Guidelines for Standardization and Classification of Hotels in Bhutan

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ชื่อวิทยานิพนธ์	แนวทางการจัดมาตรฐานและการจำแนกโรงแรมในภูฏาน
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บทคัดย่อ

การท่องเที่ยวในภูฏานมีการริเริ่มในปี ค.ศ. 1974 ในโอกาสเดียวกันกับการสถาปนาพระมหากษัตย์ภูฏานองค์ที่ 4 และผู้กำหนดนโยบายได้นำเอานโยบายมูลค่าสูง ปริมาณต่ำ ผ่านกลไกราคาโดยกำหนดอัตราค่าธรรมเนียมขั้นต่ำ จากพื้นฐานความเป็นมา การพัฒนาโครงสร้างพื้นฐานยังได้รับความเอาใจใส่เป็นอันดับแรกโดยเฉพาะการปรับปรุงสิ่งอำนวยความสะดวกและบริการของโรงแรมและที่พักภายในประเทศ ดังนั้นการศึกษาจึงพยายามพัฒนาแนวทางการกำหนดระดับการจัดประเภทชั้นของโรงแรมในภูฏาน

การศึกษาได้ครอบคลุมตัวอย่างโรงแรมจำนวน 33 โรงแรมจากประชากรโรงแรมที่จดทะเบียนจำนวน 74 โรงแรมรวมทั้งโรงแรมไม่ได้รับการจดทะเบียนจำนวน 11 โรงแรมและการประชุมกลุ่มเป้าหมาย การศึกษาบ่งบอกถึงข้อจำกัดและปัญหา การกำหนดความสัมพันธ์ระหว่างเหตุและผล และสรุปว่ามาตรฐานคุณภาพไม่สอดคล้องกับนโยบายมูลค่าสูงปริมาณต่ำ ผลการศึกษาและข้อเสนอแนะเกี่ยวข้องกับการพัฒนาความเป็นมืออาชีพในอุตสาหกรรมโรงแรม การปรับปรุงคุณภาพอาหารและมีความจำเป็นต้องพัฒนานวัตกรรมความหลากหลายของอาหารและการปรับปรุงคุณภาพบริการและสิ่งอำนวยความสะดวกของโรงแรม การศึกษายังได้เสนอแนะว่าการนำเอาการจำแนกระดับโรงแรมใดๆ เช่น แบบดาวและเพชรและระบบอื่นๆที่ยอมรับอยู่แล้วมาปฏิบัติอาจไม่สอดคล้องกับการพัฒนาโครงสร้างพื้นฐานและขีดความสามารถการบริการที่เป็นภาพลักษณ์ของภูฏาน มีข้อเสนอแนะการจัดประเภทโรงแรม 5 ประเภท คือ มาตรฐาน มาตรฐานสำหรับนักท่องเที่ยว ชั้นหนึ่ง ดีลักซ์และประเภทหรูหรา แต่ละประเภทต้องรักษามาตรฐานขั้นต่ำ ข้อเสนอแนะที่เสนอถัดมาคือการมีระบบให้มีความยั่งยืน การปรับปรุงเหล่านี้ทั้งหมดประกอบด้วยการสร้างสิ่งแวดล้อมที่เป็นไปได้เพื่อสร้างฐานการจัดมาตรฐานและจัดประเภทโรงแรมในภูฏาน

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ABSTRACT

Tourism in Bhutan was initiated in 1974 coinciding with the coronation of the Fourth King of Bhutan and the policy makers adopted a policy of high value low volume through a pricing mechanism of maintaining a minimum fixed tariff rate. Against this back ground, the development of the tourism infrastructure remains a high priority particularly in upgrading the facilities and services of hotels and accommodation within the country. The study therefore attempts to develop guidelines for the hotels in Bhutan through classification and hotel ratings.

The study covered a sample of 33 hotels from the population of 74 registered hotels and 11 hotels currently unclassified and includes a focus group meeting. The study identifies the constraints and problems, establishes the cause and effect relationship and concludes that quality standards are not consistent with the policy of high value and low volume. The findings and recommendations pertain to developing professionalism in the hotel industry, improving the quality of food and the need to develop more innovation in cuisine varieties and upgrading the quality of hotel facilities and services. The study also recommends that adoption of any established classification like the Star and the Diamond amongst others would not be in keeping with the level of infrastructure development and service capability and that of the perceived image of Bhutan. The recommendations propose five category of hotels viz. Standard, Tourist Standard, First Class, Deluxe and Luxury category to Bhutan. Each category carries minimum standards to be fulfilled. Further recommendations for the industry are proposed that will ensure the sustainability of the system. All of these improvements including creating an enabling environment form the basis for the standardization and classification of hotels in Bhutan.

Key words: Bhutan, Hotel Standardization and Classification, High Value Low Volume, Fixed Tariff Rate

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CONTENTS

CONTENTS (CONTINUED)

CONTENTS (CONTINUED)

LIST OF TABLES

LIST OF FIGURES

LIST OF ABBREVIATIONS AND SYMBOLS

AAA: American Automobile Association

BAFRA: Bhutan Food and Regulatory Authority

BBR: Bhutan Building Rules

BHA: British Hospitality Association

CSO: Central Statistical Organization

DOP: Department of Planning

DOT: Department of Tourism

GNH: Gross National Happiness

HTMTI: Hotel and Tourism Management Training Institute

MOA: Ministry of Agriculture

NSB: National Statistical Bureau

PCS: Planning Commission Secretariat

RAC: Royal Automobile Club

RGOB: Royal Government of Bhutan

SAARC: South Asian Association for Regional Co-operation

TCB: Tourism Council of Bhutan

TDC: Tourism Development Committee

Un-classified: Represents hotels that are currently not registered or are in the   process of

being evaluated for registration

USP: Unique Selling Proposition

WTO: World Tourism Organization

CHAPTER 1

INTRODUCTION

1.1 Statement of the Problem

1.1.1 The Country - Bhutan

Bhutan is a small landlocked country bordered by Tibetan autonomous region of China in the north and the Indian states of Arunachal Pradesh, Sikkim, Assam and west Bengal in the east, west and south. The country is divided into 20 districts (dzongkhags) with the city of Thimphu as the capital (Figure 1.1). The 20 districts are divided into 201 blocks (geogs). Bhutan encompasses an area of 38,394 square kilometres with a forest area of 72.5%. Of the total forest area, 26.2% is protected and 9% forms biological corridors connecting the protected areas (NSB, 2004).

Figure 1.1 Map of Bhutan with its 20 Districts
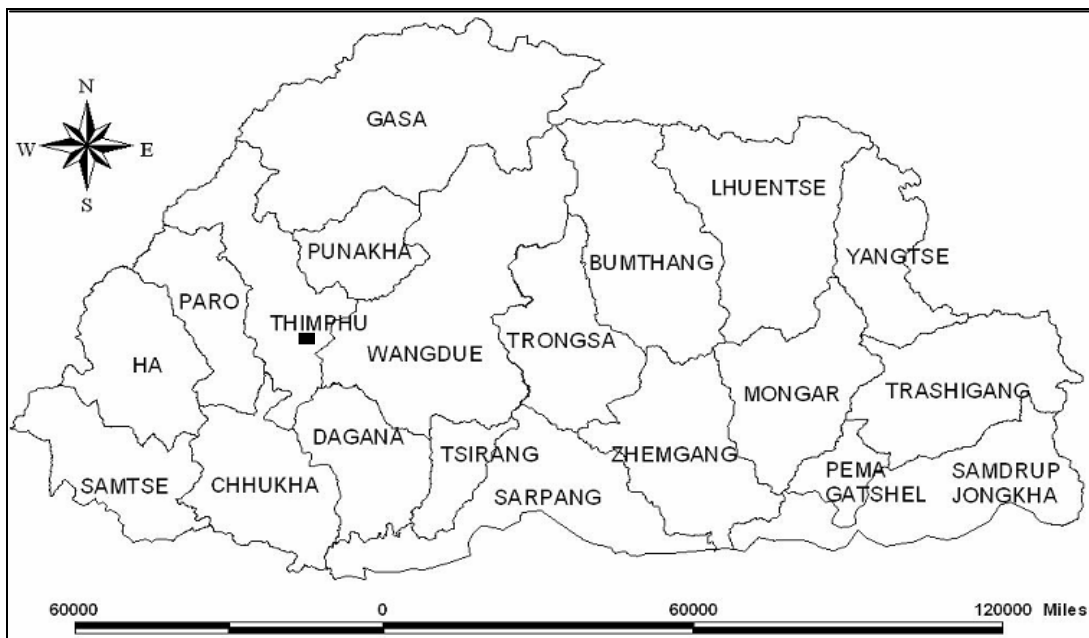
Source: DoT (2005)

Altitudes range from 100 m asl (meters above sea level) in the south to more than 7,500 meters above sea level in the north, therefore the topography imposes restrictions on

1

the scope for agricultural development. Bhutan has a policy to maintain at least 60% forest cover for all time to come (MoA, 2002). The country has a very rich biodiversity with about 3,281 plant species per 10,000 square kilometres and has been declared as one of the ten global biodiversity "Hotspots".

Bhutan is one of the least populated countries in South Asia with a per capita income of approximately USD 1,400. Some of the demographic statistics of 2006 are: a human population of 646,851 with 63% of the population between the ages of 15-64, and 33% below the age of 15; a male: female sex ratio of 1:1.1 (NSB, 2004). In 2005 Bhutan had a literacy rate of about 60%; infant mortality rate of 4%, child mortality rate of 2%, and a death rate and birth rate of 0.7% and 2% respectively (RGOB, 2006a). About 67.8% of the population live in the rural areas and are mainly smallholder mixed farmers (NSB, 2007).

The 4th King of Bhutan, His Majesty Jigme Singye Wangchuck, had continued the policy of controlled development with particular focus on the preservation of the environment and Bhutan's unique culture. Bhutan responds to globalization through the holistic concept of Gross National Happiness (GNH), to follow a path of development that takes into account Bhutanese society and culture (PCS, 2002) and not the conventional approaches that emphasize economic development and ignores national society/culture. GNH not only focuses on socio-economic development, but also on cultural and ecological conservation, and good governance (MoA, 2002).

The 4th Kings coronation on 2 June 1974 was the first time the international media were allowed to enter the Kingdom, and marked Bhutan's debut appearance on the world stage. The first group of paying tourists arrived later that year. In 1999 television and Internet were first introduced to Bhutan. Bhutan is entering a new political arena and has now introduced the Parliamentary form of Government.

The tourist arrivals of 274 in 1974 increased modestly allowing Bhutan to manage the numbers in a responsible manner, thirty years later in 2004, arrivals increased to 9,249 international arrivals, 13,626 tourists in 2005 and a total of over 17,000 tourists arrived in the country in 2006 (Figure 1.2).

Between 2000 and 2003, the annual international visitor arrivals averaged 6,450. The minimum tariff policy of USD 220 per person per day has been successful in limiting numbers and ensuring that the kind of 'high value - low volume' tourists who are attracted and

have a strong and sympathetic interest in the cultural heritage of the country are provided quality services.

Figure 1.2 Tourists Arrivals in Bhutan from 1996-2006
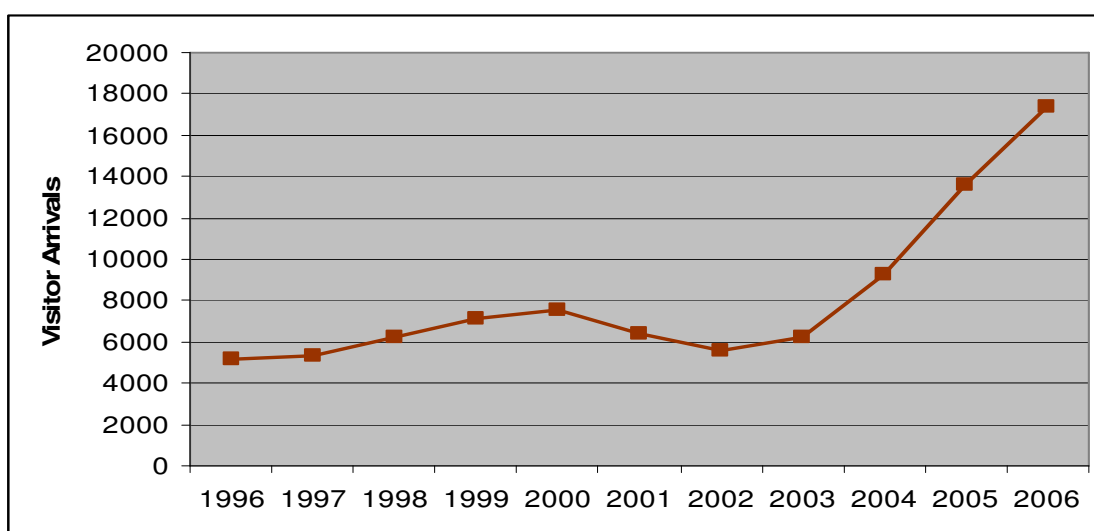
Source: DoT (2005)

The national policy framework has resulted in managed growth. This has resulted in attracting responsible tourists who have come to Bhutan with "a special sense of care for Bhutanese culture and environment". Bhutan enjoys an international reputation for its cautious approach to all development placing a high priority on conserving the nation's natural and cultural heritage (DoT, 2005).

1.1.2 The Global Tourism Scenario

The World Travel and Tourism Council (WTTC, 2003) had estimated the economic value of personal travel and tourism in South Asia at $18.7 billion in 2003, growing by 7.3% per annum in real terms. By 2013, this is projected to reach $52.2 billion but would still be only a small fraction of world travel and tourism, projected at $3,862 billion by 2013. The overall economic impact of travel and tourism in South Asia is expected to contribute 4.8% to gross domestic product (GDP) in 2003, rising to 5.3% in 2013. The industry is projected to provide employment to about 29 million people (5.2% of the total) in 2003, and to almost 36 million (5.4%) in 2013. WTTC also monitors competitiveness indicators to assess to what extent a

country offers a competitive environment for travel and tourism development. While South Asian countries rank high on price competitiveness, they rank low on other indicators such as (i) level of basic infrastructure development, (ii) awareness of environmental aspects of development, (iii) advances in modern technological systems and infrastructure, (iv) human resource in tourism activity, (v) tourism openness (visa requirements) and (vi) social development.

1.1.3   The Department of Tourism

The Department of Tourism (DoT) now reconstituted as Tourism Council of Bhutan (TCB) is the authority on all matters relating to tourism and its development. It has a range of regulatory powers which can be used to achieve the tourism policy objectives. Other departments of the government also have important regulatory and planning powers which need to be used to achieve the national policy objectives for tourism. For instance, the ownership and management of most of the built cultural heritage is the Ministry of Home and Cultural Affairs while the management of the environment is the responsibility of the Ministry of Agriculture and the National Environment Commission. Several ministries and national bodies have responsibility for the management of tourism resources and services. The Department of Tourism is therefore committed to work in partnership with other agencies of government, and with the private sector and civil society to realize the tourism objectives. Tourism is therefore a multi disciplinary sector and its success is highly dependant on the initiatives of other sectors. The lack of co-ordination among the different sectors is currently observed as a major hurdle, realizing which, a Tourism Development Committee (TDC) was established in the year 2000 which comprised representatives from relevant ministries and organizations to approach tourism related issues in a coordinated manner.

Sensitizing agencies like the Municipal Corporations, Ministry of Works and Human Settlements is essential as all construction works are approved by them. The organizations must be cognizant of the fact that Standardizing and Classifying hotels is a highly technical job and that hotels requires incorporation of proper design and planning before construction works on these projects can begin and before approval can be accorded.

1.1.4 The Hotel Industry in Bhutan

The hotel industry in Bhutan is still in its infancy stage. While a number of hotels have come up in the last decade, there exists an over supply of hotels in some parts of the country, particularly West Bhutan (Thimphu and Paro) and Central Bhutan (Bumthang). The hotel sector is seen as an important source of employment generation, which provides a compelling reason to reconsider the pace of tourism in future growth strategies. The creation of a more dynamic tourism sector would also be wholly consistent with the promotion of the private sector, which is widely recognized as the "engine of growth".

Some of the constraints in the industry are related primarily to the low occupancy rate of all hotels approved by the DoT. This sector has been suffering from a general lack of low season trade with occupancy rates as low as 30%, which is substantially beyond international benchmarks and does not allow for long term viability. Despite this, investors continue to devote funds for additional accommodation facilities in areas where there are already an over concentration of hotels.

Table 1.1 shows the occupancy rate comparisons between different grades of hotels in October 2006. The table indicates the varying occupancy levels among the hotels in the country. This is also indicative of the fact that occupancy levels of hotels in the regions are largely determined as a result of a particular tourism product in the region at a particular time.

Table 1.1 Occupancy Rates and Comparisons of Different Grades of Hotel in Bhutan

District	Categories			Total rooms	Total beds	Monthly total beds	Bed nights	Occupancy rate
	A	B	C					
Paro	5	11	1	425	792	23,760	11,698	49.20%
Thimphu	6	10	0	392	640	19,200	8,342	43.44%
Bumthang	0	7	7	273	521	15,360	4,077	26.54%
Punakha	1	3	0	82	155	4,650	3,754	80.73%
Wangdi	2	3	1	88	172	5,160	3,494	67.71%
Trongsa	0	3	0	62	116	3,480	1,242	35.68%
Chukha	1	3	1	107	158	4,740	1,083	22.84%
Trashigang	0	0	2	21	42	1,260	376	29.84%
Mongar	0	1	1	25	44	1,320	311	23.56%
Haa	0	1	1	18	35	1,050	548	52.19%
S/Jongkhar	0	1	2	39	71	2,130	152	7.14%
Zhemgang	0	0	0	0	0	0	0	-
Gasa	0	0	0	0	0	0	0	-
Lhuentse	0	0	0	0	0	0	0	-
Total	15	43	16	1,532	2,746	82,110	-	-

Source: DoT (2006)

Table 1.1 also shows that in the month of October, 2006, only two districts had occupancy levels of over 60%, while the rest of the regions had extremely low occupancy levels. There is also a general lack of quality consciousness among the hoteliers both in terms of tangible and intangible attributes; this can be closely attributed to a lack of proper planning and implementation of proper management practices. The un-coordinated governmental and institutional support for the industry is also conceived as constraint, as it is in the hotel sector that long term investment levels are made in addition to making positive contributions to the Government in terms of hard currency earnings and a major source of employment, hence this sector needs to be nurtured and supported.

1.1.5 The Role of the Tour Operator

Ever since the privatization of the tourism industry, the role of the Tour Operator has been increasing tremendously, it today represents a vibrant business of more than 300 tour operators handling all ground operations for the industry. The fixed tariff policy requiring all international tourists travelling to Bhutan a charge of minimum of USD 220 per day has been widely seen as a Unique Selling Proposition (USP) which has generated good PR for Bhutan tourism.

The Tour Operator therefore plays a critical role in ensuring that tourist visiting the country receive quality services during their stay in the country. As tour payments are received as an all inclusive package, the tour operator has a decisive role in the choice of the hotel. Therefore in order to avoid frustrations by the guest on the quality of the accommodation provided and lose the prospects of future business, a transparent standardized system of hotels in place would immensely benefit the tour operators on choice of hotels.

1.2 Related Literature

1.2.1 Tourism Industry in Bhutan: Current Scenario

In Bhutan the concept of Gross National Happiness (GNH) is the development paradigm (DoP, 2004). GNH is based on four pillars of: Sustainable and equitable socio-economic development, Ecological preservation, Preservation and promotion of culture and Promotion of good governance. It is therefore important that development in Bhutan takes place in a way that contributes to the organic growth of the economy and society, without damaging the environment or the unique Bhutanese path of development.

The main theme of the 10th Five Year Plan of Bhutan is Poverty Reduction (GNHC, 2008). The tourism sector therefore needs to identify ways and means to creation of backward linkages and developing livelihood diversification opportunities in rural and urban areas that it can contribute to poverty reduction through tourism. An important priority for the Department of Tourism in Bhutan is also to see that the benefits of tourism are spread geographically and to a larger proportion of our population. In this arena the standards of hotels and the services provided is therefore important to capitalize upon the national "high value, low

volume" tourism policy and in the conduct of responsible tourism in Bhutan. It is generally seen that service standards in place allows for more competition of the hoteliers to focus on efficiency in providing the standardized aspects and on improvement on additional features of services. Innovativeness creativity will then form a very crucial aspect in the hospitality industry.

