



**The Present Situation of Travel Agencies and Their Future Prospects in Bhutan**

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**A Thesis Submitted in Partial Fulfillment of the Requirements for the Degree of  
Master of Business Administration in Hospitality and Tourism Management  
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ชื่อวิทยานิพนธ์	สถานการณ์ปัจจุบันและช่องทางในอนาคตของตัวแทนการเดินทาง ในกฎหมาย
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### บทคัดย่อ

การท่องเที่ยวได้รับการยอมรับว่าเป็นกิจกรรมทางเศรษฐกิจที่มีความสำคัญที่สุด และเป็นภาคส่วนสำคัญของการค้าโลกที่มีอัตราเติบโตอย่างรวดเร็ว เช่นเดียวกับกับราชอาณาจักร ฎหมายซึ่งเปิดประตูรับการท่องเที่ยวมาตั้งแต่ปี ค.ศ. 1974 โดยมีนโยบายการสร้างเติบโตอย่าง ะมัดระวังตามหลักการ “มูลค่าสูง ปริมาณต่ำ” และยอมรับว่าการท่องเที่ยวเป็นแหล่งรายได้และผู้ ้างงานที่สำคัญ ด้วยแนวโน้มของการเพิ่มขึ้นของตลาดการท่องเที่ยวนานาชาติและความเป็น อกลักษณะของการพัฒนาการท่องเที่ยวจำนวนนักท่องเที่ยวเข้าประเทศได้เพิ่มขึ้นอย่างรวดเร็วจาก ำนวน 13,626 คน ในปี ค.ศ.2005 เป็นจำนวน 17,344 คน ในปี ค.ศ. 2006 และเพิ่มเป็น 21,094 คน ในปี ค.ศ. 2007 รูปแบบการพัฒนาการท่องเที่ยวที่เป็นเอกลักษณ์ของกฎหมาย รัฐบาลกำหนดให้ ักท่องเที่ยวทุกคนต้องจ่ายค่าธรรมเนียมแบบเบ็ดเสร็จหมาจ่ายผ่านตัวแทนการเดินทางที่มี ักคู่เทศก์อย่างเป็นทางการ พักอยู่ในสถานที่ที่พักรับอนุญาตและเดินทางในเส้น ทางการที่กำหนด บทบาทตัวแทนการเดินทางจึงมีความเข้มข้น ซับซ้อน ทำทนายและบ่งบอกถึงความ ำคัญของกฎหมายต่อตลาดการท่องเที่ยวนานาชาติ ขณะเดียวกันตัวแทนเหล่านี้ต้องยึดหลักการ ีพื้นฐานของนโยบายการท่องเที่ยวของชาติซึ่งตั้งบน 4 เสาหลักของผลผลิตมวลรวมความสุข ำงชาติ คือ “การท่องเที่ยวที่รับผิดชอบ” “ความจริงแท้” “คุณภาพ” และ “คุณลักษณะที่เป็น อกลักษณะและหลากหลายของกฎหมาย”

วัตถุประสงค์ของการศึกษาเรื่อง “สถานการณ์ปัจจุบันและช่องทางในอนาคตของ ัวแทนการเดินทางในกฎหมาย” ประการแรกเพื่อสร้างความเข้าใจในสถานการณ์การทำงานของ ัวแทนการเดินทางในกฎหมาย ประการที่สอง เพื่อเข้าใจถึงความท้าทายที่สำคัญที่มีผลกระทบต่อ ะบบตัวแทนการเดินทางในกฎหมาย และประการสุดท้ายเพื่อเสนอแนะแนวทางและโอกาสในการ ัฒนาตัวแทนการเดินทางของกฎหมายในอนาคต วิธีการศึกษาใช้ทั้งเชิงปริมาณและเชิงคุณภาพ มีการ ักเก็บข้อมูลปฐมภูมิที่ห้องพักผู้โดยสารขาออกที่ท่าอากาศยานนานาชาติพาราจากรฐานข้อมูล

ประชากรนักท่องเที่ยวที่เดินทางเข้าประเทศ ในปี ค.ศ. 2006 มีการสัมภาษณ์แบบใช้แบบสอบถามบางส่วนกับตัวอย่างตัวแทนการเดินทางจำนวน 30 ตัวแทนจากประชากรรวม 350 ตัวแทน ตัวอย่างที่เลือกเป็นแบบเฉพาะเจาะจง นอกจากนี้ได้มีการสัมภาษณ์แบบเจาะลึกกับเลขาธิการสมาคมผู้จัดนำเที่ยวภูฏาน

ผลการศึกษาพบว่าผู้มาเยี่ยมเยือนภูฏานส่วนมากเป็นเพศหญิง แต่งงานหรืออยู่ด้วยกัน ผู้ประกอบวิชาชีพและเจ้าของธุรกิจเองด้วยรายได้ต่อครัวเรือนระหว่าง 50,001-75,000 ดอลลาร์อเมริกันหรือมากกว่า นักท่องเที่ยวส่วนมากระบุว่าเพื่อนหรือญาติพี่น้องเป็นแหล่งข้อมูลพื้นฐานการเดินทาง รองลงมาคือหนังสือ นิตยสาร วารสาร โทรทัศน์และอินเทอร์เน็ต ร้อยละ 60 ของผู้ตอบแบบสอบถามได้จัดการการเดินทางผ่านตัวแทนการเดินทางต่างประเทศ ที่เหลือร้อยละ 40 จัดการเดินทางผ่านตัวแทนการเดินทางภูฏาน โดยได้รับคำแนะนำจากเพื่อนหรือญาติที่เคยใช้บริการตัวแทนการเดินทางมาก่อน พบว่าการใช้จดหมายอิเล็กทรอนิกส์ในการจัดการการเดินทางเป็นเครื่องมือที่สำคัญที่สุด นักท่องเที่ยวส่วนมากมีความพึงพอใจกับผลการดำเนินงานของตัวแทนการเดินทางในภาพรวมทั้งหมดและมีความปรารถนาจะเดินทางมาอีกภายใน 5 ปี ผลการวิเคราะห์ระดับความสำคัญและผลการดำเนินงานของตัวแทนการเดินทางชี้ให้เห็นถึงความจำเป็นที่โรงแรมในภูฏานต้องปรับปรุงมาตรฐานการบริการและสิ่งอำนวยความสะดวก โดยเฉพาะความสะดวกและสุขอนามัย ขอบเขตอื่นที่จำเป็นต้องมีการปรับปรุงและพัฒนาประกอบด้วย ความปลอดภัยของถนน การสร้างห้องน้ำในที่สาธารณะ การจัดการการเดินทางตามความต้องการและความจำเป็นของนักท่องเที่ยวแต่ละคน และอีกประการหนึ่งควรปรับปรุงในเรื่องความหลากหลายของอาหารท้องถิ่น

ข้อเสนอแนะสำหรับตัวแทนการเดินทางและสำหรับผู้มีส่วนได้ส่วนเสียอื่นของภูฏานเพื่อให้ลูกค้ามีความพึงพอใจและบรรลุ 4 เสาหลักของผลผลิตมวลรวมความสุขแห่งชาติ ประกอบด้วย การพัฒนาโครงสร้างพื้นฐานให้มีความเท่าเทียมกันทุกภูมิภาค เน้นการพัฒนาผลิตภัณฑ์ใหม่และคุณภาพการบริการ การพัฒนาทรัพยากรบุคคล ขยายการใช้เทคโนโลยีสารสนเทศและการติดต่อสื่อสาร ส่งเสริมการมีส่วนร่วมของชุมชนเพื่อลดการอพยพระหว่างตัวเมืองและชนบท เพื่อสร้างควมมีชีวิตชีวาของวัฒนธรรมและประเพณีของประเทศ สิ่งเหล่านี้ นอกจากจะเป็นการเพิ่มความพึงพอใจให้กับลูกค้าเท่านั้น แต่ยังเป็นการช่วยลดปัญหาของฤดูกาลด้วย รวมไปถึงการแข่งขันการค้าและขาดการริเริ่มการพัฒนาผลิตภัณฑ์ใหม่จากผู้มีส่วนได้ส่วนเสียอื่นๆ การให้พักการเสียบายสำหรับผู้ลงทุนในอุตสาหกรรมบริการเป็นอีกกลยุทธ์หนึ่งของข้อเสนอแนะ การยังคงรักษานโยบาย “มูลค่าสูง ปริมาณต่ำ” จะเป็นประโยชน์อย่างสำคัญ



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### **ABSTRACT**

Tourism is considered to be one of the world's most important economic activities and the fastest growing elements of the global trade. This is very similar for the small Kingdom of Bhutan which opened its doors to tourism as late as 1974, guided by a policy of cautious growth “a high value, and low volume” principle and recognizing tourism as an important revenue earner and employer. With the increase in the international tourism market trend and its unique approach to tourism, the number of tourist arrivals dramatically increased from 13,626 in 2005 to 17,344 in 2006 and further increased to 21,094 in 2007. Bhutan’s unique approach to international tourism requires every tourist to pre pay the tariff system set by the government for an all inclusive package tour via a licensed Bhutanese travel agent accompanied by official guides, accommodated in licensed accommodation and traveling on defined routes. The role of travel agents became more intense, complex, challenging and significant to portray Bhutan to the international market while keeping in mind the national tourism policy which is based on the four pillars of Gross National Happiness, “the responsible tourism”, “authenticity”, “quality “and “the unique and diverse character of Bhutan”.

The aim of this study “The Present Situation of the Travel Agencies and Their Future Prospects in Bhutan” were firstly to provide a better understanding about the current working situation of the travel agents in Bhutan. Secondly, to understand the major challenges affecting the role of travel agents in Bhutan and finally to propose a guideline for future development of travel agents in Bhutan and the opportunities it offers. The survey was carried out by using both quantitative and qualitative methods. Primary data were collected at the departure lounge of Paro International Airport from the tourists based on the population of tourists who had visited Bhutan in 2006. Semi structured interviews were conducted with 30 travel agents from the

population of 350 travel agents based on purposive sampling and also with the Secretary General of the Association of Bhutanese Tour Operators.

The findings indicated that the majority of the visitors to Bhutan constituted of females, married/living together, professionals and self employed with an annual household income of 50,001-75,000 USD and above. Majority of the tourists mentioned friends/relatives as the primary source of information followed by books, magazines, journals, television, and internet. 60% respondents arranged their travel through foreign travel agent whilst the rest 40% arranged from the Bhutanese Agents because of the recommendations by friends or relatives who have used the agent. E-mail was found to be the most important tool for booking their travel arrangements. The majority of the tourists were satisfied with the overall performance of the travel agents and wished to visit within 5 years. The result of guest importance level and travel agents' performance rating indicated that the hotels in Bhutan need to improve the standards and amenities with more focus on cleanliness and sanitation facilities. The development of safe roads, construction of public toilet/restroom in public area, provision of additional customized trips according to the needs and interest of the tourist and the introduction of varieties of local gastronomy were other areas for improvement.

The recommendations proposed for the travel agents and also for other tourism stakeholders of Bhutan to achieve customer satisfaction and the four pillars of Gross National Happiness were to develop infrastructure equally in all the regions, emphasize on develop of new products and quality of services, human resource development, expand ICT usage, encourage community participation to reduce rural-urban migration and keeping alive the culture and tradition of the country. This will not only augment customer satisfaction but will facilitate in reducing seasonality problems, undercutting in price and less private initiative from the hoteliers and other stakeholders in product development. Providing tax holiday to the investors in the hospitality industry is yet another strategy. Maintaining the tourism policy of "high value, low volume" will greatly benefit the country and its people from tourism exploitation which is often seen in the highly visited tourist countries. However, flexibility in some of the government policy and pricing policy would encourage travel agents and other private initiatives in service development and innovation of new products.

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## **LIST OF ABBREVIATIONS AND SYMBOLS**

<b>ABTO</b>	Association of Bhutanese Tour Operators
<b>BCA</b>	Bhutan Communication Authorities
<b>BCCI</b>	Bhutan Chamber of Commerce and Industry
<b>BIPS</b>	Bhutan Information and communications Technology Policy and Strategies
<b>BTC</b>	Bhutan Tourism Corporation
<b>DAC</b>	Druk Air Corporation
<b>DOP</b>	Department of Planning
<b>DOT</b>	Department of Tourism
<b>DIT</b>	Department of Information and Technology
<b>FAM</b>	Familiarization Tour
<b>FITS</b>	Free Individual Travelers
<b>FOC</b>	Free of Charge
<b>GNH</b>	Gross National Happiness
<b>ICT</b>	Information and Communication Technology
<b>IPA</b>	Importance and Performance Analysis
<b>MOIC</b>	Ministry of Information and Communication
<b>NSB</b>	National Statistical Bureau
<b>RGoB</b>	Royal Government of Bhutan
<b>SAARC</b>	South Asian Association for Regional Cooperation
<b>SD</b>	Standard Deviation
<b>SNV</b>	Netherlands Development Organization
<b>TAB</b>	Tourism Authority of Bhutan
<b>TCB</b>	Tourism Council of Bhutan
<b>TDF</b>	Tourism Development Fund
<b>TRI</b>	Tourism Resources Inventory
<b>UNEP</b>	United Nations Environment Program
<b>WTO</b>	World Tourism Organization



## **CHAPTER 1**

### **INTRODUCTION**

#### **1.1 Statement of the Problem**

##### **1.1.1 Tourism and Travel Agents**

Tourism is considered to be one of the world's most important economic activities and fastest growing elements of the global trade. In the past years we have witnessed a dramatic growth in the international tourism market. At a global scale, tourism's rate of growth has been phenomenal with worldwide international arrivals rising from 25 million in 1950 to 842 million in 2006 (WTO, 2007). According to social forecasts by World Tourism Organization by the year 2020 the international tourism trips will be doubled to USD 1.6 billion with an estimated worth of USD 2 trillion annually.

Travel agents continue to play a vital role in the tourism distribution system, forming the all important link between providers and consumers. Travel agents have been described as the most important information gatekeeper in the travel purchase decision making process, experts who are knowledgeable in all aspects of tourism, and as information brokers whose opinions and recommendations are sought because of their high level of knowledge and involvement in a particular product class. As opinion formers, their knowledge and information has a significant impact on destination choice (Lawton & Page, 1997).

##### **1.1.2 Description and History of Tourism in Bhutan**

Bhutan is a landlocked kingdom, with an overall size of 38,394 square kilometers situated along the southern slopes of the Himalayan range bordered by the Tibetan region of China in the north and the Indian states of Arunachal Pradesh, Sikkim, Assam and west Bengal in the east, west and south. Ranging from 240 meters to 7,561 meters in height it has high peaks along the Chinese border: Gangkar Puensum (7,561m), Khula Gangri (7,532m) and Jomolhari (7,326m). Bhutan can be divided into three distinct geographic regions or climatic

zones: Southern, Central and Northern having a population of approximately 700,000 people (NSB, 2004). The country's economic growth has been rapid and broad based which contributed to the rise in annual per capita to USD 834 in 2003 (DOP, 2005). In 2007 surprisingly Bhutan with GDP per capita of USD 1400 has been ranked the 8<sup>th</sup> happiest country in the world. This achievement could be attributed to the Bhutan's development plan implemented through five-year plan and guided by the overarching development concept of Gross National Happiness (DOP, 2005).

In 1971, Bhutan's National Assembly approved a series of basic tourism rules that paved the way for Bhutan's participation in the international tourism industry, the creation of a Department of Tourism (DoT) and the arrival of the country's first official international tourists in 1974 during the coronation of the 4th King Jigme Singye Wangchuck. Tourists or official guests at that time paid a daily fee of USD 130 for which government authorities provided an all-inclusive package that consisted of accommodation, transportation and excursions to different parts of western Bhutan. Over the past three decades the industry has gradually gone through a number of stages that have shaped the structure and determined the nature of Bhutan's tourism industry today. These include the:

- creation of the Bhutan Tourism Corporation (BTC) in 1982;
- the opening of Paro International Airport in 1983;
- raising of the daily tourist tariff to USD 200 in 1989;
- creation of the Tourism Authority of Bhutan (TAB), privatization of the tourism industry (and the BTC) in 1991;
- creation of Tourism Development Fund (TDF) in 2000;
- evolution of the TAB to become the Department of Tourism in 2000;
- Establishment of Association of Bhutanese Tour Operators in 2000.

The number of tourists has significantly increased from 274 visitors in 1974 who entered Bhutan overland through India to 5,599 in 2002, and eventually to 17,344 tourists with a short fall back in 1989 when the daily tariff was raised to 200 USD a day and also in 2001 and 2002 due to the impact of terrorist attack on September 11 and the problem of SARS. The increase in the number of tourist's arrivals has subsequently increased the foreign exchange

revenue which is shown in the Table 1.1. Tourism is now recognized as having considerable potential as a tool for development and as a contributor to national revenue. It is second only to hydropower in terms of its potential to generate foreign exchange and provide support for national sustainable development. Moreover with the given increase in the number of school leavers, tourism is also seen as a potential source of employment. Significantly, tourism may provide employment opportunities in rural areas, thus presenting national planners with a potential means to address urban drift. However, the Bhutan's policy makers have long been ambivalent towards tourism, with concerns that potential negative impacts might outweigh the financial gain.

**Table 1.1** Tourist Arrivals and Gross Revenue (2002-2006)

<b>Year</b>	<b>Arrival</b>	<b>Gross Amount (USD)</b>
2002	5,599	7,980,281.77
2003	6,261	8,324,010.85
2004	9,249	12,502,021.15
2005	13,626	18,546,491.89
2006	17,344	23,195,475.81

**Source:** DoT (2007)

Given the importance of tourism and the role played by the travel agents, the Royal Government of Bhutan (RGoB) liberalized on the licensing of the travel agents in 1991 to encourage participation of private sector entrepreneurs and further provided support and facilitated in promoting Bhutan to the international market. Since then, the number of tourists visiting Bhutan increased from 5,599 in 2002 to 17,344 in 2006 with the subsequent rise in the number of travel agents from 33 registered travel agents in 1991 to 281 in 2006. This drastic increase in the number of travel agents led to a very high competition among the travel agents. According to Roger (2002) out of the 17,344 tourist arrivals, the ten largest companies handled about 67% of the tourist leaving only 5,724 to the remaining 271 travel agents. This implies that the remaining companies deal with as low as 21 tourists annually, or even less. Everybody wants more business and a large share of the market. They will move heaven and earth and use well contrived methods to reach their goal. It must be remembered that travel agents first priority is to

stay in business (Krippendorf, 1987). This trend eventually led the smaller travel agents to compete on the price by undercutting the price instead of competing on the quality of services and products they offer. While the government in good faith had hoped that the tour operators would compete on services, unfortunately, they have been competing in terms of prices, seriously diluting the government policy of regulating tourist arrivals through the price mechanism. If this trend continues without proper measures and solutions, it contradicts to the policy set by the government of “high value, low impact” resulting in low quality of services tour package. Reducing the cost of tour leads to reduction on the quality of services and eventually dissatisfaction of the tourists. The low quality can be associated due to travel agents taking a dominant role in the tourism industry of Bhutan in selecting the tour services. Since travel agencies sell an all inclusive package tours where all the other services are included there is less space for the tourist to choose their accommodation and other travel related products. So undercutting the rate leads to travel agents choosing lower quality standard hotels and other related tourism products at lower price to maximize their profit which leads to low quality of tour. The consequences of this will also discourage the hotels in Bhutan to improve and develop their quality standards and extension of their hotel services to other regions of Bhutan.

The other problems faced by the travel agents are the seasonality issues and the regional imbalance development in Bhutan. Majority of the tourists visit during some particular months (high season) traveling mostly in the western part of Bhutan. This has led to the more development of infrastructures in the western part of Bhutan leaving other regions (central, eastern and southern part of Bhutan) less developed or no development at all. The tourists traveling to those regions that are less developed have very low quality of services and facilities and are dissatisfied with the performance of the travel agents.

## **1.2 Related Literature**

**The Literature review broadly covers the following topics:**

- Overview of tourism in Bhutan
- The role of travel agencies (Tour Operators) in Bhutan
- Price and tariff policy

- Currents and potential tourism products in Bhutan
- Marketing strategies for the Bhutanese travel agents
- Theories related to service quality and customer satisfaction
- Concept of ICT in Bhutan and for tourism industry

### **1.2.1 Overview of Tourism in Bhutan**

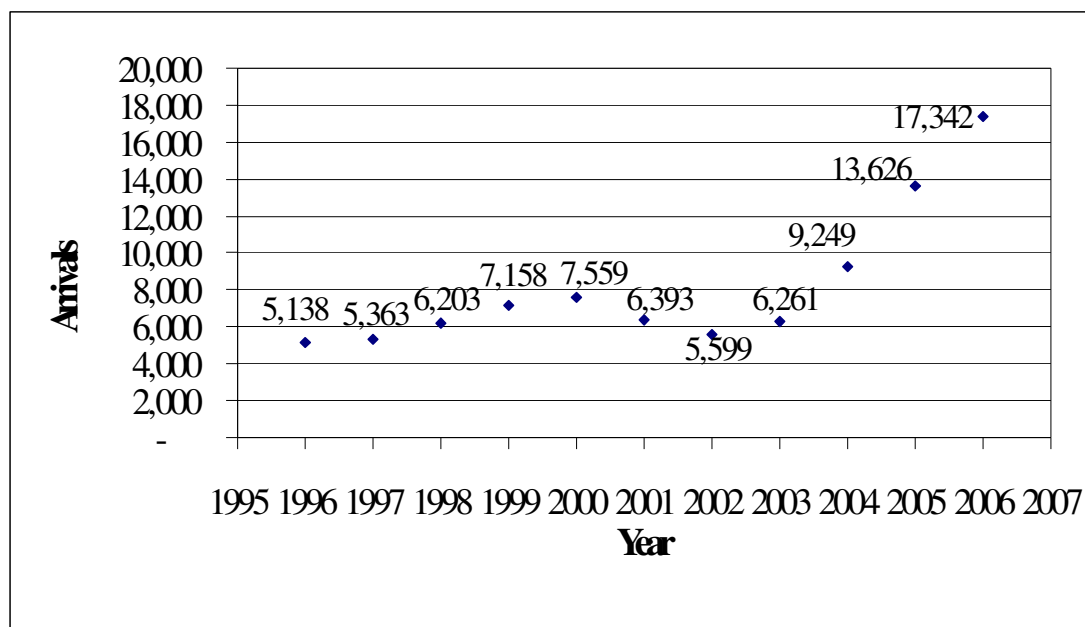
Despite the risk of terrorism, health scares, avian flu and oil price rises at the beginning of 2006 the international tourist arrival exceeded 846 million currently estimated represent an additional 43 million over 2005's level marking a new record year for the tourism industry. Of these 43 million, 22 million were for Europe, 12 million for Asia and the Pacific, signaling excellent growth for the region which is a good news for Bhutan (WTO tourism highlights, 2007).

However, for Bhutan the key economic issue is not the number of international arrivals but the contribution which tourism makes to our economic development through livelihoods and to the provision of our developing welfare system. In Bhutan tourism was used to contribute to appropriate socio-economic development generating foreign currency revenues, strengthening the hard currency reserves, creating employment and other economic opportunities for local people (RGoB, 2002). Therefore, tourism development in Bhutan will be managed so as to ensure that it contributes to, and does not undermine, the Bhutanese path to development based on the traditional values. It has organised the tourism industry in such a way that the tourists who wish to visit Bhutan can only visit the country through a booking with a licensed Bhutanese travel agents and meet the full costs of their experience of Bhutan by paying a daily tariff rate. The RGoB sets the daily rate for the all inclusive package tour conducted by the travel agent which also includes the Royalty (Welfare Levy). The royalty is charged in order to ensure that tourists contribute to the welfare and wellbeing of all the citizens and that the tourists are paying something for their enjoyment of the cultural and natural heritage which surrounds them.

The rise of tourist arrivals in the Asia and Pacific region has also been felt in Bhutan as shown in Figure 1.1 with an increase of 87.5% over the 2004 figure to 17,344 in 2006

in the international tourist arrivals to Bhutan. According to the Dorji (2006), the increase in the tourist arrival from 2004 are associated with the level of international recognition of Bhutan as a top travel destination (Wanderlust UK travel magazine and flight Centre Australia voted #1 destination in the world) and the resultant of unprecedented media coverage. Additionally, Bhutan made world-wide news when the King and the people of Bhutan were conferred the ‘Champions of the Earth Award’ by United Nations Environment Program (UNEP). The visit of King Jigme Khesar Namgyel Wangchuck to Thailand has significantly boosted international arrivals from that source market. Other reasons include the participation in the renowned world trade/travel fairs, security problems in the neighboring country Nepal which diverted some of the tourists visit to Bhutan, the increased in the air capacity with the purchase of two new airbuses, increasing number of travel agents and the growing travel market trend globally (Dorji, 2006). Furthermore, in 2006, with the recognition of Bhutan as the 8<sup>th</sup> happiest country in the world by business week has further promoted the image and reputation of Bhutan to the international market.

**Figure 1.1** International Arrivals to Bhutan 1996-2006



**Source:** DoT (2006)

The estimate made by the Tourism Concern Organization for 1999 reported that 80% of the 663 million international travelers used the services of tour operators and travel

agents, which demonstrates the significant potential for tourism operators to influence a large number of customers (Budeanu, 2003). Tour operator and travel agents play an essential and continually expanding role in the worldwide travel and tourism. Without the knowledge and professional skill of the travel agents to provide information and counsel to the traveler there will be chaos in the travel and tourism. It would be practically impossible for the tourists to purchase the most convenient flights at best prices, for tours, cruises, packages, hotels, and resorts or for any other travel related products without the service of travel agents (Stevens, 1990). In the context of travel and tourism tour operators can be divided into two groups outbound and inbound, which design and sell tours and travel packages for independent travelers or escorted clients. They plan the itineraries and purchase or reserve all the necessary components such as airline, hotel accommodation, transportation and admission to attractions. They may recruit and train tour escorts or purchase these services from other sources (receptive tour operators). Finally, these packages are then sold to consumers in various means, either directly to customer by brochures and advertisement or through travel agents on a standard commission basis (Bruke & Resnick, 2000). Travel agents are predominantly small businesses that are owned or managed by individuals with an entrepreneurial spirit. The travel agency acts as a middleman, acting on behalf of the clients, making arrangements with the suppliers of travel, such as airlines, hotels, car rentals, railroad operations, shipping companies, or tour operators and receiving a commission from the suppliers. The travel agents keep a stock of the tour operator's brochures and must be familiar with the holidays available so that he may recommend particular holidays to meet his client's needs. According to Cook, Yale & Marqua (2001) travel agent intermediaries in tourism distribution channels perform a variety of value added roles such as:

- Providing information about the types and availability of services
- Make contact with current and potential customers
- Making the travel arrangements and reservation
- Assembling the services to meet customer needs
- Preparing tickets
- Taking risk by purchasing or booking large quantities of services in advance and then reselling them to individuals and groups

In their capacity as intermediaries, travel agencies provide an important sale and information link between tourism service suppliers and the clients to whom they offer their professional advice on the selection of the travel products. Many travel agents handle general travel arrangements and sell variety of products and services such as tour packages which includes transportations (airlines, railroads, motor coaches, and cruise lines), accommodation in hotels and resorts and attractions tickets on a commission basis (Bruke & Resnick, 2000). Even though the function of tour operators and travel agents blur and overlap each other, generally, travel agents are retailers who sell airline tickets and “off-the shelf” packages put together by the tour operators (Tepelus, 2003).

