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Bachelor Thesis

on

**Introducing the Walking Tour Concept
to the Nepali Tourism Market**

**Developing a Marketing Strategy for
the Start-Up LOVE KATHMANDU**

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Abstract

The Himalaya, Buddha and certainly other cultural and landscaped features of Nepal frequently welcome international tourists. Hence, tourism can be considered as one of the mostly benefiting markets in the overall Nepali economy. Social, political and other country- and worldwide-based factors influence international arrivals, travel behaviors, and thus, local touristic services. Implementing a marketing strategy in emerging countries that results in effectively standardized outcomes is therefore not only a challenging marketing management task, but it also requires elaborate analyses and a general understanding of international trends in the tourism industry. As a sub branch of *Mountain Delights Expeditions & Treks Pvt. Ltd.*, *Love Kathmandu* recently entered the Nepali tourism market as a pioneering niche player with highly differentiated services: It offers adventurous and non-mainstream-oriented tourists inexpensive theme-based walking tours through less known corners and hidden backstreets of Kathmandu. This thesis analyzes the readiness of the Nepali tourism market regarding a western tourism concept, and identifies demand and supply influencing determinants. By compiling a marketing mix for *Love Kathmandu*, the author conducted a standardized marketing strategy for other tourism service providers in Nepal that can be used with the appropriate assessment of one's own capabilities.

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List of Abbreviations

| | |
|--------|--|
| LK | Love Kathmandu |
| MD | Mountain Delights (Expeditions & Treks Pvt. Ltd.) |
| USP | Unique Selling Position |
| KP | Key Partners |
| KA | Key Activities |
| KR | Key Resources |
| VP | Value Proposition |
| CR | Customer Relationships |
| CH | Channels |
| CS | Customer Segmentation |
| C\$ | Cost Structure |
| R\$ | Revenue Stream |
| SWOT | Strengths, Weaknesses, Opportunities and Threats |
| GDP | Gross Domestic Product |
| PESTEL | Political, Economic, Social, Technological, Environmental, Legal (factors) |
| WGP | World Gross Product |
| EPI | Environmental Performance Index |
| WTTC | World Tourism & Travel Council |
| UNWTO | United Nations World Tourism Organization |
| UN | United Nations |
| UNESCO | United Nations Educational, Scientific and Cultural Organization |
| BCG | Boston Consulting Group (matrix) |
| EBIT | Earnings Before Income and Taxes |
| ROS | Return On Sales |
| TE | Trading Economics (credibility system) |
| BEP | Break-Even Point |
| NATTA | Nepal Association of Tour and Travel Agents |
| APC | Association for the Protection of Children Nepal |
| ST | Short-Term |
| MT | Medium-Term |
| NATHM | Nepal Academy for Tourism and Hotel Management |
| PR | Public Relations |

1 Introduction

1.1 Introduction

“In great cities, spaces as well as places are designed and built: walking, witnessing, being in public, are as much part of the design and purpose as is being inside to eat, sleep, make shoes or love or music. The word citizen has to do with cities, and the ideal city is organized around citizenship – around participation in public life” (Solnit, 2000: p.104).

Being supported and encouraged by citizens of Nepal and foreign business persons, the sub-branch *Love Kathmandu (LK)* was established in December 2012 in Kathmandu, Nepal. Based on the Nepal’s laws and complicated, partly-corrupted accounting procedures, the three founders of *LK* – Andrew Dodson, Sudeep Tamrakar and Lisa Neubert – decided to create and operate the tours within the local travel agency *Mountain Delights (MD)*. It is *LK*’s mission to offer theme-based walking tours throughout the heart of Kathmandu city to budget-conscious travelers by showing the most hidden places and providing an insider’s view of the city.

Although Nepal is considered as East Asia’s third poorest country with 25% of the population earning less than \$1.25 a day in 2010, it is rich in biodiversity and cultural heritage sights (The World Bank, 2014). This attracts thousands of visitors yearly. In 2012, 803,092 visitors were registered (Ministry of Culture, Tourism and Civil Aviation, 2013: pp.5-6). Hence, tourism embodies an emerging market for Nepal’s economic rise. There are several city tours in Kathmandu, but none of them operates closely with locals and culturally hidden information. This enables *LK* to fully use its first-mover advantage and unique selling position on the market. For these reasons, it is even more essential to establish a progressive marketing strategy that enables the company to maintain its current niche position in the Nepali tourism market. This thesis researches, analyzes and evaluates the Nepali tourism market readiness concerning a groundbreaking concept like the one of *LK*, and continues with developing a suitable marketing mix strategy to ensure its position and awareness in the future.

1.2 Problem Statement and Significance

Apart from *LK*, there are no similar existing theme based walking tour concepts in Nepal, specifically in Kathmandu. It is for this reason the author considers it as essential to develop an innovative and promising marketing mix strategy for the sub-branch mentioned above, to use the pioneer advantage at its best and, thus, to build up brand awareness and create a steady position in the tourism market. Furthermore, debates about whether marketing should be standardized – meaning applicable worldwide – or adapted – meaning that each country must be considered separately in terms of marketing – have been ongoing for decades (Jain, 1989: pp.709-79; Levitt, 1983: pp.92-102). This thesis can contribute to a more standardized marketing mix strategy in emerging countries.

The purpose of this thesis is to understand the Nepali tourism market and its culturally different pattern. Furthermore, the author wants to analyze and evaluate the market readiness for a western concept in this area. In terms of *LK*, the thesis can be perceived as its own marketing strategy. It will also enable a distinctive research on the company itself, its current economic situation as well as its objectives and risks. The thesis should not only induce general knowledge, but it should also develop a deeper understanding of where *LK* could be positioned in the future and what it can contribute in terms of career experiences for the author herself.

Research Questions

Who can turn into possible competitors once the business' brand awareness is established? How strongly can they affect *LK*'s position?

Is the market ready for a western walking tour concept? Keeping western standards in mind, how closely should the concept adapt to the Nepali culture?

How should the price be set if the target group is international visitors with western habits? Which avenues should be considered for promoting the business in the most innovative and efficient way?

How sustainable and exemplary can this newly developed marketing strategy be for other companies? Can a western tourism concept be successfully implemented into the tourism industry of a developing country like Nepal?

1.3 Overview of Chapters

In the first part of the thesis the author closely analyzes the companies' background and legal statuses. She then takes two city tours in Vancouver and Perth and Sydney as exemplified cases of the walking tour concept to further describe *LK*'s objectives and procedures. Afterwards, Osterwalder's Business Model Canvas will clarify existing and potential competition. Going on with the business' environment, the Nepali tourism market and the target group are analyzed and evaluated to find out the market readiness for the walking tour concept. Lastly, the focus entirely shifts to developing a suitable marketing mix strategy for *LK*.

1.4 Methodology

The study is conducted by using qualitative as well as quantitative methodology tools. Theories and models of well-known scholars are used to clarify backgrounds and analyses. Osterwalder's Business Model Canvas describes and illustrates *LK*'s internal and external business environment. By focusing on the value propositions and the customer segments and relationships, a progressive marketing strategy can be assured. The last part is mainly supported by Freyer's phase frameworks on tourism marketing. The empirical research includes a survey, specifically a questionnaire, to identify the market readiness of the Nepali tourism market from a customer perspective. A successive independent sample study is conducted and undertaken by 30 random people worldwide. These random samples have the typical profile of a tourist coming to Nepal (see Appendix 3):

- Regional condition: North America (2), South America (1), Europe (7), Asia (18), Pacific (2)
- Gender condition: male (16), female (14)
- Age condition: 0-15 (2), 16-30 (10), 31-45 (8), 46-60 (6), 61+ (4)

- Purpose (of Nepal visit) condition: holiday/trekking (18), business/studies/employment (3), others (religion, family reunion etc.) (9)
- Frequency (of Nepal visit) condition: first visit (24), more than one visit (6)

Based on these conditions a certain matrix has been created that presents the specific correlations to each other and mirrors the demand (see Appendix 11).

2 Company Background

2.1 Implementation of the Western Walking Tour Concept

2.1.1 Exemplified in the Australian *Two Feet* and the Canadian *Forbidden Vancouver Walking Tour Businesses*

There are two types of walking tours. According to the Oxford English Dictionary (2014) a walking tour in urban areas can be defined as “a sightseeing tour made by foot”. Internally-acclaimed writer Rebecca Solnit described another form of walking tours in her book *Wanderlust* (2000). As Solnit stated, such tours can be of commercial interest and last several days in which participants hike in the countryside (Solnit, 2000: p.104). The most common understanding of walking tours is that such tours are made by foot, are professional or self-guided, and lead to well-known or particularly interesting places in a city (see question 10 of Appendix 3). Because the sub-branch walking tour company *LK* has been created based on this background, this thesis focuses on walking tours as sightseeing tours.

Walking tours exist all over the world, with origins being traced back to Berlin, Germany, with *Original Berlin Walks*; Paris, France, with *Paris Walks*; New York, US, with *Big Onion Walking Tours*; to Delhi, India, with *Delhi Heritage Walks* (Big Onion, n.d.; Delhi Heritage Walks, n.d.; Original Berlin Walks, n.d.; Paris Walks, n.d.;). Over time, walking tours became more differentiated to maintain their level of customers and hence, their market position. The two walking tour businesses *Two Feet* in Perth and Sydney, Australia, and *Forbidden Vancouver* in Vancouver, Canada provide an exemplified basis for the start-up *LK*.

Two Feet & A Heartbeat was founded in 2007 in Perth grounded on the idea of supplying well-known cities that “are harder to understand than others” (Two Feet & A Heartbeat, 2014) with authentic and differently-guided walking tours. Up to 12 participants in a group can discover the unique sites of Perth and Sydney in terms of History, Food and Beverages, True Crime and Bars (Two Feet & A Heartbeat, 2014). Currently, the company offers tours in Perth, Sydney and Fremantle and has received multiple awards, including the Australian Tourism

Award (*Two Feet & A Heartbeat*, 2014). In addition to focusing on a range of unique tours, the company also offers to customize its tours according to group size and occasion.

Will Woods established *Forbidden Vancouver* in 2012 (*Forbidden Vancouver*, 2014). Wood's unique tours combine traditional sightseeing tour aspects with elements of improvisational theatre (*Forbidden Vancouver*, 2014). At the moment, *Forbidden Vancouver* offers three permanent tours and several seasonal tours which all include personal background stories and authentic locations (*Forbidden Vancouver*, 2014). Amongst others, the company has been featured on BBC (*Forbidden Vancouver*, 2014). What clearly distinguishes *Forbidden Vancouver* from other walking tours is its theatrical angle and, therefore, strong customer engagement.

These two walking tour businesses facilitated the concept of *LK* in that the founders of *LK* actualized the tour's concept and its unique implications within the Nepali tourism market. The Board of *LK* built upon and extended *Two Feet's* theme-based walking tours, the details of which will be briefly explained in the following subsection "2.1.2 *Love Kathmandu's* Tour Concept". The founders of *LK* were also inspired by the success of *Forbidden Vancouver* and its success in creating strong customer relations and interactivity, and this is where *LK's* future aims and objectives lie (see chapter 6.2.1 Operations).

2.1.2 *Love Kathmandu's* tour concept

LK provides touristic services to low budget tourists in Nepal. Much like the previously-described Western walking tour businesses, *LK* offers theme-based walking tours through the lesser-known back streets and some of the often-overlooked local sights of Kathmandu city. Within 2.5-3 hours, *LK's* licensed and skilled tour guides show customers some of Kathmandu's lesser-known places, including silent backyards, and the city's bustling street life (*Love Kathmandu*, 2014a). At the moment, the first "Experience Kathmandu" tour, which includes a various range of locations and cultural interactivity, has been established and operated several times (see Appendix 1).

Other tours that *LK* offers similarly focus on providing low budget customers the opportunity to choose how they want to experience Kathmandu: “Eat Kathmandu” lets tourist discover the broad Nepali kitchen; “Listen to Kathmandu” presents Kathmandu’s musical side and “Believe in Kathmandu” gives further insights into the Buddhist and Hindi culture. Other theme-based tours are planned, but not yet established.

2.2 The Sub-Branch *Love Kathmandu*

2.2.1 Description of the Company *Mountain Delights* and the Sub-Branch *Love Kathmandu*

In December 2012, a research project that was conducted to help the non-governmental and non-distributing organization *Sattya Media Arts Collective* located in Jawalakhel, Patan, Kathmandu, Nepal, was dropped by the Boards of Directors of Sattya. The project was not closely related with the organization’s objectives and brand associations. The research project was established and led by Andrew Dodson, a business consultant from New Zealand. After the project was stopped and thus, dismissed completely, the author and her partner, Sudeep Tamrakar, decided to take the idea and develop it independently from its previous business environment. Based on Dodson’s current intellectual property right, he became the third member and business partner of *LK*.

Due to challenging and costly market entry barriers¹ for foreign businesses, the founders of *LK* decided to start the idea as a sub branch of an already existing tour company. Through hard work and consistent networking, the founders started a partnership with *Mountain Delights Treks & Expedition Pvt. Ltd. (MD)* located in Thamel, Kathmandu. *LK*’s partner company was founded in 2004 by Ram Prasad Sapkota who was awarded the Surya Nepal Asha Social Entrepreneur Award in

¹ According to the sub-section (4) of section 3 of The Foreign Investment and Technology Transfer Act, 2049 (1992), “no permission shall be granted for making foreign investment in [...] Personal Service Business, [...] Retail Business, [...] Travel Agency, [...] Rural Tourism” (The Foreign Investment and Technology Transfer Act, 2049, 1992: Annex Part (A), Part (B)). This Act was revised in 1996 and extinguished significant market entry barriers for the industries listed above (The Foreign Investment and Technology Transfer Act, 2049, 1992: First Amendment, 1996: c.14). However, the government increased the minimum amount of foreign direct investment to NPR 5 million including a rather elaborated procedure of approval (Invest Nepal, 2014).

2011 (Mountain Delights, 2014). *MD* is a trekking and tour company that offers national as well as international adventure treks and tours (Mountain Delights, 2014). Customers have cited *MD*'s social business aspect² as a contributing factor for choosing to tour with *MD* in particular, out of all well-known tour companies in the capital. *LK*'s cooperating company supports education, health, environmentalism and women empowerment in Sapkota's home village of Jyamrung (Mountain Delights, 2014). Due to Nepali laws and its complicated, purportedly corrupt business procedures³, the founders decided to create and operate *LK* within *MD*'s daily business, that is to say a sub-branch of the trekking company.

2.2.2 Love Kathmandu's Philosophy and Business Ethics

Mission

“Being the first in Nepal providing unique theme-based walking tours through the heart of Kathmandu city to low budget tourists, Love Kathmandu aims to create more social businesses within the business itself and communities under the brand, while enabling local tour guides to access high educational training programs.” (Love Kathmandu, 2014)

Vision

“We aspire to become the leading ground operator in the Nepali tourism market and the first choice for tourists visiting Kathmandu. Our purpose lies in offering memorable walking tours that lead to international recognition. Our main intention is to create social businesses within our tour concept and to support deprived local tour guides.” (Kathmandu, 2014)

² *MD*'s daily operations are based on the company's “aim [...] to maintain an economically competitive company that takes a small margin of profit in order to provide wide working conditions and benefits for staffs & Local people we visit, socially progressive services and positive experience for host & clients, environmentally & culturally awareness and respect sustainable business practices” (Mountain Delights, 2014).

³ Nepal has been ranked 116th out of 177 in the Corruption Perception Index 2013 (Transparency International, 2014). The composite index identifies and evaluates countries and how they perceive their public sector to be corrupted (Transparency International, 2014).

Mantra

“Come and experience the hidden.” (Love Kathmandu, 2014)

Tag Line

“Kathmandu starts with you.” (Love Kathmandu, 2014)

Business and Customer Core Values

Adaptability

LK aims to be flexible and thus able to adapt to Nepal’s evolving tourism market. It is the company’s duty to consider customers’ suggestions as well as the city’s changing environment carefully and, if appropriate, to change its offerings accordingly.

Transparency & Openness

It is an understood necessity that *LK* runs its daily operations with high transparency for all involved parties – its partner *MD*, its customers, its employees and society in general. *LK* is not merely a business; it is also based on the foundations of a social enterprise. According to Price (2009: p.63) a social enterprise stands out due to its business strategies that are socially-oriented. A certain amount of the profit is reinvested into the business itself or into community projects. By addressing issues regarding environmentalism and social matters, a social enterprise plays an important role in establishing an integrative economy (Price, 2009: p.63). 10% of *LK*’s monthly profit goes to social projects developed by *LK* to create a more sustainable economic environment within the Nepali tourism market.

Commitment

LK undertakes the commitment of an interactive engagement with its clients by creating distinctively managed walking tours and an innovative marketing plan, further established in chapter 7 of this thesis. *LK* made it its business to commit to socially-conscious projects in the city of Kathmandu to encourage foreigners – as well as locals – to maintain the heritage sights of Nepal’s capital.

Incorruptibility & Autonomy

Considering the perception of a high level of corruption in Nepal's everyday business operations, the founders of *LK* believe it is especially important to manage and run the business on a well-defined foundation. At no point shall there be any form of corruption or unfairness, internally or externally. Additionally, *LK* is politically independent and therefore not susceptible to corruption.

Integrity & Cooperation

LK's tour guides and employees respect all individuals from different backgrounds, religions and cultures. It is *LK*'s aim to integrate diverse cultural aspects and cooperate with like-minded entities to increase the companies' reputation and significance.

Passion

The founders of *LK* believe that no matter what one's business is, it should always be done with passion. *LK*'s intention lies in operating its tours and managing both the sub-branch and relationships with all partners by promoting positive, inspiring, proud and energetic values.

2.2.3 Development to Date

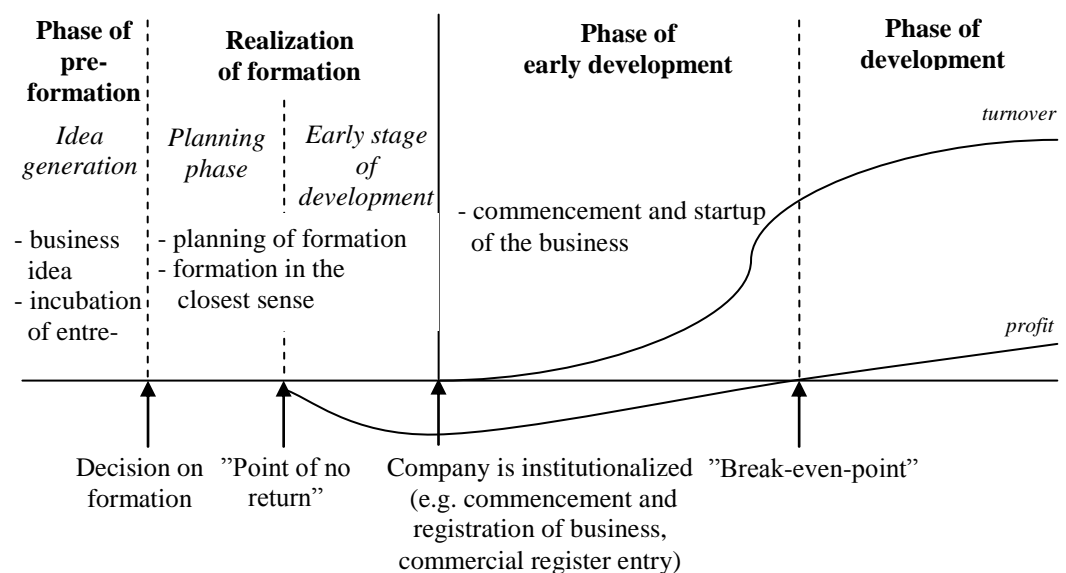


Figure 1 – Life cycle of an ideal development of a company (Zacharias, 2001: p.38)

The phase of pre-formation includes the renewal of the walking tour idea and the first instance of *LK*'s oral partnership agreement with *MD*. In December 2012, *LK*'s planning phase started by conducting a legal partnership agreement with *MD* that became partly-operative on May 16th, 2014 (see Appendix 2). It states all legal rights and limitations, constitutes the capital and asset contribution to the business *LK* as well as the percentage share of the profit between all partners.

LK passed the “point of no return” when two test tours were operated on February 28th, 2014 and March 4th, 2014 by two different tour guides, one of whom *LK* would select as a permanent tour guide for the company. The tour guides were provided by *MD*. Badri Nepal presented the tour itinerary in a way that came as close as possible to *LK*'s business concept and philosophy (see chapters 2.1.2 *Love Kathmandu*'s tour concept and 2.2.5 *Love Kathmandu*'s philosophy). Thus, *LK* together with *MD* decreed that Nepal will be *LK*'s tour guide for the first tour “Experience Kathmandu” (Neubert, 2014: Mail March 13).

As of May 1st, 2014, no net profit has been made (Neubert, 2014a: Conversation April 25). The two test tours have been free of charge for both the company *MD* and its sub-branch *LK*, as well as for the tourists who participated. Notwithstanding, an evaluation in form of a survey will be conducted. Within the framework of such a questionnaire, *LK* might revise the tour conditions accordingly (see Appendix 4). The website www.lovekathmandu.org and social media like Facebook have been set up (Neubert, 2014a: Conversation April 25). Consequently, *LK* is currently situated in the early stage of the phase of early development as the business has commenced, but neither has a turnover nor profits have been made.

The tour “Experience Kathmandu” is currently running three times a week (Love Kathmandu, 2014a). The planned tours “Eat Kathmandu” is in progress to be launched by the end of the year 2014 (Neubert, 2014: Conversation February 20).

2.2.4 Legal Status and Ownership

MD and *LK*, are incorporated under the laws of the state of Nepal. Since 2004, the trekking and tour company *MD* is registered as a company under the international

legal term Pvt. Ltd., which stands for “private limited company”, at the Office of Company Registrar at the Ministry of Industry, Kathmandu, Nepal (see Appendix 5). In September 2004, *MD* was certified by the Domestic and Small Industry Office as a small and tourism industry (see Appendix 6). The term “private” of the business entity “private limited company” title means that shares of the company do not serve the public; hence the value of that business is excluded from a public stock exchange trade. The word “limited” adheres to chapter 2, section 8 of the Companies Act, 2063, that declares that “the liability of a shareholder [...] shall be limited on to the maximum value of shares” that he has invested into the company. A “private limited company” can also be referred as a “private incorporated business”. According to chapter 2, section 3 (1) of the Companies Act, 2063, a private limited company may consist of a single person only, who in the case of *MD* is the managing director and founder Sapkota. Nonetheless, the director runs the business as a legal entity or personality rather than a person. Consequently, lawsuits are brought on behalf of the company, not on the accused shareholder(s) (Companies Act, 2006: c.2(124.2)). Additionally, *MD* operates autonomously and enjoys a perpetual succession which means that if the director or one of the shareholders dies or exits the company, this will have no effect on the business’ continuation (Companies Act, 2006: c.2(7.1)).

By the virtue of Nepal’s costly and tedious market entry procedures, *LK* was seeking a local partner to cooperate with, without starting its own company. Accordingly, *LK* was developed as a sub-branch of *MD*. Nevertheless, a partnership agreement with *MD* has been conducted to protect the founders of *LK* (Sudeep Tamrakar, Lisa Neubert and Andrew Dodson), determine the profit sharing and clarify the partners’ rights and obligations (see Appendix 2). *LK* embodies a subdivision of *MD* with the stipulations of a partnership. The partnership consists of four owners of which the three founders conduct the day-to-day business. *MD* provides *LK* with a monthly asset and capital contribution, meaning accounting activities, legal obligations and staffing the tour guide positions. Tamrakar and Neubert assume the leadership in all marketing, PR and customer relations activities, business development strategies and research duties. Dodson provides the Web design and business consulting from abroad. A general

partnership exists, meaning the liability is shared by all partners, viz. everyone partakes in gains and losses equally (Ross et al., 2006: p.5). In obedience to the partnership agreement of *MD* and *LK*, decisions are drawn in the partnership's quarterly meetings and require a majority vote based on ownership percentages. The ownership percentage equates to the percentage share of the profit: Tamrakar and Neubert receive each a quarter of *LK*'s monthly gross profit, whereas *MD* and Dodson acquire 20% each based on the daily workload. 10% of *LK*'s monthly income is attributed to social contributing project developed by *LK* itself. Nonetheless, this partnership agreement can be revised every eight months. Even if one of the partners exits, retires or dies, the partnership does not terminate. The value of the interest of the decedent, withdrawing or retiring partner, respectively, in the partnership is paid out by the remaining partners who then reallocate the capital and assets anew.

2.3 Osterwalder's Business Model Canvas

Alex Osterwalder said once that "any problem can be made clearer with a picture" (Osterwalder, n.d., cited in Seeborg and Meyer, 2013: p.6). He created an integrated visual concept of nine business elements with which companies are able to picture and change existing business models and develop new ones, respectively (Osterwalder and Pigneur, 2009: p.15; Seeborg and Meyer, 2013: p.6). The structure of this thesis is based on Osterwalder's Business Model Canvas in order to see the current concepts, ideas and operations of *LK* visually and, thus, to be able to simplify them, to understand how tightly interdependent all components are with each other, and lastly to create an innovative and sustainable marketing concept for the company itself. Cooper and Vlaskovits claim that next to its simplicity one significant benefit of Osterwalder's business model is that entrepreneurs "think through [their] business" (Cooper and Vlaskovits, 2010: p.51).

A business model is a rational framework of how a company's value is generated, delivered and received (Osterwalder and Pigneur, 2009: p.14). As this is a rather complex process, Osterwalder's nine building blocks enable entrepreneurs to visualize their own concepts clearly (see Appendix 7). These nine foundations are:

Customer Segments (CS), Value Propositions (VP), Channels (CH), Customer Relationships (CR), Revenue Streams (R\$), Key Resources (KR), Key Activities (KA), Key Partners (KP) and Cost Structure (C\$) (Osterwalder and Pigneur, 2009: pp.16-17). The left canvas – KP, KA, KR and C\$ – represent how efficient a company operates and can therefore be referred as the “left brain” of the business (Osterwalder and Pigneur, 2009: pp.48-49). Concurrently, CR, CH, CS and R\$, termed as the right canvas, can be compared to the right brain: they create and deliver the value and document how it is received by the customers (Osterwalder and Pigneur, 2009: pp.48-49).

The KP block includes the network of suppliers and other partners of the company on which the business relies (Osterwalder and Pigneur, 2009: p.38). Based on Osterwalder’s four identified types of partnerships, *MD* represents *LK*’s main partner, matching best with the denoted type joint venture⁴. The long-term cooperation between *MD* and *LK* is mutually beneficial, possesses similar objectives (for example: to contribute to social projects in Nepal), and uses assets like knowledge and equity from both partners. Together with *MD*, *LK* and *MD* are able to sell a country-wide unique service while sharing the profit. However, contrary to the definition of “joint venture” in which “independent firms pool resources to produce or sell a common product or service” (ABA Section of Antitrust Law, 2007: p.433), *LK* is not an independent company; rather, it is an original sub-branch that would not have been created without the allocation of equity and assets of *MD*.

The second building block, KA, illustrates “the most important things” (Osterwalder and Pigneur, 2009: p.36) that have to be done in order to create the value of the company and gain profit. Osterwalder distinguishes between three generic key activities: Production, Problem Solving and Platform/Network⁵ (Osterwalder and Pigneur, 2009: p.37). *LK*’s main activity is an offering of a

⁴ A joint venture is a collaboration between at least two sovereign companies that mutually benefit both (Wolf, 2000: p.48). Common assets and equities are used to create or sell a jointly owned new service or product or to pursue shared aims (ABA Section of Antitrust Law, 2007: p.433).

⁵ Firms whose main activity is production are manufacturers that design, create and deliver a product (Osterwalder and Meyer, 2013: p.37). Solving individual problems of customers is the key activity of companies that use knowledge management as their main foundation. Platform or network-related activities are used by firms that provide services and connect buyers and suppliers.

service – theme-based walking tours – to its international customers. Conclusively, *LK*'s key activity falls into the category Platform/Network.

The next element of the Business Model Canvas KR, are described as the company's key resources that are required to operate the business (Osterwalder and Pigneur, 2009: p.34). Whether they are company-owned or acquired, the key resources represent a fundamental necessity, so that the business value can be created, delivered, maintained and be profitable. The resources can be physical-, intellectual-, human- or financial-based⁶ (Osterwalder and Pigneur, 2009: p.34). *LK* uses intellectual and human resources as its KR. The itineraries of the walking tours are proprietary of the sub-branch. *LK*'s partnership with *MD* is an essential asset for *LK*'s general existence. In this regard, *MD*'s key resources, such as staff constitute *LK*'s resources as well. *LK*'s tour guides and shopkeepers who personify the “typical” Nepali and who are part of several tours, symbolize the human resources *LK* possesses. Physical and financial resources are used as well, but play a rather minor role in enabling *LK*'s business model to work.

The following building block of a business' left brain is represented by C\$ that subsumes all costs that arise to make a company's business model work (Osterwalder and Pigneur, 2009: p.40). Although the majority of the firms operate with a balanced cost structure, two generic categories exist: cost-driven and value-driven⁷ (Osterwalder and Pigneur, 2009: p.40). *LK*'s business embraces under the value-driven concept: it strives for personalized walking tours in which the value of the tour is positioned higher than the aim to minimize its costs. Nevertheless, *LK*'s main target group is international tourists. Thus, encounters might occur in balancing *LK*'s purpose, attracting budget-conscious customers, with its premium value, offering unique them-based walking tours. The tour guides are paid NPR 1,400 for each tour, not exceeding a maximum of 7 tourists. Hence, once a tour

⁶ Physical Resources include physical assets like vehicles or systems (Osterwalder and Meyer, 2013: p.35). Brands, proprietary knowledge, partnerships, etc. belong to the category of Intellectual Resources. Companies relying on skilled workers have humans as their resources. The category Financial Resources includes cash, lines of credit or stock option pools.