Bhutan also adheres strongly to a policy of high value low impact tourism. There are, however, problems associated with tourism which, if not controlled, can have devastating and irreversible impact on the local environment, culture and identity of the people. Realizing these problems and the fact that the resources on which tourism is based are limited, the tourism industry in Bhutan is founded on the principle of sustainability, meaning that tourism must be environmentally and ecologically friendly, socially and culturally acceptable and economically viable (DoT, 1999).

The country also recognizes that tourism is a world-wide phenomenon and an important means of achieving socio-economic development particularly for developing countries like Bhutan. The Royal Government, since the inception of tourism in the year 1974, has adopted a very cautious approach to growth and development of the tourism industry in Bhutan. In order to minimize the problems, the numbers of tourists have been maintained at a manageable level and this control on number is exercised through a policy of government regulated tourist tariff and a set of administrative requirements (DoT, 1995). According to the Strategy Proposal for Tourism Development (2007), tourism in Bhutan is viewed as a source of revenue not only for economic development but also for the conservation of the natural and cultural heritage which will in turn serve as the source of attraction for tourism in Bhutan. With a rapidly growing travel industry around the world the potential of tourism is enormous if nurtured and developed along responsible principles.

Table 1.2 Major Source Markets by Nationalities and Year

Nationality	2001	2002	2003	2004	2005	2006	Growth rate	Market share
USA	2,149	1,913	1,803	3,242	4,681	5,018	7.20%	28.93%
UK	681	519	605	954	1,462	1,952	33.52%	11.25%
Japan	1,038	892	951	1,087	1,554	1,815	16.80%	10.46%
Germany	414	346	497	671	1,042	1,074	3.07%	6.19%
Thailand	36	46	66	30	96	776	708.33%	4.47%
Australia	138	214	165	315	458	774	69.00%	4.46%
France	287	192	285	434	532	708	33.08%	4.08%
Italy	192	177	331	462	529	648	22.50%	3.73%
Austria	128	92	152	223	319	484	51.72%	2.79%
Switzerland	170	164	177	173	363	427	17.63%	2.46%
Netherlands	180	197	179	163	329	389	18.24%	2.24%
Canada	197	166	119	257	292	375	28.42%	2.16%
Year Totals	**6,393**	**5,599**	**6,261**	**9,249**	**13,626**	**17,344**	**23.87%**	

Source: DoT (2006)

Bhutan's tourism industry continued to grow in 2006 with international arrivals peaking at 17,344. This figure marks an increase of 27.3 % over the 2005 figure of 13,626. More importantly this figure represents the single largest number of international arrivals in the country's history and marks a 171.4 % increase in just five years as per the International Tourism Monitor annual report of 2006. Direct earnings from tourism increased to a USD 24 million, a growth of 21% over 2005.

Table 1.2 shows the growing number of source markets for the country, the United States of America (USA) remained the single largest market providing a quarter of all visitors to the country (28.9%) followed by the United Kingdom (UK) (11.3%) and followed by Japan at (10.5%). The dominance of the first two main markets in terms of total market share declined in 2006. This is due to the entry of new source markets such as Romania, Morocco and Sri-Lanka. The most interesting change in major source market composition was the unpredicted increase in Thai visitor arrivals. In 2006, Thai arrivals peaked to see it rank among the top five

source markets along side USA, UK, Japan and Italy. Of the 17,344 visitors to Bhutan some 766 visited Bhutan for the sole purpose of trekking.

Table 1.3 shows the average length of stay by nationalities for the year 2006. The average length of stay among the major source markets was 8.0 days.

Table 1.3 Average Length of Stay by Nationalities in 2006

Source (Markets)	Bed Nights	Proportion of Total Bed Nights	Average Length of Stay
Netherlands	3,634	2.60%	9.3 days
Canada	3,454	2.50%	9.2 days
Germany	9,774	7.00%	9.1 days
Switzerland	3,898	2.80%	9.1 days
USA	44,989	32.20%	9.0 days
France	6,372	4.60%	9.0 days
United Kingdom	17,293	12.40%	8.9 days
Australia	6,762	4.90%	8.9 days
Austrian	4,067	2.90%	8.4 days
Italy	5,131	3.70%	7.9 days
Japan	10,512	7.50%	5.8 days
Thailand	3,288	2.40%	4.2 days

Source: DoT (2006)

Visitors from the Netherlands stayed the longest with an average of 9.3 days, followed by the Canadians at 9.2 days. Seasonality continued to plague the industry in 2006. Just five months - March, April, September, October and November - accounting for 78.0% of all bed nights**.**

The employment opportunity from the tourism industry is enormous and is expected to be the largest single industry employer if the sector is developed with strong commitment from both the government and the private sector and adequate resources are ploughed back into the industry. There is the opportunity for employing more than one sixth of the current population of the country by 2013. Table 1.4 shows the direct and indirect employment projections in the industry.

Table 1.4 Total Direct and Indirect Employment Projection in the Industry

Direct employment

Hotels	2007	2008	2009	2010	2011	2012	2013
Total Employment	2,374	9,840	26,003	34,585	45,997	61,177	81,365

Tour Agencies	2007	2008	2009	2010	2011	2012	2013
Total Employment	2,045	2,720	3,617	4,811	6,399	8,510	11,319

Table 1.4 (Continued)

Community tourism	2007	2008	2009	2010	2011	2012	2013
Total Employment	25	98	147	255	373	501	639

Others	2007	2008	2009	2010	2011	2012	2013
Handicraft	268	348	453	589	765	995	1294
Ticketing	68	88	115	149	194	252	328
Restaurant	134	174	226	294	383	498	647
Culture shows	34	44	57	75	97	126	164
Horse contractors	26	26	40	76	112	148	184
Druk Air	281	450	495	544	598	658	724
Transport	526	699	930	1236	1644	2187	2909
Total	811	1830	2316	2964	3794	4865	6250
Total Direct Employment	**5,255**	**14,488**	**32,084**	**42,614**	**56,564**	**75,053**	**99,572**

Indirect Employment in the Industry

	2007	2008	2009	2010	2011	2012	2013
Craftsmen	153	176	203	233	268	308	355
Weavers	123	141	162	187	215	247	284
Suppliers - Food	113	130	150	173	198	228	262
Suppliers - others	68	78	90	104	119	137	157
IT industry	115	132	152	175	201	231	266
Printing	86	99	114	131	151	173	200
Construction	1627	560	2587	3440	4573	6093	8093
Maintenance	49	66	78	103	137	183	243
Internet cafes	20	22	24	27	29	32	35
Indirect Total	**2,354**	**1,405**	**3,560**	**4,572**	**5,892**	**7,633**	**9,895**

Total Employment in Tourism Industry by 2013

	2007	2008	2009	2010	2011	2012	2013
Direct	5,255	14,488	32,084	42,614	56,564	75,053	99,572
Indirect	2,354	1,405	3,560	4,572	5,892	7,633	9,895
Total Employment	**7,609**	**15,893**	**35,643**	**47,186**	**62,456**	**82,686**	**1,09,468**

Source: DoT (2007)

1.2.2 Road and Air Accessibility

According to DoT (2006), accessibility into the country remains one of the main factors affecting tourism growth in Bhutan. Some 80.6% of all visitors used the national airline, Druk-Air to enter Bhutan. The remainder entered overland, by road. Due to the high demand in air tickets during high season, additional flights were operated by Druk-air in 2006. Bangkok continues to be the dominant transit airport, where 44.8% and 44.2% entered and exited respectively given the dominance of the North American and European markets.

Almost 20.0% of all arrivals journeyed by road from Phuentsholing, which is currently the only road entry point open for tourists into the Kingdom. Some 2.8% of visitors exited to India via Samdrup Jongkhar (south-east). The fact that the Samdrup Jongkhar access point remains officially closed to tourist traffic continues to be an impediment to tourist arrivals

in the eastern and southern parts of Bhutan. The proposed airport in Sarpang (Southern Bhutan) could do much to encourage tourism growth in the south and central Bhutan.

Table 1.5 Road and Air Accessibility

Access Points	Entry Sector	% by Entry Sector	Exit Sector	% by Exit Sector
Bangkok	7,768	44.8%	7,670	44.2%
Delhi	3,144	18.1%	3,176	18.3%
Kathmandu	2,087	12.0%	2,183	12.6%
Phuentsholing	3,374	19.4%	2,041	11.8%
Kolkata	968	5.6%	1,764	10.2%
S/ Jongkhar	0	0.0%	487	2.8%
Dhaka	7	0.04%	27	0.2%

Source: DoT (2006)

Bhutan is a unique blend of the old and new. It is a country that is slowly opening up to the modern world in a fine balance with its ancient traditions having remained sovereign and self-sufficient, but relatively unknown to the world outside for most of its existence until the mid 20th century. In general, tourists visiting Bhutan have been overwhelmed by the authenticity, friendliness and the unique character of Bhutan. All these factors have put Bhutan in a very favorable position and can work towards the country's advantage. For one, Bhutan is able to learn from some of the irreparable damages and mistakes made by other countries in terms of tourism development and thereby, avoid the same mistakes.

1.2.3 Overview of the Hotel Industry in General

According to Jacques Levy-Bonvin (2003), the history of hotels is intimately connected to that of civilizations and it is a part of that history. Facilities offering guests hospitality have been in evidence since early biblical times. The Greeks developed thermal baths in villages designed for rest and recuperation. Later, the Romans built mansions to provide accommodation for travelers on government business. The Romans were the first to develop thermal baths in England, Switzerland and the Middle East. According to the author, the start of

the hotel industry could be traced to France, at the beginning of the fifteenth century wherein the law required that hotels keep a register. The first guide books for travelers were also published in France during this period. English law also introduced rules for inns at that time and more than 600 inns were registered in England.

While the industrial revolution in the 1760s facilitated the construction of hotels everywhere in mainland Europe, England and in America, the twentieth century referred to as the age of prosperity saw the beginning of the construction of hotels for business people. This movement according to the author was supported by several factors. First of all, there were the airline companies to extend their efforts in the domain of hotels. Then there was the sudden prosperity, due to black gold (petroleum) of Middle Eastern countries which attracted business people from the entire world. This brought about an important business travel trend not limited to the region alone, which initiated the development of hotels primarily designed for business people in Middle-Eastern cities like Dubai, Abu Dhabi, Riyadh and Jeddah etc.

Hotel chains conscious of their customer's wishes then began to offer an increasingly varied range of services. Their rooms became more spacious and the cuisine more refined. Gradually, various first class hotels (among them former palaces and city centre hotels) which had fallen into disrepair began renovation programs to improve their facilities. The third boom in the hotel industry began in 1980, marked by more inventive marketing and the development of hotels increasingly adapted to a particular type of clientele. This trend prompted the construction of hotels near airports, hotels for conferences, health hotels, ski holiday hotels, holiday villages and marina hotels. The first Property Management Systems (Fidelio, Hogatex, etc.) appeared in the hospitality market.

The first administrative hotel management systems, offering hotels greater independence from human resources, then appeared on the market. The hotel industry was becoming more and more competitive. Business travelers and retired people became important target customers. The early nineties saw a recession in the hotel business caused by reductions in multinationals' travel budgets and the growing crisis in the Gulf. The Gulf War helped to create great insecurity for both individuals and business. 1991 is considered to be the black year of the hotel trade. It forced hoteliers to become more creative in finding ways of attracting guests (special programs, offers for frequent travelers, high performance reservation systems) and thus the hotel industry emerged from the crisis with minimum damage.

For the first time, the environment and energy conservation played an important role in the marketing activities of numerous chains which is partly due to the green movement and even helped to win the loyalty of numerous clients while safeguarding assets at the same time. Reservation systems became more efficient and offered the hotelier a new dimension in the creation of customer loyalty, the database. The records of each guest's individual history have helped create individualized marketing programs and have enabled hotels to satisfy a guest's personal needs from the moment of his arrival.

Thus in conclusion, it can be observed that the hotel industry has been most progressive and dynamic in its development since its origin and that the notion of lodging facilities corresponding only to the traveler does not hold true anymore. In the present times, architects, designers, developers, engineers, managers are more and more conscious that taste and desires of guests could be different and must be satisfied according to their wishes or needs thus requiring hotel specialists to continuously analyze new trends, define better criteria, present modern standards in order to improve quality of services in the hotels.

1.2.3.1 The Factors Affecting the Hotel's Guest Satisfaction

Chris Ryan (1995), states that the attitudes, expectations and perceptions of holiday makers are significant variables in setting goals, influencing behavior and determining final satisfaction. According to the author, if satisfaction is seen as a congruence of need and performance, then dissatisfaction can be perceived as the gap between expectation and experience and therefore some form of gap analysis would be helpful in analyzing tourist satisfaction.

Jonathan Barsky & Lenny Nashv (2003) carried out a guest experience in-depth interview of 30,000 consumers in various cities of the United State and the study findings indicate various factors that impacts guest experience in the hotels, these are regional variations, seasonality of demand, technology of services and comfortable experience.

- **Regional Variations**

This variation is likely caused by such factors as weather, the labor pool and hotel supply, also were found within large hotel chains. Holiday Inn was the most consistent hotel brand in delivering customer satisfaction to its guests throughout the country. While loyalty programs were more important for guests traveling to Atlantic City (casino hotels) than any other city. However, this isn't surprising given the number of casino hotels in Atlantic City. Casino loyalty programs lead the industry and are well known for offering handsome program benefits such as complimentary meals, rooms, shows, shopping discounts, private club access and large loans to active members.

- **Seasonality of Demand**

While many hotels are unique, most hotels share one common characteristic: the seasonality of demand. Demand for hotels fluctuates in a predictable pattern of high seasons and low seasons. But seasonality does impact the guest experience, while the impact on the guest experience could have a positive or a negative implication. The study shows that Lower scores during June, July and August (high season) indicate that the guest experience clearly is affected by the busy summer period. Additional pressure on staff and facilities can have a negative impact on the guest experience. And, if new employees are added during peak seasons, maintaining service levels would also be difficult.

Alternatively, hotels delivered higher guest satisfaction during the low seasons months of November, January and February which are traditionally slower periods for hotels. Guest satisfaction reaches its peak in November. Perhaps during these traditionally slower periods, guests take advantage of reduced rates. They are happier to pay less, and as a result, expect less but are more likely to receive good service because of lower occupancies. Further, because guest satisfaction does fluctuate over the year, guests may have varying experiences depending on the time of year. Brands with a highly variable guest experience might not meet expectations and disappoint guests during critical peak periods. The resulting negative word-of-mouth communication can affect growth and impact future business.

The study indicates that economy and midscale-without-food-and-beverage hotel segments provide the most consistent guest experiences during the year, while guests staying at

luxury hotels report the most variability month to month. Interestingly, guests in the midscale-w/o-F&B segment also tend to be very loyal, indicating that these customers appreciate a consistent brand experience. Luxury hotels not only have the greatest variability of guest experience, they also have the biggest variability in customer mix. August is the peak season for luxury business travel and the slowest month for luxury leisure travel. This changing customer base requires hotels to shift services and amenities to accommodate the needs of these guests.

- **Technology of Services**

Despite innovative products, services and technologies available in hotels, people still share a basic set of requirements critical to their experience. Surprisingly, loyalty is strongly influenced with basic, often low-tech products and services. The study shows that most guests share a basic set of requirements critical to their hotel experience. And according to the author, the top five attributes that drive loyalty across all industry segments are:

- Value for money
- Room cleanliness
- Employees' can-do attitude
- Friendliness of front desk staff
- Comfortable bed and furniture

Value for money is based on all elements of a guest's stay compared to the total price paid, and is affected by many variables. The next two elements central to hotel loyalty are a can-do attitude of employees and the cleanliness of guestrooms. According to Jonathan Barsky & Lenny Nash (2003), the ability for employees to project a can-do attitude was critical to retaining customers and attracting new ones.

Some of the guest comments from different hotel brands where the employee attitude was superior indicated the friendliness of the service staff and their caring attitude. For instance the staff in the restaurant serving the guest at the cafe remembers the room number when it was time to charge a meal instead of having to repeatedly ask for the room number. The housekeeping staff informing the guest of some local attractions and asks later if the guest enjoyed them and calling the guest by name when they saw the guest. This represents a very

positive attitude on the part of the employees in terms of meaning what is said and in following up.

The customers also observed that the employees at the front desk were friendlier than those at any other hotels. The staff had just the right amount of humor and degree of business. They are more than willing to assist the guest with the luggage and many other things and never waited around to wait for a tip. It was also observed that the attitude of the hotel was great: turndown service, extended check-out time, plenty of towels in the bathroom as well as brand-name amenities and a welcome from housekeeper of water and chocolate.

Guests also felt they were taken extra care of, the staff were always ready to help and were very quick to get a ride to the airport, and the gentleman who drove the guest was a good conversationalist and immediately helped with luggage without hesitation. One customer observed that his spouse had health problems and the staff went far beyond just being nice and considerate of her feelings. They made her feel like royalty. This indicates that the staffs always carried a good disposition and were exceptionally service oriented, friendly and professional.

The perception of a clean room was also critical to retaining customers and attracting new ones. Mandarin Oriental's housekeeping received the top score among all brands. With twice-daily service, including evening turndown, Mandarin's housekeeping gets rave reviews from its guests indicating flawless housekeeping and comments like "We could have eaten off the bathroom floor". Reproduced below are some guest comments from different hotels where housekeeping was perceived as outstanding:

- The housekeepers brought fresh towels to the room after they had already cleaned the room. Housekeeping used a scented spray on the carpet daily.
- The turndown service was probably the most notable aspect that made the guest feel pampered. All of the nice notes (on the robes in the closet, the bed stand, etc.) also contributed to that atmosphere and they replaced any shower items that were used daily.

While new technology and related services are important to attracting and retaining hotel guests, these innovations however did not play as critical a role as the above core elements of satisfaction.

- **Comfortable Experience**

According to the Jonathan Barsky & Lenny Nash (2003), the emotions a hotel employee experiences at work and the beliefs he or she has about the overall company are the strongest drivers of employee loyalty. The analysis of more than 4,000 responses collected through an employee survey revealed that certain aspects of the work experience had the biggest impact on employee loyalty. The emotions play an important role in hotel customer satisfaction and loyalty, and that they are a better predictor of customer loyalty than traditional measures of products and services. Guests are willing to pay significantly more per night for the promise of experiencing certain emotions during their stay.

Jonathan Barsky & Lenny Nash (2003) indicated that comfort has an impact on the price sensitivity of business travelers. Business travelers were willing to pay more when comfort levels exceed their expectations. This payoff is much greater for comfort than for the other loyalty emotions of business travelers. As a result, the return on investing in guest comfort is likely to be greater than investing in other loyalty emotions. How do guests define comfortable and what products and services create more comfortable emotional experiences. When asked to the guests and managers to address these questions. Comments defining comfortable fell into five areas: product, staff, arrival, value and location.

According to Jonathan Barsky & Lenny Nash (2003), hotel staff members have a significant impact on the feelings of comfort experienced by guests. Guests appreciate having a friendly, knowledgeable and helpful staff that they feel comfortable addressing. Guests felt comfortable knowing they can trust the staff with their safety, belongings, messages and wake-up calls. Many guests commented that it was comforting when the staff approached their stay with a responsive, attentive and enthusiastic attitude. Guests mentioned efforts made to personalize their service as a contributing factor to their comfort. A respectful and accommodating staff was a critical element of a comfortable arrival. Using courteous words, repeating the guest's name and treating the guest warmly makes guests feel comfortable. Arrival goodies, such as warm cookies and milk, were a comforting gesture appreciated by guests.

1.2.3.2 Overview of the Hotel Industry in Bhutan

Currently a total of 74 hotels in varying grades of A, B and C are registered with the Department of Tourism which cater to international tourists and other regional tourists alike. There are also about 25 new hotels under construction at various locations in the country.

Previous studies have shown that international tour operators sending tourists to Bhutan indicate that the general infrastructure of the country is adequately developed to satisfy the needs of the tourist (DoT, 2006). Nevertheless, to consolidate the number of tourists and to realize further growth, hotels and accommodation needs to be upgraded in terms of sanitary facilities, standards and gastronomy, customer service, hygiene, comfort and excellent food are keywords within this context (Beek and Klep, 2002). In the same study, accommodation in terms of quality of rooms in the hotels were ranked as good (52%) and excellent (22%). The quality of sanitation facilities was criticized by a number of tourists and the second most often cited complaint was the quality of food and cuisine variety.