The European Union Travel Directive, adopted in 1990, defined a package as a pre arranged combination of at least two of the travel services: transportation and accommodation sold at an inclusive price with a period of over 24 hours or include overnight accommodation.

### **1.2.2 The Role of Travel Agencies (Tour Operators) in Bhutan**

In the context of Bhutan, the term “travel agents” and “tour operators” are used interchangeably. It is often referred as “incoming tour operator” or “ground handling agent” which means person who arranges tourism services for the tourists of a tour operator or other organizers whose principal place of business is outside Bhutan. This is due to the fact that travel agents in Bhutan puts together a tour or vacation and all its components (transportation, accommodation, meals, guide, attraction entrance fee and government royalty) and sells the “all inclusive packages” tour at a daily rate of USD 220 set by the government either directly through their own company or through an intermediation of a foreign travel agent on a commission basis.

To become a licensed travel agent (tour operator) in Bhutan, one should strictly adhere to the tourism policy and the “Rules and Regulations for Tour Operators 1999” which state that a company name and trading address must be registered with the DoT for a fee of Nu 1,000. Once registered, the operator is required to pay Nu 25,000 as annual license fee and provide Nu 100,000 as a security deposit (DoT, 1999). Since 1991 the total number of operators has gradually increased and was marked by a steep rise in 2000 following the relaxation of the requirement to provide the Nu 100,000 deposit. In 2007 a total of 350 operators were registered



with the DoT of which not all operators are actively engaged in bringing tourists into the country. The Bhutanese travel agents work with overseas agents from North America, Europe and Japan in order to persuade tourists to visit Bhutan. A reasonable percentage also works with regional agents, mainly Nepal and India.

Travel agents are an important source of information and advice on many aspect of holiday planning (Mitchie & Sullivan, 1990). Travel agents create their packages depending on the number of days by assembling several discrete travel products in combination with some renowned festivals and adventure products into an attractive itinerary that are of an interest to vacation and leisure travelers. Since the travel agencies in Bhutan are governed by the rules and regulation of the government, they have to charge the daily tariff rate of USD 220 set by the government for the daily all inclusive packages which is to keep in line with the policy of “high value low impact”. The overall target of the policy is to maintain focus on the niche market of high yield tourists, willing to spend beyond average daily amounts not only for quality but also for the unique and exclusive experience. At the moment the travel agents can keep in line with this policy due to the existence of the regulations where individual travel is not permitted by the government unless the arrangements are made through a domestic travel agent. The success of travel agents rely on their ability to provide products that suit client’s needs and wants. An understanding of those needs and wants, coupled with deep product knowledge are implicit in this assertion.

Travel agents occupy a unique niche in the tourism distribution system. Their role is to act as the intermediary between destinations and supplier and the consumers. They perform the labor intensive clerical activities on behalf of the suppliers and the consumers. The policy of the government of “high value low impact” with a fixed daily package rate provided an advantage to the Bhutanese travel agents since the tourists will not be able to process their visa to Bhutan unless they travel their trip (all inclusive packaged tour) through a registered travel agent in Bhutan either directly or routed through a foreign travel agent. Quality assurance is recognized as an essential element in the success for all industries and most particularly for the services sector in Bhutan. Delivering the quality service to the customer will result in significant advantages in the highly competitive environment of the travel services industry. This is reflected

in customer satisfaction and loyalty, increased productivity and profitability and retention of qualified and experienced staff (RGoB, 2002b).

With the increase in the tourist arrivals, the role of travel agents became very important in providing quality service and customer satisfaction. The travel patterns of tourist vary from country to country. In most of the countries especially the developed countries the majority of travelers opt for an organized travel contract. The reasons for this preference are clear:

- The consumer may not be familiar with the country of destination, still less with the quality and alternatives of accommodation available;
- He/she is in weak bargaining position, particularly where the country visited has a different language, different currency, different legal protections and perhaps obstacles to freedom of movement to that of his country of residence;
- The tour operator can usually provide the package at a price considerably lower than the client can obtain by booking the components separately.

This is particularly the case in Bhutan, where individual travel is not usually permitted by the government unless the arrangements are made directly through a DoT recognized Bhutanese travel agent in Bhutan. The travel agent in Bhutan is an organizer of services provided by others ; for example, most travel agents do not own the hotel used in the package. The consumer relies upon the skills and judgment of the travel agents in selecting competent hoteliers, transportation, representatives and guides. However, in order to maintain the quality standard the DoT have developed standard requirements of the class of tourist hotels, restaurants and other tourism infrastructure. Ethical code of conduct for the travel agents set by the government in the master plan draft states, the unique cultural identity of the people of Bhutan is one of the strongest assets in the Kingdom's tourism promotion. It is crucial that the education system of Bhutan will cater to a better understanding of the role of each individual in contributing to the overall picture of Bhutan, visitors expect to take home. Honesty, politeness, hospitality, authenticity, respectfulness, modesty and compassion are qualities characterizing the Bhutanese

society. Combined with the heritage of living Buddhism, they portray the Bhutanese people and raise respective expectations on the side of the visitors.

Stakeholders and service providers, guides and employees of the tourism sector act as an ambassadors of their country when exposed to visitors. Hence, guidelines for the ethics of such professions should be given by DoT and reviewed from time to time.

According to DoT (2005), such a code of conduct should among others call all representatives of the tourism sector for:

- providing services of utmost quality corresponding with the quality level booked by the tourist and/or agent
- respecting the visitor's personal integrity, privacy and personality
- highlighting the tourist's safety and abstaining from any activity involving unpredictable risk or harm for the visitor
- representing Bhutan in full accordance with the Tsa-wa-sum (King, country & people) and the new constitution
- calculating fair prices for the product within an acceptable value-for-money ratio
- using only services of enterprises legally licensed for the respective task
- submitting the tourism services according to the agreed packages, altering parts hereof if needed only in consent with the tourist and the agent, except in cases of force majeure
- developing a good and incorruptible spirit of cooperation with partners/agents abroad and service providers within Bhutan
- observing the specific rules of professional ethics provided in detail for tourist guides and other staff directly exposed to contact with the tourist
- observing a proper appearance following the rules and cultural traditions of Bhutan whenever on duty
- familiarising with the main tourism policies of the Kingdom and bringing them to life in all professional endeavours
- respecting religious beliefs of the tourists and the religious heritage of

#### Bhutan

- contributing to the understanding of all parties concerned for the protection of environment, nature and cultural heritage
- abstaining from smoking, gambling, inappropriate consumption of alcohol and *doma* (betel nut) while on duty
- enforcing the confidentiality of all traveller-related data and information
- Acting as Bhutan's ambassadors of tourism to the world and all individuals developing an affinity to the Kingdom, conveying to them the message of peace, tolerance and harmony based on the principles of Gross National Happiness

This ethic code of conduct for tourism entrepreneurs (travel agencies) and employees should be complemented by a code of conduct for visitors to Bhutan, to be developed by DoT and communicated by the media, the web-portal and the guides to the tourist, thus enabling them to a better understanding of the rules, regulations and cultural traditions to be observed.

#### **Business to Business Relationships**

The travel agents in Bhutan are an organizer of the services provided by other stakeholders such as hotels and airline, since most of the travel agents do not own the hotel. It is very necessary for the travel agents to develop strong relation and cooperation with the other stakeholders in order to provide efficient and quality of services to the tourists. Hotel and transportations are the most important components of the package tour offered by the travel agents. Therefore, travel agents make a contract with the hotels in different regions based on the itinerary of the programs they offer on the websites and through foreign travel agents. It is very expensive for the travel agents to have its own hotels and transportations to make all the necessary arrangements to make the tourist's stay comfortable and enjoyable. However, in order to meet their needs and demand, it is more cost effective and efficient in service quality to have a collaboration of the travel agents with the already established high quality hotels, transport suppliers and foreign travel agents.

Currently, there exist a total of 74 accommodation providers with a capacity to

supply 985,320 bed nights per annum across the regions registered with the DoT (Dorji, 2006). Bigger travel agents sign a contract with the accommodation providers on the number of rooms, rates, cancellation and payment procedure, while smaller travel agents do not have a contract with the hotels due to their limited number of tourist arrivals. They contact the hotels and see the availability of the rooms when the tourist confirm their visit through the travel agents and then negotiate for discounts at that moment. This situation is not much of a problem during the off season but it has major problems during the high season due to unavailability of rooms in the hotels. The first time visitors at the moment totally relies upon the skills and judgment of the travel agents in selecting component hoteliers, transportation, representatives and guides however this is not always the case for repeater guest who have their own personal choice of hotels, transportation and guides.

The other relationship that the travel agents strengthen and develop is the foreign travel agents. Due to lack of resources and knowledge on promotion and marketing majority of the travel agents do not engage in promotion and marketing of their companies to the international market. Therefore, this has resulted in travel agents develop relationships, cultivate and make contact with foreign travel agents to promote and market Bhutan to the international market. As per international norms, 10% of the gross tour payment shall be payable to the principal agents abroad as commission and shall be deducted by these agents at source (DoT, 1999). In practice majority of the travel agents still offer more than 10% commission to the foreign travel agents since they take the initiative to promote and market Bhutan in the interest of their own people. On the other hand Bhutanese travel agents can still afford to lower their tariff rate (profit margin) and offer higher commission to the foreign travel agent that is still cheaper and effective than personally attending trade fairs/ travel marts to promote and market Bhutan. Such practices lead to undercutting the tariff rate which is against the tourism policy of the country.

### **1.2.3 Price and Tariff Policy**

In seeking to fulfill wider development objectives, RGoB has a policy to maintain a high degree of control over Bhutan's tourism products and services, and seeks to

attract only high spending tourists. The tariff system has proved itself to be successful in achieving these objectives. Nevertheless, Bhutan attracts less than 1% of all tourists to the South Asian Association for Regional Cooperation (SAARC), which indicates the country has significant and untapped tourism potential. By way of contrast, despite its low tourist volume Bhutan enjoys the highest foreign exchange earnings per tourist arrival in the SAARC region. If Bhutan is able to significantly increase the number of arrivals and at the same time maintain this high ratio of earnings per visitor, it will gain increasing international exposure. It is, however, important to recognize that tourists come to Bhutan because they have a strong and special interest in the country. The cost of similar cultural, trekking and bird-watching tours to other destinations in the SAARC region are considerably cheaper which, all things being equal, implies that Bhutan is unlikely to attract significant tourist numbers away from these markets.

Since the tariff was first introduced in 1974 numerous amendments to the system have been made. The initial fee of USD 130 per night per tourist has been increased to USD 200 in 1989 for the high season and to USD 220 in 2007 due to the devaluation of USD and the increase in the price of the commodities and suppliers. Simultaneously, the USD 165 per night for low season has also been increased to USD 185 per night. A number of amendments have also been made to the rules and regulations governing discounts, surcharges and royalty procedures. Rules and regulations governing the tariff process stipulate that all tours must be pre-paid and undertaken through Bhutanese tour operators. International tour operators are entitled to 10% of the gross tour payment. Detailed itineraries and pre-tour payments are submitted to the DoT. Once the tour is completed and the DoT has deducted prescribed amounts for royalty payments, the Tourism Development Fund (TDF) and government taxes, the domestic operator receives the remainder of the tariff and pays for all accommodation, food, travel, guiding and overhead costs.

To give an overview and a better understanding of the tariff system set by the government, according to the DoT (1999) is discussed in the following sections:

### **Section 1: Minimum tourist tariff**

a) The minimum tariff for tourists visiting in a group of 3 persons or more is as follows:

High Season Tariff- USD 220 per person per night (January, February, March, April, May, June, September, October, November & December).

Low Season Tariff- USD 185 per person per night (July & August).

b) The minimum daily package rates shall be inclusive of the following:

Royalty, charges for accommodation, food and beverages as per the “Minimum meal entitlements”, service of guides, transportation within Bhutan and pack ponies or Yak to carry the things on treks.

c) The rates given above are applicable per tourist per night halt in Bhutan. On the day of departure, the local agents’ host obligation shall be limited to breakfast only and any extra requirements shall be payable on actual basis.

d) The rates shall apply uniformly irrespective of locations and the type of accommodation provided/asked for. List of hotels and lodges approved for international tourist accommodation updated from time to time shall be issued by the DoT.

### **Section 2: Tariff for individual and small groups (FITs)**

a) Individual tourists and smaller groups of less than three persons shall be subject to surcharge, over and above the minimum daily rates applicable, as follows:

Single individual - USD 40 per night halt

Group of 2 people - USD 30 per night halt per person

b) The 10% agency commission payable to agents abroad shall not be deductible from the surcharge.

c) The surcharge will not apply to representatives of foreign travel agents on business study or promotional visit duly approved and cleared by DoT.

### **Section 3: Agency Commission**

a) As per international norms, 10% of the gross tour payment shall be payable to the principal agents abroad as commission and shall be deducted by these agents at source.

b) This commission shall be calculated from the net amount after deducting the discounts under Section 5 below where applicable.

#### **Section 4: Royalty & Other levies**

- a) Royalty of USD 65/- per tourist per night halt shall be payable to the government during the high season months.
- b) Royalty of USD 55/- per tourist per night halt shall be payable to the government during the off season months.
- c) A sum of USD 10/- tourist per visit shall be payable towards Tourism Development Fund. This amount shall be deducted at source by DoT from the tour payments received.
- d) 2% TDS on the Net amount shall be deducted at the source by DoT.

#### **Section 5: Discounts on the tourist tariff**

The following discounts on daily rates shall be allowed:

- a) DIPLOMATS from foreign embassies/missions accredited to Bhutan shall be given a 25% discount on the daily rates.
- b) There shall be no charge for CHILDREN up to the age of 5 years. However, those between the age of 6 to 12 years accompanied by elders/ guardians shall be given 50% discount on daily rates.
- c) Full time STUDENTS below the age of 25 years holding valid identity cards from their academic institutions shall also be given a 25% discount on daily rates.
- d) A discount of 50% on daily rates shall be given to one person in a group of 11 to 15 persons. A 100% discount shall be given to one member in a group exceeding 16 persons.
- e) A discount of 10% on the daily rates shall be provided for halts between 11 to 20 night and 20% discount on halts beyond 21 nights.
- f) Visitors availing discount under sections a, b and c shall not be eligible for discount under e. (Note: Discounts on daily rates shall mean inclusive of royalty)

The creation of TDF in 2000 to finance tourism development plans and programs has generated an income of approximately USD 220,000. Although having financed a series of ABTO-related initiatives, the TDF has created only one permanent project. It can be strongly argued that by increasing the contribution to the fund and re-appraising its management



procedures, the working potential of the fund could be substantially increased. By adjusting the payment from USD 10 per tourist per visit, to USD 10 per tourist per night, for example, 6,000 tourists staying for an average of eight nights would create an annual income of approximately USD 480,000. Although the RGoB acknowledges there are problems with seasonality and undercutting by tour operators, having made amendments to the tariff processing system the DoT is confident that the system functions efficiently but that constant vigilance and monitoring is required to detect regular occurrences of false accounting especially as regards false claims for a variety of discounts ( Roger, 2002).

Some travel agents have suggested that a separate tariff fee should be set in major currencies other than the US dollar. Such a system necessarily implies that over time, as currencies fluctuate in international markets, it would become cheaper, for example, for Japanese than Americans to visit Bhutan (Uitz & Zeppezauer, 2005). A growing number of individual and small tours are generated through the internet without involving international tour operators. In these cases tourists transfer tariff fees directly to the DoT, which is reported to be cumbersome and costly. Greater efficiency in this payment system could facilitate an increase in direct bookings with domestic operators and arrivals. This could form part of a strategy to prevent undercutting.

Undercutting mainly occurs when international out bound operators, primarily in India and Nepal, use their buying power on the daily rate of the package tour for their international tourist who wants to visit Bhutan in conjunction with the tour in their country to negotiate tour discounts (which increases their commission) due to the competitive scenario of Bhutanese domestic operators. This practice is widespread which resulted in the leakage of thousands of dollars from Bhutan and also serves to cheat tourists and creates a dishonest image of Bhutanese tourism. There are possibility of three main loopholes in which undercutting occurs, firstly through the purchase of Druk Air tickets for the tourists in which the travel agents use Bhutanese currency to buy the ticket but receives in USD from the tourist so that they will have enough USD in their hand to manipulate on the tariff system. The second possibility is the payments after arrival in Bhutan which is send through the tour leader accompanying a tour group and final one is the illegal practice of Bhutanese citizens holding hard currency accounts abroad. Although it is stressed the first method involves nothing illegal on the part of Druk air, allowing

local currencies to be used for the payment of foreign or expatriates Druk air tickets is likely to make it significantly harder to detect this practice, and significantly easier for domestic operators to retain undeclared hard currencies. The latter two methods are virtually impossible to monitor and regulate.

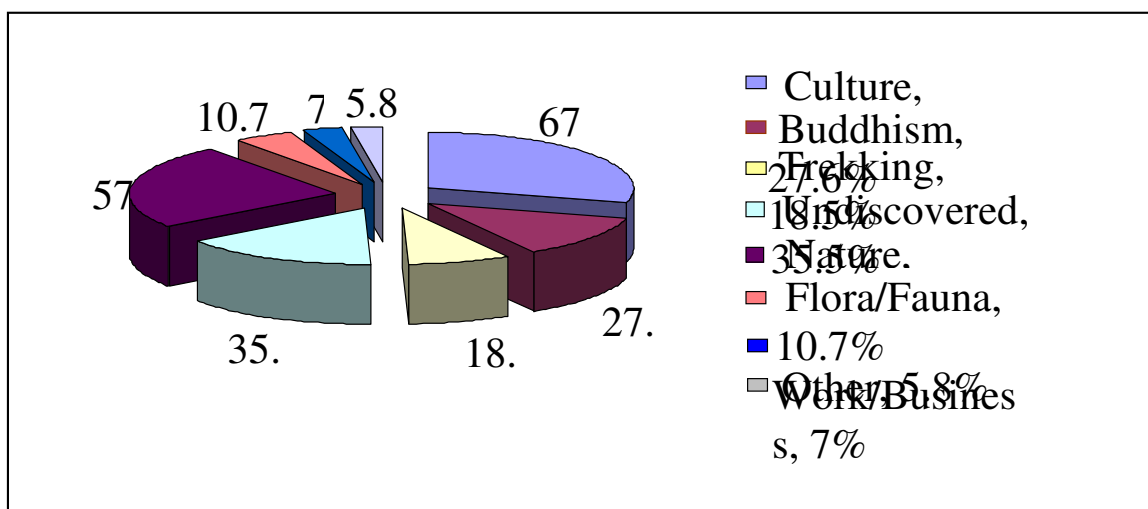
The number of international travel agents visited Bhutan under the Familiarization Tour (FAM) and Free of Charge (FOC) regulations varied considerably from each year like in 1999 there were 88 FAM & FOC visits and in 2004 it increased to 204 visits. The invitation of international travel agents is crucial for the Bhutanese travel agents to establish new business relationships and to maintain the existing relationship. In practice this system is poorly managed and could be significantly improved as part of a concerted drive to (a) reduce undercutting, (b) advice on the development of new products and services and (c) generate an informed feedback on levels of visitor satisfaction. Similarly Bhutan's international filming regulations are seen as somewhat expensive and restrictive. Television and film exposure of Bhutan to international audiences can be a highly effective and cost efficient means of marketing the country's tourism resources. It has been felt that these regulations be restructured to encourage greater exposure of Bhutan to international audiences especially within the holiday and travel program market (DoT, 2005).

In general the tariff system is efficient and well-managed and distributes good profits to the RGoB and tour operators. In its current form, however, it restricts both free-enterprise and opportunities to create new products and services as it also raises difficult questions as to how benefits can be widely and equitably distributed. The tariff system has fostered a dependency upon a small number of products that have changed little in the last ten years. This in turn has contributed to the increasingly widespread practice of undercutting which, if allowed to proceed unchecked, may well lead to the collapse of the system. Low standards of infrastructure and service provision perpetuate undercutting and need to be addressed to improve the integrity of the system, which is somewhat unique in global tourism and is considered to have significant market potential. To realize this potential, the system requires some adjustment (Roger, 2002).

#### **1.2.4 Current and Potential Tourism Products in Bhutan**

Since the inception of the tourism industry until now Tshechu (festivals) and other cultural activities form the core attractions of Bhutan. According to Beek & Klep, (2002) the comments and remarks recorded in the tourism feedback form indicate a high level of tourist satisfaction, which consolidates future tourism growth. However, international tour operators emphasize the need for improvement of the current product in infrastructure and other areas.

**Figure 1.2** Major Attractions in Bhutan



**Source:** Dorji (2006)

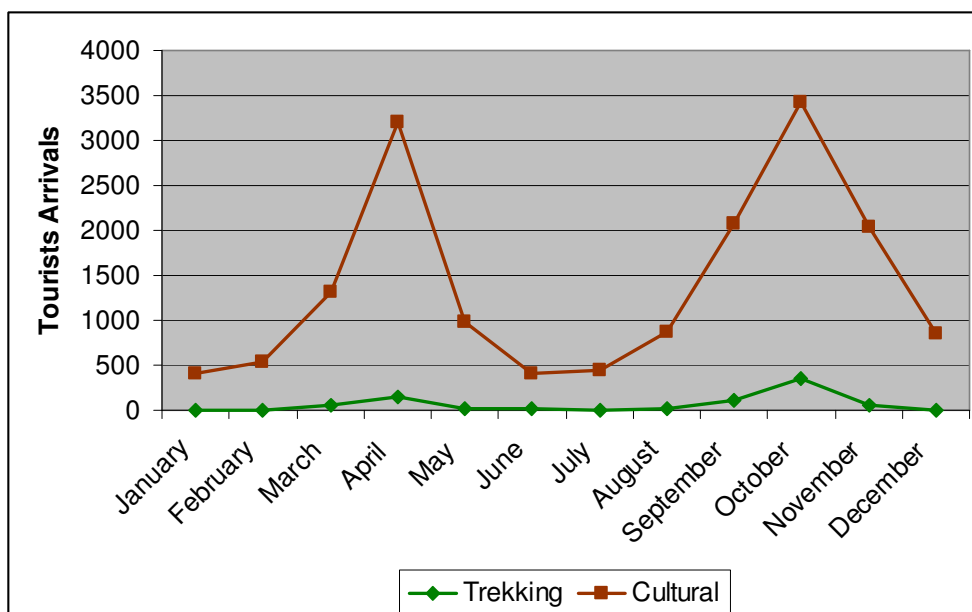
**Cultural Tours:** 94.5% (8,742 of 9,349 arrivals in 2004) of Bhutan's visitors are cultural tourists and the expectations of visitors regarding Bhutan's unique culture are high (Uitz & Zeppezauer, 2005). This reflects the fact that most tour operators market Bhutan's unique culture and life style extensively. Recent research has shown that satisfaction levels amongst Bhutan's cultural visitors are actually exceeding their pre-visit expectations. It may be concluded from this that Bhutan as a cultural destination well satisfies visitors (Wangdi, 2005). Still, current sightseeing experiences need to be intensified through improved interpretation and guiding management of Dzongs, monasteries and temple visits. The quality of guiding is the key to delivering to visitors a high-quality cultural experience. Intensifying the visitor's experience of Bhutan's key cultural product will not only enhance the visitors experience but also encourage repeat visitation and lengthen stay. Improved training of national guides and specialization and

involvement of local guides in different sites will be necessary to achieve the intensification process and to provide more in-depth information (Clark & Choegyal, 2001). Tourists also obviously have very high expectations regarding the quality of guiding. According to the results of recent research, this expectation is not necessarily being matched by perception (Wangdi, 2005). The Department of Tourism is conducting guide training for new guides. An iconography book, giving a comprehensive overview of all cultural sights and statues was published by DoT in 2004.

**Trekking:** The Figure 1.3 shows the difference in the arrivals of tourist for cultural tour and trekking. Only 5.5% (507 arrivals in 2004) of Bhutan's visitors come for trekking purposes and subsequently the percentage of trekking visitors has fallen to 4.4% in 2006. The RGoB has set two different tariffs for trekking (USD 120) and cultural tours (USD 200) until 1997 but the lower trekking tariff (USD 120) was misused by some travel agents and in response to the misconduct the government finally ceased the differential tariff on the two products. Currently, Bhutan face a very strong competition in trekking tours with its neighboring country Nepal which also lies in the Himalayan region which sold the product for approximately USD 60 and even less (Uitz & Zeppezauer, 2005).

Improved guiding services on trekking and more severe guidelines of guides will enhance trekking operations, particularly with professional guides trained in basic interpretation on cultural, religious, basic flora and fauna as well as cooking, first aid, safety and evacuation procedures. Providing more information such as maps and trail guides for each of the popular routes is necessary to add more value on the product. Tourism Resources Inventory (2002) results showed that on addition to the existing 12 official trekking routes there is a huge potential for various new trekking routes. However, demand for the development of new trekking routes will only be required if a different pricing strategy makes such proposals more attractive to the market place. Even the establishment of trekking lodges may also be economically viable and may open possibilities to bring extra income to rural communities with the new pricing strategy in place (DoT, 2005).

**Figure 1.3** Cultural Versus Trekking Tourists, 2006



Source: Dorji (2006)

Apart from the cultural and trekking products some travel agents have recently started to develop and sell new specialist tailor made programs such as mountain biking, white water rafting, bird watching and trout fishing which still remain to be established in a proper way. This indicates that Bhutanese travel agents have been offering cultural trips and trekking over the past years without making fundamental changes to the products. There is an ample potential for new product development in Bhutan and the product development is very much needed and should be emphasized (Beek & Kelp, 2002) for the following reason:

- With the small number of tourist arrivals travel agents find themselves in a position where each travel agents is trying to get a piece from a smaller cake. Specialization, product development and product differentiation among travel agents could ease this situation.
- Product development can also be instrumental in increasing the number of arrivals and repeaters. Many tourists consider Bhutan as a 'once in a life-time' destination.
- Developing new off-season products will help to combat seasonality.

- Product development can be used as a tool to spread tourism over various parts of Bhutan, thereby spreading the possible benefits over a larger area and reduce the regional imbalance development.

It is emphasized that improvement of the existing products is crucial for further development. Most international tour operators indicated that the existing level of infrastructure is sufficient to accommodate their clients, except during the two main Tshechu's (festivals). For Bhutan to become more competitive on the international level, hotels and accommodations must meet the international standards. Improvement of the entire hotel industry is therefore necessary and of high importance to the travel business. Special attention should be given to:

- The range of hotels which need to be diversified. Small-scale intimate hotels with a personal service, medium sized hotels that target (tourist) groups and hotels that cater for the business travelers are needed.
- Sanitation is of very poor quality and needs serious improvement.
- The hotel staff is not well trained. Customer service, maintenance of hygienic standards and other basic skills are lacking.