⁷ Companies whose business model is based on maintaining the incurred costs as low as possible come under the category of cost-driven businesses (Osterwalder and Meyer, 2013: p.41). Value-driven business models seek premium value creation, including personalized operations (Osterwalder and Meyer, 2013: p.41).

takes places, the salary of the guide becomes a fixed cost. If more tours are operated in a higher frequency in the future, the average cost per unit, such as the food provided during the tour, will fall.

To complete *LK*'s financial infrastructure, it is indispensable to elucidate the company's R\$ building block that highlights the cash that is generated from each customer segment. Osterwalder characterizes two types of revenue streams: revenues coming from one-time customer payments and revenues coming from ongoing payments (Osterwalder and Pigneur, 2009: p.30). *LK* generates its revenue solely from transaction revenues ensuing from non-recurring payments, viz. the fee of NPR 800 a tourist pays for any theme-based tour offered by *LK*. Ignoring other ways of generating revenue streams termed by Osterwalder, *LK*'s revenue primarily flows from usage fees⁸ and advertising. The usage fee is represented by the fee the customer pays for one single tour. Going on a second or third walking tour with *LK* postulates another service charge of NPR 800. Besides the tour charge as a revenue stream, *LK* also relies on advertising its services. *LK* is positioned in an early stage of development only; hence, it is too soon to predict the monthly percentage revenue coming from advertisement. As *LK*'s services are not necessary goods, marketing is necessitated all the same and based on that, it is assumed that revenue will be generated. The tour service charge is based on the fixed pricing mechanism⁹ that is applied by Osterwalder (Osterwalder and Pigneur, 2009: p.33). The payment of NPR 800 is fixed, and is therefore predicated on the list price category that includes products or services whose prices are fixed (Osterwalder and Pigneur, 2009: p.33).

LK's Business Model Canvas is not yet fully developed, as the company is positioned in the early stage of its early development. Nonetheless, in order to create an adequate marketing strategy for a company located in a developing country in South Asia and using a western tourism concept, an elaborated analysis

⁸ Osterwalder characterizes usage fees as a charge that incurs for a particular service. The more this service is claimed, the higher the usage fees are (Osterwalder and Meyer, 2013: p.31).

⁹ According to Osterwalder, a company uses either the mechanism of fixed pricing or of dynamic pricing (Osterwalder and Meyer, 2013: p.33). Fixed pricing involves predefined prices that are based on rigid variables, whereas dynamic pricing includes prices that change in relation to market conditions. Each pricing mechanism features several categories that determine how the price is established.

of the right brain of a business – the value – is necessary. While the elements that contribute to the business' efficiency of *LK* have been described in the above paragraphs, the remaining four building blocks, VP, CR, CH, and CS, are described elaborately in the following chapters.

3 Competition

3.1 Local and Other Competitors

In order to determine and evaluate *LK*'s current market position, it is of essential importance to conduct a competition analysis, including the identification of its competitors, their objectives, strategies, strengths and weaknesses, as well as common reaction patterns (Kotler, P., 2011: p.528). Kotler (2011, pp.529-531) distinguishes between two types of competition: competition based on the industry and competition based on the market. While competition based on the market complies with companies satisfying the same or similar customer needs and is, hence, broader, competition based on the industry is narrowed down to those whose products or services are substitutes (Kotler, 2011, pp.529-531). Based on the fact that there are several ways to meet tourists' desires in Nepal, the focus lies solely on competition based on the industry of tourism in Nepal. According to Young and Pagoso (2008, p.63), among other classified competitors, three main categories of product competitors exist.

Firstly, direct competition consists of primary and secondary competitors. Direct primary competitors offer the same products or services; direct secondary competitors sell similar, but slightly differentiated, products or services. In relation to *LK*, direct competitors contain those businesses in Kathmandu that offer theme-based walking tours providing local, first-hand information about the backstreets of the city. As of May 2014, there are no theme-based walking tours that are constructed exactly like the ones of *LK*. Although many walking tours exist in Kathmandu, not one is titled "theme-based" and offers such tours accordingly¹⁰. For *LK*, two main direct secondary competitors can be identified. *socialtours* was founded in 2002 by Raj Gyawali and mainly operates environmental-friendly trekking tours through Nepal, Tibet and Bhutan (*socialtours*, 2014). At the moment, *socialtours* has four walking tours in Kathmandu (*socialtours*, 2014b). The tour "Splice of Kathmandu" is the walking tour that is most similar to the tours of *LK*, though not the same. A major

¹⁰ This outcome results from an extensive Google search in which the following keywords have been used: theme based walking tours Kathmandu.

difference is the lack of local stories and a walk through the back streets, the rather unknown areas of Kathmandu. In contrast, “Splice of Kathmandu” presents Asan Tole¹¹ with characteristic aspects of a local: “[...] shop [...] like a local” (socialtours, 2014a). Another direct secondary competitor is represented by *Lonely Planet*, a travel publisher that has been started by Tony and Maureen Wheeler in 1973 (Lonely Planet, 2014). The three authors of the travel guide “Nepal” (2012) Mayhew, Brown and Holden developed a walking tour “South from Thamel to Durbar Square” that is claimed to show Kathmandu’s oldest shopping streets and most ornate temples and is self-guided (p.128-129). Six of their 21 sights are included in *LK*’s “Experience Kathmandu” tour as well. While Mayhew et al. (2012, pp.129-131) describe the landmarks on that tour in a short, but precise way, *LK* focuses more on the story behind those places of interest.

Continuing with Young’s and Pagoso’s distinction of competitors, indirect competitors are those offering substitute products (Young and Pagoso, 2008: p.63). *Hidden Journeys Nepal* and *Withlocals* can be considered as *LK*’s indirect competitors. *Hidden Journeys Nepal* was founded by Luna Shrestha Thakur and Catrin Fröhlich, and offers trips lasting one day or several days from and for changemakers and social entrepreneurs throughout Nepal (Hidden Journeys Nepal, 2013). Unlike *LK*, the tours of *Hidden Journeys Nepal* are actually workshops in which participants pay high fees to be an observer and volunteer simultaneously. *Withlocals* is an online marketplace connecting locals with travelers and was founded by Willem Maas, Marijn Maas and Mark Mansveld (With Locals, 2014). Based on three categories, *EAT Withlocals*, *TOURS Withlocals* and *ACTIVITIES Withlocals*, travelers can sign up and book their desired experience, which is offered by a local. In terms of competition, *Withlocals*’ *TOURS Withlocals* must be regarded as *LK*’s indirect competitor. As of June 5, 2014, there are three tours offered by Nepali locals that are similar to the one *LK* provides. Nevertheless, as *Withlocals* presents a marketplace in which travelers get connected, the variety and amount of theme-based walking tours is and will be uncertain. Hence, *Withlocals* presents *LK*’s most unpredictable

¹¹ Asan Tole is Kathmandu’s most commercial street in which locals do their daily shopping for groceries. It is also a hub point for spices, salt and rice traders (Mayhew et al., 2012, pp.129-131).

competitor and can consequently, be accounted under Young’s and Pagoso’s last category, existential competitors.

Existential competitors are companies that provide a different product in the same market (Young and Pagoso, 2008: p.63). Once their product is bought, other ones will not be bought. Applying this concept to *LK*, once another theme-based walking tour even outside of Kathmandu or Nepal is bought, these people will not participate in *LK*’s tours during this time frame.

Narrowing these competitors, *LK*’s main competitors include *socialtours* with their tour “Splice of Kathmandu” and the walking tour “South from Thamel to Durbar Square” created by Hayhew et al (see Appendix 8). This decision on this containment is mainly based on the results of question 23 in the conducted questionnaire that proved that next to *LK*, *socialtours* is a well-known tour operator in Kathmandu city among others¹² (see question 23 of Appendix 3). After identifying relevant competitors, it is now necessary to enumerate their strategies, objectives, strengths and weaknesses. With the help of a list of criteria, the latter can be named and their competitiveness can be evaluated (Rüggeberg, 2003: p.31).

| Criteria | Description and Evaluation |
|-------------------------|--|
| Product Characteristics | Involves known areas, tasting, local life; five times a week, 2.5 hours – 1 day; no stories behind the sights |
| Variety of Products | Four walking tours through Kathmandu (Splice of Kathmandu, The Working Nepali, Kumari Trail Walk, Walk With Monks) |
| Quality ¹³ | Very good |
| Price | US \$10- US \$60 |
| Reputation | Known, but not very well known |
| Target Groups | Broad variety of tourists |
| Potential Objectives | Gain market share, more reference customers |
| Potential Strategies | Further tours through Kathmandu city |

Table 1a – Criteria for the Competitive Comparison between *LK*’s walking tours and the tours of *socialtours*

¹² *Hidden Journeys Nepal* is not considered as a main competitor of *LK* as its business presents an indirect competition only.

¹³ The statements regarding the quality are based on reviews written on www.tourradar.com (2012) and personal experience gained by participating in that tour.

| Criteria | Description and Evaluation |
|-------------------------|--|
| Product Characteristics | Include important and some less known sights, self-guided, 1-2 hours |
| Variety of Products | Two walking tours through Kathmandu (South from Thamel to Durbar Square, South of Durbar Square) |
| Quality ¹⁴ | Very good |
| Price | free |
| Reputation | Very well known |
| Target Groups | Broad variety of tourists |
| Potential Objectives | Gain market share, sell <i>Lonely Planet</i> “Nepal” guide |
| Potential Strategies | Develop new tours in following editions |

Table 1b – Criteria for the Competitive Comparison between *LK*’s walking tours and the tours by Hayhew et al.

As shown in Table 1a and 1b, *socialtours* and Hayhew et al. offer differently-created but significant benefiting walking tours through Kathmandu city. While *socialtours* set their prices nearly according to Nepali pricing standards and operate their tours on a daily basis, Hayhew et al.’s tours are for free and very independent in terms of guides, breaks and interests. Both reach a broad variety of customer segments due to several business branches in *socialtours* and the worldwide known *Lonely Planet* travel guides. Nevertheless, new strategies of both operators might only include a potential development of new features in the tour or new tours in these areas. *LK* has to plan strategically accordingly.

3.2 Competitive Advantage

3.2.1 First-Mover Advantage

Porter’s (1985: xv) repeatedly used definition of competitive advantage delineates a competitive advantage as a result of value activities that “generate cost and create value for buyers”. While he describes the competitive advantage as “the heart of a firm’s performance” (Porter, 1985: p.xv), Osterwalder sees it as the value proposition (Osterwalder and Pigneur, 2009: p.22). As a result, *LK*’s competitive advantage that consists of its advantage as a first-mover and niche player and its unique selling proposition presents the value proposition of the walking tours.

¹⁴ The statements regarding the quality are based on personal experience gained by participating in that tour.

Taking into account that *LK* does not face any direct primary competitors in the Nepali tourism market, and no theme-based tours are operated in Kathmandu, *LK* possesses the first-mover advantage and can be considered as a pioneer in theme-based walking tours in the geographical area of Kathmandu city. Companies that penetrate a specific market first are called first movers (Baron and Shane, 2008: p.268). By offering a revolutionary product or service, first movers enjoy a monopoly position that draws several first-mover advantages and disadvantages¹⁵ (Hill et al., 2014: p.227; Johnson et al., 2008: p.336). Porter (1985: p.186) claims that the lead time advantage gives firms the opportunity to experience nine major advantages over late-entry competitors. Six of them might be influential for *LK*'s theme-based walking tour business.

Entering a market at first might increase the company's reputation, because it is the first to serve consumers and set relationships with them (Porter, 1985: p.186-187). In the case of *LK*, the theme-based walking tours serve tourists who are already familiar with the concept, but cannot find the concept in Kathmandu. Consequently, *LK* is able to establish customer relationships that are brought back to the tourists' countries of residence.

Secondly, first movers possess a monopoly that enables them to preempt a position in the market (Porter, 1985: pp.186-187). This market positioning coerces late movers to adapt to the mostly predefined market environment and might hamper a smooth market entry in terms of existing networks of suppliers, buyers and resources. *LK* preempts a unique position, in which the risk of imitation might be high, but due to preformed relationships with local restaurants and other partners supporting the tours, late movers are more likely to spend more time and effort in getting connected to facilitators and develop a stable market position.

Moreover, significant scale benefits allow first movers to increase their volumes and adapt their prices accordingly without being overtaken by competitors (Porter, 1985: pp.187-188). Early profits will occur in the case of *LK*, but based on the branch's social business aim, prices for the tours are set even lower than those

¹⁵ Disadvantages are isolated from this chapter as only those factors contributing to *LK*'s competitive advantages are contemplated.

ones of already existing city tours. *LK* intend to augment the prices according to demand in an undefined point of time in order to cope with the value of one tour.

Although switching costs to other substitute products are more likely to be increased by first movers to avoid buyers switching to competitors, *LK* will supposedly not exploit its switching costs. However underlying *LK*'s walking tour concept, the sub branch might benefit from their uniqueness of the tours themselves.

Considering the far future, *LK* might be able to define standards of operating theme-based tours. Porter (1985: p.188) states that first movers set certain guidelines on which late movers might build their businesses on.

The last first-mover advantage *LK* might encounter involves the frequently mentioned learning curve (Porter, 1985: p.187; Johnson et al., 2008: p.336; Baron and Shane, 2008: p.269). Porter (1985: p.187) explains that first movers accumulate knowledge and experience from value activities that can lead to long-term advantages in differentiation or costs if the firm maintains the level of continuous learning. Hence, this advantage arising from prioritizing *LK*'s learning curve can only be generated, if *LK* applies its customer and business core values regularly, especially its promise to adapt to Nepal's fast changing tourism environment.

In addition to all these first-mover advantages that *LK* will, in all probability, experience, the monopoly positioning that results from being pioneers in a market induces several disadvantages. *LK* has to antagonize these drawbacks by applying appropriate strategic measures (see chapter 6.2 Strategic Measures).

3.2.2 Unique Selling Proposition

In 1961, Rosser Reeves released his widely known "Reality in Advertising" in which he invents and defines the term Unique Selling Position (USP) (in Trout and Rivkin, 2008: p.19). Firstly, USP consists of the value of a specific product or service that consumers will experience if they purchase it (Trout and Rivkin, 2008: p.19). Reeves emphasizes that every marketing campaign or advertisement should say "Buy this product, and you will get this specific benefit" (Trout and

Rivkin, 2008: p.19). Furthermore, a USP is a form of differentiation that cannot or is not imitated by existing and potential competitors. This characterizes the uniqueness of that product or service. Lastly, the USP is able to attract new customers and gain them as a target market (Trout and Rivkin, 2008: p.19). Delimitating USP in short, a USP is a common proposition in communication which describes an unique, distinctive, desirable and authentic characteristic of a product or service that clearly borders a firm's own proposition from the ones of its competitors (Kotler, 2011: p.1,149). During the last decades, Reeve's approach has been frequently discussed, reviewed and amended. Trout and Rivkin for instance say that reality of marketing then has completely changed to a "reality [of] the marketplace" (Trout and Rivkin, 2008: p.21). That means that advertising does not necessarily represent the product's features, but tries to gain customers by providing information that they want to hear, see and need. Kotler (2011: pp.505-506) speaks of an Emotional Selling Proposition (ESP). By creating emotional associations with the product, companies are able to differentiate themselves from other suppliers that more or less offer the same USP (Kotler, 2011: pp.505-506). Nonetheless, as *LK* is situated in the stage of an early development, an ESP cannot be established yet. Thus, full regard is paid to the USP.

According to Hindle (2008: pp.197-198) there are six different characteristics of an USP. He argues that offering the lowest price or the highest quality will generate more loyal customers than the USP providing the best customer service. The mostly used USP nowadays is the exclusivity of a company and its products or services. The fifth USP involves the widest choice for consumers. The last USP describes that guaranteeing a value is especially important for companies that offer services and particularly in the travel industry. *LK*'s USP is composed of mainly two types of USP: being exclusive and giving the best guarantee.

Although the word "exclusive" stands among other definitions for the terms high class and expensive, in the context of *LK*'s USP it is related to the denominations uniqueness and rarity (Oxford English Dictionary, 2014a). *LK*'s uniqueness lies in offering theme-based walking tours. As mentioned in the previous chapters, there are no theme-based walking tours in Kathmandu so far. As a result, tourists are

limited in choice regarding walking tours because the variety is very narrow. Furthermore, behind every point of interest presented in the tour, the *LK* tour guide provides stories on the local life of Nepali people. This makes *LK* exclusive, because it differentiates the presentation of Kathmandu city by adding personal stories and less commonly-known facts. A third distinctive feature is the route of *LK*'s tours (see Appendix 9). Diverging from other walking tour operators, *LK* does not show tourists around the rather well-known sights in the city. The mantra "Come and Experience the Hidden" supports that exclusiveness significantly. The questionnaire confirms this particularity: 93% of the participants indicated that a walking tour they would participate in should introduce them to the very local sights of that city, rather than lead to the city's most well-known places (0.2%) (see question 13 of Appendix 3). The second USP contains the guarantee *LK* provide its tourists. As customers pay for the tour they have chosen upfront, the risk that they have paid for something they have not expected or wish to experience is high. However, *LK* was able to fulfill these expectations in its tours operated so far. The result of question 23 proves this proposition: Two out of the six people that have already been to Nepal participated in *LK*'s tour "Experience Kathmandu" and stated that they would do the tour again. This shows that the activities and the course of that tour has met their expectations with which they have joined the tour initially.

3.2.3 Niche Player

According to Kotler (2011: p.547) a niche player is "a company that focuses on small market segments which are not served by other suppliers"¹⁶. Narrowing this elementary definition, a niche is a particular interdependence of supply and demand in a market that derives either from a niche demand or from a niche supply (Rosenbaum, 1999: p.25). Rosenbaum specifies that a niche demand is a market demand that is only limited or not at all satisfied by the current supply of that market (Rosenbaum, 1999: p.25). On the other hand, a niche supply exists when a product or service differentiate itself significantly from other suppliers on that market (Rosenbaum, 1999: p.25). This differentiation indicates unique,

¹⁶ As translated from German: „Ein Unternehmen, das sich auf kleine Marktsegmente, die von anderen Anbietern nicht bedient werden, spezialisiert“.

consumer-oriented supply characteristics of that product or service. As described in chapter 3.2.2 Unique Selling Proposition, *LK*'s differentiation originates in its USP: providing tourists with local stories on theme-based walking tours through the back streets of Kathmandu. This embodies a niche in the Nepali tourism market based on the findings that there is no such concept as theme-based walking tours in Nepal.

Rosenbaum continues in arguing that if the niche has not been served so far, which is the case for *LK*, the niche player, or more specifically, the niche pioneer, has the opportunity to generate a niche demand (1999: p.245). In the context of *LK* that means the tour operator is able to generate a demand that particularly asks for theme-based walking tours while traveling in Nepal, visiting Kathmandu and intending to book a city tour. In addition, the niche player has the already existing knowledge and skills that enable him to collect important data regarding the niche target group, their preferences and customs (Rosenbaum, 1999: p.245). Consequently, it requires less effort and time to build up a close niche customer relationship and, in the case of *LK*, to increase reputation. A tight customer relationship and appropriate tools place the niche player in a beneficial position in which new niche players might find it more difficult to overtake *LK* (Rosenbaum, 1999: p.245). With regard to *LK*, Rosenbaum's theoretical approaches can be positively ascribed to the sub-branch's position as a niche player. As a niche pioneer, *LK* has the advantage of creating customer loyalty. This loyalty cannot be understood in terms of repeated customers. In fact, based on *LK*'s tourism business, loyalty is expressed in reputation. Hence, by possessing the niche market of theme-based walking tours in Kathmandu, *LK* is able to gain reputation faster than potential competitors.

3.3 SWOT Analysis

Hindle (2008: p.181) credits Albert Humphrey as the person who combined internal and external analyses to the now frequently used SWOT analysis. The SWOT analysis is not a method, but rather a combination of factors that influence a company's strategic planning (Freyer, 2009, p.326). Nieschlag et al. (2002, p.104) describes this combination as a simplified tool that condenses information

and therefore, reduces its complexity. The SWOT analysis consists of two main dimensions: the internal conditions that are controllable and the external, uncontrollable environment (Freyer, 2009: p.325). While the internal dimension includes a firm's strengths and weaknesses, the external dimension focuses on opportunities and threats – S for strengths, W for weaknesses, O for opportunities and T for threats (Kotler, 2011: p.172-175). Internally, a company and its product or service, respectively possesses several characteristics and parameters that either enhance or retrain its success on the market. Strengthening variables can be used to increase growth and reputation; weakening elements demonstrate a necessity of improvement. Externally, a company might use opportunities like a positive economic situation, demographic changes, market trends or new technologies to improve its current market position (Kotler, 2011: p.172). On the other hand, threats like political boundaries or laws, high level of competition and consumer behavior can disclose a business. Consequently, it is a company's task to identify the most threatening risks, accordingly. Although the SWOT analysis has been criticized (Valentin, 2005: p.91-92), it is still considered as a simple, non-expensive, flexible strategic tool that integrates and collaborates diversified information of a firm's internal and external environment (Ferrell and Hartline, 2014: p.87).

In order to develop an accurate marketing strategy for *LK*, the company's strengths, weaknesses, opportunities and threats have to be analyzed.

| Strengths | Weaknesses | Opportunities |
|---|--|----------------------|
| <ul style="list-style-type: none"> • Specialized knowledge • Newly implemented tour concept • Low price • Few resource requirements • Partnership with MD • Cooperation with local shops | <ul style="list-style-type: none"> • Low awareness level • Operation of currently one tour only • Currently no profit • Traditional tour guides | |
| Opportunities | Threats | Environment |
| <ul style="list-style-type: none"> • Constant rise in tourism since 1962 • Location Kathmandu • Niche market: theme-based tours • Trend towards individualized tours • Rise in social business awareness | <ul style="list-style-type: none"> • No imitation security • Fast rise of new potential competitors • Seasonal dependence • Unstable economic, political and social situation of Nepal | |

Figure 2 – SWOT analysis of *LK*

One of *LK*'s strengths is its background information. Unlike others, *LK* does not present information that is readable in printed tour guides or webpages. *LK* shows and explains the very local sights and stories behind those landmarks. This major differentiation is compounded with a low price of NPR 800, which is rather low compared to other tour companies (Hidden Journeys, 2013; socialtours, 2014a). Furthermore, *LK*'s business concept is based on the western theme-based walking tour concept that is not implemented in Kathmandu yet. Thus, this newly created walking tour business presents an attractive alternative to other city tours operated in Nepal's capital. Besides these strengths, *LK*'s business does not require many resources. The only resources required are technical facilities, like laptops and printers, and human resources, like tour guides. Based on *LK*'s partnership with *MD*, the database of already existing tourists can be used to promote and attract new customers for the sub-branch *LK*. In this context, resources like financial management systems or office supplies do not have to be purchased again, but are assigned to *LK*'s purposes as well. The last important strength of *LK* contains created relationships to shops and other local facilitators. For instance, four rickshaw drivers cooperate with *LK* by transporting the tourists every Sunday, Wednesday and Friday from Indra Chowk to Kathmandu Guesthouse, Thamel.

LK's business awareness is relatively low due to its recent market entry. The lack in awareness illustrates *LK*'s biggest weakness and shall be addressed with the outcome of this thesis, with an innovative marketing mix strategy. The next weakening factor is directly linked to the low level of business awareness. As the tours have not been sufficiently marketed enough, no profits have been made yet. The first tours had been free of charge to evaluate the internal progress, to identify a market readiness and to encourage participants to state their experiences and feelings about *LK*. As soon as the proposed marketing mix strategy is implemented, this weakness should be transformed into strength. Additionally, as of June 10th, *LK* is only operating one tour "Experience Kathmandu". Based on *LK*'s description "theme-based walking tour[s]", the tour operator should provide more theme-based tours than just one. This problem is now counteracted by developing a second theme-based tour, "Eat Kathmandu". However, internal progresses cannot be seen from the outside and hence, requires fact actions. *LK*'s

last weakness concerns the tour guides that lead tourists through the backstreets of Kathmandu. These tour guides are usually traditionally trained based on their educational background gathered from the Nepal Academy for Tourism and Hotel Management (NATHM) and acknowledged by the Nepal Academy of Tourism Guide Management Training Certificate (NITC, 2014). What has been identified as strength – newly implemented tour concept – appears now as a medium weakness, because *LK*'s concept is not common. Rather than catching tourists with excitingly told background stories, *LK*'s tour guide sometimes tend to talk about the more informative facts of a point of interest¹⁷.

Continuing with *LK*'s opportunities, it is necessary to mention that the tourism market has grown dramatically in recent decades. In the first instance, this development derives from constant rise in tourism since 1962. While in 1962, 6,179 tourists entered Nepal, the country enjoyed 803,092 tourists in 2012 (Ministry of Culture, Tourism & Civil Aviation, 2013: pp.5-6). Furthermore, the total contribution of travel and tourism to GDP¹⁸ has been increasing, despite a fall in 2013 from 9.4% down to 8.2% (The Authority on World Travel & Tourism, 2014: p.1; The Authority on World Travel & Tourism, 2013: p.1; The Authority on World Travel & Tourism, 2012: p.1). The total contribution of travel and tourism to GDP of Nepal is forecasted to grow by 8.6% in 2014 (The Authority on World Travel & Tourism, 2014: p.1). In addition, the WTTC (2014, p.5) expects visitor exports¹⁹ that generated NPR 39.1 billion in 2013 to augment by 11.9%. 861,000 tourists are supposed to arrive in 2014 (The Authority on World Travel & Tourism, 2014: p.5). On the other hand, *LK* is located in Kathmandu, the capital of Nepal. Thus, all international tourists coming by plane spend most likely a couple of days in the city before they go to visit other places like the lakeside city of Pokhara, for instance. In 2012, 74.5% of all incoming tourists arrived by air (Ministry of Culture, Tourism & Civil Aviation, 2013: p.6).

¹⁷ This phenomenon was observable during several test tours, including *LK*'s first tours and personal conversations with Badri Nepal.

¹⁸ According to WTTC (2014, p.15), the total contribution to GDP results from the GDP that is directly generated by the travel and tourism sector, plus the indirect contribution (capital investment, government collective spending, supply-chain effects) and the induced contribution (earnings of directly or indirectly employees in travel and tourism).

¹⁹ Visitor exports are all expenses made by foreigners in Nepal, regardless if they have been on a business or leisure trip (The Authority on World Travel & Tourism, 2014: p.15).

As a result, *LK* is able to attract especially those tourists that arrive by plane and spend a couple of days before they head towards other touristic places. As explained in detail in chapter 3.2.1 First-Mover Advantage and in chapter 3.2.3 Niche Player, *LK* faces benefiting opportunities as a pioneer in the niche market of theme-based walking tours in Kathmandu. Another opportunity in the demand for more individualized tours. This increasing trend can be confirmed by the following data: 40% of potential tour participations criticize that the groups of city walking tours are too large and 63.3% favor a group size of maximum 8 people (see question 11 and 13 of Appendix 3); 93% want to experience the very local life of the city by listening to stories that they cannot read anywhere (87%) (see question 13 of Appendix 3). Another trend that can be followed is the constantly rising awareness of social impacts of tour operators and social projects supported by tour operator, respectively: 57% consider social projects of tour companies as important, 27% as very important (see question 27 of Appendix 3); all of the tourists addressed would pay additional charges if social projects are visibly supported (see question 28 of Appendix 3).

LK might face the risk of imitation. Nepal is facing a low level of acceptance of laws; only 29 of 187 countries have a lower level of law obedience than the South Asian country (Transparency International, 2014). According to Transparency International, that means fewer inhabitants “have confidence in and abide by the rules of society, and in particular [...] property rights” (Transparency International, 2014). Based on this threat, the risk of new potential competitors might rise significantly within the next years. By establishing a more differentiated marketing strategy and an extensive customer relationship management this problem can be diminished, though not erased. Another threat can be seen in the seasonal dependence of *LK*'s profits. On average 62,549 tourists arrive every month, but due to a humid monsoon season from June to August and a cool winter in December and January, most of the tourists arrive March (89,151 tourists), October (86,379 tourists) and November (83,173 tourists) (Ministry of Culture, Tourism & Civil Aviation, 2013: p.8). Hence, while *LK* might accumulate higher profits in these months, it might occur that fewer tours or even none takes place in May, for example. This threat is directly

associated with Nepal's season and can therefore, barely be changed. Therefore, it is particularly important to address most of the tourists in off-season months. The last risk that *LK* is confronted with is the current unstable economic, political and social situation in Nepal. The Department for Foreign Affairs (2014a) in Germany does not show any warning regarding traveling to Nepal. However, several statements show Nepal's overall unstable environment: "it is advised extreme caution, especially at well-known sights"; "[...] such protests can disturb the public life severely [...] and lead to violent altercations involving a threat to life and physical condition", "assistance after accident might not be organized on time", "countrywide noticeable increasing inclination towards violence and crime" and "medical care is in most parts of the country insufficient and does not commensurate with European standards" (Auswärtiges Amt, 2014a).

4 Target Market Analysis

4.1 Target Customers

In order to seize and reach the targeted consumer group, segmenting the market is a useful concept to begin with. Market segmentation can be perceived as the division of the entire heterogeneous market into defined homogeneous parts of that market (Freyer, 2009: p.185). Osterwalder agrees in saying that customers show certain characteristics and can therefore, be sectioned (Osterwalder and Pigneur, 2009: p.20). By adding the customer segments block, this segmentation complements the business model canvas. Comprehending which consumer group the targeted customers belong to, an adequate marketing mix can be established (Freyer, 2009: p.186). Traditionally, specific criteria categorize consumer in certain segments. According to Kotler (2011: p.464), for consumer goods these criteria incorporate geographic, demographic and psychographic attributes. Freyer (2009: p.185) even adds behavioral attributes. He recommends focusing on only socio-demographic, behavioral and psychographic characteristics if the company is tourism-based (Freyer, 2009: p.186). Thus, *LK*'s target customers are segmented according to Freyer's approach. Additionally, *LK*'s target group shows several segmenting criteria (see Appendix 10). It is for this reason that the market segmentation is also called elementary multivariate segmentation (Kotler, 2011: pp.479-480). By using several criteria, the market can be defined profoundly.