The most obvious explanation for the difference between the tourist and the international tour operator were considered to be that of perception. The tourists are overwhelmed by authenticity, friendliness and unique character of Bhutan and are willing to accept lower standards, although they want basic standards concerning food and hygiene. They compare Bhutan to other destinations that have developed international standards and realize that the price-quality ratio is not acceptable (DoT, 2006).

Bhutan has some International hotel groups like the Aman, Uma and the Taj group having opened their operations as the country has permitted foreign direct investment. Some of these hotels are comparable to international seven stars and this is likely to have a positive influence on the general standard of accommodation currently available in Bhutan. However, it is observed that a good number of the visitors appear rather unappreciative of the presence of such luxury hotels as these hotels do not reflect their perception of Bhutan (e.g. un-touched Bhutan) (DoT, 2006).

1.2.3.3 The Standardization of Hotels in Bhutan

The broad objectives of quality systems or standardization systems are essentially to promote quality awareness and improve performance practices and capabilities; to serve as a working tool for managing performance, planning, training and assessment; and to facilitate communication and share best practice information about successful quality strategies and benefits (Woods and King, 1996). The existing standardization and classification of hotels in Bhutan was developed on the model of Sri Lanka, a country with differing social and geo-political background. The realistic situations, ground realities, human resource capability, professional management skills which make up the essential attributes towards making a wholesome standardization of hotels seems to have been overlooked in defining the earlier standards. The existing concerns frequently raised within the country is that the standard level of the hotel industry is low and is not consistent with the policy of high value, since all tourists are charged a minimum of USD 220 per day, which is an all inclusive package (DoT, 2006).

Currently, existing hotels desiring to be registered with the Department of Tourism submit a formal request for inspection of their hotels. A team of officials (Inspectors) then carry out a physical inspection of the facilities and evaluate the existing standards following standard criterion laid down and provide point system against each of the listed criteria. Upon receipt of the evaluated form and depending on the total score received, the hotel is then categorized and classified in the appropriate category depending on the score sheet against various attributes. Upon receipt of this classified status, the hotel is then permitted to accommodate international tourist. Annual inspections of all hotels are carried out randomly to ensure compliance to the standards. A hotel's category can be downgraded if standards fall (DoT, 2006).

Further, all construction activities in Bhutan comply with the Bhutan Building Rules (BBR) 2002 which guides the rapid process of urbanization in Bhutan. The objectives of the BBR pertain to facilitating and regulating functional and safe building construction, promote a healthy living environment, encourage professional approach to building design and construction, preserve and promote traditional architecture and promote awareness on basic minimum design standards and procedures.

Therefore in accordance with the Rules, the architectural features and outer facade of any building regardless of whether it is a commercial or residential must conform to the "Guidelines on Traditional Architecture". Therefore for any construction, the complete drawings with design information and details must be submitted to the Implementing Authority for scrutiny and approval.

The Rules enable the planning and building to carryout the activity as per the prescribed technical specifications and expedite the process of approval by the implementing authorities. The purpose of the rules is to ensure minimum quality standards of construction and promote a healthy living environment for the safety of all occupants and properties. Building constructions are also subject to routine / periodic inspections by the implementing authority. In the event of deviation(s) from the approved plan including quality control the implementing authority shall have the full authority to stop construction. If however, the construction is not as per the approved building drawings, the authority shall, by written notice, direct the owner to stop further construction. The construction shall be resumed only after approved rectification is carried out to the satisfaction of the implementing authority. In case the owner fails to rectify the deviations the authority shall cancel the building permit and disconnect the services BBR (2002).

The construction of all hotels also fall under the commercial entity and are bound by the provisions of the BBR in force. This has resulted in maintaining the traditional Bhutanese architectural features in all the buildings.

1.2.3.4 Hotel Standardization and Classification Concepts

Historically, hotel classification systems were formed to ensure safe and reliable lodging and food for travelers at a time when very few such trustworthy establishments existed (Lau et al., 2005). In the past fifty years, hospitality had reached the status of a mature industry with the unprecedented growth of international tourism. As a result, the focus of hotel classification systems has shifted from consumer protection to consumer information. Presently standardization and competitive marketing of hotel services to foreign customers and tourist professionals have appeared as driving forces for instituting a local or national hotel classification system (WTO and IH&RA, 2004).

According to Chon and Sparrowe (2002) the lodging industry was never used or known by the same name: through out history, inns, taverns, coaching inns, motels, hotels, resorts, lodges and conference centers have existed offering travelers places to stay. They did not offer the same services and each had its own identity, operating style, goals and loyal followings. But from the Eastern hemisphere to the West, from luxury to budget, there was one underlying principle common to all; that of extending the spirit of hospitality to overnight guests. The economic boom of the 1980's also made hotel development so desirable that created an over supply of hotels. While favorable economic climate also increased demand by giving the traveler greater freedom, the demand did not grow with the supply. The 1990's then saw a glut resulting in more rooms than could be filled. The efforts taken by the industry to boost demand have resulted in greater complexity of lodging classification, ownership, and marketing.

The size and the scope of the hotel also differ from country to country and within countries itself. It was estimated that in 2001 there were nearly 12 million hotel rooms world wide with more than 50% of the rooms in Europe and about 33% in North America (WTO, 2001). Further, according to a research study conducted by WTO and International Hotel & Restaurant Association (WTO and IH&RA, 2004), the most widely used graphical symbol in hotel classification is the star. However, different countries, Institutions have adopted their own classification systems based on appropriate standards adopted into the Tourism Law by the State Constitution or regional constitutions.

According to the British Hospitality Association (BHA), there are new, harmonized, quality standards for hotels under a unified system agreed between the two major motoring organizations - the Automobile Association (AA) and the Royal Automobile Club (RAC), and the English Tourist Board (Scotland and Wales will have slight variances with these standards).

Quality standards will be signified with the award of 'Stars'. The minimum number of stars is one and the maximum is five. There is however no legal compulsion for hotels to seek quality recognition, although they are subject to local controls and licensing.

1.2.3.5 Hotel Classification Systems: A Global Perspective

Hotel classification or certification is a process that involves voluntary procedure that assesses, monitors, and provides an assurance that a business, product, process, service or management system conforms to certain specific requirements. Many researchers consider hotel classification as an inexact science (Vine, 1981). According to Cser and Ohuchi (2006) this is primarily due to the fact that none of the statutory classification schemes are water tight and it is very hard to pin down an ideal system. This also explains why an internationally harmonized classification has not been developed up to now. Although an international harmonized system of classification of hotels would be unrealistic, Cser and Ohuchi (2006), argue that the advantages of having a hotel classification system outweigh the disadvantages of developing such a system. Similarly Callan (1994), mentions that both tourist and business customers could benefit from a set of monitored and reliable minimum standards.

The classification systems adopted by different countries typically come from the government or quasi-government sources, independent rankings or sometimes the hotel operators (Maternovsky, 2003). The various classification systems of the hotels reflect a diversity of hotel services against the backdrop of cultures and geographical situations all with a view to satiate the ever increasing appetite for excellence in services. However all these systems have a commonality in that a grading of sort is given out based on certain parameters on what the hotel offers or is able to fulfill the required parameters and unfortunately the grading is not based on the quality of services being provided (Maternovsky, 2003). Official hotel classifications vary by country and often have different symbols to distinguish between hotel categories (stars, diamonds etc) which cause confusion both for tourists and the hotel industry according to Cser and Ohuchi (2006).

According to Holtrec (2004) the first classification systems for accommodations were developed in Europe. It is therefore generally referred to Europe as being a cradle of hotel classification. The classification of hotels is mandatory in Europe Figures 1.3 and 1.4 give the structure model showing of hotel classification system in Switzerland and Germany respectively. It is interesting to note the structure of the Swiss model of classification as it introduced the hotel

classification system much earlier than most other countries in Europe. Many countries began to then develop such their system on the Swiss model.

In Asia also, the classification of hotels and accommodation is gaining momentum and many countries are constantly in pursuit of defining specific levels of hotel standards and classification and in the process refining it in keeping with the changing times. China classifies its hotels on a Platinum five star system. South Korea categorizes hotels as 3rd, 2nd and 1st deluxe and super deluxe hotels. However in most cases, price is the determining factor and a more accurate indication of quality. It is also founded that Asia hotels have higher staffing patterns because of relatively low wages.

Japan had no hotel classification system until very recently (Cser and Ohuchi, 2006). This reportedly attributes to originating from cultural factors, such as the Japanese people in general do not want to be compared or evaluated by a third party. Further there is the disbelief that low quantity is equal to low quality level which has made it difficult to develop an official classification system. This revalidates the fact that processes and standards or classification of hotels must be in conformity and in being sensitive to the local sentiments and other cultural factors. It is important that countries develop their own classification system based on its own specific criteria's.

Further according to Kozak (2004) there is a clear distinction between quality and eco-labeling standards and awards on the basis of the organizations or geographical areas covered. While quality standards and awards typically address solutions for performance improvement mostly in individual organizations, eco-labeling standards and awards cover destinations, areas and organizations. The former often refer to the use of qualitative measures such as the appearance and behavior of staff, quality of facilities, atmosphere and customer satisfaction. Conversely, the latter systems focus mostly on quantitative measures such as water and electricity supply and consumption, recycling, waste water generation per room, provision of equipment, level of water and air pollution and so on. The best alternative would therefore be to develop a more comprehensive quality system which combines these two systems.

Figure 1.3 Structure Model Showing Swiss Hotel Classification System
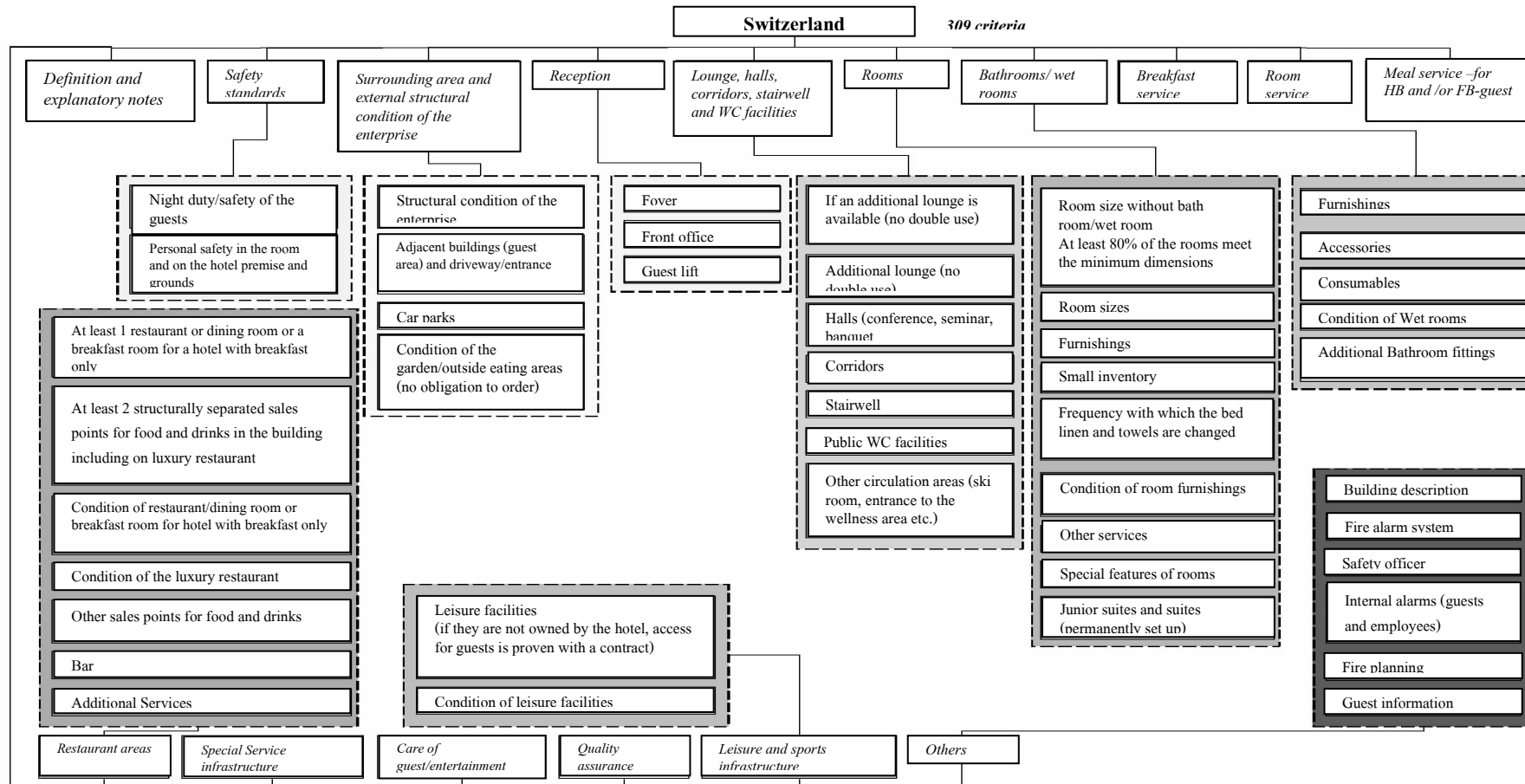
Source: Cser and Ohuchi (2006)

Figure 1.4 Structure Model Showing German Hotel Classification System

Germany — *219 criteria*

- **Building/Rooms**
  - Cleanness/Hygiene
  - Preservation condition
  - General impression
  - Reception
  - Rooms
  - Public area
  - Facilities for disabled persons
  - Car park
  - Others
- **Furniture/Equipment**
  - Sanitary comfort
  - Sleeping comfort
  - Room equipment
  - Deposit
  - Noise control/climatisation
  - Video and audio systems
  - Telecommunication
  - Others
- **Service**
  - Cleaning of rooms/change of laundry
  - Beverage
  - Breakfast
  - Food
  - Reception
  - Laundry and ironing services
  - Payment
  - Others
- **Leisure**
  - House equipment and facilities
  - Wellness/Beauty
  - Others
- **Special offers**
- **In house Conference facilities**
  - Rooms
  - Telecommunication
  - Media
  - Equipment technics

25

1

Figure 1.5 Structure Model Showing China's Hotel Classification System
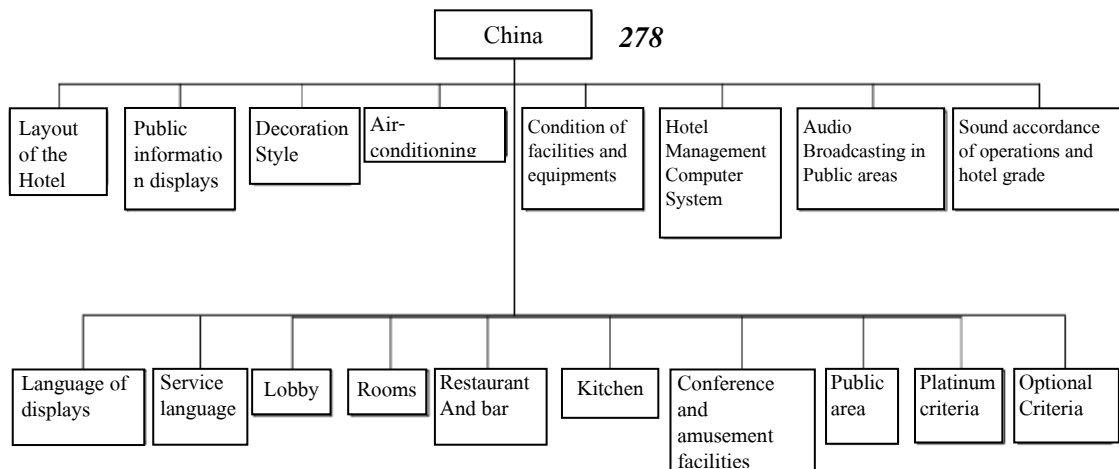
Source: Cser and Ohuchi (2006)

Figure 1.6 Structure Model Showing Japan's Hotel Classification System
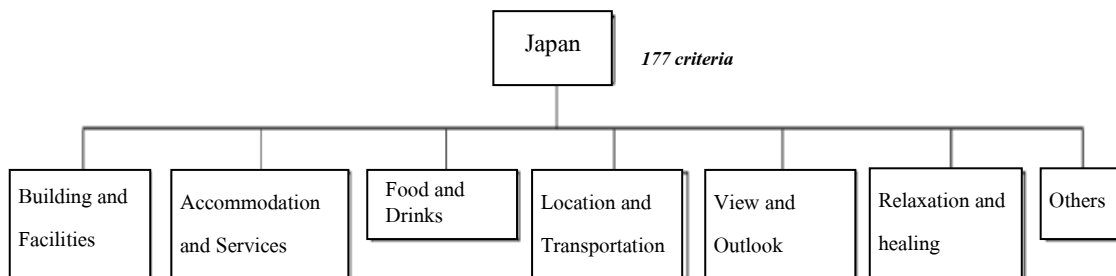
Source: Cser and Ohuchi (2006)

According to the information posted by the Thai Hotels Association (2008) on the website of www.thaihotels.com, it notes that star ratings for hotels in Thailand have to be taken with a grain of salt, as there is no established rating system in the Kingdom. A system is currently being developed under the auspices of the Thai Hotels Association and other industry bodies, and only some hotels are officially rated as per the star classification currently. Besides that, the old adage "You get what you pay for." holds true. At a given location, hotels who can charge higher rates are usually better by international standards. However, the high level of

service mindedness, hospitality and customer care in Thailand will leave most visitors satisfied in spite of the hotel's "official" rating even if they don't get every tick on the reviewer's checklist.

The standards frame work for accommodation as per the classification system currently being followed is prescribed in the hotel act of 2004. The classification of accommodation is categorized in four areas of Hotels, Resorts, Serviced apartments and Guesthouses as shown in table 1.5. The hotel standards presented in the table forms an integral part of the development of standards for all other standard categories of resorts, serviced apartments and guesthouses existing through out the country.

The Thailand Hotel Standard Foundation (THS), a central body of cooperation from the Tourism Authority of Thailand (TAT), Thai Hotels Association (THA), the Association of Thai Travel Agents (ATTA) and Thai higher education institutions and is the responsible agency for the hotel standards and certification in Thailand. In 2005 a total of 84 hotels were certified and in 2006, 35 hotels were accorded certification.

The hotel classification system represents a quality grading system for each specific category the accommodation should represent. This system also represents a wholesome approach towards classification of hotels which not only based on physical attributes but also encompasses service elements, which is largely not considered by other classification systems elsewhere. According to Seebunruang (2004), in the study carried out on customer satisfaction with services of domestic airlines in Thailand highlights the significance of variables such as service quality, product quality, price, situational factors (past experiences) and other personal factors greatly influencing customer satisfaction and this is particularly relevant to the context of the hotel industry as well.

Table 1.6 Standard Frameworks for Tourism Accommodation in Thailand

Standard	Factors	Criteria	Total Indicator	1 star	2 stars	3 stars	4 stars	5 stars	Evaluation criteria (% of evaluation points)
Hotels	12	49	498	140	158	229	393	438	95%
Resorts	11	45	450	140	158	229	390	393	95%
Serviced Apartments	10	35	381	138	158	224	297	325	95%
Guesthouses	9	29	316	116	134	189	239	261	95%

Source: Thailand Hotels Association (2004)

As reported by Chon & Sparrowe (2002), the smith travel research created a new general classification system called the market price levels in 1993. According to this system, lodging properties are categorized based on the room rate as follows:-i)**Luxury:** Properties with actual room rates above the 85th percentile in their geographic market. ii) **Upscale:** Properties with actual room rates above the 70th percentile and below the 85th percentile in their geographical market. iii) **Mid price**: properties with actual room rates above the 40th percentile and below the 70th percentile in their geographical market. iv) **Economy:** Properties with actual room rates above the 20th percentile and below the 40th percentile in their geographical market. v) **Budget:** Properties with actual room rates below the 20th percentile in their geographical market.