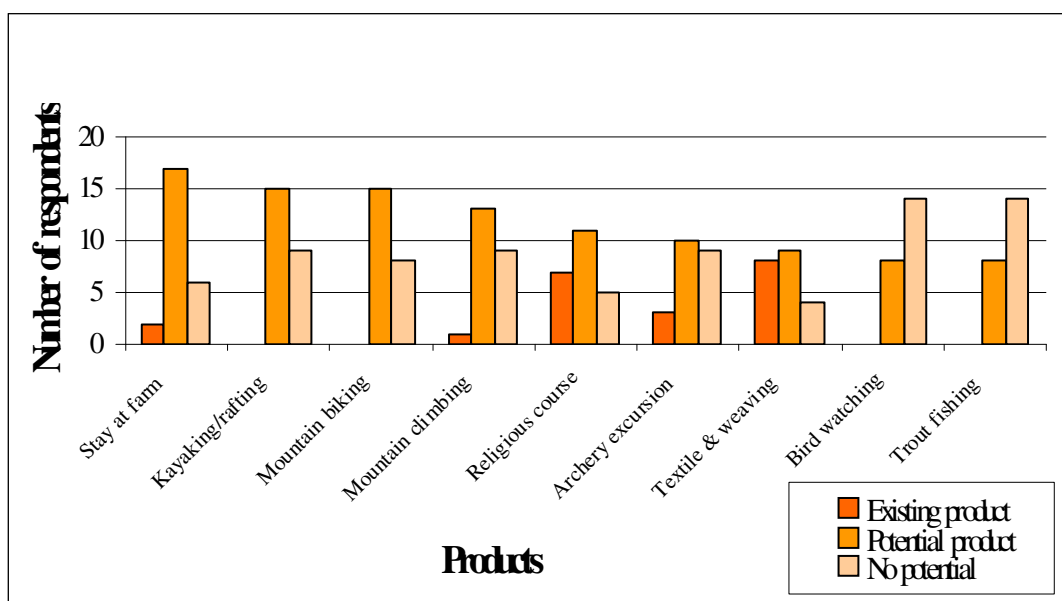
Improvement of the hotel standards will also give the way to a possible increase in the daily tariff. International tour operators indicated that an increase in the daily tariff would have a negative effect on the number bookings. Clients are only willing to pay more if they get value for money.

**Potential products:** The foreign tour operators were asked by Beek & Klep (2002) to indicate the future potential of a series of products based on the existing products offered in Bhutan and also on a list of suggestions such as Black necked crane at Phobjikha valley, Taktshang monastery hike, Bird watching, Trout fishing, Ecotourism trips in Bumthang, Health centers traditional medicine and hot springs, river running adventures, Farm house stay and special interest products etc as described in Bhutan's National Ecotourism Strategy (2001).

The foreign travel agents were asked to mention which of the following products is already part of their program, which product has potential and which product they would consider to market as part of package or as an exclusive trip to the tourists. Figure 1.4 gives an

overview of the existing products being offered and the potential products based on their knowledge and the market point of view.

**Figure 1.4** Existing and Potential Products for Bhutan



**Source:** Beek & Klep (2002)

The first column indicates if the product is already part of the existing program of the overseas tour operator. The second shows the actual potential of the product and third column indicates if developed, whether the international tour operator would include the product in its existing program. To estimate the real potential of a product (in order to generating more market growth) the column 1 and 2 need to be added up.

The Bhutan's Tourism Potential Study conducted by Beek & Klep (2002) indicated that clearly staying at a farm and religious courses are valued as the most potential products followed by the group of more adventurous activities such as river rafting, kayaking and mountain climbing (restrictions on mountain climbing set for religious reasons are respected). For the main source markets no preference or dislike towards one of the potential products was found. Travel agents differ in their opinion whether a potential product should be offered as part of a package, or as an exclusive tour but the adventure professionals opt to diversify their product by selling exclusive packages based on rafting, kayaking and mountain biking. Tour operators that

specialize in cultural tours are inclined to offer archery excursions, textiles & weaving and staying at a farm/local community as part of a package. Bird watching and religious products were both regarded potential as exclusive products or as part of package.

### **1.2.5 Marketing Strategies for the Bhutanese Travel Agents**

“Marketing is the management process responsible for identifying, anticipating and satisfying customer requirements profitably. Moreover, marketing is a key management discipline that enables the producers of goods or services to interpret customers wants, needs and desires and match, or exceed them, in delivery to their target consumers” (The Chartered Institute of Marketing, 2005). The more you understand the needs and wants of the market, the more successful the company becomes. So, it is the function of the study of market forces, factors, and the development of the company’s position to maximize its benefits by getting the right product or service to the customer at the right price, in the right place, at the right time.

Kotler, Bowen, and Makens (2006) defined marketing as “a social and managerial process by which individuals and groups obtain what they need and want through creating and exchanging products and value with others”. Cooper (1993) suggested the fundamental starting point for the creation of a successful marketing mix strategy is to make sure that the target market is well defined, for both foreign and domestic tourists. Correspondingly, in order to have a successful marketing strategy for tourism industry in Bhutan, the travel agents should be very careful about choosing the proper target market. If the target market is well defined, it would be very easy for the travel agents to have a successful marketing strategy.

#### **Bhutan’s image as a tourism destination**

With the “high value, low volume/impact” strategy, Bhutan has managed to position itself in a most favorable light on the international tourism scene. It is viewed as an exclusive and unspoilt part of the Himalayas, where the cultural and natural resources create a sense of place in which time seems to have stood still. Bhutan is predominantly viewed as a unique, exotic, cultural, Buddhist and natural destination (Wangdi, 2005). Bhutan offers tourists a “once in a lifetime” opportunity of being one of the privileged and very few to visit the country



which intensifies the visitor's sense of "privilege" in visiting Bhutan. Additionally, Bhutan's status as the last remaining Himalayan Buddhist Kingdom further contributes to the positive image of the country (Beek and Klep, 2002).

According to the International Tourism Monitor (2006) the most cited keywords to describe Bhutan were "Beautiful" (47.0%), "Friendly" (44.7%), "Natural" (15.2%), "Cultural" (14.9%), and "Religious" (10.9%). Such words and identifiers should be borne in mind when constructing future promotional strategies. Assessment of the previous brands under which Bhutan has been marketed show that "The Land of the Thunder Dragon" and "The Buddhist Himalayan Kingdom" have been the best known (Wangdi, 2004).

The lack of resources to promote Bhutan has contributed to the image of exclusivity, authenticity and uniqueness. Ironically this strategy in itself has proven to be a powerful promotional campaign to attract the desired high value-low volume markets. Being one of the happy few that is offered the opportunity to visit this special destination is an important motivation to visit Bhutan. On the other hand it has also created misconceptions such as actual limitations in the number of tourists that is allowed to visit Bhutan or confusion as regards to the tariff and pricing system (Beek & Klep, 2002).

#### **Marketing strategy used by the Bhutanese travel agents**

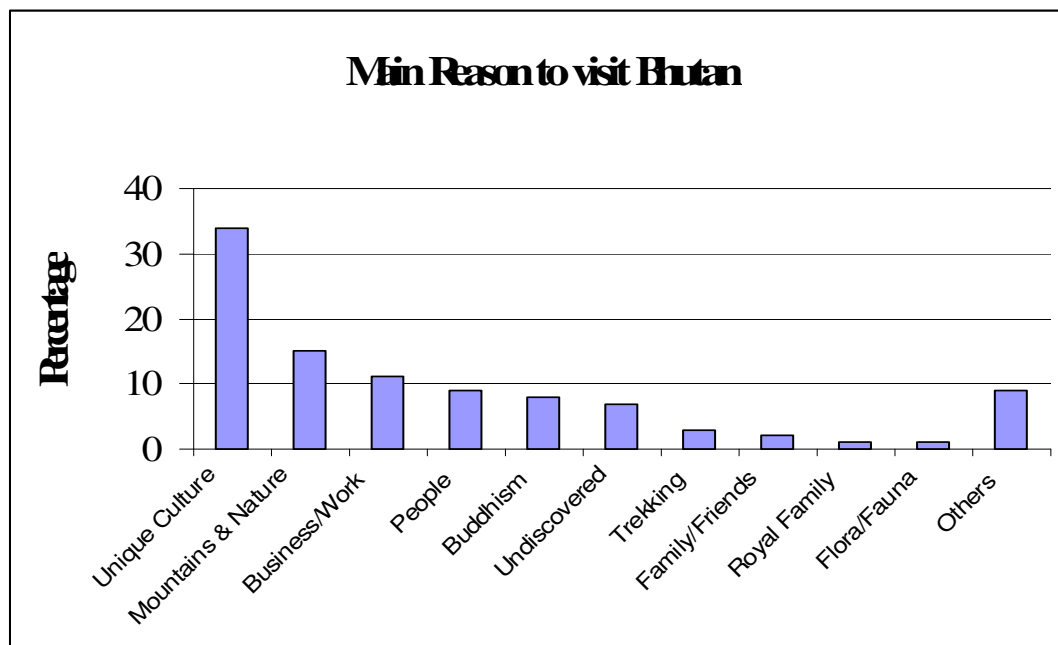
Since the beginning of tourism, the larger Bhutanese travel agents and their overseas business partners have been playing an important role in creating the image of Bhutan. Even at the present scenario, DoT is criticized for being passive and leaving the burden of promoting and marketing be done exclusively by the private sectors. This less initiative for developing marketing strategy from the government could be due to the fact that Bhutan's tourism development objectives and policy do not aim for massive increase in the number of tourist arrivals and also the current infrastructure is simply not appropriate and sufficient for huge increase in the arrivals.

With the image of Bhutan perceived by the tourist and the constraint on the marketing budget of the travel agents, the most important marketing tool will be continue delivery of a great and memorable experience to each and every visitors. The "Word of mouth" still remains the main source of information of Bhutan among visitors followed by magazines,

articles, books about Bhutan, and TV programs. The study conducted by Dorji (2006) for the International Tourism Monitor's result showed that "Word-of-mouth" was cited as the single most important source, with 36.8% (world wide average is 50%) of those sampled indicating that friends had been their primary source of information which was followed by the magazines which included newspapers (19.2%). The internet was not cited frequently by respondents as being the primary information source.

Bhutan is still a relatively unknown tourism destination to many people but has an image of being unspoilt, unique and exotic destination which makes it comparatively easy to attract international media's attention to further generate positive and promotional coverage (Uitz & Zeppezauer, 2005). Therefore, public relations should be one of the most important future marketing tool amongst the private and government sectors since there exists an enormous scope to attract international media (film, TV, magazines etc.) to promote and market Bhutan as a potential tourism destination.

**Figure 1.5** Main Reasons to Visit Bhutan

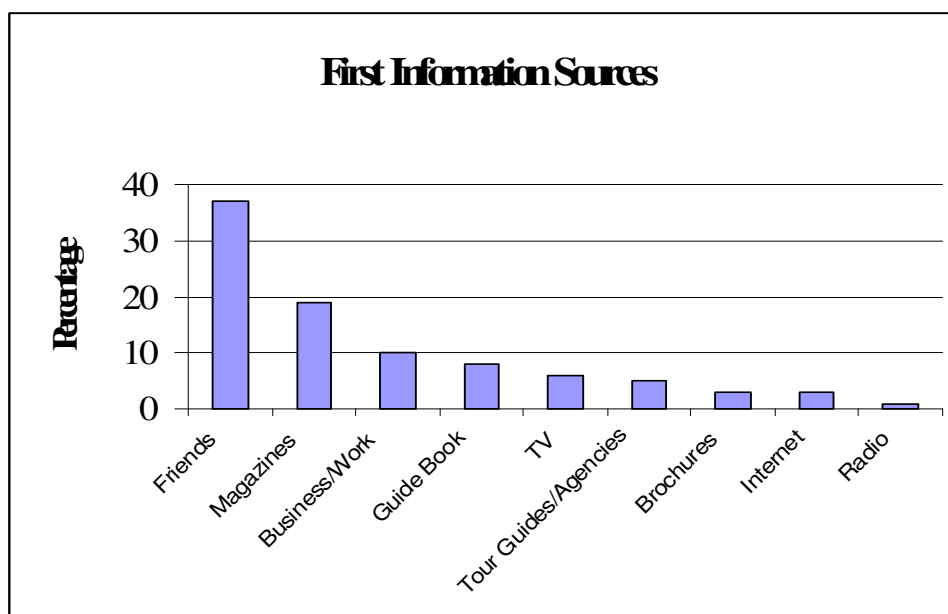


**Source:** DoT (2005)

The five-year plan (2002-2007) proposes a range of activities and projects that aim to improve the overall performance of the tourism sector. The Department of Tourism should

draw up a consistent and coherent marketing strategy to integrate all marketing elements including product development, pricing, promotion, distribution and human resource development. A consistent marketing strategy also offers the opportunity to change the product-oriented approach of the Bhutanese tourism industry into an active market-oriented approach. A study conducted by Studienkreis für Tourismus und Entwicklung (1999) in Germany revealed that there is growing concern for the natural environment among German tourists. Almost 80% indicated that environmental considerations are important for choosing their holiday. According to a research conducted by Tearfund (2000) over 50% of the British tourists would be willing to pay more for their overseas holiday if they were guaranteed that the money goes towards preservation of the local environment, workers in the destination are guaranteed good wages and working conditions, or money goes to support a local charity. However, it should be noted that tourists are only willing to contribute to activities for the general well-being of a destination if basic conditions, such as good quality of accommodations and affordable holidays are met.

**Figure 1.6** First Information Sources



**Source:** DoT (2005)

Currently over 300 overseas tour operators have included Bhutan in their annual travel program. Most of them have shown commitment and dedication in selling Bhutan.

Therefore, DoT should further improve the existing relationships with overseas tour operators through familiarization trips which remain an effective tool in maintaining and developing good relations. Also, DoT should encourage media trips and build an active working relation with journalist, travel writers and filmmakers which are another important group for promoting Bhutan. The research has shown that many tourists are informed on Bhutan through the media, especially by documentaries made by Discovery and other specialized broadcasting companies (RGoB, 2002a).

As the recent developments in the internet and also the WTO forecast show, the importance of the internet as an information source for holiday planning increasing extremely. With this trend along with the Public Relation, e-marketing will be the most cost effective and important marketing tool for both travel agents and DoT. The travel agents and DoT should develop a user and customer friendly web portal which gives accurate and comprehensive overview of Bhutan's tourism products in terms of attractions, infrastructures, and other tourism related topics and must allow active communication between the visitors and the organization. But it is important to ensure that the concern website should appear on the first site of the search result or can be easily found on the World Wide Web. Further e-marketing also includes links/banners on international tourism portals and viral marketing methods etc.

Bhutan's marketing strategy since its inception has been dominated by a product oriented approach where tourists are offered with the products that are designed based on the country's capacity rather than being market-oriented. This strategy has been successful due to the uniqueness of the country's tourism products combined with the tariff system set by the government but this strategy has created a controlled flow of tourists (low volume) who are willing to pay a relatively high price (high value) to visit. However, to further increase the number of tourist arrivals and to raise the entire standard of the Bhutanese tourism industry a market-oriented approach is needed. For Bhutan, this approach implies that tourism development is guided by the market rather than dictated by it. In others words, (new) tourism products must meet the requirements of the market but must also comply with Bhutan's national development policy of Gross National Happiness. The 9<sup>th</sup> Five-Year Plan proposes a range of activities and projects to improve overall performance of the tourism sector. To create a general framework for

these activities the DoT should draw up a marketing strategy that integrates product development, pricing, promotion, distribution and human resource development (Beek and Klep, 2002).

### **1.2.6 Theories Related to Service Quality and Customer Satisfaction**

#### **Defining customer satisfaction**

According to Hunt (1975) satisfaction is considered as an evaluation on which the customers have experienced with the services that is at least as good as it is supposed to be. Sheth and Mittal (2004) defines customer satisfaction as a positive feeling ensuring from a successful outcome of a market transaction. Getty and Thomson (1994) defined satisfaction as a summery of psychological state experienced by the consumer when confirmed or disconfirmed expectations exit with respect to a specific service transaction or experience.

“Satisfaction is the customer fulfillment response. It is a judgment that a product or service feature, or the product or service itself, provides a pleasurable level of consumption-related fulfillment” (Oliver, 2003). Customer satisfactions has been defined and interpreted in many different ways, however the underlying conceptualization is that satisfaction is a post purchase evaluation judgment, leading to an overall feeling about a specific transaction (Fornell, 1992).

#### **Importance of service quality and customer satisfaction**

Service quality and customer satisfaction are closely related. The importance of service quality to business performance has been highly recognized not only in the hospitality business but also in a broader business context. Perceived service quality derives from the individual service encounter between the customer and the service provider, during which the

customer evaluates quality and develops satisfaction or dissatisfaction (Bitner et al., 1990). According to Kotler, Bowen & Makens (2006), customer satisfaction depends on a products perceived performance in delivering value relative to a buyer's expectations. If the products performance falls short of the customer's expectations, the buyer is dissatisfied. If the performance matches expectations, the buyer is satisfied. If the performance exceeds expectations, the buyer is delighted. Providing high quality service and ensuring customer satisfaction are widely recognized as important factors leading to the success of the tourism industries (Stevens, Knutson, & Patton, 1995). Quality services and tourist satisfaction develop long-term relationship with tourists and in turn bring about destination loyalty.

Early leaders in the quality movement relied heavily on statistical quality control and were concerned with production procedures and reducing defects. Thus, quality was defined in terms of measures associated with internal operations. However, it has been realized by the companies that internally generated measures of quality often do not match customer perceptions of quality. It has been felt that ultimately it is the customer's instead of the management's perception which counts in the market place. Therefore, customer satisfaction and the voice of the customer became a new thrust of the quality movement (Scheuing & Christopher, 1993). With the increase in the global trade and customers becoming more complex and classy many industries particularly in the marketing divisions established their goal to emphasize not only to increase sales volume and sales revenue but also to achieve and accomplish customer satisfaction with the products and services they offer. According to Aksoy et al. (2003), understanding, creating, communicating, and delivering customer value and satisfaction are at the very heart of modern marketing practice. However, the customer, rather than marketing, is at the centre of modern business philosophy, and customer service satisfaction is the primary aim.

The organizations around the world have understood the importance of customer satisfaction and recognize that measuring customer satisfaction is no longer an option but an essential part of their management systems. Scheuing & Christopher (1993) discuss on the following three reasons for the importance of an organization to focus on customer satisfaction.

1. Satisfied customers are more likely to recommend the organization to others (word of mouth), which is the cheapest and most effective form of promotion.

2. Satisfied customers are loyal customers. It is estimated to be five to seven times more expensive to attract a new customer than to keep an old one.
3. Satisfied customers are better customers. They buy more, more often and are willing to pay higher prices.

It is generally accepted that service quality is antecedent to customer satisfaction and that customer satisfaction is antecedent to customer loyalty (McDougall and Levesque, 2000). Offering superior quality of product and services achieves the customers and employee's satisfaction which leads to higher loyalty, higher market share, higher returns to investors, lower costs, and finally lowers sensitivity to price competition.

In tourist satisfaction, the measurement becomes rather complex. Service providers often emphasize expressive measurement for performance such as comfort, luxury, hospitality and reputation of a hotel over a room's functionality and price yet, significant difference exists between tourism products and other consumer products. While most products are homogeneous and uniform, the tourism product is an intangible combination of many interrelated components. The common tourism product called family vacation package consists of many sub products, activities and events including accommodations, transportation, food and beverage purchases, guides, excursions, participation in recreational activities, entertainment and so forth. A "halo effect" may occur, wherein satisfaction or dissatisfaction with one of the components leads to satisfaction or dissatisfaction with the total tourism product. Consequently, it is very important to identify and measure tourist satisfaction with each of the components.

### **Related models in measuring service quality and customer satisfaction**

There are various Questionnaire-based quantitative methodologies commonly used for measuring service quality and customer satisfaction which include SERVQUAL (Service Quality), SERVPERF (Service Performance), IPA (Importance and Performance Analysis), HOLSAT (Holiday Satisfaction), and EPI (Expectation-Performance-Importance) (Tavite & Andre, 2000). The first three measures are commonly used for the measurement of the service quality and customer satisfaction. However, for the purpose of this study the Importance-

Performance Analysis (IPA) model was chosen to analyze the concepts of quality and customer satisfaction which is review in more detail below.

#### SERVQUAL MODEL:

The SERVQUAL model developed by Parasuraman, Zeithaml & Berry (1985) which focuses on the notion of perceived quality based on comparison between the consumer's pre-purchase expectations and post purchase perceptions of service has been widely adopted across the industries. Tangibility, Reliability, Responsiveness, Assurance and Empathy are the five dimensions used in the SERVQUAL approach to measure service quality. To suit the specific characteristics of different industries and environment some changes and adaptations have been made to the original SERVQUAL model (O' Neill, 2001). Zeithaml, Parasuraman & Berry (1990) suggests a variation of the SERVQUAL model which extends to ten different quality dimensions which are presented in the Table 2.1 with example questions. Despite SERVQUAL model's popularity in approaching service quality, a number of researchers have criticized the approach. Questions have been raised about the dimensions of the model and whether they should be consistent among industries. According to Hope and Muhlemann (1997) customers may find it hard to answer some of the scale questions, especially if they are negative questions, or if they have to differentiate. It is also distressful for the customer to be asked twice similar questions, first on their expectations of service and then on their perception of the actual services. Teas (1993) argue that the SERVQUAL scale of expectations induces several different types of expectations: the subjects are not able to differentiate among different types of expectations when they provide evaluations. Some customers expect the best service while others expects the optimum services depending on the circumstances and context.

#### SERVPERF MODEL:

SERVPERF model adopts a more direct approach to measuring satisfaction, by seeking only customer's post service perceptions. Customers were approached by the organization with questionnaires after the products have been consumed to find out their satisfaction with their product and services. This instrument always use "strongly satisfied", "satisfied", "neutral", "dissatisfied" and "strongly dissatisfied" as an interval scale for



measurement. But even this approach fails to address the importance of service attributes to the customers (Chen & Chang, 2005). This means that sometimes one attributes may be rated at highest satisfaction or performance, but this may matter little if in reality it is not important for the customer's decision making process and similarly, if a certain attributes were rated low, it is not clear whether this is due to low quality of service or high ex ante anticipation.

**Table 1.2** Exhibit Questions in Measuring Service Quality

<b>Quality Dimensions</b>	<b>Samples of question</b>
1. Tangibles: Appearance of physical facilities, equipments, personnel, printed and visual materials	- Are facilities attractive? - Are staff dress appropriately? - Are written materials easy to understand? - Does technology look modern?
2. Reliability: Ability to perform promised service dependably and accurately	- If a response is promised in a certain time, does it happen? - Are the exact specifications of the client followed? - Is service performed right the first time? - Is level of service same at all times and for all employees?
3. Responsiveness: Willingness to help customers to provide prompt service	- When there is a problem, does the organization respond to it quickly? - Are the staffs willing to answer client's questions? - Are specific times for service accomplishments given to the clients?
4. Competence: Possession of required skill and knowledge to perform service	- Can staff provide service without fumbling around? - Are materials provided appropriate and up to date? - Can staff use the technology quickly and skillfully? - Does staff appear to know what they are doing?
5. Courtesy: Politeness, respect,	- Does staff member have a pleasant demeanor? - Does staff refrain from acting busy or being rude when

consideration and friendliness of contact personnel	clients ask questions? - Are those who answer the telephone considerate and polite? - Is staff considerate of the property and values of clients?
6. Credibility: Trustworthiness, believability, honesty of the service provider	- Does service organization have a good reputation? - Do staff members refrain from pressuring the client? - Are responses given accurate and consistent with other reliable sources? - Does the organization guarantee its services?
7. Security: Freedom from danger, risk, or doubt	- Is it safe to enter the premises and to use the equipment? - Are documents and other information provided for the client held securely? - Are use records of clients safe from unauthorized use? - Can client trust that service provided was done correctly?

Table 1.2 (Continued)

Quality Dimensions	Samples of question
8. Access Approachable and ease of contact	- How easy is it to talk to knowledgeable staff member when client has problem? - Is it easy to reach the appropriate staff person? - Are services access points conveniently located?
9. Communication: Listening to customers and acknowledging their comments; keeping customers informed in a language they can understand	- When client contact service point, will staff person listen to their problem and demonstrate understanding and concern? - Can staff explain clearly the various options available to a particular query? - Do staffs avoid using technical jargon when speaking with clients? - Does staff member call if a scheduled appointment will be missed?
10. Understanding the Customer: Making the effort to know	- Does someone on staff recognize each regular client and address them by name? - Do staffs try to determine what client's specific objectives

customer and their needs are?

- Is level of service and cost of service consistent with what client requires and can afford?
- Are service providers flexible enough to accommodate to clients schedule?

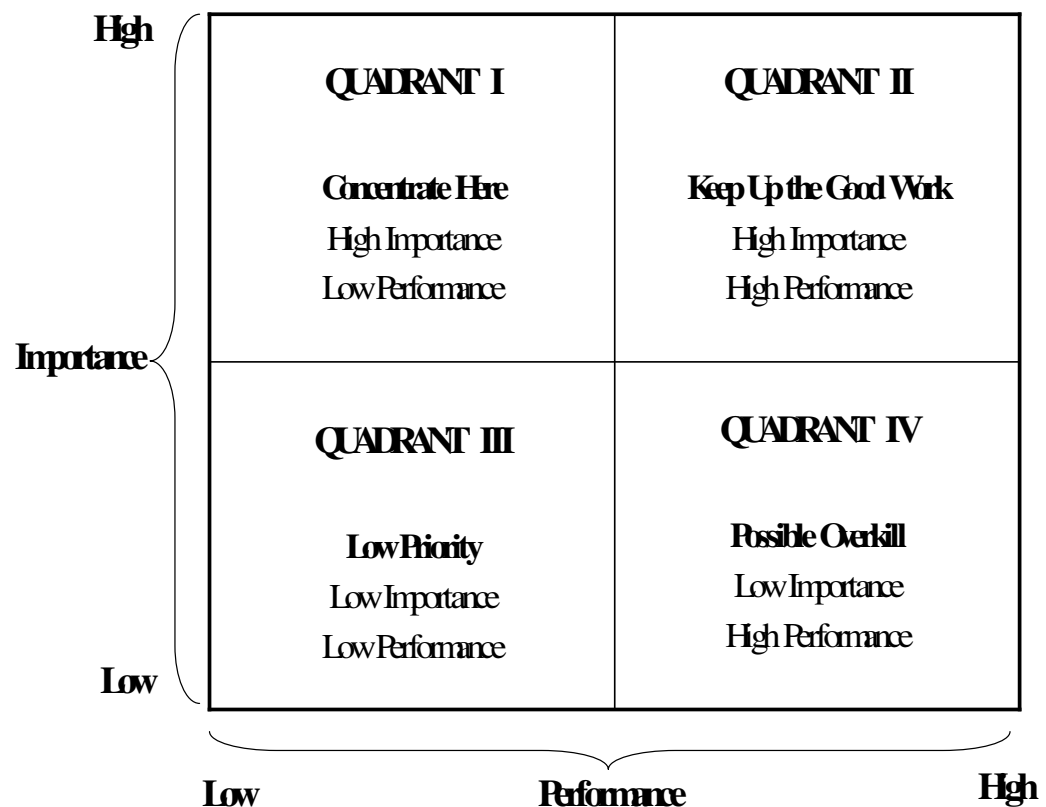
**Source:** Zeithaml, Parasuraman & Berry (1990)

#### IPA MODEL:

The third approach is the IPA model introduced by Martilla and James (1977) as a framework for understanding customer satisfaction as a function of both expectations related to salient attributes (importance) and judgment of their performance (performance). This IPA technique is widely used in various areas and has not only been proven an effective managerial tool (Martin, 1995 in Chen & Chang, 2005) but also declared to be a low cost, easily understood technique for exploring different aspects of the marketing mix, and enabling managers to reallocate resources according to the needs and area identified (Martilla & James, 1977 quoted in Zhang & Chow, 2004). It is one of the main research instruments that have been developed over the years to analyze the concepts of quality and consumer satisfaction in the service industry. It asks consumer about the importance of certain attributes and the actual performance of the service providers.