The socio-demographic market segmentation includes criteria such as country of residence and birth, age, gender, education, profession, family status, income and religion among others (Freyer, 2009: p.187; Kotler, 2011: p.464). Several authors claim this division to be the most important or the originate segmentation (Kotler, 2011: p.465; Meffert, 1986: p.245), as these factors are easily measurable. Based on *LK*'s business concept and purpose consumers that are between 16 and 45 years old are targeted. As *LK* actively involves participants by inviting them to try on traditional clothes or offering them local food, adolescents and adults are most suited for its theme-based walking tours. Furthermore, *LK* attracts tourists that travel in a group of two, meaning with their partners or friends. This criterion is supported by the participants of the questionnaire, of which 18 out of 30 travelled

with a group of at least two persons (see question 5 of Appendix 3). Lastly, *LK* addresses all tourists who are originally not from Nepal. *LK* neither segments targeted consumers by their profession nor by their income. Results of the survey have shown that potential participation in the tours does not depend on the current level of income or the employment status.

The behavioral segmentation evaluates the typical buying – in the context of *LK*, traveling – behavior of potential or existing customers (Freyer, 2009: pp.187-188). To identify how to reach the target group best, this segmentation presents an accurate method. Characteristic criteria are means of travel, length of travel, destinations, booking behavior, accommodation and luggage (Freyer, 2009: p.188). *LK* focuses on people whose origins are not from Nepal. In fact, foreigners traveling to Nepal, especially staying in Kathmandu, and visiting the district Thamel are of most interest. As the statistics of the Ministry of Culture, Tourism & Civil Aviation have shown, 74.5% of all incoming tourists arrived by air and thus, most likely spend a couple of days in Kathmandu (Ministry of Culture, Tourism & Civil Aviation, 2013: p.6). Tourists whose stay spans one to two weeks are of major interest. *LK* targets those that explore cities alone or in a small group, without using pre-organized schedules of agencies. Their preparation should primarily rely on online travel guides and friends' recommendations (see question 6 of Appendix 3).

The psychographic segmentation divides consumers into groups according to their lifestyle, personal characteristics, expectations, reasons of traveling and social class status (Freyer, 2009: p.188; Kotler, 2011: p.469). *LK*'s target group comprises several types of tourists that have been established by Hahn (1974), Hartmann (1974, 1981), Fingerhut (1973), Freyer (1985) and Smith (1977), and visualized by Freyer (2009: p.189). *LK* concentrates on adventurer as well as on educational and alternative tourists who are spontaneous and open-minded. Based on *LK*'s non-mainstream tour concept, participants should have the desire to explore the hidden. In addition, the concentration of the tour operator lies in trekking tourists, also known as mountain tourists. Considering Nepal's landscape, the possibility that these types of tourists visit Nepal is higher.

Generally, tourists spending their holiday in the South Asian country are mainly targeted.

4.2 Market Readiness

The market readiness regarding *LK*'s theme-based walking tour concept can be measured with the help of a comparing analysis between the founders' expectations and actual results that have been collected through the questionnaire.

Although the year 2013 showed a medium decline in tourist arrivals (Adhikari, 2013), the tourism market is still increasing according to the Ministry of Culture, Tourism & Civil Aviation (2013). The amount of foreigners entering Nepal has risen by 9.1% in 2012 (Ministry of Culture, Tourism & Civil Aviation, 2013: p.6) and WTTC expects again a growth up to 861,000 incoming tourists in 2014 (The Authority on World Travel & Tourism, 2014: p.1). Furthermore, the total contribution of travel and tourism to GDP is supposed to increase by 8.6% (The Authority on World Travel & Tourism, 2014: p.1). Other relevant forecasted numbers include visitors' spending that is likely to generate about NPR 44bn (The Authority on World Travel & Tourism, 2014: p.1).

Besides the promising tourism market, there is an existing demand for theme-based walking tours in Kathmandu. This conclusion results from the outcome of the questionnaire²⁰. Taking into account that all 30 participants embody the initial point – meaning the target market – it shows that 60% are likely or very likely to participate in one of *LK*'s walking tours (see Appendix 11). Assuming a 50% chance that all participants might join *LK*'s tours, as they all fall into the target group, three participants are willed to book the tour with a possibility of 86-100%, whereas half of the entire sample might book it with a likeliness of 71-85%.

The market readiness status can be evaluated as good. *LK*'s internal status shows the readiness of its business concept to be implemented. Forecasts for 2014 in the Nepali tourism sector are promising, although challenging after a year of declines. After all, the tourism secretary Sushil Ghimire evaluated the tourism year 2013 and forecasts a positive trend in 2014 as follows: “Despite many ups and downs,

²⁰ A matrix has been carried out putting segmentation criteria into relation with the participants' answers (see Appendix 11).

Nepal has made a certain progress in the tourism sector. The time is now to focus on increasing the tourist spending by introducing innovative tourism products” (in New Spotlight News Magazine, 2013).

5 Tourism Industry of Nepal²¹

5.1 PESTE Analysis

The PESTE or PESTLE, or PESTEL, respectively analysis is a visual, simplified framework that helps to understand which external factors can influence the company (Yeates and Wakefield, 2004: p.265). It is used in strategic planning to determine the macro environment. PESTE, stands for factors regarding a country's Politics, Economics, Society, Technology and Environment (Yeates and Wakefield, 2004: p.265). Traditionally, these factors are described and analyzed based on the country in which the product is sold. However, as *LK* focuses on international tourists visiting Nepal, certain factors, like the social and economic environment, have to be adjusted regarding to *LK*'s target market. Hence, the PESTEL analysis concentrates mostly on potential influencers on Nepal's attractiveness as a touristic destination.

Political factors, taxation, legislation, governmental activities and political stability play a role. Before Nepal was declared as Federal Republic in 2008, the country had been a Hindu kingdom under King Birendra Bir Bikram Shah Dev (Auswärtiges Amt, 2014). After the royal massacre in 2001 in which all five family members of the royal family were murdered, Nepal went through a politically challenging time in which the following King failed to control the since 1996 ongoing wroth civil war, and in which the Maoists started their armed combat against the political system that claimed thousands of victims countrywide (Auswärtiges Amt, 2014). After several peace agreements and the declaration of the Federal Republic of Nepal, Nepalese elected the first assembly under the parliamentary multiparty democracy as its form of government (Government of Nepal, 2014). The current president is Dr. Ram Baran Yadav, being elected in 2008. Nepal's most influential and important parties are the Nepali Congress Party (NC) and the Communist Party of Nepal-United Marxist Lenninist (CPN-UML) (Government of Nepal, 2014). The Communist Party of Nepal-Maoist (UCPN-M) experienced a huge loss in votes in the election in November 2013

²¹ Outbound travelers, such as Nepalese going abroad will be excluded from this chapter as only the incoming tourists play a role for *LK*'s business.

(Auswärtiges Amt, 2014). The parties in the assembly and especially Prime Minister Sushil Koirala are anxious for creating a stabilized political system with fewer parties, but more actual actions, such as establishing a new constitution, since the current one is still commensurate to the constitution of 2007 that has been passed by the Maoists (Auswärtiges Amt, 2014). There are two Acts and one regulation that influence *LK*'s business. Firstly, the Tourism Act, 2035 (1978: c.2, c.5) defines the meaning and purposes of Travel Agencies and Tourist Guides (see Appendix 12). As already discussed in chapter 2.2.1 Description of the company *Mountain Delights* and the sub branch *Love Kathmandu*, the requirements and regulations resulted in the decision of the founders of *LK* to cooperate with a local company; for instance, chapter 5 (39) states that a tour license linked with a training seminar is needed to work as a tour guide (Tourism Act, 2035, 1978: c.5 (39)). The Regulation Hotel, Lodge, Restaurant, Bar and Tourist Guide Rules, 2038 (1981) repeat and strengthen these ordinances. Another influential Act is the Tourism Board Act, 2053 (1997) that “develop[s], expand[s] and promote[s] tourism business to present Nepal in the international arena as a fascinating tourist destination” (see Appendix 13) (Tourism Board Act, 2053, 1997: c.2 (3.1)). These political factors are significant in determining the likeliness of tourists to visit Nepal. Time periods like from 1996 to 2006 show clearly that tourist arrivals will stagnate or even decline if the country is politically unstable: Tourist arrivals declined by 2.5% during the ten years in which the Maoists combats took place (Ministry of Culture, Tourism & Civil Aviation, 2013, p.6).

The economic dimension counts factors like growth and inflation rates, spending, seasonal dependence and labor costs. According to Freyer (2009: p.148) income and wealth level have to be considered mostly in tourism. Hence, economic factors have now to be applied to the economic situation internationally. Generally, the number of international tourists is increasing each year: While in 1950 25 million tourists had gone traveling, in 2013, nearly 1.1 million people had been exploring the world (World Tourism Organization, 2014: p.2). Asia and the Pacific are the most popular and fastest growing destinations, with a 6% increase in arrivals in 2013 and a forecasted 5% to 6% growth for 2014 (World Tourism Organization, 2014: p.3). Worldwide, tourists' exports quadrupled since 1990, up

to US \$1,159 million in 2013 (World Tourism Organization, 2014: p.6). Especially, Asia and Pacific are benefiting from this spending. In 2013, earnings from tourism in these regions went up by 8% (World Tourism Organization, 2014: p.7). Since the last four years, South East Asia, including countries like India, Nepal and Thailand, have been consistently growing in terms of tourist arrivals and spending (World Tourism Organization, 2014: p.7). Figures show that people from developed countries are more likely to travel than people from emerging economies (see Appendix 14). This development can be ascribed to the world gross product (WGP). According to the UN/DESA (2014: p.3), the WGP increased by around 2.1% in 2013. Although, the UNWTO sees a consistent increase in tourism, the UN talks about a worldwide underperformance in economy (UN/DESA, 2014: p.3). The financial crisis, weaker exports and consumptions as well as unemployment issues have only caused a slow increase in countries' GDP (UN/DESA, 2014: p.3;6;8). Developed countries like those in Europe show a moderate growth of outputs from 2007 to 2013, while in developing countries, including India and Brazil, a decline of 1.3% can be identified (see Appendix 15). Inflation contributes to tourism activities as well and is considered as tame in 2013 (UN/DESA, 2014: p.10). Only some regions like South Asia or Africa face high inflation rates that are supposed to decrease nonetheless (UN/DESA, 2014: p.10). Unemployment can lead to financial shortcuts in family households, which will then decrease the likelihood of travel. Thus, unemployment rates have been declining since 2009, especially in North America and Europe²², represent an influential factor for the tourism business (UN/DESA, 2014: pp.10-12). Consequently, economical situations and outlooks worldwide show promising increases that are expected to influence the world tourism positively.

On the one hand, social factors that play a major role when traveling, such as lifestyle trends, demographics, income, health, ethnics and advertising, have to be analyzed in order to visualize the current social trend situation internationally. According to Freyer (2009: p.149), there are two main leisure types in society.

²² Except Spain and Greece where unemployment rates remain high at a percentage of 27% (UN, 2014: p.10).

The first one is the labor society that considers leisure as a form of regeneration. While this type of society values performance and work ethic, the leisure-loving society lives for individual fulfillment and regards work as a source of economic safety (Freyer, 2009: p.149). Both types are likely to travel, although most of the international tourists can be found in the leisure-loving society. Before the millenium, the UNWTO released its report “Global Tourism Forecasts to the Year 2000 and Beyond: The World” (World Tourism Organization, 1995: pp.25-28) in which it identifies twelve megatrends in the tourism. These megatrends can be observed nowadays. For instance, tourists are more conscious regarding environmental and social issues of the destination country. The demand for localized instead of globalized holidays is greater (see questions 12 and 13 of Appendix 3). Furthermore, demographic data shows that population increases yearly (see Appendix 16) (Department for Economic and Social Affairs. Population Division, 2012: p.1). More and more women are working, which augments the income of a household and the possibility to travel (ILO, 2012). On the other hand, social factors in Nepal determine how attractive the country appears to be for visitors. The results of the questionnaire show that most of the people associate Nepal with mountains, followed by colors, food and religious activities (see question 22 of Appendix 3). Next to Mount Everest, and the Himalayas, Nepal’s biodiversity attracts thousands of travelers yearly. Several festivals, such as Dashain are celebrated by both Hindus and Buddhists. As Giles (2013) explains Nepal’s society “[i]s a complex system where [...] cultural behavior is often informed by caste”. Thus, Nepal represents a country full of differences to the western world and is consequently an attractive tourism destination.

In terms of technological factors in tourism, means of transport and technological devices matter treatly when traveling abroad and have an influence on travel behavior in the visited country. UNWTO states that 53% of all international tourists in 2013 have traveled by plane, while 47% used surface transport (World Tourism Organization, 2014: p.4). Nepal is reachable by bus, car and plane via India, Tibet and other neighboring countries. The Tribhuvan International Airport in Kathmandu welcomed 74.5% of all international tourists to Nepal in 2012,

while only 25.5% arrived by land (Ministry of Culture, Tourism & Civil Aviation, 2013: p.6). Hence, the airplane as a means of transport is of great importance for Nepal's tourism. Freyer (2009: p.153) describes that communication is mainly used for bookings and in-house management. Telefax, Internet, data bases and other technological devices simplified booking procedures and influenced travel behavior significantly (Freyer, 2009: p.153). According to the collected data in the conducted questionnaire, online guides are mainly used to prepare a trip (see question 6 of Appendix 3). Besides a change in travel behavior, the technological device or channel, respectively, that influences the travel destination mostly is the Internet, while especially social media lead tourists' activities based on friends' recommendations and advertisement (see question 33 of Appendix 3). Regarding companies in Nepal, the so called load shedding harms businesses because the electricity is cut off for several hours, because the Nepali government is not able to provide enough electricity for its inhabitants (Auswärtiges Amt, 2014a). Electricity-based firms have to adapt to these load shedding hours accordingly.

The last factor that complements to a macro analysis of *LK*'s environment is ecological influence. As mentioned before, environmental awareness has risen and contributes to traveling behavior. Moreover, tourism businesses in Nepal depend heavily on the seasons. During monsoon season²³, only 6% of the year's entering visitors came to Nepal in July, the peak month of monsoon. Plus, Nepal is not a country known for its environmental-friendly circumstances. The Guardian recently published an article titled "Has Air Pollution Made Kathmandu Unliveable?" (Lodge, 2014). The article refers to the results of the 2014 Environmental Performance Index (EPI). The EPI visualizes that Nepal only ranks 177 out of 178 countries in the air quality criteria (see Appendix 17) (Yale University, 2014). With a score of 16.23 out of 100 possible points, Nepal's air contains 20 times more 500 micrograms per cubic meter than the World Health Organization claimed to be healthy (Lodges, 2014). These environmental issues tend to deter tourists from visiting Nepal.

²³ Monsoon season includes June, July, August and September (Mayhew and Bindloss, 2009: p.20)

However, although Nepal has faced and is still confronted with political, economic, environmental, ancient social and technological issues, it appears to be an attractive tourist destination.

5.2 Description of the Nepali Tourism Industry

Until 1951, Nepal's border remained closed for foreigners due to the military Ran dynasty (Bezruchka and Lyons, 2011: p.13, p.16). Only after the beginning of the 1950s did the tourism industry began to grow with Sir Edmund Hillary and Tenzing Sherpa being the first to climb Mount Everest, the world's highest mountain. In fact, the mountains are probably Nepal's number one attraction: 11,632 tourists went trekking in 2012 (Ministry of Culture, Tourism & Civil Aviation, 2013: p.49). That number has multiplied by nearly six within only 10 years. The same development can be observed in national parks and protected areas (Ministry of Culture, Tourism & Civil Aviation, 2013: p.53). Nepal has two cultural and two natural world heritage sights acknowledged by UNSECO (UNESCO, 2014). Kathmandu Valley alone has seven accredited cultural monuments (UNESCO, 2014). All these attracting factors contribute to the increasing tourist arrivals, especially with holiday purpose, since the Ministry of Culture, Tourism & Civil Aviation has started recording the data in 1962 (Ministry of Culture, Tourism & Civil Aviation, 2013: pp.5-6). Except two major declines²⁴, Nepal records sometimes slowly, but always moderate growth rates in tourist arrivals (see Appendix 18). It reached its peak in 2012 by welcoming 803,092 tourists (Ministry of Culture, Tourism & Civil Aviation, 2013: p.6). Most of the tourists arrive by air and stay 12.16 days on average in Nepal (Ministry of Culture, Tourism & Civil Aviation, 2013: p.2). They are primarily aged between 31 to 45 years. (Ministry of Culture, Tourism & Civil Aviation, 2013: p.2). 47% of the tourists in 2012 stated holiday/ pleasure as their main purpose of visit (see Appendix 18). While most non-Asian tourists come from the United States of America and the United Kingdom, India and China are the leading Asian countries that enter Nepal (Ministry of Culture, Tourism & Civil Aviation, 2013: p.2). Based on the figures of the Ministry of Culture, Tourism & Civil Aviation,

²⁴ These major declines can be explained by firstly, the royal massacre in 2001 and the followed military fights by the Maoists until 2008.

the number of star rated hotels has not changed since 2010; however, the amount of tourist standard hotels increased by 19 accommodations in Kathmandu Valley (Ministry of Culture, Tourism & Civil Aviation, 2013: p.100). The highest occupancy rate of hotels in Nepal can be observed in the months of March, October and November (Ministry of Culture, Tourism & Civil Aviation, 2013: p.90). It is necessary to mention that the number of tourists whose visit is not the first one appears to augment: 23.6% of the tourists visiting Nepal in the past came back in 2012 (Ministry of Culture, Tourism & Civil Aviation, 2013: p.3).

In terms of earnings, Nepal's international arrivals generated NPR 39.1 billion in 2013, equivalent to 21.1% of Nepal's total exports (see Appendix 19) (The Authority on World Travel & Tourism, 2014: p.1). Furthermore, travel and tourism employed 1,112,000 people (see Appendix 19) (The Authority on World Travel & Tourism, 2014: p.1). The total contribution of travel and tourism to Nepal's GDP accounted 8.2% in 2013, thus NPR 145.3 billion (see Appendix 19) (The Authority on World Travel & Tourism, 2014: p.3). Except the employment rate, all other indicators are growing and show a positively contributing tourism industry outcome (The Authority on World Travel & Tourism, 2014: p.14). According to UNWTO (2014, p.9), Nepal's tourists amount to 0.3% of all tourists arrivals worldwide.

5.3 Industry Trends and Long-Term Opportunities

The UNWTO forecasts a worldwide increase in tourist arrivals by 3.3% a year (see Appendix 20) (World Tourism Organization, 2014: p.14). In places with emerging countries, like Asia, this growth rate is expected to exceed 4.9% a year, outpacing developed countries (World Tourism Organization, 2014: p.14). By 2030, 57% of all tourists will choose a developing country as their destination (World Tourism Organization, 2014: p.14). South Asia's tourist arrivals will increase by 6.8% in the next 6 years and contributes 2% to the world tourism in international arrivals (World Tourism Organization, 2014: p.15). In 2020, Nepal will rank third among the most popular South Asian countries, with welcoming just under 2 million visitors (World Tourism Organization, 2001: p.11). These assumptions have been adjusted in 2014 by WTTC which says that Nepal might

expect around 1,346,000 tourists in 2024 (The Authority on World Travel & Tourism, 2014: p.5). Thus, Nepal is supposed to host approximately 1.3 to 1.6 visitors in the next 6 to 10 years. Nonetheless, Nepal's tourism industry will grow, in all probability. *LK*'s target group will therefore augment in terms of potential customers. The WTTC even forecasts earnings from tourism and travel to account for NPR 78.8 billion in 2024, a difference of almost NPR 40 billion (The Authority on World Travel & Tourism, 2014: p.5). These numbers present promising profits for *LK*'s business as well, because tourists appear to spend more on cultural activities at the destination. It is said that especially leisure travel spending²⁵ will grow: In 2014, leisure travel spending will generate NPR 103.5 billion with a 5% growth rate every year (The Authority on World Travel & Tourism, 2014: p.6). Based on WTTC's methodology, *LK*'s business has a direct impact on Nepal's GDP and can therefore contribute to Nepal's current employment situation by generating more jobs for tourist guides and maintaining those of shopkeepers that play an active role in the tours themselves. Travel and tourism will employ 762,000 directly by 2024 (The Authority on World Travel & Tourism, 2014: p.4). The total contribution of travel and tourism to Nepal's GDP is expected to exceed NPR 250 billion. Although these numbers are forecasted for the next ten years, the actual outcome in 2020 remains largely unclear. Nevertheless, *LK* must include raising tourist arrivals in its business concepts and a strongly competitive environment. This means more potential competitors, higher demand for cultural touristic activities and further price increases, considering the growing consumer price index that raised by almost 10% from 2012 to 2013 (Nepal Rastra Bank, 2013: p.xii). Regarding the long-term, *LK* can differentiate itself mostly by including its consumers' demand expectations. For instance, 73% of *LK*'s potential target group would like to participate in *LK*'s next tour "Eat Kathmandu" as they are interested in the Nepali kitchen (see question 24 of Appendix 3). Other themes tourists would like to see in *LK*'s tour variety include insider places, religion, architecture and education. As a result, *LK* should consider the above-mentioned wishes.

²⁵ Leisure travel spending includes domestic and international travelers.

6 Future Strategies

6.1 Objectives

| Economic Goals ²⁶ | Socio-Economic Goals | Social Goals |
|--|---|--|
| <p>Market Position</p> <ul style="list-style-type: none"> • 3 tours/week (12 tours/month) (ST) • 18-21 tourists/week (72-84 tourists/month) (ST) • 100% market share in market of theme-based walking tours (ST) • star in BCG matrix (MT) | <p>Basic Principles</p> <ul style="list-style-type: none"> • BEP: 3 tours/week, 7 tourists each (ST) • public service: 10% of profit flows into social projects in Nepal (ST) • increase cultural education of tourists (MT) | <p>Employee-Related</p> <ul style="list-style-type: none"> • 100% job satisfaction (MT) • social security due to NPR 1,400/ tour to tour guide²⁷ (ST) • personal development: educational audits, evaluations (ST) |
| <p>Achievement</p> <ul style="list-style-type: none"> • EBIT²⁸: NPR 8,059.8 (week), NPR 32,239.2 (month) (ST) • ROS: 50% (ST) | <p>Health</p> <ul style="list-style-type: none"> • 25min. break/tour (ST) • guide carries 2 water bottles (ST) • 1-2 days break between the next tour (ST) | <p>Society</p> <ul style="list-style-type: none"> • social business: e.g. tour guide training for theme-based walking tours (MT) • no corruption: quarterly inspection of books (ST) |
| <p>Finance</p> <ul style="list-style-type: none"> • credit ranking: above 50 points (TE system)²⁹ (MT) | <p>Politics</p> <ul style="list-style-type: none"> • internal and external democratic management, e.g. democratic decision making (ST) • gain participation in/ from NATTA, ACP (MT) | <p>Psychographic</p> <ul style="list-style-type: none"> • exclusive image (MT) • ecological-friendly: using rickshaws (ST) • 90%-100% customer satisfaction assessed by evaluating tours (ST) |

Table 2 – *LK*'s basic categories of corporate goals according to Freyer (2009: p.362)

²⁶ Since *LK* currently operates "Experience Kathmandu", the economic goals are entirely related to that tour only.

²⁷ This amount derived from conversations with Sapkota in which he stated that tour guides are paid much less than necessary to be financially secured.

²⁸ EBIT at a price of NPR 800 per person and at full capacity, meaning 3 tours a week with 7 tourists each.

²⁹ According to the TE system that includes the average grade credit ranking agencies have given and economic indicators, like exchange and inflation rates, Nepal's credit rank lies at only 15 points (Trading Economics, 2014).

LK is in the early stage of development, and several objectives and goals are leading the company's business. Freyer divides objectives into economic (quantitative) and non-economic (qualitative) ones and creates basic categories of corporate objectives (2009: pp.361-362). Such a basic framework includes economic goals, socio-economic goals and social goals (Freyer, 2009: p.362). The diversified goals illustrated in Table 2 can be considered as short-term (ST) and medium-term (MT) goals. Short-term goals shall be realized within the following year and continue the following years and medium-term goals within the next 2-3 years. An overall market growth can be identified as one of *LK*'s economic goals. The company wants to maintain its current niche and thus, exclusive market position and develop itself from an unknown publicity and reputation status into a star according to the Boston Consulting Group (BCG) matrix (see Appendix 21). Within this year and next, *LK* wants to operate the tour "Experience Kathmandu" three times a week with at least three, but no more than eight, tourists participating, so that earnings before income and taxes account for NPR 32,239.2 per month. In terms of socio-economic goals, *LK* wants to start saving 10% of its monthly gross profit that shall later go to social projects developed within the tour operator's business, but with the aim of improving the current overall tour guide employment situation as well as protecting cultural heritage sites. Internally, both *MD* as well as its sub-branch *LK* pay above-average salaries to tour guides and aim to maintain that level of NPR 1,400 per tour. Moreover, *LK* shall achieve an exclusive and localized image by showing rather hidden places and involving tourists in local storytelling. The level of appreciation and demand for improvement can be identified by conducting short evaluation questionnaires after the tour.

In 1981, Doran set a foundation for a successful management process within an organization. In his article in *Management Review*, he proved that "There's a S.M.A.R.T. way to write [...] goals and objectives" (Doran, 1981: p.35). He says objectives should be specific, measurable, assignable, realistic and time-related (Doran, 1981: p.36). It is for that reason that specific parts of *LK*'s objectives regarding finance (economic), operations (socio-economic) and society (social) are further identified and measurably explained in the following.

6.2 Strategic Measures

6.2.1 Economic Goals

It is *LK*'s overall business goal to generate profit and to increase it, respectively. To be more precise, *LK* aims to work at full capacity. That means, Badri Nepal operates the "Experience Kathmandu" tour three times a week, on Sunday, Wednesday and Friday. Due to narrow streets and a high volume of traffic, *LK* decided to limit the number of participating tourists to seven people maximum. However, three visitors are needed to reach the break-even point, meaning to make a profit (see Appendix 22). Assuming that, 72 to 84 tourists book the "Experience Kathmandu" theme-based walking tour each month, *LK*'s earnings before income and taxes accounts for NPR 32,239.2. To assess *LK*'s profitability, the return on sales has to be calculated and should equal 50 cents of the profit per NPR of sales. According to Doran's S.M.A.R.T. principle, *LK*'s short-term goal can be visualized as follows:

| Specific | Measurable | Assignable | Realistic | Time-Related |
|-------------------|---|-------------------|--|--|
| use full capacity | numbers of tours and participating tourists per month | Badri Nepal | EBIT = NPR 32,239.2/ month ROS = 50% | immediately implementable, evaluable at the end of each month |

Figure 3 – Economic Goals according to Doran's S.M.A.R.T. principle

6.2.2 Socio-Economic Goals

Currently, the most important and immediately implementable socio-economic goal of *LK* is represented by the aim of assuring safety during the walking tour. As Kathmandu's streets are narrow and even back streets can experience traffic jams during rush hours, *LK*'s ultimate ambition is to safely present the city's hidden places. It is for that reason that *LK*'s founders decided by majority to include an obligatory break time of 25 minutes in total, with 10 minutes being used for personal shopping along the way and 15 minutes for sanitary and nutrition needs. The tour guides are urged to carry two drinking water bottles to

water themselves, but also stranded tourists. In order to ensure an accident-free tour, the tour guide offers the tourists a brief safety tutorial at the very beginning of the tour. Based on Doran's S.M.A.R.T. principles, the health goal can be illustrated as follows:

| Specific | Measurable | Assignable | Realistic | Time-Related |
|--------------------------------------|--------------------------------------|-------------------|--|--|
| assure safety of tourists and guides | abide by break time and water supply | Badri Nepal | no accidents, no complaints regarding breaks | immediately implementable, evaluable at the end of each tour |

Figure 4 – Socio-Economic Goals according to Doran's S.M.A.R.T. principle

6.2.3 Social Goals

A medium-term goal is demonstrated by aim of developing social business to be created within the *LK* business itself. Although one of the tour operator's main aims is to generate profit, another important goal is to assure social security and to start within the business itself. *LK*'s founders decided to save 10% of the monthly profit and to reinvest it in *LK*. A present idea is to offer tour guides registered at the Tourism Board Nepal training courses in which they can enhance the present knowledge about the city, and take that knowledge to further develop an intercultural understanding of which unknown, local stories and cultural aspects of Nepal shall be taken into the tourists' memories. In addition, *LK* plans to establish an educational tour in which foreigners can support disenfranchised children other than by simply giving them money³⁰. This goal will not only contribute to *LK*'s reputation as a localized tour operator, but it might also be a step forward toward creating a Nepal in which people are treated equally. The goal of creating social business meets Doran's S.M.A.R.T. principle as follows:

³⁰ For example, other ways than supporting disenfranchised children financially are by involving them in *LK*'s tours in letting them show their preferred hidden places and thus, keeping them busy and away from sniffing glue, a drug widely used by children living on the streets of Kathmandu (Rai et al., 2002).

| Specific | Measurable | Assignable | Realistic | Time-Related |
|--|---|--|--|--------------------------|
| create social businesses within the business | reinvest 10% of <i>LK</i> 's monthly gross profit | Lisa Neubert, Sudeep Tamrakar, <i>MD</i> | higher company awareness, specification of <i>LK</i> 's targeted tour guide profile, contribution to educational system in Nepal | approximately in 2 years |

Figure 5 – Social Goals according to Doran’s S.M.A.R.T. principle

7 Marketing Strategy Decisions – Marketing Mix

7.1 Marketing Mix in the Tourism Industry

Nowadays, the term “marketing mix” frequently appears in literature (Kotler, 2011: pp.191-193; Rüggeberg, 2003: pp.123-124; Freyer, 2009: pp.414-417; Kuss, 2001: p.272). The initial definition was developed by Borden and Culliton and argues that marketing is not responsible for choosing the most appropriate measures out of all marketing measurement systems (in Freyer, 2009: pp.415-416). In fact, marketing managers, also titled as “mixer of ingredients” by Borden and Culliton, have to develop a harmonic combination, the so called “tasty result”, of all existing marketing instruments (in Freyer, 2009: pp.415-416). While Freyer draws upon Borden’s and Culliton’s definition, Kotler (2011: pp.191-192) says that the marketing mix is the entirety of all strategic tools that are used to cause certain reactions at the consumers’ end. Nevertheless, Kotler (2011: pp.192-193), Freyer (2009: p.414) and Rüggeberg (2003: p.123) agree that a standardized grouping of four major marketing elements has evolved over the last decades. These four marketing instruments – the four Ps – consist of the product, price, promotion, and place (Kotler, 2011: pp.192-193).

