

## The Fable of Regional Tourists' Loyalty to Bhutan

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### 1 Introduction

Tourism is one sector that has reached the zenith of maturity with visitors possessing vast travel experiences compelling them to behave in a selective manner thereby making the destinations fiercely competitive (Moreno-Gil & Coca-Stefaniak, 2020). Paulauskaite, Powell, Coca-Stefaniak, and Morrison (2017) in their study revealed that tourists search for convenient and more authentic experiences fueled by a wide range of disposable incomes leading to drastic change of tourism ecosystem as well as tourism destinations at all levels. Bhutan has embarked upon a tourism business only from 1974 and the industry emerged as second highest revenue generator next to hydropower. The study conducted by Khan, Bibi, Lorenzo, Lyu, and Babar (2020) revealed tourism industry as a competent driver of development in emerging economies. They further found significant and positive relationship between increase in tourism receipts and gross domestic product (GDP), increase in foreign direct investment (FDI), and reduction of poverty in the long run. Bhutan Tourism Monitor (BTM) Report 2019 has revealed the total annual arrivals as 315,599 that proportionate about 42.9 percent of Bhutan's total population. Out of this total arrivals, 243,400 (77.1%) are regional arrivals, which is an increase of 20.3 percent from the previous year. The growth in inbound tourists has been skyrocketing with an annual average growth rate of 17.1 percent for the straight seven years (2013-2019). Tourism sector in Bhutan has been contributing towards the country's socio-economic development and revenue generation ever since its inception. The year 2019 saw total gross foreign exchange receipts of US\$345.88 million that accounted for a growth of 3.8 percent from the previous year. To this effect, a complete comprehension of the regional tourists' perception of Bhutan as a travel destination of their choice and the associated factors responsible for their loyalty is of paramount importance to the Tourism Council of Bhutan (TCB) and all those involved in tourism industry for sound formulation of marketing policies and product diversification. The TCB has defined regional arrivals as those inbound tourists from India, Bangladesh and Myanmar and the rest of the world falls under the category of 'international arrivals.' Regional arrivals that comprised over three-quarters of the total visitors to Bhutan is of a great concern to the tourism marketers and the TCB for the tourism governance to sustain the inflow of the same, which in turn to sustain tourist receipts, foreign exchange revenue to government, and employment generation (Dorji, 2001).

The study of tourists' loyalty to a destination has been considered relevant not only for the literature but also from the point of view of the management of the multiple actors of the tourism industry (Cossío-Silva, Revilla-Camacho, & Vega-Vázquez, 2019). Towards this end, examination of regional tourist loyalty to sustain the inflow of regional visitors through proper visitor management and related interventions via better tourist drawcards is a sole purpose of this study. To comprehend the antecedents of tourist loyalty and formation of the same had been a common maxim for tourist destination and managers of tourist firms (Cossío-Silva et al., 2019). A plethora of studies (Gursoy, Chen, & Chi, 2014; Sun, Chi, & Xu, 2013) revealed loyalty as the best predictor of future behavior and a source of competitive advantage and success in the market. In the same manner, tourist destination must also attract and retain its target market (Gursoy et al., 2014). The study by Suhartanto, Brien, Primiana, Wibisono, and Triyuni (2020) disclosed that experience quality, perceived value, tourist satisfaction, and tourist motivation are key factors that determine tourist loyalty towards creative attraction. Many literatures in tourism up until now have focused on understanding tourists' revisit patterns viz. destination loyalty, past visitation, and intention to revisit (Stylos & Bellou, 2019). Nilplub, Khang, and Krairit (2016) studied the most important determinants of tourist loyalty with a specific focus on the complex role of tourist satisfaction and found that satisfaction of tourist fully mediated the effects of push and pull motivations and perceived value for money on destination loyalty.

Under these perspectives, understanding the elements that determine the destination loyalty is the core purpose of this paper. This study, therefore, precisely aims to enrich existing knowledge on tourist loyalty by evaluating the theoretical model considering Gross National Happiness (GNH), familiarity (Horng, Liu, Chou, & Tsai, 2012; Sun et al., 2003; Maestro, Gallego, & Requejo, 2007), destination image (Prentice, 2004; Agapito,

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Do Valle, & Mendes, 2013), perceived value of money (Sun et al., 2003; Faullant, Matzler, & Fuller, 2008), tourist satisfaction (Poria, Reichel, & Cohen, 2011; Chen & Tsai, 2007) as key antecedents to tourist loyalty. So far, no dearth of empirical studies at representative level in Bhutan has been carried out on this front.

The findings from this research if not specifically applied to regional tourists to Bhutan might enrich the tourism and hospitality literature. On the other hand, the findings would enable tourism service providers and destination marketers of Bhutan enough guidance of the dynamics of service dimensions that would help shape loyalty (Prayag & Ryan, 2012). The study setting for this research were four tourist exit points in Bhutan and the population considered were those visitors from India, Bangladesh, and Myanmar from March to December 2017. In accordance with Meleddu, Paci, and Pulina (2015), the aforementioned wider time span of data collection allowed the seasonal adjustment for it covered both lean and peak seasons unlike most other studies where the data collection period is over one season.

## 2 Literature Review And Hypotheses Development

In the subsequent sections, a theoretical loyalty formation model is developed in light of the previous model developed by Sun, Chi, and Xu (2013). Based on the thematic literature reviews, hypotheses that specify the direction of relationships amongst the constructs are proposed.

### 2.1 Destination loyalty

According to Petrick (2004) the term loyalty is defined as consumers' repurchase behaviors of products or availing of repeat services from the same firm over a period of time. Reichheld (1996); Shoemaker and Lewis (1999) have emphasized the concept of loyalty in the marketing principle as the most important factor for the mere fact that retention of old customers is more cost-effective than acquisition of the new patrons. A plethora of authors (Backman & Crompton, 1991; Hawkins, Best & Coney, 1989; Hernández-Lobato, Solis-Radilla, Moliner-Tena, & Sánchez-García, 2006; Jones & Sasser, 1995) have authenticated the concept of loyalty in the market as a positive attitude towards a product or service, which in turn is followed by repeat purchase and recommendations made to others. Tourist loyalty is considered an important indicator of successful tourist destinations and has been evidenced in the past decades' research on the same (Stylidis, Woosnam, Ivkov, & Kim, 2020).

In the context of tourism, behavioral loyalty is gauged by the number of previous visits to the destination (Correia, Zins, & Silva, 2015). In this study, the destination loyalty is measured through visitors' revisit intention and willingness to spread positive word-of-mouth to their friends and relatives (Chi & Qu, 2008; Yi, Fu, Yu, & Jiang, 2018; Payini, Ramaprasad, Mallya, Sanil, & Patwardhan, 2019). Chen and Phou (2013) have found revisit intention as indicator for successful destination development and factor responsible for increasing the competitiveness of tourist destinations. Assael (1984) suggested that the success depends not on the first purchase but on repurchase and emphasized that no brand can survive over time without some degree of loyalty. Allenby and Lenk (1995) also argued that brand loyalty reduced the servicing costs. Oh and Kim (2017) found a positive correlation between consumers' repurchase intentions and positive word of mouth referrals. To this effect, loyalty concept in tourism had received tremendous attention from tourism researchers over the decades. A research by McKercher and Tse (2012) had revealed that a 5 percent increase in repeat visitation led to increase in profits by 25-29 percent and as well enhanced word-of-mouth referrals. However, they still emphasized that nothing concrete is known much about why tourists decide to revisit a destination.