The above category definitions would depend on each market area and while Chon & Sparrowe (2002) contend that the market price levels base is easier to use in the analysis of the lodging industry, hoteliers will no doubt continue to use general categories that convey to guests certain level of service based on amenities provided.

It is therefore essential to consider incorporating service factor elements within the classification process to properly gauge classified hotels both in terms of physical and service aspects. It may become seeming to readers that the service elements in the Thai classification appear to be a stereotype approach in servicing the customers but it is an important consideration in the hotel industry as it represents an attempt towards inculcating a customer service approach in the hotels by its employees.

1.2.3.6 Hotel Classification Systems According to Stars and Diamonds

Hotels classified by Stars, are widely understood by the consumers. In most other Asian countries including Thailand, hotels are being classified on the basis of stars. However, while a five star hotel in China are comparable to international luxury hotels, yet four star properties in China lack some features compared with counterparts in Europe.

According to the British Hospitality Association (BHA), the application of the star classification for hotels reflects the following attributes:-

One star: Hotels in this classification are likely to be small and independently owned, with a family atmosphere. Services may be provided by the owner and family on an informal basis. There may be a limited range of facilities and meals may be fairly simple. Lunch, for example, may not be served. Some bedrooms may not have en suite bath/shower rooms. Maintenance, cleanliness and comfort should, however, always be of an acceptable standard.

Two Star: In this classification hotels are typically small to medium sized and offer more extensive facilities than at the one star level. Some business hotels come into the two star classification and guests can expect comfortable, well equipped, overnight accommodation, usually with an en-suite bath/shower room. Reception and other staff will aim for a more professional presentation that at the one star level, and offer a wider range of straightforward services, including food and drink.

Three Star: At this level, hotels are usually of a size to support higher staffing levels, and a significantly greater quality and range of facilities than at the lower star classifications. Reception and the other public rooms will be more spacious and the restaurant will normally also cater for non-residents. All bedrooms will have fully en suite bath and shower rooms and offer a good standard of comfort and equipment, such as a hair dryer, direct dial telephone, toiletries in the bathroom. Some room service can be expected, and some provision for business travelers.

Four Star: Expectations at this level include a degree of luxury as well as quality in the furnishings, decor and equipment, in every area of the hotel. Bedrooms will also usually offer more space than at the lower star levels, and well designed, co-coordinated furnishings and decor. The en-suite bathrooms will have both bath and fixed shower. There will

be a high enough ratio of staff to guests to provide services like porterage, 24-hour room service, laundry and dry-cleaning. The restaurant will demonstrate a serious approach to its cuisine.

Five Star: It is opined that very few hotels in Bhutan would fall in this category. In this category of hotels, accommodation is spacious and luxurious throughout the hotel, matching the best international standards. The Interior design should be impressive with its quality and attention to detail, comfort and elegance. Furnishings should be immaculate. Services should be formal, well supervised and flawless in attention to guests' needs, without being intrusive. The restaurant will demonstrate a high level of technical skill, producing dishes to the highest international standards. Staff will be knowledgeable, helpful, well versed in all aspects of customer care, combining efficiency with courtesy.

Guest House Classification (Diamonds): The Diamond awards assess guest accommodation at five levels of quality, from one Diamond at the simplest, to 5 Diamonds at the luxury end of the spectrum.

Therefore understanding accommodation ratings can also help provide a more holistic opinion of what each classification relates to and according to Bill Gillette (2002), the lodging-rating systems published by Mobil (Stars) and the American Automobile Association (Diamonds) in their travel guides are by far the oldest and most well-known. Zagat, known predominantly for its restaurant rating guides, also publishes city-by-city hotel ratings, as do various consumer travel magazines *Conde Nast Traveler* and *Travel & Leisure*, to name two. And of course, meeting industry magazines, including *Corporate Meetings & Incentives*, have their own reader awards.

Both Mobil and AAA employ inspectors to visit the properties as guests. (AAA inspectors check in anonymously and later announce their presence to management; Mobil's remain anonymous throughout the inspection process.) AAA inspectors complete a detailed check list of as many as 15 observable criteria under 13 different service categories. For example, the five-diamond guest room will have at least 12 wooden hangers in the closet and be decorated with "sophisticated prints or lithographs"; its bathroom will feature "outstanding quality" fixtures. Mobil's rating system, though similarly comprehensive, tends to be slightly more subjective inspectors, for instance, are granted the leeway to judge each property on its own special merits.

While the AAA DIAMONDS according to www.aaa.com follows the established norms where:

1. The property meets all basic requirements. It is clean, safe, and well-maintained.

2. Maintains the attributes of the one-diamond level while showing noticeable enhancements in room decor and quality of furnishings

3. Displays a marked upgrade in physical attributes, services, and comfort. Additional amenities, services, and facilities may be offered.

4. Displays an exceptional degree of hospitality, service and attention to detail while offering upscale facilities and a variety of amenities

5. The property's facilities and operations exemplify an impeccable standard of excellence and exceed guest expectations in hospitality and service. Striking and luxurious, these properties offer many extra amenities.

While the MOBIL TRAVEL GUIDE STARS according to

www.exxonmobiltravel.com rates the star category as**:**

1. Good, better than average

2. Very good

3. Excellent

4. Outstanding; worth a special trip

5. One of the best in the country

On the contrary, the hotels in Bhutan have followed the lettering system of A,B,C but have generally adopted the same attributes as the above two system.

In conclusion, it can be understood that essentially all AAA Diamond hotels and Mobil 4 star hotels are very much the same thing as both ratings are awarded through similar evaluation process and guided by similar physical and service standards. Several reviews indicate that both AAA and Mobil rating criteria are based on industry standards and reflect guest expectations and not on the personal whims and fancies of the Inspector.

One must also remember that inspectors rating decision are always influenced by personal factors despite clearly defined guidelines and criteria.

In summary, AAA and Mobil ratings are used as a tool for the travelers to decide where to stay and dine. Hence both systems are credible and popular; however they are reportedly not perfect.

1.2.3.7 Hotel Ratings

Thomson Holidays

Thomson T. ratings are based on annual appraisals and customers' views taken from the end of season Customer Satisfaction Questionnaires. Hotels and apartments are rated from "2T" for no-frills, good value accommodation to "5T" for more comfort and a wider range of facilities. To a very few of the best hotels, a Blue Ribbon classification is awarded. These are internationally renowned luxury hotels offering an exceptional standard of comfort. There exist some differences between accommodations that share the same T rating category and T-plus rating can be a useful extra guide.

Air Tours

The American Automobile Association (AAA) is one of the most widely recognized rating services in the United States. AAA publishes a series of tour books that rate hotels using a system ranging from one diamond, representing a good basic facility to a high of five diamonds for the exceptional establishment (Chon and Sparrowe, 2002). While the "A" ratings are awarded by specially trained Air tours staff, based on such criteria as the public area furnishings, food & drink outlets, room & leisure facilities & service. They range from AA for simple accommodation to AAAAA offering the highest quality & level of service *Thomas Cook.* This universal ratings system is based on the views of senior managers both in the UK & overseas. It is observed that none of these are particularly objective, but this information at least provides some insight into how the tour operators go about rating accommodation.

However, Vine's (2002) review on classification: a science or an Art, views that classification schemes operated by the private sector may meet the needs of many residents and

travelers, for national purposes they are not comprehensive and that although, hoteliers know more about how a hotel should be run than outsiders, hotel associations can rarely exercise the degree of objectivity needed to operate a classification scheme. Government departments and boards of tourism seldom have sufficient qualified staff to advise them and are wary about spending taxpayers' money to ascertain the availability and acceptability of hotel services and standards of cuisine.

Further Vine (2002) elaborates that the Irish Board lays down guidelines for hotel classification which it points out is "not determined by the existence or absence of any one criterion but rather on the overall consideration of individual assessment" and goes on to say that "where appropriate, consideration will be given to reasonable variations based on locality or nature of business". It is a common-sense approach, yet the flexibility of such a system lends itself to the danger that a hotel may achieve a classification without providing the services or facilities of similarly classified hotels (if in the Board's opinion its locality or nature of business exempts it from that requirement). The guidelines for grade IV and V hotels require "buildings to be well designed architecturally, finished to a high standard and well suited to hotel use". Lounge space, at grade I, II, and III hotels, should contain "harmonizing furniture, fittings and equipment of good quality, well maintained and capable of easy re-arrangement". The Northern Ireland Tourist Board provides another example in its attempt to measure standards of service. Here the interpretation of the precise meaning of English words can be misleading. The criterion for the lowest grade of hotel is "satisfactory service in all departments under conscientious management". The grades rise through "good service by capable management", "very good service by competent management", to a "high standard" and are extremely high standard by competent and experienced management". Some people might argue that the best service is satisfactory service and leave it at that.

The conclusion that can be drawn from the review is that there is no fixed standards laid down for measuring hotel standards and that in whatever manner the guidelines are developed, it must take into consideration wide range of attributes that best represents the factors determining guest expectations and satisfaction levels. That it is not only in the quality of facilities alone that an establishment offers, but together with how it is offered. In the process of defining the standards, observations must be made on success and failures of countries and other

entities that have successfully or unsuccessfully implemented good practices and to ensure that standardization to be implemented are commensurate with local capabilities.

The understanding of the existing practices cements the belief that the industry and the consumers must be closely involved in the standardization of hotels and that the success or failure depends largely on how strong such an association has been built on. The end user and the beneficiaries must act as a check and balance for the system to be healthy and dynamic. A lesson that Bhutan must learn is that managing hotels operations is a highly professional job, which must be managed by people who understand the business of hospitality and understand the hospitality language of efficiency and courtesy.

1.2.4 Service Quality

According to Zeithami and Bitner (2000), the characteristic of services is in its relative intangibility where services in the extreme are deeds, processes, and performances. Shostack (1987) argues that services are not things. McLuhan (1964, cited in Shostack 1987) some twenty years ago puts it more succinctly in the following way when he declared that the process is the product. When we say "airline" it means "air transportation", we say "movie" when we mean "entertainment services". We say "hotel: when we mean "lodging rental". The use of nouns obscures the fundamental nature of services, which are processes not objects.

It is a major contention that a defining characteristic of pure service is intangibility. That is, pure services cannot be seen, touched, held or stored and that there have no physical manifestations. Pure services are essentially processes that are experiences and services yield psychological experiences more than they yield physical possessions. For example, to the extent that employees perceive that they are rewarded for delivering quality service, their organization's service climate will be stronger. Additionally, perceptions that customer service is important to management will also contribute to a strong service climate according to Schneider and Bowen, (1995).

On the other hand quality is an ambiguous term, which means that while everyone knows or thinks they know what quality is, yet formulating a comprehensive and uniform definition is a big-if not an insurmountable problem (Kasper et al.,1999). According to

Schneider and White (2004) in their publication on service quality, research perspectives, they contend that there are several different ways to approach the definition of quality: the philosophical approach, the technical approach and the user based approach. The third approach to defining quality through the user based approach is particularly of more relevance for the purposes of this study. This definition takes the view that quality of a product is determined by its user. It views that quality is subjective and hinges on the individual perceptions of customers. Therefore the quality of a product is high when the customers say it is.

The user based view of quality is particularly attractive for service quality because of the nature of service delivery. The increased intangibility of service delivery means that people cannot physically touch services, but can only perceive them in their minds. Therefore measuring quality of service delivery as perceptions of the user is particularly appropriate for assessing the quality of services. The authors agree that services quality could be measured with more objective criteria in a technical approach to quality where services could be compared to a checklist of quality indicators. However it notes that setting specific goals for particular aspects of services might narrow the vision of the employees so that they will achieve those goals by lowering quality in areas for which no goals have been set, for example, employees might start answering all customer calls within three rings by terminating other customer's calls or placing people on hold. Such a situation would not be an overall improvement in service quality even though the objective, a technical approach to quality might indicate that it was. Therefore a user based approach rather than an objective checklist approach was found to be superior for evaluating the quality of intangible services.

In the ultimate analysis, there is a general consensus that the objective approach to measuring quality still has relevance in measuring technical outcomes of service experience (e.g. meals, whether the air conditioner is working properly or not) The technical approach is therefore more appropriate for measuring the quality of the "what" of the services, while the user based approach is appropriate in measuring the quality of the "how". Therefore more and more service providers are aggressively adopting service quality as a tactic to gain a competitive advantage over others as ultimately offering of quality service can have financial payoffs.

Further, Schneider and White (2004) endorses the fact that when an organization has a strong climate for service, its policies, practices and procedures will reflect the importance

of services to the organization and its employees will believe that the organization values service quality.

1.2.5 Significance of Human Resources Management in the Hotel Industry

The Hospitality business is a peoples business. Services are delivered directly to guests as needed by frontline employees who represent the face of the business and who control the quality of the hotels, restaurant or other hospitality products. Human Resources management therefore involves all the activities necessary to plan, organize, direct and control the work of people. Managers in the HRD are aware that actions taken in one area could well affect things in another area and therefore represents a core component in the functioning of hotels. According to Stutts and Wortman (2006, pp. 136-137) Hotel and Lodging Management, second edition, "The human resources division of the hotel must master the process of recruiting and selecting people which in some ways can be compared to marketing and selling. Where marketing is that set of activity designed to inform and excite a potential customer to use a product or service, and service is the skill needed to convert that interest into a purchasing act". According to Hoque (1999), human resource management is more likely to contribute to competitive success where it is introduced as an integrated package, or a bundle of HRM practices. The findings according to Hoque (1999) indicate that the relationship between HRM and performance exists only among hotels emphasizing the importance of quality enhancement and among other categories of hotels; HRM proves infective where cost control is seen as the key to business strategy. The study also notes that hotels with an identifiable strategy adopting ethos service quality with a high number of HRM practices perform the best. Brownell (1994) focused on the importance of managers creating an environment that fosters good communication between employees and management. According to the author, the vision of strong listening environments may foster practices and attitudes that become the most important tools managers bring with them into the twenty-first century. Sparks (1994) found that customers evaluate the quality of the service, in part, in the manner in which information is communicated by employees. Thus, part of customer satisfaction is dependent on the ability of employees to listen to customers and communicate with them.

According to Cho, Woods, Jang & Erdem (2006) on a study measuring the impact of HRM practices on hospitality firm's performances, it indicated that incentive plans had a significant relationship with turnover rate of non managerial employees which implies that if a company applies more incentive plans to more employees, the company would experience low turnover rate of non-managerial employees and hence it could be presumed that low turnover rates reduce operating costs and ultimately help to increase a company's profitability. While according to Gale (2002) turnover costs can reach about 150% of an employee's salary and the main reason of a high turnover rate is wrong hiring decisions.

1.2.6 Customers Expectation of Hotel Service Quality in Bhutan

1.2.6.1 Pre Visit Perceptions

According to a study on Sustainable Tourism Development Strategy carried out by the Department of Tourism (2005), the client's perception of Bhutan prior to their visit was assessed through international agents sending tourist to Bhutan which included tourist themselves. Most travel agencies mentioned that their clients were usually quite well informed prior to booking the trip and were all well traveled, experienced and highly educated. It was suggested that Bhutan is commonly viewed by clients as "one of the least developed countries in the world" and having a perception of being exotic, unspoilt, isolated and "an ultimate dream destination". Such perceptions greatly enhance the attractiveness of Bhutan as a destination. International Agents emphasized the "cache of being one of the few to see something no one else has". Agents and clients used key words such as "Cultural", "Uniqueness", "Exotic", "Special", "Isolated", "Buddhist" and "Mountains" when discussing Bhutan.

However the primary attraction that drew clients to visit Bhutan pertained to "Uniqueness" and "Unique Culture" such as dress, architecture and religion. Additional responses included the concept of Gross National Happiness (GNH), environmental and cultural preservation, and the privilege of coming to Bhutan.

1.2.6.2 Perception of Bhutan Being an Expensive Destination

Bhutan is seen as an exclusive, unique and unspoilt tourism destination and although there has never been a planned or structured image building campaign for Bhutan, the country has gained a very positive image (DoT, 2005). On the question of Bhutan being an expensive destination, all international agents answered in the affirmative; however the agents indicate that when the tariff was explained to the client they were more accepting of the price. As one of the Agents put it, "It is not the price that puts client off, but a lack of understanding regarding what the tariff includes. The study also points out that the myth regarding a set "Quota" for visitors' arrival to Bhutan still exists within the market place.

1.2.6.3 Guest Expectations

Many of the Agents indicated they had systems in place to encourage feedback. One of the larger agents had a system in place (eg. USD 100 off on their next trip to Bhutan if they filled in the 2 page feedback form), feedback received was most positive. One agent indicated that when clients travelled towards eastern Bhutan the greater the level of dissatisfaction. This was indicative that dissatisfaction was based on hotel standards and food rather than attractions or specific destinations within Bhutan. Without exception, every agent interviewed indicated that majority of the complaints centered on food. An Agent indicated "Not the same old buffet style every night in every hotel. Several indicated that good quality Bhutanese dishes would be preferable to "the same old buffet" each night.

On the question of the most appropriate hotel standard, the responses to this question were almost identical from all agents. They indicated that what was required was "basic, clean accommodation with a Bhutanese characteristics and personality". Staffs need to be well trained, courteous and helpful and have a professional attitude. Cleanliness was highlighted as a major concern. "Our Clients do not need to be bludgeoned over the head with creature comforts, but they need basic level of service" an agent quoted. "They don't need swimming pools and tennis courts, but for USD 220 per day they expect clean, basic facilities" noted another agent, Wangdi (2006).

Interestingly an agent that received the most positive feedback insists on that the key to sending home happy tourists is making sure that they are not promised something which cannot be delivered right from the beginning. Further it was important to be honest regarding facilities and standards in Bhutan. Such honesty will reap rewards later when the tourist arrives knowing what to expect and there are no nasty surprises. Tourist knows what to expect well in advance and are not hoping for five star luxuries (DoT, 2006).

Promising high quality in a competitive market environment requires the fullest understanding of the implications the term quality has with customers. In the case of Bhutan's unique approach to tourism development and within the goal to establish Bhutan as an exotic and unique destination, the quality-promise needs to be defined. Quality cannot be seen as a mathematical function of high price and luxury as may be the case elsewhere. High quality in Bhutan must be understood in the context of meaning exclusivity, absence of mass tourism, an appropriate pace of the scheduled program, respect for individual expectations of all visitors, excellent guiding and improved level of skill level of all employees and service providers.

According to Wangdi (2005) on a study on International Visitors' Expectations and Satisfaction with their experience on Bhutan as a destination, it indicates that the marketing brochures on Bhutan indicate strongly that luxury words for accommodation service are hardly used. More often, the tour operators used the term "warm hospitality" and warm welcome" as an attracting element for the accommodation services. One of many examples is the Jumo-Lhari hotel, a local tourist hotel wherein they market themselves as *"Traditional hospitality combined with its distinctive boutique style decor".*

In addition, these hotels hardly market themselves as an entity since they develop contact with the local tour operators directly in the local markets due to which visitors know very less about the hotel standards unless they are repeat visitors. Due to nature of the tour and also due to the fact that Bhutan is not known to outside world as a popular destination the expectations of the visitors remain more or less low in terms of infrastructures and services. When a visitor was interviewed from United States, he said**:"** *for luxury facilities, we know Bhutan is not the place for us"* (DoT, 2006).

Clark et al. (2002) argues that to correctly pitch expectations of visitors, it is recommended to establish Bhutan as a destination that requires special attitudes and behavior

from visitors. Rather than stressing on service standards that will not be met, its strong unique culture and unique sense of values should be focused more in the pre-trip information for the visitors. Accommodation or lodging is by a long away, the largest and most ubiquitous sub-sector within the tourism economy. With few exceptions, generally, tourists require a location where they can rest and revive during their travels through, or stay within, a tourism destination (Cooper et al., 1998). We can therefore, see that accommodation is an important support facility and, with few exceptions, commercial accommodation facilities are found wherever tourists venture. Of course there is a great diversity in size, type and organization of this accommodation.

According to DoT (2006), accommodation services scored relatively less important than other services such as food and transport. It was inferred that such a scenario occurred because these two service components (food and transport) are the basic needs for the visitors in any destinations. Therefore it is crucial for any destinations to have an acceptable standard of food and transport services since it will have an impact on the overall satisfaction of the tour.

