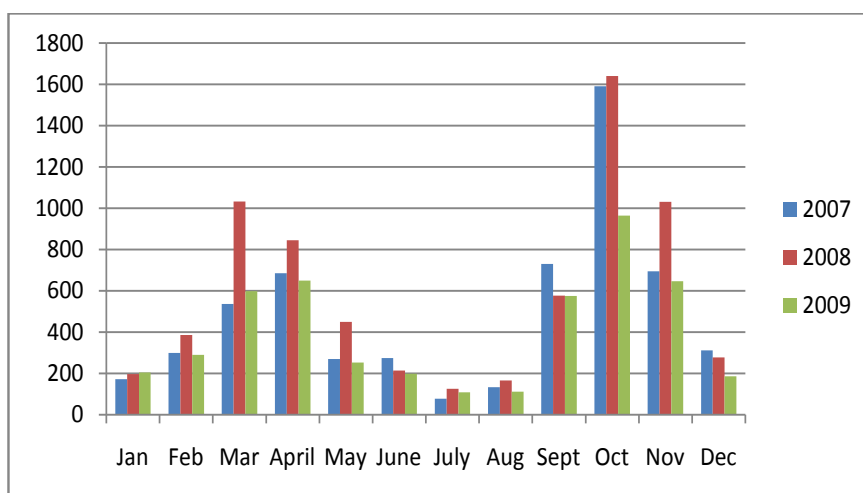
The USA has been Bhutan’s largest visa paying source market for the past 10 years and continues to remain at the top position in terms of arrivals and bed nights.

Population	307,212,123
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(July 2009 estimate)	
Common Languages	English (82.1%) Spanish (10.7%)
Age Structure	0-14 years: 20.2% 15-64 years: 67 % 65 years and over: 12.8%
Life Expectancy	78.11 Years
GDP (2008 estimate)	USD14.44 trillion
GDP per capita	USD 46,900
GDP Composition by sector (2008 estimate)	Agriculture: 1.2% Industry: 19.2% Services: 79.6%
Inflation Rate (2010 estimate)	2.2%
Unemployment Rate (2010 estimate)	9.9%

Year /Month	Jan	Feb	Mar	April	May	June	July	Aug	Sept	Oct	Nov	Dec	Total
2007	172	299	536	685	269	274	77	134	731	1591	694	311	5773
2008	197	386	1032	845	450	214	126	166	577	1640	1031	277	6941
2009	204	290	599	649	253	199	108	111	575	965	647	186	4786

Increase over the years as indicated in the above table. In 2008 there is an increase by 20.2% as compared to 2007. It constituted 27.3% of the total bed nights for 2008. This is due to publicity in various print and media on the crowning of the Fifth King and celebration of 100 years of monarchy throughout the country which attracted visitors. There was a slight fall in the numbers in 2009 due to the global economic recession that affected the tourism travel trend worldwide.



Above diagram reveal that most Americans prefer to visit Bhutan during March, April, September and October yet some visit during the other months of the year too.

The main source of attractions: the undiluted culture, Nature, Undiscovered Buddhism, Trekking, Flora/Fauna and others. These attractions being unique the visitors are of the

intentions that 57.9% would to return Bhutan within next five years. Americans are senior travelers with high spending power. They depend largely on the tour operators and brand names are important. Mostly speak English and easy to handle.

Attractions	Culture, Nature, Undiscovered Buddhism, Trekking, Flora/Fauna, Work/Business, Others (General)
Primary Information	Internet, Magazines, Radio, TV, Friends, Brochures, Travel Guide Books, Work/Business, Travel Agent, Others
Intensions to return Bhutan	No (29.9%) Yes- within next five years (57.9%) Yes-But not within the next five years (12.3%)

3.2 Arrival in Bhutan

Arrivals (2008)	Bed Nights	Nature of the trip	Average Stay	Preferred months	Preferred entry point	Age group and level of qualification
6,939 (20.2% increase from 2007)	27.34% of the total bed nights for 2008	90.8% came for holiday, 92.1% visited for the first time	8.7 days	September, October and November	Bangkok (54.8%), Kolkata 13.6%, Kathman du 12.8%	Couples with no children and mostly University degree.