### 2.2 Gross National Happiness (GNH)

The 4<sup>th</sup> King of Bhutan introduced the concept of Gross National Happiness (GNH) in the late 1980s as an aggregate nation's economic wellbeing measure against the conventional Gross Domestic Product (GDP) (Ura & Galay, 2004). Later GNH gained its impetus and various indices were developed, which is a multidimensional measure linking it with set of policy and programme screening tools for practical applications of the same (Alkire, Ura, Zangmo, & Wangdi, 2012). Similarly, a study by Teoh (2016) has reported that Bhutan has caught the World's attention through GNH based on the four pillars viz. sustainable and equitable socio-economic development, conservation and preservation of the natural environment, cultivation and promotion of culture, and good governance. Teoh also states that the tourism policy of Bhutan is vested on the aforementioned four pillars of GNH.

Further GNH also attracted global attention when Happiness was declared as the 9<sup>th</sup> Millennium Development Goal (MDG) in 2012 at the United Nations (UN) (Teoh, 2015). All these aforementioned attentions gained through the concept of GNH have earned the country reputation in the tourism map of the world (Khamrang, 2013). A unique destination brand or use of different strategies to promote new attractions with an aim to enrich touristic experiences to attract more number of visitors is crucial for the sustainability of the destination (Ramazan, 2019).

Ramazan also found that food image of the destination affected the visitors' revisit intention. Hence, GNH could be the most captivating variable as brand image to attract visitors to Bhutan or basis of destination image formation.

Contrary to this, tourism also created issues and challenges to some destinations' happiness. For instance, a study by Pratt, McCabe, and Movono (2016) concluded that notwithstanding the fact that tourism contributed to the wellbeing of the tourism village, it also had created issues and challenges to the same. To this effect, a subsistence village with little association with tourism was found to be happier (Pratt et al., 2016). Therefore, this study attempts to examine how well GNH can serve as an antecedent for destination familiarity and vis-à-vis as a direct antecedent of destination image. As of now no similar study is found to have conducted so far and as well severely lacks the literature on the same. The construct, GNH in this study is measured by the variables, 'GNH philosophy as attraction' and 'Bhutan is known for its Gross National Happiness philosophy.' Hence, the preceding discussions led to the derivation of the following two hypotheses:

- H<sub>1</sub>:** There is a positive and direct relationship between GNH and tourists' level of familiarity.  
**H<sub>2</sub>:** GNH is a direct antecedent of destination image for Bhutan.

### 2.3 Familiarity

Curiously, familiarity has been not much discussed in tourism despite its potential importance to marketing and image recognition (Prentice, 2004). Tan and Wu (2016) considered familiarity in marketing and tourism as a broad and loosely-defined concept usually linked to knowledge about destination or direct experience. Alba and Hutchinson (1987) defined familiarity in a marketing context as the consumers' number of product-related experiences such as advertising exposure, information search, and product experience. Gursoy (2011) and Prentice (2004) defined destination familiarity as the number of destination-related experiences gathered via ongoing information search, number of previous visits, various experiences, ongoing involvement and learning. Smith, Li, Pan, Witte, and Doherty (2015) defined destination familiarity as previous experience in the destination. Tasci, Gartner, and Cavusgil (2007) utilized number of previous visits to a destination as a measure of tourists' familiarity with that destination. Kim, Hallab, and Kim (2012) argued that the number of previous visits is not a sole indicator of familiarity with a particular destination, besides there are other factors such as reading guidebooks and other related books, reading advertisements and write-ups in print media, and various other sources that are likely to influence tourists' degree of familiarity. This argument has also been backed up by Terzidou, Styliadis, and Terzidis (2018) those differences in tourist' observed levels of knowledge could be due to education, media coverage, books, travel guides, social media and personal contact with others. Baloglu (2001) categorized three types of familiarity: informational, experiential and self-rated. Therefore, familiarity in this study is operationalized using informational familiarity (Prentice, 2004; Wong & Liu, 2011), experiential (Tasci et al., 2007), and self-described familiarity (Prentice, 2004; Jansen, 2011). Precisely, the answers to the question, 'what attracted or inspired you to visit Bhutan?' has been used as a proxy for self-described familiarity for it shows the extent of how familiar respondents think themselves with a destination without having been there once (Prentice, 2004).

Many studies have concluded that destination familiarity is likely to be a key determinant of destination image (Hu and Ritchie, 1993; Sun et al., 2013; Chen and Lin, 2012). It has been reported that the image of return visitors to a particular destination tends to be more positive than that of non-visitors (Tasci, 2006). For example, American tourists who are highly familiar with Turkey tended to have a more positive image of Turkey than those Americans who did not visit Turkey (Baloglu, 2001). Destination familiarity can enhance consumers' knowledge about the destination and more importantly, their affective perceptions are found to lead to a higher likelihood of visiting a destination (Kim, Lehto, & Kandampully, 2019). Chi, Huang, and Nguyen (2020) reached similar conclusions by examining foreign tourists visiting a destination in Vietnam. Eventually, familiarity in conjunction with destination image can positively affect individuals' loyalty to the destination (Styliadis et al., 2020; Ozdemir, Aksu, Ehtiyar, Çizel, Çizel, & İçiğen, 2012). Based on the aforementioned discussions, the following hypothesis is posited:

- H<sub>3</sub>:** There is a positive and direct relationship between tourists' level of familiarity and their perception of destination image.

### 2.4 Destination image

Gartner (1993) was the first to introduce the concept of destination image to the tourism field. The term, destination image is a highly subjective concept vested on an individual's beliefs, ideas, impression and hunch of particular place (Crompton, 1979; Baloglu & Brinberg, 1997).

Lawson and Baud-Bovy (1977) had defined destination image as the expression of all knowledge, impressions including prejudices and emotions an individual or group of people have of a particular place or object. In the existing competitive environment, the destination image has become a crucial instrument to achieve a different positioning in relation to competitors (Guzman-Parra, Vila-Oblitas, and Maqueda-Lafuente, 2016).

Several researchers have accepted destination image as an important aspect in successful tourism development and destination marketing (Agapito et al., 2013; Jeong & Kim, 2019). Woodside and Lysonski (1989) suggested that those destinations with strong, positive images are more likely to be considered and chosen in the travel decision process. Destination image plays crucial roles in destination choice, decision-making process and in the selection of on-site activities (Sun et al., 2013). The study by Loureiro, and González (2010) revealed that the image of a destination is a critical factor in influencing tourists' satisfaction. Destination image has been found as mediator for value, satisfaction, and trust and destination trust in particular had been found to play critical role in increasing loyalty (Al-Ansi, & Han, 2019). For instance, a positive indirect effect of destination image on destination loyalty via satisfaction is revealed from Thai tourists' perception on Indian cities (Erawan, 2020).