At the same time it should be noted that accommodation is a necessary component in the development of tourism within any destination that seeks to serve visitors. The quality and range of accommodation available will both reflect and influence the range of visitors to a location (Cooper et al., 1998). We can identify situations where accommodation is seen as part of the overall tourism infrastructure without which tourists will not visit the location. For example, the recently opened Aman Group of Resorts has own set of clients. They would be visiting Bhutan only because to stay in Aman Resorts.

One of the main reasons, that accommodation scored the least in perception after the experience, could be due to the fact that, many hotels as we move away from the capital towards east offer more or less low quality accommodation services. In the survey by DoT (2006), one of the interviewees said,*" the menu in the hotels are same everywhere"*. Another comment made by an interviewee is: *"may be I have been to places where the hotels standards are high, so that is why I find the standard of hotels low though it is still acceptable for me"*

It could be assumed that the acceptable level of hotels for high and low-income visitors also differs. People who have been used to with very high level of service standards might find the hotels in Bhutan below acceptable level while those who are not used to with very high

level of services might find it acceptable. But the good news, however, is that the score is still above neutral and is towards positive, which indicates that in general, it is acceptable. It is therefore, imperative to realize that the reputation of a destination can be tarnished or enhanced by the level of service offered by accommodation providers (Kelly and Nankervis, 2001). Further improvement in accommodation services is going to, without any doubt; influence the quality of the tours for the visitors positively.

However, by improvement, it does not mean that, five star luxuries are required as stated by one of the interviewees (DoT, 2006):***"We do not expect five star luxuries in Bhutan but basic necessities should be offered".*** Accommodation comparatively scored low in perception after the experience. One of the visitors said: ***"the hotels are good in general but hot water shower which is very necessary for the western visitors is missing in most of the hotels when we moved away from the Thimphu".***

Food in the hotels was also the reasons that contributed in bringing down the score on accommodation services. It is imperative that hotels should gear themselves towards offering choices to the clients in collaboration with the tour operators, and avoid the buffet style of serving customers, unless requested or required.

The existing standardization and classification of hotels in Bhutan was developed on a model of a foreign country (Sri Lanka). The realistic situations, ground realities, human resource capability, professional management skills which make up the essential attributes towards making a wholesome standardization of hotels seems to have been overlooked in defining the earlier standards. The existing concerns frequently raised within the country are that the standard level of the hotel industry is low and is not consistent with the "high value low volume" policy objectives.

1.3 Aims and Objectives of the Study

This study aims to develop a Standardization and Classification system of hotels and accommodation in Bhutan by looking at the standardization practices being adopted in other countries, understanding the expectation levels of the various market segments and to develop the guidelines to operationalize the standardization process.

The following are the objectives of the study in the context of Bhutan:

i) Customer's expectation of quality of services of hotels in Bhutan

ii) Existing hotel standards and other related issues in hotels in Bhutan

iii) Guidelines for standardization and Classification of hotels in Bhutan

1.4 Significance of the Study

A study of this nature in assessing and determining the need for an academic review of hotel classification and standards was never carried out in the past. This study would enable the Department of Tourism to put in place a standardization plan which would benefit the hotel industry in adapting to the needs of the guests and at the same time benefit the country's tourism policy objectives through such appropriate standardization systems.

1.5 Scope of the Study

The study covers all the geographical regions of Bhutan with primary focus on Western and Central Bhutan, which is currently the main tourist hub and where over 80 % of all the hotels in the country are currently located. The study is also expected to improve the overall standards and service levels of hotels in the country.

1.6 Conceptual Framework

Figure 1.7 Conceptual Framework

Research Instruments	**Focus group meeting**	**Questionnaire**	**Interview/Discussions**

Data Collection: Identify low standards and its cause and effect | Designing variables to be measured | Collect perspectives of standards from hotels, tour operators, and government

Data Generation: Brain storm various options | Study current business practices, expectation level of guest facilities and amenities, relevancy of existing | Record views, opinions, developed specific categories and generate data

Data Analysis: Come up with specific issues and consensus Specific areas of recommendations | Analyze data and draw preliminary conclusions | Analyze findings and draw up preliminary conclusions

Synthesize data collected and develop final conclusion. Develop guidelines for standardization and classification of hotel

Conclusion/Recommendations: Submit to Government for implementation of more detailed classification considerations

CHAPTER 2

METHODOLOGY

This chapter describes the study areas and the sample size selected for the study. The participatory processes used for the stakeholders meetings, data collected and statistical tools used for the study are described.

2.1 Population and Sample

The population for this study represents the registered and classified hotels in Bhutan. In 2007, there were a total of 74 classified hotels of which 15 hotels were in category A, 43 hotels in category B and 16 hotels in category C. From the above, 33 hotels comprising of 11 hotels in category A, 12 hotels in category B and 10 hotels in category C hotels were randomly selected as the sample for this study. An appropriate number of unclassified hotels were also included in the survey. Since there is no official number of unclassified hotels, for this study 11 hotels that are registered but currently unclassified were randomly selected. These unclassified hotels were identified as hotels that have the potential and or are providing services to the international tourists.

2.2 Stakeholders/Focus Group Meeting

Stakeholders are defined as those individuals or groups who depend on the production system or business enterprise to fulfill their own goals, and who in turn, the production or business systems depend upon (Johnson and Scholes, 1997). To enable stakeholder participation in identifying issues, participatory approaches are emerging as a useful tool (Cramb et al., 2004; Mollenhorst and de Boer, 2004).

The study involved inviting a diverse group of stakeholders such as hotel investors, restaurateurs, hotel guest, and the representatives of hotel associations, hotel workers, tourist guides, and representatives of Association of Bhutan Tour Operators. Government organization who have a role in policy and planning aspects such as representatives from the

Department of Tourism, Ministry of Agriculture (involved in ecotourism) were also invited. A select group of the above representatives were invited for the focus group meeting. The study included carrying out a general full day meeting with all relevant stakeholders and a half day focus group meeting to identify the problems pertaining to the hotel industry especially with tourism. The participatory processes used are illustrated in Figure 2.1.

The primary purpose of the focus group meeting was to take cognizance of the current standards in the hotel and probe deeper into the issues and attributes that have a direct bearing on hotel operations and its performance. The meeting also kept in the mind the level of developments taking place vis-a-vis the growth of the tourism sector and also the tourism policy of high value. During the two meetings a moderator presided over the meetings to coordinate, guide and lead the discussions and was supported by one reporter and the researcher. First, the participants were briefed on the objective of the workshops, and then a session for interactive discussions between the stakeholders to obtain their views on the hotel industry and important issues affecting the tourism industry. A list of problems and issues enumerated by the participants was discussed in detail which was further refined through the focus group meeting and is presented as the problem tree analysis of the hotel industry in Bhutan.

2.3 Problem Tree Analysis

The concept of a problem tree analysis as described by Chevalier (2004) was explained by the researcher to the focus group members. The principal purpose of establishing a problem tree analysis was to illustrate the dependent and independent variables that affect a particular problem which was used to identify the underlying causes of complex problems. Additional problems were identified by the focus group. The General Stages that was followed in order to determine the problem tree analysis for the hotel industry included the following stages:

- Brainstorming: Each participating member contributed one or more problems drawn from personal experience
- Clustering the problems identified during the brainstorming
- Identifying the cause of each problem
- Identifying the consequences if the problem was not solved

Figure 2.1 The Participatory Processes Involved in Identifying Problems in the Hotel Industry

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   Particip
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Activities

Hotel investors (2)
Restaurants (2)
Hotel guests (2)
Representative of Hotel
Associations (1)
Hotel worker (1)
Tourist Guides (1)
Representative from
Department of Tourism
Representative from
Ministry of Agriculture
Moderator (1)
Reporter (1)
Researcher (1)

Field day meeting
(half a day)

- Introduction by Researcher and Moderator
- Interaction between all the participants
- Concept of problem tree analysis explained to the participants
- Participant list problems in

- One Focus group meeting (one day)

Hotel investors (1)
Restaurants (2)
Representative from
Department of Tourism
Representative of
Associations of Bhutan
Tour Operators (ABTO)
(1)

Representative from
Ministry of Agriculture (1)
Moderator (1)
Reporter (1)

- Introduction
- Reviewed the list of problems identified by the field day workshop
- Segregated the problems under broad headings
- Identified additional problems
- Did a problem tree analysis

Resear
cher

- Clustered the problems in the problem tree
- Prepared a refined problem tree

After having obtained information and opinions of the stakeholders, the researcher clustered the problems of the problem tree with the purpose of identifying the main problems and establishing the cause and effect relationships among these problems. The cause-and-effect relationship derived from the problem tree analysis is an effective method of identifying the different factors which cause a particular problem. Therefore the issues derived from the stakeholders meetings were further complimented by extensive literature review (policy documents, technical reports, and scientific literature) pertaining to issues in the hotel industry and hotel standards and classification in Bhutan and abroad.

2.4 Data Collection

Sekaran (2003) explains the advantages and disadvantages of multi-methods of data collection and suggests that questionnaires and interviews could establish relationship, motivate respondent, the doubts could be clarified, which is less expensive and ensuring good response. Such a method was used for data collection in this study.

Primary Data: This type of data was collected using semi-structured questionnaire. Discussions and interviews were conducted with hotel owners/managers. The respondents for the questionnaires (Appendix A) were targeted for hotels registered in the (A), (B), (C) and unclassified category of hotels (Appendix B). The objective of the questionnaires and interviews were to i) identify current operations of the hotels with a view to identify obstacles ii) to determine the level of operational and professional skills in the industry iii) to determine how the existing standardization is being viewed, its weaknesses and seek input from the industry for formulation of new standards, iv) to establish the current level of facilities and services of hotels and also to identify hotel's responsiveness to customer expectations and satisfaction.

Secondary Data: Several guest satisfaction level studies have been carried out in the past and continue to be conducted by the Department of Tourism in Bhutan. Secondary data available from these sources were used in the study. References to various concepts, ideas, theories and research carried out in the areas of Standardization and classification of hotels was also reviewed.

2.5 Data Analysis

The primary data available was analyzed through SPSS version 15.0 to calculate basic statistics (frequencies, percentage, simple means, standard deviations and other relevant tests). The customer expectation of quality of the services of hotels in Bhutan was reviewed through studies and other reviews carried out by the Department of Tourism and other researchers. However, due to the sample size for the different categories of hotels in Bhutan being relatively small, the authenticity of any statistical analysis carried out herein will have to be treated with caution.

CHAPTER 3

RESULTS

This chapter incorporates the result of both quantitative and qualitative data collected for the purpose of this study. The first part of the study, the questionnaire was distributed to the hotels relating to the demographic profile to represent both geographically and varying categories of the hotels as registered with the Tourism Council of Bhutan. In addition, an appropriate number of un-classified hotels at the time of the study were also covered within the scope of this study.

The questionnaire survey consists of the following five sections: i) general information of the hotels in Bhutan, ii) existing classification system, iii) hotel operations and employment, iv) obstacles to hotel development, v) facilities and services available in the hotel set up. Finally, the preparedness of the hoteliers in terms of upgrading their hotel facilities and services to understand the duration within which such a state of readiness can be expected was also identified.

3.1 Stakeholders Meeting

In order to ensure a greater stakeholder participation in identifying issues of relevance to the industry, participatory approaches was used involving a diverse group of stakeholders who are either directly or indirectly involved with the industry. From the stakeholders, a select group of the representatives were invited to participate in the focus group meeting. The discussions were carried out over a period of one day with all relevant stakeholders including a half day focus group meeting to identify the specific problems pertaining to the hotel industry especially in the tourism industry.

The prime focus of the focus group meeting was to understand how the current standards in the hotel was being viewed by the industry and also to probe deeper into the issues and attributes that have a direct bearing on hotel operations and its performance. Subsequently, views on the hotel industry and other important issues affecting the tourism industry in general and the hotel industry in particular were discussed.

The list of problems enumerated by the participants was discussed in detail by the focus group and the linkages of the specific issues to the major factors affecting the industry was established as per the findings reflected in the Problem tree analysis figure 3.1. The findings indicate that the quality and standards of hotel standards are not consistent with the policy of high value low volume and attributes to four major causes which are: i) Lack of professionalism in the hotel industry, ii) Low standard of food and cuisine varieties, iii) Low quality of hotel facilities and services, iv) Policy issues.

3.2 Problem Tree Analysis

The concept of problem tree analysis as described by Chevalier (2004) was explained by the researcher to the focus group members. Additional problems were identified by the focus group. After having obtained information and opinions of the stakeholders, the researcher clustered the problems of the problem tree with the purpose of identifying the main problems and establishing the cause and effect relationships among these problems (Fig 3.1).

The issues derived from the stakeholders meetings were further complimented by extensive literature review (policy documents, technical reports, scientific literature) pertaining to issues in the hotel industry and hotel standards in Bhutan and abroad.

3.2.1 Lack of Professionalism in the Hotel Industry

Professionalism in the hotel industry in the country was rated as being poor. Some of the main attributing factors were the lack of trained service staffs, lack of courtesy towards guest by staffs and poor hotel staff grooming. Hotel staff dissatisfaction was attributed primarily to job insecurity and employees being over worked. The fact that the employees in the hotels were often engaged in multi purpose task resulted in non specialization in the specific work categories. Further, the lack of training opportunities for the hotel staffs was identified as an important factor for the poor professionalism of the hotel industry.

Figure 3.1 Problem Tree Analysis of the Hotel Industry
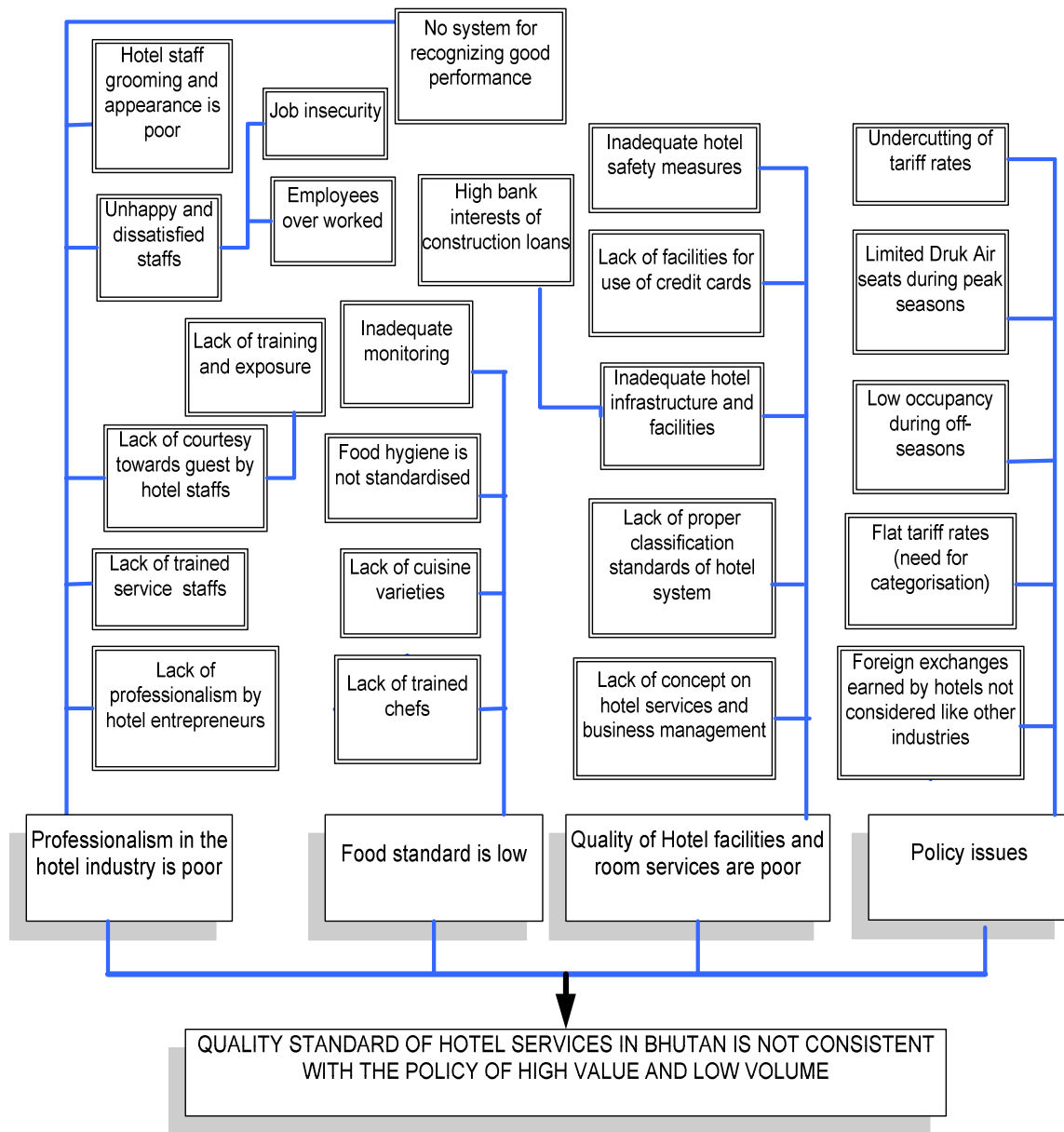
3.2.2 Low Standard of Food and Cuisine Varieties

Low standard of foods in the hotels was attributed mainly due to lack of properly trained chefs and lack of cuisine varieties. The lack of standards for food hygiene and inadequate monitoring by concerned authorities also contributed to the low food standard. It was also observed by the focus group that different monitoring mechanisms were being implemented by different organization and that there was a need for more coordination within the different organizations in order to ensure an effective monitoring mechanism. There also exists a lack of innovativeness on the part of the hoteliers to develop quality local cuisine to suit the taste of the foreign visitors. While the need for food hygiene standards was found most essential and found lacking in some of the hotels.

3.2.3 Low Quality of Hotel Facilities and Room Services

The lack of proper hotel standards and classification is an important factor. While many of the hotels lacked proper concepts on hotel services and business management, the problem was accentuated by the fact that the hotels are not managed by industry professionals. Inadequate hotel infrastructure and facilities such as use of credit cards and hotel safety measures were some of the contributing factors. The absence of a proper hotel classification system and a monitoring mechanism are important factors resulting in the poor quality of hotel facilities and services.

3.2.4 Policy Issues

Policy issues also affect the quality of hotel standards. Due to competition amongst the tourist agencies, people sometimes resort to unfair trade practices such as under cutting of rates against the government policy of a fixed daily tariff rate of US$ 220 per person. The lack of adequate flights in the country's only air services during peak seasons and low occupancy during the lean season are co-ordination issues which needs the attention of the government. The current flat tariff rate is a policy issue which needs to be addressed. Other issues

such as low occupancy during off-season and a need for recognition of the foreign exchange earned by the hotels need to be addressed.

3.3 Hotel Survey Findings

3.3.1 General Hotel Information

Some of the general information of the hotel surveyed in Bhutan is given in Table 3.1. From the total of 74 hotels currently registered and classified in the country as of 2007, a total of 33 hotels were covered under this study. This represents a sample size of 45% of the classified and registered hotels in Bhutan. To ensure balanced viewpoints, the categories of hotels were equally represented in the study. The unclassified hotels were also covered within the scope of the study since they catered to the international guests as well. The table also indicates that a majority of the hotels in the country are small in size in terms of the number of rooms. A majority of the hotels surveyed (53%) have less than 25 rooms, while only 4% of the hotels had more than 75 rooms. Availability of websites is gradually improving; with 45% of the hotels have a website.

Table 3.1 Hotel Categories, Number of Rooms and Availability of Website

Variables/Characteristics	Frequency	Percent (%)
Hotel Category		
Hotel A	11	25
Hotel B	12	27
Hotel C	10	23
Unclassified Hotel	11	25
Number of Rooms		
Less than 25	23	53
25-50	15	34
50-75	4	9
More than 75	2	4
Availability of a website		
Yes	20	45
No	24	55

3.3.2 Hotel Classification in Bhutan

Table 3.2 gives details on the necessity and the fairness of existing hotel classification system in Bhutan. There is an overwhelming response of over 91% indicating the necessity of a classification system for hotels. 70% of the respondents indicate being conversant with the existing classification system, while 30% are not conversant. This is understandable since a number of hotels surveyed still remain unclassified. While the results show 62% of the respondents finding the classification fair, 38% of the respondents feel that the classification system is not fair. All respondents felt that there is a need to implement hotel standards. 64% of the respondents indicate the need to implement standards that are unique to the country as being 'very important', while, 36% indicate the need and as 'important'.