The results from the IPA are plotted graphically on a two-dimensional grid (see Figure 1.7) where the importance of the attributes is shown on the vertical axis while the satisfaction level (performance) is displayed on the horizontal axis. The resulting four quadrants are: Concentrate Here, Keep up the Good Work, Low Priority, and Possible Overkill (Chen & Chang, 2005)

**Figure 1.7** Importance-Performance Analysis Grid



Quadrant I (Concentrate Here): Attributes are perceived to be very important to the customer, but the performance levels are fairly low. This suggests that improvement effort should be concentrated here if the attributes fall in this area to achieve customer satisfaction.

Quadrant II (Keep up the Good Work): Attributes are perceived to be very important to customers, and at the same time the service providers have high level of performance. If the attribute are plotted in this area the organization is operating and performing well and continue to keep up the good work.

Quadrant III (Low Priority): Attributes plotted in this area are rated as having low importance and low performance to the customer. Although performance level is low, it should not be overly bothered since the attributes are not perceived to be very important. So, limited resources should be expanded on this low priority area.

Quadrant IV (Possible Overkill): Attributes here are of low importance to the customer but the performance is relatively high. If the attribute are plotted in this area the respondents are satisfied with the performance of the organization, but the organization should consider present efforts on the attributes of this area as being unnecessary or superfluous.

Having mentioned the advantages and user friendly of the IPA model the application of IPA has also important marketing and management implications for decision makers, and one of the major benefits of using IPA is the identification of areas for service quality improvement (Hudson et al., 2004). IPA is a useful managerial tool that can be applied in identifying areas to which marketing resources should be allocated in order to improve and enhance the quality of tourist guide services provided (Zhang & Chow, 2004).

### **1.2.7 Concept of Information and Communication Technology (ICT) for Tourism Industry in Bhutan**

The evident fact of globalization is underpinned by innovation, information and enterprise, which is largely supported and driven by the development and use of ICT. The use of technology plays a very crucial role in tourism communication and marketing. The development of ICT along with the rapid changes in network technologies has created a number of opportunities for tourism enterprises (Kozak & Andreu, 2006). Moreover, it has been understood that the internet is no longer simply a channel in communication and marketing, but rather a market itself. Without the use of ICT, it is increasingly difficult to take the advantage of the great opportunities as well as to reduce the threats of globalization but often there is notion and fear of being caught on the wrong side of being separated from the global markets, disconnected from the knowledge and ideas, or alternatively of being flooded by waves of global culture undermining one's own identity.

For Bhutan ICT is relatively a recent phenomenon and since its introduction it has been guided by the ICT vision set by the RGoB which states; "With people at the centre of development, Bhutan will harness the benefits of ICT, both as an enabler and as an industry, to realize the Millennium Development Goals and towards enhancing Gross National Happiness."

(A White Paper, 2003). ICT has great potential to support Bhutan overcome its geographic challenges. Being a landlocked country the traditional geographic barriers that confront Bhutan and a dispersed population separated by the high mountain passes can be lessened by the application of ICT. Additionally, ICT can be used to create business, employments, capture international markets, preserve and promote the unique national identity and cultural heritage. It can also support good governance and improve the operations of private organizations through increasing integrity, efficiency, accountability and transparency. In its entirety, ICT can help create a knowledge-based society (RGoB, 2004).

The private sector which plays an important role in generating employment and in the economic developments of the country has been identified by the government as a key priority for Bhutan. ICT can help in increasing productivity and create high-value jobs in the private sectors. At the moment the private sector in Bhutan are still at the infant stage, therefore factors such as a small local market, limited infrastructure and lack of ICT professionals have combined to its limited growth. Currently there are 45 firms dealing with IT business such as software, hardware, networking solutions etc and additionally 19 IT training institutes in operation (MoIC, 2007). The RGoB acknowledged the importance and the benefit of the ICT and has recognized the need for a three pronged strategy to develop the ICT sector and the electronic media. The three strategies are firstly the drafting of policy, legislation, and regulations, secondly establishing adequate infrastructure and finally perhaps the most important is the increasing the knowledge on ICT.

#### **1.2.7.1 Benefits of ICT to Travel Agents**

In every enterprise, small or big, the use of internet can contribute to the marketing of products and services and increase the effectiveness of the organization (Liikanen, 1999). The application of the ICT on the tourism industry, has an enormous positive impact on the whole operation such as accounting, planning and administration, ease in communication internally and externally more quickly, cheaply and accurately among the employees, with the customers, government organizations and the other related tourism stakeholders. ICT particularly to the travel agents who organizes the all inclusive tour arrangements offers opportunities to

improve internal efficiency, agencies effectiveness, and computerize the interactions with the tourists abroad beyond the use of emails by providing online transactions, and ultimately extends its value chain and the distribution channel. The knowledge and information about businesses and clients are often not shared to a great extent in small enterprises such as travel agencies (Vickery et al., 2004). According to Miller Falcke (2002), information is one of the most important factors for a competitive advantage of a business. Through the use of ICT, the information is shared and can be managed at a low cost. The low information costs itself can increase the contribution of ICT to the tourism sector in the following ways:

- 1) With lower information cost, more information is being able to be transmitted which makes the quality of existent information higher and valuable.
- 2) Communication and exchanging information is done faster which reduces uncertainty within the organization.
- 3) Decision-making can be improved.
- 4) New business opportunities and possibilities of changing the competitive position of the companies are able to arise.

Apart from the low information cost, almost all the travel companies cut their telephone and fax cost by using internet and marketing cost by launching websites. It was mainly e-mail that was perceived as the main benefit gained by using ICT, as the communication and transaction was made faster, easier and more convenient (Badnjevic and Padukova, 2006). Most commonly mentioned impacts of usage of ICT are getting more work done, saving time on specific task, and thereby improving quality and productivity. There are also other important impacts such as meeting the needs and demands of the customers and the business partners through e-commerce. It is hard for a business organization to compete on the market if it is not using e-commerce or ICT because the exchange of information is not made clearly and easily with its partners and customers (Trepper, 2000). Another benefit of using e-commerce and Internet is the geographical advantage which can help companies to expand more quickly. Additionally, the use of ICT also improved the query process between its partners and customers saving lots of time. Some of the other views stated by the travel agencies claimed that ICT cut the cost of manpower and having a website is an advantage since it allowed the customers to have

access to large amount of information anytime of the day and can know more about the background of the company.

There are other numerous ICT applications that tourism businesses will need and have benefited most is the communication through websites and emails with customers and suppliers. Apart from this, there are other promising areas such as front office management package for hotels, tour management and pricing software for tour operators and travel agents, order taking software for restaurant, customer relationship management package and online visa procedures.

### **1.2.7.2 Problems and Challenges of ICT**

With the development of ICT the increasing number of travel shoppers undertake their entire tourism product search and booking by going online (Garces, Gorgemans, Sanchez, & Perez, 2004). ICT application is a very good opportunity for the development of the tourism sector and something that they would not be able to operate their business without but there are hinders to an effective ICT application in a single business as well as for the whole sectors. In order to promote the application of the ICT, participation of all the sectors such as the government authorities, tourism business, ICT service providers, and other stakeholders themselves have to take certain recommended steps to increase the awareness of ICT benefits. The problems recognized were generally the technical and security issues. The main risks seen were viruses, “fake” messages and various spams despite the use of programs such as Norton Antivirus. Other problems with ICT were hacking and copying of information from the websites. The Internet connectivity was also seen as a problem by some of the companies. Slow internet connection and insufficient band breadth were other obstacles for not adopting more ICT in Bhutan. The IT infrastructures in Bhutan is being expanded through satellite technology but as of 2005 are lacking the high speed connection at the various entry points and particular among the about 340 tour operators managing the tour for the visitors (Andersen & Henriksen, 2006). High costs for web hosting and also credit card payment were regarded as a problem since not many customers were willing to leave their credit card numbers. Some travel agency also saw a problem where a customer book through e-mail and later cancel the query or does not make payment.



The digital divide is very real for Bhutan which started its development process decades after the rest of the world. The official literacy rate is 54 percent while computer literacy is far less. Bhutan's internet users represent about 0.73% of the population with less than 10,000 computers in the country. The digital divide is an internal problem, directly related to a number of existing trends, for example, the rural-urban divide, literate-illiterate divide, rich-poor divide, the old-young, and gender divide (Pek, 2003). Currently Bhutan has a fairly small pool of highly skilled ICT technicians apart from a few managers with skills and knowledge in development and project management. The travel agents in general lack sufficient technical skills as well as managerial skills to initiate innovative growth in ICT businesses. Particularly in context to Bhutan, the major challenges in exploiting the benefits of ICT are the high rigid mountain, the difficult terrain, limited private sectors activities and the dispersed population. The other challenges faced by all the sector is the rapidly advancement in the technology. New technology trends make it difficult for the business sectors to keep up the pace.

The possible problems have to be resolved for an effective and efficient ICT application and provide certain incentives to private sectors. The government should also provide platform such as trade fairs and central website for users and travel businesses to meet, and to share their views. This might also include a portal for tour operators the most linked stakeholders of the value chain to share information and resources (Nhan, 2006).

### **1.2.7.3 Future Plans and Prospects for ICT**

Bhutan is putting in place a regulatory environment to encourage the use and development of ICT. Bhutan is building its institutional capacity to regulate and support ICT activity through Ministry of Information and Communication (MoIC), Department of Information and Technology (DIT) and Bhutan Communication Authorities (BCA), and the establishment of ICT units in Ministries to assist them and harness the potential of ICT. Recognizing the impact and its importance, the ICT equipment is already exempted from import duty and ICT companies have been accorded a tax holiday (MoIC, 2007). ICT have an immense positive impact over negative impact on virtually all aspects of our lives and particularly for tourism industry, the Royal Government of Bhutan owns this vision and declares a strong commitment to developing

and implementing a national ICT strategy and action plan, based on the ICT vision and secure the participation and commitment of all stakeholders.

According to MoIC (2007) the following plans and programs are envisaged for the ICT sector for Bhutan:

- Establishing about three IT parks in other regions to support the activities of the Government and promote ICT businesses in other parts of the country
- Taking broad band to the village level deploying innovative and cost effective solutions.
- Institutional strengthening of the regulatory body, based on the principles of accountability, transparency and consistency of decision-making processes, and more focused on ex post regulatory measures.
- Building a more secure and redundant back bone and spur networks suitable for achieving ubiquity of ICT access across all parts of Bhutan.
- Establishment of ICT Hardware Plant.

The strategy and action plan shall build on all current ICT activities, identify linkages between development approaches, as well as identify new areas of intervention which will have an enormous benefit to Bhutan (A White Paper, 2003).

Despite Bhutan's late entrance and small size in the application of ICT in the tourism industry the benefit has been felt with the increase in the number of tourist's arrivals due to improvement in the efficiency of communication skills and promotion. Since tourism has great benefits to the economy of the country, the role and responsibility of travel agents with its different approach for tourism development had become increasingly very necessary and important to the government and tourists particularly traveling to Bhutan. Therefore, the researcher came up with this study to provide an understanding to the international tourists and its partners on the role and responsibilities of the Bhutanese travel agents in regard to the tourism policy of Bhutan, the tariff systems which is often misunderstood by the tourists and also on the current competitive working environment. Moreover, the challenges encountered by the travel agents while offering high quality of services which need to be identified and addressed in order to fulfill the role of travel agents.

### **1.3 Aim and Objectives**

#### **Aim**

The aim of this study is to provide an in depth information on the function, their challenges and the future prospects of the travel agencies in Bhutan. However this study has excluded the Indian tourist visiting Bhutan since they do not fall under the government regulation of daily tariff and also their procedure of travel and behavior is different from the international tourist. Therefore this study focuses only on the international tourist to Bhutan.

#### **Objectives**

1. To provide better understanding of the current working situation of the travel agents in Bhutan to both domestic and international markets.
2. To understand the major challenges affecting the role of travel agents in Bhutan.
3. To propose guidelines for future development of travel agents in Bhutan and the opportunities presented to them.

### **1.4 Significance of the Study**

Currently there is very little information available on this topic therefore the main purpose of the study is to provide a better understanding on the function of the present situation of travel agents in Bhutan and its prospects. Further, to identify the possible bottlenecks and challenges faced by the travel agents in providing their quality services to the tourist and keeping inline with the “high value, low volume” policy of the government. This study can be used not only for academic purposes but also for practical implementation because the finding of this study can be used by both the domestics and foreign travel agents in better understanding the tourism industry and their future prospects. It will also further enhance the knowledge and contribute to the development of strategies and planning to overcome the challenges with the change in globalization and quality improvement in Bhutan.

## **1.5 Scope of the Study**

### **1.5.1 Area of Research**

Due to time constraints and lack of data this study is focused on specific elements: the existing and current situation of the travel agents, their future prospects in Bhutan and to propose recommendations in order to address the challenges faced by the travel agents in providing their quality services to the tourists visiting Bhutan.

### **1.5.2 Scope of Geography**

The distribution of questionnaires for the tourists was carried out at Paro, where the international airport is located. Qualitative interview was conducted with the travel agents that are located in Thimphu, the capital city of Bhutan.

### **1.5.3 Scope of Time**

The interview and distribution of questionnaire with the travels agents and also distribution of questionnaire to the international tourists were conducted in beginning of December 2007 to beginning of January 2008 for a period of one month.

## **1.6 Limitations of the Study**

- Due to the collection of the data in December which falls on low season and also due to the very cold climate very few tourists visited Bhutan. With the help of civil aviation and the Department of Tourism the author has managed 250 respondents to fill out the questionnaire. This low number of tourist will lead to insignificant results if not computed with care and proper understanding.

- Literature on the concept and theories of travel agents in Bhutan and other related information was very limited. The only source of information is the Department of Tourism.

## **CHAPTER 2**

### **METHODOLOGY**

The purpose of this research is to provide an understanding of the functioning of travel agencies, their roles and responsibilities and challenges faced in order to provide quality services to the tourists. This chapter describes the methodology used for collecting the data in order to accomplish these objectives of the study. Both qualitative and quantitative methods were used as the research methodology. Structured questionnaires for tourists were used to evaluate importance and performance of the service attributes provided by the travel agents. Semi-structured interview were used to study the current working situation and challenges faced in fulfilling the role of travel agency. Secondary data was obtained from books, journals, articles, websites and related document on tourism from the DoT.

#### **2.1 Population, Sample Size and Sampling Method**

##### **2.1.1 Population**

With careful understanding of the situation of tourism in Bhutan three main groups have been identified for this study.

1. International (non Indian) tourists to Bhutan ( 17,344 tourists in 2006)

This study has excluded the Indian tourists visiting Bhutan since they do not fall under the government regulation of the daily tariff (USD 220 per day) and also their procedure of travel and behavior is different from the other international tourists. Therefore this study focuses only on the international non-Indian tourists to Bhutan.

2. The travel agents functioning in Bhutan (281 travel agents in 2006) and
3. The Association of Bhutanese Tour Operators (ABTO)

## 2.1.2 Sample Size and Sampling Method

### 2.1.2.1 Tourists

The sample size of the study was based on the Yamane (1967) formula for the international tourist population size. According to the statistical data received from the DoT a total of 17,344 tourists visited Bhutan in 2006.

**Table 2.1** Annual Tourist Arrivals by Nationality 2000-2006

SL.#	Nationality	2000	2001	2002	2003	2004	2005	2006
1	USA	2,754	2,149	1,913	1,806	3,243	4,681	5,018
2	UK	595	681	519	605	954	1,464	1,950
3	Japanese	875	1,038	892	952	1,087	1,556	1,815
4	German	662	414	346	496	671	1,042	1,074
5	Australian	179	138	214	165	315	458	774
6	French	399	287	192	288	434	532	708
7	Thai	92	36	46	66	30	96	776
8	Italian	156	192	177	331	462	529	648
9	Canadian	194	197	166	121	257	296	375
10	Chinese	10	27	25	19	78	234	364
11	Dutch	359	180	197	179	163	329	389
12	Spanish	141	73	68	77	198	185	281
13	Austrian	131	128	92	152	223	319	484
14	Swiss	137	170	164	177	173	363	427
15	Belgian	95	76	22	104	124	134	220
16	Singaporean	31	15	8	20	16	149	180

	Subtotal	6,810	5,801	5,041	5,558	8,428	12,367	15,483
	Others	749	592	558	703	821	1,259	1,861
	<b>Total Arrival</b>	<b>7,559</b>	<b>6,393</b>	<b>5,599</b>	<b>6,261</b>	<b>9,249</b>	<b>13,626</b>	<b>17,344</b>

**Source:** DoT (2005)

Based on the figure of the tourist arrivals the sample size was determined as follows:

$$n = N / (1 + Ne^2)$$

Where: n = Sample size

e = the level of precision, and

N = Population size

Then the population sample size is:  $n = 17,344 / (1 + 17,344 \times 0.05^2)$

**n = 390.98**

From the formula 390 sample size has to be collected for the tourist population. The questionnaires were distributed to the tourists leaving Bhutan at the International Airport in Paro after their trip to Bhutan based on a convenience sampling method.

#### **2.1.2.2 Travel Agents**

The data received from the DoT office indicated that there were 281 travel agents in Thimphu registered with the office as of 2006. The researcher has used the purposive sampling method to select the interviewees from the list of travel agents from which 30 travel agents were identified for the interview.

**Table 2.2** Proportion of Interviewee's Selection

<b>Population</b>	<b>Tourist Arrivals</b>	<b>Interviewees</b>
Big travel agents (with hotels, many vehicles at depot, employees including guides more than 30)	1050 - 3200	3 (from 7)
Medium travel agents (with many vehicles, employees including guide more than 15 people)	250 - 1049	5 (from 20)



Medium travel agents (with few vehicles, employees between 5-10 with freelance guide)	50-249	10 (from 41)
Small travel agents (small office and without vehicles , employees less than 5)	0-49	12 (from 213)
	<b>Total</b>	<b>30</b>

The criteria in choosing the travel agents for the interview were based on the number of tourists who came through the travel agent and also on the availability of the other tourism resources such as hotels, vehicles, number of employees etc as shown in Table 2.2.

### **2.1.2.3 Association of Bhutanese Tour Operators**

Similarly a convenience method was used for conducting a semi structured qualitative personal interview with the General Secretary of the ABTO which is based in Thimphu.

## **2.2 Research Instruments**

In this research, questionnaires and semi structured interviews were designed accordingly for the three different populations.

### **2.2.1 Interview with the Proprietors and Managers of the Travel Agents**

The interview was designed by using an open ended question to provide an opportunity for the respondents to give their own perspective on the following questions containing their aims and objectives, obstacles in general and particularly to the functioning of travel agency, products and services development, marketing strategies, pricing policy and the impact of ICT in their businesses.

### **2.2.2 Interview with the General Secretary of ABTO**

Similarly, open ended questionnaire was designed for an interview with the ABTO on their roles and responsibilities, major trends affecting the tourism development, issues

raised by the travel agencies and also on measures to offset seasonality problem and future prospects.

### **2.2.3 Questionnaires for the Tourists**

A well structured questionnaire was designed with the following topics on a) Personnel demographic characteristics, b) Tourist behaviors, c) Importance and performance rating and finally d) Recommendations.

## **2.3 Data Collection**

### **2.3.1 Secondary Data**

The data and the annual statistical report of DoT, Ministry of Trade and Industry provide updated information on the rules and regulations of the Tourism of Bhutan along with annual international tourist arrival. Other related documents and information on the tourism of Bhutan in general, eco-tourism, travel agents etc available with the department were used. Information on travel agents and tour operations published in the books and journals were the main external source of information. Moreover, some data were also used from the information provided by the ABTO.

### **2.3.2 Primary Data**

Since the travel agents are relatively small, there is hardly any specific information and data available on the travel agents in Bhutan apart from the data provided by the DoT. A field survey was conducted to gather necessary primary data for the research. The survey was carried out at the end of November 2007 until December 2007 for a period of one month.

Both quantitative and qualitative methods were used in order to obtain maximum information and to avoid bias in the sample collection. A well structured questionnaire was distributed to the tourist at the only international airport in Bhutan (Paro) when the tourists depart

for their home country. Convenience and purposive sampling method was used for the primary data collection.

Travel agents are all located in Thimphu, the capital city of Bhutan. Interviews with semi-structured questionnaire were conducted. To further enrich the source of information, an exclusive interview was also conducted with the General Secretary of ABTO.

## **2.4 Data Analysis**

The data gathered from the questionnaires were entered into the SPSS computer software program version 15.0. The SPSS was used to compute the data and to generate graphs and tables. Descriptive frequencies, compare means and statistical t-test were used to calculate the frequency counts, percentage distributions, mean and standard deviations. To analyze the means of several groups one way ANOVA was used. Interpretation is analyzed at 95% confidence level with 5% level of significance.

Importance and performance analysis (IPA grid) was used to analyze the perception of the tourists on the quality of attributes provided by the travel agents. The IPA combines measures of a service attributes importance to the respondents and the level of performance by the travel agents into a two dimensional grid in an attempt to ease data interpretation and derive practical suggestions. The scale to measure the importance and performance were measured by likert scale and were divided in 5 levels by  $(5-1)/5=0.80$  as follows:

1.00 -1.80: Not at all important / very poor

1.81 - 2.60: Somewhat unimportant / poor

2.61 - 3.40: Neutral / fair

3.41 - 4.20: Somewhat important / good

4.21 - 5.00: Very important / very good

Finally, content coding and analysis was used for analyzing the interviews conducted with the travel agents and the ABTO.

## CHAPTER 3

### RESULTS

This chapter discusses the results obtained from the quantitative and qualitative data collected. The quantitative analysis first illustrates the results of the demographic profile, tourist behaviors, booking procedures and the attraction of the destination by descriptive statistics. Secondly, the results of products and services satisfaction provided by the travel agent in Bhutan in comparison to the importance and performance were shown by similar t-tests and chi square tests.

Moreover, the analysis of the qualitative data obtained from face to face interview with the travel agents will be presented by classified data and conclusion.

#### 3.1 Demographic Characteristics of Tourists

According to the Taro Yamane (1967) formula, the sample size to be collected was 400 respondents. The targeted number of tourist respondents has not been achieved due to the fact that the collection of data falls on the low season and very limited number of tourists visited Bhutan. However, the researcher managed to obtain 250 completed questionnaires from the tourists.

The result of the survey showed that the majority of the tourists were female (57.6%) comparing to male (42.4 %) who visited the country, out of which 58.8 % of them were married, 34.4 % were single and only 6.8 % divorced/widowed.

With regard to the age groups, 24.8 % of the tourists were between 45-55 years and 22.4 % were between ages 55-65 years. This figure depicts that maximum tourist visiting Bhutan falls over 45 with 54% having annual household earnings more than USD 75,001.

In terms of education level, the sample tourists had an education level of the following: Masters Degree (33.6%), Bachelor's Degree (34.0%), Diploma (9.6%), Secondary education or lower (4.8%), and others (18 %).

For occupation, the professionals accounted at 40.4% followed by 17.6% self employed with least 2% as unemployed.

**Table 3.1** Demographic Profile of the Tourists

<b>Characteristics</b>	<b>Frequency</b>	<b>Percent ( % )</b>
<b>Gender :</b>		
Male	106	42.4
Female	144	57.6
<b>Total</b>	<b>250</b>	<b>100.0</b>
<b>Age :</b>		
16-25 yrs.	17	6.8
26-35 yrs.	51	20.5
36-45 yrs.	38	15.3
46-55 yrs.	62	24.9
56-65 yrs.	56	22.5
Over 65 yrs.	25	10.0
<b>Total</b>	<b>249</b>	<b>100.0</b>
<b>Marital Status :</b>		
Single	86	34.4
Married/Living with partner	147	58.8
Divorced/Widowed	17	6.8
<b>Total</b>	<b>250</b>	<b>100.0</b>
<b>Education :</b>		
Secondary education or lower	12	4.8
Diploma	24	9.6
Bachelor Degree	85	34.0
Masters Degree	84	33.6
Other	45	18.0
<b>Total</b>	<b>250</b>	<b>100.0</b>
<b>Annual Household Income :</b>		
10,000 USD or less	15	6.1
10,001-25,000 USD	24	9.8

25,001-50,000 USD	34	13.8
50,001-75,000 USD	38	15.5
75,001-100,000 USD	53	21.5
Over 100,000 USD	82	33.3

**Table 3.1** (Continued)

<b>Characteristics</b>	<b>Frequency</b>	<b>Percent ( % )</b>
<b>Total</b>	<b>246</b>	<b>100.0</b>
<b>Occupation :</b>		
Professional (lawyer, doctor, etc)	101	40.4
Self employed	44	17.6
Unemployed	5	2.0
Government employee	26	10.4
Retired	30	12.0
Others	44	17.6
<b>Total</b>	<b>250</b>	<b>100.0</b>
<b>Region of Origin :</b>		
American	110	44.0
European	65	26.0
Asian	62	24.8
Oceania	9	3.6
African	3	1.2
Middle East	1	0.4
<b>Total</b>	<b>250</b>	<b>100.0</b>

American still leads the market share for Bhutan with 44.0% followed by increasing European market (26.0%) which took over the 2<sup>nd</sup> place from Asian (24.8%) since 2006. Other market segments are Australasia (3.6%), African (1.2%) and Middle East (0.4%).

### 3.2 Tourist Behavior of the Respondents

The purpose of this question is to examine the travel pattern and the tourist's behavior visiting Bhutan as indicated in Table 3.2. The majority of the tourists visit Bhutan mostly with family/relatives (32.8%) or in a group/tour package (32.4%) mainly for holiday/pleasure purpose (76.8%), official (6.4%), visiting relatives/ friends (5.2 %), business (4%), meeting / seminar (4%), and others (3.6%) out of which 89.2% were first time visitor to Bhutan while only 10.8% are repeater guests. The survey found that 40.2% of the visitor came to know about Bhutan through their friends and relatives and similarly 40.2 % by others (books, magazines, school, TV etc). Only 11.6% and 8.0% came to know Bhutan through internet and foreign travel agent respectively. It is important to note that only 10.8% are repeater tourist while 89.2% are first time visitor to Bhutan.