Destination image have been also found to have significant influences on post trip assessment viz. perceived value, satisfaction, and revisit intention (Chen & Tsai, 2007). Similarly, Susilowati, and Sugandini (2018) had established positive relationship between destination image and perceived value. Khuong and Phuong (2017) in their study that examined the effects of destination image, perceived value, and service quality on tourist satisfaction and word-of-mouth concluded that destination image and perceived service quality were significantly correlated and both directly had effects on destination satisfaction. Bigne, M.I. Sanchez, J. Sanchez (2001) also concluded destination image as a direct antecedent of perceived value, satisfaction, revisit intention and willingness to recommend the destination. Mahasuweerachai, and Qu's (2011) findings also supported the presence of positive relationships between destination image, perceived value, and satisfaction. To this effect, the following two hypotheses are derived:

**H<sub>4</sub>:** There is a significant and direct relationship between destination image and perceived value.

**H<sub>5</sub>:** Destination image positively influences tourists' attribute satisfaction.

### 2.5 Perceived value

Perceived value is one subjective and dynamic construct that does not have a concrete definition for it varies between customers, between cultures, and time plays another crucial role in differing the perception of an individual (Sanchez, Callarisa, Rodriguez, & Moliner, 2006). Hellier, Geursen, Carr, and Rickard (2003) described perceived value as "customer's overall appraisal of the net worth of the service based on the customer's assessment of what is received (benefits provided by the service), and what is given (costs or sacrifice in acquiring and utilizing the service)." Similarly, Sanchez et al. (2006) defined perceived value as an evaluation where benefits and sacrifices are compared taking into account the emotional aspects of consumers. To this effect, perceived value significantly affects consumers' decision making processes (Velázquez, Saura, & Molina, 2011; Zhang and Mao, 2012).

Many prior researches have established interrelations amongst perceived value, satisfaction and customer loyalty. A research by Dubey and Sahu (2019) has revealed that customers perceive value through satisfaction derived out of a product or service, which in turn leads to demand of the same product in future again. Perceived value is also found to have a significant positive effect on both satisfaction and loyalty (Cuong & Khoi, 2019). Parasuraman and Grewal (2000) found that consumers' choice behavior at the pre-purchase stage is affected by perceived value and it as well influenced satisfaction and intention to repurchase and recommend at the post-purchase stage. All these mainstream literatures indicate the perceived value as antecedent of satisfaction and loyalty. Perceived value is also found to have direct effect on destination image, tourist attitudes and satisfaction and additionally destination image and satisfaction significantly affected tourist attitudes and loyalty (Hasan, Abdullah, Lew, & Islam, 2019). For instance, the empirical evidences show the existence of the chain of constructs, service quality-perceived value-customer satisfaction-loyalty in a service setting (Gallarza, Saura, & Moreno, 2013). Sun et al. (2013) reported that perceived value for the past two decades had received great attention from the marketing researchers due its significance as a factor that enables better understanding of consumer behavior and loyalty behavior. The recent study by CHO (2019) on "the effect of mobile tourism app characteristics on perceived value, satisfaction and behavioral intention," confirmed the significant effect of perceived value on satisfaction. CHO further found that perceived value and satisfaction having significant effect on behavioral intention. Perceived value had also been found as antecedent of satisfaction and continuance intention in marketing activities (Chen and Lin, 2019). In the like manner, Kim and Park (2017) reported overall value (perceived value) and tourist satisfaction as a significant antecedent of destination loyalty.

In a study that examined the tourists' perceived value and satisfaction in a community-based homestay in the Lenggong Valley World Heritage Site in Malaysia, Rasoolimanesh, Dahalan, and Jaafar (2016) reported that "if the tourist perceived the benefits to outweigh the costs of having used the KampungBeng homestay, they were inclined toward satisfaction; and if they perceived that the costs outweighed the benefits, they were dissatisfied, not inclined to recommend the homestay to their friends, and were unlikely to reuse the homestay service."

Similar study to this effect has not carried out in Bhutan and, therefore, based on the preceding empirical and theoretical discussions gave birth to the following two hypotheses:

**H<sub>6</sub>:** There is a significant and direct relationship between perceived value and tourist satisfaction.

**H<sub>7</sub>:** There is a significant and direct relationship between perceived value and destination loyalty.

## 2.6 Tourist satisfaction

Oliver (2006) defined consumer satisfaction/dissatisfaction as a comparison of what one expected with what one actually received and satisfaction is one of the most frequently examined concepts of modern marketing arena for consumer satisfaction heralds the sustainability of business (Spreng & Chiou, 2002; Dubrovski, 2001; Caruana, 2002; Lie, Sudirman, & Efendi, 2019). Tourist satisfaction is of paramount importance for it is a necessary prerequisite for successful tourist destination and as well is the most important determinant of destination loyalty (Ozdemir et al. 2012; Della Corte, Sciarelli, Cascella, & Del Gaudio, 2015; Sheng & Ji, 2019). Satisfaction in this study is conceptualized as combination of overall satisfaction (Fornell, 1992; Posselt, & Gerstner, 2005; Hojat, Louis, Maxwell, Markham, Wender, & Gonnella, 2011)—a post-purchase evaluation—and the attribute satisfaction derived from seven attributes (services and facilities, accommodation, transport system, accessibility to service, safety, attractions, and guide services). A study by Jeong and Kim (2019) revealed that tourist satisfaction fully mediated relationships between destination image and destination loyalty, and between perceived value and destination loyalty.

### 2.6.1 Attribute satisfaction

Seaton and Benett (1996) reported the importance of distinguishing overall satisfaction from satisfaction with individual attributes for the particular characteristics of tourism had been found to have notable effect on tourist satisfaction. According to Chi and Qu (2008), the term 'attribute satisfaction' in tourism studies refer to satisfaction with particular feature that make up the destination: lodgings, attractions, shopping, dining, and so forth. Bolton and Drew (1991) found that tourists' satisfaction with individual attribute of the destination led to their overall satisfaction and more accurate the selection of attributes, the more accurate the measure of the overall satisfaction (Eboli & Mazzulla, 2009). Many previous studies (Spreng & Mackoy, 1996; Bigne et al., 2001; Fornell, 1992) have used a single item, 'overall satisfaction' to measure the customer satisfaction until such time as Mai and Ness (2006) suggested evaluation of satisfaction level through specific service attributes. In tourism, this idea is reinforced for the current scenario of high-quality service and standardized product demands placed by tourists (Thapa & Lee, 2017; Moreira and Burns, 2017). Alegre and Garau (2010) also posited that an individual while assessing the destination, different attributes are crucial in determining the overall satisfaction and revisit intention. Many literatures have shown significant, positive, and direct effects of attribute satisfaction on overall satisfaction capturing a significant amount of variation in the same (Bolton & Drew, 1991; Oliver, 1993; Spreng et al., 1996; Hall, O'Mahony, & Gayler, 2017). The prior similar studies have revealed that satisfaction with various components/attributes of the destination led to overall satisfaction (Kozak & Rimmington, 2000; and Kwanisai & Vengesayi, 2016). Therefore, the following hypotheses were drawn:

**H<sub>8</sub>:** Attribute satisfaction positively influences overall satisfaction.

A plethora of prior researches have shown the existence of direct relationship between destination loyalty and attribute satisfaction (Chi & Qu, 2008; Chi, 2012; Sun et al., 2013; Wongsawat & Deebhijarn, 2019). Similarly, Anwar and Sohail (2004), Chi (2011) have reported the influence of attribute satisfaction on destination loyalty. Oppermann (2000), Yoon and Uysal (2005), and Chi and Qu (2008) have also reported that a positive travel experiences concerning services, products and other resources provided by the destination induced positive WOM recommendations and revisit intention. This relationship has been reinforced by Myo, Khalifa, and Aye (2019) in their study on the mediating role of customer satisfaction on customer loyalty. Alauddin, Ahsan, Mowla, and Islam (2019) discovered that service quality (measured through seven attributes in this study) resulted in satisfying customers and customers' satisfaction, which in turn resulted in customer loyalty. Hence, it is postulated that:

**H<sub>9</sub>:** Attribute satisfaction directly and positively influences destination loyalty.

### 2.6.2 Overall satisfaction

Satisfaction in this study is conceptualized as an *overall satisfaction* used as a summative overall measure of satisfaction. This has been used similarly by Bloemer and Ruyter (1998); Fornell et al. (1996) in their customer satisfaction studies.