Table 3.2 Frequency of Respondents to the Necessity of Existing Hotel Classification in

Bhutan

Variables/Characteristics	Frequency	Percent (%)
Necessity of hotel classification		
Yes	40	91
No	4	9
Conversant with current classification criteria		
Yes	31	70
No	13	30
Fairness of the classification		
Yes	27	62
No	17	38
Need to implement standards		
Very Important	28	64
Important	16	36

3.3.3 Hotel Operations and Employment

Table 3.3 gives details on the hotel operation and up gradation plans. The market situation was one of the main reasons for determining the selling price of hotel rooms, followed by a basis of the costs involved. 14% based it on other reasons. It was encouraging to note that 77% of the respondents had a marketing plan, and that 97.7% of the respondents are in agreement to incorporating changes in hotel up gradation. The findings highlight that the classification of hotels is directly related to the standard and services by 91% of the respondents. About 73% of the respondents indicate an availability of financial resources to comply with hotel up gradation.

Table 3.3 Hotel Operations and Up-gradation Plans

Variables/Characteristics	Frequency	Percent (%)
Basis of hotel room prices		
Cost based	13	29
Market situation	25	57
Other reasons	6	14
Hotel upgrading plans		
Existing of a marketing plan	34	77
Agreement to upgrade the hotel	42	98
Does classification have a direct relevance to standards and services	40	91
Availability of financial resources to comply with hotel up gradation :	32	73

3.3.4 Obstacles to Hotel Development

Lack of operational and professional skills in the hotel industry were cited as the most important obstacles for hotel development (Table 3.4). From amongst 44 hoteliers, the findings indicate that 75% of the respondents cited the lack of skilled labor as an obstacle, and 47.7% of the respondents indicating the lack of professional skills as an obstacle to hotel development. However, other issues like Infrastructure, existing standardization and classification, labor cost, cost of raw materials, government inspection, government policies and regulations, bad creditors, competition from larger business, religion interference, interest rates, high rents, uncertain future, quality management, and tax were cited as not important obstacles to hotel development.

Table 3.4 Hotel Development Obstacles

Obstacles	Frequency	Percent (%)
Operational		
Infrastructure	17	39.50
Lack of Skilled labor	33	75.00
Labor cost	9	20.50
Cost of raw materials	14	31.80
Competition from larger business	9	20.50
High rents of rates	7	15.90
Policies		
Current standardization and classification		
Government Inspection	5	11.40
Government policies and regulations	9	20.50
Interest rates	10	22.70
Bad Creditors	14	31.80
Tax	13	29.50
Others		
Lack of professional skills	21	47.70
Religion Interference	3	6.80
Uncertain future	4	9.10
Quality Management	9	20.50

3.3.5 Obstacles in Relation with the Category of the Hotels

The results below indicate that there is no significant difference between the hotel categories and the obstacle attributes. However there are some low significance levels in the attributes which suggest that lack of skilled laborers as an obstacle in category B and C which is greater than in A & Unclassified categories of hotel (The reason for this could be associated with hotel A providing their own in-house training programs). The cost of raw materials also features

some significance at P-value = 0.061 and government polices at P-value = 0.062 as an obstacle to the categories of the hotels.

Table 3.5 Obstacle Attributes among Different Hotel Categories

	Hotel A (n = 11)	Hotel B (n =12)	Hotel C (n =10)	Un-class (n = 11)	Chi Sq. value	p-value
Infrastructure Obstacle	36.4%	45.5%	30.0%	45.5%	0.749	.862
Current Standardization	18.2%	25.0%	0.0%	18.2%	2.718	.437
Lack of skilled labor	63.6%	83.3%	100	54.5%	6.990	.072
Labor cost	27.3%	8.3%	40.0%	9.1%	4.619	.202
Cost of raw materials	36.4%	50.0%	40.0%	0.0%	7.375	.061
Government Inspection	18.2%	8.3%	10.0%	9.1%	0.692	.875
Government policies/regulation	45.5%	0.0%	20.0%	18.2%	7.347	.062
Bad creditors	54.5%	33.3%	20.0%	18.2%	4.218	.239
Lack of professional skills	45.5%	66.7%	30.0%	45.5%	3.031	.387
Competition from large business	9.1%	16.7%	40.0%	18.2%	3.362	.339
Religion interference	0.0%	8.3%	20.0%	0.0%	4.388	.222
Interest rates	27.3%	16.7%	40.0%	9.1%	3.244	.356
High rents or rates	0.0%	25.0%	30.0%	9.1%	4.689	.196
Uncertain future	0.0%	0.0%	10.0%	27.3%	6.710	.082
Quality management	27.3%	33.3%	20.0%	0.0%	4.367	.224
Tax	18.2%	41.7%	10.0%	45.5%	4.702	.195

Note: *Pearson Chi-square test has been applied to indicate the statistical differences between the*

Hotel categories and the obstacles

* Indicates statistically significant differences at p ≤ 0.05

3.3.6 Facilities and Services Available in the Hotel Setup

The result in table 3.6 shows that irrespective of the hotel classification, Internet, Fax, Safety Deposit, Cable TV, refrigerator, Laundry service and coffee shops have been given equal importance by all the Hotel category. However, Fitness Center, Swimming pool, Shop, Business center, Limousine service and steam & sauna facilities were mostly provided in the hotel A category. The result also indicates that hotel C category fulfils most of the factors except refrigerator, Limousine service, Swimming pool and Business center.

Table 3.6 Facilities and Services in the various Hotel Categories

	Hotel A (n = 11)		Hotel B (n =12)		Hotel C (n =10)		Unclassified (n = 11)	
	F^a	%	F	%	F	%	F	%
Essential facilities								
Internet	11	100	10	83	10	100	8	73
IDD facility	6	55	7	58	6	60	4	36
Fax	11	100	12	100	10	100	11	100
Safety deposit	8	73	5	42	7	70	5	46
Basic facilities								
Cable TV	9	82	10	83	8	80	5	46
Refrigerator in rooms	6	55	3	25	1	10	6	55
Laundry service	11	100	12	100	10	100	9	82
Recreational facilities								
Fitness Center	5	46	0	0	2	20	1	9
Swimming pool	1	9	1	8	0	0	1	9
Steam and sauna	4	36	0	0	2	20	2	18
Coffee & shop	5	46	7	58	6	60	5	46
Others								
Shops	8	73	9	75	3	30	3	27
Business centre	8	73	3	25	0	0	5	46
Doctor on call	2	18	5	42	2	20	3	27
Limousine service	2	18	1	8	0	0	0	0

3.3.7 Preparedness of the Hotel Industry

Table 3.7 indicates the willingness or preparedness by the hotel entrepreneurs to undertake interventions or measures in improving their hotel infrastructure, facilities and services. The time frame extends from no plans at all to a period of 3 to 4 years from now. The findings show 59.1% of the respondent's readiness to improving the hotel infrastructure within 1-2 years while 11.4 % have no plans at all. Pertaining to the respondent's readiness towards improving the facilities and furniture, 25% was prepared to do so within 1-2 years, 47.7% in 2-3 years, and 13.6% had no plans at all.

Training and skill development of employees is considered as an important issue, and therefore 47.7% of the respondents were prepared to carry out training and skill development within 1-2 years and 29.5% within 2-3 years. Pertaining to the introduction of new cuisines and improving existing cuisine, 54.5% of the respondents were prepared to implement it within 1 to 2 years and 20.5% within 2-3 years. With regard to the marketing strategy development 27.3% responded on preparedness to develop within 1-2 years, 2-3 years and 3-4 years simultaneously. The result also showed the preparedness to develop general maintenance (45.5%), environmentally conscious operations (45.5%), Introducing transparent online booking system (38.6%) and exceptional high standard cleanliness (77.3%) within 1-2 years.

While all hotel categories give high preference on maintaining an exceptional standard on cleanliness in their hotels, hotel A accords the highest preference in this factor and also on the Training and skill development. Hotel category B gives higher importance to improving hotel infrastructure, facilities and furniture, marketing strategy development, general maintenance, environmentally conscious operation and on the need to introduce a transparent online booking system.

Table 3.7 Preparedness of the Hotel Industry

Preparedness	No Plans at all		No Plans now		Within 3-4 years		Within 2-3 years		Within 1-2 years	
	F	%	F	%	F	%	F	%	F	%
Improving Hotel Infrastructure	5	11.4	-	-	4	9.1	9	20.5	26	59.1
Improving facilities furniture	6	13.6	-	-	6	13.6	21	47.7	11	25.0
Training & skill dev. of employee	1	2.3	3	6.8	6	13.6	13	29.5	21	47.7
Intro. new and improve existing cuisine	5	11.4	2	4.5	4	9.1	9	20.5	24	54.5
Marketing strategy development	2	4.5	6	13.6	12	27.3	12	27.3	12	27.3
General maintenance	3	6.8	-	-	6	13.6	15	34.1	20	45.5
Environmentally conscious operations	1	2.3	2	4.5	5	11.4	16	36.4	20	45.5
Intro. transparent online booking system	2	4.5	7	15.9	11	25.0	7	15.9	17	38.6
Exceptional high standard cleanliness	-	-	-	-	-	-	10	22.7	34	77.3

Note: *F refers to frequency*

The Hotel Category in Relation with the Preparedness shows that Hotel Category C gives more importance on its preparedness over other categories on the need to introduce new cuisine and improving cuisine. One way ANOVA test was used to see the statistical significance relation between the hotel categories and the following factor. Table 3.8 shows that statistical significance exists between the exceptional high standard cleanliness (p-value = 0.016), introduction of transparent online booking system (p-value = 0.023).

Table 3.8 Hotel Category in Relation with the Preparedness

Factor	Hotel A Mean (SD)	Hotel B Mean (SD)	Hotel C Mean (SD)	Unclassified Mean (SD)	F-statistic	p-value
Improving Hotel Infrastructure	3.55 (1.753)	4.83 (0.577)	4.40 (0.699)	3.82 (1.537)	2.447	0.078
Improving facilities furniture	3.27 (1.555)	4.08 (1.165)	3.80 (0.632)	3.64 (1.433)	0.825	0.488
Training and skill dev. 0f employees	4.64 (0.674)	4.42 (0.669)	3.70 (1.160)	3.73 (1.340)	2.495	0.074
Intro. new cuisine and improving existing	4.09 (1.300)	4.00 (1.477)	4.20 (1.229)	3.82 (1.601)	0.138	0.936
Marketing strategy development	3.64 (1.206)	3.75 (0.866)	3.10 (1.287)	3.82 (1.328)	0.796	0.503
General Maintenance	4.27 (0.786)	4.50 (1.168)	3.30 (1.418)	4.27 (0.647)	2.751	0.055
Environmentally conscious operation	4.09 (1.044)	4.50 (0.905)	4.10 (0.876)	4.00 (1.095)	0.597	0.621
Intro. Transparent online booking system	2.73 (1.272)	4.25 (1.215)	3.80 (1.229)	3.91 (0.944)	3.544	0.023*
Exceptional high standard cleanliness	5.00 (0.000)	4.83 (0.389)	4.80 (0.422)	4.45 (0.522)	3.856	0.016*

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

3.3.8 Summary of Discussions and Open Ended Question on Classification

In response to a question seeking suggestions for introducing a better classification system for hotel industry in Bhutan from the hoteliers, the following response were received from the different hotel categories:

Respondents from A category of hotels indicated the following:

While 3 respondents indicated Location and spaces, total investment and quality of service as their suggestions towards introducing a better system for the hotel, a respondent indicated that classification of hotel should be done based on facilities and not on size of hotel. While another respondent indicated that there was already a classification system in place and that there was a need to strictly implement the system. Some respondents from within the hotel category indicated that the investment, location, quality of staff, types of guest kept should be a proper basis towards introducing a better classification system. However other respondents indicated that the brochures and web site of the hotel (information) should be made available so that the guests can decide for themselves the quality and standard of the hotels.

Respondents from B Category of Hotels:

Respondents from B category of hotels suggested providing good facilities in the hotel, hiring skilled staff, promoting traditional system of hotel construction in keeping with the culture. Other respondents indicated that the Government should conduct field survey and verify all infrastructure and facilities of hotels in line with proper standards developed for all categories of hotels. Some respondents proposed that to ensure better classification system for hotels, telephone service and TV facilities must be available in every rooms of the hotel. Yet one respondent felt that if tourism policy remains the same then classification is necessary to do in a more professional manner. If the policy changes then comfort, service and pricing will take care of the classification. A respondent proposed that hotels should have facilities and provide services as per the tariff indicating that customers must receive the value for money paid.

Respondents from C Category of Hotels:

Respondents in this category suggested that Hotel should be grouped/classified as per the infrastructure and should include both internal and external surroundings. Some respondents felt that Hotel Industries should be classified as per the management and technical employee

engaged by the hotel and proper guidelines on service to be defined following periodical check on hygiene and cleanliness.

Respondents from Un-classified Category of Hotels:

The majority of the responses of the respondents from the unclassified hotels felt that it was necessary to see whether appropriate facilities are available as per guest needs. One respondent felt that a good classification system would be achieved based on the remarks and feedback from visitors visiting the hotels. Some were of the view that the monitoring agency, the Department of Tourism should conduct random checks and visit each and every hotel and find out whether the facilities provided is of international standard or not. While one of the respondents indicated that there was a need for easy access to financial resources for financing hotel construction and at the same time good consultations and advice on the planning and implementation phase of the hotels under construction from the competent authority.

CHAPTER 4

SUMMARY

The main purpose of this chapter is to draw up the final conclusions, discuss, and provide recommendations derived from the research findings and report limitations encountered in this research. For this research, relevant information to the issues and problem areas was obtained through a stakeholders/focus group meeting, while primary data was collected from the registered hotels and other unclassified hotels and consisted of hotel registered under categories A, B, C including unclassified hotels to comprise a total of 44 hotels in the country.

The study's objectives focused on the following areas:

i) Customer's expectation of quality of services of hotels in Bhutan

ii) Existing hotel standards and other related issues in hotels in Bhutan

iii) Guidelines for standardization and classification of hotels in Bhutan

4.1 Conclusions

A stakeholders meeting carried out involved a meeting of a diverse group of stakeholder to discuss issues and identify the problems pertaining to the hotel and the tourism industry. The current standards in the hotel and other issues and attributes that have a direct bearing on hotel operations and its performance was taken due cognizance. The findings indicate that the quality and standards of hotel standards were not consistent with the policy of high value low volume and attributes to four major causes and relate to lack of professionalism in the hotel industry, low standard of food and cuisine varieties, low quality of hotel facilities and services and policy issues.

Data collected from the sample group of hotels presents a proportionate representation of the hotel categories currently operational within the country. From a total of about 74 hotels currently registered and classified in the country, 33 hotels were covered under this study which represents approximately 45% of all the classified hotels in the country, including 11 hotels that are registered but are currently unclassified at the time of the study. The survey indicates that a majority of the hotels in the country are small in size, in terms of the

number of rooms and in most cases having less than 25 rooms. Almost 50% of the hotels have their website.

The findings of the hotel survey indicated an overwhelming response of over 91% of the hotels for the necessity of a classification system for hotels in the country. A total of 64% of the respondents indicate the need to implement standard that are unique to the country.

The findings of the hotel operation indicated that the market based situation was cited as one of the main reasons for determining the selling price of hotel rooms. The survey also indicates 77% of the respondents had a marketing plan, and over 97.7 % of the respondents were in agreement to incorporating changes in hotel up gradation.

On the obstacles to hotel development, lack of skilled laborers and professional skills in the hotel industry were cited as the most important obstacles for hotel development by the respondents. It was however surprising to note that quality management did not feature as an obstacle to hotel development.

With regard to the facilities and services in the hotels, there are wide differences in terms of hotel facilities among the various categories. It was noted that some lower categories of hotels had more facilities than higher up categories. Further, training and skill development features as an important issue with over 48% of the hoteliers, while over 55% indicating the need to introduce new cuisine and improve quality within 1-2 years.

Finally with regard to the preparedness of the industry towards up gradation of facilities and services in terms of a time period reveals that within 1-2 years, the hoteliers were prepared to undertake improving their hotel infrastructure, training & skill development of their employees, improvement in cuisine varieties and quality, general maintenance, environmentally conscious operations, introducing a transparent online booking system and high standard of cleanliness. While within 2-3 years, majority of the respondents indicated improving facilities and refurbishing the hotel furniture.

4.2 Discussions

This study aims to understand the existing hotel standards and other related issues, and to assess customer expectation of quality and services of hotels in Bhutan.

Subsequently suggestions and guidelines are proposed for standardization and classification of hotels in Bhutan.

4.2.1 Objective 1: Customer's Expectation of Quality of Services of Hotels in Bhutan

The conclusion that can be drawn from the studies that have been carried out indicate that Bhutan has not been marketed as a destination to indicate luxury in terms of its accommodation and other services rather service elements such as "warm hospitality", "exotic destination", "unique culture" etc have been used as the brand image and positioning tools to market the country as a destination to the visitors. Bhutan is not known to the outside world as a popular destination and the number of tourist arrivals into the country has remained relatively low due to the conduct of tourism through the policy of high value low volume. Further, Bhutan does not adhere to mass tourism. Therefore, the expectation level of the visitors has remained more or less low with regard to infrastructure and other services.

Conclusion can also be drawn to the fact that while tourists seem to be quite willing to compromise on accommodation standards and do not have particularly high expectations, dissatisfaction with food services is however commonly expressed as one of their major concerns.

Studies and surveys also have confirmed that majority of the visitors travelling to Bhutan do not expect five star luxuries in Bhutan. However, all visitors have however indicated the need to be provided with facilities and services that have been promised or marketed prior to the tour. It is also observed that hotel facilities and service quality in Bhutan are not well matched at tourist destinations and facilities and services is seen to be lacking at other locations particularly in the tourist destination of the eastern part of the country. Further, it has been established that hotels in Bhutan have not marketed themselves as an entity, rather the hotels work in conjunction with the local tour operators due to which visitors know very less of the hotel facilities and services being provided. However the general perception of the tourist travelling to Bhutan is that they perceive Bhutan as an exclusive un-spoilt destination with a strong unique culture.

Secondary data collected during the course of this study indicates that the major dissatisfaction among the tourist is on the quality and variety of food and this remains a major cause of concern for the industry. This lack of cuisine variety is clearly seen to be due to a lack of initiative among the professionals in the restaurant industry. Although the numbers of tourists are slowly increasing in the country, no attempts have been made to make the national dishes more palatable to the foreign tongue. The primary ingredients in the preparation of cuisines are the mixture of chilies in green, red and yellow in different colors, shapes and sizes. Dining is one of the most important and exciting activities during a tour and more importantly, an essential representation of any country's culture is communicated through the presentation and preparation of food. For instance, with more Japanese tourists coming in to the country efforts could be made to make innovative fish dishes and Bhutanese dishes that are more palatable to the Japanese diet.

The problem with the lack of cuisine variety in Bhutan can be primarily related to two main factors. The first problem stems from the fact that the concept of dining out has not yet grasped the Bhutanese psyche. In general, Bhutanese people tend to eat at their homes and rarely go out to restaurants to eat. The exception is during official functions which they must mandatorily attend or at government dinners where the department hosts meals for dignitaries or its official guests. Usually older couples and middle age working professionals prefer the comforts of their house. This has led to a lack of professional approach to the decor in the restaurant the presentation of the food and most importantly the delivery of service. However with globalization and the opening up of the country, an increasing trend of eating out is particularly increasing within the younger segments of the population is emerging in the urban cities.

According to the literature review, definition of quality follows the philosophical, the technical approach and the user based approach. The third approach to defining quality through the user based approach views that quality of a product is determined by its user. It views that quality is subjective and hinges on the individual perceptions of customers. However, while reviewing the classification systems, it is observed that while this approach is the overriding factor for the determining the performance levels of the hotels, it is however not appropriately incorporated in the classification system, except for the Thai Classification. Therefore it can be argued that classifications once accorded can actually be verified as being

appropriate only over a period of time when the level of service quality is measured to be satisfactory by the end users. It may seem prudent to actually accord a classification category to a hotel provisionally and to confirm category upon verification of the service and quality confirmation within a given time period of about 1-2 years. The nature of the service quality can be measured only upon an assessment of the same. Therefore while technical standards and other quantifiable facilities can be assessed immediately, the un-quantifiable elements take time.