The average length of stay is 8.7% and preferred to enter the country via Bangkok and Kathmandu. A very small proportion of the Americans entered through Dhaka and Bodh Gaya in India. The responses from the American tourists interviewed at the Paro Air port showed that 67.4% came for holiday and most of them were visiting Bhutan for the first time. They like to combine their trip with Thailand (31.3) by travelling in groups (38.7%). Most of the visitors are couple with no children (33.8%) and have heard about Bhutan (37.1%) from their friends.

4 United Kingdom

4.1 Background

The UK has been Bhutan's second largest visa paying source market for the past 10 years and continues to remain at the same position in terms of arrivals and bed nights.

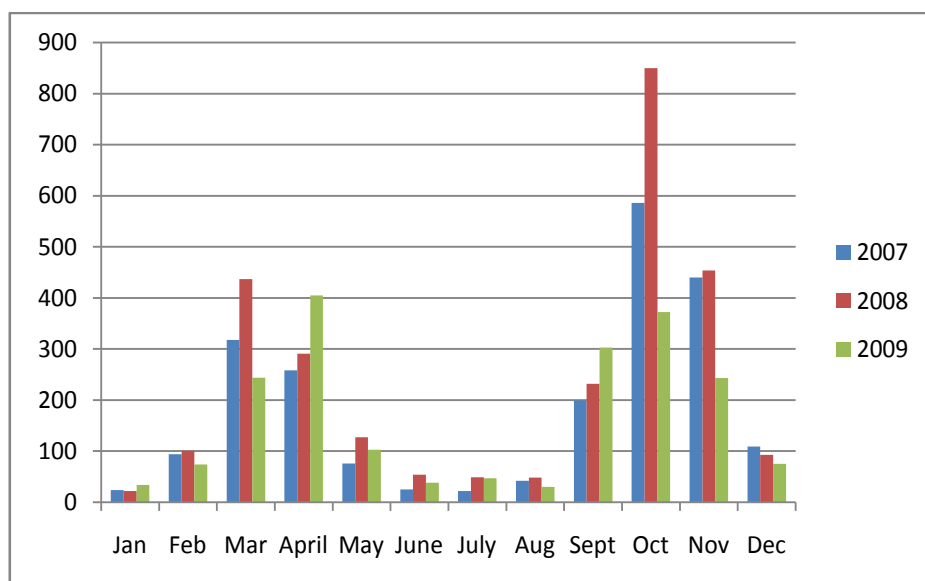
Population (July 2009 estimate)	61,113,205
Common	English, Welsh

Language	
Age Structure	0-14 years: 16.7% 15-64 years: 67.1 % 65 years and over: 16.2%
Life Expectancy	79.1 Years
GDP (2008 estimate)	2.226 trillion (Pounds)
GDP per capita	36,500 (British Pounds)
GDP Composition by sector (2008 estimate)	Agriculture: 1.3% Industry: 24.2% Services: 74.5%
Inflation Rate	3.6% (2008 est.)
Unemployment Rate (2008 estimate)	5.6%

Visitors from Britain for three years and month wise distribution reveal that there has been a constant increase in the number of arrivals from the UK.

	Jan	Feb	Mar	April	May	June	July	Aug	Sept	Oct	Nov	Dec	Total
2007	24	94	318	258	76	25	22	42	199	586	440	109	2193
2008	22	101	437	291	127	54	49	48	232	850	454	93	2758
2009	34	74	244	405	103	38	47	30	303	372	243	75	1968

There were 2,758 tourists in 2008 with an increase of 25.8% compared to 2007. There is a slight fall in number in 2009 due to the global economic recession. Otherwise there has been a constant increase in terms of arrivals from Britain since 2003. Tourists from the United Kingdom stay for 9.2 days and most visitors visit during September, October and November.



Attraction sources are the same as that of Americans but intentions to return to Bhutan within the next five years is still higher than that of Americans. Tourists from the United Kingdom stay for a duration of more than 9 days and visit mostly during September, October and November.