However, in this study the overall satisfaction is augmented by one more indicator, '*availability of wide range of visitors' products and services*' for enabling empirical support. Customer's overall appraisal of range of products and services or the perceived value (Hellier, Geursen, Carr, & Rickard, 2003) not only affects customers' choice behavior at the pre-purchase stage, but also influences satisfaction (Parasuraman & Grewal, 2000).

Therefore, this study augmented the overall satisfaction measurement with an indicator, '*availability of wide range of visitors' products and services*. Oliver (1997); Zeithami and Bitner (2006) have revealed in their studies that customer satisfaction is influenced by quality of products and services and customer emotion. It is an accumulative perception and customer satisfaction is an overall experience customers undergo when consuming products and services (Anderson and Lehmann, 1994). To this effect, '*wide range of visitors' products and services*' was used in this study as a proxy indicator for the overall satisfaction. The variable, '*Bhutan offers wide range of visitors' products and services*' measured by 5-point Likert scale is used as a proxy of satisfaction besides the single overall satisfaction measure. These two items used as indicators for the overall satisfaction is transformed with square functions to obtain normal distributions in line with the similar previous application of the same by Jang and Feng (2007). Table 1 depicts the inputs for the proposed model viz. latent construct, observed variables with their corresponding questions and scale employed to measure each observed variable.

It is common belief that satisfaction leads to repeat services and positive WOM recommendations. Both of these post-purchase behaviors resulted from satisfaction derived from the destination in the tourism had been backed up by many empirical evidences. To cite a few, Yoon and Uysal (2005) found tourists' overall satisfaction as a strong indicator of their revisit intentions and readiness to recommend the destination to their friends and relatives. Similarly, Chi and Qu (2007) reported that satisfied tourists are more likely to return to the same destination and vis-à-vis more willing to spread positive WOM recommendations. This is further revitalized with a finding that overall satisfaction has a strong and positive relationship with destination loyalty (Alrawadieh, Prayag, Alrawadieh, & Alsalamdeen, 2019). Therefore, the following hypothesis posited:

**H<sub>10</sub>:** Overall satisfaction directly and positively influences destination loyalty.

### 3. Proposed Model

Figure 1 depicts the proposed model with the hypotheses derived from the abovementioned literature. This proposed model is designed to establish a causal chain amongst GNH, familiarity, destination image, attribute satisfaction, perceived value, overall satisfaction, and destination loyalty. The model proposed here is a culmination of various prior models posited by Chi and Qu (2007), Sun et al. (2013), and Eusébio and Vieira (2013) with augmentation of new constructs based on the line of enquiry that best fitted the context of Bhutanese tourism situation. No similar studies have been found conducted before in Bhutan using such holistic model, which led to the exposition of the following hypotheses:

**H<sub>1</sub>:** There is a positive and direct relationship between GNH and tourists' level of familiarity.

**H<sub>2</sub>:** GNH is a direct antecedent of destination image for Bhutan.

**H<sub>3</sub>:** There is a positive and direct relationship between tourists' level of familiarity and their perception of destination image.

**H<sub>4</sub>:** There is a significant and direct relationship between destination image and perceived value.

**H<sub>5</sub>:** Destination image positively influences tourists' attribute satisfaction.

**H<sub>6</sub>:** There is a significant and direct relationship between perceived value and overall satisfaction.

**H<sub>7</sub>:** There is a significant and direct relationship between perceived value and destination loyalty.

**H<sub>8</sub>:** Attribute satisfaction positively influences overall satisfaction.

**H<sub>9</sub>:** Attribute satisfaction directly and positively influences destination loyalty.

**H<sub>10</sub>:** Overall satisfaction directly and positively influences destination loyalty.

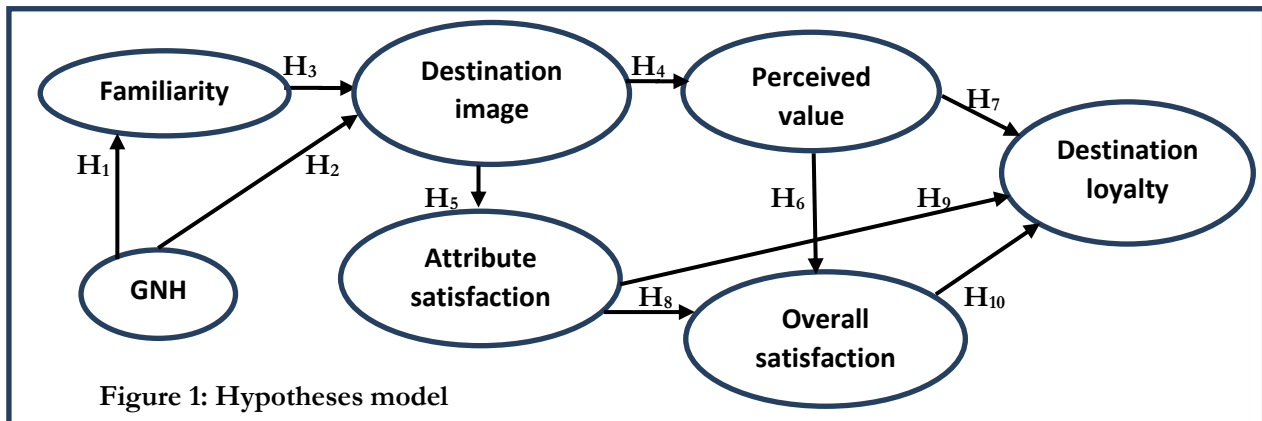


Figure 1: Hypotheses model

## 4. Methodology

### 4.1 Survey instrument

The mode of study was a causal research design by employing a cross-sectional sample survey using structured questions that covered five major sections spanning from basic profile of the respondents to questions that measured latent constructs viz. tourist attribute satisfaction, general images, overall satisfaction, and destination loyalty. The questionnaire was pre-tested with few tourists at the Paro International Airport. The pre-test did not take into account the sizable sample of target population since the same questionnaire had been pre-test many times before by the Tourism Council of Bhutan (TCB) for such survey is their annual event. Along five-point Likert-scales, respondents were asked to evaluate their satisfaction with each destination attribute defined by their corresponding indicators (5=Completely satisfied and 1=Not at all satisfied). The construct, 'destination loyalty' was measured through five-point scale (5=Strongly agree; and 1=Strongly disagree). The loyalty to destination in this study is measured by intention to revisit and the willingness to recommend the destination through positive word-of-mouth. The variable, 'revisit intention' was measured using five-point Likert-scale (5=Yes, definitely; and 1=No, definitely not). Similarly, the variable, 'willingness to recommend' was measured by five-point Likert scale (5=Very likely; and 1=Very unlikely).