While this approach is often used for consumer goods, three additional Ps have been added by Booms and Bitner (1981): Physical evidence, process, and people (in Lancaster and Reynolds, 2005: p.108). The need for an emerging extension is mainly derived because services show specific characteristics that consumer goods cannot identify with. Services are intangible, inseparable, variable and perishable (Lancaster and Reynolds, 2005: pp.107-108).

Based on the traditional grouping, the first P contains the product. The product presents the entity of all products and services that a company offers on the market (Kotler, 2011: p.192). It varies in quality, design, name, guarantee, customer service and packaging (Kotler, 2011: p.192). The second P embodies the price. The price is the amount of money that a consumer pays to receive the product (Kotler, 2011: p.192). Kotler (2011: p.192) mentions that the price is never a stable component set by the supplier. It usually arises based on consumer behavior, and thus negotiation (Kotler, 2011: p.192). There is an ongoing

strenuous effort to balance profit, competition and value perception by customers (Kotler, 2011: p.192). The place involves all activities and efforts to make the product available on the market and hence allows consumers to purchase it (Kotler, 2011: p.193). The last P of the 4-part system is the promotion, those marketing-related actions that transfer the value of the product to the customers' minds (Kotler, 2011: p.193). These actions are always operated in a way that new consumers can be gained and existing ones maintained or transformed to repeat consumers, respectively.

The tourism marketing expert Freyer describes the 7-part system based on Pompl's (1996: pp.48-49) recommended usefulness of such a system in the tourism industry. People or participation, physical evidence and process complete a harmonic combination of marketing instruments in the above-mentioned industry. Narrowed down to the area of tourism, Freyer (2009: p.426) identifies that the fifth P – People – includes “the attendee of touristic services (the tourists) [who] are influenced by other people (people) that participate in these services (participation)”. He continues by specifying that the participation might consist of other travelers and consumers as well as the locals themselves as their hospitality affects the overall travel and service satisfaction of the tourists (Freyer, 2009: p.426). Moreover, Shanker adds employees as a part of the fifth P. He defines the self explanatory term physical evidence by agreeing with Shostack who says that “service[s] cannot define for itself” (in Shanker, 2002: p.77). Pompl (1996: pp.53-54) lists several factors that have a direct impact on the physical evidence: Next to landscapes, climate and other geographical factors, the architectural conditions of a house like size, color, and design play a major role in consumers' satisfaction. Furthermore, the environment around the service like noises, light and surrounding conversations can affect the touristic experience as well. Tools and supplies of work, the appearance of employees, including clothing and age, as well as symbols and licenses, like the membership of an association or certifications add value to physical evidence (Pompl, 1996: pp.53-54). The last P – the process management – ensures that the service is available for consumers and the quality is consistently improved (Shanker, 2002: p.82). In the context of tourism, that means that services should not be considered at one point in time,

but rather as a dynamic process that evolves over time, season, culture and environment (Freyer, 2009: p.426).

Doing marketing in a foreign country can require additional modification and customization of marketing instruments and implementation strategies (Kotler, 2011: p.1,099). The following chapters focus on a customized marketing mix for *LK* that can successfully be implemented in the Nepali tourism market.

7.2 Product

According to Freyer (2009: pp.432-435) product policy in tourism can rather be referred to performance policy as the service is foregrounded. The product policy consists of three main steps (Freyer, 2009: p.434):

1. Performance Chain
2. Level of Performance
3. Overall Performance

Freyer argues that the product policy has to be done in three stages, whereas the first stage involves time-related phases in which the service is prepared, operated and evaluated (performance chain), the second stage focuses on the core service and the nowadays more important secondary services (level of performance) and the third stage assesses which parts of the product policy have to be maintained, traded up or traded down.

Performance Chain

The performance chain is composed of the three phases (Freyer, 2009: p.438). The preparation phase prepares the tourists for the service; the implementation phase is the execution of the services at the touristic destination; consumer impressions and satisfaction belong to the result phase (Freyer, 2009: pp.67-68). Based on Freyer's model, *LK*'s overall performance can be simplified in the following way:

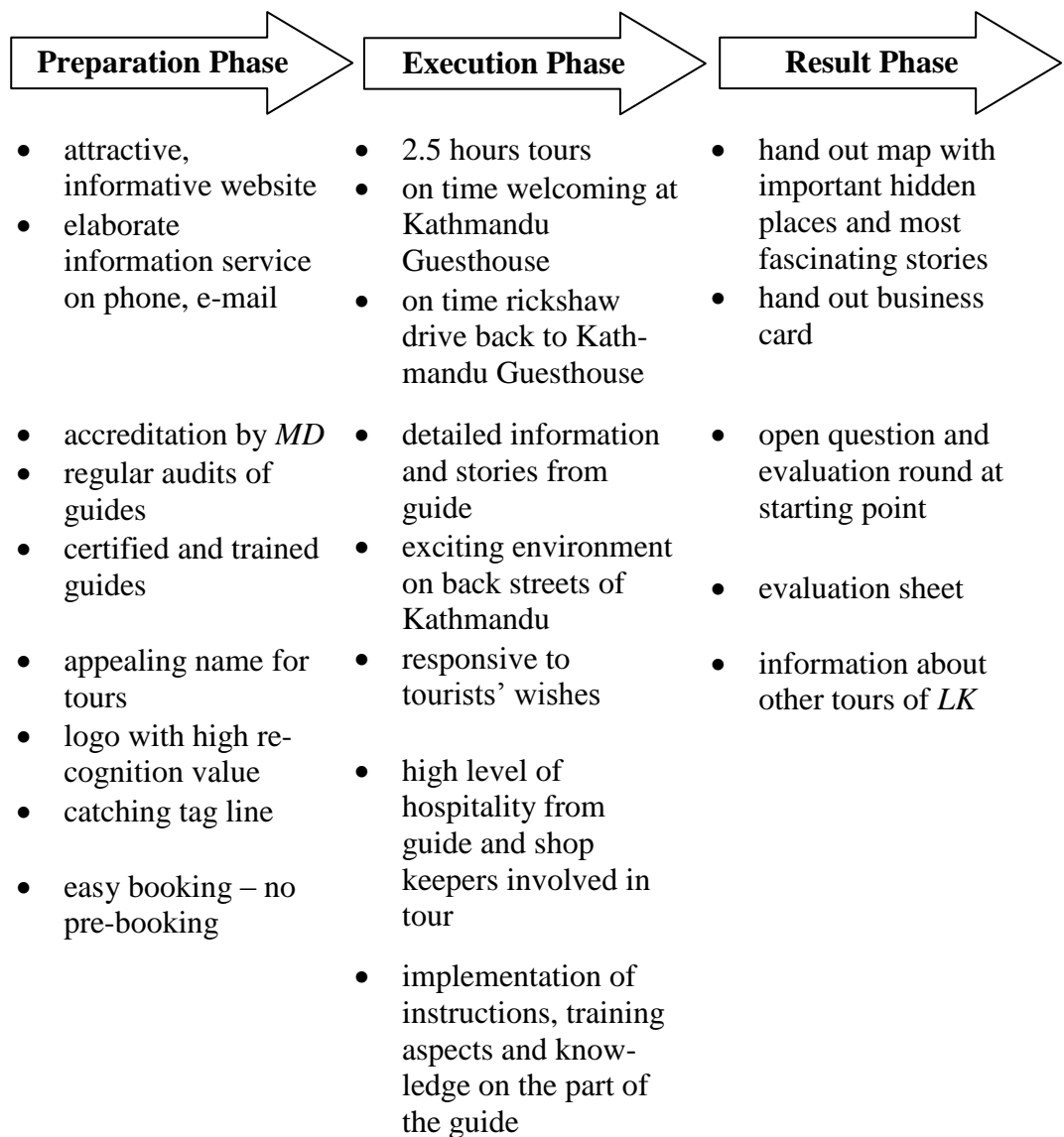


Figure 6 – *LK*'s Performance Chain According to Freyer (2009: p.438)

In the preparation phase, *LK* can boost the number of participating tourists by preparing their booking as attractive, easy and time-saving as possible. Measurements that increase trust, credibility and competence start with customers' first contacts with *LK*. That is *LK*'s website www.lovekathmandu.org, through which the tourist can easily navigate. The founders of *LK* emphasized the visuals and included less elaborated text paragraphs. Big fronts have been chosen to create an organized and simple website design that offers visitors information in the fastest and easiest way. Moreover, interested consumers can call *LK* or write an email to receive further information about the tours. Another credible measure is the no pre-booking assurance. Although pre-booking does assure a seat

in the tour, it obligates the customer to appear regardless the weather, health or other external factors. This is why *LK* has decided to offer no pre-booking tours to which customers can spontaneously show up. It simplifies the booking process and interested tourists are not necessitated to participate exactly on this date. Reliability plays a major role in the tourism business as it is principally based on guarantee promises. *LK* cooperates with the already existing, well-known and accredited tour operator *MD*. In addition, *LK* only hires tour guides that have been trained and certified by NATHM. It executes regular audits, especially before a new tour is implemented, to ensure that the guide understands the concept and to clarify questions from the guide himself. These provisions create a higher level of credibility and trust in *LK*. The importance of branding has been put forward enormously within the last years (Freyer, 2009: p.441). Consequently, the *LK* name as well as its tours' names, logo, tag line and mantra have been chosen carefully. The name evolved in early discussions with *Sattya*, and has been finally selected by all three founders of *LK*. The main criteria for agreeing on the name Love Kathmandu included the feelings that come about when hearing the word love, the associations people draw to Kathmandu, and the simplicity of the word love itself. The logo was formed by evaluating other logos of start-ups in Kathmandu (see Appendix 23). All these combine simplicity with art and youth. It is for that reason that *LK*'s logo remained as simple as these, but comprises the most essential element when thinking about walking tours – feet (see Appendix 24). The mantra directly confronts the customer with what he or she can expect on the tours, “the hidden”. The tag line “Kathmandu Starts With You” builds up a personal and actively involving relationship with the potential customer.

In the execution phase, the task allocation shifts from the managers of *LK* more towards the tour guide, as he presents the company during the tour. Consequently, the tour itself has to be planned as elaborately as possible, but leaving space for customers' wishes and short notice changes. The main task during the tour is to operate it within a 2 to 2.5 hours time frame and include the information and stories listed in the itinerary. Additionally, the tour guide has to arrange an on time welcoming at Kathmandu Guesthouse and an on time return back to the starting point. External factors like the noises and crowd on the streets of

Kathmandu can have a negative influence of the customers' experience. Hence, the tour guide has to be responsive to their wishes and change parts of the itinerary or the way of his expressions in order to support positive feelings. A high level of hospitability can be expected from the shop keepers *LK* cooperates with. This conclusion has been drawn from the first tours and the frequently reported affection of the Nepalese (see question 22 of Appendix 3). Since a total error avoidance in the tourism industry is most likely not possible due to the fact that tourism is always directly linked to external influences like weather or psychographic variables, it is even more essential to assure an implementation of the tours in which flexibility and customer wishes come to the fore (Freyer, 2009: p.447).

The result phase concentrates on customer satisfaction that derives from meeting or even exceeding their expectations. By offering an open evaluation in which a customer can complain or express their feelings, *LK* can assess the overall performance of the tour guide as well as of the managers' preparation regarding the tour itinerary. It is rather unlikely that *LK* generates repeated customers. That is why it is of great importance to hand out something that they can take home with and in case of exceeded or satisfied expectations even recommend to others in their country of residence. *LK* decided on creating a business card and a map which highlights the visited hidden places (see Appendix 9).

Level of Performance

The level of performance is measurable on the basis of the core service and the secondary service (Freyer, 2009: p.452). The core service is the actual product that offers the basic performance or benefit, respectively. Secondary services are on the one hand perceivable (secondary service I) and on the other hand conceivable (secondary service II), while perceivable is everything that the tourist can see, feel, hear, smell and taste, and conceivable includes feelings associated with the activity, like self-development, image of the company or luck (Freyer, 2009: pp.459-460).

Secondary services related to *LK* refer more to future perceptions and conception due to its early stage of development. In the following, *LK*'s core and secondary service is illustrated based on Freyer's theoretical approaches.

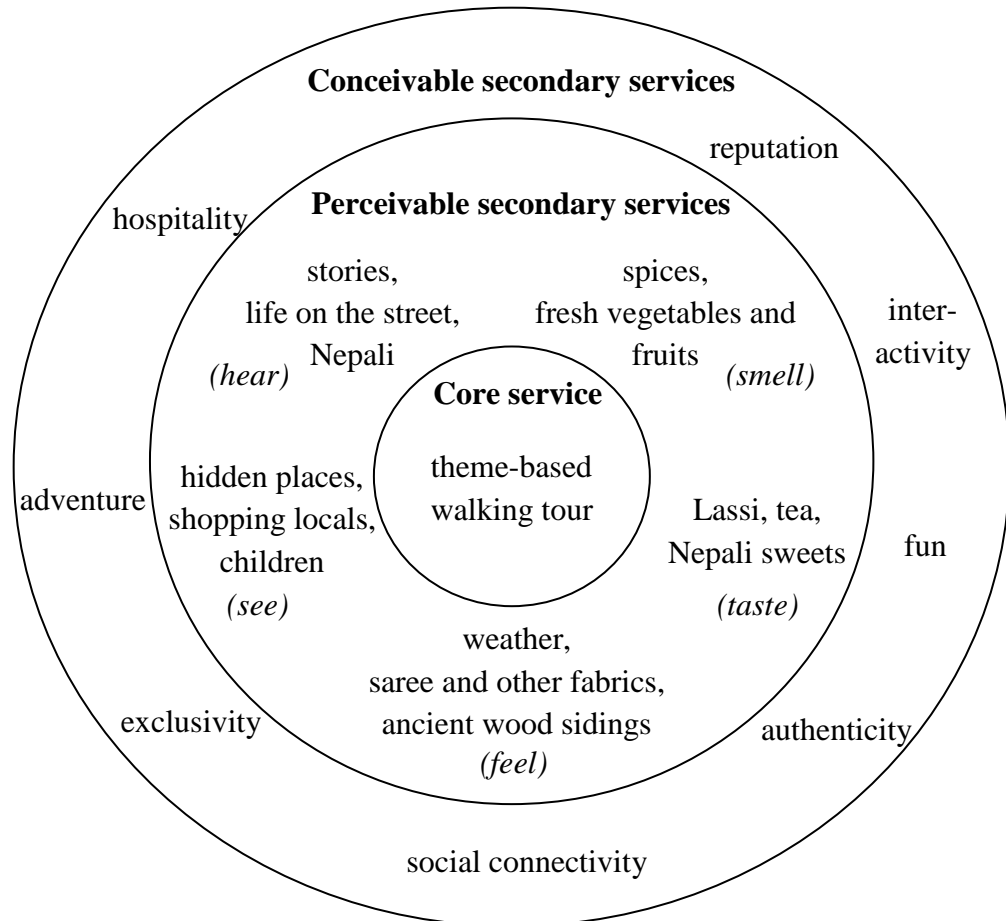


Figure 7 – *LK*'s Level of Performance

Besides *LK*'s core service – providing theme-based walking tours through Kathmandu city – the tour operator aims to reach tourists with all five senses. They should listen to their stories while the locals continue their daily life and the guide shows hidden back streets. Visitors should be actively involved by tasting Nepali sweets and trying on a saree³¹. All these cognitive experiences lead to emotional reactions. The latter might include an authentic feeling of the Nepali culture, exclusivity as hidden places are shown and social connectivity.

³¹ A saree is a traditional cloth that Nepali women wear. It is made out of an about 2.5-3 meters long piece of fabrics that is tight around the body according to a specific technique.

Overall Performance

To evaluate the performance of a tourism service company, the service palette, the service quantity, quality and the current position in the market have to be assessed (Freyer, 2009: pp.466-467). It has to be decided which areas shall be maintained; improved or enlarged; degraded or reduced (Freyer, 2009: pp.466-467).

| Maintained | Improved/ Enlarged | Degraded/ Reduced |
|-----------------|--|-------------------|
| service quality | service palette service quantity service positioning | – |

Figure 8 – *LK*'s Overall Performance Policy

LK wants to maintain its service quality since it presents the sub-branch's USP. However, based on following evaluation collected from tourists, this decision might shift towards an improvement. Regarding *LK*'s product palette, the tour company aims to enlarge the current product variety. As already mentioned in chapter 2.1.2 *Love Kathmandu*'s tour concept, tours like "Listen to Kathmandu" or "Eat Kathmandu" are planned, but not yet established. The service quantity has to be enlarged as *LK* will need more tour guides to meet that service palette goals. One tour guide shall operate one theme-based tour, three times a week. Chapter 6.1 Objectives shortly states that *LK* intends to reach the position of a star according to the BCG matrix. At the moment, *LK* is at the very beginning of its business. Based on the fact that it serves a niche and is a first-mover in the market of theme-based walking tours, its market share equals around 100%. However, its reputation level is low, thus its growth rate only increases slowly. It is for that reason that it is situated between a question mark and a star as of June 2014.

7.3 Price

The price is determined by three dimensions (Freyer, 2009: p.478).

1. Phase-Oriented Pricing
2. Price Determination
3. Types of Price Policy

The first dimension includes the preparation of pricing of a service; in the second stage the marketing department sets the price according to theoretical frameworks; lastly, the price is positioned (Freyer, 2009: p.478).

Phase-Oriented Pricing

Similar to the performance chain in the service policy, the intensity of the phase-oriented pricing depends on the three stages specified by Freyer (2009: p.482).

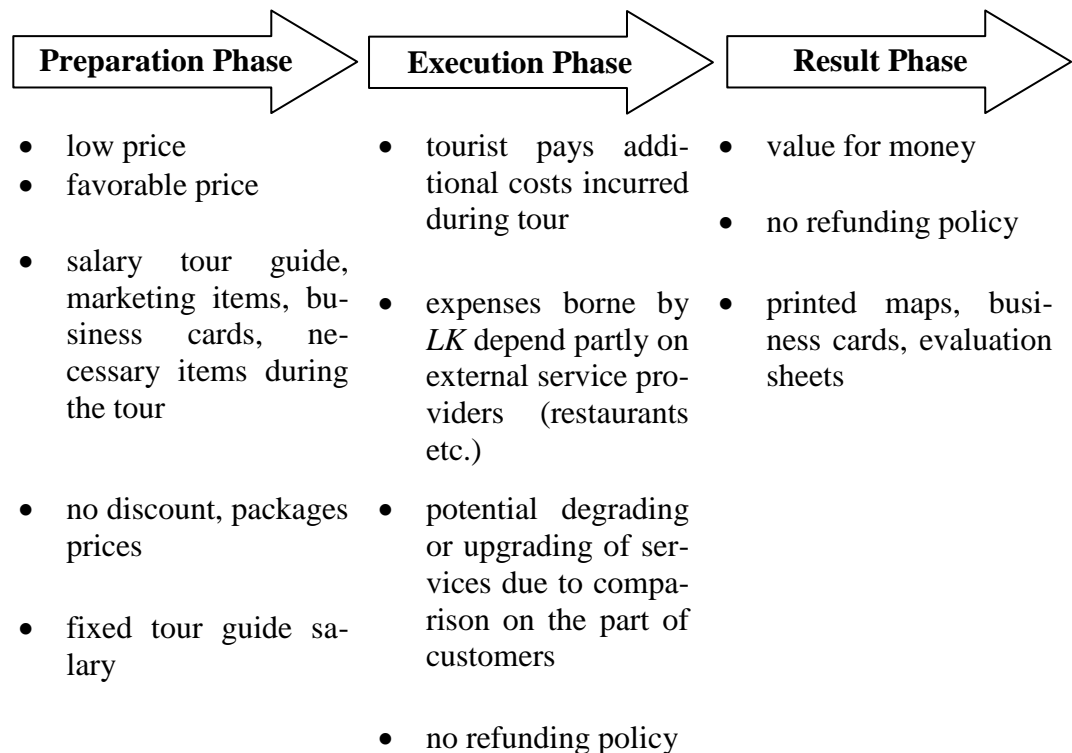


Figure 9 – Phase-Oriented Pricing of *LK*

LK aims to create a value for money position in its customers' minds. Compared to other tours³², *LK*'s tours are priced accurately. From a competitive perspective, one might even say it is low and favorably priced. Attributable costs include the tour guide salary that is fixed at NPR 1,400, costs for incurring printing of business cards and costs for items needed during the tour. Hence, regardless how many tourist participate in the tour, these costs incur anyway and have to be covered by *LK*'s earnings. It presents a kind of financial dependence which compels the manager to attract the targeted customers. Lastly, *LK* does not offer

³² As a comparison, *socialtours*' prices range from US \$10 to US \$60 (*socialtours*, 2014).

any discounts or package prices since the no pre-booking policy supports a spontaneous, non-pushing booking system.

In the execution phase, several additional costs may incur that are not caused by *LK*. Shopping, additional food or drinks bought during the tour or souvenirs are not paid by the tour operator, but have to be borne by the tourists themselves. On the other hand, *LK* may have to increase its price, in case external service providers augment their prices. These external service providers might be restaurants that *LK* includes in its operations or touristic attractions for which charges might occur in the future. Thus, *LK* depends on external price policies as well. Generally, the tour operator does not provide any refunds. That means the service has to be paid at the beginning of the tour. In case the tourists' expectations are not met, *LK* is not responsible to pay back the value that customers perceive as a loss. It might be considered as a risk to not have a refunding system for as tourism services are “ephemeral, viz. they are time- and environment-dependent” (Freyer, 2009: p.484). However, the price is set at a low level, so that a potential loss will turn up minimal. Potential dissatisfaction and an associated comparison to other already used tour operators is a risk *LK* is aware of.

The result phase clarifies if the customer's expectations were met and consequently if he or she experienced an accurate value for money. This can be analyzed by assessing the customer's satisfaction with the help of the conducted evaluation sheet. The refunding option is not available in the result phase. Likewise, the aftercare operations necessitate the printings of the created maps as a give-away for the customers as well as business cards and the evaluation sheets. The results of the evaluation and occurred complains verify a reasonable value for money.

Price Determination

There are two major approaches on price determination. The first one is the classical microeconomic theory of pricing that lacks in realistic validity and reliability (Freyer, 2009: pp.487-488). The second approach is the practice-oriented pricing method that is nowadays used more frequently (Freyer, 2009:

p.488). The microeconomic pricing is not suitable for tourism companies, because it assumes that products are homogenous and it is too static to react on fast changing demands in the market (Freyer, 2009: p.498). Hence, *LK* will not apply this approach. The tour operator rather favors the practice-oriented pricing method, although it is mainly considered from an internal perspective. It utilizes a composition of cost- and market-oriented pricing. *LK* aims to reach its target group emotionally by demonstrating to them a view of Nepali culture. That is why, the new behavioral or psychographic, accordingly price determination method has to be taken into account as well.

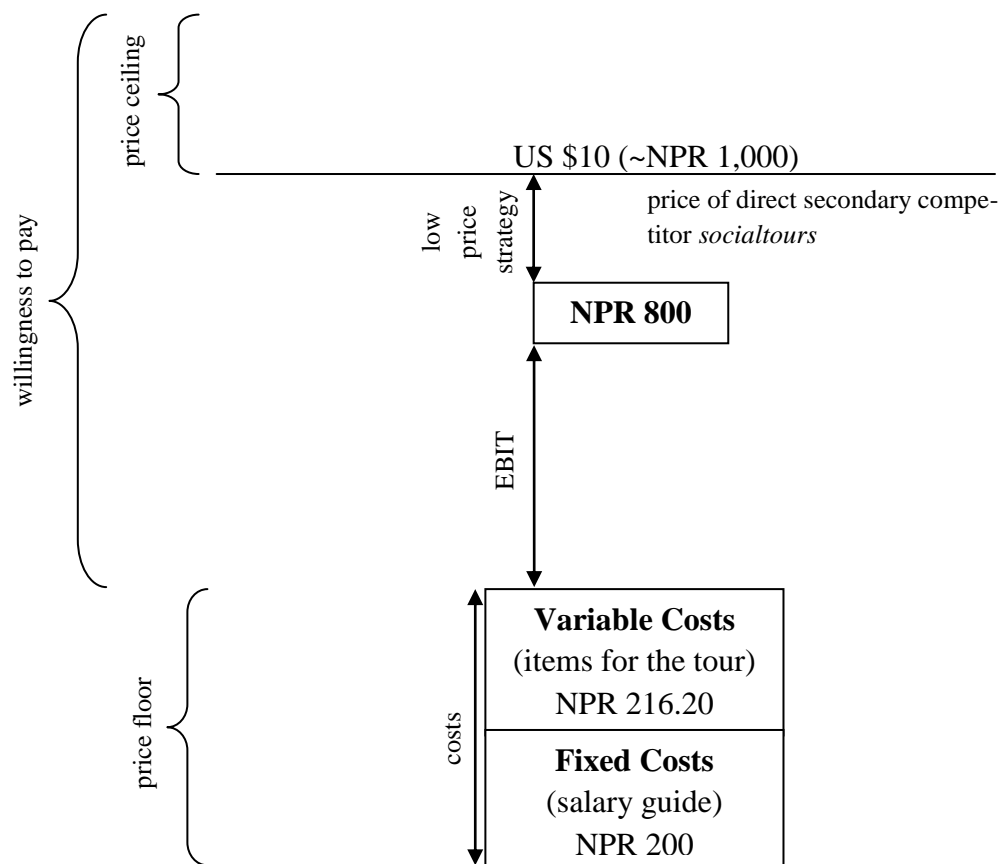


Figure 10 – *LK*'s Pricing Policy (“Experience Kathmandu tour” for one tourist)

Figure 9 visualizes *LK*'s price policy that includes practice-oriented and behavior-oriented pricing methods. Firstly, *LK* has to cover its expenses (see Appendix 22) according to the cost-oriented approach. *LK*'s costs involve fixed costs, such as the salary for the tour guide (a total of NPR 1,400 per tour), and variable costs. The variable costs of NPR 216.20 per tourists include items and food and drinks,

which the tour operator provides during the tour. These vary according to external providers, and can therefore be called public cost elements. If these costs are covered, what remains are earnings per tourist that account for NPR 383.80. What is not considered and hardly priceable are intangible and qualitative elements (Freyer, 2009: p.492). Intangible is primarily the knowledge the guide transfers to the customers and the effort behind the process of creating a tour itinerary. Unlike hotels rooms with ocean views, *LK* does not charge for qualitative elements for as this is the service it offers. The sub-branch applies further the market-oriented pricing method. This method can be distinguished between to sub approaches: the competition-oriented pricing and the demand-oriented pricing. It is *LK*'s intension to offer services at favorable prices. Hence, it wants to be considered as a rather low priced tour operator. The main competitor is the direct secondary competitor *socialtours* whose cheapest tour "Splice of Kathmandu" is purchasable at a price of US \$10. Thus, *LK* has to be priced under this amount and decided to start it market entry with NPR 800, and consequently is presently the lowest priced tour operator in Kathmandu.

LK also assigns its cost according to customers' behavior. Bänisch (1989, p.4) says that there is a stimulus (S) that causes a not visible process in an organism (O) to react in a specific way (R). This S-O-R model has been taken on by Diller (2000: p.137) who categorizes different components of behavioral or psychographic pricing: active components like price experience and interest, cognitive components like price perception, price knowledge and price evaluation and lastly, price intension that includes the willingness to pay, price preferences, satisfaction and trust. While active components are hardly controllable except from the customers themselves, cognitive elements can be determined by the company who is then in the position to increase the possibility of purchase. *LK* has an influence on the price perceived by its customers. By choosing round prices (e.g. NPR 800 and not NPR 799), the price perception lies on the first number on the left side (Freyer, 2009: p.503). Although one could argue that *LK* should set the price at NPR 799, one has to take into account that all prices in Nepal are rounded. Therefore, fractional prices might be perceived conspicuous. Generally, *LK* intends to create a fair and favorable value for money, so that

participating tourists are satisfied with their purchase. Based on the conducted questionnaire, the price floor lies at a range between NPR 500 and NPR 900. 67% of the participants are willed to pay a price that lies between NPR 1,000 and 2,000; 43% limit the price range between NPR 1,200 and NPR 1,500. As this accounts for the majority, it can be regarded as the price to which *LK* should be geared to. Although six people would pay NPR 4,000 or NPR 5,000, this range rather presents the price ceiling for as it exceeds the competitor prices, and is thus, not favored.