Attractions	Culture, Nature, Undiscovered, Buddhism, Trekking, Flora/Fauna, Work/Business, Others
Primary Information	Friends, Internet, Magazines, Radio, TV, Brochures, Travel Guide Books, Work/Business, Travel Agent, Others
Intensions to return Bhutan	Yes- within next five years (60.8%)

4.2 Arrival in Bhutan

Arrivals (2008)	Bed Nights (2008)	Nature of the trip	Average Stay	Preferred Months	Preferred entry point	Age group and level of qualification
Second important source market. 2758 Tourists in 2008 with an increase of 25.8% compared to 2007	11.52%	Holiday trip (92.3 %) and mostly first timers (87.7 %)	9.2 days	September, October and November	Kathmandu 35.6% Bangkok 21.6% By road 18.1%	40% of them are Couples with no children.

In terms of arrivals, there is an increase of 25.8% in 2008 as compared to 2007. The average length of stay is 9.2 days and tourists from the United Kingdom like to visit during September, October and November. Tourists from the United Kingdom are highly educated with 70.3% of them with university degree and most of them come to Bhutan for holiday. About 35.6% of them prefer to join group tours and they like to combine their trip with Nepal. Most visitors are first timers with 40% of them couple with no children. They have heard about Bhutan from their friends and 60.8% of them would like to return to Bhutan within five years.

5 Japan

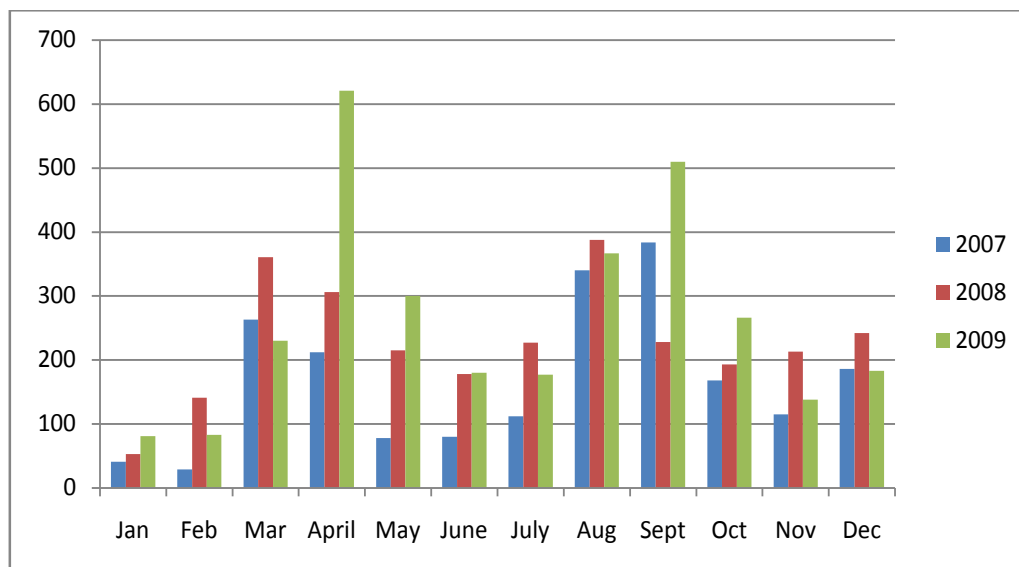
5.1 Background

Japan has been Bhutan's third largest visa paying source market for the past 10 years and continues to remain at the same position in terms of arrivals and bed nights.

Population (July 2009 estimate)	127,078,679
Common Languages	Japanese
Age Structure	0-14 years: 13.5% 15-64 years: 64.3 % 65 years and over: 22.2%
Life Expectancy	82.12 Years
GDP (2008 estimate)	USD 4.329 trillion
GDP per capita (2008 est.)	USD 34,000
GDP Composition by sector (2008 estimate)	Agriculture: 1.5% Industry: 26.3% Services: 72.3%
Inflation Rate	1.4% (2008 est.)
Unemployment Rate (2008 estimate)	4%

	Jan	Feb	Mar	April	May	June	July	Aug	Sept	Oct	Nov	Dec	Total
2007	41	29	263	212	78	80	112	340	384	168	115	186	2008
2008	53	141	361	306	215	178	227	388	228	193	213	242	2745
2009	81	83	230	621	300	180	177	367	510	266	138	183	3136

Japan is one of the top five source markets for Bhutan. It is very crucial for the Bhutanese tour operators to understand that Japanese visit Bhutan during months of June, July and August. There has been an increase by almost 15% in 2009 as compared to 2008.