### 4.2 Sampling plan and data collection

The target population was all the regional (India, Bangladesh, and Myanmar) tourists who were free to visit any of the 20 districts of Bhutan based on their travel plans. The administrative statistics captured via Bhutan Tourism Monitor report 2016 had been used as a sampling frame for sampling 1,534 regional tourists in accordance with the confidence interval approach sample size determination formula for obtaining 95% precision (Burns and Bush, 1995). A single-stage sampling approach namely proportionate stratified sampling for deciding on the strata (four tourists exit points) sample size was adopted as depicted in table 1. The following formula was used to compute the sample size:

$$n = \frac{\left(Z_{\alpha/2}\right)^2 pq}{\varepsilon^2} = \frac{1.96^2 (0.5 \times 0.5)}{0.05^2} = 384,$$

Where  $Z$  is the standard error associated with chosen level of confidence at 95%;  $p$  is the estimated variability in the population (50% or 0.5);  $q = 1 - p$ ;  $\varepsilon$  is the acceptable error  $\pm 5$  (95% precision). Like in the national opinion polls in the USA, the amount of variability in the population is estimated to be 50%. However, to minimize the width of the confidence interval, *finite population correction (fpc)* is computed as below.

$$n_1 = \frac{n}{1 + \frac{n-1}{N}} = \frac{384}{1 + \frac{384-1}{183,287}} = 383,$$

where  $n_1$  is the new sample size and  $N$  =total population of regional tourists. The domain of the report was aimed across all the four regional tourist exit points. The final sample size tantamount to  $383 \times 4 = 1,532$ .

A self-administered questionnaire survey was conducted to collect quantitative data from the regional tourists. As per the suggestion of Gursoy and Kendal (2006), the survey enumerators were instructed to approach every tenth person at the waiting lounge for boarding in the case of Paro International Airport and to follow the same at the three other immigration check points at the exit points of Gelegphu, Phuntsholing, and Samdrubjongkhar.

**Table 1: Sampling plan for regional tourists**

Exit Sector	Total tourists	Sampled Tourists	Sampling fraction	Base weight
Gelegphu	550	5	0.009091	110
Paro	40,506	339	0.008369	119.5
Phuntsholing	141,864	1,187	0.008367	119.5
S/Jongkhar	367	3	0.008174	122.3
<b>Total</b>	<b>183,287</b>	<b>1,534</b>	<b>0.008364</b>	<b>119.6</b>

*N.B: The final sample size added up to 1,534 due to rounding.*

#### 4.3 Data analysis

In order to delineate the underlying dimensions of those latent constructs viz. GNH, familiarity, destination image, overall satisfaction, attribute satisfaction and destination loyalty the analysis involved in this study comprised Exploratory Factor Analysis (EFA) applying Principal Component Analysis (PCA) with Varimax rotation followed by Confirmatory Factor Analysis (CFA) and Structural Equation Model (SEM) to test the conceptual model besides some descriptive analysis. The Amos 22 version with Maximum Likelihood (ML) estimation method was employed for running SEM. The testing of confirmatory measurement model specifies the posited relations of the observed variables to the underlying constructs, with the construct allowed to intercorrelate freely (Sun et al., 2013) and the SEM allows for testing of multiple equations with multiple dependent variables (Hair, Anderson, Tatham, & Black, 1998). Table 2 illustrates the inputs for the proposed model viz. latent construct, measurement items with their corresponding questions and scale employed to measure each observed variable. The attributes of the destination were mostly identified through in-depth discussions with the research officers and relevant officials of the TCB.

**Table 2: Latent constructs, measurement items/questions, scales and sources**

Latent Constructs	Measurement items	Questions	Scale/Code
<i>Gross National Happiness (GNH)</i>	GNH philosophy, and self-rated statement (Bhutan is known for its GNH philosophy)	2 items: 1. GNH philosophy: community based activities, village tours, and homestay visit; and 2. Bhutan is known for its GNH philosophy.	5-Strongly agree 4-Agree 3-Don't know 2-Disagree 1-Strongly disagree
<i>Familiarity with Bhutan</i>	Informational, experiential, & self-described familiarity.	3 items: 1. How did you learn about Bhutan?; 2. How many times in the past did you visit Bhutan?; and 3. What attracted or inspired you to visit Bhutan?	Coded items
<i>Destination image</i>	General image of Bhutan	6 items: 1. Bhutan is a safe tourist destination. 2. Bhutan has a unique destination image in the region. 3. Bhutan's pristine environment is an attraction. 4. Bhutan's people and culture is a tourist attraction. 5. Bhutan offers affordable travel destination. 6. The tourist hotspots had disable-friendly services	5-Strongly agree 4-Agree 3-Don't know 2-Disagree 1-Strongly disagree



<i>Tourist Satisfaction</i>	Overall Satisfaction	What is your <i>overall satisfaction</i> in this visit?	5-Completely satisfied 4-Satisfied 3-Don't know 2-Not satisfied 1-Not at all satisfied
		Bhutan offers wide range of visitors' products/services.	5-Strongly agree 4-Agree 3-Don't know 2-Disagree 1-Strongly disagree
	Attribute Satisfaction (*)	Please rate your <i>satisfaction</i> with your visit to Bhutan with the following attributes: <i>Services &amp; facilities, Accommodation, Transport system, Accessibility to services, Safety, attractions, and Guide services</i>	5-Completely satisfied 4-Satisfied 3-Don't know 2-Not satisfied 1-Not at all satisfied
<i>Destination loyalty</i>	Revisit Intention	Would you visit Bhutan again?	5-Very likely 4-Likely 3-Undecided 2-Unlikely 1-Very unlikely
	Willingness to recommend	Would you recommend Bhutan to your friends/relatives?	5-Yes, definitely 4-Yes, probably 3-Possibly 2-No, probably not 1-No, definitely not

(\*) Mean of satisfaction level of each attribute

## 5. Results

The response rate achieved was 100% in a total of 6 months interview spread over 10 months (March to December 2017) covering both peak and lean tourist seasons. A sum of 1,533 regional tourists samples were obtained from all the four exit points. Majority (77.4%) of them were covered in the Phuntsholing exit point.

### 5.1 The profile of respondents

Table 3 shows the basic demographic profile of the respondents. Going by the gender, about 64.1 percent of the visitors comprised males and the vast majority (95.4%) was from India. The analysis revealed that a little more than two-thirds (68.5%) of the visitors fell in the age bracket of 26-51 and a little more than half (55.7%) of them were employed. Most of the visitors possessed Bachelor's degree (47.1%) and Master's degree and above (16.1%).

**Table 3: Demographic characteristics of respondents**

Characteristics	Frequency	Percent (N=1,533)
Gender	Male	983
	Female	551
Age	<= 25	110
	26 - 38	586
	39 - 51	465
	52 - 63	294
	64 - 76	72
	77+	7
Education	High School	78
	Bachelors degree	723
	Masters and above	707
	Others	26
Employment status	Employed	855
	Self-employed	469
	Unemployed	37
	Retired	113
	Students	45
	Others	15
Visitors by region	Bangladesh	45
	India	1,462
	Myanmar	26

### 5.2 Travel composition and primary source of information about Bhutan

Close to nine out of every ten (88.8%) regional visitors was first-time visitors to Bhutan and holidays/leisure (66.4%) were quoted as the major purpose of their visit. The majority (89.2%) of the respondents were travelling with partners (family, friends, business associates, & group tour). Close to three-quarters (72.6%) of the respondents arranged their trip to Bhutan through travel agents and culture and tradition (41.2%) followed by nature and ecology (33.8%), and adventure (10.1%) were top three pull motivations for majority of them. Media (64.2%), WOM (20.5%), and travel agents (14.7%) emerged as the top three key information sources for the regional visitors to learn about Bhutan.