Types of Price Policy

Among four pricing strategies – premium strategy, skimming strategy, economy strategy and penetration strategy³³ – *LK* has chosen the penetration pricing strategy. This decision relies on its market position as a first-moving niche player. Due to its relatively low costs of NPR 416.20 per tourist, *LK* is able to penetrate the market demand by offering the lowest price for theme-based walking tours on the tourism market. Once, the brand awareness exists, it aims to increase its prices according to the demand. As results in the questionnaire show, a price charged between NPR 1,200 and NPR 1,500 still generates the targeted willingness to pay, but results in higher earnings.

7.4 Promotion

Promotional marketing tools determine how the message of a company reaches its audience (Freyer, 2009: p.555). There is a sender, *LK*, who formats the message, which is then transferred to and processed by the receiver, the tourists; finally, a feedback in form of a purchase, the booking of a tour, takes place (Freyer, 2009: p.553). This process supposedly happens according to the AIDA³⁴ principle.

³³ According to Freyer (2009: p.508), the premium strategy is used for high qualitative services with claim for premium status. Temporary high prices specify the skimming strategy which bails out purchasing consumers, before lowering the price to market average level (Freyer, 2009: p.509). Economy strategies are used to generate more sales (Freyer, 2009: p.509). Is this strategy used to enter a market, it is called skimming strategy (Freyer, 2009: pp.509-510).

³⁴ The AIDA principle was developed by E. St. Elmo Lewis in 1898 (Baldock, 2011: p.24). Attention (A), Information (I) and Decision (D) are phases that tourists run through before they take action (A) (Baldock, 2011: p.24). In the first stage, the tourists are adverted to *LK* tours by recommendations of friends, for example. Next, *LK* provides specific information on the tours.

Principally, *LK*'s promotional policy shall be based on the following question: Who (sender) says what (message) to whom (receiver) by which channels (communication channel) in which situation (external environment) and to which extent (effects) (Freyer, 2009: p.555). According to Freyer (2009: pp.556-557) the answer lies in a detailed analysis of four main marketing tools:

1. Corporate Identity
2. Sales Promotion
3. Public Relations (PR)
4. Advertisement

While a positive corporate identity is simultaneously the foundation and the result of successful promotional activities, PR, advertisement and sales promotion represent necessary tools to deliver the message and thus generate sales (Freyer, 2009: pp.556-557). Promotional activities are closely related to Osterwalder's channel building block in which the type of delivery of the value proposition is described (Osterwalder and Pigneur, 2009: pp.26-27).

Corporate Identity

Corporate Identity, corporate image to be specific, is primarily built in the potential phase and the result phase (Freyer, 2009: p.559). It is usually closely connected with the term corporate image (Freyer, 2009: p.565). The image of a firm represents the attitude of customers or other groups towards specific services or products and their performance (Freyer, 2009: p.565). Therefore, an image has to build up strongly to remain the company's competitive position in a market. As of now, *LK* has not created a corporate identity in its customers' minds. However, it intends to create one, consisting of three positively contributing components: corporate design, corporate behavior, and corporate communication. In terms of corporate design, *LK* uses an attractive, simple, modern and easily recognizable design in all its printings, and online presentation. Less text, powerful messages and the font Regencie shall provide an effective recognition value (see Appendix 25). Corporate behavior deals more with external comporment. *LK* aims to

Then a decision takes place on which date and tour the potential customers prefer. Lastly, the booking is done directly from the tour guide on the date of the purchase of the tour.

establish a customer-friendly service that is not only done by an elaborated information provision or great hospitality, but also implements what it promises: Kathmandu Starts With You. That means the tour operator wants to encourage its tourists to actively participate in the tour. The secondary service should be easily perceivable. These intensions have to be communicated by not only being present on the tourism market, but by rather using promotional marketing tools effectively. In doing so, *LK*'s target image shall be valid³⁵, credible³⁶, simple³⁷, attractive³⁸ and unique³⁹ (Freyer, 2009: pp.573-574). Whether the targeted image correlates to the actual image will be evaluated at the end of every month when the evaluation sheets of one tour are assessed.

Sales Promotion

Sales promotion and advertisements are closely linked to each other. However, unlike advertisement, especially sales promotion plays a more important role during the execution phase in which the tour actually happens. *LK* can support the sale of its tours by promoting its staff, the sale itself, by doing direct visible promotion for its customers and undertaking effective PR measures⁴⁰ (Freyer, 2009: p.579).

Staff promotion can lead to higher qualitative services, and is for that reason an essential promotional factor for *LK*'s business. In order to reach a high performance level, the guides are given an itinerary that includes precisely all elements of the tour (see Appendix 1). Before a newly implemented tour takes place, the founders of *LK* do the tour themselves for the guide and explain why and how certain elements have to be mentioned and showed. Additionally, *LK* could provide several incentives to raise the level of motivation and enthusiasm. Financial incentives do not seem to correspond with *LK*'s social business aspect.

³⁵ It shall present what it guarantees.

³⁶ It shall be believable. That means *LK* will not include very popular sights as these are not part of the concept.

³⁷ It shall stand for an insight into local rituals and lives.

³⁸ As its mantra says: "Come and experience the hidden" (Love Kathmandu, 2014).

³⁹ By showing tourists hidden back streets combined with local stories, *LK* differentiates itself from other tour companies.

⁴⁰ Public relation measures are discussed after the advertisement activities.

Hence, *LK* could provide the tour guides with lunch after the tour and acknowledge their work and performance by presenting them on *LK*'s website.

Promoting the sale of the tours requires a significant visualization of the tours. Firstly, photos taken during the tour have already been collected in form of a gallery that shall generate a higher curiosity in interested customers (see Appendix 26). Business cards can be found in *MD*'s office. The next step consists in distributing them to the hotels and hostels in both Thamel and Freak Street where most of the accommodations of the tourists are located.

The promotion for *LK*'s customers can also be regarded as direct customer advertising or merchandising. This type of sales promotion is an essential step towards a successful establishment of *LK*'s corporate identity. Not only must the experience itself be created in a customer's memories, but also in who stands behind the presentation of these experiences. Thus, handing out the planned maps that emphasize the most exciting hidden back streets discovered on the tour is a promotional measurement that can even be taken back home to a customer's country of residence. The same applies for business cards and other give-aways. This promotional activity has to be done at both, the point of sale during the execution phase, as well as in the result phase in which the guide can promote other tours of *LK* like "Eat Kathmandu".

Public Relations (PR)

According to Freyer (2009: p.589), PR can be defined as the systematically structured relation between a company and groups of public interest that is built or maintained in order to create a credible and trustworthy corporate image. Ortner (1989: pp.11-12) assigns specific characteristics to PR, like the consistency of PR, the systematic research of public attitudes, and the adaption of these attitudes, accordingly. Generally, PR should be informative, image-leading, positioning, connecting and credible (Freyer, 2009: p.590; Ortner, 1989: p.18). Unlike advertisement, the main goal of PR does not lie in generating sales, but develop external trust and an overall sympathy for the company (Freyer, 2009: p.592).

LK's PR has to be distinguished between two types of PR: the internal PR that focuses on its employees, the tour guides, and the external PR that concentrates on the public. *LK* has to generate an internal environment in which the tour guides are motivated and enthusiastic enough to literally live for the tour operator. Such identification with the company can be established by providing incentives and other acknowledgement as previously discussed. Shopkeepers and other involved parties during the tour can be considered as internal PR as well. It is for this reason, that *LK* should remunerate the tour guides' efforts to create high qualitative walking tours. For instance, Ratna D. Kansakar shows *LK*'s tourists how to wear and tight up a saree. Thus, a remuneration of NPR 20 per tourist is paid to her.

Externally, *LK* uses the social media platform Facebook to attract attention (see Appendix 25). A recent PR message has been posted on May 20, 2014 that generated more likes⁴¹. Moreover, *LK* could present itself on TripAdvisor, a website that is not only the most popular platform regarding travels, but that is also frequently visited by millions of users (TripAdvisor, 2014). However, *LK* aims to reach more tourists by not only using web-based systems, but also by reaching the offline audience. On March 11, 2014, the founders of *LK* were invited for a possible press release initiated by Sujan G. Amatya, journalist at ECS Nepal (Neubert, 2014b: Conversation April 30). Amatya intends to publish a press release about *LK* based on his personal experience gathered during one of its tours. As two of the three founders are abroad until the end of July, 2014, this date has been postponed to September, 2014.

LK does not necessarily aim to build governmental relations, although they can result in a beneficial situation on the market. This decision is based on one of *LK*'s core values of concern for government corruption. Nevertheless, as already mentioned in the previous chapters, lobbyism plays a major role when doing business in Nepal and might occur without any further intentions.

⁴¹ Although *LK* has currently, 79 "likes" that does not determine how many listeners it has reached. That is why *LK* has the opportunity to boost posts by financially supporting them. The post on May 20th, 2014, reached 77 people in total (Facebook, 2014).

The partnership *LK* enjoys with *MD* is of great benefit. A so-called image transfer will most likely result in a higher credibility of *LK* itself. As *MD* has been certified and acknowledged several times, *LK* possesses the advantage⁴² that *MD*'s press releases and other PR activities affect the sub-branch as well. A measure that directly links *LK* with *MD* is the inclusion of *LK*'s services into *MD*'s brochures and Internet presence. This step is planned for mid September, 2014 (Neubert, 2014a: Conversation April 25).

Lastly, PR can be done by *LK*'s tourists themselves. This is a rather challenging PR measurement, but results in very successful sales. Recommendations of friends are one of the most used tools when it comes to travel preparation (see question 6 of Appendix 3). Tourists usually recommend activities when they are satisfied with the service. Thus, sales promotion and external PR activities must create a positive corporate identity. *LK*'s evaluation sheets can analyze how many tourists have heard about *LK* due to their friends.

Advertisement

Advertising is a promotional tool mainly used in the potential phase that informs a company's target group about the offered service, with the intention to make them purchase it (Freyer, 2009: p.603). It stimulates potential customers, but does not guarantee a sale. Based on Kleinert's four domain model⁴³ (1983: p.289), *LK*'s following advertisement campaign shall primarily actively involve customers with both, sense as well as sensibility. Among six advertisement media, the planned printed advertisement material – a flyer – has been prepared and is below analyzed according to Freyer's (1990: p.312) guideline of establishing a media concept (see Appendix 28).

The first phase, the information phase, involves an elaborate analysis of *LK*'s environment. This assessment has already been carried out in chapter 2 Company

⁴² or disadvantage, accordingly; but as verifiably stated, *MD* will support *LK*'s business positively in all probability.

⁴³ Kleinert's four domain model visualizes four types of advertising in which customers are either highly or lowly involved and process the message with either a high emotional or low emotionally level. According to Kleinert, advertisement can convince rationally or emotionally to purchase a product or it can change habits or current market trends.

Background in which *LK*'s as a tour operator has been introduced, chapter 3 Competition in which *LK*'s competitive position has been clarified, and chapter 5 Tourism Industry of Nepal that appraised the tourism market in Nepal; thus, it shall not be repeated at this point. Summarizing the outcomes of the scrutinized, *LK* as a sub branch of the well-known travel agency *MD* is serving the theme-based walking tour niche as a first-mover. By offering highly differentiated walking tours, it marked itself significantly compared to other tour operators, like its strongest direct secondary competitor *socialtours*. The current tourism market and its forecasts accordingly seem promising for a further growth of *LK*'s business in the market.

Secondly, in the conception phase *LK*'s objectives are identified. Primary goals of *LK*'s intended advertisement medium are:

- Proclaim *LK*'s existence as a theme-based walking tour operator in the Nepali tourism market to incoming tourists
- Inform about *LK*'s tours
- Stimulate booking of one tour with *LK*
- Rise *LK*'s corporate identity

The main message shall consist in inducing tourists to book one tour with *LK* during their stay in Kathmandu. It addresses *LK*'s target group: adolescent and young adult, alternative and adventurous tourists that stay in Kathmandu for several days.

The next step is to design the advertisement medium. Among advertising events, audio-visual, acoustic, decorative and other means of advertising, *LK* utilizes the traditional printed advertisement. This first advertisement campaign is not only non-expensive, but it also reaches many tourists within a short time frame. The message shall be delivered as a flyer, but in form of a postcard (see Appendix 29). When tourists are handed a postcard, they are likely to look at it closely because it is useful as well as interesting. They can send or take the postcard back to their home country. Hence, it is simultaneously informative, entertaining and eye-catching. The design of the postcard corresponds to *LK*'s online presence – it is simple and modern, with an emotional involvement created by more visualization

and fewer words. *LK* aspires to use direct marketing to distribute the flyers. “Direct marketing” is the direct distribution and contact between a company representative and the customers (Freyer, 2009: p.618). It is especially effective as it results in an immediately visible reaction on the customer’s part (Freyer, 2009: p.618). By using this communication medium, *LK* creates the first contact with potential customers. More trust can be generated and interest aroused. Representatives of *LK* are able to answer questions regarding the tours forthwith.

The following step is the distribution, or the implementation of the flyer. The budget, a time frame and the organizational structure have to be determined. *LK* should include a quarterly advertisement budget of 15% of its EBIT. With that amount, *LK* is able to carry out a regular medium-sized advertising campaign. As soon as costly advertising media, such as acoustic or audio-visual means are involved, this percentage needs to be increased. The flyers will be printed in Kathmandu Printing Service, and amount to NPR 7,000 for 200 samples in color. That accounts for approximately 7% of *LK*’s quarterly advertising budget. Within two days, two of *LK*’s representatives will allocate 70 samples to hotels and hostels in Thamel and Freak Street. The rest of the samples will be directly handed out to tourists on the streets of Thamel. By doing so, potential customers not only receive the postcard, but they are introduced to *LK*’s staff as well. That results in a more personal connection between *LK* and its target group. The campaign is planned for September 5 and 6, 2014 during Thamel’s peak tourist hours, between 11am and 4pm.

Monitoring the campaign and its results is the last phase in Freyer’s advertising conception (Freyer, 2009: p.629). Two main components have to be evaluated: The planned and effectively spent advertising budget as well as the actual entailed success. There are plenty of measurements on how to evaluate the success of advertising campaigns. For *LK*, the most suitable method contains in analyzing how many people actually book the tour and turn into customers. A random questionnaire can show how the participants heard about and ultimately booked *LK*’s tours. This kind of evaluation will last several months. Nonetheless, the first result might already be observable on the Friday and Sunday.

7.5 Place

Place policy refers to how the product or service is sold and then, distributed to the consumer (Freyer, 2009: p.517). Traditionally, this is a one-way relation (Freyer, 2009: p.520). However, in tourism, the customer buys a service guarantee that is intangible and thus, not visible (Hilke, 1989: p.25). As both, communication and the distribution itself leads to the sale of a touristic service, it is commonly known as means of contact policy (Freyer, 2009: p.520). Based on Middleton's and Clarke's (2001: pp.315-316) strategic triangle of distribution, the distribution of *LK*'s theme-based walking tour business is construed as follows:

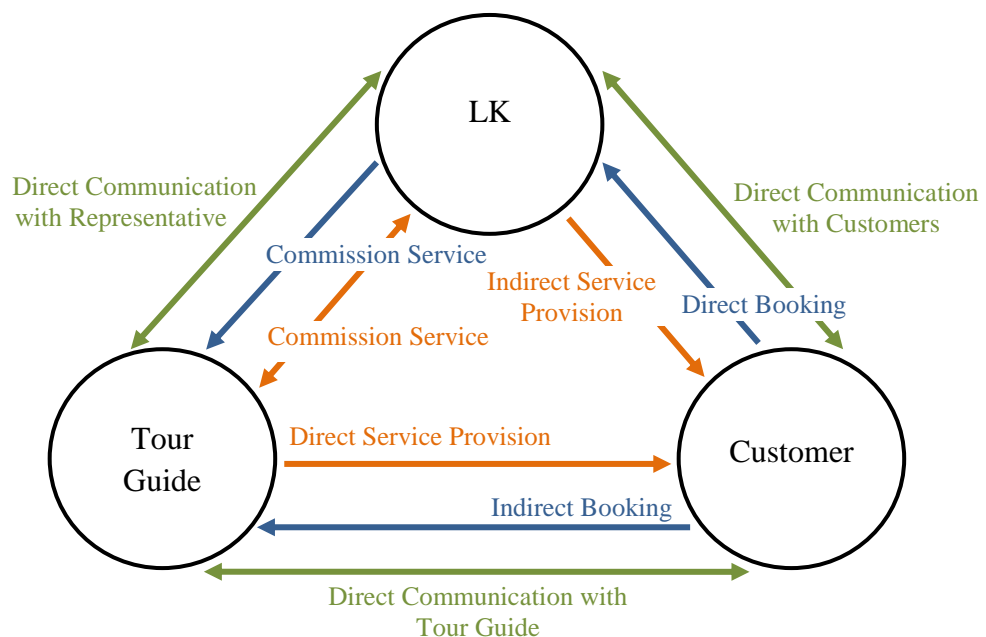


Figure 11 – *LK*'s Means of Distribution on the Basis of Middleton and Clarke (2001: pp.315-316)

LK utilizes the B2C⁴⁴ distribution, meaning direct contact with its customers. However, the tour guide can be regarded as an intermediate. Thus, *LK*'s business is based on both, direct and indirect distribution methods. The direct contact is created when the customer visits *LK*'s website and collects information provided by this channel. Furthermore, the customer pays one of *LK*'s representatives directly in cash in front of the Kathmandu Guesthouse⁴⁵. As a result, customers

⁴⁴ Business to Customer (B2C) distribution involves direct contact to the customers (Freyer, 2009: p.522)

⁴⁵ Money transfer or online banking is not a common payment method in Nepal.

communicate directly with *LK*; the tour is directly booked with a member of *LK*'s staff, and payment is made directly. However, the service is only indirectly provided by the tour operator, because effectively, the tour guide operates it. Thus, the service provider (*LK*) communicates directly with the service operator (tour guide), and arranges the terms and other means of the tour. Consequently, *LK* only serves as an institution that commissions the service. The tour guide has direct contact to the customers, and provides the tours without any further intermediate; but he does not do any bookings.

The utilization of direct and indirect distribution can likewise be found in the potential, execution and result phases (Freyer, 2009: pp.531-532). In the potential phase, the customer acquires the title of the tours. He or she visits the website or directly contacts *LK* in order to gather more information. At this point, *MD* as an internal cooperation partner is equally involved. Pursuant to Freyer (2009: pp.536-537), *LK* and *MD* are vertically conjoined⁴⁶. They are linked due to their performance chain. That is to say: *LK* is *MD*'s sub branch and next to shared equity, customers and marketing conceptions are distributed accordingly. If *MD* promotes their popular trekking tours by using an acoustic advertising medium, *LK* will most likely also profit from that promotional activity. Next to *MD*, the direct customer contact in the potential phase is developed by appearing in front of Kathmandu Guesthouse at 10am on one of the announced days. In these instances, the tours are booked and the actual service is provided. During the execution phase, the service is acquired, and a physical distribution takes place. The physical distribution is the act of walking from one sight to the other until the end of the tour, at which point, a rickshaw transports the tourists back to the starting point. Lastly, maps and other tangible items with a high recognition value are directly distributed to the customer in the result phase. Experiences captured by *LK*'s camera are distributed within a week after the tour by the ever-growing electronic distribution channel, the Internet (Freyer, 2009: p.546). This medium

⁴⁶ Other cooperation types are horizontal and diagonal structured, whereas the latter are companies from different business areas (Freyer, 2009: p.537). Companies that work diagonally together are those that initially are competitors, but due to different locations a cooperation appears to be beneficial (Freyer, 2009: p.537).

represents *LK*'s initial and final contact with its customers and is, therefore, of great importance. It is further analyzed under the 5th P – the Physical Evidence.

7.6 Physical Evidence

Without repeating what has been defined in chapter 7.1, Marketing Mix in the Tourism Industry, Pompl (1996: pp.53-54) specifies certain factors that contribute to the sale of touristic services just as a positively created environment. *LK*'s physical evidence is mainly presented by its homepage. Thus, the elements of a beneficial physical evidence described by Wiesner (2006, p.174) are canvassed in the following.

Office

The office of *LK* can be found in the office of *MD*, in the Z-street of Thamel. It is not only easily findable, but it also creates a comfortable ambience. Customers are offered unlimited tea or coffee, and can also read informative brochures about trekking in Nepal and other touristic activities. The office is open from 10am to 5pm.

Virtual Environment

The homepage www.lovekathmandu.org is created according to *LK*'s style – modern, simple and eye-catching. As explained in the previous chapters, the emphasis lies in visualizing its tours rather than displaying a lot of words. The website can be accessed by any device and the display format adapts to the customer's device.

The Receiver Terminal

The device on which the customer receives *LK*'s virtual presented information should be standardized worldwide. However, there are still devices on which the color is not shown as it is originally presented. These factors cannot be determined by *LK* and are therefore uncontrollable. *LK* endeavors to use pictures with a smaller resolution, so that the website can be loaded faster.

Surrounding of the Service Provision

The tours will lead through several backstreets of Kathmandu. As the general theme is to discover the hidden places of the city, customers might not expect well-appointed surroundings. This includes non-touristic sanitary facilities or a relaxing ambience. However, the tourist faces local buildings and quiet backyards. This physical attractiveness will almost certainly create an emotional involvement that outweighs the lack of high standardized installations.

7.7 Process

Process management is closely related to the place policy. It identifies how the service reaches a company's customers in the most efficient and effective way (Wiesner, 2006: pp.172-173). *LK*'s distributional media shall not be repeated at this point, but the elements that increase the quality of these means are described.

Technical devices should be monitored regularly, so that customers are able to easily contact *LK*. The content of its website should be personal, but professional at the same time. Phone calls should start with a self introduction, followed by politely formulated answers corresponding to the customer's request. E-mails are partly automated, as contact details and *LK*'s tag line appear below the signature. The interactive contact between *LK* and its customers shall be of high quality, professionalism and significant responses. Requests should be processed within three days. Furthermore, changing schedules or other organizational processes shall occur based on its team- and quality-oriented principles. Whether the actual customer contact and the further support met the expectations of *LK*'s participants can be controlled with the help of the conducted evaluation sheet.

7.8 People

The last P is categorized into three main components by Freyer (2009: p.426): the tourists, other participants and *LK*'s employees. In the following, these elements are explained.

The Tourists

The tourists are consistent with the previously analyzed target group. Summarizing the profile that has been established before, *LK*'s tourists are segmented according to their behavioral, psychographic and socio-demographic characteristics. Next to other determinants, the satisfaction of these tourists depend on other participants that are run across during the service is supplied.

Other Participants

Other participants are those who influence the tourist's experience. In the case of *LK*, these people are shopkeepers that are involved in the tour and, in fact, all Nepali and other tourists met on the streets as well as other participating tourists. To begin with, the tour guide has to be very attentive regarding the overall mood and customers' wishes and requests. As soon as he notices a decreasing interest, he should have enough foresight to react quickly to the tourists' expectations. The shopkeepers should be motivated enough to continue the cooperation with *LK*. A small remuneration is paid to provide them incentives that raise their performance. *LK* has just a little or even no influence on non-participating people, like Nepalese inhabitants on the streets. It is for that reason that the tour guide has to be even more attuned to tourists' needs and anticipate them.

***LK*'s employees**

The tour guides, *MD* and the founders themselves can be accounted as *LK*'s staff. In chapter 7.4, Promotion, specific incentives and motivational factors for *LK*'s tour guides have been discussed under the point Sales Promotion. Free lunch after the tours and regular acknowledgement of their performance and efforts shall be implemented. *MD*'s staff belongs to *LK*'s staff as well. As a consequence, *LK* should treat them accordingly. For instance, a free tour could be provided to strengthen the internal cooperation between *LK* and *MD*.

8 Conclusion

As a pioneer in the niche market of theme-based walking tours in Nepal, *LK* differentiates itself significantly from its direct secondary competitor *socialtours*: it not only involves its customers emotionally during its key activity of providing the tours, but it is also exclusive at a favorable price of NPR 800. This value proposition should be visible for *LK*'s target group that consists of adventurous international tourists. Based on the results of the empirical research, the Nepali tourism market is ready for a western concept like the one of *LK*: 60% of the participants are likely or very likely to book one of *LK*'s tours. Direct Marketing and an attractive website appear to be the most effective channels to increase *LK*'s sales. The first independent promotional activity of the tour company involves the direct distribution of a postcard-formed flyer as printed advertising media. Although this marketing campaign is quickly implementable, inexpensive and reaches a multitude of potential customers, it cannot be evaluated immediately. The assumed sale augmentation can only be confirmed by a second empirical study which focuses on the success of the advertisement. It has to analyze how customers initially contacted *LK*, and if this specific advertising resulted in the booking of one of the tours. Such an evaluation can take place in one year from the implementation of the organized campaign.

The Nepali tourism market increases yearly, but is sensitive to environmental and political incidents; thus, direct marketing and printed advertising are considerable standardizing tools in developing countries. Direct contact should be used in order to keep the costs low, and to effectively and immediately reach customers.

Besides the attempt to adapt standardized marketing strategies as the one analyzed in this thesis, touristic companies in emerging countries have to be consistently attentive regarding customers' wishes and satisfaction. Sometimes more customized and less automated tours are the key to a successful marketing mix strategy.

9 Appendices

Appendix 1 – Tour Itinerary ”Experience Kathmandu”

Experience Tour LK (3hrs)

MEETING PLACE: Kathmandu Guesthouse (be there 15min in advance; wait until 10.15am for tourists; Sudeep will count tourists and collect money; greet them by putting the scarf around them and tikka on their foreheads; introduce yourself and shortly explain the itinerary of today)

1. CAFÉ (Kumari temple, 2nd Thamel Chowk) ^(10min + 5min)

(sit inside; unpack tea and show the difference and let them smell and feel it)

- two basic types of tea: Orthodox tea and CTC (Crush, Tear, Curl)
- Orthodox tea: hand-processed tea; usually in the mountains (3,000-7,000m); four flushes: First flush (March-April, more expensive as very delicate and light color), Second Flush (May-July, leaves have more strength), Monsoon flush (July/August-September, “Rainy tea”, intense and dark fusion), Autumn flush (October-November, musky and tangy flavor, orange color)
- CTC: leaves are crushed, torn and curled in warm and humid regions of Nepal; cheap and main consumption of Nepali
- around 1863: first tea plantations (Ilam Tea Estate in Ilam and Suktim Tea Estate in Jhapa)
- 1982: King Birendra Bir Bikram Shah Dev announced five Tea Zones: Jhapa, Ilam, Panchthar, Dhankuta, Terhathum
- two main consumed types of tea: Nepali tea/ chiya (black tea, milk, sugar and masala/ cardamom, cloves, pepper, ginger, cinnamon, salt) and Black tea (Black tea, sugar, masala)

2. Kathesimbhu Stupa ^(5min + 5min) *(take one round while explaining)*

- white Tibetan Stupa from the 17th century
- copy of famous Swayambhunath: “Kathesimbhu” = Kathmandu Swayambhunath
- legend about construction of Kathesimbhu: a stupa was built in the Indian city of Benares; Vakvajara from Nepal was sent for the consecration, he consecrated the stupa with some drops from the Benares river, but people were not satisfied with a simple ceremony like this; Vakvajra tried to move the stupa but did not succeed until he performed a mantra; with this mantra, the stupa moved by itself to Kathmandu
- due to the smaller stupas *(stop at one and show it to tourists)* surrounding Kathesimbhu Stupa, it could be constructed much earlier than 1700
- prayer flags: five colors/five elements: Earth (yellow), fire (red), air (white), sky (blue), water (green)

3. **Bangemudha (wood with coins)** ^(5min + 5min)

(stand and explain at the opposite of Bangemudha traffic!)