Attractions	Culture, Nature, Undiscovered, Buddhism, Trekking,
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	Flora/Fauna, Work/Business, Others
Primary Information	Internet, Magazines, Radio, TV, Friends, Brochures, Travel Guide Books, Work/Business, Travel Agent, Others
Intensions to return Bhutan	Yes- within next five years

5.2 Arrival in Bhutan

Arrivals (2008)	Bed Nights	Nature of the trip	Average Stay	Preferred Months	Preferred entry point	Age group and level of qualification
2745 (36.7% increase from 2007)	6.97% of the total bed nights for 2008	73.1% came for holiday, 78.4% are first timers	5.6 Days	June, July and August (28.9%)	Bangkok (74.2%)	Highly educated.

The average length of stay is one of the lowest (5.6) days as compared to other source markets and majority of Japanese visitors prefer to enter from Bangkok as indicated very high in the above table and do not prefer to combine other destinations in the tour programme. Like most visitors who come to Bhutan, Japanese are highly educated with most of them with university degrees. Their main purpose of visit is holiday (73.1%) and they like to travel in groups. Most of them are first timers and they usually do not like to combine with other destinations when they come to Bhutan. Unlike most other visitors they learned about Bhutan from Travel magazines. Tourists who have visited Bhutan would like to come back to Bhutan within next five years.

6 Germany

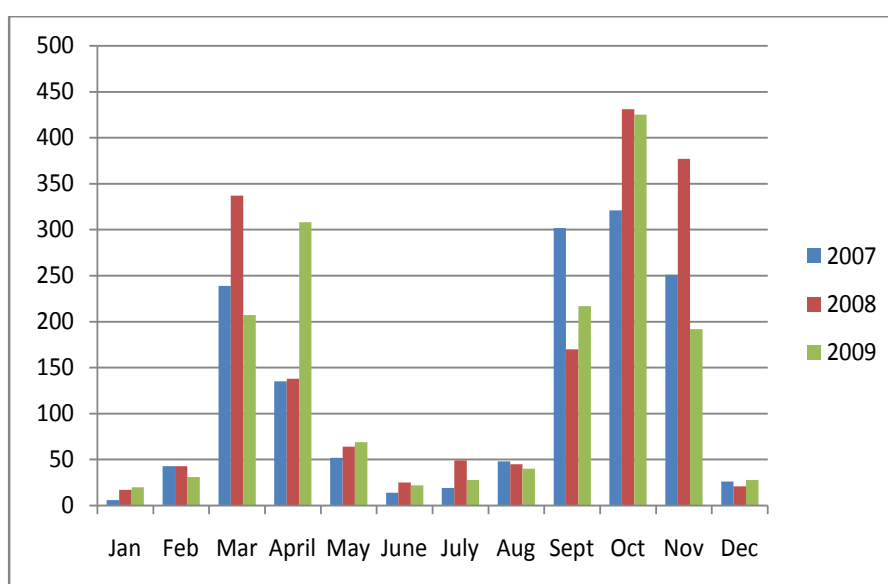
6.1 Background

Germany has been Bhutan's fourth largest visa paying source market for the past 10 years and continues to remain at the same position in terms of arrivals and bed nights.

Population (July 2009 estimate)	82,329,758
Common Languages	German
Age Structure	0-14 years: 13.7% 15-64 years: 66.1 % 65 years and over: 20.3%
Life Expectancy	79.26 Years
GDP (2008 estimate)	USD 2.918 trillion
GDP per capita	USD 35,400
GDP Composition by sector (2008 estimate)	Agriculture: 1.2% Industry: 19.2% Services: 79.6%
Inflation Rate	2.7% (2008 est.)
Unemployment Rate (2008 estimate)	7.8%

Month/Year	Jan	Feb	Mar	April	May	June	July	Aug	Sept	Oct	Nov	Dec	Total
2007	6	43	239	135	52	14	19	48	302	321	251	26	1456
2008	17	43	337	138	64	25	49	45	170	431	377	21	1717
2009	20	31	207	308	69	22	28	40	217	425	192	28	1587

There has been a constant increase as indicated in the table above. There has been an increase by about 18% in 2008 as compared to 2007. However, there is a slight fall in 2009 due to global economic recession which affected the tourism industry worldwide.



