

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

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ABSTRACT

Since the inception of tourism in 1974, Bhutan has been guided by the policy of cautious growth, a “High Value, and Low Impact” principle. With the increase in the international tourist arrivals, the role and responsibility of travel agents have become more intense and challenging. The researcher aims to provide a better understanding of the current working situation of the travel agencies, the major trends affecting their roles, and finally to propose a guideline for future development of travel agents in Bhutan.

The convenience sampling method was used for both the distribution of questionnaires to the tourists at the Paro International Airport and also for semi-structured interviews conducted with the travel agents and the Association of Bhutanese Tour Operators. The findings of the study indicated that the majority of the international tourists to Bhutan were senior citizens with high income levels and were first time visitors. The respondents were very satisfied with the overall performance of the travel agents. However, the findings indicated that travel agents in Bhutan did not perform to the high level of the service quality attributes perceived by the tourists. It is recommended that the travel agents, other tourism stakeholders and the government should work together in allocating the resources effectively and focus more on enhancing the quality of service attributes to maintain and maximize guest satisfaction. Furthermore, travel agents need to intensively emphasize the use of ICT as a marketing and promotional tool for its products and services to reach the international markets.

Keywords: *Travel Agencies, Importance-Performance Analysis, Tourism policy, Bhutan.*

INTRODUCTION

Bhutan is a small land-locked country with an overall size of 38,394 square kilometres situated along the southern slopes of the Himalayan range bordered by the Tibetan region of China in the North and the Indian states of Arunachal Pradesh, Sikkim, Assam and West Bengal in the East, West and South. Bhutan can be divided into three distinct geographic regions or climatic zones: Southern, Central and Northern having a population of approximately 700,000 people.

Bhutan officially opened to international tourists in 1974 during the coronation of the 4th King. The Tourism Council of Bhutan (TCB) the then the Department of Tourism was created to formulate policy and guidelines to direct the growth of the tourism industry in Bhutan. Bhutan's policy makers have long been ambivalent towards tourism, with concerns that potential negative impacts might outweigh the financial gain (Uitz and Zeppezaure, 2005). Since then the "High Value, Low Impact" policy was implanted to guide the development of the tourism industry in Bhutan. The Royal Government of Bhutan (RGoB) now recognizes its considerable potential as a tool for development, employment opportunities and as a contributor to national revenue. It is second to hydropower in terms of its potential to generate foreign exchange and provide for national sustainable development.

Bhutan's travel agents are interchangeably used as tour operators, since travel agents in Bhutan put together a tour or vacation and all its components and sell the product directly through his or her own company, or through an intermediary of a foreign travel agent as an "all inclusive package" tour at a daily price set by the government. The all inclusive package tour includes the accommodation, transportation, all three meals including evening tea and snacks, English speaking guide, entrance to the museums, visa fee of USD 20, royalty USD 65 and taxes to the government (RGoB, 1999). The policy of the government of "High Value, and Low Impact" with a fixed daily all inclusive package rate of USD 220 per person per night provided an advantage to the Bhutanese travel agents since tourists will not be able to process their visa to Bhutan unless they organise their trip through a registered Bhutanese travel agent either directly or routed through a foreign travel agent. Somehow owing to the lack of information on the pricing policy of this daily tariff of USD 220 it has created confusion or misunderstanding among the international visitors. It has been perceived by many tourists that the USD 220 per night was only a visa fee to enter Bhutan and there will be other additional costs involved such as accommodation, transportation etc. This has discouraged many potentially interested visitors from visiting Bhutan.

After the liberalization of the licensing of the travel agents in 1991, and also the support from the government in promoting Bhutan on the international market there was a dramatic increase in the number of tourists visiting Bhutan, from 5,599 in 2002 to 17,344 in 2006, but unfortunately this rise has been compensated

for by the subsequent rise in the number of travel agents from 100 in 2002 to 281 in 2006 (Dorji, 2006). This increase in the number of travel agents has led to very high competition among the travel agents. According to observation, out of the 17,344 tourist arrivals, the ten largest companies handled about 67% of the tourists leaving only 5,724 to the remaining 271 travel agents. This implies that the remaining companies deal with as few as 21 tourists annually, or even fewer (Rogers, 2002). Quality assurance is recognized as an essential element in the success of all industries and most particularly for the services sector in Bhutan. Delivering quality services to the customers will result in significant advantages in the highly competitive environment of the travel services industry. This is reflected in customer satisfaction and loyalty, increased productivity and profitability and retention of qualified and experienced staff (RGoB, 2005).