**Table 3.2** Travel Pattern and Tourists Behavior

<b>Tourist Behavior</b>	<b>Frequency</b>	<b>Percent (%)</b>
<b>Who are you traveling with on this visit to Bhutan?</b>		
Alone	37	14.8
Friends	50	20.0
Family/relative(s)	82	32.8
Group (tour package)	81	32.4
<b>Total</b>	<b>250</b>	<b>100.0</b>
<b>Purpose of visit :</b>		
Holiday/pleasure	192	76.8
Business	10	4.0
Visiting friend/relative(s)	13	5.2
Official	16	6.4
Meeting/seminar	10	4.0
Other	9	3.6
<b>Total</b>	<b>250</b>	<b>100.0</b>
<b>How did you first come to know about Bhutan?</b>		

Foreign Travel Agency	20	8.0
Internet	29	11.6
Friends/relative(s)	100	40.2
Others (books, magazine, school, TV, etc)	100	40.2
<b>Total</b>	<b>249</b>	<b>100.0</b>
<b>Is this your first trip to Bhutan?</b>		
Yes	223	89.2
No	27	10.8
<b>Total</b>	<b>250</b>	<b>100.0</b>

### 3.3 Booking Procedure of the Tourists

**Table 3.3** Booking Behavior

<b>Booking Procedure</b>	<b>Frequency</b>	<b>Percent (%)</b>
<b>How did you book your trip to Bhutan?</b>		
Foreign Travel Agency	150	60.0
Directly through Bhutanese Travel Agency	100	40.0
<b>Total</b>	<b>250</b>	<b>100.0</b>
<b>What was your mode of booking channels?</b>		
Email	125	50.0
Telephone	46	18.4
Others	44	17.6
Online bookings	35	14.0
<b>Total</b>	<b>250</b>	<b>100.0</b>
<b>Reasons for booking through Foreign Travel Agents :</b>		
Familiar with their service	28	29.5
Convenience	23	24.2
Best price and easy	19	20.0
Part of the package tour	7	7.4



Good reputation and specialized in Bhutan	5	5.3
Through chain hotel connection(Aman Kora)	3	3.2
Recommended	3	3.2
Available information	2	2.1
National geography group	2	2.1
Don't know Bhutanese agencies	1	1.1
Good website	1	1.1
Just picked the new agent	1	1.1
<b>Total</b>	<b>95</b>	<b>100.0</b>
<b>Reasons for booking through Direct Bhutanese Travel</b>		
<b>Agents :</b>		
Recommendation	19	31.6
Easy and cheaper	14	23.3
Familiar with the service	10	16.7

Table 3.3 (Continued)

<b>Booking Procedure</b>	<b>Frequency</b>	<b>Percent (%)</b>
Wanted to deal with the direct source	5	8.3
Convenience	4	6.7
From the Internet	3	5.0
Official	2	3.3
First contact	1	1.7
Good correspondence	1	1.7
Through travel guide	1	1.7
<b>Total</b>	<b>60</b>	<b>100.0</b>
<b>In addition to Bhutan, are you visiting any</b>		
<b>Neighboring countries?</b>		
Yes ( Nepal, Thailand, Cambodia, Vietnam, Singapore and Japan etc.)	153	61.2
No	97	38.8
<b>Total</b>	<b>250</b>	<b>100.0</b>

From the 250 tourists, it showed that visitors book their trip mostly through foreign travel agents (60%) for the following reasons; familiar with the travel agency marked the highest (29.5%), convenience (24.2%), best price and easy (20.0%), and part of the package arrangement (7.4%). However, 40% made their travel arrangements directly through Bhutanese travel agent due to recommendations (31.6%), easy and cheaper (23.3%) and familiar with the agents (16.7%). The booking procedures are mostly done by email (50%), followed by telephone (18.4%) and others such as personally visiting the travel agents (17.6%). Online booking (14.0%) was rated the least by the respondents as the mode of channel in the booking procedure.

61.2 % of the respondents are traveling to Bhutan in conjunction with other neighboring countries such as India, Nepal, Thailand, Cambodia, Vietnam, Singapore and Japan and 38.8% visitor come only for Bhutan as a sole destination. The existing average duration of stay in Bhutan is 11.59 days and the average preferred duration of the guest is 12.39 days.

### 3.4 Tourist Attractions

The result from the Table 3.4 indicates that the major attractions for tourists to visit Bhutan are: 40.4% tourists said that Culture and Tradition alone was the main attraction for their visit while 24.8% said Culture, Tradition and Natural resources, 13.6% said Culture, Tradition and Trekking options and 10.4 % respondents mentioned all three above. This attraction has been clarified by the respondent's arrangement of their tour to Bhutan where 53.6% of the tourists came exclusively on Culture tour, 30.8% came for Culture and Trekking and 15.2% came for other tours and only 0.4% came for Trekking alone.

**Table 3.4** Tourist Attractions

Attractions	Frequency	Percent (%)
<b>Which of the attractions of Bhutan interest you in your Travel Destination?</b>		
Culture & Tradition	101	40.4

Culture, Tradition & Natural Resources	62	24.8
Culture, Tradition & Trekking Options	34	13.6
All three	26	10.4
Natural Resources	14	5.6
Others (Business, Expatriate, family visit)	10	4.0
Trekking Options	2	0.8
Natural Resources & Trekking Options	1	0.4
<b>Total</b>	<b>250</b>	<b>100.0</b>
<b>What kind of tours package did you arrange?</b>		
Culture	134	53.6
Both	77	30.8
Others (Business, Expatriate, family visit)	38	15.2
Trekking	1	0.4
<b>Total</b>	<b>250</b>	<b>100.0</b>
<b>What kind of other Potential activities in Bhutan?</b>		
Hikes and moderate trekking	31	23.3
Farm House visit	20	15.0

Table 3.4 (Continued)

<b>Attractions</b>	<b>Frequency</b>	<b>Percent (%)</b>
Meditation Retreat/ Spiritual Tour	13	9.8
White river rafting	9	6.8
Nature and culture	8	6.0
Bicycling tour	7	5.3
Festivals, attend schools	6	4.5
Bird watching, wild life	5	3.8
Medical Tour	5	3.8
Shopping	4	3.0
Archery	3	2.3
Eastern Bhutan tour	2	1.5
Eco-tourism	2	1.5

Helicopter Tour	2	1.5
Spa and stone bath	2	1.5
Night life and meeting people	2	1.5
Paragliding	2	1.5
Textile	2	1.5
Folkloric research, workshop for story telling	1	0.8
GNH conference	1	0.8
Handicrafts	1	0.8
Horseback riding	1	0.8
Mountaineering	1	0.8
Participating new year celebration	1	0.8
Participate in building projects	1	0.8
Fishing	1	0.8
<b>Total</b>	<b>133</b>	<b>100.0</b>
<b>Possibilities of visiting Bhutan in Future :</b>		
Not Sure	101	40.7
After one year	91	36.7
After 5 years	54	21.8
Never come again	2	0.8
<b>Total</b>	<b>248</b>	<b>100.0</b>

The survey also indicated that there is high potential for other activities such as Hikes and moderate trekking (12.4%), Farm House stay (8.0%), meditation retreat and spiritual tour (5.2%), white river rafting (3.6%) and many other activities shown in the table 3.4.

With regard to the intention to return to Bhutan, (40.7%) respondent mentioned “not sure”, (21.8%) mentioned “after 5 years”, (36.7%) indicated “after one year” and only (0.8%) said “never come again”.

Tourists were asked to list on the keywords that they might use to describe Bhutan. Among those cited the majorities were; “Unique” (13.1%), “Beautiful” (13.1 %), “Peaceful” (9.7%), “Unspoilt” (8.0%), “Exceptional” (7.4%), “Wonderful” (6.3%), “Fascinating” (6.3%) and many others indicated in the Table 3.5 below.

**Table 3.5** Keywords used by the Tourists for Bhutan

<b>Keywords</b>	<b>Frequency</b>	<b>Percent (%)</b>
<b>Keyword for Bhutan used by the respondents :</b>		
Unique	23	13.1
Beautiful	23	13.1
Peaceful	17	9.7
Unspoilt	14	8.0
Exceptional	13	7.4
Wonderful	11	6.3
Fascinating	11	6.3
Friendly	9	5.1
Spectacular	8	4.6
Authentic	7	4.0
Cultural	7	4.0
Enchanting	7	4.0
Heaven on Earth	5	2.9
Magical	5	2.9
Mystical	5	2.9
Exotic	5	2.9
Expensive	5	2.9
<b>Total</b>	<b>175</b>	<b>100.0</b>

### **3.5 Importance and Performance of the Product and Service Attributes Provided by the Travel Agents**

In this section an overall statistical importance of the service attributes and performance of the travel agents are shown. Firstly, it will focus on an overall importance of the service quality provided by the travel agencies to the respondents. Secondly, it will elaborate on the overall performance of the travel agencies and finally an IPA grid analysis will be depicted in

order to provide an insight into tourist evaluations on critical issues which permits the manager of the travel agencies to grasp the relative success of tour features.

The scale to measure the importance and performance mean was divided in 5 levels by  $(5-1)/5=0.80$  as follows:

1.00 - 1.80: Not at all important / very poor

1.81 - 2.60: Somewhat unimportant / poor

2.61 - 3.40: Neutral / fair

3.41 - 4.20: Somewhat important / good

4.21 - 5.00: Very important / very good

### 3.5.1 Mean Ranking for the Importance of Service Attributes Provided by the Travel Agents

Table 3.6 clearly depicts the mean of importance level for service attributes provided by the travel agencies in Bhutan. The importance of the attributes has been listed according to their ranks of importance of service attributes answered by the tourists. 14 attributes has been listed out of which guide's attitude & responsiveness has been rated the most important, followed by transportation, cleanliness/sanitation, safety and security and the hotel facilities are among the top five attributes that respondents marked as the most important attributes. Brochures, and television and trade fair were the least important (neutral) for the respondents.

The result draws the attention of tourism stakeholders particularly the travel agencies to understand the need and importance of the tourists to particular service attributes and to provide and fulfill the wishes of the tourists and to provide the quality services to their customers.

**Table 3.6** Guest Level of Importance Ranking by Mean

Factor	Mean	SD	Level of Importance
Guides attitude & responsiveness.	4.61	.700	Very Important

Transportation	4.52	.654	Very Important
Cleanliness/Sanitation	4.50	.713	Very Important
Safety and security	4.49	.794	Very Important
Hotel facilities	4.46	.677	Very Important
Other employees (Driver & staffs)	4.45	.729	Very Important
Tour management	4.44	.791	Very Important
Quality of food	4.33	.731	Very Important
Efficiency in correspondence	4.23	.831	Very Important
Overall tour packages	4.21	.913	Very Important
Value for money	4.11	.874	Somewhat Important
Website	3.51	1.047	Somewhat Important
Brochures	3.21	1.059	Neutral
Television/Trade fairs	2.78	1.211	Neutral

**Note:** Importance scale: 5 = very important, 4 = somewhat important, 3 = Neutral, 2 = somewhat unimportant, 1 = Not at all important

### 3.5.1.1 Importance Level of Service Attributes Provided by the Travel Agents Categorized by the Nationality

Table 3.7 indicates significance difference between the nationalities of tourists on the importance level of the service attributes provided by the travel agents in Bhutan. One way ANOVA test was performed to determine whether there is statistically significant difference between the importances of service attributes provided by the travel agencies on the nationality of the respondents. Interpretation of the results was done at 5% level of significance; where the value of  $p \leq 0.05$  was considered significant and  $p \leq 0.01$  was considered as being highly significant. The results showed that, American's rated the highest importance for guide attitude & responsiveness, other employees (driver & staffs), and tour management while European and Asian rated the lowest at a highly statistically significant difference level ( $p \leq .01$ ). For television/trade fairs the Asian rated the highest and American rated the lowest at a highly statistically significant difference level ( $p \leq .01$ ). With regard to the hotel facilities European

rated the highest and Oceania rated the lowest at a statistically significant difference level ( $p \leq 0.05$ ).

**Table 3.7** Importance Level of Service Attributes by Region of Origin

Factor	American	European	Asian	Oceania	F-stats	p-value
Guides attitude & responsiveness.	4.82	4.40	4.44	4.56	6.783	.000**
Transportation	4.50	4.62	4.50	4.11	1.688	.170
Cleanliness/ Sanitation	4.50	4.60	4.37	4.44	1.104	.348
Safety and security	4.57	4.45	4.37	4.56	0.920	.432
Hotel facilities	4.48	4.54	4.44	3.78	3.547	.015*
Other employees	4.61	4.23	4.37	4.56	4.253	.006**
Tour management	4.61	4.42	4.16	4.44	4.300	.006**
Quality of food	4.32	4.43	4.19	4.33	1.111	.345
Efficiency in correspondence	4.32	4.16	4.17	4.00	0.900	.442
Overall tour packages	4.33	4.23	4.00	3.88	2.093	.102
Value for money	4.05	4.25	4.05	4.11	0.827	.480
Website	3.40	3.55	3.62	3.56	0.634	.594
Brochures	3.09	3.11	3.42	3.67	1.939	.124
Television/ Trade fairs	2.48	2.81	3.28	3.22	6.571	.000**

**Note:** One-Way ANOVA tests were performed to check for statistically significant differences between importances of service attributes provided by the travel agents on the nationality.

\* Indicates statistically significant differences at  $p \leq 0.05$

\*\* Indicates statistically significant differences at  $p \leq 0.01$

### 3.5.1.2 Importance Level of Service Attributes and the Age of the Tourists



**Table 3.8** Importance Level of Service Attributes by Age Categories

Attribute	16-25 Mean	26-35 Mean	36-45 Mean	46-55 Mean	56-65 Mean	over65 Mean	F-stats	p-value
Guides attitude & responsiveness	4.65	4.47	4.53	4.52	4.80	4.79	1.962	.085
Transportation	4.29	4.35	4.68	4.63	4.55	4.48	1.977	.083
Cleanliness/ Sanitation	4.35	4.18	4.74	4.61	4.48	4.60	3.680	.003**
Safety and security	4.06	4.28	4.71	4.56	4.52	4.60	2.583	.027*
Hotel facilities	4.35	4.37	4.55	4.53	4.39	4.56	0.752	.585
Other employees (Driver & staffs)	4.29	4.25	4.34	4.46	4.63	4.72	2.453	.034*
Tour management	4.35	4.25	4.42	4.40	4.58	4.68	1.453	.206
Quality of food	4.24	4.22	4.34	4.37	4.36	4.40	0.409	.842
Efficiency in correspondence	4.29	4.10	4.29	4.25	4.33	4.13	0.532	.752
Overall tour packages	4.24	4.16	4.17	4.18	4.30	4.29	0.186	.968
Value for money	4.00	4.06	4.16	4.11	4.07	4.29	0.331	.894
Website	3.81	3.44	3.63	3.73	3.35	3.08	2.038	.074
Brochures	3.56	3.04	3.08	3.34	3.15	3.38	1.069	.378
Television/ Trade fairs	3.53	2.59	2.97	2.90	2.53	2.61	2.472	.033*

**Note:** One-Way ANOVA tests were performed to check for statistically significant differences between importance of service attributes provided by the travel agents and age categories.

\* Indicates statistically significant differences at  $p \leq 0.05$

\*\* Indicates statistically significant differences at  $p \leq 0.01$

Table 3.8 showed that the importance of cleanliness/sanitation was rated the highest importance by the age group of 36-45 years while the age groups of 26-35 years old rated the lowest at a highly statistically significant difference level ( $p \leq .01$ ). For the safety & security, the age group of 36-45 years rated the highest while the age groups of 16-25 years rated the lowest at a statistically significant difference level ( $p \leq .05$ ). The age group over 65 years rated the highest importance for other employees (drive & staff) and the age group of 26-35 years rated the lowest at a statistically significant level ( $p \leq .05$ ). For age group of 16-25 rated the highest importance for the television/ trade fair while the age group of 56-65 years rated the lowest at a statistically significant level ( $p \leq .05$ ).

### 3.5.2 Mean Ranking for the Performance of the Services Provided by the Travel Agents

**Table 3.9** Travel Agents Performance Ranking by Mean

Factor	Mean	SD	Level of Performance
Safety and security	4.33	.853	Very Good
Other employees (Driver & staffs)	4.30	.878	Very Good
Guides attitude & responsiveness	4.23	.980	Very Good
Tour management	4.11	.961	Good
Transportation	4.01	.986	Good
Overall tour packages	3.92	.927	Good
Efficiency in correspondence	3.92	.970	Good
Hotel facilities	3.68	.978	Good
Quality of food	3.59	.974	Good

Cleanliness/Sanitation	3.56	1.008	Good
Value for money	3.49	1.076	Good
Website	3.14	1.058	Fair
Television/Trade fairs	2.99	.893	Fair
Brochures	2.98	1.026	Fair

**Note:** Performance scale: 5 = Very good, 4 = Good, 3 = Fair, 2 = Poor, 1 = Very poor

Based on the Table 3.6 and 3.9 it's clear from the mean that most of the attributes for the importance falls in somewhat important and very important except for the brochures and television/trade fair which falls in neutral category. Similarly looking at the mean of the performance of the travel agents it also falls within very good and good. However, few attributes like websites, television/trade fairs and brochures falls in the category of fair performance.

### 3.5.2.1 Performance Level of Service Attributes Provided by the Travel Agents Categorized by the Nationality

**Table 3.10** Performance Level of Service Attributes Provided by Region of Origin

Factor	American	European	Asian	Oceania	F-stats	p-value
Safety and security	4.63	4.23	3.89	4.22	11.614	.000**
Other employees (Driver & staffs)	4.71	4.02	3.87	4.13	18.201	.000**
Guides attitude & responsiveness	4.64	3.95	3.74	4.13	15.369	.000**
Tour management	4.53	3.80	3.66	4.13	16.077	.000**
Transportation	4.38	3.85	3.48	4.13	13.421	.000**
Overall tour packages	4.34	3.62	3.42	4.00	19.035	.000**
Efficiency in Correspondence	4.31	3.58	3.55	4.00	12.259	.000**
Hotel facilities	3.91	3.52	3.42	3.89	4.366	.005**

Quality of food	3.77	3.51	3.26	4.00	4.531	.004**
Cleanliness/Sanitation	3.83	3.51	3.16	3.50	6.114	.001**
Value for money	3.84	3.29	2.95	4.00	11.751	.000**
Website	3.45	2.92	2.82	3.57	5.295	.002**
Television/Trade fairs	3.16	2.86	2.83	4.00	4.924	.003**
Brochures	3.30	2.72	2.71	3.57	5.885	.001**

**Note:** One-Way ANOVA tests were performed to check for statistically significant differences between performances of travel agents on the nationality.

\*\* Indicates statistically significant differences at  $p \leq 0.01$

### 3.5.2.2 Performance Level of Service Attributes among Different Age Categories of the Respondents

**Table 3.11** Performance Level of Service Attributes by Age Categories

Attribute	16-25 Mean	26-35 Mean	36-45 Mean	46-55 Mean	56-65 Mean	Over65 Mean	F-stats	p-value
Safety and security	4.41	4.31	4.08	4.21	4.46	4.68	2.099	.066
Other employees (Driver & staffs)	4.18	4.29	3.95	4.19	4.49	4.80	3.786	.003**
Guides attitude & responsiveness	4.24	4.10	3.89	4.10	4.43	4.84	3.881	.002**
Tour management	4.00	3.96	3.65	4.10	4.35	4.64	4.481	.001**
Transportation	3.94	3.84	3.78	3.85	4.30	4.52	3.506	.004**

Overall tour packages	3.76	3.86	3.59	3.79	4.16	4.50	4.198	.001**
Efficiency in correspondence	4.12	3.86	3.65	3.82	4.09	4.33	1.928	.091
Hotel facilities	3.76	3.78	3.55	3.44	3.75	4.12	2.159	.059
Quality of food	4.00	3.53	3.53	3.37	3.66	4.00	2.316	.044*
Cleanliness/ Sanitation	3.75	3.53	3.21	3.32	3.78	4.24	4.916	.000**
Value for money	3.82	3.18	3.21	3.42	3.67	4.16	4.269	.001**
Website	3.69	2.73	3.10	3.18	3.08	4.00	4.448	.001**
Television / Trade fairs	3.59	2.76	2.77	3.10	2.88	3.17	2.720	.022*
Brochures	3.44	2.67	2.79	2.96	3.05	3.63	3.090	.011*

**Note:** One-Way ANOVA tests were performed to check for statistically significant differences between performances by the travel agents in relation to the age categories.

\* Indicates statistically significant differences at  $p \leq 0.05$

\*\* Indicates statistically significant differences at  $p \leq 0.01$

One way ANOVA test was applied in Table 3.10 to determine the significance relationship between the nationality and the performance on the 14 service attributes of the travel agent. The result showed that American's rated the highest performance for safety & security, other employees (drive & staff), guides attitude & responsiveness, tour management, transportation, overall tour packages, efficiency in correspondence, hotel facilities and cleanliness/sanitation while the Asian's rated the lowest on all the attributes at a highly statistically significant difference level ( $p \leq .01$ ). For the quality of food, value for money, website, television/trade fairs and brochures were rated the highest by the Oceania and lowest by the Asians at a highly significant difference level ( $p \leq 0.01$ ).

Similarly, one way ANOVA test was applied in Table 3.11 to determine the significance difference between the age group and the performance of the travel agents. The result showed that age groups of over 65 years old rated the highest performance for other employees (drive & staff), guides attitude & responsiveness, tour management, transportation, overall tour packages and cleanliness/sanitation and the age group of 36-45 years rated the lowest at a highly statistically significant difference level ( $p \leq .01$ ). Likewise, value for money and website was also rated highest performance by the over 60 year's age group while age group of 26-35 rated the lowest at a highly significant level ( $p \leq 0.01$ ) and for brochures at significant level ( $p \leq .05$ ). Age group over 60 and 16-25 years rated quality of food as highest and 46-55 years old rated the lowest at significant level ( $p \leq 0.05$ ). For television/trade fairs, age group 16-25 years rated the highest and 26-35 years old rated the lowest at a significant level ( $p \leq 0.05$ ).

### 3.5.3 The Importance-Performance Gap

Importance-Performance Gap analysis is applied to identify service attributes necessitating improvement. The gap is the difference between the performance of the travel agents and the importance level of the tourists on the service attributes.

Table 3.12 demonstrates that the overall performance value of the travel agencies are below the Importance values in 13 of the total 14 total attributes. This means that there was a negative gap in the 13 attributes. Tourists were unsatisfied with hotel facilities, transportation, quality of food, overall tour package, value for money, cleanliness/sanitation, safety and security, website, brochures, guide responsiveness and attitude, other employee (driver and staff), efficiency and tour management. Surprisingly they were satisfied with the television/trade fair since it was the least expected by the tourist. Paired simple t-test was performed to determine the statistical significant difference in means between importance and performance values.

**Table 3.12** Overall Differences between Tourists Importance and Performance of the Travel Agents

Attributes	Importance (Mean)	Performance (Mean)	P-I	t	p-value	Satisfaction Level
Guides attitude & responsiveness	4.61	4.23	-0.38	6.566	.000**	Unsatisfied
Transportation	4.52	4.01	-0.51	7.263	.000**	Unsatisfied
Cleanliness/ Sanitation	4.50	3.56	-0.94	12.325	.000**	Unsatisfied
Safety & security	4.49	4.33	-0.16	2.324	.021*	Unsatisfied
Hotel facilities	4.46	3.68	-0.78	11.042	.000**	Unsatisfied
Other employees	4.45	4.30	-0.15	2.750	.006**	Unsatisfied
Tour management	4.44	4.11	-0.33	5.434	.000**	Unsatisfied
Quality of food	4.33	3.59	-0.74	9.314	.000**	Unsatisfied
Efficiency in correspondence	4.23	3.92	-0.31	4.674	.000**	Unsatisfied
Over all tour packages	4.21	3.92	-0.29	3.962	.000**	Unsatisfied
Value for money	4.11	3.49	-0.62	7.521	.000**	Unsatisfied
Website	3.51	3.14	-0.37	5.306	.000**	Unsatisfied
Brochures	3.21	2.98	-0.23	3.594	.000**	Unsatisfied
Television/ Trade fairs	2.78	2.99	0.21	0.795	.428	Satisfied

**Note:** Paired-Samples t-tests were performed to check for statistically significant differences between Importance and Performance.

\* Indicates statistically significant differences at  $p \leq 0.05$

\*\* Indicates statistically significant differences at  $p \leq 0.01$

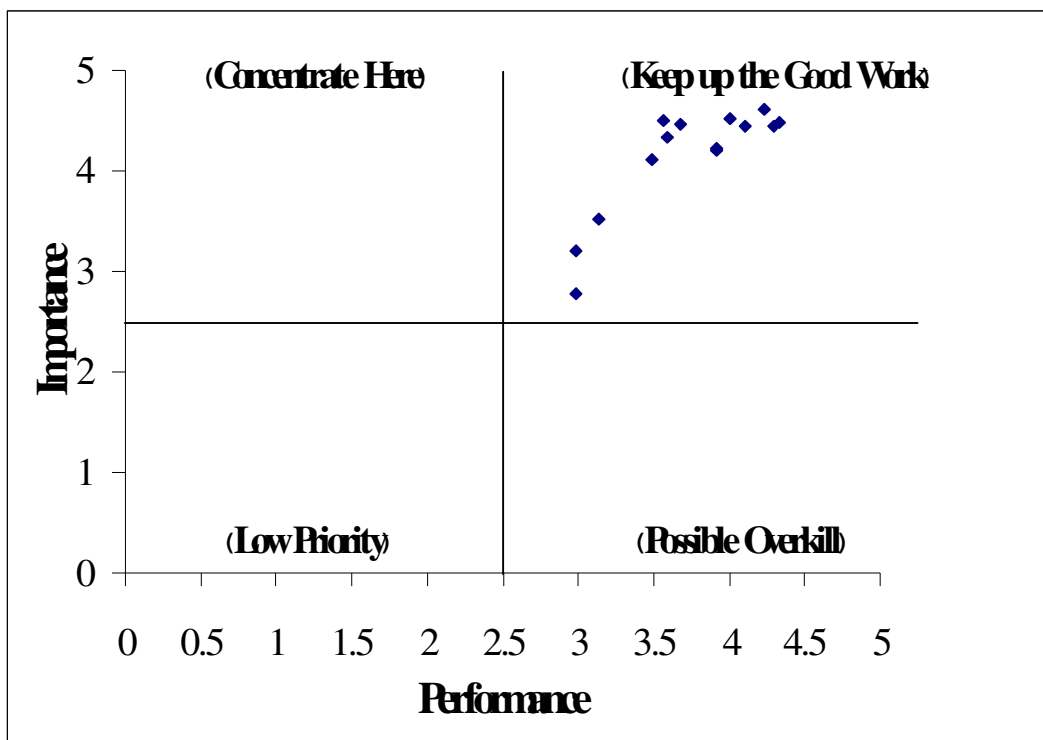
Interpretation of the results was done at 5% level of significance; where the value  $p \leq 0.05$  was considered as being significant and  $p \leq 0.01$  was considered as being highly significant. The gap results showed that hotel facilities, transportation, quality of food, overall tour package, value for money, cleanliness/sanitation, website, brochures, guide responsiveness

and attitude, other employee (driver and staff), efficiency in correspondence and tour management were at the highest significant level of  $p \leq 0.01$ . Safety and security showed a significance level of  $p \leq 0.05$ . Only one attribute television/trade fair showed no significance level of  $p = .428$ .

### 3.6 The Importance-Performance Analysis

The importance-performance analysis (IPA) technique developed by Martilla and James (1977) is used to compare the importance of service quality attributes and the performance of the travel agents in Bhutan to construct evaluation maps for identifying the priorities of those services attributes requiring attention and improvement.