- Street is actual a two-way street
- thousands of coins have been nailed into that piece of wood
- coins are for the toothache god
- you **(let them do so if they want)** can nail your own coins there if you have toothache
- as toothache god lives there → known as dentist area
- square is known as “Bangemudha” which means “twisted wood”
- Dentistry in Nepal: no insurance in general, only life insurance which is not that popular; when sick → go to doctor, pay in advance and immediately before the treatment; to clean your teeth, you pay, e.g. NRs 800 (8\$) → in general, it is a lot cheaper than western medical treatment
- teeth are important in Nepal: when milk teeth fall out, you put them into the mud of a flower pot, so that crows won’t steal them because it is said that if crows take your milk teeth your permanent teeth won’t grow

4. **Annapurna Temple** ^(5min + 2min) *(take round and stop in front of the temple)*

- Anna = rice seed; Purna = fulfill
- Built in 1839 and dedicated to the goddess of abundance food grain and patron deity of the neighborhood Asonmaru Ajima
- Legend: a man carried Annapurna kalash on his back; when he reached Asan, he had a break (notice: kalash represents the Annapurna Temple); when he wanted to go on, he was not able to lift kalash any longer, thus he decided to leave him there; from that time on Annapurna kalash remained at Asan as the Annapurna Temple
- During full moon days, locals make the shape of kalash with different kind of food items
- Sundays: locals walk around shrine, touch a coin to head and throw it into the temple: by worshipping the temple, people believe that god pretends them from being hungry

5. **Asan Tole** ^(10min + 15min incl. 10min break for shopping)

(stand around the fish stone and explain this point there)

- legend of founding of Asan: Fish stone (Nyalon) represents how how famous tantric predicted once that a fish would fall from the sky and directly in front of the Lord **Ganesh** Temple, but his son predicted that due to the weather and wind situation, the fish would fall a little bit left in front of the Annapurna temple

- sell household goods, spices, vegetables, religious stuff, food
- unfortunately not replaced after big earthquake of 1934 as New Rd became most important business market street
- 6 streets converge on Asan into a square
- Mainly used by **Newars**: a tribe in Nepal, especially in Bhaktapur, KTM and Patan; have their own language and culture
- *(go to the spice shops on the opposite side of the Annapurna temple; pick up some of the spices and show them while explaining)* spice market: most popular spices: cumin, ginger, coriander, black pepper, tumeric, garlic
- *(find salt shop and show samples while explaining)* black salt: taste is significant strong, medical value, comes from Pakistan from the ocean; white salt: usual cooking salt, comes from Tibet from the rocks; Himalayan salt (pink color): comes from the rocks, more minerals than any other salt; Nepal is still ahead in salt trade, mainly with Himalayan salt

6. Seto Machhendranath Temple (Kel Tole) ^(10min + 2min)

(Take one round while explaining; take the inside round that directly goes along the golden faced temple)

- most ornate temple in KTM
- Seto Machhendranath for **Buddhists**: form of Avalokiteshvara (place of the 108 gods); two kind of Buddhists: Newari (bhajrayan) and Tibetan (mahayan)
- for **Hindus**: rain-bringing incarnation of **Shiva**
- boost **Karma**: buy grain and feed pigeons in front of temple *(give them the chance to do so; not after 12pm though!)*
- white-faced image of the Seto Machhendranath covered in flowers taken out during Seto Machhendranath festival (March/April) and placed in rath (wooden temple chariot), from where it is traveling to four historic locations, finally arriving at Lagan, then carried back to temple at Kel Tole
- Prayer rolls *(roll them while explaining)*: 108 around the temple; rolling them brings you inner peace and a longer life
- Each of the little temples around Seto Machhendranath was built by another person; people worship all of them every morning
- *(stop at the gate temple and show it to tourists)* gate temple (chanaka chaitya = **Buddha** temple) was the first one which was built; all other temples have been constructed later

7. Street north (Kilagal) (15min incl. restroom break + 2min)

- Oldest saree/ fabric shop of Kathmandu: 75 years old; sell fabrics for Newari clothes and sarees (*ask female tourists if they want to try on a saree; must be tried on in front of others, so that everyone can see how it is worn*)
- (*go outside and show clothes at shop on right hand*) traditional topi (hats), daura suruwal (long shirt over tapered drainpipe trousers)

8. Pot Market (10min incl. shopping break + 5min)

- pot makers on the left: flat pot (*show!*) used for wine and whiskey in newari culture; little higher pots (*show!*) used for candles to pray at temples; big pots with one hole used for Roxy; big pots with three holes (*show!*) used to cover the pot in which the rice is boiled to manufacture the Roxy (boil rice, put it into a bowl, leave it for 3-4 days, boil again after 7 days)
- pots aren't produced in KTM, but in Bhaktapur
- pots more used than steel, earlier on, pottery had the function of a fridge

9. Lassi (Indra Chowk) (5min + 5min)

- most famous Lassi shop in Kathmandu (since 2001)
- only one flavor
- made out of curd and masala (barfi kaju pests)

10. Indra Chowk (5min + 10 min)

(stop at one of the lurid beads shops and explain there)

- named after the ancient Vedic deity **Indra**
- center for sale of clothes, fabrics
- Lurid beads for married Nepali women (go to open shop): worn if married or on Teez festival (Festival on which Nepali married women wish their husbands a long life and unmarried women wish themselves to have a good husband later); NRs 40-350 (~0.40\$-3.50\$); it should be very bright and recognizable; often worn with red saree; not celebrated and worn by Newari, by bahuns and chhetris mostly
- meaning of colors: white = death; red = married, puja color; orange = priest color

11. Itum Bahal (10min + 10 min)

(go to the courtyard with the primary school/ Guru Mapa and explain there)

- oldest and largest courtyard of Itum Bahal (Buddhist monastery courtyard)
- built in 1381 and renovated in 2007
- **Holi**: inhabitants of Itum Bahal sacrifice buffalo to Guru Mapa who is a

- Courtyard also includes a primary school (*show!*) giving out a clear message concerning juvenile misbehavior

12. Samosa (opposite side Bishal Bazaar) (10min incl. restroom break + 10min incl. Rickshaw at Indra Chowk)

- Samosa filled with potatoes and tarkali (mixed Masala of vegetables like onions, lentils and peas) and accompanied with chutney (usually sweet)
- Snack or appetizer
- Originally known as sambosa and from Middle East earlier than 10th century
- Sweets (*show the sweets and buy 1 laddu and barfi for each and half Jerry*) most famous is laddu and barfi and Jerry (*let them eat the sweets*)
- eaten during festival occasions and given as a present

13. Rickshaw (outside of Samosa shop) (15min)

(4 rickshaws: 1 rickshaw/2 persons, 120NPR/rickshaw to Thamel KTM Guesthouse)

14. Kathmandu Guesthouse (4min)

(thank them for their attention; clarify questions; remind them to like FB page; visit our website and recommend it to their friends and families; hand them our little maps; do evaluation)

Appendix 2 – Partnership Agreement

Partnership Agreement

THIS PARTNERSHIP AGREEMENT is made on 21st day of March, 2014, by and between the following individuals:

Mountain Delights Treks &
Expedition Pvt. Ltd.

Address: Po. Box. No.12261, 'Z' street
City/ State: Thamel, Kathmandu, Nepal

Sudeep Tamrakar,

Address: 393 Layeku, Maru Tole, Ward No.20
City/State: Kathmandu, Nepal

Lisa Neubert

Address: Goerzallee 131, App. 402
City/State: Berlin, Germany

Andrew Dodson

Address: 58 Pipitea Drive
City/State: Blenheim, New Zealand

1. Nature of Business.

The partners hereby form a partnership under the name of **Love Kathmandu** and agree that they shall be considered partners in business for the following purpose:

Offering theme-based walking tours through the centre of Kathmandu for mainly low-budget tourists visiting Nepal. The primary purpose of the social enterprise is in creating more social businesses within the business itself and communities under the brand.

2. Name.

The partnership shall be conducted under the name of **Love Kathmandu** and shall maintain offices at Mountain Delights, 'Z' street, Thamel, Kathmandu, Nepal.

3. Day-To-Day Operation and Management.

The partners shall provide their full-time services and best efforts on behalf of the partnership. No partner shall receive a salary for services rendered to the partnership. Each partner shall have equal rights to manage and control the partnership and its business. The committee is obligated to meet quarterly to review, discuss and decide on business based points of discussion. Should there be differences between the partners concerning ordinary business matters, a decision shall be made by voting based on ownership percentage. All decisions require a majority vote. It is understood that the partners may elect one of the partners to conduct the day-to-day business of the partnership; however, no partner shall be able to bind the partnership by act or contract to any liability exceeding NRS 1,000 without the prior written consent of each partner. Without the consent of the other partner neither partner shall on behalf of the partnership borrow or lend money, or make, deliver, or accept any commercial paper, or execute any mortgage, security agreement, bond, or lease, or purchase or contract to purchase, or sell or contract to sell any property for or of the partnership other than the type of property bought and sold in the regular course of its business.

4. Capital Contribution.

The capital contribution of each partner to the partnership shall consist of the following property, services, or cash which each partner agrees to contribute:

Page 1

| Name Of Partner | Capital Contribution | Obligations | % Profit |
|-------------------|----------------------|---|----------|
| Mountain Delights | None | <ul style="list-style-type: none"> - Arranging the tour guide - office work - marketing - tax, vat, accounting - entry permit fees - legal obligations | 20 |
| Sudeep Tamrakar | None | <ul style="list-style-type: none"> - creating and researching the tours - marketing, PR - organization of the tours including all stipulatory duties and responsibilities stated in tour itinerary - contact person for persons and shops involved in the tours | 25 |
| Lisa Neubert | None | <ul style="list-style-type: none"> - creating and researching the tours - marketing, PR - organization of the tours including all stipulatory duties and responsibilities stated in tour itinerary - customer relations - Human Resource Management | 25 |
| Andrew Dodson | None | <ul style="list-style-type: none"> - Online Marketing - Web Design - Business Consulting | 20 |

The partnership shall maintain a capital account record for each partner; should any partner's capital account fall below the agreed to amount, then that partner shall (1) have his share of partnership profits then due and payable applied instead to his capital account; and (2) pay any deficiency to the partnership if his share of partnership profits is not yet due and payable or, if it is, his share is insufficient to cancel the deficiency. Furthermore, 10% of **Love Kathmandu's** monthly gross profit shall go to social contributing projects developed by **Love Kathmandu**.

5. Profits and Losses.

The net profits of the partnership shall be divided as detailed in the capital contribution table between the partners and the net losses shall be borne as per their share of the profits. A separate income account shall be maintained for each partner. Partnership profits and losses shall be charged or credited to the separate income account of each partner. If a partner has no credit balance in his income account, losses shall be charged to his capital account.

6. Banking.

All funds of the partnership shall be deposited in its name in such checking account or accounts as shall be designated by the partners. All withdrawals therefrom are to be made upon checks signed by either partner up to but not including checks in the amount of NRS 1,000. Checks equaling or exceeding NRS 1,000 require the signatures of both partners to be valid. All checks issued on behalf of the partnership shall clearly state "Check amounts above NRS 1,000 require two signatures" below the signature lines.

7. Books.

The partnership books shall be maintained at the principal office of the partnership by its accountant, and each partner shall at all times have access thereto. The books shall be kept on a Nepali fiscal year basis, shall be closed and balanced at the end of each quarter. An audit shall be made on the tax statement.

6. Term/Termination.

The term of this Agreement shall be for a period of 1 Years, unless the partners mutually agree in writing to a shorter or longer period. Should the partnership be terminated by a vote based on ownership percentage, the assets and cash of the partnership shall be used to pay all creditors, with the remaining amounts to be distributed to the partners according to their proportionate share. The remaining workload and commitment of the other partners has to be increased or decreased based on their former partner's percentage. A quarterly meeting is obligatory and starts with the commencement of the contract. The attendance facilitates a strategy meeting, and has to be either virtually (Internet, Skype etc.) or personally attended.

7. Disputes.

In the event of any controversy or claim arising out of or relating to this contract, or the breach thereof, the parties hereto shall enter into negotiation with each other and, recognizing their mutual interests, attempt to reach a solution satisfactory to both parties. If they do not reach settlement within a period of 7 days, then either a party may, by notice to the other party and an online based recognized mediator, demand mediation under the Mediation Rules of the Nepal Arbitration Act, 1999. If settlement is not reached within 7 days after service of a written demand for mediation, any unresolved controversy or claim arising out of or relating to this contract shall be settled by arbitration administered by the Nepal Arbitration Act in accordance with its International Arbitration Rules. The number of arbitrators shall be one, and it will be for the parties to agree upon the place of the arbitration. If the parties do not so agree, a court will decide the place of arbitration in the light of any observations made by the parties and the circumstances of the arbitration. The language(s) of the arbitration shall be English.

The prevailing party in any dispute resolved by binding arbitration or litigation shall be entitled to recover its attorneys' fees and costs. In all other circumstances, the parties specifically consent to the local, state and federal courts of Nepal.

8. Withdrawal/ Death of Partner.

In the event a partner withdraws or retires from the partnership for any reason, including death, the remaining partners may continue to operate the partnership using the same name, but no allowance shall be made for goodwill, trade name, patents, or other intangible assets, except as those assets have been reflected on the partnership books immediately prior to the decedent's withdraws, retirement or death.

Within 30 days after the death of any partner, the surviving partners shall, at the conditions specified in the following, purchase from the decedent's property all the capital owned by the decedent. Each surviving partner shall have the right and obligation to purchase the available capital in proportion to his or her existing ownership interests (exclusive the capital accumulated at the date of the decedent's death).

If a partner becomes either physically or mentally disabled for a period of 90 days, and a physician's opinion is issued stating that the disability will continue for one year, the remaining partners shall have

the option, but not the obligation to purchase all of the capital of the disabled partner within 30 days of that notice.

A withdrawing partner shall be obligated to give fifteen days' prior written notice of his intention to withdraw or retire and shall be obligated to sell his interest in the partnership. No partner shall transfer interest in the partnership to any other party without the written consent of the remaining partners.




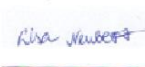
The remaining partners shall pay the withdrawing or retiring partner, or to the legal representative of the deceased or disabled partner, the value of his interest in the partnership, that is to say so three times the annual profit of the business to numerate the business' value and subsequently, determine his percentage value to the business.

No value for good will shall be included in determining the value of the partner's interest.

9. Non-Compete Agreement.

A partner who retires or withdraws from the partnership shall not directly or indirectly engage in a business which is or which would be competitive with the existing or then anticipated business of the partnership for a period of one year, in the capital Kathmandu of Nepal where the partnership is currently doing or planning to do business.

IN WITNESS WHEREOF, the partners have duly executed this Agreement on _____ in Kathmandu, Nepal set forth hereinabove.

   
Mountain Delights Sudeep Tamrakar Lisa Neubert Andrew Dodson

Page 4

Appendix 3 – Survey Questionnaire and Evaluation

Profile Tourists and Quota Sample

| Market Readiness Analysis – Profile Tourists | | | | | | | | | | |
|---|------------------------|---------------|---------|---------|---------|---------|---------|---------|--|--|
| Reference: Ministry of Culture, Tourism & Civil Aviation (2013) <i>Nepal Tourism Statistics 2012</i> , Kathmandu: Ministry of Culture, Tourism & Civil Aviation | | | | | | | | | | |
| <i>samples: 30</i> | | | | | | | | | | |
| | North America | South America | Africa | Europe | Asia | Pacific | Others | Total | | |
| numbers | 62,492 | 4,711 | 1,324 | 198,452 | 486,658 | 25,787 | 23,668 | 803,092 | | |
| % | 8% | 1% | 0% | 25% | 61% | 3% | 3% | 100,00% | | |
| assigned | 1,898 | 142 | 40 | 6,026 | 14,778 | 783 | | 23,668 | | |
| final numbers | 64,390 | 4,853 | 1,364 | 204,478 | 501,436 | 26,570 | | 803,092 | | |
| final % | 8% | 1% | 0% | 25% | 62% | 3% | | 100% | | |
| samples | 2 | 1 | 0 | 7 | 18 | 2 | | 30 | | |
| male | female | | | | | | | | | |
| numbers | 439,270 | 363,822 | 803,092 | | | | | | | |
| % | 55% | 45% | 100% | | | | | | | |
| samples | 16 | 14 | 30 | | | | | | | |
| 0-15 years | 16-30 years | | | | | | | | | |
| numbers | 35,468 | 181,558 | 231,117 | 201,835 | 109,239 | 43,875 | 803,092 | | | |
| % | 4,42% | 22,61% | 28,78% | 25,13% | 13,60% | 5,46% | 100,00% | | | |
| assigned | 2,049 | 10,493 | 13,357 | 11,662 | 6,314 | | 43,875 | | | |
| Not | | | | | | | | | | |
| final numbers | 37,517 | 192,051 | 244,474 | 213,497 | 115,553 | | 803,092 | | | |
| final % | 5% | 24% | 30% | 27% | 14% | | 100% | | | |
| samples | 2 | 7 | 9 | 8 | 4 | | 30 | | | |
| adjusted | 2 | 10 | 8 | 6 | 4 | | 30 | | | |
| holiday | business/studie | | | | | | | | | |
| numbers | 484,642 | 86,879 | 231,571 | 803,092 | | | | | | |
| % | 60% | 11% | 29% | 100% | | | | | | |
| samples | 18 | 3 | 9 | 30 | | | | | | |
| first visit | more than once | | | | | | | | | |
| numbers | 632,767 | 170,325 | 803,092 | | | | | | | |
| % | 79% | 21% | 100% | | | | | | | |
| samples | 24 | 6 | 30 | | | | | | | |

Thank you for taking a couple of minutes and helping me with my questionnaire and thus, my final bachelor thesis on "Introducing the Walking Tour Concept to the Nepali Tourism Market". According to the tourist quota of Nepal, you fall into my sample frame and will contribute to my final outcome of my thesis. Note: Traveling is understood as traveling OUTSIDE your country of residence.

BEGIN

Travel Habits

Question 1 (closed-end/nominal question)

Question 1 of 44 *

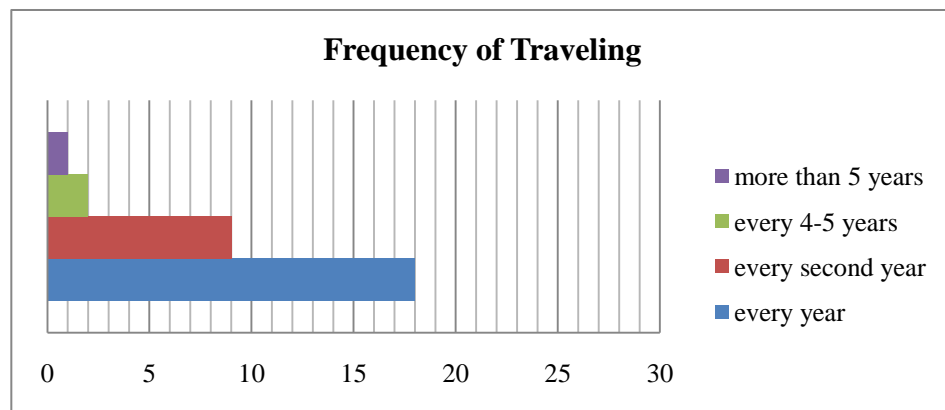
How many times do you travel outside of your country?

- every year
- every second year
- every 4-5 years
- more than 5 years

← PREVIOUS

NEXT →

Results Question 1



Question 2 (closed-end/ordinal question)

Question 2 of 44 *

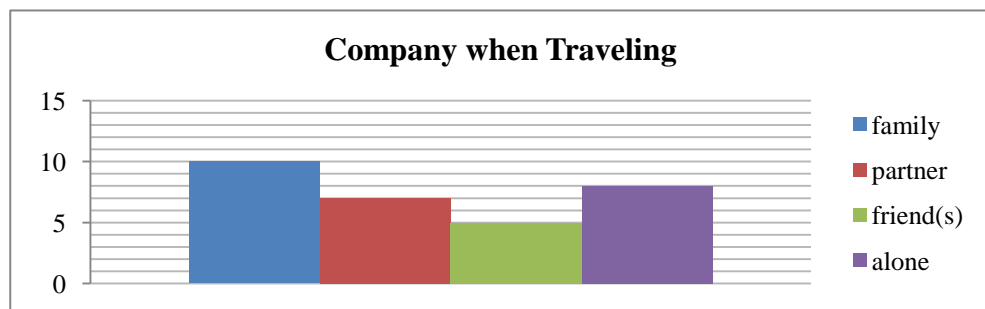
With whom do you travel primarily?

- family
- wife/husband/partner
- friends
- alone

← PREVIOUS

NEXT →

Results Question 2



Question 3 (closed-end question/dichotomous)

Question 3 of 44 *

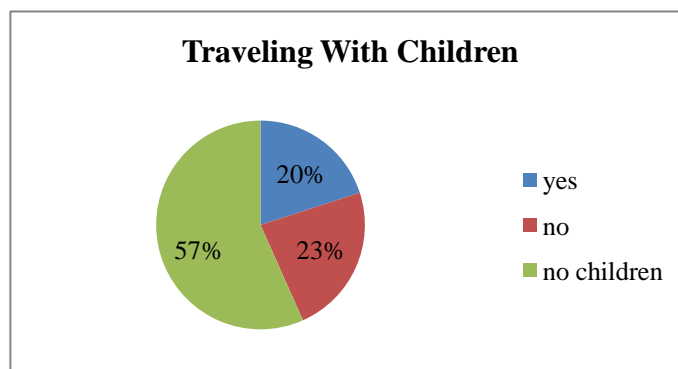
If you have children, do you travel with them?

- yes
- no
- I don't have any children.

← PREVIOUS

NEXT →

Results Questions 3



Question 4 (closed-end/multiple choice question with multiple answers)

Question 4 of 44 *

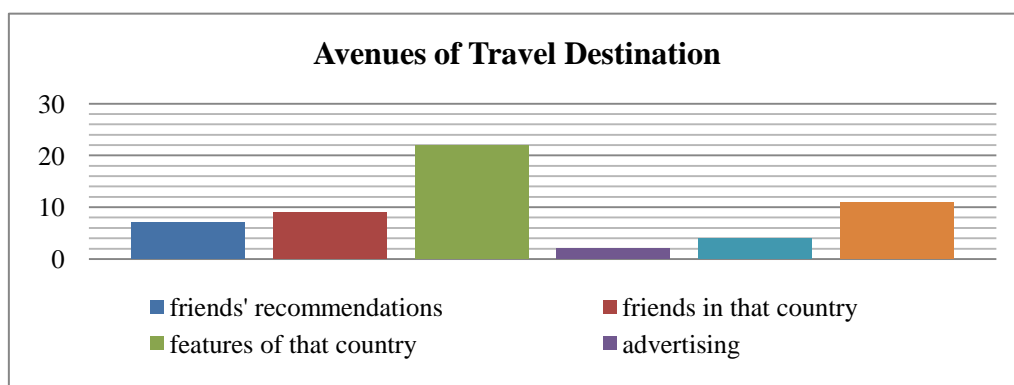
How does your decision on your travel destination usually arises?

- friends' recommendations
- friends in that country
- features of that country
- advertising
- employment opportunity
- Other

← PREVIOUS

NEXT →

Results Questions 4



Other: own interest; sport possibilities

Question 5 (closed-end/multiple choice question with a single answer)

Question 5 of 44 *

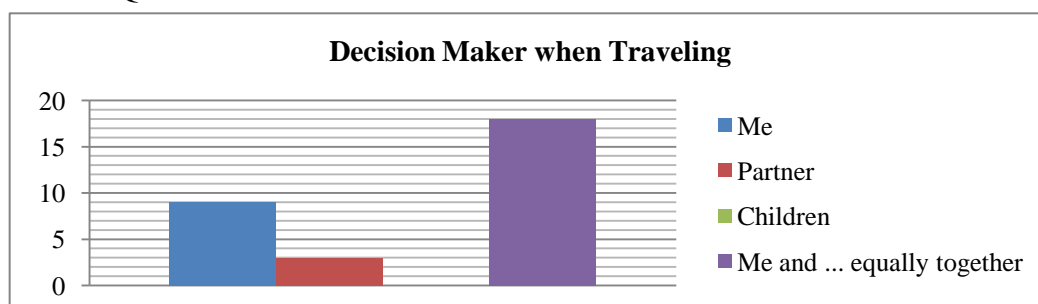
Who decides on what to see in that country?

- Me
- partner
- children
- me and my partner/friends equally together

← PREVIOUS

NEXT →

Results Question 5



Question 6 (scaled question/ likert scale)

Question 6 of 44 *

How do you plan your trip, meaning which devices do you use?

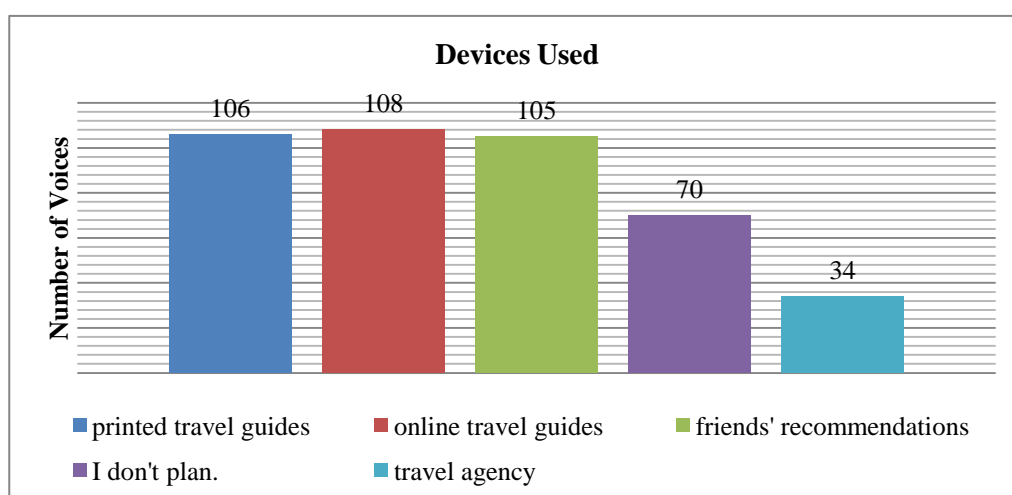
1: never 2: rarely 3: sometimes 4: usually 5: always

| | 1 | 2 | 3 | 4 | 5 |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| printed travel guides | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| online travel guides | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| friends' recommendations | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| I usually don't plan my trip before I get there | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| organized schedule of a travel agency | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |

← PREVIOUS

NEXT →

Results Question 6



Question 7 (scaled question/ unidimensional semantic)

Question 7 of 44 *

Please decide: On your trip, are you/do you ...

Decide for either e.g. spontaneous OR planned.

spontaneous – planned

spend your money wisely – for whatever you want to see

adventurous – calm

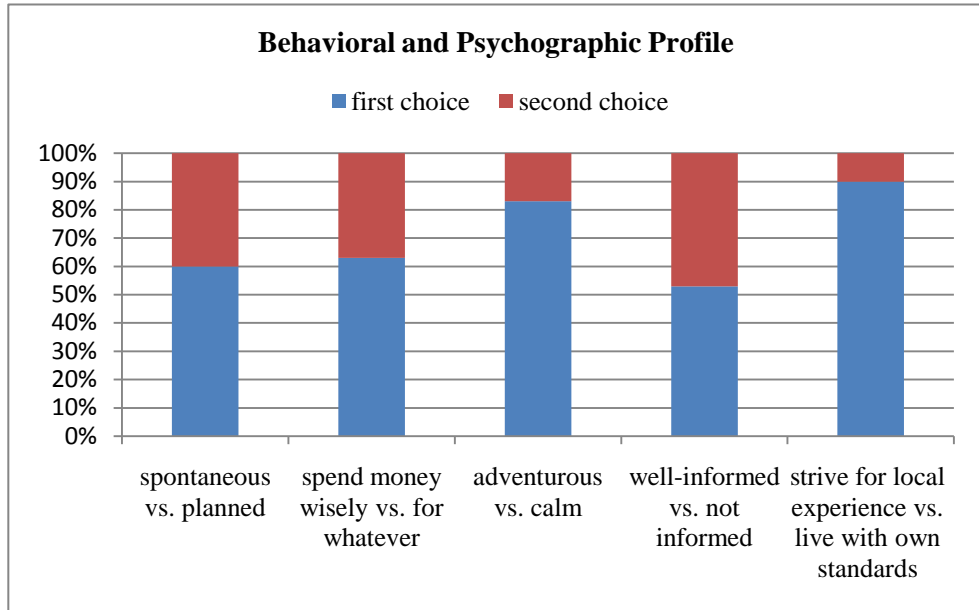
know most of the things of that country before you get there – very little/ nothing

want to experience the original, local life of that country – see how locals live, but stay in a place with standards according to your country of res

← PREVIOUS

NEXT →

Results Question 7



Travel Agencies and Walking Tours

Question 8 (closed-end question/dichotomous)

Question 8 of 44 *

Do you mainly use travel agencies?

Remember your answer, you'll need it for the next question!

Yes

No

← PREVIOUS

NEXT →

If you have answered the previous question with yes (do you mainly use travel agencies), where or for which destination(s), respectively have you used a travel agency?

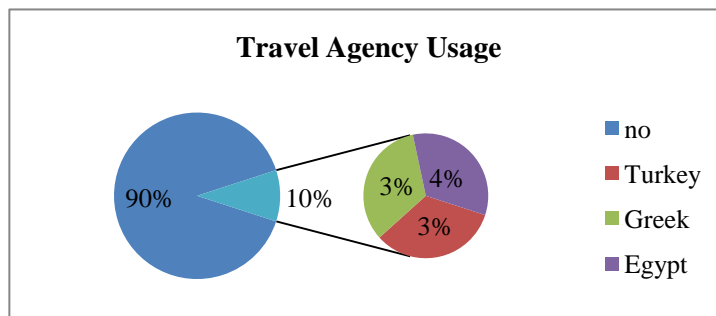
If you answered the previous question with NO, continue with the next question!

characters remaining: 300

← PREVIOUS

NEXT →

Results Question 8



Question 9 (scaled question/likert scale)

Question 10 of 44 *

On a scale of 1 to 5, how often do you do city tours ?

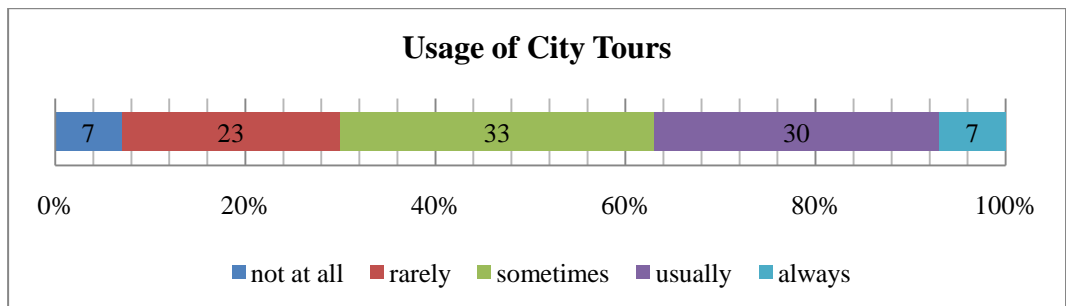
1: not at all 2: rarely 3: sometimes 4: usually 5: always

Min: 1 Max: 5

Selected Value:

← PREVIOUS NEXT →

Results Question 9



Question 10 (closed-end question/dichotomous)

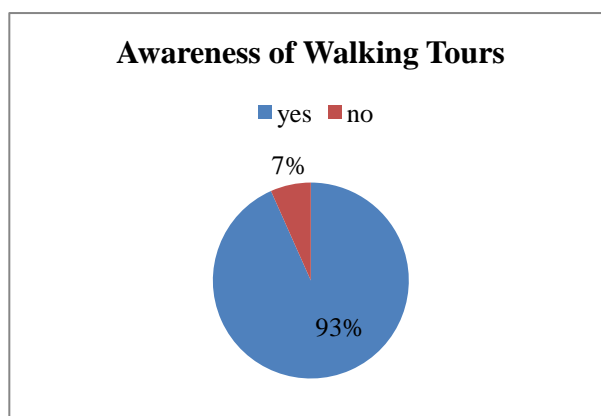
Question 11 of 44 *

Are you familiar with the walking tour concept?