A review of a study carried out in Bhutan on guest perceptions indicate that being honest regarding facilities and standards in Bhutan will reap rewards later when the tourist arrives knowing what to expect. In this way, there are no nasty surprises. Tourist knows what to expect well in advance and are not hoping for five star luxuries. However, findings from this study indicate that there is an urgent need from within the industry to improve on the overall quality of the hotel and its related services. It visibly demonstrates the willingness of the hotels to provide facilities and services commensurate with its classification category.

The literature review also indicate the top five attributes that drive customer satisfaction and loyalty across all industry segments are value for money, room cleanliness, employees 'can do approach', friendliness of front desk staff and comfortable bed and furniture. Therefore, while operationalizing the hotel classification system in Bhutan, the hoteliers must be consulted in the due process as they are the key players in determining how hotel related services are provided. Literature review shows that in the past, private or commercial organizations which operated classification schemes seldom consulted the industry. The view points of the hotels must form a crucial input in defining classification levels, but must remain essentially consumer oriented.

4.2.2 Objective 2: Existing Hotel Standards and Other Related Issues in Hotels in Bhutan

Bhutan's current standardization and classification system is no different from any other classification of accommodation existing anywhere with regard to the intent and or its objectives. All classification systems are developed with one purpose in mind; the need to improve levels of comfort and services to its guest by defining minimum standards within respective categories.

The only difference exists that pertain to different factors or a criterion's used in defining a particular classification specifics. These factors or criteria's are dependent on various factors in terms of guest perceptions, target markets, culture and traditions.

Although Bhutan is a small country, various classification categories of hotels are suggested. While Bhutan pursues "high value and low volume tourism" for which appropriate categories of hotels are essential. Bhutan also receives mid-level tourists and visitors from its neighboring countries the South Asian Association for Regional Cooperation (SAARC) region. Further, local tourism is also gaining momentum wherein Bhutanese travel to various parts of the country on pilgrimages and holidays as well. In view of this The "Standard Accommodation" (1star) and "Tourist standard hotels" (2 star) are required to cater to the domestic market and mid-level tourists from the SARRC region representing more the cost conscious traveler. For the tourists arriving on the package deal (USD 220 per day), the "First class standard hotels" (3 star) and "Deluxe hotels" (4 star) will be most suited.

Generally the Luxury hotel (5 star) are considered big properties often running into hundreds of rooms providing such facilities that can suit the needs of the discerning travelers. But within the context of Bhutan, hotels categorized within the luxury status equivalent to a 5 star hotel elsewhere, can offer a limited number of rooms (often less than 100 rooms) and a set number of facilities. Yet the level of service quality provided by these categories of hotels is expected to match the level of service provided by other hotels in this segment. Since Bhutan pursues a policy of high value tourism, the need for such hotels are justified to match tourists needs and also for the international visitors and dignitaries.

Facilities such as swimming pools are generally an accepted norm or a facility which must be available in any 5 star hotels. But in the context of Bhutan, the study reveals that only three hotels have a swimming pool within their property. The existence of such a facility (swimming pool) within a luxury property in Bhutan equivalent to a 5 star facility may not be in keeping in the Bhutanese context. Such facilities could however be replaced with other forms of indigenous facilities such as a hot stone bath, meditation halls, meeting and convention center's as some of these facilities form a part of the local culture which could be introduced and packaged in more innovative and meaningful ways.

The allure of Bhutan as a travel destination is not due to the material world class facilities or luxury but because of it being a "Shangri la", and where visitors often refer to the country as a "Living Museum" which implies that the country has been able to preserve and protect its culture, and traditions and manifests itself in its original state. The facilities that the hotels provide in Bhutan should be congruent as far as possible and in keeping with Bhutan's development philosophy of Gross National Happiness which has environment as one its four pillars. The large amount of energy and water for instance which is used to create and maintain a large swimming pool is in direct conflict with the country's development philosophy of preserving the environment. Bhutan must strive to seek innovative and meaningful ways to create value for travelers who come to Bhutan to escape from the modern ills that plague society. A luxury resort like the Amankora in Bhutan where guests pay upwards of a $1,000 dollars a night do not have television in the rooms. Amankora instead seeks innovative ways of providing their customer with global perspectives and local solutions. Amankora's personal trip to monasteries and villages with highly skilled and motivated staff offer a glimpse of the untouched culture and environment of the country. By adding the extra customer satisfaction with a personal touch and experiencing the soul of the country exceeds the value that guests feel than a normal facility that does not exceed customer's expectations. Preservation of the environment and keeping the surroundings of the country which are sacred in its natural state is a source of sustainable competitive advantage for a landlocked country like Bhutan.

The lack of skilled professionals in the hospitality is a major concern for the vibrant growth of the hotel industry. One of the factors which create an obstacle in improving the standards of the hospitality industry in Bhutan is the negative perception that is attached with service. Working as a service staff or a waiter in the hospitality industry is not viewed with the same respect which other jobs in the country enjoy. As a consequence of this social stigma the hospitality industry is still not an attractive occupation or a career choice for aspiring graduates. Most graduates in Bhutan still prefer to join the civil service because of the prestige and job security which is attached to working for the government.

Unlike the developed countries where the private sector is the engine of growth in the economy, the hospitality industry in Bhutan is seen to compete with the government for talent and aspiring potential professionals. Hence the pool of talented professionals to choose

from for the hospitality firms is very limited. Consequently with a dearth of talent, training and developing staff are a constant source of challenge. Not only is it harder to train unqualified staff, but more importantly staffs that are not motivated. Although the scenario seems bleak in the current scenario, however in the near future, the government plans to open the first college for hospitality, the Hotel and Tourism Management Training Institute (HTMTI) in cooperation with the Austrian government in Bhutan. This could bring in the much needed professionalism in the industry, and given the right environment and policies in place could produce skilled professionals that meet the global demands and standards in the hospitality industry.

Based on this study and extensive literature review of classifications carried out by different countries around the world, it is concluded that there is a need for a proper standardization and classification system for hotels in Bhutan. Therefore based on the practice of classification existing worldwide, the hotel classification system in Bhutan should include the following pre requisites as essential elements in the classification process. A classification system must represent all or more of the following:

- The setting of criteria for each classification; provision for special types of accommodation e.g. motels, guesthouses, farmhouses, self-catering apartments;

- All hotel constructions irrespective of the category must incorporate local architecture and appropriate interior design and at the same time also ensure that the facilities and service levels are appropriately incorporated to serve the purpose of a hotel.

- The hotels must be innovative and integrate local traditions and customs into their service delivery modules within their hotel operations to provide the visitors with an experience of local hospitality and culture in a Bhutanese way.

- All service staff having guest contact nature of jobs must be attired in the national dress at all times while executing their responsibilities. Hotels must adhere to develop their own designs of traditional materials for the hotel uniform.

- The establishment of methods of inspection and of classification;

- A separate assessment of the standard of cuisine;

- The establishment of penalties;

- The independence of the classification system from the tax system (profitability should be the sole criterion for tax assessment); and

- A means of appeal to a higher authority in the event of any classification dispute.

It is generally understood that most countries provide reasons for classification of hotels and accommodation as a means for providing consumer protection, tourism planning, and marketing. The need for establishing a guideline for hotels standards in Bhutan must in addition to the above also serve the following purposes:

- Ensuring that each category of accommodation provides certain minimum standards;

- To ensure that tourist accommodation meets acceptable standards of public safety (eg fire, hygiene, security, and safe-keeping of valuables).

- Providing comprehensive information on the pattern and total availability of accommodation;

- Provide communication facilities and convenient internet access for the guests to ensure uninterrupted connectivity with the outside world.

- Be in a position to provide and render timely and appropriate medical care to visitors.

- Ensuring that an effective monitoring mechanism is in place to ensure the sustainability of the classification system so adopted.

4.2.3 Objective 3: Guidelines for Standardization and Classification of Hotels in Bhutan

Based on the review of secondary data, it is concluded that there is no fixed standards laid down for measuring hotel standards and that in whatever form or manner the guidelines are developed, a classification system must take into consideration a wide range of attributes that best represents the factors determining guest expectations and satisfaction levels. It

is not only in the quality of facilities alone that an establishment offers, but together with how it is packaged and offered. Therefore in the process of defining the standards for hotels in Bhutan, observations must be made on success and failures of classifications adopted that have successfully or unsuccessfully implemented good practices and to ensure that a standardization system to be implemented must be commensurate with local capabilities and capacities. More importantly it is necessary to consider and incorporate in the standardization system the general expectations and general perceptions of the market and customers.

Concerted efforts are required to improve the skills and the expertise of the managers and other staffs. For a manager, special skills are required in the recruitment and selection of human resources. This would have a direct bearing on the quality of services offered by the hotel.

The understanding of the existing practices cements the belief that the industry and the consumers must be closely interrelated in the process of standardization of hotels and that the success or failure depends largely on how strong such an association has been built on. The end user and the beneficiaries must act as a check and balance for the system to be healthy and dynamic.

The type of classification to be adopted should be both meaningful and simple, especially if it is to be displayed on signs. Both alphabetical and numerical designations can pose problems since visitors may find the use of letters less significant than figures but a classification system may equally regard the latter as prerogative just as it has been in Bhutan. Few people after all want to stay or work in what is termed a third- or fourth-class establishment (Vine, 2002). Stars can perhaps be more easily recognized and the decision by the World Tourism Organization in favor of stars has merit. A five-star hotel is regarded as synonymous with luxury and any 'starred' establishment is generally highly regarded.

All hotels that are intending to be classified with the Tourism Council of Bhutan will have to achieve minimum standards based on the general guidelines enumerated below to enable them to be registered as an accommodation or a hotel that can cater to the international guests. All hotels and other accommodation failing to meet these criteria will not be registered by the TCB and hence will not be permitted to accommodate international guest. Such hotels may

however be a licensed property fulfilling certain minimum standards and would be targeted at the domestic market.

While, an appropriate option for classification in respect of Bhutan would be to adopt a star classification incorporating specific criteria and factors for various categories and follow an established 1-5 star classification trademark. However this is unlikely to be of any benefit for the hotel industry in Bhutan as merely following a star classification may not be in the country's best interest. This is primarily due to the fact that the perception and expectation levels of the visitors who understand the star system in other countries would widely misjudge the service level facilities available in Bhutan viz a viz star classification properties in other countries. Hence such an application could prove counter productive as properties in the country would in most cases not be able to be congruent with similar star categories in other destinations at least in the short term to medium term period. In the long term say in 10 years time after adoption of an appropriate classification, a more progressive classification like the star could be considered once the hospitality industry has matured in terms of the quality of the infrastructure and the delivery of the service levels over the years.

Therefore the classification to be proposed must be developed in keeping with the current state of developments both in terms of the physical infrastructure and service levels in the country.

The guidelines of various classification categories of hotels are proposed as below:

The Standard Accomodation: (e.g. City hotels, family run accommodation, guest houses etc. will fall in this category) and this category is expected to be used for the domestic market only. The main essential elements in this category will be simple basic facilities, clean and hygienic rooms and facilities. These accommodations must appeal to the cost-conscious client. Hotels or accommodations in this category will be considered low range to mid-range level comfortable with limited amenities. Emphasis on the room size will not be a determining factor; rather hotels in this category should have reasonably good quality amenities in respect of mattress, linen, coverings, and lighting. They should also have adequate and simple public areas and bedrooms, having en-suite bath and or shower facilities, modest and clean food and beverage selection. At least 50 % of rooms should have television (TV), while 50 % of the rooms should

have private bathroom and heating and cooling systems. Parking space is not a precondition in this category and such types of accommodation may or may not be accessible by vehicles.

The minimum criteria for all hotels from this category onwards viz. Tourist standard until the deluxe hotel categories will be assessed on the following 6 factors: i)Location, Environment, General construction and Traditional decor, ii)Lobbies, public toilets, lifts and passageways within buildings, standard rooms, (assessed on the basis of quality, hygiene, proper planning quality bathroom, proper -installation of room heating system, iii)Restaurants, Coffee shop, Bar and Kitchen, iv)Recreation area: Fitness centre, Sauna, Steam, hot stone bath, Spa, Massage room, Swimming Pool, meditation room, v) Business Service: Conference room and Business centre category, vi) Staff and Service (defining mandatory requirement of trained personnel in each work area). It is expected that as much as 90 percent of all hotels in the country will fall within these categories.

Indicators and weighted average points mandatory for each category will however need to be developed in close consultation with the Hotel Association and other stakeholders.

Tourist Standard Hotel: This category of hotels would be equivalent to that of a 2 star hotel. It is recommended that there be a minimum set of criteria/standards (for registration) as mandatory requirements for all types of hotels and accommodation desiring to be classified in the first instance. The fulfillment upon which, a hotel will be accorded a classification that could be equivalent to a 2 star classification or in the context of Bhutan a "Tourist standard hotel". The general guidelines to be adopted in this category would be based on the following:

- The hotel or accommodation must be a facility that is properly designed for use as a hotel and should have the basic elements necessary for functioning as a hotel.

- The construction must incorporate necessary local decor and have been approved by the municipal corporation and or the District administration.

- Lounge space in the hotel irrespective of the category should harmonize furniture, fittings and equipment of good quality, well maintained and capable of easy re-arrangement.

- Basic facilities such as a dinning/restaurant, kitchen, sufficient number of restrooms within the hotel, hot running water in all the rooms, proper room heating devices must be available.

- The facility must have a website, IDD telephone, information brochures (general information of the country and that of the locality)

- In addition to the above while additional features will be a bonus; all hotels in this category must have a minimum of 2 additional features that are relevant to hotel operations. (e.g. Gym, business centre, hot stone bath, handicrafts shop etc.)

- Trained staff must be employed in the key functional areas of the hotel and be positioned in the work area of their specialization. The training certificates issued should be verified by competent authority.

First Class Standard: This classification would be equivalent to a 3 star hotel as per the star classification. Accommodations categorized under this category will be classified as a First Class Hotel; The guidelines in this category will be defined as a good national quality/high mid class standard, equipment and with Furniture, fixtures & Equipment (FF&E) of very good quality, property operation and maintenance is in good condition, good service standards offered, most employees are professionally trained, some hospitality technology standards are fulfilled (Internet access in the hotel, fire protection & fire escape route in the hotel, main safety standards, good hygiene standards in cleaning and in food production, and have certified trained staff in all departments of the hotel).

This category will be a dependable comfortable hotel with standardized rooms, amenities and public areas. Some of the hotels may have superior executive wing. This category of hotel can be safely recommended to average clients not expecting deluxe facilities or special services. Accommodations in this classification-level can range from small, family-operated businesses to larger, modern hotels. (Bedroom size single should be at least 14 m^2 and a double room of 18 m^2), featuring comfortable, well maintained and tastefully decorated public areas and bedrooms with additional furniture. The rooms should offer a selective variety of amenities such as television. The visitor can expect private bathrooms with bathtub and/or shower. Hotels at this level must appeal to the cost conscious guest for whom comfort is nonetheless a priority. There

should be direct dial-telephone, full breakfast, Restaurant and room service during the day. Credit cards should be accepted. Assessment Point should be developed in consultation with the industry.

Deluxe Hotels: This category is expected to be equivalent to a international 4 star hotel. This category of hotel will be the highest national standard, equivalent in most respects to an international 4 star category for guests with high demands. The equipments and FF&E should be of excellent quality, high and professional services offered, standard technologies for the hospitality industry is established (business centre, good fire protection systems, all aspects of safety measure in place, very good and modern hygiene standards in cleaning and food preparation, only trained staff will be employed in all departments of the hotel.

At this level, the rating indicates exceptional quality, the accommodations can be contemporary buildings or historic mansions (Room size measuring single 16 m^2, double 24 m^2, suites 30 m^2) offering an impressive array of upscale amenities, the emphasis is on superior quality with all modern comforts. Well designed, co-coordinated furnishings, decor and equipment in the spacious public areas, dining room and bedrooms reflect careful attention to detail. En-suite bathrooms will normally have both bath and fixed shower. Half suites and often even suites may be available. The excellent cuisine on offer must satisfy the discerning diner. Room service, hotel bar service, banqueting service, dry-cleaning and laundry service is provided. Every room equipped with bath, safe, mini-bar and room service, drug store, additional amenities. Assessment points

Luxury Hotels: This category of hotels will be equivalent to the international 5 star category will reflect the highest standards in hospitality and will reflect in all respects hotel categories of this category in other countries as well. The architectural feature and general construction of the building must represent the national character and the quality of the construction must be the best in the industry. Accommodations classified under this category will be a deluxe hotel, but with qualifications. In some cases some accommodations or public areas in this category may offer a less pronounced degree of luxury than found in fully deluxe properties.

Hotels in this category will be considered Bhutan's most luxurious and renowned accommodations, ranging from stately resort to prestigious top class city hotels matching the best international standards. Offering outstanding facilities and extra amenities,

these establishments exemplify an unsurpassed standard of excellence and elegance. This must be reflected in the immaculate furnishings and impressive interior design throughout the hotel. Flawless service as well as gourmet cuisine of the highest international standards can be expected. 24 hour room service, la carte lunch and dinner, sauna and pool, business center, safe and bar. The single rooms must be at least 18m^2, double rooms at 26 m^2, and suites at 34 m^2).

4.3 Recommendations

Some of the important recommendations of this study based on the results and literature reviews are as follows:

4.3.1 Need for a Sustainable Tourism Policy

Since tourists consider the exclusivity of the experience to travel to Bhutan as the main underlying reason which justifies the high per capita/per day cost, the principle of a sustainable tourism policy in the field of quality management should be implemented in all the hotels to achieve a satisfactory ratio between prices and the quality of services. Therefore there is a need introduce a classification system that the tourist will distinguish different levels of service and quality that exists in other tourist destinations.

4.3.2 Consumer Oriented Approach

While developing the minimum criterions for the various categories of the hotels, the industry's (hoteliers) viewpoint must be taken into consideration, while keeping in mind that it should be respected and followed as far as possible but it must remain essentially a consumer oriented approach. Hotel owners as experienced users of hotels feel that they know what a hotel should be expected to provide to the guest so that can best determine whether guests can normally expect to receive fair value for money. While the hotel users overall perception of service quality results from the experiences with the hotel over a period of time, the service provider should not only judge the onsite experience but evaluate the experience of the guest

which precede after availing the hotel services that follow which could provide much insight to the process related criteria of the hotel both in terms of technical and functional qualities.

4.3.3 Review of Hotel Classification Criteria

Since an important objective of classification is to encourage improvements in hotel facilities and services, it is recommended that a regular review of criteria must be carried out in consultation with the industry. A review period over three, five, and ten year period plans of proposed new minimum standards should be discussed. Most classification systems currently in force are based on criteria which include all, or some, of the following elements: size, service, personnel, price, comfort, quality of service and cuisine. The review of classification criteria on a periodical basis will allow the industry to properly plan its infrastructure development.

4.3.4 Professionalism in the Hotel Industry

The hotel, restaurant and tourism industry is by far the largest and the fastest growing industry in the world and more so in Bhutan, the same remains true. Following this growth trend emerges an equally strong demand for educated, qualified managers in hotel and restaurant operations and for capable individuals in related and supporting industries such as consulting, public accounting, sales and marketing, computer technology and numerous other careers within the hospitality industry. More importantly there is an emerging need for personnel with good entrepreneurship and leadership qualities to manage the industry with confidence, professionalism, good ethical judgment and social consciousness.

In some countries, the government control the quality of hotel management, and in other countries, the Tourism organization must approve the qualifications of all newly appointed managers. In Bhutan it is recommended that this decision must be left to the industry to engage professionals as per their best judgment. However, the hoteliers must understand that besides educational and linguistic accomplishments, the manager must have "a moral standard becoming to his office".

4.3.5 Monitoring of Hotel Classification System and Hotel Services

In terms of monitoring the classification of hotels and quality of hotel services and food quality, the ideal bodies would be one that includes representatives of government and the tourist, hotel, and allied industries. In practice such authorities vary from destination to destination (In the case of Bhutan, the Tourism Council of Bhutan, BAFRA, Bhutan Hotel Association must partner as the relevant stakeholders). This is an important focus area as the success or failure of the classification system depends on how the classification system is implemented and monitored.