**Figure 3.1** IPA Grid

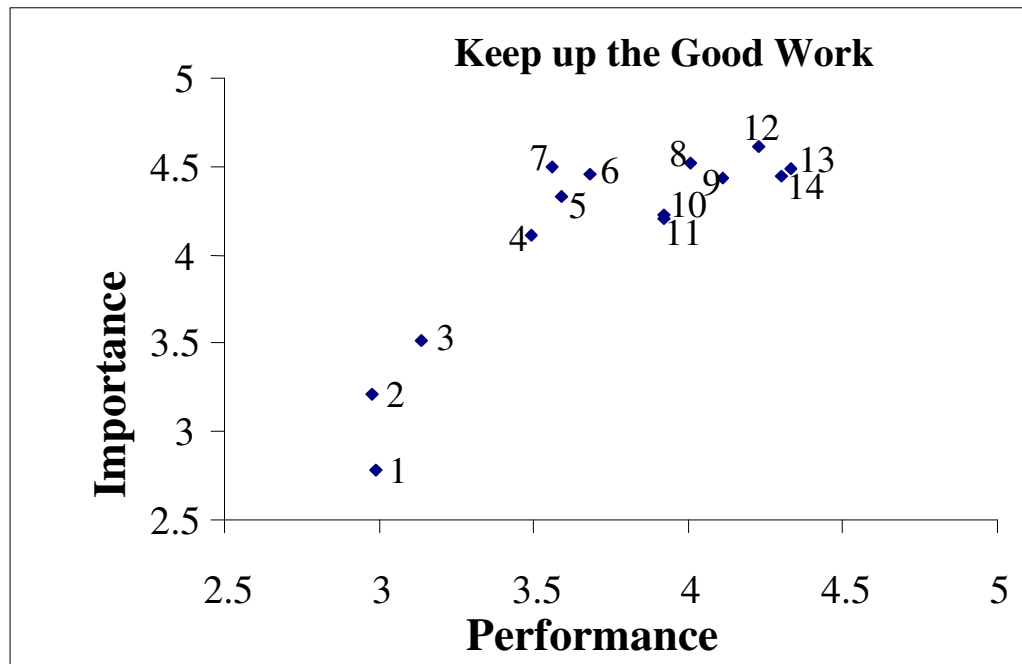


The IPA model consists of 4 quadrants which includes Concentrate Here, Keep up the Good Work, Low Priority, and Possible Overkill. The interpretation of the IPA grid is simple and straightforward as four different suggestions are made based on analysis described under the



following quadrants. In Figure 3.1 the importance and performance rating of the service attributes were plotted graphically on the IPA grid. The X-axis represented their performance scores of the service attributes, while the Y-axis represented the importance score.

**Figure 3.2** Magnified Analysis of the IPA Grid



**Note:** The abbreviations of the attributes are as follows;

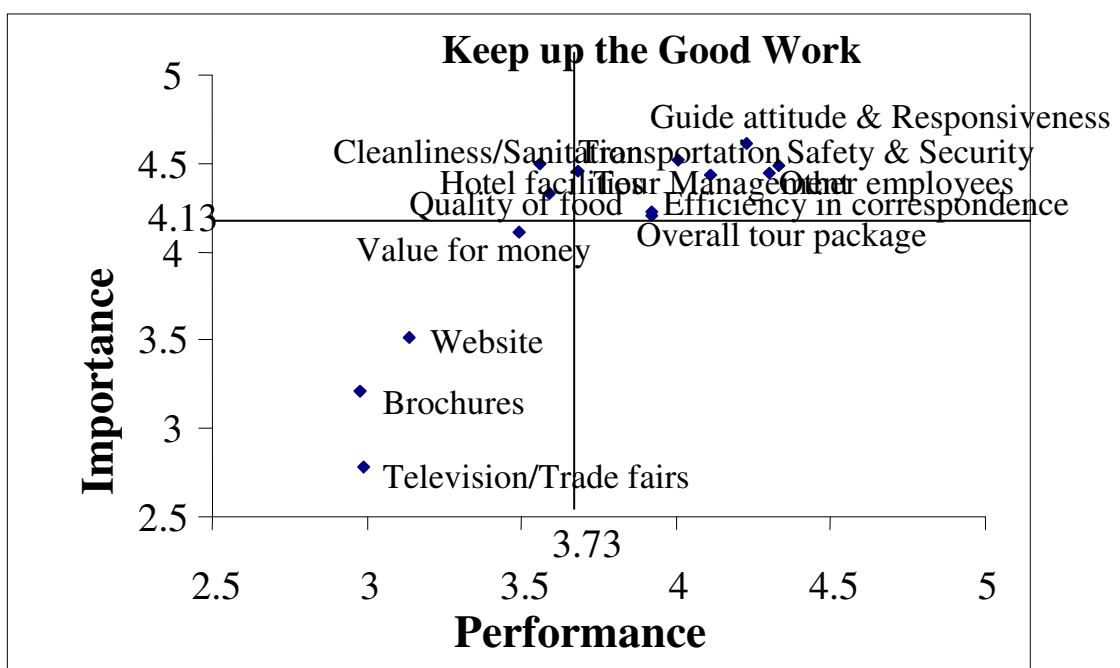
- |                           |                                      |
|---------------------------|--------------------------------------|
| 1. Television/trade fair  | 8. Transportation                    |
| 2. Brochures              | 9. Tour management                   |
| 3. Websites               | 10. Efficiency in correspondence     |
| 4. Value for money        | 11. Overall tour package             |
| 5. Quality of food        | 12. Guide attitude & responsiveness  |
| 6. Hotel facilities       | 13. Safety & security                |
| 7. Cleanliness/sanitation | 14. Other employees (driver & staff) |

The result of the IPA grid shows that all the 14 service quality attributes were captured in this “Keep Up the Good Work” Quadrant. All the attributes were rated above average for both importance and performance. These results convey the message that in general, travel

agents have performed well in the above respects however, since all the mean score ratings of performance were lower than those of the importance ratings, the implication is that the tourists were unsatisfied with the guide attitude & responsiveness, transportation, cleanliness/sanitation, safety & security, hotel facilities, other employees (driver & staff), tour management, quality of food, efficiency in correspondence, overall tour package, value for money, website and brochure except television/trade fair which is satisfied.

In order to further understand and identify the priorities of the service attributes which requires improvement and attentions Figure 3.3 has been designed. All though the service attributes of the travel agents are captured in the Quadrant “Keep up the Good Work” the tourists reflected unsatisfactory with all the service attributes.

**Figure 3.3** IPA Grid using Grand Mean



**Note:** Grand Mean (Performance = 3.73 & Importance = 4.13)

Figure 3.3 which is divided by the grand mean showed that travel agents need to reconsider and pay more attention to achieve the satisfaction level of the tourists. “Cleanliness/Sanitation”, “Hotel facilities” and “Quality of food” falls in the Concentrate Here quadrant, the service attributes have highly expectations by the tourists, but the actual service

qualities are seen as below average. This implies that improvement efforts should be concentrated here by the travel agents and the other tourism stakeholders in order to achieve the maximum satisfaction of the tourist.

On the other hand “Value for money”, “Website”, “Brochures” and “Television/Trade fairs” was located in the Low Priority quadrant which has low expectations from the tourists and also low performance from the travel agents. Limited resources should be expanded on the attributes belonging to this quadrant because the tourist’s gives less importance and have low expectations compared to other attributes.

Rest of the attributes “Guide attitude & responsiveness”, “Safety & security”, “Transportation”, “Tour management”, “and Other employees”, “Efficiency in correspondence” and “Overall tour management” all fall in the Keep Up the Good Work quadrant were both importance and performance are rated above. The result indicates that travel agents had performed relatively well but since the mean score ratings of the performance were below the importance level effort should be made to maintain and improve the services.

### 3.7 Tourist Overall Satisfaction Level with the Travel Agents in Relation with Tourist’s Characteristics

#### 3.7.1 Guest Satisfaction Level of the Overall Arrangement of the Tour Packages in Relation to the Gender

**Table 3.13** Guest Overall Satisfaction Level Categorized by the Gender

Gender	How satisfied are you with the overall arrangement of the tour package?						Total		
	Very Satisfied		Satisfied		Dissatisfied				
	Freq.	%	Freq.	%	Freq.	%	Mean	Freq.	%
Male	57	53.8	47	44.3	2	1.9	1.48	106	42.6
Female	85	59.4	57	39.9	1	0.7	1.43	143	57.4
<b>Total</b>	<b>142</b>	<b>57.0</b>	<b>104</b>	<b>41.8</b>	<b>3</b>	<b>1.2</b>	<b>1.44</b>	<b>249</b>	<b>100</b>

**Note:** Pearson Chi-square tests indicated Chi-square value of 1.348, with statistically insignificant differences ( $p=0.510$ ) between genders

The Chi-square test was used to illustrate whether there is any sort of relation between the over all satisfaction of the tour package and the gender of the respondents. Table 3.13 shows that in general 57% of the respondents are very satisfied with the overall tour package arrangement followed by 41.8% who are satisfied, while only 1.2% showed their dissatisfaction. Mean level of male is (1.48) which is slightly higher than female (1.43). However, the result also indicates an insignificant difference between the gender and the overall satisfaction level of the tour package arrangement level at  $p=0.510$  with the Chi-square value at 1.348.

### 3.7.2 Guest Satisfaction Level of the Overall Arrangement of the Tour Packages by the Travel Agents in Relation to the Ages

When respondents were asked on the over all satisfaction of the arrangement of the tour programs conducted by the travel agents, 57.3% of the respondent were very satisfied followed by 41.5% indicating satisfied. Only 1.2% showed dissatisfaction with the overall tour package arrangement.

**Table 3.14** Guest Overall Satisfaction Level Categorized by the Age

Age	How satisfied are you with the overall arrangement of the tour package?						Total		
	Very satisfied		Satisfied		Dissatisfied				
	Freq.	%	Freq.	%	Freq.	%	Mean	Freq.	%
16-25 yrs.	9	52.9	8	47.1	51	0.0	1.47	17	6.8
26-35 yrs.	25	49.0	26	51.0	38	0.0	1.51	51	20.6
36-45 yrs.	15	39.5	21	55.2	2	5.3	1.66	38	15.3
46-55 yrs.	33	53.2	28	45.2	1	1.6	1.48	62	25.0
56-65 yrs.	40	71.4	16	28.6	0	0.0	1.29	56	22.6
over65 yrs.	20	83.3	4	16.7	0	0.0	1.17	24	9.7
<b>Total</b>	<b>142</b>	<b>57.3</b>	<b>103</b>	<b>41.5</b>	<b>3</b>	<b>1.2</b>	<b>1.44</b>	<b>248</b>	<b>100</b>

**Note:** Pearson Chi-square tests indicated Chi-square value of 23.765, with statistically significant differences at  $p=0.008$

The Chi-square test was applied to find out as to whether there is any sort of relation between the overall satisfaction of the tour package and the age of the tourists. Age group of 36-45 years showed a high mean level (1.66) comparing to the other age group with the lowest mean level at (1.17) by over 60 years age group. The output tells us the Chi-square value at 23.765. The significance level ( $p=0.008$ ) also indicates that there is a very high significant difference between the age and the satisfaction level of the over all tour package arrangement. The over all age differences shows that they are either very satisfied or satisfied with the performance of the tour conducted by the travel agencies in Bhutan.

### 3.7.3 Guest Satisfaction Level of the Overall Arrangement of the Tour Packages in Relation to the Booking Procedure

Table 3.15 shows that majority of the respondents (60.2%) who traveled to Bhutan through foreign travel agents abroad indicated 59.3% of high satisfaction level with the overall tour package arrangements and 38.7% satisfied with 2.0% dissatisfied. Similarly, 39.8% respondents who booked directly through Bhutanese travel agency indicated 53.5% of high satisfaction level and 46.5% are just satisfied. Statistical significance difference is  $p=0.202$  which indicates that there is high insignificant difference between overall satisfaction arrangement of the tour packages and the booking procedure made through foreign travel agent and through Bhutanese travel agency.

**Table 3.15** Guest Overall Satisfaction Level Categorized by the Booking Procedure

How did you book your trip to Bhutan?	How satisfied are you with the overall arrangement of the tour package?						Total		
	Very Satisfied		Satisfied		Dissatisfied				
	Freq.	%	Freq.	%	Freq.	%	Mean	Freq.	%
Foreign Travel Agent	89	59.3	58	38.7	3	2.0	1.43	150	60.2
Bhutanese	53	53.5	46	46.5	0	0.0	1.46	99	39.8

Travel Agent									
<b>Total</b>	<b>142</b>	<b>57.0</b>	<b>104</b>	<b>41.8</b>	<b>3</b>	<b>1.2</b>	<b>1.44</b>	<b>249</b>	<b>100</b>

**Note:** Pearson Chi-square tests indicated Chi-square value of 3.200, with statistically insignificant differences ( $p=0.202$ ) between booking procedure

### 3.7.4 Guest Satisfaction Level of the Overall Arrangement of the Tour Packages in Relation to Their Visit

**Table 3.16** Guest Overall Satisfaction Level Categorized by the Respondents Visit

Is this your first trip to Bhutan?	How satisfied are you with the overall arrangement of the tour package?						Total		
	Very Satisfied		Satisfied		Dissatisfied				
	Freq.	%	Freq.	%	Freq.	%	Mean	Freq.	%
Yes	135	60.8	85	38.3	2	0.9	1.40	222	89.2
No	7	25.9	19	70.4	1	3.7	1.78	27	10.8
<b>Total</b>	<b>142</b>	<b>57.0</b>	<b>104</b>	<b>41.8</b>	<b>3</b>	<b>1.2</b>	<b>1.44</b>	<b>249</b>	<b>100</b>

**Note:** Pearson Chi-square tests indicated Chi-square value of 12.639, with statistically significant differences at  $p=0.002$

Table 3.16 indicates that 89.2% of the respondents were first time visitor to Bhutan and only 10.8% of the respondents were repeater guest. The “No” category has rated the mean level high (1.78) comparing to “Yes” category (1.48). The result  $p=0.002$  shows that there is a very high significant difference between the first time visitor and the repeater visitor to Bhutan in relation to the overall satisfaction of the tour package arrangement by the travel agencies. Majority of the respondents who are first time visitor (60.8%) to Bhutan says that they were very satisfied while only few were dissatisfied or just satisfied. But majority of the repeater guest were just satisfied with the overall satisfaction of the tour package arrangement with few very satisfied and dissatisfied.

### 3.8 The Best Attractions of Bhutan Experienced by the Tourists

Majority of the respondent indicated “Hospitality of People” as the most attractiveness of Bhutan followed by the unique culture and tradition, beautiful scenery and its untouched and preserved natural resources, fascinating art and architecture which includes the monasteries, temples, Stupas, traditional houses and Dzongs( fortresses).

Some more like peaceful, festivals, climate, food, religion, Gross National Happiness, lush valley are often mentioned which has impressed the visitors to Bhutan.

### 3.9 Suggestions and Recommendations from the Tourists

#### 3.9.1 What Travel Agents Need to do to Satisfy the Need of the Tourists?

The following lists were some of the suggestions which were mentioned by the tourists for the travel agents in order to satisfy their needs while visiting Bhutan.

**Table 3.17** Suggestions Mentioned by the Tourists for the Travel Agents

Suggestion for Travel Agents	Frequency	Percent (%)
<b>What travel agency need to do to satisfy:</b>		
- Provide clean hotel with good hotel facilities (including good heating system for winter)	45	28.9
- Improve quality and varieties of gastronomy.	27	17.3
- Arrange more insight into Bhutanese daily life	20	12.8
- Improve efficiency in the correspondence.	16	10.3
- Information should be provided on the trekking trails, terrains, maps, delays etc.	12	7.7
- Add more cultural and religious ceremony programs on the itinerary	12	7.7
- Develop and train guides on providing quality services and enhancement of knowledge.	11	7.1
- Provide more free time and should offer choices in order to meet the needs and	9	5.7

preferences of the guest.		
- Cheaper packages and with more options	4	2.5
<b>Total</b>	<b>156</b>	<b>100.0</b>

### 3.9.2 Other Recommendations

In general, tourists who visited Bhutan were satisfied. However, the tourists have commented and gave some general recommendations to further improve and develop the tourism industry in Bhutan as follows:

**Table 3.18** Recommendations Mentioned by the Tourists for Tourism Development

<b>Respondents recommendations</b>	<b>Frequency</b>	<b>Percent (%)</b>
Develop good highways for better communication and transportation.	47	19.0
Improve hotel facilities (standards of hotel, good heating system, and other amenities )	32	13.0
Improve cleanliness and sanitation.	29	11.7
Maintain the same policy of limited number of tourists.	28	11.3
Environmental concern and waste management	23	9.3
More quality restaurants with varieties of cuisines.	22	8.9
Construct restroom facilities on the highways	17	6.9



and at public places.		
Start neuter program for dogs (Reduce dogs)	13	5.26
Develop training for professionals guides on various field.	9	3.6
Develop tourism infrastructure	9	3.6
Increase the daily tariff rate.	6	2.4
Affordable tours packages and discount for repeater guest.	5	2.0
Create more traditional souvenir items.	4	1.6
Develop and encourage use of ATM and credit facilities for enhancement of business.	3	1.2
<b>Total</b>	<b>247</b>	<b>100.0</b>

### 3.10 Interviews Result Conducted with the Managers or Owners of the Travel Agents

This qualitative interview was conducted with general managers and the proprietors of the travel agents in Bhutan. The interview was conducted for approximately thirty minutes based on the research objectives. The results of the interviews are as follows:

#### **Q.1 Give some keywords how you as a travel agent view Bhutan as a tourist destination?**

The often used keywords by travel agents in promoting Bhutan as a tourist destination are “Unique culture and tradition”, “Untouched and Unspoiled destination”, “Last Shangri-la”, “Exotic destination”, “Beautiful”, “Destination of a life time”, “Exclusive”, “Mystical” and “Peaceful”.

#### **Q.2 What are your goals and objectives?**

Out of 30 travel Agents who have been interviewed, income generation and becoming the number one travel agent in Bhutan has been the foremost common goal among the travel agents. To achieve the goal various objectives have been set, such as increasing the number

of tourists, offering the best quality of services, developing tourism related products, create and generate employment, abide by and respect the country's tourism policy.

### **Q.3 What is the Bhutan's Unique Selling point?**

The following opinions are mentioned by various travel agents on the USP of Bhutan such as "The unique tourism policy", "Unique pricing policy", "Unique Culture and Tradition", "Pristine Nature and environment", "Landscape", "Gross National Happiness concept" and it's "People".

### **Q.4 What hampers overall tourism development in Bhutan and also specify if any to your Travel Agent?**

The most noted and obstacle mentioned for the development of tourism in Bhutan by the travel agents are as follows:

- The lack of flexibility of government policy with regard to the changes in the need and demand of tourism.
- Accessibility is one of the main factors affecting tourism growth in Bhutan. There are only two gateways to enter Bhutan, one by air and the other one by overland through India. Due to the high demand for air tickets during high season, the only national carrier Druk air is not being able to cater the increasing number of tourist arrivals with its limited seating capacity.
- Lack of both public and private initiative in human resource development in the tourism related field and also lack of professionalism in the operation of the travel agency business.
- Lack of tourism infrastructure such as quality of hotels and accommodations which needed to be upgraded in terms of sanitary facilities, standards and gastronomy, road and transport, communication facilities, safety, medical, rescue and shopping facilities etc.
- Regional developments are not balanced leading to some areas being totally exposed to tourism while some remains really backward.

- Seasonality problem is also one issue in the overall development of tourism in the country since it discourages the private sector in taking up investment in the tourism industry.

And particular challenges faced by the travel agents individually are as follows:

- Undercutting, a practice that is rampant and unhealthy for the industry but which many tour operators has to do it, in order to stay in the business. For the government undercutting has no impact because it dutifully collects 40 percent of USD 200 a day peak season charge, as royalty but where it could impact is on the quality of services.
- Lack of motivations of the employee and professional guide training are other factors leading to the un-professionalism of the industry.
- Less variety and similar products (culture, trekking and adventure tours) are offered to the tourists by all the travel agents that lead to very high competition.

**Q.5 What according you are the main factors for the tourists in choosing Bhutan as a destination?**

All the travel agent promote Bhutan as country with a unique culture and tradition with abundance of natural resources, high mountains with beautiful landscape, friendly people and diverse flora and fauna as the main factors for the tourist in choosing Bhutan as their travel destination. Furthermore, the concept of Gross National Happiness, which has been envisioned by the fourth King and the tariff system of USD 220 per night has stimulated people to visit the hidden kingdom of Bhutan.

**Q.6 How are tour bookings made by the tourists with your travel agent?**

For the bigger and well established travel agents majority of the bookings are done through the overseas agent along with some tourist who book through email and also from

website online booking. The smaller travel agents who do not have the overseas agent totally depend on the website and correspond through email and facsimile.

**Q.7 What are the services and products currently sold to your clients? Any new products that you are planning to develop on your existing products?**

At the moment every travel agents provides the similar kind of products to any tourist visiting Bhutan. Very few travel agents specialized themselves in offering specialized adventure tours in order to differ them self from the rest. Currently the products offered to the markets are:

- Culture Tour
- Trekking
- Rafting and Kayaking
- Bicycling Tour
- Fly Fishing
- Textile Tour

Bhutan has strong need for new tourism product development which will allow to spread the income to the more rural, remote areas and to help alleviate the seasonality problem. Farm house stays and/or health tourism may represent viable new products. Travel agents are expecting Government to open up more areas presently restricted for tourism.

**Q.8 What are the Marketing Strategies and method in promoting of these products? Any problem faced in the promotion?**

Currently, marketing seems to be done solely by the travel agents. “Word of mouth” according to the travel agents seems to be the best strategy for marketing and also a main source of information among visitors to Bhutan. Smaller travel agents with limited resources to promote through trade fairs/travel marts focuses intensively on providing high quality of services while the guest are in Bhutan in order to achieve high guest satisfaction. This strategy helped most of the travel agents in marketing their company in a very efficient and cost effective way. Launching websites, advertisement in the travel magazines and websites, brochures, participating in Trade fairs are the other ways currently used as a marketing tool.

**Q.9 Do you experience seasonality as a disadvantage to Bhutan? How does it affect you and is Government taking any initiatives?**

All travel agents included in the interview confessed that to some extent it's a disadvantage and are often frustrated with the seasonality issues. During high season increase in the arrival of tourists beyond the carrying capacity leads to lots of problems. Firstly, unavailability of Druk air tickets, secondly lack of enough hotels resulting in offering low quality of hotels services to the tourists, thirdly transportation services, limited number of professional guides and other employees, quality of restaurants, foods being deteriorated and overburden on the natural, religion and historical sites. Contrast to the high season overhead and operational expenses are high during low season where by employees are laid off, very low hotel occupancy rate, under utilization of human resources and transportations.

The government has already taken up the initiative in offsetting seasonality by providing information on various festival organized throughout the year to attract tourists all round the year, uplifting the low seasons tariff system by addressing all 10 months as the high season and developing new products and trekking options to address the problem of seasonality and to increase duration of tourists stay.

**Q.10 What do you think of the existing tariff system of USD 200 per night in your opinion? Is it favorable within your context or need further amendments?** There has been a mixed response from different travel agents on the existing tariff system of USD 200 per night, which has never been revised since 1991. More than 60% of the travel agents who cater to 200 tourists or below a year are content with the existing rate which they feel provides a shelter from the well established competitors. Contrary, the bigger travel agents are requesting for a change in the tariff system in order to develop the tourism sector and to enhance the quality of tourism products to different markets.

But the recent change in the tariff system from USD 200 to USD 220 per night was initiated by the government in discussion with the travel agents to compensate the

devaluation of the USD and the rise in the operation cost of the tours (hotel rates, meal rates and transportations etc).

**Q.11 What kind of impact (good or bad) do you see from the usage of internet?**

Internet has been warmly welcomed by all the travel agents in Bhutan since it increased their efficiency of the correspondence with their overseas agency and also with their clients. Prior to internet in 1999, facsimile and telephone is the only fastest way to communicate with the clients abroad which proved to be very expensive and less efficient.

Therefore, internet at the moment with the existing tourism policy has a great impact to the travel agents and to the tourism industry in general.

**Q.12 How Supportive is the Government in facilitating and fulfilling the objectives of your goals? What further improvement and support the government needs to provide in order to promote Bhutan?**

Travel agents do agree that the government (DoT) has been facilitating and providing support in achieving their goal and objectives but still need adequate support in order to develop the tourism industry as a whole.

A few points and concern which have been noted from the travels agents where governments lacked support are:

- To open some of the restricted areas that is of great tourism potential products to attract tourists.
- Currently travel agents are solely doing the marketing for promoting Bhutan. Very less initiative is taken from the DoT in marketing Bhutan to the potential markets.
- DoT has a responsibility to work with the different ministries and agencies to plan the development of infrastructures (eg. quality hotels, toilet facilities on highways and develop opportunities for tourists to visit religious, cultural and natural heritages sites.)

- New product development for both repeater and potential guests by encouraging and motivating the travel agents to come up with different ideas and innovations.
- Opening of more gateways by road such as opening of Samdrup Jongkhar will facilitate the tour to eastern Bhutan which will benefit and balance the regional development.

### **3.11 Interviews Result Conducted with the General Secretary of the Association of Bhutanese Tour Operators**

This qualitative interview was conducted with General Secretary of Association of Bhutanese Tour Operators. ABTO was founded in 2000 to represent the interest of the travel agents, which played an important role in tourism development fund, in implementing and partly deciding actor. The results of the interviews are as follows:

#### **Q.1. What are the roles and responsibilities of ABTO?**

ABTO was formed in January 2000 to represent the interest of the travel agents.

Over the years the role of ABTO has been diversified as indicated below:

- to promote international understanding and develop goodwill relationship
- to take necessary steps to promote, encourage and assist in the development of the tourism industry in Bhutan
- to communicate and act as a liaison with the government departments, Bhutan Chamber of Commerce & Industry (BCCI), Druk Air Corporation (DAC), other mercantile and public bodies and various foreign and local associations and promote measures in the interest of travel trade
- to encourage and promote friendly feelings among the travel agents and hoteliers
- to protect the interest of the members of this association from malpractices of foreign tour operators
- to set up and maintain high ethical standards in the industry

- to undertake such welfare activities which the members cannot take up individually
- to obtain affiliation with similar organizations in other countries
- to promote equal opportunity for all visitors to enjoy the tourism & travel facilities without distinction of race, colour, creed or nationality
- to organize overseas promotional tours jointly with the Department of Tourism of Bhutan (DoT), Druk air corporation and other similar organizations
- to conduct aiding and assisting seminars, group discussions, course of studies & cultural meetings
- to institute awards for excellence in tourism related activities
- to assist students by way of scholarships to pursue higher education, study and research through DoT and international support
- to take the initiative and ensure that the problems affecting any of the services related to the tourism trade are sorted out through mediation by the association, failing which joint legal action to be taken for and on behalf of the members of the association for settling such problems
- to produce regular reports about the achievements of the members of the association and to do all such things as are incidental or conducive to the above objectives
- to print and publish information material for the benefit of its members.

**Q.2. How successful are you in achieving the goals of your Association?**

So far the organization has done very well in achieving its goal and objectives.

**Q.3. According to you what hampers major tourism development in Bhutan?**

The major problem that hampers tourism development is the accessibility to the country due to only one single airport and the entry/exit from the border town of Phuntsholing.



The problem mainly occurs during high season when the demand exceeds supply in terms of Durk air seats.

The other obstacles are the inefficient marketing strategies by both the travel agents and the DoT and seasonality issues.

**Q.4. How efficient are the Travel Agents in delivering the quality of service and management of the tour programs?**

With the increase in the number of travel agencies in the arena, competitions are on the rise. To sustain their business, very efficient and well organized services are delivered. The guides and cooks are provided training in the Hotel and Tourism Management Training Institute under the Department of Tourism. The tour programs are managed effectively and attractive by including some new products for the visitors.

**Q.5. What are the major problems and issues brought forward by the Travel Agents to the Association for discussion and suggestions?**

The main issues that are often discussed with ABTO are on

- The royalty and tariff amendments
- Hotel development in general and particularly in eastern part of Bhutan
- Opening of new geographic regions which has high potential
- Entry and exit from the border areas in the south of the country to reduce the accessibility problem.

**Q.6. Seasonality is a major issue for all the Travel Agents and tourism service providers in Bhutan. What measure and initiative have been taken by the ABTO to overcome this problem?**

Seasonality has been understood as a major obstacle for tourism development in Bhutan. In order to offset this problem, the ABTO has taken the initiative for the development of low season tourism products such as the community based Nabji Trail, the Royal Heritage trail and tour, the Textile tour and the Bhutan Folk festival.