- Yes
- No

← PREVIOUS NEXT →

Results Question 10



Question 10.1 (contingency/open-end question)

Question 12 of 44

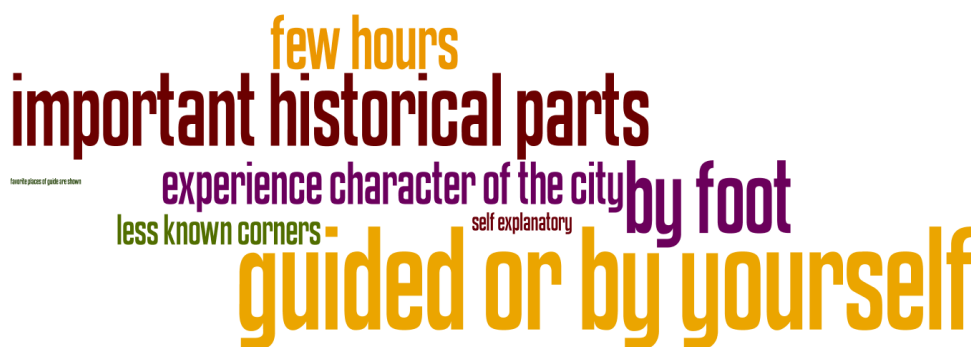
If you have answered the previous question with YES and you are familiar with the walking tour concept, please state your understanding in one to two sentences.

characters remaining: 300

← PREVIOUS

NEXT →

Results Questions 10.1



Question 11 (open-end question)

Question 13 of 44 *

What don't you like about city/walking tours?

characters needed: 2

characters remaining: 200

← PREVIOUS

NEXT →

Results Questions 11



Question 12 (open-end question)

Question 14 of 44 *

What do you like about city/walking tours?

characters needed: 2

characters remaining: 200

← PREVIOUS

NEXT →

Results Question 12



Question 13 (closed-end/multiple choice question with multiple answers)

Question 15 of 44 *

A walking tour, I would participate in should ...

- ... be excitingly operated
- ... include narrative aspects
- ... show something I cannot read anywhere
- ... lead to the city's most well-known places
- ... consist of 8 people maximum
- ... introduce me to the very local sights of that city
- ... not exceed a time frame of 2 hours
- ... be a play played in the city
- ... involve me actively in terms of smell, feelings and things I can experience/do
- Other

← PREVIOUS

NEXT →

Results Question 13



Traveling to Nepal

Question 14 (closed-end question/dichotomous)

Question 16 of 44 *

Have you been to Nepal?

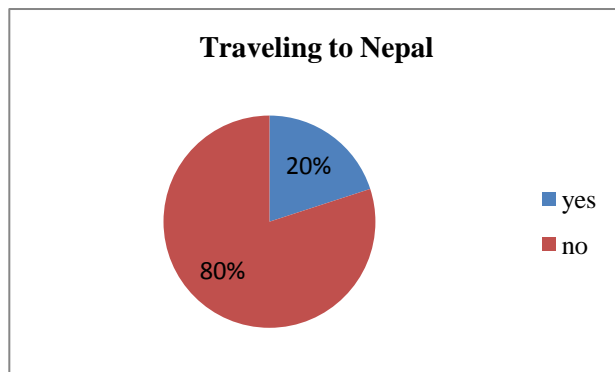
Yes

No

← PREVIOUS

NEXT →

Results Question 14



Question 15 (scaled question/likert scale)

Question 17 of 44

How likely are you to come (back) and visit Nepal (again)?

very likely

likely

rather unlikely

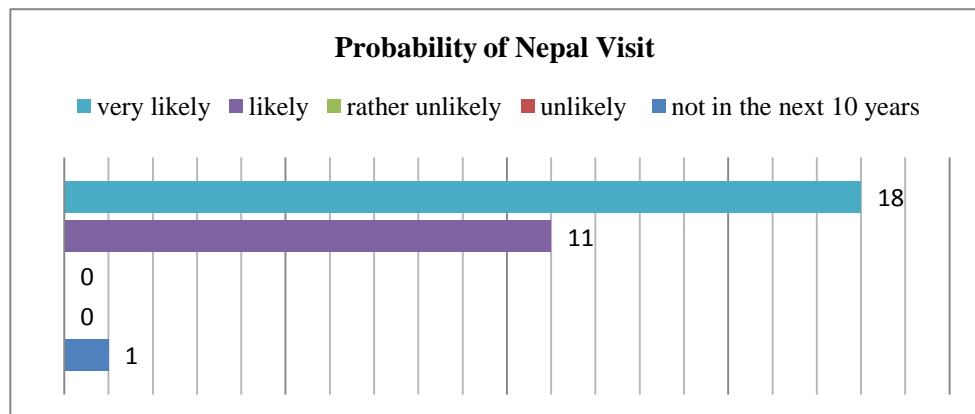
unlikely

not in the next 10 years

← PREVIOUS

NEXT →

Results Question 15



Question 16 (closed-end/multiple choice question with a single answer))

Question 18 of 44 *

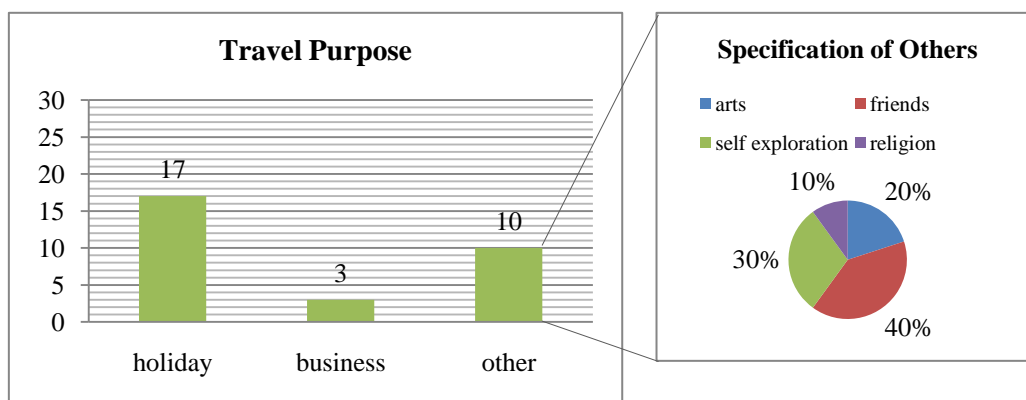
Visiting Kathmandu what is/ was your travel purpose?

- Business, studies, employment
- holiday/trekking
- Other (please specify!)

← PREVIOUS

NEXT →

Results Question 16



Question 17 (closed-end/multiple choice question with multiple answers)

Question 19 of 44 *

When have you been visiting/ will you visit Nepal?

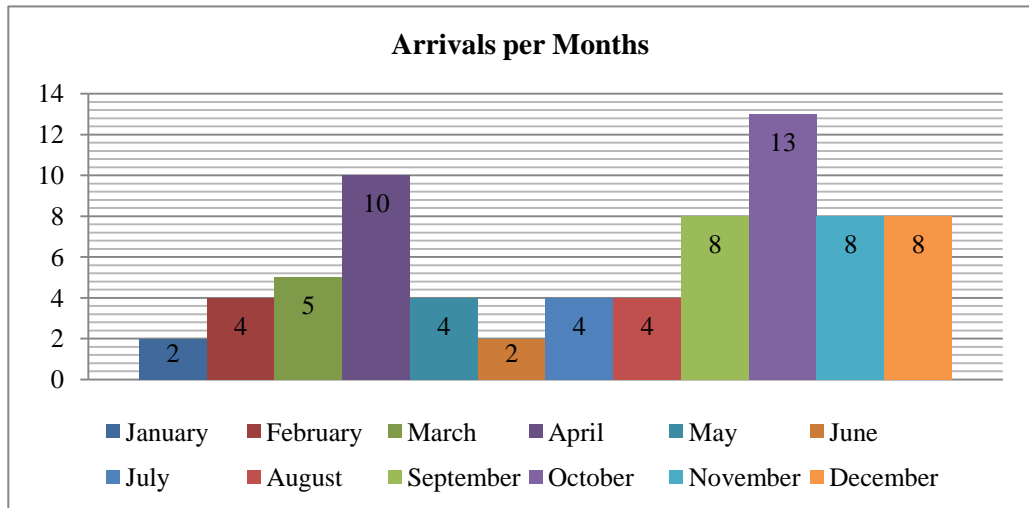
If you stay/ed for several months, please click all of them!

- January
- February
- March
- April
- May
- June
- July
- August
- September
- October
- November
- December

← PREVIOUS

NEXT →

Results Question 17



Question 18 (closed-end/multiple choice question with a single answer)

Question 20 of 44 *

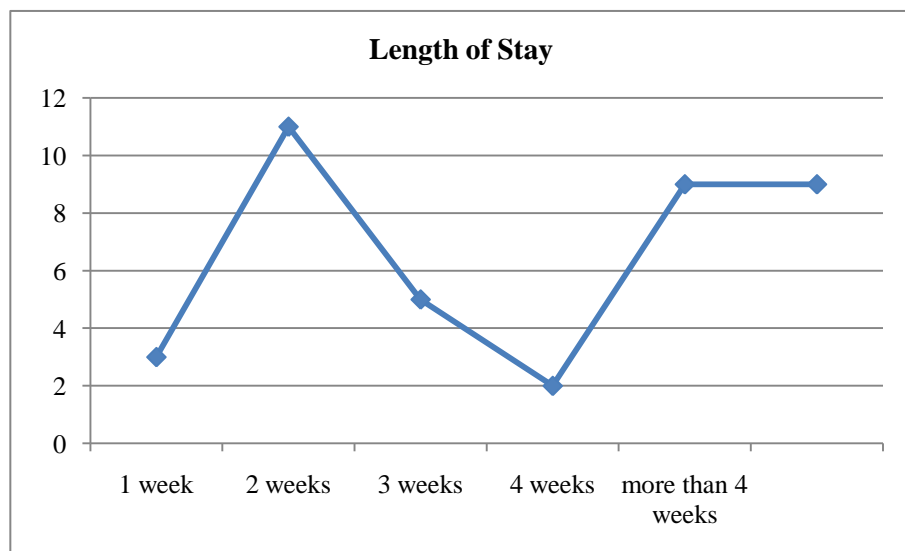
How long have you stayed/ will you stay in Nepal?

- 3-7days (1week)
- 8-14days (2weeks)
- 15-21days (3weeks)
- 22-30days (4 weeks)
- more than 4 weeks (please specify!)

← PREVIOUS

NEXT →

Results Question 18



Question 19 (closed-end/multiple choice question with a single answer) 21 of 44 *

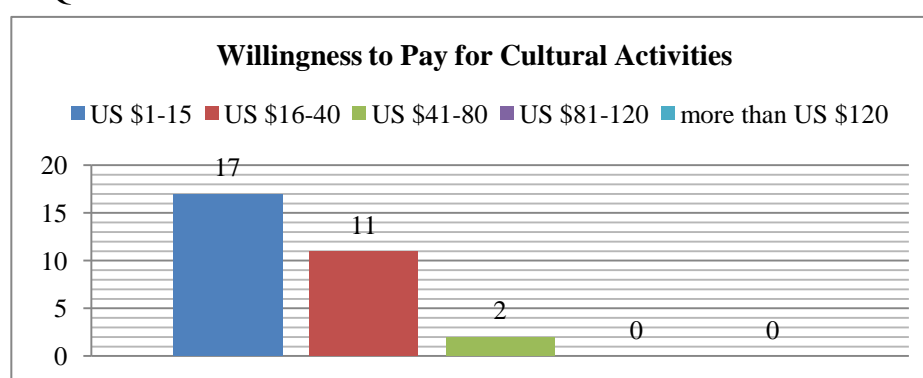
Assuming that in Kathmandu an accommodation costs you US\$10 and a warm meal US\$2 on average, how much are you willing to spend on cultural activities each day (in US\$)?

- 1-15
- 16-40
- 41-80
- 81-120
- more than 120

← PREVIOUS

NEXT →

Results Question 19



Question 20 (scale question/likert scale)

Question 22 of 44 *

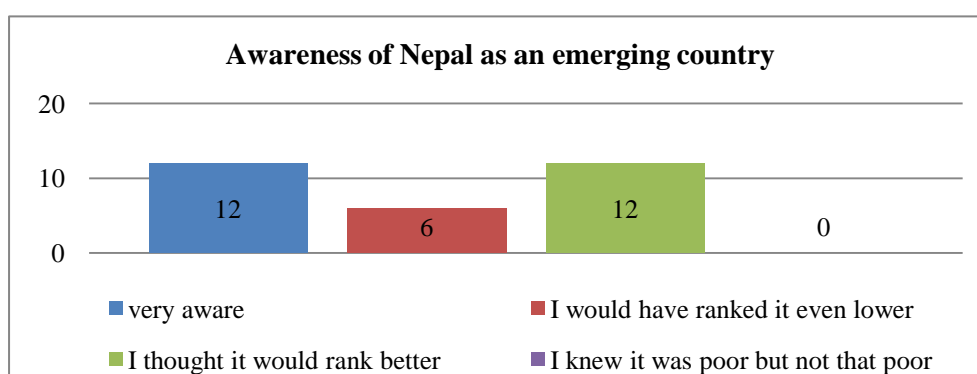
How aware of the fact that Nepal is one of Asia's poorest countries are you (ranked 157 out of 187 countries in the Human development Index conducted by the UNDP in 2013)?

- very aware
- I would have ranked it even lower
- I thought it would rank better
- I knew it was poor but not that poor

← PREVIOUS

NEXT →

Results Question 20



Question 21 (closed-end question/dichotomous)

Question 23 of 44 *

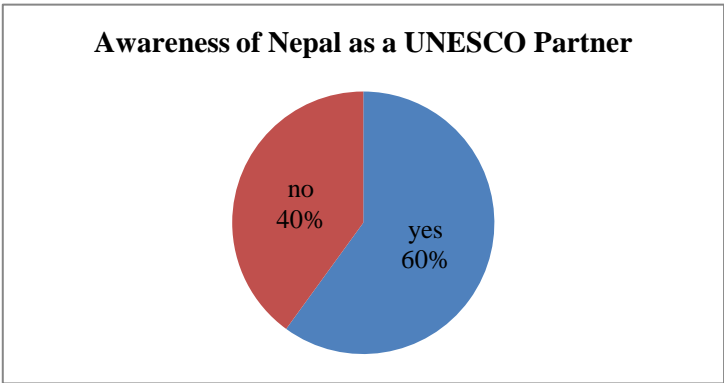
Are you aware that Nepal includes the world's oldest maintained cultural heritage sights (UNESCO)?

- Yes
- No

← PREVIOUS

NEXT →

Results Question 21



Question 22 (open-end question)

Question 24 of 44 *

When you think about Nepal, which things, feelings, adjectives come to your mind?

characters needed: 1

characters remaining: 400

← PREVIOUS

NEXT →

Results Question 22



Question 23 (closed-end/dichotomous; contingency questions)

Question 25 of 44

Do you know any tour operators in Kathmandu?

Remember your answer, you'll need it for the next two questions!

- Yes
- No

← PREVIOUS

NEXT →

Question 26 of 44

If you have answered the previous question with YES, please state the name of the tour operators and what you liked mostly about their tours.

If you have answered the previous question with NO and you don't know any tour operators in Kathmandu, continue with the next question!

characters remaining: 200

← PREVIOUS

NEXT →

Question 27 of 44

If you have answered the previous questions with yes, would you participate in that tour again?

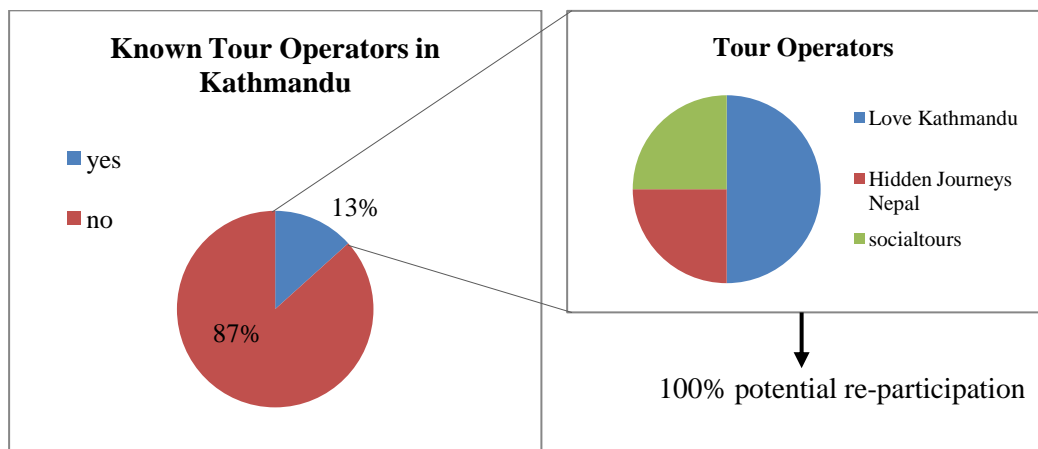
If you have answered the previous questions with NO and you don't know any tour operators in Kathmandu, continue with the next question!

- Yes
- No

← PREVIOUS

NEXT →

Results Question 23



Question 24 (open-end question)

Question 28 of 44 *

What do you expect from a theme-based walking tour in terms of the themes?

Or in other words, which kind of themes you'd like to see in a walking tour?

characters needed: 2

characters remaining: 200

← PREVIOUS

NEXT →

Results Question 24



Question 25 (closed-end question/dichotomous)

Question 29 of 44 *

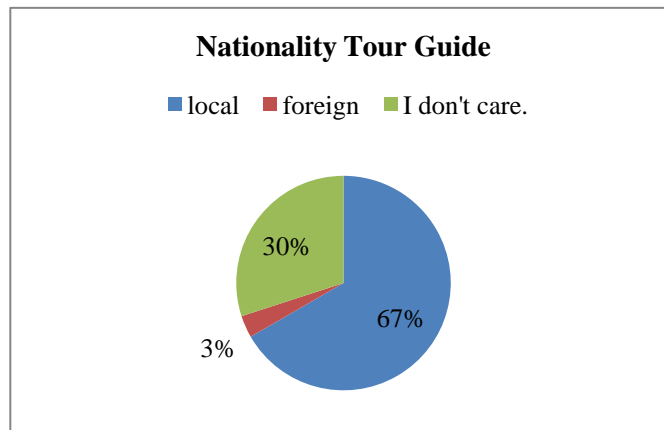
Do you prefer a local or foreign guide?

- local
- foreign
- I don't care

← PREVIOUS

NEXT →

Results Question 25



Question 26 (open-end question)

Question 30 of 44 *

According to you, is there anything a theme-based walking tour in Kathmandu should definitely provide, take care of, and/or include? Please specify.

If nothing comes to your mind, please write NOTHING and continue with the next question!

characters needed: 1

characters remaining: 200

← PREVIOUS

NEXT →

Results Question 26



Question 27 (scale question/likert scale)

Question 31 of 44 *

On a scale of 1 to 5, how important are social projects of tour companies for you?

1: totally unimportant 2: unimportant 3: I don't care 4: im- portant 5: very important

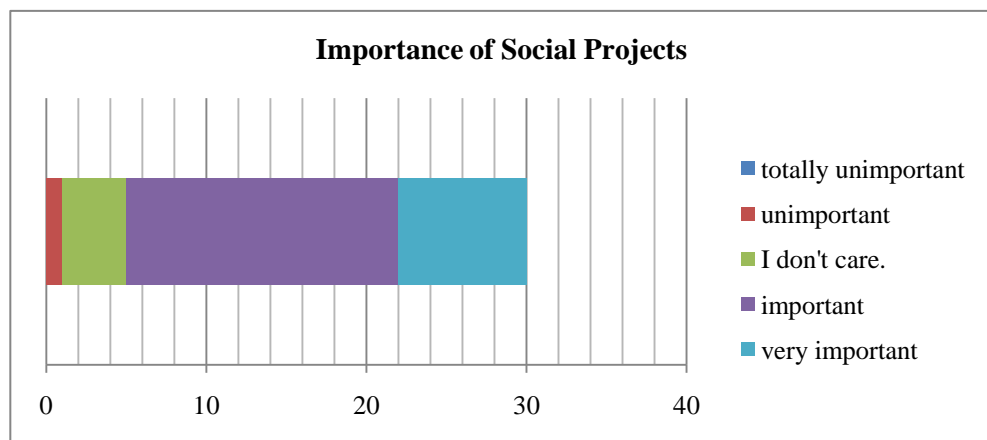
Min: 1 Max: 5

Selected Value:

← PREVIOUS

NEXT →

Results Question 27



Question 28 (closed-end question/dichotomous)

Question 32 of 44 *

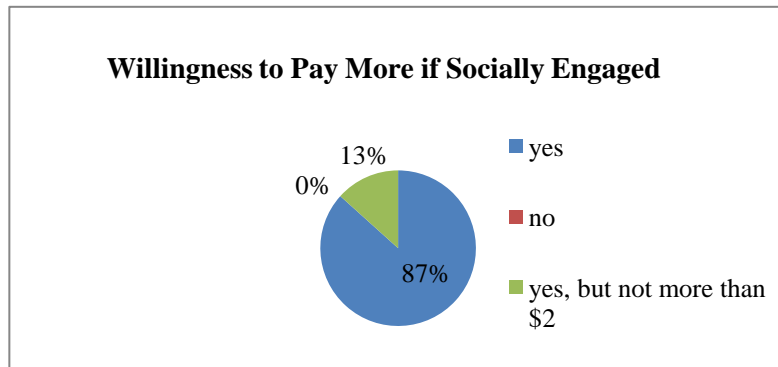
Are you willing to pay more for a walking tour operated by a social business?

- yes
- no
- yes, but not more than \$2

← PREVIOUS

NEXT →

Results Question 28



Question 29 (open-end question)

Question 33 of 44 *

Which kind of social project would you like to support financially by participating in a walking tour?

Try to refer the question to Nepal/ Kathmandu.

characters needed: 2

characters remaining: 200

← PREVIOUS

NEXT →

Results Question 29

children&school

employment of locals (art) education

empowering of disenfranchised

protection heritage

gender equality

improve living standards

Question 30 (scale question/likert scale)

Question 34 of 44 *

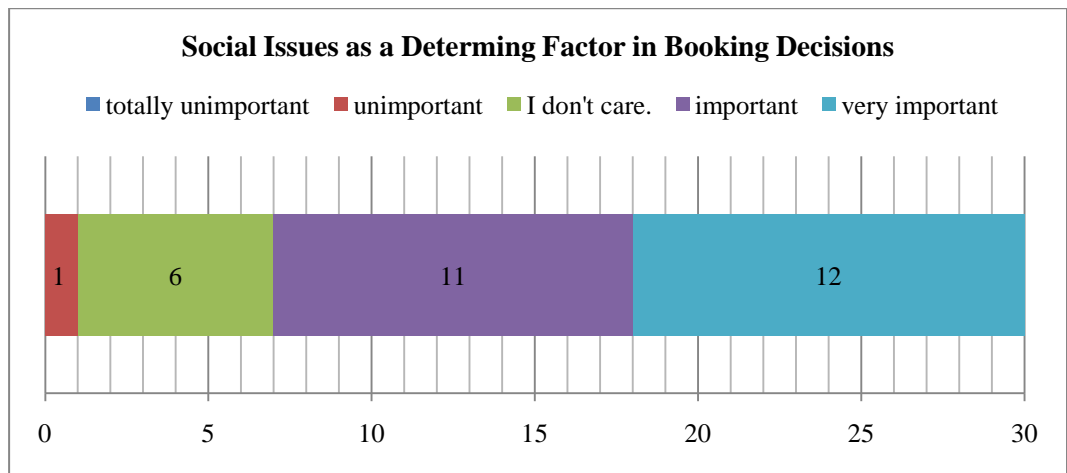
How important are factors like social development of underdeveloped countries, sustainability, and/or maintaining world heritage sights while being on a tour for you?

1: totally unimportant 2: unimportant 3: I don't care 4: im- portant 5: very important

Min: 1 Max: 5
Selected Value:

← PREVIOUS NEXT →

Results Question 30



Question 31 (closed-end question/dichotomous)

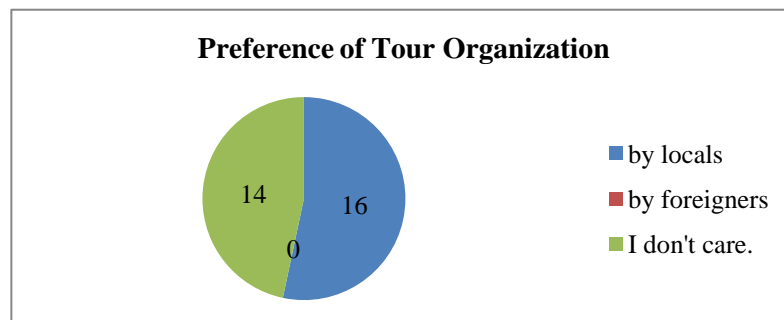
Question 35 of 44 *

Would you rather use local or foreign organized tours?

- local
- foreign
- I don't care

← PREVIOUS NEXT →

Results Question 31



Question 32 (closed-end/multiple choice question with multiple answers)

Question 36 of 44 *

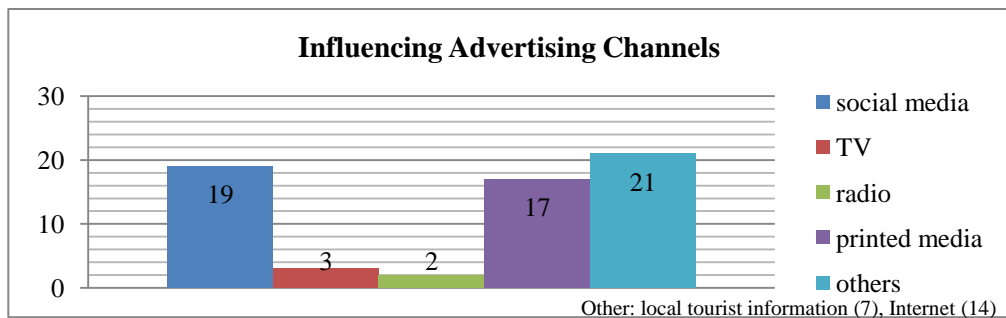
Which advertising channels influence you mostly in terms of traveling and holiday?

- social media
- TV
- radio
- printed media others
- Other

← PREVIOUS

NEXT →

Results Question 32



Question 33 (open-end question)

Question 37 of 44 *

For a tour providing the following aspects below, how much would you pay for it (food/beverages/transport excluded)?