### 5.3 Descriptive Analysis

The basic descriptive statistics such as mean values ( $\bar{X}$ ) and standard deviation ( $\sigma$ ) for all the items corresponding to each latent construct was computed. The latent constructs under investigation were GNH, familiarity, destination image, perceived value, attribute satisfaction, overall satisfaction, and destination loyalty. The descriptive analysis has revealed that mean values for all items were above the mid-scale point of 3. The highest mean scores were received by items belonging to the construct, 'destination image.' The items, "Bhutan is a safe tourist destination" ( $\bar{X} = 4.58$  on a 5-point scale;  $\sigma = 0.77$ ), "Bhutan has a unique destination image in the region" ( $\bar{X} = 4.44$ ;  $\sigma = 0.80$ ), "Bhutan's pristine environment is an attraction" ( $\bar{X} = 4.40$ ;  $\sigma = 0.81$ ), and "Bhutan's people and culture is a tourist attraction" ( $\bar{X} = 4.37$ ;  $\sigma = 0.83$ ) received the highest mean scores. In terms of satisfaction and loyalty, the composite mean scores of items defining satisfaction and loyalty indicated that the regional tourists were somewhat highly satisfied ( $\bar{X} = 4.24$ ;  $\sigma = 0.86$ ) and somewhat loyal ( $\bar{X} = 4.15$ ;  $\sigma = 1.00$ ) to Bhutan. The construct that received lowest composite mean scores was 'familiarity' indicating that the regional tourists did not consider themselves familiar with Bhutan.

### 5.4 Reliability analysis and underlying dimensions of attribute satisfaction, perceived value, and destination image

The reliability analysis for the measurement items belonging to respective construct was carried out prior to carrying out EFA by analyzing patterns of correlations among 49 attributes and were testified for internal consistency using the Cronbach's  $\alpha$ . A multi-attribute approach was employed to measure 'attribute satisfaction,'

perceived value, and destination image. Using the Principal Component Analysis (PCA) with varimax rotation, altogether about seven underlying dimensions of aforementioned constructs was identified as illustrated in table 4a and table 4b. Those items whose absolute value fell below 0.5 were all suppressed. When there are variables that do not load on any factor or whose commonalities are deemed too low, each can be evaluated for possible deletion (Hair, Black, Babin, and Anderson, 2010). As a result a seven-factor solution with 37 items or indicators was retained that tantamount to approximately 46.8 percent ( $KMO = 0.98$ ;  $\chi^2 = 57287.134$ ,  $p = 0.00$ ) of the total variance as depicted in table 4a. Both KMO value and Bartlett's Test of Sphericity indicated the sampling adequacy and existence of nonzero correlation respectively (Hair et al., 2010).

**Table 4a: EFA Results/Underlying Dimensions of 'Perceived Value' and 'Destination Image'**

<i>Factors and items</i>	<i>Eigenvalue</i>	<i>Variance explained (%)</i>	<i>Cronbach's a</i>	<i>Factor loading</i>	<i>Communalities</i>
<i>Perceived Value</i>	17.00	44.77	0.87		
The minimum daily tariff rate is worth the whole visit experience				.664	.721
The local transport is worth the payments you made				.598	.764
The accommodation provided is worth the payments you made				.663	.756
The food & beverages served is worth the payments you made				.712	.880
Avoided out of pocket expenses has to be made during the visit				.673	.779
<i>Destination image</i>	0.81	2.14	0.89		
Bhutan is a safe tourist destination				.751	.585
Bhutan has a unique destination image in the region				.747	.641
Bhutan's pristine environment is an attraction				.767	.657
Bhutan's people and culture is a tourist attraction				.758	.685
Bhutan offers affordable travel destination				.664	.791
The tourist hotspots had disable-friendly services				.567	.938

The result of the EFA revealed that the communalities of the 37 items/variables ranged from 0.69 to 0.88, indicating variances of each original variable (from 69% to 88%) were reasonably explained by the seven factor solution. Similarly, factor loadings of those variables ranged from 0.55 to 0.78, which is above the suggested threshold value of 0.30 (Hair, Black, Babin, and Anderson, 1998). The Cronbach's  $\alpha$  for the seven factors varied from 0.84 to 0.95 indicating high internal consistency within each factor and well above the lower limit of 0.70 for research at exploratory stage (Nunnally & Bernstein, 1994).

**Table 4b: EFA Results of Attribute Satisfaction**

<i>Factors and items</i>	<i>Eigenvalue</i>	<i>Variance explained (%)</i>	<i>Cronbach's a</i>	<i>Factor loading</i>	<i>Communalities</i>
<i>Transport system</i>	2.53	6.65	0.89		
Organization of local transport service				.575	.757
Safety & comfort of the local transport services				.660	.751
Road trail safety				.631	.809
Driver's professionalism				.665	.762
Road worthiness of the vehicle				.655	.817
<i>Accessibility to service</i>	1.51	3.98	0.84		
Banking system (Exchange, point of sale & ATM services)				.597	.819
Communication (internet & telephone)				.634	.779
Shopping				.583	.823
Taxi services				.607	.763
Toilet facilities				.554	.882
<i>Safety</i>	1.35	3.54	0.90		
Emergency service response				.764	.779
Medical safety & preventions				.739	.706
Security procedures (Hotels, sights & destinations)				.686	.687
Availability of safety information (hotels, sights & destination)				.654	.755
<i>Attractions</i>	1.04	2.73	0.91		
Culture & traditions: Festival, sightseeing, visiting monuments, textiles				.612	.765
Adventure: Trekking, Kayaking, rafting, motorcycling, biking, fishing				.698	.730
Nature & ecology: Botanical tours, zoological tours, bird watching				.734	.773
Spiritual: meditation, religion, retreat, pilgrimage				.703	.724
Hobbies: Photography, filming, travel writing				.619	.787
<i>Guide services</i>	0.95	2.50	0.95		.730
Guide services quality (Professionalism)				.744	.757
Knowledge content of the guide of Bhutan				.763	.764
Trust worthiness of the guide				.768	.748
Guides' behavior and presentation				.766	.764
Guides' communication skills				.777	.810
Guides' client care knowledge & skills				.763	.781

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization.

Rotation converged in 9 iterations.

### 5.5 Measurement model

According to Anderson and Gerbing (1982), proper evaluation of the measurement model is mandatory for evaluating structural equation model. The convergent validity of the measurement scale was established in line with the following test values. Foremost, for each item, the t-values for all the standardized factor loadings was significant ( $p = 0.01$ ) confirming the posited relationships between items and the latent constructs. According to Nunnally and Bernstein (1994), factor loadings exceeding cut-off point of 0.50 depicts convergent validity. Table 5 revealed that squared multiple correlation (SMC) coefficients lied between 0.45 and 0.99 indicating fairly high convergent validity. The closer the value of SMC to 1, the better the item acts as an indicator of the latent construct (Chi & Qu, 2007). As conjectured, all the composite reliabilities (CR) lied within the range of 0.70 to 0.90 surpassing the minimum hurdle of 0.7 (Hair et al., 2010) indicating the internal of the seven constructs employed in this study. In the like manner, all the average variance extracted (AVE) surpassed the threshold value of 0.50, suggesting that the items were representative of the latent constructs. Based on Fornell and Larcker (1981)'s criterion, the discriminant validity of the measurement model was examined by comparing the AVE values to the SMC and none of the squared correlations surpassed the AVE.

As presented in table 6, all the indices met the cutoff values recommended by Sivo, Fan, Witt, & Willse (2006), and Hu and Bentler (1998) indicating that the overall fit of this measurement model is acceptable: (Model  $\chi^2 = 554.666$  ( $p = 0.00$ ); Normed  $\chi^2 = 4.74$ ; goodness-of-fit index (GFI)=0.96; adjusted goodness-of-fit index (AGFI)=0.94; parsimony goodness-of-fit index (PGFI)=0.59; normed fit index (NFI)=0.97; Tucker-Lewis Index (TLI)=0.97; comparative fit index (CFI)=0.98; root mean square error of approximation (RMSEA)=0.05; and root mean square residual (RMR)=0.08).