**Q.7. How supportive is the government in facilitating and fulfilling the objectives of your Association?**

ABTO as a service provider renders the member travel agents with every support and assistance in undertaking welfare activities which the members cannot take up individually. Generally, it works towards the overall development of the tourism industry in a sustainable manner. Seeing that the tourism industry is a source of prospective national revenue and as a dynamic employment generating arena, the royal government has been very forthcoming and supportive to the activities carried out by the association.

**Q.8. According to your opinion, what can DoT do to further develop the roles and responsibilities of the Travel Agencies in Bhutan?**

With the recent activity of establishing the Tourism Council of Bhutan (TCB), the DoT will be reconstituted in accordance with the new structure of the board. So the TCB would be fundamentally responsible for the comprehensive tourism development in the country. However, to further develop the role and responsibilities of the travel agents DoT can provide the followings:

- effective regulation and timely monitoring can be carried out,
- relevant tourism guidelines and regulatory measures can be developed and implemented to ensure excellent services and products
- a one window service can be introduced to enable the travel agents easy access to information and to facilitate daily operational procedures
- private sector investment in the tourism industry can be further promoted and facilitated

**Q.9. What are the prospects of Travel Agencies in Bhutan?**

The prospects of travel agents are very good in Bhutan as long as it keeps up with the tourism policy of “high value, low impact”. The intact and vibrant culture, unique tradition, the aesthetic art of living and altruistic people, secure and healthy environment for visitors all add to provide a very positive future for tourism industry. Furthermore, Bhutan has been rated one of the ten global hot spots in the world and the 8<sup>th</sup> happiest country in the world.

## **CHAPTER 4**

### **SUMMARY**

This chapter draws up the final conclusions, discussions, and provides recommendations derived from the research findings and report limitations encountered in this research. The discussion was made based on the research results and the objectives of the study. The objectives are to provide a better understanding of the current working situation of the travel agents in Bhutan to both domestic and international markets and secondly, to understand the major challenges affecting the role of travel agents in Bhutan. The last objective is to propose guidelines for the future development of travel agents in Bhutan and their opportunities.

The researcher explains and summarized the study in the conclusion. In the discussion part to fulfill the first objective it provides the current working situation of the travel agencies and then it discusses on the challenges and the trend affecting the role of travel agents to achieve the second objective. Finally to realize the third objective the recommendations for future development of travel agents in Bhutan were proposed.

#### **4.1 Conclusion**

In general, majority of the tourists indicated that travel agents in Bhutan were performing well. Nevertheless, with the application of the IPA analysis it still showed that tourists were not very satisfied with the service attributes provided by the travel agents. Some suggestions and recommendations were mentioned such as providing good clean hotels, insight into Bhutanese daily life, religious activities, precise information on cultural and trekking, improving the gastronomy, quality of guide and efficiency in correspondence etc to satisfy and meet the needs of the tourists and further develop the tourism industry. The tourist's survey conducted at the international airport in Paro provides an understanding on the demographic profile, behavior of the tourists, their booking procedure, place of interest and attractions, and their importance on the service attributes provided and the performance level of the travel agents in Bhutan. The result of the survey indicated that majority of the visitors to Bhutan were mostly senior people from America, Britain and Asian with high level of income and educational background. Most of the

tourists were first time visitors to Bhutan and were traveling with a family or in a small group for holiday purpose (76.8%). Friends and Relatives were mentioned as the main source of information followed by others (school, books, magazine, journals, TV and also the philosophy of GNH by the Fourth king of Bhutan). The survey also indicated that 60% of the respondents booked their trip to Bhutan through the intermediation of foreign travel agency while 40% contacted directly to the local agents due to the fact that it has been recommended by friends and relative who visited Bhutan. Word of mouth has been a very successful marketing tool for the Bhutanese travel agents but having a very good relation and affiliation with a foreign travel agent would prove beneficial for the Bhutanese travel agents in attracting more international visitors.

To understand the roles and challenges faced in their daily operations, personal interviews were conducted with the managers and owners of the travel agents. The result showed that lack of flexibility of government policy, accessibility, lack of both public and private initiatives in human resource development, lack of professionalism, lack of tourism infrastructure and superstructures, imbalance in the regional development, seasonality problem, undercutting on price by the travel agents and limited varieties of products were hampering tourism industry as a whole and particularly the development of travel agents in achieving their objectives. Having a good relation with the foreign travel agents seems to be an effective strategy since most of the visitor's book their trip through the intermediation of a foreign travel agent while some visit Bhutan directly with the means of internet thorough recommendations by friends and relatives. "Word of mouth" was mentioned by all the travel agents as the most effective, less expensive and the best strategy for promotion, marketing, and also for disseminating information on Bhutan to its international market followed by launching a good website. However, the well established travel agents who have larger resources participate in trade fairs/travel marts abroad as their marketing tools to promote and market Bhutan. Travel agents feel that government should initiate and facilitate in developing new potential products. The enormous benefit of ICT has not only been felt by the travel agents but the tourism industry as a whole. Internet has replaced facsimile machine which was the main communication system, has greatly enhanced their communication skills with the tourists and its foreign travel agents. The government has been facilitating and providing support to the travel agents, but somehow the use of ICT in travel agents and in the

tourism industry is meek. Travel agents still need to be supported and motivated with proper guidance and training in human resource development in order to develop the tourism industry.

## **4.2 Discussions**

**4.2.1 Objective 1:** To provide better understanding of the current working situation of the travel agencies in Bhutan to both domestic and international markets

To better understand the working situations of the travel agencies three populations (tourists, travel agents & ABTO) were identified and surveyed. The results of the surveys were as follows:

### **4.2.1.1 Assessment from the Tourists Group**

The survey was conducted at the international airport in Paro with the 250 respondents who visited Bhutan in order to understand their demographic profile, behavior of the tourists, their booking procedure, place of interest and attractions, and their importance on the service attributes provided and the performance level of the travel agents in Bhutan. Further, the respondents were asked to give some feed backs and recommendations from their visit so that it can be incorporated in the suggestions and recommendations for further improvement of the performance of the travel agents and also for the tourism industry in Bhutan.

The result of the survey indicated that majority of the visitor to Bhutan were married females with age group above 45 years earning USD 75,001 and above. It's clear from the result that Bhutan at the moment caters mostly to senior group of tourists with high level of income having high educational background and profession. 44% of the respondents were from America followed by Britain (26%) and Asian (24.8%).

89.2 % of the respondents were first time visitors to Bhutan and were traveling mostly with a family or in a group for holiday purpose (76.8%). Friends and Relatives were mentioned as the main source of information followed by others (school, books, magazine, journals, TV and also the philosophy of GNH by the Fourth king of Bhutan).

From the survey, 60% of the respondents booked their trip to Bhutan through the intermediation of foreign travel agency while 40% contacted directly to the local agents due to the

fact that it has been recommended by friends and relative who visited Bhutan. This indicated that word of mouth has been a very successful marketing tool for the Bhutanese travel agents but at the same time a very good relation and affiliation with a foreign travel agent would prove beneficial for the Bhutanese travel agents in attracting more international visitors. Since 61.2% of the respondents visit Bhutan in conjunction with other neighboring countries (Nepal, India, Thailand etc) the service of foreign travel agents are mostly sorted due to their vast knowledge, experience and reliability of the travel arrangements. The existing average length of stay in Bhutan was approximately 11 days.

The culture, tradition and natural resources of Bhutan were mentioned as the most attraction of Bhutan. However, hikes and moderate trekking (12.4%), farm house stay (8%), meditation retreat and spiritual tour (5.2%) and white river rafting were mentioned as some of the most potential products for the tourists. Majority of the tourist were not sure of their next visit to Bhutan but 36.7% mentioned to visit after one year and 21.6% after five years. The keywords mostly cited by the respondents to describe Bhutan were “Unique”, “Beautiful”, “Unspoilt”, “Peaceful”, “Exceptional”, “Wonderful”, “Fascinating” and “Friendly”.

In general, majority of the tourists indicated that they were satisfied with the performance of the travel agents. Nevertheless, some suggestions and recommendations were mentioned such as providing good clean hotels, insight into Bhutanese daily life, religious activities, precise information on cultural and trekking, improving the gastronomy, quality of guide and efficiency in correspondence etc to satisfy and meet the needs of the tourists and further develop the tourism industry.

#### **4.2.1.2 Assessment from Importance and Performance Analysis**

This study of the IPA grid gives a clear idea into the tourist’s evaluation on critical issues which allows the travel agents to react according to the needs and requirements and for further recommendations. Moreover, the result indicates the importance level of the service attributes and the performance by the travel agency on the attributes perceived by the respondents.

The result from the analysis showed that the guides attitude and responsiveness, transportation, cleanliness/sanitation, safety and security and the hotel facilities, other employees

(driver and staff), tour management, quality of food, efficiency in correspondence were ranked the most important attributes by the respondent while the performance of the travel agents were all fairly good but ranked below the importance levels. The overall mean difference between important and performance were negative meaning that none of the attributes performed by the travel agents were above the importance level of the respondents. This shows that respondents were unsatisfied with the quality of attributes provided by the travel agents except for the television/trade fair which is positive. This is due to the fact that television/trade fair was rated less importance by the respondents.

The IPA grid captured all the 14 attributes in the quadrant of “Keep up the Good Work” indicating that travel agents have performed well in all the above attributes, however since all the mean score ratings of performance were lower than those of the importance ratings, efforts should be made to improve further the quality of services to satisfy the tourist.

#### **4.2.1.3 Assessment from the Interview Conducted with the Managers and Owners of the Travel Agents**

The qualitative interview was conducted with the managers and proprietors of the travel agents and the result are summarized below:

Majority of the travel agents used “Unique culture and tradition”, “Untouched and unspoilt destination”, “Last shangri-la”, “Destination of a life time”, “Beautiful” and “Peaceful” etc as the key words and also as their unique selling point to promote Bhutan to their markets. This strategy seems to have been effective, with majority of the tourist visiting Bhutan for its unique culture and tradition, natural resources with beautiful landscape and friendly people.

The interview result showed that increasing the number of tourist arrivals, generating more revenue and offering exclusive quality services were the main goals and objectives of every travel agent. However, lack of flexibility of government policy, accessibility, lack of both public and private initiatives in human resource development, lack of professionalism, lack of tourism infrastructure and superstructures, imbalance in the regional development, seasonality problem, undercutting on price by the travel agents and limited varieties

of products were hampering tourism industry as a whole and particularly the development of travel agents in achieving their objectives.

Most of the visitors book their trip through the intermediation of a foreign travel agent while some visit Bhutan directly with the means of internet. Correspondence is mostly done through e-mail but occasionally done over the phone and facsimile when necessary. Currently, every travel agent promotes and sells the similar kind of products to every visitor visiting Bhutan, so there is a need for product development and diversification to achieve customer satisfaction. Culture tours and trekking are the two major products chosen mostly by the tourists, while some undertake other specialized tours such as River rafting, motor bike tour, bicycling tour, fly fishing, textile tour, religious tours etc. A majority of the travel agents feel that government should take initiative and the lead role in developing new potential products such as farm house stay and medical tourism and also in opening up more areas presently restricted for tourism.

“Word of mouth” was mentioned by all the travel agents as the most effective, less expensive and the best strategy for promotion, marketing, and also for disseminating information on Bhutan to its international market followed by launching a good website. The well established and travel agents who have larger resources participate in trade fairs/travel marts abroad as their marketing tools to promote and market Bhutan. But a majority of the travel agents advertise in the travel magazine, websites, distributes brochures, and develop links in the other important tourism related websites.

Interestingly, internet is warmly welcomed by all the Bhutanese travel agents because of its nature of business which is supported by the tourism policy of Bhutan. The enormous benefit of ICT has not only been felt by the travel agents but the tourism industry as a whole. Internet has replaced facsimile machine which was the main communication system, has greatly enhanced their communication skills with the tourists and its foreign travel agents. The government has been facilitating and providing support to the travel agents, but somehow the use of ICT in travel agents and in the tourism industry is meek. Travel agents still need to be supported and motivated with proper guidance and training in human resource development in order to develop the tourism industry.



#### **4.2.1.4 Assessment from the Interview Conducted with the General Secretary of ABTO**

The ABTO was formed in 2000 as an institution to represent and protect the collective interest of the tourism industry in general, and to advance the cause of travel agents in particular. The ABTO represents the collective and official voice of all the Bhutanese tour operators.

Access to Bhutan, inefficient marketing strategy and seasonality were mentioned as the major obstacles for the tourism development while royalty and tariff system, hotel facility development, opening of new geographic regions were the main issues discussed with the travel agents. However, at this present scenario with high competition, travel agents are efficiently delivering quality service and well organized tours to sustain their business in a very competitive environment.

The government has been forthcoming and supportive to the activities carried out by the association and also in the development of low season tourism products to offset seasonality problem.

Recent activity of establishing Tourism Council of Bhutan (TCB) would be fundamentally responsible for the comprehensive tourism development in the country. Travel agents have great prospects in Bhutan and so far every stakeholder works together to keep up its unique culture intact and tradition vibrant, and secure a healthy natural environment for the visitors.

#### **4.2.2 Objective 2: To understand the major challenges affecting the role of travel agents in Bhutan**

The researcher aims to understand the major challenges affecting the role of travel agents in Bhutan from the result of the survey conducted. The following possible challenges and obstacles derived from the study for the growth and development of travel agents are discussed below.

#### **4.2.2.1 Internet (ICT Promotion and Marketing)**

With the evolution of ICT it has been a big disadvantage and threat to the travel agents around the world. The tourism stakeholders are realizing the use of websites as a powerful tool and cheap channel to reach globally selling their products online directly to their customers which resulted in disintermediation of the travel agents. The number of travel agents has been decreasing in the recent years due to the growth of direct booking and customer self booking travel on the internet (Kotler, Bowen & Makens, 2006). In terms of Bhutan, ICT has been acknowledged of being far more advantage than disadvantage. ICT has greatly benefited travel agents in the context of tour operation in Bhutan where tourists need to travel to Bhutan only through a registered Bhutanese travel agent. However, the role of ICT is underutilized by the travel agents in Bhutan by using it mainly for exchanging email and launching websites. The findings of this study indicated that only 14% of the respondent made online booking which could be associated with the limited knowledge on the ICT and lack of facilities for online payment and lack of professionals in the field of ICT in Bhutan. Due to this factors Bhutanese travel agents resort to use of foreign travel agents as an intermediary to facilitate tour booking and to solve the problem of transferring the tour payment transfer to Bhutan which is often difficult and time consuming. Currently, internet was largely used for exchanging e-mails (50%) and to host their websites.

The benefit of internet is enormous for travel and tourism business. The internet is not only an external global marketing tool but also serves as an effective internal link for management (Yung, 1997). It is evident from the result that travel agents are not doing much on the online marketing and promotion of their products and services since only 11.6% of the respondents came to know about Bhutan through internet. Table 3.12 also showed that respondents were unsatisfied with the performance of the website by the travel agents since it does not meet their importance level.

Despite the low performance of travel agents in the ICT field, the enormous benefit of ICT has been felt by the travel agents and the tourism industry in general. Especially ICT has a great potential to assist travel agents in Bhutan to overcome its geographic challenges in marketing its product at a minimum cost, disseminating information, efficient correspondence and to explore new business opportunities.

The government of Bhutan acknowledges the immense positive impact of ICT on all aspects of lives and declares a strong commitment to support (A White Paper, 2006). Therefore it would be very efficient, beneficial and cost effective for the travel agents to establish strong internet network within and outside the organizations to enhance the relationships with other organization and to capture the international market.

#### **4.2.2.2 Positioning**

With regard to positioning of Bhutan to its international market, Department of Tourism and travel agents have fairly done well. The result form the interview of travel agents indicated that “Unique Culture & Tradition”, “Unspoilt destination”, “Beautiful Bhutan”, “Peaceful”, “Exotic destination” were the keywords used to capture the market and it seems these words have been appropriate since the respondents justified by using the similar keywords to describe Bhutan.

“Unique pricing policy” which is regarded as one of the unique selling point played an important role in positioning Bhutan as an exclusive destination where only few travelers visit to Bhutan. The other reason for achieving such a strong image for a small kingdom is the far sighted vision of the King with the philosophy of Gross National Happiness and its strong government commitment in upholding the culture and tradition of its country and to preserve its natural environment. Moreover, recently Bhutan has been ranked as the 8<sup>th</sup> happiest Country in the world which further helped positioning Bhutan.

The lack of strong Marketing strategy, the pricing policy of the government and also the very limited coverage by the international media on Bhutan is associated for its exclusive destination. It has been mentioned as a “once in a life time destination” having strong unique culture which build the image of Bhutan as an exotic and unique destination to the international market.

#### **4.2.2.3 Seasonality**

Seasonality is one of the most problematic but least understood aspects of tourism. Many destinations are suffering from this phenomenon every year, yet limited efforts have been made to overcome the troublesome issue. Similarly, it’s no different for Bhutan which

is one of the key variables that influences and hampers tourism development. The festivals (Tshechu) in Paro, Thimphu and Bumthang serve as major attractions in the spring and autumn seasons and at the same time serve as the main trekking periods. Relatively cold winters and wet summers associated with disruptions to flight schedules and landslides blocking roads, serve as impediments to a more even distribution of annual tourist arrivals (Uitz & Zeppezauer, 2005). Peak months of March, April, May, September, October and November form the high season attracting 83.6% of overnight stays, while January, February, June, July, August and December make up the low season with only 16.4% of total annual bed nights (Dorji, 2006).

From the interview, a majority of the travel agents and also the Association of Bhutanese tour operators indicated that accessibility to Bhutan is still a bottleneck for further tourism development. The problem arises particularly during the high season with the increasing arrival of tourists on a limited carrying capacity of Druk air to Bhutan. The limited quality of hotels with amenities, shortage of professional guides and other tourism related services are other concerns. This creates a competitive environment for the travel agents in order to provide best quality services for the tourist during the high season. The hotel industry and the other tourism industry stakeholders were equally concern with the problem of seasonality especially during off season where they even have to lay off some of the employees in order to sustain their business. Dorji (2006) suggested that harsh weather condition was not only the factor for cause of seasonality but other factors such as recommendation given by local and off shore travel agents, holiday time, business and work schedule, advice of friends and family and festival periods. This indicates that one of the ways to level seasonality may be to better inform on the availabilities of various new products with better publication about the various attractions and festivities year round even during low season and inviting the foreign travel agents on a FAM tour during the low season.

#### **4.2.2.4 Service Quality**

With the change in the global scenario for high demand of quality of services and the increasing requirements of the service attributes by the tourists, the travel agents needs to be more efficient and innovative to meet the increasing demand of importance level. Customer satisfaction depends on a products perceived performance in delivering value relative to a buyer's

expectations. If the products performance falls short of the customer's expectations, the buyer is dissatisfied. If the performance matches expectations, the buyer is satisfied. If the performance exceeds expectations, the buyer is delighted (Kotler, Bowen & Makens, 2006). From the finding it indicates that travel agents have done relatively well in providing a quality of services to the tourist however, the IPA grid shows that the service attributes are below the importance level of the tourist resulting in unsatisfied tourists. The service attributes which have been given the highest level of importance by the tourist were the "guides attitude & responsiveness", "transportation", "cleanliness & sanitation", "safety and security" and "hotel facilities" and the performance of the travel agents were least on the "cleanliness & sanitation" and "hotel facilities". A recent survey of the visitor's expectations and satisfaction showed that food, and the varieties of food in the buffet style in particular was one of the main reasons why visitors would not plan to revisit Bhutan (Wangdi, 2005).

#### **4.2.2.5 Current Products and Potential Products**

Bhutan received 17,344 tourists in 2006, out of which 85.6% of the visitors were exclusively for cultural activities and the remaining 14.4% combined their cultural itinerary with some trekking. Only 4.4% sole came to Bhutan for trekking in 2006. This reflects the fact that most travel agents and the government market Bhutan's unique culture and life style aggressively and extensively (DoT, 2005). The result of the study indicates that culture and tradition has been the main attraction of Bhutan which resulted in high number of tourist arrivals solely for cultural tours. Satisfaction levels amongst Bhutan's cultural visitors actually exceed their pre-visit expectations. It may be concluded from this that Bhutan as a cultural destination well satisfies visitors (Wangdi, 2005). Trekking remains a niche market activity for Bhutan despite its gradual growth in the tourists undertaking the activity. The low tourists figure for this activity is due to Bhutan viewed as an expensive trekking destination comparing to competitors in the region particularly Nepal. According to Karma Gyeltshen of Bhutan Tourism Corporation Limited, the low numbers of tourists for trekking were largely attributed to the aggressive marketing of rich

culture and festival of Bhutan and also due to lack of facilities, professionals and specializations in trekking. The finding indicates majority of the tourist visitors were elderly, who preferred to be chauffeured from one place to another attending the festivals and visiting spiritual sites rather than treading the countries rugged terrains.

However, the tourism resources inventory shows that there is huge potential for new trekking routes in addition to the current 12 official routes. At the same time providing proper information on the country's various trekking routes, maps enlisting the varying altitudes, nature of the routes, their distance and time will make it more attractive to the trekkers. Some travel agents have already started to develop and sell new specialized tailor made programs such as mountain biking, white river rafting, textile tour, pilgrimage tour, arts and crafts tour, bird watching and trout fishing and farm house stay and these are mentioned by the respondents in the finding as the most attractiveness of Bhutan and the potential products to attract more tourists.

### **4.3 Recommendations**

**Objective 3:** To propose guidelines for future development of travel agents in Bhutan and the opportunities presented to them.

With the overall objective to target the high end global markets for tourism, travel agents and the other tourism stakeholders need to reflect on the concept of quality to be delivered in the tourism sector. With the tariff rate of USD 220 per day, tourists visiting Bhutan expects an exclusive travel experience to Bhutan. The researcher has come up with the following recommendations for the following two different groups to further build up the quality of products and services offered. The first recommendation was focused particularly for the travel agents playing a dominant role in the tourism industry and the second one for the general tourism stakeholders which includes government, hoteliers, transportation suppliers etc.

#### **4.3.1 Recommendations for Travel Agents:**

##### **4.3.1.1 Guide Attitude and Responsiveness**

It is recommended that the travel agents need to initiate guide training programs that meets the expectation levels of the tourism industry within their company. Until very recently the government started an introductory course to guiding in Bhutan providing certification to the guides to enable them to guide tour operations. While there is already a change in the strategy of the government to develop a Hotel and Tourism Management Training Institute to increase the scope of the trainings being provided in the country that will address the training requirement for the industry, it is recommended that travel agents should initiate to provide training and refresher course based on the requirement and expectations of the tourists. The training curriculum must be inclusive of the history, customs and tradition of the country and modern practices of tour guiding and ethics. The duration of the training must also be sufficiently long and comprehensive to train well qualified guides and develop positive attitude in their profession. A minimum qualification criteria need to be introduced by the DoT and ABTO for all aspiring guides and the guides must be graded according to their capability. There is also a need for introducing performance award system by the travel agents which is in recognition with the DoT, which gives due recognition to good performers but at the same time those individuals that are unbecoming of their profession must be brought to book and penalties imposed.

##### **4.3.1.2 Product Development and Offering Value Added Products**

Travel agents need to intensify and add more value on the existing products and take initiative and emphasize on the new product development in the less favored regions and during the low seasons to enhance the tourist's experience which contributes to the satisfaction levels of the tourists and thus increase length of stay, offset seasonality and encourage repeat visitation which is very low at the moment. Moreover, the government should support by initial funding, provide incentives and facilitate the travel agents on the product development to ensure long term sustainability of tourism and to comply with the basic tenets of ecotourism ideology. With the increasing demand of tourists and also with many other attractive destinations being

offered for the tourists as an alternative, it has become must for the Bhutanese travel agents to develop new attractive products apart from the existing products that has been offered for the last 3 decades without any changes.

Travel agents need to strengthen and add more value on the existing products offered such as enhancing cultural tours and trekking operations. Improving the quality of guiding services, engaging local people in the community, providing more information of the cultural sites and branding each districts differently, provide Bhutanese art and craft lesson, local cuisine lesson, handicraft products demonstration, offer seminars on textile, arts and crafts, cultural shows, horse riding, local farming, ritual ceremonies, and staying in a monastery will further enhance the cultural tours. Similarly, to enhance trekking operations travel agents need to improve guiding services, more stringent rules of guide, encourage and involve local guides, provide more information about the trek routes, improve and develop campsites and camp lodges, put up signposts wherever necessary, develop royal heritage trek, cultural activities, home stay and local handicraft products.

Some great potentials and ideas for new products which can be developed in regard to the capacity and its scenario in Bhutan are developing additional new trekking routes based on community tourism such as Nabji-Korphu trek to other parts of Bhutan which not only offers an opportunity for community involvement in the tourism benefits but will also help reduce rural-urban migration. Other product, which can foster local people's participation includes community visitor centers, family lodges, managed campsites and producing and showcasing local handicrafts. Buddhism is also one of the essential parts of the Bhutanese society and one of the most important reasons for tourists to visit the Kingdom. However, it is difficult for tourists to gain insight into daily life in Bhutan and also many dzongs and other religious buildings which are not open to the public or often temporarily closed without proper notice. It is recommended to develop a series of products that focus on an in-depth encounter with Buddhism such as creation



of a Buddhist centre and the realisation of monastery that is open for those interested in Bhutanese religion in Bhutan.

Similarly, development of new products such as flower tours during the early spring to late summer, butterfly tours, wildlife tours in less frequented winter season along the southern belt of Bhutan, hot springs tour with developed knowledge about the benefits derived from the respective hot springs, traditional medicine and health tourism, textile tours and farm house stay which could be a valuable addition to the cultural tours, meditation retreat course conducted by selected teachers and develop proper and adequate signpost along the route to improve mountain biking.

#### **4.3.1.3 Hotel Selection**

The hotel facilities and services within the country is another major concern that is resulting in unsatisfactory importance and performance analysis. Most of the tourists surveyed indicate their dissatisfaction with the service facilities in the hotels in the country during their stay particularly in respect of facilities, cleanliness and insufficient room heating system. The concerns expressed are already known by the travel agents, the Tourism Council of Bhutan and the hoteliers and various measures are already being instituted to address this problem.

It is recommended that travel agents need to consider carefully in selecting the right kind of accommodation and quality hotels with the amenities for the tourists. This will not only achieve the satisfaction level of the tourists thereby avoiding disappointments by the tourist upon their arrival in the country, but such a move will also encourage and motivate the hoteliers to improve and develop their standard of facilities and service quality of the hotels.

#### **4.3.1.4 Transportation**

The topographical situation of the kingdom will never allow the network of roads in Bhutan to commute smoothly between places of visits; however, developing and

improving the existing attractions along the main roads will reduce the lengthy hours of driving. The guest level of importance for transportation ranked as very important, while the differences between importance and performance of the travel agents indicate the service as being unsatisfactory. There is need for more improvements in the quality of the transportation services provided by the travel agents. It's recommended that use of higher comfort vehicles for the visitors on such a terrain is must. At the current scenario the quality of vehicles provided by the travel agents is quite ambivalent. Tourists should be entitled to minimum quality standard of vehicle by the travel agents to improve the overall quality of tour package. It is also recommended that the travel agents in Bhutan should explain and communicate the status quo to both the tourists and the agents abroad with more transparency of the situation of road in Bhutan. The introduction of helicopter services or national aircraft services as an alternative means of transportation within the country as a solution to overcome the difficulty of the long winding roads.