The increase in the number of travel agents eventually led the smaller travel agents to compete on the price by illegally lowering the daily rate of US 220 per night instead of competing on the quality of services and products they offer. With the prevalence of undercutting on the rate in the industry, travel agents select lower quality standard hotels and other related tourism products at a lower price to maximize their profit which lead to a low quality of tour. This contradicts the policy set by the government of “High Value, Low Impact” resulting in a low quality of services tour package and more unsatisfied tourists. The low quality and tourists unsatisfied with the services can also be associated with the travel agents taking a dominant role in the tourism industry in selecting the services for the visitors. Since travel agencies provide an all inclusive package tour there is less choice for the tourists to choose their accommodation and other travel related products. The consequences of this will discourage the hotels in Bhutan from improving and developing their quality standards and extension.

To improve their competitiveness and efficiency, travel agents in Bhutan have turned towards the increasing use of information and communication technology (ICT) which is a relatively recent phenomenon in Bhutan. ICT and their applications are changing the way people live, learn, work and interact. The application of the ICT to the tourism industry, particularly to the travel agencies who organize the all inclusive tour arrangements has a positive impact on the whole operation. It allows interacting internally and externally more quickly, cheaply and accurately among the employees, with the customers, Government organizations and the tour product suppliers. With the application of ICT all the travel agents cut their telephone and fax costs by using the internet and their marketing costs by launching websites. It was mainly e-mail that was perceived as the main benefit gained, as communication and transactions were made faster, easier and more convenient (Badnjevic and Padukova, 2006). Recognizing that ICT has an immense impact on virtually all aspects of our lives, the RGoB owns this vision and declares a strong commitment to developing and implementing a national ICT strategy and action plan, based on the ICT vision (A White Paper, 2004).

In spite of the importance of the travel agencies for Bhutanese tourism, no earlier research has been carried out to study in detail their operations, the problems and challenges they come across and the factors that contribute to their relative success. Therefore the objectives of this study are to provide in depth information on the current working situation, role and responsibility, their challenges and the future prospects of the travel agencies in Bhutan.

METHODOLOGY

In order to accomplish these objectives of the study both qualitative and quantitative method were used as the research methodology.

Three main groups of population have been identified for this study.

1. International tourists to Bhutan (17,344 tourists visited Bhutan in 2006)
2. The travel agents functioning in Bhutan (281 travel agents) and
3. The Association of Bhutanese Tour Operators.

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

The questionnaires were distributed to 250 tourists selected through the convenience sampling method in the departure lounge at Paro International Airport. From the list of 281 travel agents registered with the Department of Tourism as of 2006 in Thimphu, 30 travel agents were selected based on a systematic and convenience sampling method for a qualitative personal interview. The convenience sampling method was also used with the Association of Bhutanese Tours Operators for conducting a qualitative interview.

The data gathered from the questionnaires were entered into the SPSS computer software program version 15.0. The SPSS was used to compute the data and to generate statistics in terms of frequencies, means, standard deviations, and as well as t-test. Importance-Performance Analysis (IPA grid) was used to analyze the level of satisfaction of the tourists. Content coding and analysis was used for analyzing the interviews conducted with the travel agents and the Association of Bhutanese Tour operators.

RESULTS

The findings indicated that the majority of the visitors to Bhutan were married, female, aged over 45 years and earning USD 75,001 and above. It is clear from the results that Bhutan at the moment caters mostly to senior groups of tourists with high levels of income having high educational backgrounds and professions.

44% of the respondents were Americans followed by Europeans (26%) and Asians (24.8%). 89.2% of the respondents were first time visitors to Bhutan and traveling mostly with family or in a group for holiday purposes (76.8%). Friends and relatives were mentioned as the main source of information followed by others (school, books, magazine, journals, TV and also the philosophy of Gross National Happiness by the fourth king of Bhutan). From the survey 60% of the respondents booked their trip to Bhutan through the intermediation of foreign travel agency while 40% contacted the local agents directly owing to the fact that they had been recommended by friends and relatives who had visited Bhutan. This signifies that “word of mouth” has been a very successful marketing tool for the Bhutanese travel agents to reach their market and at the same time a very good affiliation with renowned foreign travel agents would prove very useful and beneficial for the Bhutanese travel agents in attracting more international visitors. 61.2% of the respondents visit Bhutan in conjunction with other neighboring countries (Nepal, India, Thailand, etc) and the service of foreign travel agents is mostly sought because of their vast knowledge, experience and the reliability of the travel arrangements. The existing average length of stay in Bhutan was approximately 11 days.