**Table 5: Results of CFA for measurement model**

<i>Constructs</i>	<i>Standardized estimate</i>	<i>Standard errors</i>	<i>t-value</i>	<i>SMC</i>	<i>AVE</i>	<i>CR</i>	<i>Label</i>
<i>GNH (Gross National Happiness)</i>					0.61	0.76	GNH
Bhutan is known for its Gross National Happiness philosophy	0.823	0.01	74.82	0.68			Q21C
GNH philosophy: community-based activities, village tours, homestay visit	0.735	0.02	45.94	0.54			Q197E
<i>Familiarity</i>					0.53	0.70	
Informational familiarity	0.734	0.02	40.78	0.54			IF1
Self-described familiarity	0.729	0.02	40.50	0.53			SDF1
<i>Destination image</i>					0.67	0.81	
Bhutan is a safe tourist destination	0.812	0.01	73.82	0.66			Q21A
Bhutan has a unique destination image in the region	0.841	0.01	84.10	0.71			Q21B
Bhutan's pristine environment is an attraction	0.817	0.01	90.78	0.67			Q21D
Bhutan's people and culture is a tourist attraction	0.807	0.01	89.67	0.65			Q21E
<i>Perceived value</i>					0.77	0.90	
The minimum daily tariff rate is worth the whole visit experience	0.996	0.01	199.20	0.99			Q191A
The local transport is worth the payments you made	0.968	0.01	74.46	0.56			Q191B
The accommodation provided is worth the payments you made	0.974	0.02	64.93	0.56			Q191C
<i>Attribute satisfaction</i>					0.52	0.78	
Transport system	0.767	0.01	59.00	0.59			AS4
Safety	0.673	0.02	42.06	0.45			AS6
Attractions	0.505	0.02	31.56	0.47			AS7
Guide services	0.702	0.02	46.80	0.49			AS8
<i>Overall satisfaction</i>					0.75	0.89	
Overall satisfaction (squared)	0.995	0.40	2.48	0.99			OS1

Bhutan offers wide range of visitors' products/services (squared)	0.963	0.84	1.15	0.52		OS2
Destination loyalty					0.60	0.75
Word of Mouth recommendation to friends and relatives	0.765	0.03	29.42	0.59		WOM
Revisit intention	0.778	0.03	31.12	0.61		RI

### 5.6 Structural Equation Model

About ten hypotheses were tested utilizing a structural equation model approach with one exogenous construct (GNH) and six endogenous constructs (familiarity, destination image, perceived value, attribute satisfaction, overall satisfaction, and destination loyalty). As presented in table 6, the proposed theoretical model mostly fulfilled the cutoff criteria for goodness-of-fit indexes thereby indicating the proposed structural model best-fit the data (Model  $\chi^2 = 508.669$  ( $p = 0.00$ ); normed  $\chi^2 = 4.31$  GFI=0.97; AGFI=0.95; PGFI=0.60; NFI=0.98; TLI=0.97; CFI=0.98; RMSEA =0.05; and RMR=0.05).

**Table 6: Goodness-of-fit Indexes for Measurement and Structural Models (N=1,533)**

	Cutoff value	Indicators	
		Measurement model	Structural model
Model $\chi^2$	$p > 0.05$	554.666	508.669
$p$ -value	$> 0.05$	0.00	0.00
Normed $\chi^2$	1.0-5.0	4.74	4.31
<i>Fit indices</i>			
GFI	$> 0.90$	0.96	0.97
AGFI	$> 0.8$	0.94	0.95
PGFI	$> 0.5$	0.59	0.60
NFI	$> 0.91$	0.97	
TLI	$> 0.92$	0.97	0.97
<i>Alternative indices</i>			
CFI	$> 0.95$	0.98	0.98
RMSEA	$< 0.05$ : good fit $0.05-0.08$ : mediocre fit	0.05	0.05
RMR	$< 0.08$	0.08	0.05

### 5.7 Findings of the Structural Relationships

Table 7 presents the results of the structural equation model estimated with maximum likelihood estimation (ML) method and correlation matrix as input data. As revealed in table 6 above, the model well fitted the empirical data. Of all the estimated standardized path coefficients for the hypothesized model, five out of ten hypotheses (paths) were supported of which five paths were significant at 0.01 probability level and one path at 0.05. As shown by table 7, the construct GNH was found to have a significant positive and direct relationship with familiarity ( $H_1$ ) ( $\beta_1 = 0.67$ ,  $t$ -value=22.15,  $p = 0.01$ ) and proved to be a direct antecedent of destination image ( $H_2$ ) ( $\beta_2 = 1.08$ ,  $t$ -value=27.71,  $p = 0.01$ ). As proposed in hypotheses  $H_4$  and  $H_5$ , destination image is found to have significant and direct positive relationship with perceived value ( $\beta_4 = 0.52$ ,  $t$ -value=28.04,  $p = 0.01$ ) and attribute satisfaction ( $\beta_5 = 0.52$ ,  $t$ -value=28.04,  $p = 0.01$ ). Perceived value in turn is also found to have direct and positive relationship with perceived value ( $H_6$ ) ( $\beta_6 = 1.04$ ,  $t$ -value=27.24,  $p = 0.01$ ) and attribute satisfaction. The remaining hypotheses ( $H_3$ ,  $H_7$ ,  $H_8$ ,  $H_9$ , and  $H_{10}$ ) were not supported.

**Results of the Structural Equation Modeling for Structural Model**

<i>Variables</i>	<i>Path</i>	<i>Standardized Estimate (<math>\beta</math>)</i>	<i>t-value</i>	<i>Hypothesis</i>
Familiarity	<--- GNH	0.67	22.15***	Supported
Destination image	<--- Familiarity	-0.08	-2.35	Not supported
Destination image	<--- GNH	1.08	27.71***	Supported
Perceived value	<--- Destination image	0.52	28.04***	Supported
Attribute satisfaction	<--- Destination image	0.80	24.03***	Supported
Overall satisfaction	<--- Attribute satisfaction	-0.05	-0.16	Not supported
Overall satisfaction	<--- Perceived value	1.04	27.24***	Supported
Destination loyalty	<--- Attribute satisfaction	0.16	1.14	Not supported
Destination loyalty	<--- Overall satisfaction	2.55	1.00	Not supported
Destination loyalty	<--- Perceived value	-2.63	-1.00	Not supported

**Figure 2: Results of Structure Equation Model (SEM)**

## 6. Discussions and implications

The tourism sector in Bhutan till date has been the lucrative sector next to hydropower in terms of earning revenue ever since its inception in 1974 with just 37 tourists in that year invited as special guests for the coronation of the fourth King of Bhutan (Smith, 1981). The arrival of regional tourists (Indians, Bangladeshis, and Myanmar) had always outnumbered international tourists by manifolds. This trend had remained steady trend for the past nine straight years from 2011 to 2019 with an annual mean growth of 22.3 percent (BTM, 2019). To withstand this trend, Bhutan needs to gain new insights regarding the dynamics of tourism through proper facts and figures especially the status of tourists' satisfaction and loyalty to destination. Therefore, this study enriches the literature by examining the antecedents of a Bhutanese destination loyalty taking into account a holistic model built with the help of seven constructs (*GNH, familiarity, destination image, perceived value, attribute satisfaction, overall satisfaction and destination loyalty*). The past couple of studies pertaining to Bhutanese tourism industry that has been carried out are mostly descriptive and qualitative in nature (Dorji, 2001; Teoh, 2015; Teoh, 2016; Khamrang, 2013; Schroeder, 2015; Brunet, Bauer, De Lacy, & Tshering, 2001). Therefore, there is dearth of empirical studies conducted at a national level using quantitative data covering quite a sizable sample size notwithstanding the fact that tourism being the second placeholder besides hydropower sector that steers Bhutanese economy. This study developed and tested a holistic destination loyalty formation model in light of the previous models developed by various authors (Sun et al., 2013; Chi & Qu, 2007; Do Valle, Silva, Mendes, & Guerreiro, 2006).