#### **4.3.1.5 Business to Business (B2B) Relationship**

Travel agents need to establish and develop a reliable and strong relationship with the hoteliers, transport suppliers airline and the foreign travel agents in order to provide tourists with high quality of product and services. Travel agents in Bhutan offer an all inclusive package tour which includes accommodation, transportation, all three meals activities but may include air transportation and entertainments. In developing the package tour, the travel agents contracts with the airline for a specified number of seats and hotels for a specified number of rooms based on its quality, rate and location. Majority of the travel agents do not own hotel in Bhutan so they have to make a personal contact and relationship with the hoteliers and vice versa the hoteliers have to keep good relations with the travel agents in order to achieve high occupancy rate. Similarly, big travel agents purchase in advance the seat on Druk air for the tourists in bulk while the smaller travel agents purchase the seat only on the confirmation of the tourist's arrival.

Currently there is no proper legal bond within the B2B relationships which is unethical and often creates misunderstanding and dishonesty within the industry. It usually occurs during high season when there is high demand from the big travel agents for large number of airline seats, hotel rooms and other transport vehicle. This situation often disappoints smaller travel agents by the other service providers in disrespecting to the earlier confirmation of the products and providing the product to the big travel agents.

Another factor that could have a bearing on this issue is that most of the travel agents do not engage in promotion and marketing of their companies. Therefore, this has resulted in travel agents to develop relation, cultivate and contact with foreign travel agents by to promote and market Bhutan to the international market. Normally 10% of the tariff rate is offered as the commission rate for the services rendered by the foreign travel agents followed by signing business contracts for the smooth business relationship. However, foreign travel agents use their buying power to undercut the rates by demanding high commission rate.

It is recommended that DoT should intervene and build stronger and reliable relationship between the travel agents and the hoteliers, airline and foreign travel agents to improve the quality of products and provide better services to the tourists. Annual forum should also be organized by the DoT in coordination with ABTO, Bhutan Hotel Association and Druk air to further strengthen and develop the relationships, discuss on any related issues and for smooth functioning and enhancement of the tourism sector.

#### **4.3.1.6 Travel Agent Management and Undercutting Problem**

Currently there are more than 350 travel agents operating in the country that provides tour services to only a limited number of guests in a year (21,094 tourists in 2007). Since the liberalization of the travel agents in 1991 the number of travel agents increased and it is

expected to increase further. This is not a healthy system for the country's policy of encouraging high value tourism. A large number of travel agents are in constant competition to generate business and as a result, some operators resort to un-fair trade practices such as price undercutting. This in turn results in providing lower quality of services which is totally in contravention to providing high value services and at the same time, such practices would jeopardize the image of the country.

It is recommended that the government must develop a mechanism of controlling the number of travel agents through vigilant licensing procedures on certain criteria like introducing a minimum financial resource requirement, proper office set up, availability of minimum number of well conditioned transport at its disposal, adherence to an established tour operations code of conduct, an agents knowledge in tour operations, be able to maintain a number of employed personnel etc. This will help in scrutinizing the genuine travel agents from those travel agents who are "unscrupulous" or "unethical" and also in adhering to the tourism policy of "high value, low impact". Additionally, travel agents indulging in any malpractices must be penalized to weed out unwanted elements from the industry. Moreover, it is recommended that under the strict monitoring and supervision of the government the travel agent must take the advantage of this competitive environment to come up with new tourism products and services such as specialized tours in bird watching, paragliding, biking, white river rafting, trout fishing, pilgrimage tours, textile tours, home stay program etc. to offer something different and unique packages from its competitors to the tourists in order sustain their business.

Undercutting is a serious issue and the government need to initiate and develop measures to confront the undercutting practices. It is recommended that allowing tariff payments to be made via credit cards and online through web-sites could help prevent undercutting. Undercutting mostly happens when the regional tour operators (India and Nepal) use their buying power to purchase the tour from Bhutanese travel agents, so encouraging and supporting the domestic travel agents to assert themselves in the market place as SAARC regional tour operators

will help reduce this problem. It is also recommended that with the improvement of infrastructures and standardization of tours (hotels, transportation, meals, professional guides etc.) will simply eliminate the undercutting practice since it will be not feasible for the travel agents to lower their price for offering high quality of products. Another factor that has a bearing on this issue is that most of the travel agents in Bhutan do not engage in promotion and marketing of their companies. This has resulted in travel agents cultivating foreign travel agents already working with other Bhutanese travel agents by undercutting their rates rather than developing new markets and tying with new agents. Therefore, government should facilitate, motivate and provide support both in terms of finance, incentives and reassurance for the promotion, marketing and tying up with new agents to the travel agents in the trade fairs/travel marts and conferences.

#### **4.3.1.7 Development of Employees Efficiency and Motivation**

Public attitude towards jobs in the tourism sector is rather negative. Many employees in the tourism service sector, especially in the hotel and restaurant employment are looked down by the people and the employees do not have the feeling of having an honorable job. Moreover, the employees in the tourism industry are recruited without any job qualification and specialization in the field, which resulted to lack of professionals and skilled employees in the tourism industry.

Training should be provided to develop and increase the efficiency in the skills and knowledge in both tour operations and communication with the increasing demand of the tourists. A minimum criteria should be set by the employers to recruit genuine people who are interested in the tourism industry with qualifications to further strengthen the tourism industry. It is also recommended that familiarization tours should be offered to the employees to gain first hand experience and to gain more knowledge in the tourism operations from other parts of the world. At the end of the financial year introducing performance award system and giving incentives or bonus system based on the performance and success of the travel agents will give

due recognition to good performers as well as motivate the employee to work hard to achieve the goal.

#### **4.3.1.8 Competitive Advantage over Foreign Travel Agents**

Travel agents need to emphasize, develop a user friendly website and make the best use of ICT in order to gain competitive advantage over its competitors and also from its foreign travel agents. Currently, a majority of the tourists who visited Bhutan made their booking through foreign travel agents based on its reliability, familiarity and convenience. Travel agents are discovering that the websites is not merely an online brochure, but can be a powerful and cheap channel to cut cost and there by improve their competitive advantage over foreign travel agents. Therefore, Bhutanese travel agents should use the advantage of ICT with the support from DoT to develop user friendly and interactive websites capable of providing any valuable information, processing tour applications and online payment system. Selling product directly to the tourists at their convenience with easy and reliable payment system will massively reduce the dependency upon international tour operators. However, in order to reassure the reliability of the website and the legitimate of the travel agents they are dealing with the official website of DoT should provide a list of the registered travel agents with their full details to authenticate.

Tourists dealing directly with the Bhutanese travel agents can be offered at a cheaper price comparing to the foreign travel agents. Low price will be one of the competitive advantages since with the disintermediation of the foreign travel agents the Bhutanese travel agents will no longer required paying the agent commission and it can offer the commission as a discount to the tourists with the same quality of product and services.

#### **4.3.1.9 Role of ICT**

The benefit of ICT is enormous in the context of tour operation in Bhutan where tourist needs to travel to Bhutan only through a registered Bhutanese travel agent. ICT has greatly

benefited travel agents to correspond more quickly, cheaply and accurately with the tourists, government organizations and other related tourism stakeholders. However, the role of ICT is underutilized by the travel agents by using it mainly for exchanging email and launching websites. Travel agent in Bhutan should explore the usage of ICT beyond email and website such as e-business, making available online payment transaction, usability and interactive websites etc and similarly the government should facilitate and support the travel agents in the implementation of the ICT. Currently, the testing phase of visa online and other permits with the government is underway through which lots of paper work and time will be saved, and increase the efficiency of travel agents in the tour operations.

It is also recommended that training should be provided to the employees by travel agents, government and other tourism stakeholders on the usage of ICT software programs such as accounting, finance, administration, online marketing and promotion, customer relationship management (CRM), production management, and developing software management between business to business transactions. Such implementation and practices will not only be cost effective but more reliable and a great means to communicate efficiently and effectively. Furthermore, the government should provide tax incentives for the investment on the ICT and also special interest rate for those who develop standard systems.

The findings indicate that a growing number of tourists to Bhutan undertake their tour as independent tourists or as part of very small groups. To meet this growing demand head-on and also to facilitate the tourist on the transfer of tour payments which has been mentioned as one of the problems, it is recommended that DoT should construct and develop website capable of processing tour applications and payments via credit cards and online payment transfers with an options to select the Bhutanese travel agents. Such a system would reduce the dependency upon international operators and allows tourists to book tours directly with a domestic travel agent. With the official DoT website would reassure tourists that they are dealing with a legitimate and trustworthy website and travel agents.

## **4.3.2 General Recommendations for the Tourism in Bhutan:**

### **4.3.2.1 Hotel Facilities**

It is recommended that all hotels in the country should be supervised under the authority of the Tourism Council of Bhutan (TCB). This will greatly benefit in standardization of the hotels and in implementation of the rules and regulations of the hotel. Currently, hotels are under the control of the Ministry of Economic Affairs which approves the plans, architecture, construction and licensing procedure of the hotels while administratively it functions under the TCB. Such a system does not give legal authority to the TCB to implement and control the functioning of the hotels, particularly when the hotel is required to implement structural changes within its property.

A proper system of hotel classification must be introduced and implemented to ensure that the facilities and services provided are standardized. However certain basic facilities as maintaining cleanliness and a sense of hygiene within the hotel and ensuring that the facilities available such as heating system etc are properly maintained is an utmost priority. The TCB must strictly implement the rules and regulations to ensure that the tourist get their money's worth.

### **4.3.2.2 Transportation**

Apart from the initiatives from the travel agencies in providing quality comfortable vehicles, it is recommended that a policy decision of the government needs to allow more flexibility for travel agents to import quality and comfortable vehicles considering the topography of the country. While the government allows duty exemption on the importation of only bigger vehicles of more than 20 seats and above, the situation has now changed where the majority of the tour groups and travel pattern has changed drastically to FITS or small size groups of under 4-5 Pax. Therefore, the same duty exemption needs to be considered for tour operators to



import smaller cars to ensure providing comfort and reliable mode of transportation to the tourists.

There is a need for the government to monitor on the types of vehicle used by the travel agents and also to implement a mechanism of control and checks to ensure that the provision of import duty exemption is not misused by the operators.

It is also recommended that as a matter of rule, the concerned authority must ensure the safety issue of the tourists and thereby the vehicles of approximately 7-8 years and more should not be permitted to be used in the transportation of the tourists under any circumstances. This needs to be vigorously enforced. A certificate of road worthiness of the vehicles must be valid and be available for inspection at any given time.

#### **4.3.2.3 Cleanliness and Sanitation**

It must be recognized that maintaining a clean environment does not become the sole responsibility of the tourism industry as is generally being perceived. However, tourism has more to lose on account of the general cleanliness and sanitation of the environment. The industry must be fully accountable for maintaining cleanliness in the industry; this must be pursued by necessary regulations in place to be followed by hospitality industry such as hotels, resorts, restaurant and other attraction sites. A system of penalties either in monetary terms or through warning letters must be vigorously followed by the DoT to ensure full compliance to maintaining a clean environment, which is not only appreciated by the tourists but will also benefits the general population.

The Government must play the lead role of creating awareness right at the grass root level through the educational institutions, involving and making way for an effective public private sector approach. The approach should be as broad based as possible and sustainable measures such as providing incentives and rewards to the hoteliers must be put in place.

#### **4.3.2.4 Quality and Lack of Varieties of Food**

This issue is one of the major concerns being expressed by most of the tourists and major travel directories and travel writers to the country have also noted this as a major concern. There is an urgent need to improve the varieties of the food in the common buffet system of meals being provided to the tourists on a daily basis. A ruling must be imposed on all the travel agents on the varieties of foods to be offered and to ensure that no more than 2 similar buffet meals should be provided to the tourist in a visit of 7 days. The TCB must encourage for local cuisine to be developed and introduced in a manner to meet the palate of the tourists.

The hotels and restaurants in the country must also take responsibility and be innovative to identify ways and means to improve the quality of food and in introducing cuisine varieties by engaging well trained and experienced chefs from outside the country and the region, which will not only benefit the food services in the hotels, but also allow for training and developing local capabilities. The government must provide incentives to hoteliers in this area.

Another area which is being contemplated but not yet implemented as of now is to conduct the annual food festival of Bhutan, which will not only offer a platform for creativity and development of its authentic local cuisine but it could also be promoted as a tourist attraction.

#### **4.3.2.5 Infrastructure and Facilities Development**

Another concern that needs to be appropriately addressed is the development of sufficient number of restroom facilities on the highways which has been noted by majority of the tourist as a major concern. Travel within the country often involves long distance when tourist travels on the highways where there are no towns or establishments within the driving points. It is therefore a matter of great inconvenience to the tourists to use the restrooms in the open areas and in some places where there is facilities available, cleanliness and hygiene is often lacking.

It is recommended that TCB initiate plans to immediately address this concern by developing and or encourage private sector to develop cafeterias at different strategic points with rest room facilities where tourist and the general public can stop and avail of these facilities. Such cafeteria/rest room facilities that are developed can then be communicated to all tour operators which will in turn be sustainable for these facilities to operate.

It is recommended that restroom facilities along with cafeterias be developed by the Government and be managed by the local community where the facility is located. This will allow the facility to be sustainable for the industry and at the same time, the local community will also benefit from such undertakings in the long run.

It is also recommended that authorities plan such facilities considering the volume of traffic and number of likely visitors and at the same time plan such facilities at least every 2-3 hours of driving time. Such a measure will greatly ease the fatigue of the visitors on account of the long travel and result in a more relaxed journey for the travelers.

#### **4.3.2.6 Safety and Security**

Bhutan is generally perceived as a safe destination, however due to the country's location in proximity to some countries with disturbances, its being perceived as unsafe by the tourists. This is due to the lack of awareness that such feelings can portray a very negative image of the country and hurt the tourism industry of Bhutan.

It is also observed that in some instances, ignorance of the other countries through issue of incorrect travel advisories which create the feelings of fear to its citizens to travel to Bhutan.

While the government must ensure that adequate safety and security is provided to all guests, the government must use the arm of its media to reciprocate appropriately and dispel any notions of the country being unsafe and other security aspects should it proved to be incorrect.

#### **4.3.2.7 Creating Awareness on Tourist Responsibility**

Most of the tourist currently visiting Bhutan are the more affluent and educated individuals. While a smaller percentage of the tourist travel for trekking in the mountains, the majorities of the tourist are cultural tourist and are largely confined to the urban and rural settings in the social and cultural hubs. In order to ensure that Bhutan emphasizes on responsible tourism, it is essential to educate the tourist when visiting cultural centers, temples and other places of worship, even during interaction with the local people. In the travel industry it is a learning experience for visitors in knowing and appreciating other culture and in the interaction with the local people.

There is a need to enforce a proper code of conduct ( such as wearing proper attire, respecting the cultural sites etc) for visitors and have signs installed at strategic locations near entrances of Dzongs, temples etc. so that all visitors are aware of how to conduct themselves in a more proper and responsible manner. Such initiatives are generally appreciate by the visitors and local sentiments are also not hurt on account of ignorance of the visitors.

#### **4.3.2.8 Policy Recommendations**

The policy of “high value, low volume” should be maintained but the tariff system which serves as a USP for Bhutan need to be amended to ensure that the quality of products and services offered to the tourists are improved in order to achieve maximum satisfaction of the tourists. The policy of “high value, low volume” has actively been managed to deliver the principles of the policy through the tariff system, but Bhutan needs to reflect on the concept of quality of services to be delivered. With the tourism policy in place the number of tourists admitted to Bhutan has been well within the capacity of the country’s socio-cultural and natural environment to absorb visitors without negative impacts. Nevertheless, many tourists do not feel that they are getting appropriate value for money reflecting on the quality of service rendered and the price paid.

The respondents indicated unsatisfactory level in all the attributes on the importance and performance level which could be attributed to travel agents playing dominant role in the tourism industry and also due to the lack of quality product and services. The current tariff system does not cater to achieve a satisfactory ratio between prices and the quality of services as it does not promote a differentiated pricing of different quality levels. It is recommended that both government and travel agents should offer tourists the choice of service and quality levels instead of the all inclusive packages currently marketed which will allow many new opportunities for the development of small and medium businesses, upgrading the quality of the existing business and provide room for innovation and development to the other tourism stakeholders. Therefore, within the framework of a new differentiated pricing policy it will be crucial to standardize and categorize hotels, lodges and restaurants.

It has been envisaged with the increasing demand and requirements of the tourists that the current tariff system (all inclusive package) need to be revised for more flexibility to create an improved occupancy factor, spread the season and the income to large areas of the economical society of Bhutan. The all inclusive tariff in Bhutan has led to a very limited development and diversification of tourism infrastructures. It is recommended that the government should liberalize the package price and allow customers a choice of service and quality levels which will allow development of new types of products throughout all seasons and regions. This suggests that the royalty payable to the government should be fixed and the tariff for conduct of the tour should be freed. This would enable tour operators to compete more on service delivery levels and product differentiation rather than on pricing and thereby providing more value added services to the visitors. However, given the present level of quality of infrastructure and the service levels in the industry, it may be prudent to opt for this measure but once the tourism infrastructure and the service quality levels see a general improvement it is envisaged that this policy could be safely considered in the medium term (five years).

#### 4.3.2.9 Seasonality Problem

Seasonality is a great challenge for tourism development in Bhutan. It is recommended that both the government and travel agents must adopt product-oriented development of tourism products in Bhutan to address the seasonality problem. Already initiatives have been taken by the government in the past to address the seasonality problem by lowering the tariff rate from USD 200 to USD 165 during the six off season months (June, July, August, December, January and February) to motivate the tourist but this strategy has not been very successful which is evident from the number of tourist arrivals on the low season. These six months has been regarded as the off season due to relatively cold winters and wet summer along with less tourist attractions and festivities. It is important to note that price is not considered as tool to tackle seasonality so the government recently announced that only July and August will be regard as low season with the low tariff. This has been done since having six months as the off season discourages tourist to visit even though some of the months have high potential for tourist to visit and see lots of attractions. Therefore, it has become very necessary for both government, travel agents and other stake holders to extend the existing products and further adoption in the development of new products/treks during off seasons which will not only address the issue of seasonality but also help in increasing the number of repeat visitors which has been very low as indicated in the result. The following products have been identified particularly for the off season which has seen great potentials:

- Further extension and promotion of the existing cultural tours (annual festivals, Dzongs, monasteries, heritage sites, arts and crafts) in other parts of the districts that are rarely known or visited by the tourist. The festivals in and some the historical sites in the remote places and also the southern Bhutan which has a favorable winter weather condition is one example.
- The development of existing trekking routes along with proper managed camp sites which it lacks now, waste management, toilet and shower

facilities, good trekking maps and information and offering rescue provisions. Develop additional new trekking routes similar to Nabji-Korphu trail in other parts of Bhutan for community based tourism which offers not only help the community but offers attraction during the off season to the tourist.

- Other new products such as Flower Tours during the early spring to late summer, Butterfly Tours, Wildlife Tours in less frequented winter season along the southern belt of Bhutan, Hot Springs tour with developed knowledge about the benefits derived from the respective hot springs, Traditional medicine and health tourism, Textile tours which could be a valuable addition to the cultural tours, Bhutan provides a perfect environment for Meditation and having a selected teachers and masters conducting a meditation course, Mountain biking, farm house stays, conducting MICE tourism during the low season and also encourage domestic tourism which still needs to be encouraged and developed.

#### **4.4 Limitations and Suggestions for Further Study**

This research is focused on providing information on the current working situation of travel agencies and the obstacles faced by travel agents in order to provide quality of services. However, this research has some limitations which should be incorporated and improved in the future research.

This investigation was carried out during the low season when the arrivals of tourists were very low, hence there is limitation on the data collection. The data should be collected during the high season where the questionnaire can be distributed to tourists from different countries to accomplish a precise result.

Tourism industry is an information-intensive industry in which the role of information and communication technologies has become very significant. Further research effort should go deeper into identifying ICT tools for tourism sustainability, cost effective operations and marketing, as well as on how travel agents should approach these issues with a view of long term economic development.



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## APPENDIX A



## Questionnaire for Tourists

**The Present Situation of Travel Agencies and Their Future Prospects in Bhutan**


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Dear Tourists,

This questionnaire is designed for the purpose of a research study on “The Present situation of the Travel Agencies and their future prospects in Bhutan”. It’s a part of the academic curriculum of MBA in Hospitality and Tourism Management (International Program), Faculty of Service Industries, Prince of Songkla University, Phuket Campus, Thailand. The data collected will be kept confidential and used for research purposes only. Greatly appreciate your kind cooperation in filling out this questionnaire and Thanking you.

Tashi Dorji  
(Researcher)

**Part 1: Personnel Demographic Characteristics:**

Please tick  in the box  which responds to your answer.

**1. Gender:**
 Male

 Female

**2. Age:**
 16 - 25 yrs

 26 -35 yrs

 36 - 45 yrs

 46 - 55 yrs

 56 -65 yrs

 over 65 yrs

**3. Nationality:**


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**4. Marital status:**

- Single                       Married/Living with partner    Divorced/Widowed

**5. Education:**

- Secondary education or lower       Diploma       Bachelor Degree  
 Masters Degree                       Other (please specify) \_\_\_\_\_

**7. Annual House Hold Income (USD)**

- 10,000USD or less       10,001-25,000 USD       25,001-50,000USD  
 50,001-75,000 USD       75,001-100,000 USD       Over 100,000 USD

**8. Occupation:**

- Professional (lawyer, doctor, etc.)    Self employed    Unemployed  
 Government employee    Retired    Others (please specify) \_\_\_\_\_

**Part 2: Tourist Behavior****1. Who are you traveling with on this visit to Bhutan?**

- Alone                       Friend  
 Family/relative(s)                       Group (tour package)

**2. Purpose of visit**

- Holiday/pleasure    Business       Visiting friend /relative(s)       Official  
 Meeting/seminar       Other \_\_\_\_\_

**3. How did you first come to know about Bhutan?**

- Foreign Travel Agency       Internet  
 Friends /relative(s)       Others \_\_\_\_\_

**4. How did you book your trip to Bhutan?**

- Foreign Travel Agency. Reason: \_\_\_\_\_  
 Directly through Bhutanese Travel Agency. Reason: \_\_\_\_\_

**5. What was your mode of booking channels?**

- Online bookings       email       Telephone       Others \_\_\_\_\_

**6. Which of the attractions of Bhutan interest you in your Travel Destination?**

- Culture & Tradition  Natural Resources
- Trekking Options  others \_\_\_\_\_

**7. In addition to Bhutan, are you visiting any neighbouring countries?**

- No  Yes, If yes, which country \_\_\_\_\_

**8. What in your opinion is the preferred duration of stay in Bhutan?**

Ans: \_\_\_\_\_ Days.

**9. What is the duration of your stay during this existing trip?**

Ans: \_\_\_\_\_ Days.

**10. Is this your first trip to Bhutan?**

- Yes  No

**11. What kind of tours package did you arrange?**

- Trekking  Culture  Both  Others \_\_\_\_\_

**12. What kind of tour activities you would like to do in Bhutan apart from the above tour arrangements?****13. Could you give a keyword how you describe Bhutan as a tourism destination?****14. Possibility of Visiting Bhutan in Future?**

- After one year  After 5 years
- Not sure  Never come again



### Part 3: Importance and Performance Rating

#### 3.1 Importance

Importance of the Travel Agency role					
<i>Please indicate the importance of service provided by the following providers</i>					
Role	Very Important	Somewhat Important	Neutral	Somewhat Unimportant	Not at all Important
Hotel facilities	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Transportation	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Quality of food	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Over all tour packages	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Value for money	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Cleanliness / sanitation	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Safety and Security	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Website	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Brochures	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Television / Trade fairs	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Guides responsiveness & attitude	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Other employees (Driver & staffs)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Efficiency in Correspondence	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Tour management	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

### 3.2 Performance

<b>Performance Rating of the Travel agency</b>					
<i>Please evaluate the performance of the service provider below from your experiences.</i>					
<b>Role</b>	<b>Excellent</b>	<b>Very Good</b>	<b>Good</b>	<b>Fair</b>	<b>Poor</b>
Hotel facilities	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Transportation	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Quality of food	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Over all tour package	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Value for money	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Cleanliness / sanitation	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Safety and Security	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Website	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Brochures	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Television / Trade fairs	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Guides responsiveness & attitude	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Other employees (Driver & staffs)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Efficiency in correspondence	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Tour Management	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**Part 4: Recommendations**

**1. How satisfied are you with the over all arrangement of the tour package?**

- Very satisfied
- Satisfied
- Dissatisfied
- Least Satisfied

**2. What did you like most about Bhutan?**

**3. What Travel Agents need to do in order to satisfy your need?**

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**4. Any other suggestions or recommendations:**

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Thank you for your valuable time in filling out the questionnaire

**APPENDIX B****Interview Questions for Proprietors and Managers****The Present Situation of Travel Agencies and Their Future Prospects in Bhutan**

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- Q.1 Could you give some keywords how you as a travel agent view the destination Bhutan?
- Q.2 What are Bhutan's unique selling points in your opinion?
- Q.3 What hampers tourism development in Bhutan in your view?
- Q.4 What hampers you as a travel agent in overall development of the company?
- Q.5 What according to you are the main factors for the tourist in choosing Bhutan as a destination?
- Q.6 How are the tour booking made by the tourist with your travel agent?
- Q.7 What are the services and products currently sold to your customers? Any new products that you are planning to develop on your existing products?
- Q.8 What are the (marketing) strategies and method in promoting and selling of these products? What are the problems faced?
- Q.9 Do you as a travel agency experience seasonality as a disadvantage of Bhutan? Can you explain your answer?
- Q.10 Could you indicate some of your efforts taken by the government to tackle seasonality in Bhutan and also your initiative to offset seasonality?
- Q.11 In your opinion what you think of the tariff system? Should it be liberalized as a free competitive market or it needs further amendments on the existing system?
- Q.12 With global scenario change how detrimental or effective and efficient is the internet in your travel agent?
- Q.13 With the change in pricing policy by the Government the pricing policy will be liberalized creating a free market for travel agents to compete. What is your opinion and feed back on that?
- Q.14 How supportive is the government in facilitating and fulfilling the objectives of your goals? What further improvement and support the government needs to promote Bhutan?

**APPENDIX C****Interview Questions for ABTO****The Present Situation of Travel Agencies and Their Future Prospects in Bhutan**

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- Q.1 What are the roles and responsibilities of ABTO?
- Q.2 How successful are you in achieving the goals of your association?
- Q.3 According to you what hampers major tourism development in Bhutan?
- Q.4 How efficient are the travel agents in delivering the quality of service and management of the tour programs?
- Q.5 What are the major problem and issues brought forward by the travel agents to the Association for discussion and suggestions?
- Q.6 Seasonality is a major issue for all the travel agents and tourism service providers in Bhutan? What measure and initiative have been taken by the ABTO to overcome this problem?
- Q.7 How supportive is the government in facilitating and fulfilling the objectives of your Association?
- Q.8 According to your opinion, what can DoT do to further develop the roles and responsibilities of the travel agencies in Bhutan?
- Q.9 What are the prospects of travel agencies in Bhutan?

## VITAE

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### **List of Publication and Proceeding**

Dorji, Tashi and Manat Chaisawat (2008). *The Present Situation of Travel Agencies and Their Future Prospects in Bhutan*. The Seventh Asia-Pacific Forum for Graduate Students' Research in Tourism, June 3-4, 2008, Shah Alam, Malaysia.