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

The Overall Difference between Importance and Performance Levels

Table 1 demonstrates that the overall performance values of the travel agencies are below the importance values for 13 of the 14 total attributes. This means that there was a negative gap in the 13 attributes. Respondents were unsatisfied with hotel facilities, transportation, quality of food, overall tour package, value for money, cleanliness/sanitation, safety and security, website, brochures, guide responsiveness and attitude, other employees (driver and staff), efficiency and tour management. A paired sample t-test was performed to determine the statistically significant difference in means between importance and performance values. Interpretation of the results was carried out at the 5% level of significance; where the value $p \leq 0.05$ was considered as being significant and $p \leq 0.01$ was considered as being highly significant. The gap results showed that hotel facilities, transportation, quality of food, overall tour package, value

for money, cleanliness/sanitation, website, brochures, guide responsiveness and attitude, other employee (driver and staff), efficiency in correspondence and tour management were at the highest significance level of $p \leq 0.01$. Safety and Security showed a significance level of $p \leq 0.05$. Only one attribute Television/Trade fair showed a no significance level of $p = .428$.

Table 1: Overall differences in guests importance and performance level of the travel agents

Attributes	Importance (Mean)	Performance (Mean)	Gap (P-I)	t	p-Value	Satisfaction Level
Guides' attitude & Responsiveness	4.61	4.23	-0.38	6.566	.000*	Unsatisfied
Transportation	4.52	4.01	-0.51	7.263	.000*	Unsatisfied
Cleanliness/sanitation	4.50	3.56	-0.94	12.325	.000*	Unsatisfied
Safety and Security	4.49	4.33	-0.16	2.324	.021*	Unsatisfied
Hotel facilities	4.46	3.68	-0.78	11.042	.000*	Unsatisfied
Other employees (Driver & staff)	4.45	4.30	-0.15	2.750	.006*	Unsatisfied
Tour management	4.44	4.11	-0.33	5.434	.000*	Unsatisfied
Quality of food	4.33	3.59	-0.74	9.314	.000*	Unsatisfied
Efficiency in correspondence	4.23	3.92	-0.31	4.674	.000*	Unsatisfied
Overall tour packages	4.21	3.92	-0.29	3.962	.000*	Unsatisfied
Value for money	4.11	3.49	-0.62	7.521	.000*	Unsatisfied
Website	3.51	3.14	-0.37	5.306	.000*	Unsatisfied
Brochures	3.21	2.98	-0.23	3.594	.000*	Unsatisfied
Television/Trade fairs	2.78	2.99	0.21	0.795	.428	Satisfied

Note: Paired-Samples T Test was performed to check for statistically significant differences between Importance and Performance

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

Importance – Performance Analysis (IPA Grid)

This study of the IPA grid gives a clearer idea of the tourist evaluations on critical issues which allows the travel agents and other tourism stakeholders to react according to the needs and requirements and for further recommendations. Moreover the result indicates the importance level of the service attributes