The data used in this study pertains to regional tourists who visited Bhutan in 2017 from March to December that covered a representative sample size of 1,534.

Foremost, the exploratory and confirmatory factor analyses revealed that attribute satisfaction consisted of four latent dimensions, destination image with four underlying factors, and perceived value with three underlying latent dimensions. These findings could enable the destination marketers of Bhutan to better understand the antecedents of tourist satisfaction and loyalty formation, which in turn will enable them to diversify and differentiate appropriate tourism products and services. Therefore, these findings suggests that all the relevant tourism sector stakeholders of Bhutan especially Tourism Council of Bhutan and travel agents to judiciously consider the practical implications of the aforementioned latent variables that may be the precise antecedents in enhancing the regional tourists' overall satisfaction and loyalty.

The Structural Equation Model findings revealed that about 50 percent of the hypotheses posited were supported. GNH is the blatant construct that has been revealed in this study as the key factor responsible for familiarizing the regional tourists to Bhutan as their destination of choice and image formation. This indicates that GNH has played as a unique role in familiarizing the destination and image formation, which is in line with the previous studies (Teoh 2015; Teoh 2016; Khamrang, 2013). This is also authenticated by the findings by Chan, Peters, and Marafa (2016) that familiarity, favorability and uniqueness give a quick indication of the level of place brand equity, which in turn represents the level of place brand potential. Curiously, the empirical result has revealed that a  $1\sigma$  increase in the promotion of GNH to the outside world is associated by a  $0.67\sigma$  and  $1.08\sigma$  increase in regional tourists' familiarity to Bhutan and destination image formation respectively holding other factors constant. This finding also reinforces the fulfillment of the Royal Government of Bhutan's decades of promotion of GNH to the outside world.

Although GNH is revealed as a strong antecedent of familiarity, surprisingly vis-à-vis disappointingly familiarity in turn does not show any significant and positive relationship with destination image as posited in hypothesis (H<sub>3</sub>). This contradicts with many findings of previous studies (Sun et al., 2013; Chen & Lin, 2012; Kim et al., 2019).

This contradictory finding could be due to the fact revealed by descriptive analysis in this study that close to nine out of every ten (88.8%) regional tourists were first-time visitors to Bhutan. Also we used only two attributes in this study to define familiarity namely 'informational familiarity' and 'self-described familiarity.' The 'experiential familiarity' could not be used due to data discrepancy whereby only 13.2 percent of the regional visitors were return visitors. For example, the study by Hahm and Severt (2018) revealed that visitors who previously haven't visited Alabama had no image or characteristic that came to mind when asked about their image of Alabama, while on the contrary, people who had visited before noted beaches the most positive image. This has a tremendous implication that destination marketers need to induce the tourists a sense of revisit intention for return visitation aids to familiarity of destination (Tasci, 2006).

Furthermore, the study has found destination image directly and positively affecting perceived value and attribute satisfaction. This conforms to the previous researches (Sanchez, 2001; Chen & Tsai, 2007; Loureiro & González, 2010). A  $1\sigma$  increase in destination image formation is associated by  $0.52\sigma$  and  $0.80\sigma$  increase in perceived value and attribute satisfaction of the regional tourists respectively, holding other factors constant. It is further revealed that perceived value positively and significantly affected overall satisfaction validating the hypothesis, H<sub>6</sub>. The EFA pigeonholed the factor, 'perceived value' that accounted for a little close to half (44.8%) of the variances explained. This indicates that destination managers and marketers need to take the four underlying dimension of perceived value as policy variables for they might be fundamental elements that could contribute to tourists' overall satisfaction. A  $1\sigma$  increase in perceive value is associated by  $1.04\sigma$  increase in overall satisfaction, holding other factors constant. This further indicates that Bhutan offered regional tourists' trip a good value. This reinforces Bhutan's exemption of daily minimum package rate (DMPR) of \$250 per day per person during peak seasons (March, April, May, September, October & November) and \$200 during other months to the regional tourists and as well visa on arrival facility at their disposal. On the contrary, findings further revealed that perceived value did not directly affect destination loyalty, which is in line with the previous findings (Chen & Tsai, 2007; Sun et al., 2013; Ramseook-Munhurrun, Seebaluck, & Naidoo, 2015; Wang, Yang, Han, & Shi, 2017).

Meade (1952) exemplified the case of the apple farmer and the beekeeper that "contrary to what most of us have thought, apple blossoms yield little or no honey. But it is true that bees provide valuable pollination services for apples and other plants, and that many other plants do yield lucrative honey crops." In the like manner, quite contradictory to previous studies (Sun et al., 2013; Chi & Qu, 2007; Chi & Qu, 2008; Chen & Chen, 2010; Prayag & Ryan, 2012; Ramseook-Munhurrun et al., 2015; Guzman-Parra et al., 2016) that constantly proved overall satisfaction as an antecedent of destination loyalty; this study established the insignificant relationships between overall satisfaction and loyalty.

Furthermore, attribute satisfaction did not significantly affect destination loyalty contradicting plethora of previous studies (Chi & Qu, 2008; Chi, 2012; Sun et al., 2013; Wongsawat & Deebhijarn, 2019). Nonetheless, many literatures have suggested that the number and nature of destinations' attributes that were considered relevant to tourist satisfaction with a destination can vary (Kozak, 2001; Matzler & Renzl, 2007; Crouch, 2011). Eusébio and Vieira (2013) have reported that the relationship between satisfaction and loyalty in tourism had remained an ambiguous concept despite growing body of work published in the last decades. This is reinforced by several studies (Bigne et al., 2001; Hernández-Lobato et al., 2006; Williams & Scoutar, 2009), which reported that the relationships between satisfaction and loyalty as complex, diverse and dynamic constructs and many authors have highlighted the need for further research (Oppermann, 2000; Bigne et al., 2001). From all the aforementioned discussions, the destination managers and marketers in Bhutan must strive towards tourism product development and carry out further research on this front. This has been suggested by Dorji (2001) in his study, 'Sustainability of tourism in Bhutan' that Bhutan's tourism sector lacks sufficient product diversification, and substantive tourism research base. This has been augmented another study, which reported that tourism since its inception in Bhutan had been completely supply-side driven whereby destination marketers paid very little attention to market demand (Ritchie, 2008).

## 7. Limitations and future research recommendations

As common instance, this study as well is not free of limitations. This study used cross-sectional survey and there is an issue with the direction of causality. Therefore, an extra care needs to be taken while interpreting the direction of the causality as suggested by Sun et al. (2013). Further, this study included seven constructs viz.



GNH, familiarity, destination image, attribute satisfaction, perceived value, overall satisfaction, and destination loyalty. There could be other suitable constructs that may either have direct or mediating effect on loyalty that could be positive or significant. Future research is encouraged to explore additional construct and improve the model further.

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