Attractions	Culture, Nature, Undiscovered, Buddhism, Trekking, Flora/Fauna, Work/Business, Others
Primary Information	Internet, Magazines, Radio, TV, Friends, Brochures, Travel Guide Books, Work/Business, Travel Agent, Others
Intensions to return Bhutan	No (29.9%) Yes- within next five years (57.9%) Yes-But not within the next five years (12.3%)

6.2 Arrival in Bhutan

Arrivals (2008)	Bed Nights	Nature of the trip	Average Stay	Preferred months	Preferred entry point	Age group and level of qualification
1717 tourists in 2008. 17.9% increase in 2008	7.00% (2008)	Holiday trip (83.7) and most of them are first timers	9.0 Days	September, October and November	Road (44%) Kathmandu	72.1 % University Degrees

As compared to other source markets, preferred entry by road is higher with Germans and mostly prefers to visit Bhutan during the months of September, October and November, with the average length of stay of 9 days. About 72.1% of the Germans have university degrees. 83.7 % visited Bhutan for holiday alone and most of them are first timers. Like the Japanese, most Germans heard about Bhutan from magazines. Their preferred destination for circuit tourism is India and they would like to visit Bhutan again within next five years.

7 Australia

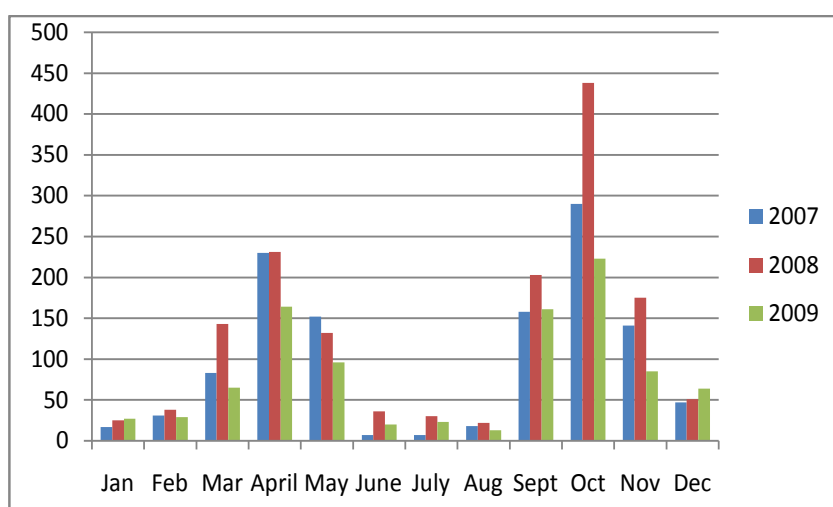
7.1 Background

Australia has been Bhutan's fifth largest visa paying source market for the past 10 years and continues to remain at the same position in terms of arrivals and bed nights.

Population (July 2009 estimate)	21,262,641
Common Languages	English 78.5%, Chinese 2.5% others 19%
Age Structure	0-14 years: 18.6% 15-64 years: 67.9 % 65 years and over: 13.5%
Life Expectancy	81.63Years
GDP (2008 estimate)	USD 800.2 billion
GDP per capita	USD 38,100
GDP Composition by sector (2008 estimate)	Agriculture: 3.4% Industry: 26.8% Services: 69.8%
Inflation Rate	3.8% (2008 est.)
Unemployment Rate (2008 estimate)	4.4%

Australia remains as one of the top five source markets with constant increase in the arrivals over the years as can be seen from the table below. In 2008, there were 1524 tourists which is 29.0% increase compares to 2007.

Month/Year	Jan	Feb	Mar	April	May	June	July	Aug	Sept	Oct	Nov	Dec	Total
2007	17	31	83	230	152	7	7	18	158	290	141	47	1181
2008	25	38	143	231	132	36	30	22	203	438	175	51	1524
2009	27	29	65	164	96	20	23	13	161	223	85	64	970



The main source of attractions: the undiluted culture, Nature, Undiscovered Buddhism, Trekking, Flora/Fauna and others. These attractions being unique to the visitors are of the intentions that 57.9% are of the intentions to return Bhutan within next five years. Australians are senior travelers with high spending power. They depend largely on the tour operators, travel through Bangkok and Kathmandu and brand names are important. Mostly speak English and easy to handle.