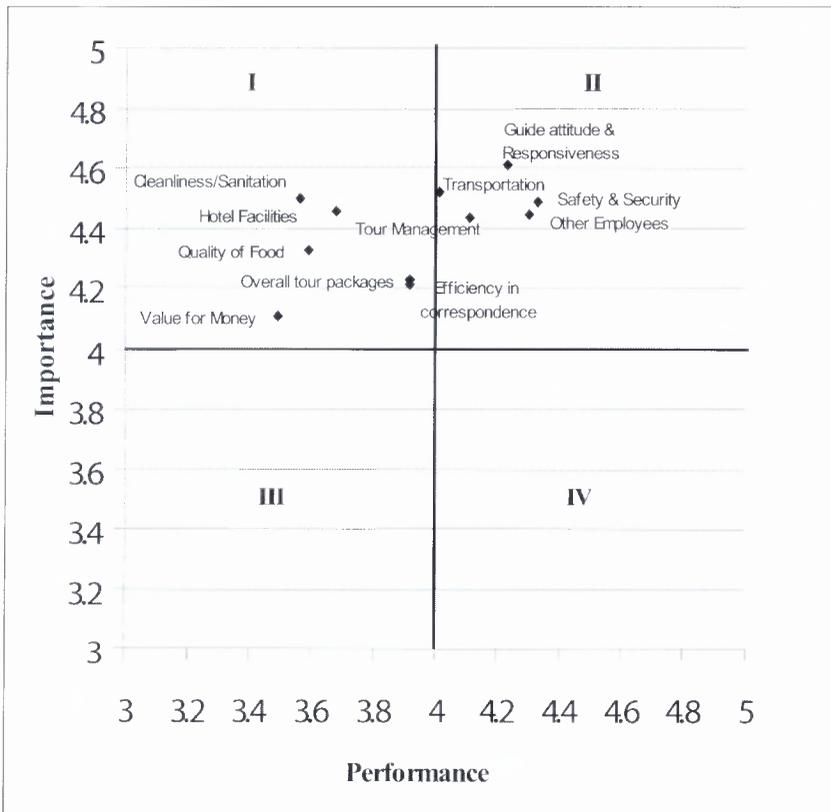


Figure 1: IPA grid

and the performance of the travel agency on the attributes as perceived by the respondents.

The IPA grid captured “Hotel Facilities”, “Quality of food”, “Value for money”, “Overall Tour Packages”, “Cleanliness/Sanitation” and “Efficiency in correspondence” in the Quadrant of Concentrate Here (I). This indicates that the performance of the travel agencies in providing the quality of the above six service attributes were far below the importance level of the respondents. Travel agents need to pay special attention to address the low performance of these six attributes and allocate the resources effectively to enhance the quality of service attributes to attain the guest satisfaction level. “Tour management”, “Other employees”, “Guides’ responsiveness and attitude”, “Safety and security” and also “Transportation” were identified in Keep up the Good Work Quadrant (II). The attributes which have fallen in this quadrant signify that travel agents have performed relatively well in all the above five attributes and have satisfied the respondents. However, since all the mean score ratings of performance were

slightly lower than those of the importance ratings, efforts should be made to further improve to highly satisfy the tourists. No attributes were loaded in the Low Priority Quadrant (III) and Possible Overkill Quadrant (IV).

The Findings from Managers and Proprietors of the Travel Agents

“Unique culture and tradition”, “Untouched and Unspoilt Destination”, “Last Shangri-La”, “Destination of a life time”, “Beautiful” and “Peaceful” were the key words used by the travel agencies in Bhutan to promote Bhutan to their markets. Increasing the number of tourist arrivals, generating more revenue and offering exclusive quality services were the main goals and objectives of every travel agent. However, lack of flexibility of government policy, accessibility, lack of both public and private initiatives in human resource development, lack of professionalism, lack of tourism infrastructure and superstructures, imbalance of regional development, seasonality problems, undercutting on price by the travel agents and limited varieties of products were hampering the tourism industry as a whole and particularly the development of travel agencies in achieving their goals.

“Word of mouth” was mentioned by all the travel agents as the most effective, less expensive and the best strategy for marketing and also for disseminating information about Bhutan to its international markets. ICT has been warmly welcomed by all the sectors for its enormous benefits. Launching a website to provide information and correspondence through email has been the main purpose of the internet for the travel agents. Larger travel agents having enough resources advertise in the travel magazine and websites, distribute brochures, and participate in trade fairs as their marketing tools.

The Findings from the General Secretary of ABTO

The Association of Bhutanese Tour Operators (ABTO) was formed in 2002 to represent and protect the collective interest of the tourism industry in general, and to advance the cause of travel agents in particular. Accessibility to Bhutan, inefficient marketing strategies and seasonality were mentioned as the major obstacles for tourism development while royalty and the tariff system, hotel facility development, opening of new geographic regions were the main issues discussed with the travel agents. However, in general in this present scenario with high competition, travel agents are efficiently delivering quality services and well organized tours to sustain their business.

The government has been forthcoming and supportive of the activities carried out by the association and also in the development of low season tourism products to offset seasonality problems. With continued support from the government and cooperation among the tourism stakeholders in keeping

its unique culture intact and tradition vibrant, and secure a healthy natural environment for the visitors, travel agents have great prospects in Bhutan.

CONCLUSION AND RECOMMENDATIONS

Based on the findings and the observations, travel agents have done relatively well in keeping up with their roles and responsibilities and adhering to the guidelines and the policy of sustainable tourism. However, a number of problems and concerns were raised by the respondents of the survey. The researchers have developed and proposed the following recommendations to the travel agents in particular, and to the government and other tourism stakeholders in general. These are discussed below, together with measures for improvement.

The hotel facilities and the cleanliness and sanitation within the country should be improved and developed. The major concerns repeatedly mentioned by the tourists were the facilities of the hotel and the lack of cleanliness which resulted in many unsatisfied tourists. The tourists indicate their dissatisfaction with the services and facilities in the hotels in the country during their stay, particularly in respect of cleanliness and insufficient room heating systems in winter. A proper system of hotel classification must be introduced and implemented to ensure that the facilities and services provided are standardized. However certain basic amenities with a sense of hygiene within the hotel are an utmost priority for all kind of hotels. A system of penalties must be vigorously followed to ensure full compliance with maintaining hygiene in the hotels and a clean environment, which is not only appreciated by the tourists but also benefits the general population.