4.3.6 Human Resources Development in the Hotel Industry

Considering that the in-country tourism related personnel capabilities are low, tourism related trainings will be needed for the development of human resource capacity both for the government and the private sector and this needs to be given the highest priority to develop tourism professionals and other related skills within the industry. Managing hotels operations is undoubtedly a highly professional job, which must be managed by people who understand and are conversant in the business of hospitality and understand how to deliver goods and services of the industry to its consumers. The ultimate responsibility for property management remains with the General Managers who hold uniquely important positions as they are the focal point for employees, guests and the community. Hence their roles require leadership working with the community, gathering and distributing information, allocating resources, handling problems and coordinating a wide variety of activities and functions. Therefore the government must play the lead role in helping develop hospitality training professionals to advanced industry training practices and improve operational results by providing easy access to education, tools and resources.

4.3.7 Training Needs Assessment

The Hotel and Tourism Management Training Institute (HTMTI) which is nearing completion will take on the lead role in training the professional skills required for the industry and strive to be a regional centre for excellence. Institutionalized cooperation with foreign institutes should be sought for the HTMTI to establish a system of exchange of trainers and students scheme in order to mutually benefit from an international experience. A proper training curriculum based on sector specific needs after having carried out a detailed trainings need assessment for the industry must be developed to ensure compatibility with the training needs of the industry.

4.3.8 Analysis of Work and Job Responsibilities

The staff and line managers are important to the internal environment or a hotel and hence people must be hired, matched to the job requirements and on competency levels but more importantly managed well. In order to reach the goals, work must be completed in a professional manner. Managers must posses excellent communication and interpersonal skills and good organizational abilities, be able to multi-task, meet tight deadlines, and maintain composure under pressure in a fast-paced environment. Careful analysis of work and job responsibilities must be an essential feature well incorporated and adopted in the hotel sector as this help set clear performance standards. The job description should detail how, where and when tasks are performed. While clear evaluation standards should also be established and the number of working hours, wages and benefits need to be clearly defined. The job analysis devised can result in development of position and job descriptions for the staffs or organization. This is particularly important since it will enable the manager to fully understand the range of activities being undertaken in the establishment and the ways those activities might be arranged for greater efficiency and effectiveness.

4.3.9 Advisory Support to the Hotel Industry

In order to ensure proper classification support to the hotel industry, technical support and consulting in areas of finance, design and construction should be provided by the parent government agency. There is also a need to provide tariff and duty exemption for quality improvements of all categories of accommodation registered with the TCB but not for new constructions in areas where there is already an oversupply of hotel accommodation in the Western regions of the country. It is recommended that consultancy services and architectural advice in the planning and implementation of new hotels and in renovation of hardware components of accommodation, in particular improved hygiene standards, state of the art plumbing, heating and water management, decoration of rooms, lounges, restaurants etc. be provided to the industry with out any cost to the industry for these types of service.

By industry standards, hotel rooms would need to be renovated within an average time period of 10 yrs. Hence it is recommended that the government should endorse a re-investment tax schemes for hotels whereby the expenditure so incurred on the renovation could be recognized as tax deductible expenditure through import duty exemptions and other benefits provided the sale of the rooms yields a higher level of income than was previously. This is likely to see a mass movement among the hotels towards upgrading the general quality of the hotels and at the same time this would be beneficial to the government in terms of increasing a broader tax base in the long run. A fundamental characteristic that needs to be ensured is that any infrastructure development must complement its natural and cultural surroundings.

4.3.10 Community Based Tourism and Farm House Stays

Tourism development can be seen as a tool to counteract poverty alleviation particularly in the rural areas which is already a focus of the 10th five year plan. Hence community based lodging or farm houses providing maximum authenticity and experiencing lifestyle of the local population must be encouraged to enhance in a pragmatic way which does not disrupt their existing livelihood or the local population being seen to be overly dependant on tourism. The focus for the development of such accommodation in these areas must be with

traditional materials and local architecture combined with local hospitality. In certain areas, community ownership of such facilities must be encouraged based on best practices and experiences of other countries.

Bhutan being predominantly an agricultural country, tourism can offer immense opportunity for spreading benefits in a community based approach and is most directly a well focused pro-poor approach, which impacts positively upon the lives of the communities and yet providing a tourism product and an attraction to the industry. The development of tourism infrastructure through properly regulated and monitored farm house stays can be a main stay of community based tourism. Best practice examples in the sub region of Bhutan have shown that once tourism reaches a critical mass and provides regular income and development opportunities for the rural areas, villagers tend to stay back in their villages and reinvest their earnings to improve their quality of life. For example to encourage people in the villages to pursue living and raising a livelihood in a sustainable way, proper training and development of the villagers in the proper hygiene and management of their farm house should be conducted by the government. The villagers would therefore need sound technical advice and small development loans for their ventures followed by a marketing plan and a reservation system put in place.

The villagers should also be educated on the benefits of community based tourism and in the ways to improve customer service to guests that stay at their farmhouse. Awareness and adult education must be imparted among the villagers on proper etiquettes of hosting a guest, the business aspect of running a farmhouse like using the internet for marketing purposes, and the dimensions of relationship management in order to make customers loyal.

4.3.11 MICE Tourism

Meetings, Incentives, Conventions and Exhibitions (MICE) the new form of business tourism is the fastest growing section of the International tourism market and undoubtedly a high yield market segment that has enormous potential for its development in the Bhutan. The country with its pristine environment and rich bio diversity can use its destination and its hotels and resorts to promote MICE tourism and this could fit well into Bhutan's high yield strategy towards development.

Being the only country in the world to protect the environment by having it enshrined in the constitution, a good strategy that Bhutan could pursue to its advantage is to attract environmental groups to hold conventions like World Environment Day or Earth Day in Bhutan giving the convention a special meaning by honoring the country's commitment to preserve the environment and strengthening its message to an international audience. Another special interest group that Bhutan could target is international cultural and ethnic groups which are keen in keeping their culture alive for example Native Americans and Indigenous people around the world could hold their yearly conferences in Bhutan, the last Bastion of Mahayana Buddhism. Also Leading software firms like IBM and manufacturing giants like Toyota, Samsung etc. whose products are widely used in the country could be targeted to hold their yearly management meetings in the pristine Himalayan Kingdom of Bhutan to rejuvenate their senses and inspire their company's vision.

It must however be understood that however unique, exotic or interesting a destination maybe, the attributes are not an end in itself, but hotels and resorts need to develop adequate infrastructure and facilities with modern conference facilities while also being open to technological improvements in their setup and at the same time in due course of time develop a team of professional conference organisers to co-ordinate activities of MICE on professional lines. Bhutan could initially target its market focussed on the Indian Market in the short term and gradually once the industry is able to upgrade its facilities to international standards, MICE tourism could be targeted at the international market.

4.3.12 Hotels Rating

Considering Bhutan's commitment towards the field of environmental and cultural preservation, a measure that could be implemented in the hotel industry would be by ensuring a higher weightage points in the classification process of hotels, who adopt environmentally friendly practices for energy, recycling and water efficiency measures including waste management which are the key environmental aspects for any hotel. Additionally

benchmarking hotels performance to see how it compares to other hotels through introduction of measuring, monitoring and targeting are the key to improving:

Waste ‑ consider providing recycling facilities for guest waste, either through housekeeping or by providing separate bins for recyclables in guest rooms. This can be an excellent way to communicate environmental policy to guests.

Waste purchasing ‑ consider water bottling systems for larger hotels and conference centers can reduce waste and beverage costs.

Water, laundry costs ‑ introduce a towel re-use policy, asking guests to place their towel on the towel rail for re-use or on the floor if they would like a replacement.

Hotels should be encouraged to consult with environmental agencies regularly to obtain accurate information on the latest practices to protect the environment and implementing one good practice a year could be awarded more points and given preferential treatment by the government in terms of subsidies on media coverage and advertising among others.

4.3.13 Work Culture/Empowerment in the Hotel Industry

The corporate culture needs to adapt to the external environment in order to remain competitive. The hotel sector in Bhutan has seen an increasing demand for excellence as the economy grows rapidly and more tourists visit Bhutan. There is also an increasing number of local tourists within the country due to increasing levels of income. Along with these come the changing customer preferences and higher customer expectations. In order for Bhutan's hospitality sector to remain dynamic, the goals and objectives can be formulated from the top management however the front line employees must be empowered to pursue strategies responsibilities that best fulfill the hotels overall corporate strategy. Listening to its employees to being constantly in the midst of change, hotels can keep up to date with the customer expectations when they empower their employees to make decisions and encourage mistakes which can be corrected. For a small landlocked country like Bhutan; the only pursuit is excellence by inculcating a positive work culture and in nurturing a productive environment.

There is also the need to strengthen the service system (culture and competency levels) in the hotels which helps the entire organization to focus on the customer and by doing so

it would recognize the innovative ability of every employee that makes up the organization. Therefore adopting a service system would indicate a firm's commitment and trust in its employees which would in turn nurture the pride and ownership that motivates the employees to go beyond their job task and creatively modify services to meet customer's individual needs.

According to a study carried out by Raymond Sparrowe (1994) it is observed that investments in efforts to foster psychological empowerment among the hospitality employees seem worthwhile as satisfaction with promotion opportunities should rise and turnover intentions would gradually decrease. Therefore empowerment in the hotel sector could lead to a tremendous boost to the morale of the employees working in this sector. Therefore empowering the employees in the hotel industry in the country could lead to greater efficiency, accountability in the work place and create more team working spirit.

4.4 Limitations and Suggestions for Further Study

It is perceived that the role of the tour operator in the choice of the hotels for the guest emerges as a major source of limitation. This defies the contention held in this study that enhancing the quality of hotel services in the country must follow the user based approach where by the quality of the product is determined by the end user. Therefore in order that hotels in the country are receptive to and act in accordance to the views and comments on the standard of their hotel facilities and services by the guests, the guests must have the ultimate choice in the determining what kind of accommodation or hotels they would like to stay.

While this study is primarily focused on developing general framework and guidelines for Standardization and Classification of hotels in the country, there is therefore a need to initiate the next stage of the study i.e. to operationalize a standardization system for the hotels in the country in close consultation with the relevant stakeholders.

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APPENDIX A

QUESTIONNAIRE

Questionnaire

"Guidelines for Standardization and Classification of Hotels in Bhutan"

Dear Business Owners,

My name is Kunzang Norbu and I am currently doing an MBA International program in Hospitality and Tourism Management at the Prince of Songkla University, Faculty of Hospitality and Tourism, Phuket Campus, Thailand. The purpose of this questionnaire is to collect data and information for my thesis towards developing guidelines for "Standardization and Classification of Hotels in Bhutan" I would be greatly appreciate if you could kindly spare your valuable time to complete this questionnaire. The data collected will be used for academic purposes only. Strict confidentiality will be maintained for all information collected in this regard.

Thank you for your cooperation

Kunzang Norbu

	d	d	m	m	y	y	y	y
Date Interviewed:								

Sample No: _____

Place Interviewed: _____

Interviewer: _____

Section I. General Information

a. When was the hotel established? ....

b. What was the investment at the time of establishment? .... (in USD)

c. How much investment has been made up to now? .... (in USD)

d. Does your hotel have a website?   ☐ Yes   ☐ No   If Yes,

e. What kind of web site is it?   ☐ Basic Information   ☐ Interactive website

Section II. Existing Classification Regulations

1. Do you think classification system is necessary?

   ☐ Yes   ☐ No

   If No, give reasons: ....

   ....

2. Are you conversant with the current classification system criteria?

   ☐ Yes   ☐ No

   If No, give reasons: ....

   ....

3. In what category is your hotel classified?

   ☐ A   ☐ B   ☐ C   ☐ Unclassified

4. When you applied for classification? YY/MM/DD: ..../ ..../........

5. How soon was your hotel classified from the date of application till being classified?   No. of

   months: ....

6. Do you agree that the classification was done in a fair and free manner?

   ☐ Yes   ☐ No

   If No, please give your reason on that ....

   ....

7. Do you feel that your hotel is appropriately classified?

   ☐ Yes   ☐ No

   If No, please give your reason on that ....

   ....

8. What are your suggestions for introducing a better classification system for the hotel   industry

   in Bhutan?

   ....

   ....

9. How important do you think is necessary to implement standards that are unique to Bhutan?

☐ Very important   ☐ Important   ☐ Not important

☐ Necessary but not important   ☐ Not important at all

Section III: Hotel Operations and employment

1. What is the total No. of rooms in your hotel?

   ☐ Less than 25   ☐ 25-50   ☐ 50-75   ☐ More than 75

2. Which months are the High season for your establishment?

   ....…..

3. Which months are Low seasons?

   ....…..

4. What is the average occupancy during the high season? ....

5. What is the average occupancy during low season? ....

6. What is the average room rate during high season? ....

7. What is the average room rate during live season? ....

8. How do you set the price of your room? ....

   ☐ Cost based   ☐ Market situations

   ☐ Others (Please specify): ....

9. Which of the following (if any) do you see as obstacles to the development of the hotel business?

   (You may choose more than one answer (**start with 1 as your biggest obstacle** and rate **2, 3, ... for other obstacles**)

   ☐ Infrastructure (road, gas, electricity, communication, etc.)

   ☐ Current standardization and classification of hotels of the DoT

   ☐ Lack of skilled labor   ☐ Religion interference

   ☐ Labor costs   ☐ Interest rates

   ☐ Cost of raw materials   ☐ High rents or rates

   ☐ Government inspection   ☐ Uncertain future

   ☐ Government policies and regulations   ☐ Quality management

   ☐ Lack of professional hotel management skills   ☐ Bad creditor's

☐ Competition from larger businesses   ☐ Tax

☐ Others (Please specify): ....

10. Having operated a hotel for the last number of years, what according to you are the most important aspects that need to be incorporated in proper hotel establishment and its operations?

....

11. To ensure a high level of service quality, the skills available for the job is of utmost importance. Can you comment on the availability of the required skills and what needs to be done in this area to ensure that the service quality matches the standards?

....

Section IV: Marketing information

1. Please indicate the breakdown of International and regional tourist to your hotel

	Market source	Percentage (%)	Code for Region	Average Length of stay(days)
	Foreign Tourists			
I.	**Americas & Europe**			
a.	United states of America			
b.	United Kingdom			
c.	Germany			
d.	France			
	Other Europe			
II.	**Total Americas & Europe**			
	Asia			
a.	**SAARC Countries**			
	India			
	Bangladesh			
	Nepal			
	Sri Lanka			
	Pakistan			

	Market source	Percentage (%)	Code for Region	Average Length of stay(days)
	Maldives			
III.	**Other Asian countries**			
a.	Japan			
b.	Korea			
c.	Taiwan			
d.	Other-Asian countries			
	Total Asia			
IV.	**Australasia**			
a.	Australia			
b.	New Zealand			
c.	Other Australasia			
	Total Australasia			
	Others			
V.	**Domestic Tourists**			
	Total	**100%**		

2. Please give the breakdown of booking in your hotel?

	Source	Percentage (%)
1.	Tour Operators	
2	Travel Agencies	
2.	Internet	
4.	Direct booking	
	Total	100%

3. Do you have a separate marketing plan for your hotel?

☐ Yes ☐ No

If No, why ....

Section V: Facilities and Services in the hotel

1. Please (√) against the following facilities and services available in your hotel

   A. ☐ Internet   B. ☐ IDD facility   C. ☐ Fax

   D. ☐ Safety deposit E. ☐Fitness centre   F. ☐ Shops

   G. ☐ Cable TV   H. ☐Refrigerator in Rooms   I. ☐ Laundry service

   J. ☐ Swimming poolK. ☐.Business centre   L. ☐ Coffee shop

   M.☐ Doctor on call N. ☐ Limousines service team and sauna

2. What other facilities do you plan to introduce in your hotel in the near future?

   ....

3. To upgrade the hotels facilities and services in the country at par with international standards, several changes would be required to be incorporated in the hotels. Do you agree?

   ☐ Yes   ☐ No

   If No, Please give reasons ....

   ....

4. Do you agree that the classification of the hotel has direct relevance to the standard and services being provided?

   ☐ Yes   ☐ No

   If No, Please state reasons ....

   ....

5. A new classification system to be proposes compliance of hotel to be eligible for a higher level of quality (up-gradation) to meet criteria in respect of standards and services. Is your hotel in a financial position to comply with the above

   ☐ Yes   ☐ No

   If No, why ....

6. In order to upgrade hotel standards, what and how do you think are the support necessary for you?

   ....

7. What is your preparedness for up-gradation of the hotel in the following areas? (Please tick (√) rating on a scale of **5 being highest to 1 being lowest** your preparedness against each in the appropriate box.

(5 to indicate preparedness within 1-2 years, 4 indicates preparedness within 2-3 years, 3 indicates preparedness within 3-4 years, 2- indicate No plans now, 1- to indicate No plans at all)

	5	4	3	2	1	**Please state your reasons of unpreparedness**
Improving hotel infrastructure(rooms, furniture quality furnishings						
Improving facilities furniture, room decor, equipment etc						
Training and skill development of employees						
Introducing new cuisine and Improving existing cuisine						
Market strategy development (responsiveness to the needs of the existing segments)						
Introduction of general maintenance of the hotel on a periodical basis						
Environmentally conscious operations (energy saving devices,						
Introducing a transparent online booking system with your clients						
An exceptional high standard of cleanliness						

Thank you for your co-operation

APPENDIX B

LIST OF HOTELS SURVEYED

A. Category Hotels	**Location**
1. Druk Hotel	Thimphu, Western Bhutan
2. Jumolhari	Thimphu, Western Bhutan
3. Zangtopelri	Punakha, Western Bhutan
4. Olathang	Paro, Western Bhutan
5. Yangkhil Resort	Trongsa, Central Bhutan
6. River View	Thimphu, Western Bhutan
7. Lhaki Hotel	Phuentsholing, South Bhutan
8. Wangdicholing resort	Mongar, Eastern Bhutan
9. Zhiwaling Hotel	Paro, Western Bhutan
10. Kyichu Resort	Paro, Western Bhutan
11. Druk Hotel	Phuentsholing, South Bhutan

B. Category Hotels	**Location**
1. Gangtey Palace	Paro, Western Bhutan
2. Phuntsho Pelri	Punakha, Western Bhutan
2. Y.T Guest house	Punakha, Western Bhutan
3. Norling Hotel	Trongsa, Central Bhutan
4. Jakar Guest House	Bumthang, Central Bhutan
5. Hotel 89	Thimphu, Western Bhutan
6. Central Hotel	Phuentsholing, South Bhutan
7. Namgay Hotel	Thimphu, Western Bhutan
8. Wangchuk Hotel	Thimphu, Western Bhutan
9. Olathang Hotel	Paro, Western Bhutan
10.Pedling Hotel	Thimphu, Western Bhutan
11. Hotel Sinchula	Phuentsholing, South Bhutan
12. Druk Sherig	Thimphu, Western Bhutan

C. Category Hotels	**Location**
1. Yeedzin Guest house	Thimphu, Western Bhutan
2. Phuenzhi Lodge	Trongsa, Central Bhutan
3. Mipham Guest house	Bumthang, Central Bhutan
4. Rinchenling Lodge	Bumthang, Central Bhutan
5. Sinchula	Phuentsholing, South Bhutan
6. Mountain Lodge	Bumthang, Central Bhutan
7. Jakar Guest House	Bumthang, Central Bhutan
8. Chamkhar Lodge	Bumthang, Central Bhutan
9. Dragon Nest	Wangdue, Western Bhutan
10.BTCL lodge	Trashigang, Eastern Bhutan

Un classified Hotels	**Location**
1. Yangphel Guesthouse	Bumthang, Central Bhutan
2. Swiss Guest house	Bumthang, Central Bhutan
3. River Lodge	Bumthang, Central Bhutan
4. Gongkhar Guest House	Bumthang, Central Bhutan
5. Chang hotel	Bumthang, Central Bhutan
6. Janka Resort	Paro, Western Bhutan
7. Kaila Guest house	Bumthang, Central Bhutan
8. Aman Resort	Paro, Western Bhutan
9. Uma Paro	Paro, Western Bhutan
10. Tigers Nest	Paro, Western Bhutan
11. Sonam Trophel	Paro, Western Bhutan