Attractions	Culture, Nature, Undiscovered, Buddhism, Trekking, Flora/Fauna, Work/Business, Others
Primary Information	Internet, Magazines, Radio, TV, Friends, Brochures, Travel Guide Books, Work/Business, Travel Agent, Others
Intentions to return Bhutan	No (29.9%) Yes- within next five years (57.9%) Yes-But not within the next five years (12.3%)

7.2 Arrival in Bhutan

Arrivals(2008)	Bed Nights	Nature of the trip	Average Stay	Preferred Months	Preferred entry point	Age group and level of qualification
1524 tourists in 2008. 29.0% increase compared to 2007	6.57% (2008)	95.6% Holiday trip	9.5 days	September, October and November	Bangkok (54.4%)	Couple with no children and highly educated (76.5%)

Australia accounted for 14,467 bed nights contributing to 6.57% of the total bed nights. Australians prefer to visit during September, October, and November months with 9.5 days as their average length of stay. 95.6% of them came for holiday. Most visitors are couple with no children and they are highly educated. Their main source of information on Bhutan is their friends with 94.5% visiting Bhutan for the first time. They prefer to travel in groups and 57.9% of them prefer to visit Bhutan again within next five years. As there is no direct flight from Australia to Bhutan, they transit through Bangkok and Kathmandu.

8 Market Analysis

8.1 Visitor Numbers

Bhutan has achieved and maintained outstanding growth in tourism, well ahead of global and regional comparators.

Year	Pax	Annual change	
		YOY	Cumulative
1999	7,158	- -	
2000	7,559	6%	6%
2001	6,393	(15%)	(11%)
2002	5,599	(12%)	(22%)
2003	6,261	12%	(13%)
2004	9,249	48%	29%
2005	13,626	47%	90%
2006	17,342	27%	142%
2007	21,094	22%	195%
2008	27,636	31%	286%
2009	23,480	(15%)	228%

8.2 Observations

In spite of temporary downturns caused by '9/11', the Second Gulf War and the current economic crisis, visitor numbers have grown cumulatively by 228%, compared to a typical world average of less than 50%. Annualized average growth over the period 1999 to 2009 was a formidable 20% (and during the decade to 2008 had been a staggering 35%).

Whilst the steepest decline in 2009 occurred in key Western markets (US -5%, UK -2%), this was largely offset by growth in Eastern markets (Japan +3%, Thailand +2%). This reflects a lack of proactive and reactive representation in Europe and North America, balanced by Bhutanese tour operators' natural affinity with Buddhist markets in Asia.

Rank	Market	Pax (2009)	Share of total pax	Market penetration factor
1	USA	4,786	20%	1.55
2	Japan	3,136	13%	2.46
3	United Kingdom	1,968	8%	3.17
4	Germany	1,587	7%	1.94

5	France	1,189	5%	1.82
6	China	1,143	5%	0.09
7	Thailand	975	4%	1.54
8	Australia	970	4%	4.37
9	Netherlands	780	3%	4.70
10	Italy	759	3%	1.26
-	Others	6,187	26%	0.13
	TOTAL:	23,480	100%	0.34

The above table shows that Bhutan is highly dependent on just a few source markets with three-quarters of visitors coming from ten countries with half the total being generated by just four, exposing Bhutan to an unacceptable degree of risk. Of the established markets, Japan and the United Kingdom are the most consistent and both therefore offer growth potential. At the same time, the statistics show that the Netherlands and Australia represent important markets with significant potential, whilst the US is inefficient. It is clear that China remains a sleeping giant, but is beginning to stir.

9 Conclusion and Recommendations

Among five countries, Japan and United Kingdom have huge potential for sustainable growth of tourism in Bhutan, which also implies to Asian region. The statistical shows that Australia represents important markets with significant potential. However, Germany and United States have the potential but needs to increase awareness and explore new markets for market penetration and sustainable growth of tourism. The marketing efforts made by Bhutan and Costa Rica can have huge impact on Western Europe and US market for both the countries.

The overview of this report will enable us to develop strategies on Market segmentation and market penetration on the major source markets.

Although national level marketing has not been carried out in Australia, it holds a position in the top 5 major source markets for Bhutan in 2008. There is a huge potential for Bhutan to lure more Australian outbound tourists not only in Bhutan but also in the region as a whole.

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