Quality and varieties of gastronomy are a must for the food and beverages department and need innovation and further improvement. The Tourism Council of Bhutan (TCB) must encourage and conduct training of the chefs and cooks in restaurants and hotels for varieties of both local and international cuisine to meet the palate of the tourist since it is another major concern being expressed by the tourists, travel directories and travel writers. Another area which is being considered but not implemented as of now is the annual food festival of Bhutan. A system of penalties must be vigorously followed to ensure full compliance with maintaining a clean environment, which is not only appreciated by the tourists but also benefits the general population.

There is a need for training and education in the hospitality and tourism services. The Tourism Council of Bhutan (TCB) should educate and initiate professional guide training programs at frequent intervals to meet the increasing importance and expectation levels of the tourism industry. Recently the government came up with the establishment of a hotel and tourism management training institute (HTMTI) which is a positive step in enhancing the human resources. However, the curriculum must focus on and be inclusive of the

detailed history, customs and tradition of the country and modern practices of tour guiding and ethics in the industry. An introduction of a performance award system will give recognition for their hard work and motivate guides and staff in improving their service quality performance toward the guests. Similarly this same system of awards can be applied to the travel agents, hoteliers and other tourism stakeholders to improve their performance and also for quality assurance certification.

Transportation and roads need to be improved and developed. The Government should consider a duty exemption not only for the bigger vehicle of more than 20 seats and above, but to have the same duty exemption on imported smaller vehicles to ensure providing comfortable and luxurious vehicles for the tourist. The findings indicated that the majority of the respondents are FIT's to small size groups of under 4 - 6 pax which require smaller comfortable vehicles. While the issue of the poor condition of the roads involving the safety of both domestic and international travelers might be difficult to address in the short run it must be considered for future plans and development.

The safety and security of the travelers should be focused on and given high priority. Bhutan is generally perceived as a safe destination, however owing to the country's geographical location of being located in proximity to some countries with political disturbances, a notion of being unsafe is perceived by the tourist because of lack of awareness by some of the tourists. Such a feeling by the tourists can portray a very negative image of the country and hurt the tourism industry. The Government must use the arm of its media to reciprocate appropriately and dispel any notions of the country being unsafe and other security aspects should it prove to be incorrect. However, if such situations exist immediate measures should be taken by the government to eradicate the problems from the beginning. Journalists, travel writers and authors should be invited on a familiarization trip to portray Bhutan to the world.

The increasing number of travel agents needs to be controlled. The Government must develop a mechanism of controlling the number of travel agents through the development of measures such as licensing procedures on certain criteria such as introducing a minimum financial resource requirement, office set up, availability of a minimum number of conditioned transport at its disposal, adherence to an established tour operations code of conduct, an agent's knowledge of tour operations, ability to maintain a number of employed personnel etc. In 2006 there were 281 travel agents which increased to 350 in 2007 operating in a country that provides tour services to only a limited number of guests in a year (17,344 tourists in 2006). This is not a healthy system for the country's policy of encouraging high value tourism. A large number of agents are in constant competition to generate business and as a result, some operators resort to unfair trade practices such as price undercutting. This in turn results in providing lower quality services which is totally in contravention to providing high value services and at the same time, such practices will jeopardize the image

of the country. Tour operators indulging in any malpractices must be penalized to weed out unwanted elements in the industry.

Restroom facilities should be constructed on the highways and in the public areas where necessary. The Government in cooperation with the TCB should initiate plans and incentives to encourage private sectors to develop cafeterias at different points with rest room facilities where tourists and the general public can stop and avail themselves of these facilities. Moreover the Government should immediately address the construction of a sufficient number of hygienic restroom facilities in public places on a pay and use system to maintain the facility.

Finally, the Government and the travel agents should focus on and train more employees on the use of ICT. ICT has been recognized for its enormous benefit to every sector in Bhutan but currently travel agents are under utilizing the facilities of the internet. The results showed that the internet was basically used only for correspondence with the tourist, browsing websites and to read news and information and has not been effectively used for other purposes such as marketing and promotion of the products and services to attract more tourists. This could be associated with the lack of professionals with the knowledge of internet marketing and promotion which has great potential to reach the vast market at a minimal cost.

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