2.5 hour back street walking tour through heart of Kathmandu • Go tea tasting • Visit the neighborhoods' religious sites • Have a sniff around the Spice Shop • Find a Falling Fish • Learn about the local legends • Explore the start of the Tibetan caravan route • Discover Hidden temples • Feed Karma boosting pigeons • Learn Saree customs • Have the best Lassi in Kathmandu • Sweeten up a bit with the local sweets • All before having a rickshaw ride back to Thamel

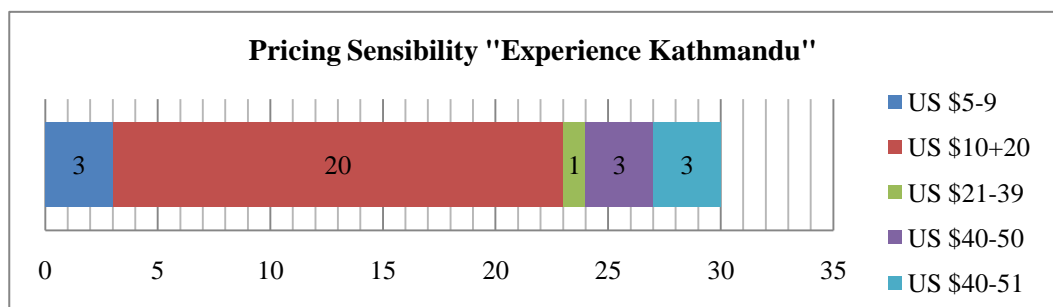
characters needed: 1

characters remaining: 10

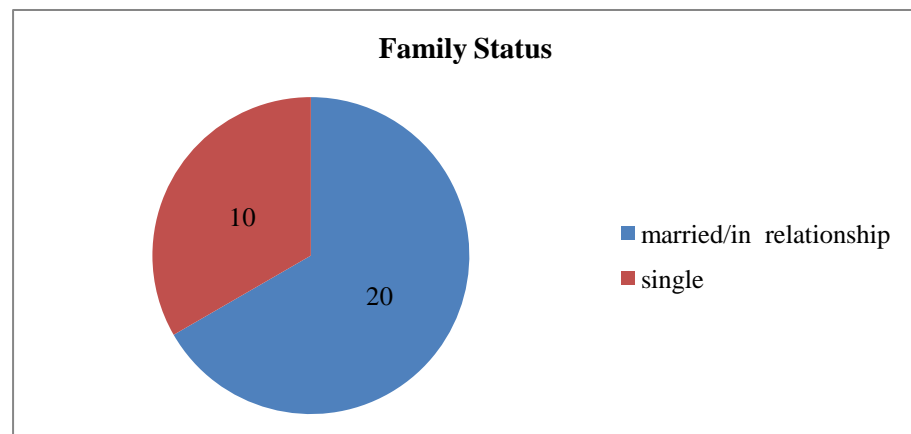
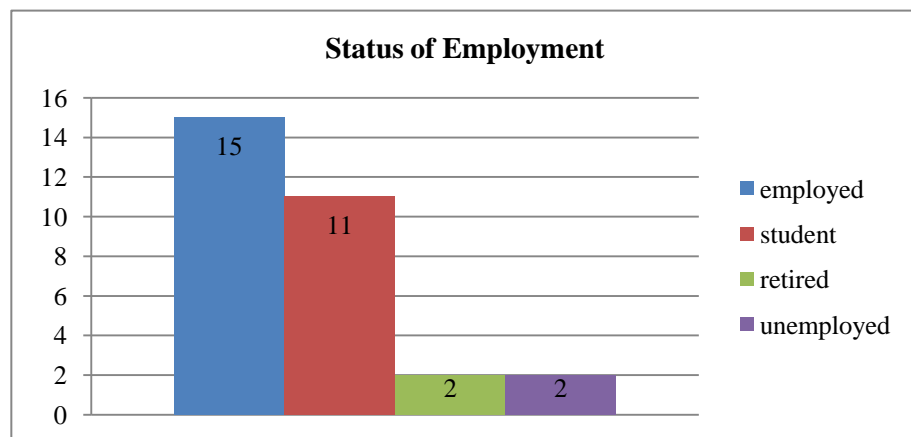
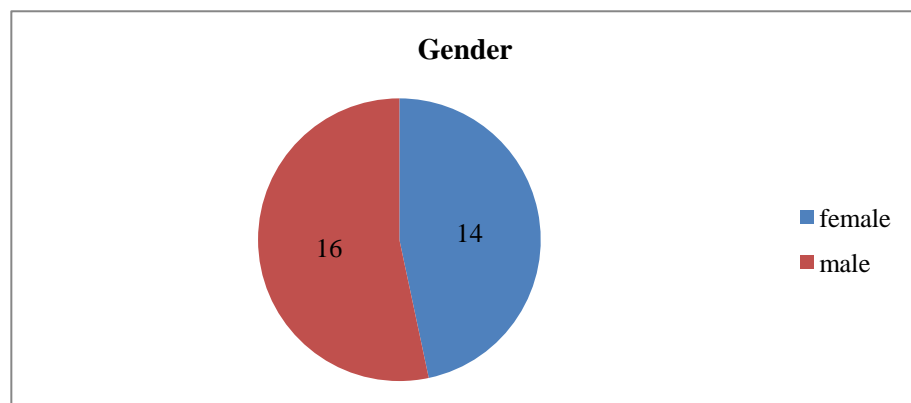
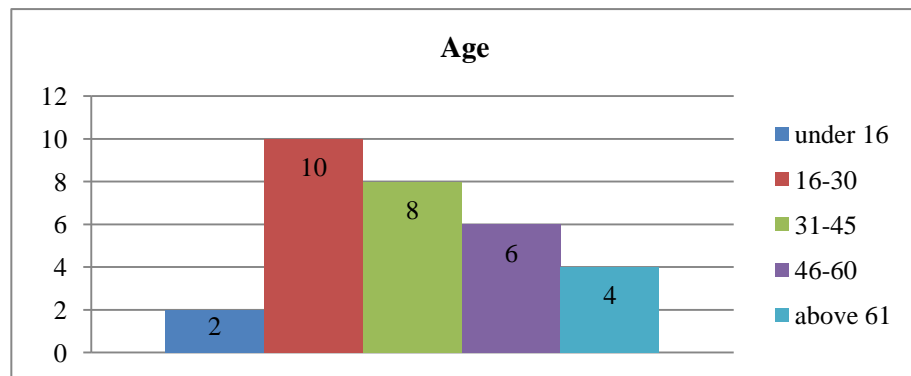
← PREVIOUS

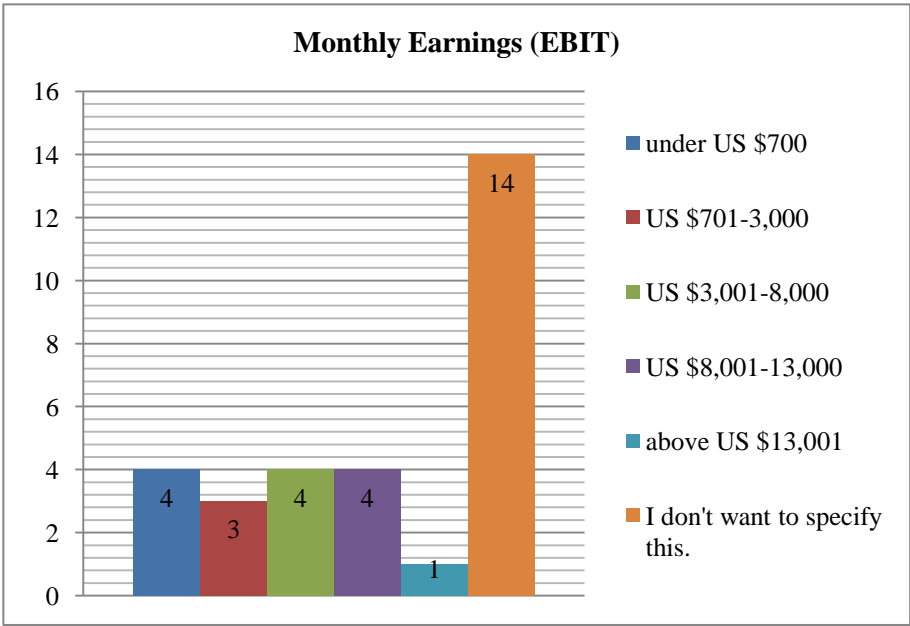
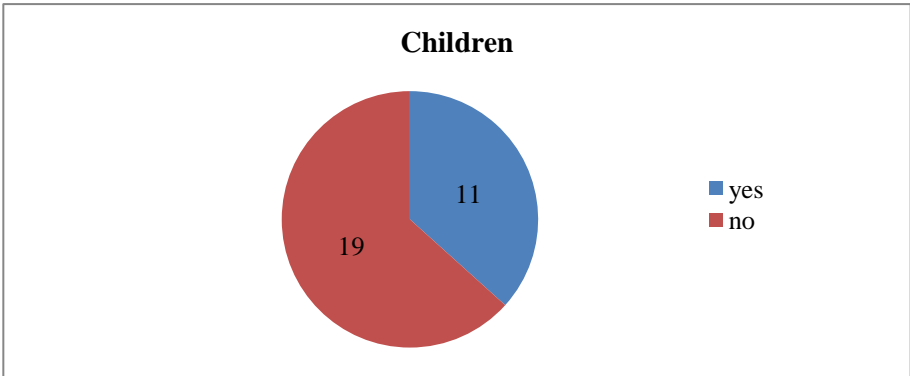
NEXT →

Results Question 33



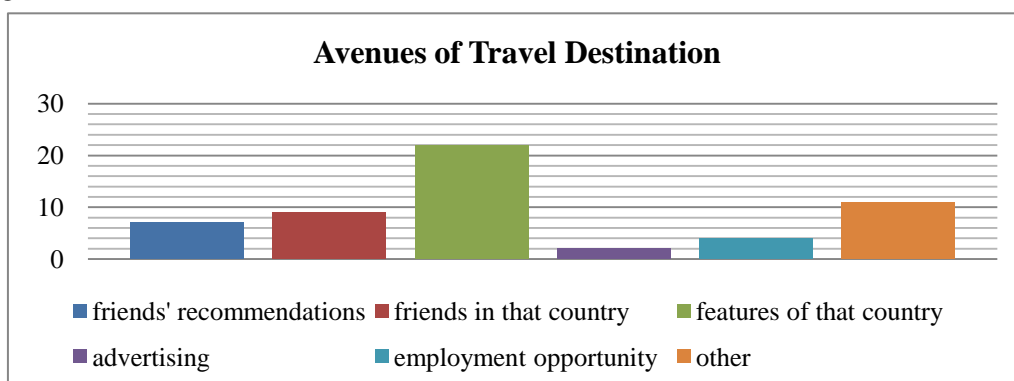
Statistics (Profile Tourists)





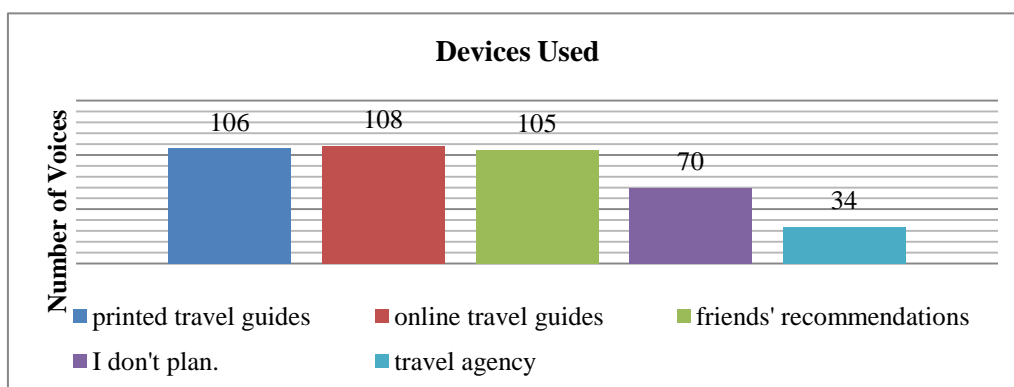
Appendix 4 – Changes in LK due to Survey Evaluation

Question 4



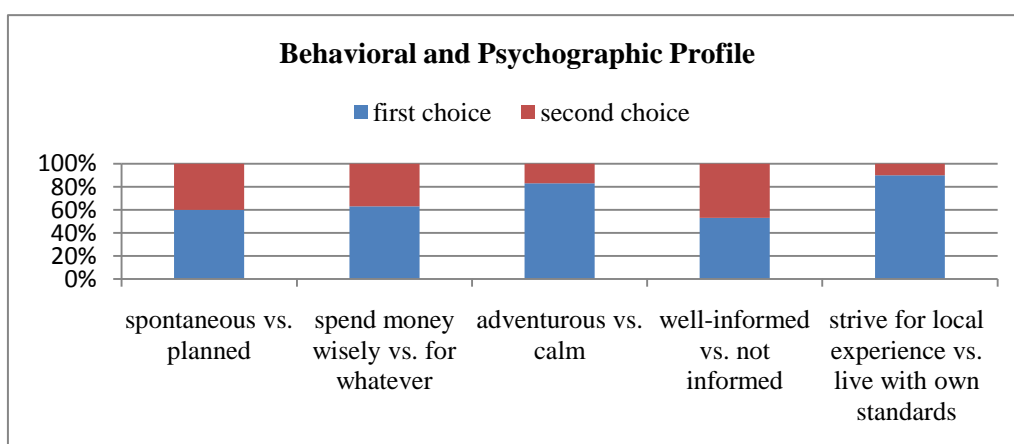
- usage of Nepal's beneficial landscape and cultural attractiveness
- get tourists to give recommendations

Question 6



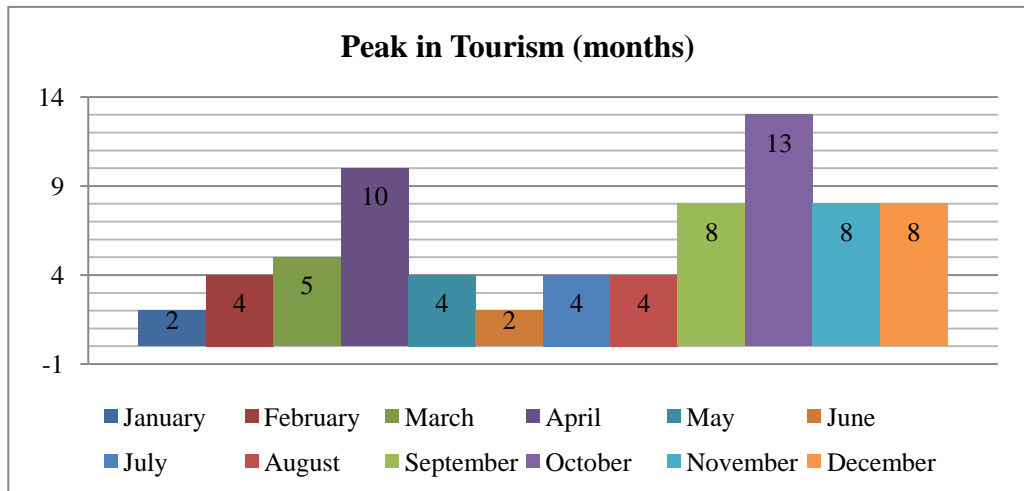
- focus on online presence
- printed advertising media like magazines and travel guides should be used

Question 7



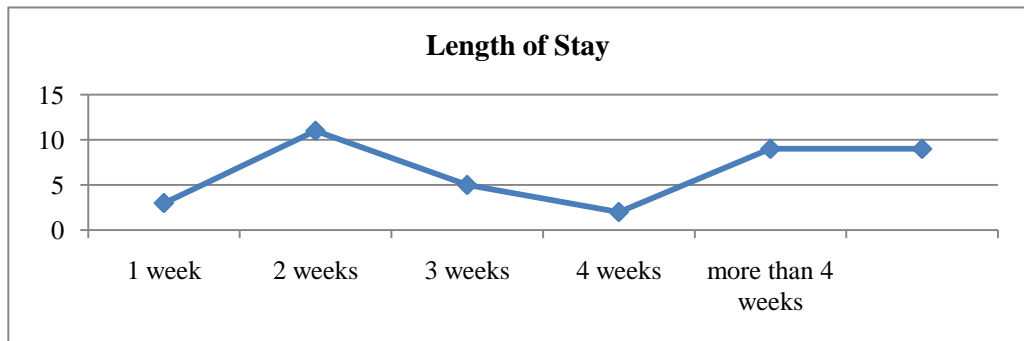
- target group: spontaneous, adventurous, want to experience the original

Question 17



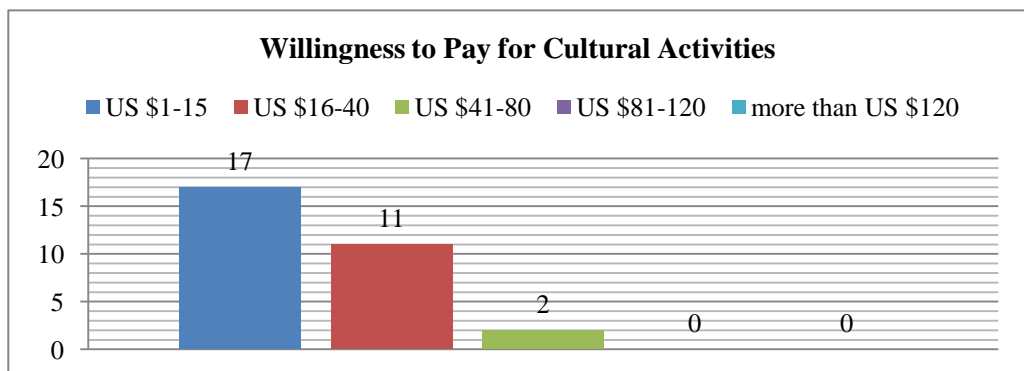
- introduce special offer during off-season like January or June

Question 18



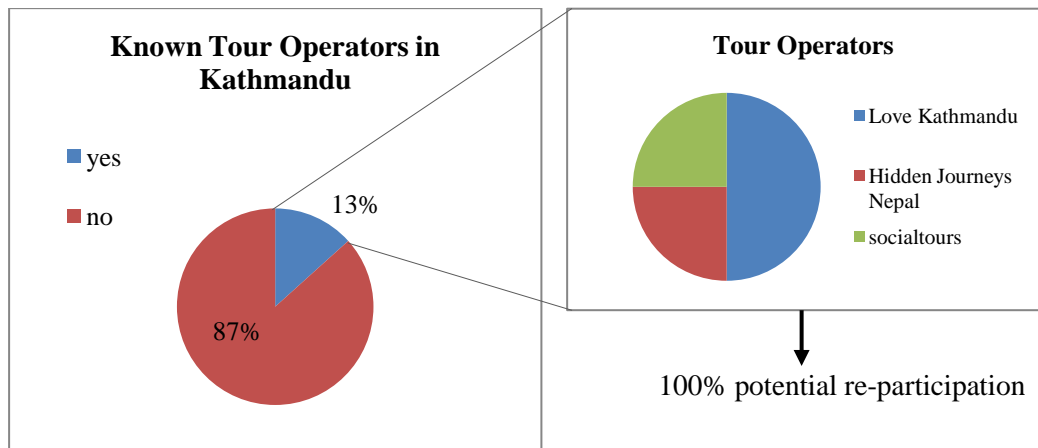
- primary target group: tourists staying for two weeks

Question 19



- tour price US \$15 on average; not below US \$4 (break-even point); should not exceed US \$41

Question 23



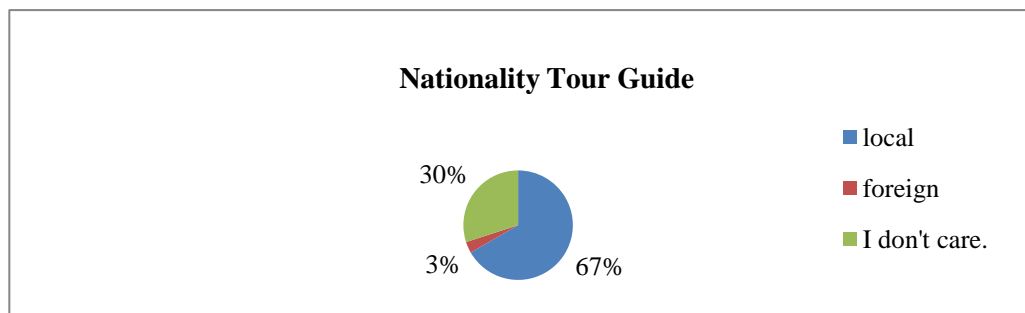
- already existing knowledge about *LK*
- positive image (both tourists would participate again)

Question 24 – Themes for Future Tours



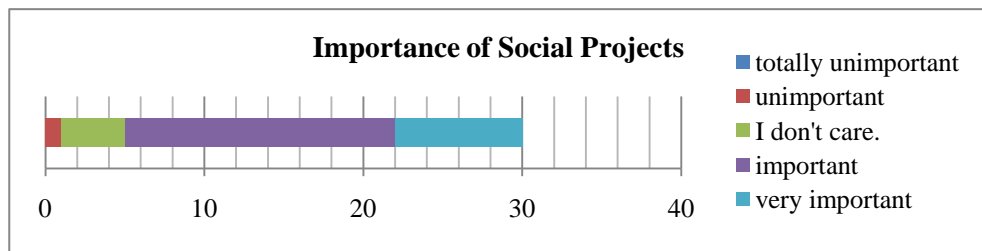
- especially the already planned “Eat Kathmandu” tour seems to be demanded
- further focus on: markets, religion, local life

Question 25



- tour guide should remain Nepali origin

Question 27



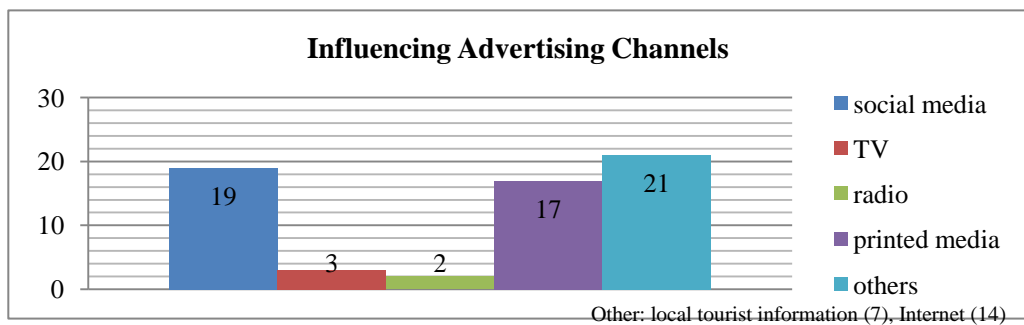
- social engagement should be visible to tourists

Question 29 – Social Collaboration



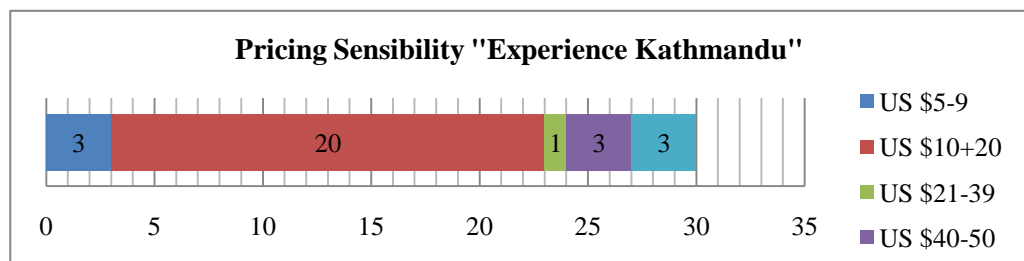
- collaboration with APC
- school projects (e.g. school children could create their tour and operate it under the management of *LK*)

Question 32



- primarily focus on Internet (Homepage), social media (Facebook) and publications in e.g. ECS Nepal


Question 33



- fix price between US \$10-20

Appendix 5 – Certificate Company

श.सि./प.सि. २०६०/३३३१६/६०


श्री ५ को सरकार
उद्योग, वाणिज्य तथा आपूर्ति मन्त्रालय
कम्पनी रजिष्ट्रारको कार्यालय

प्रमाण-पत्र

श्री माउन्टेन डेलिग्ट्स ट्रेक्स एन्ड एक्सपिडिशन प्राइभेट लिमिटेड कम्पनी ऐन, २०५३ बमोजिम सम्बत् २०६० साल फाल्गुण २१ गते रोज ५ मा रजिष्टर भएको हुनाले यो प्रमाण-पत्र दिइएको छ।

मिति : २०६०/११/२१/५ 330/21
रजिष्ट्रार

१) कम्पनीको मुख्य उद्देश्य : प्रबन्धपत्रमा उल्लेख भए अनुसार।
२) अधिकृत पूँजी : रु. ५,००,०००/- (पाँच लाख)
३) जारी पूँजी : रु. ३,००,०००/- (तीन लाख)
४) प्रथम संचालकहरूको नाम : राम प्रसाद साकौटा ठेगाना : जयानन्द-४, धादिङ टेलिफोन नं. :
५) राम प्रसाद साकौटा

शर्त : कम्पनी बतलाई मात्र कम्पनीको उद्देश्य कार्यान्वयन गर्ने इजाजत प्रदान गरिएको नमानिने हुनाले कानून अनुसार तिनपुर्ने अनुमति सम्बन्धित निकायबाट लिएर मात्र कम्पनीको उद्देश्य अनुसार कारोबार गर्नु पर्नेछ।

Translation

Pvt. Ltd.

Government of Nepal

Ministry of Industry

Office of Company Registrar

Certificate

According to Companies Act, 2053BS⁴⁷, Mountain Delights Treks & Expeditions Pvt. Ltd. is registered on Falgun 21, 2060BS⁴⁸, hence this certificate is given to Mountain Delights Treks & Expeditions Pvt. Ltd.

Date: Falgun, 21, 2060

(Signature of Registrar Office)

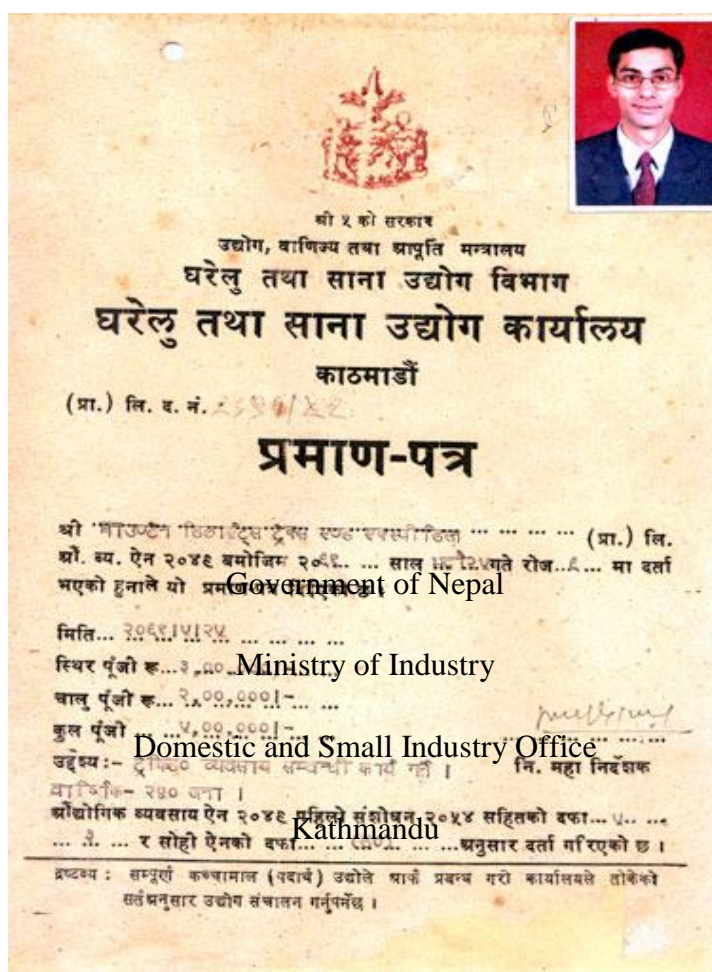
- 1) Companies main purpose: as written above
- 2) Authorized Capital: 500,000NPR
- 3) Capital Contribution: 300,000NPR
- 4) First Director: Ram Prasad Sapkota
Address: Dhading
Telephone: –

Articles of the Company: According to law, the company registering is not legitimated to start its business without receiving permission of the authority of the Company Registrar.

⁴⁷ The Nepali year 2053 is equivalent to the Western year of 1997.

⁴⁸ Falgun 21, 2060BS is equivalent to the Western date of March 4, 2004.

Appendix 6 – Certificate Cottage and Small Industries



Translation

Pvt. Ltd number: 2991/52

Certificate

According to Companies Act, 2049BS⁴⁹, Mountain Delights Treks & Expeditions Pvt. Ltd. has registered its company on Badra 25, 2061BS⁵⁰, hence this certificate is given to Mountain Delights Treks & Expeditions Pvt. Ltd.

Date: Badra, 25, 2061

Fixed Capital: 300,000NPR

Working Capital: 200,000NPR

Total Capital: 500,000NPR

Purpose: - operate trekking business

- yearly 240 people

(Signature of Director of the Domestic and Small Industry Office)

According to the Industrial Enterprises Act, 2049, and the First Amendment of the Industrial Enterprises Act, 2054⁵¹, the company is registered in section 3 of the Act under the category (e) and (f).

Note: Every industry has to follow the rules and regulations of the Domestic and Small Industry Office to run a business.

⁴⁹ The Nepali year 2049 is equivalent to the Western year of 1992.

⁵⁰ Badra 25, 2061BS is equivalent to the Western date of September 10, 2004.

⁵¹ The Nepali year 2054 is equivalent to the Western year of 1997.

Appendix 7 – Osterwalder’s Business Model Canvas

| | | | | |
|---|--|--|--|--|
| <h2 style="text-align: center;">The Business Model Canvas</h2> | | Designed for: | Date: | Version: |
| | | Designed by: | | |
| <h3>Key Partners</h3> <p>WHY are our key partners? WHICH key resources are we acquiring from partners? WHICH key activities do partners perform?</p> <p>How do we create value? How do we reduce risk? How do we increase efficiency? How do we increase revenue?</p> | <h3>Key Activities</h3> <p>WHY are our key activities? WHICH key resources do we require to perform these activities? WHICH key partners do we need to perform these activities?</p> <p>How do we create value? How do we reduce risk? How do we increase efficiency? How do we increase revenue?</p> | <h3>Value Propositions</h3> <p>WHY are our value propositions? WHICH customer needs do we address? WHICH customer segments do we address? WHICH customer needs do we address?</p> <p>How do we create value? How do we reduce risk? How do we increase efficiency? How do we increase revenue?</p> | <h3>Customer Relationships</h3> <p>WHY are our customer relationships? WHICH customer needs do we address? WHICH customer segments do we address? WHICH customer needs do we address?</p> <p>How do we create value? How do we reduce risk? How do we increase efficiency? How do we increase revenue?</p> | <h3>Customer Segments</h3> <p>WHY are our customer segments? WHICH customer needs do we address? WHICH customer segments do we address? WHICH customer needs do we address?</p> <p>How do we create value? How do we reduce risk? How do we increase efficiency? How do we increase revenue?</p> |
| <h3>Key Resources</h3> <p>WHY are our key resources? WHICH key activities do we require to perform these activities? WHICH key partners do we need to perform these activities?</p> <p>How do we create value? How do we reduce risk? How do we increase efficiency? How do we increase revenue?</p> | <h3>Channels</h3> <p>WHY are our channels? WHICH customer needs do we address? WHICH customer segments do we address? WHICH customer needs do we address?</p> <p>How do we create value? How do we reduce risk? How do we increase efficiency? How do we increase revenue?</p> | <h3>Revenue Streams</h3> <p>WHY are our revenue streams? WHICH customer needs do we address? WHICH customer segments do we address? WHICH customer needs do we address?</p> <p>How do we create value? How do we reduce risk? How do we increase efficiency? How do we increase revenue?</p> | | |
| <h3>Cost Structure</h3> <p>WHY are our cost structures? WHICH key resources do we require to perform these activities? WHICH key partners do we need to perform these activities?</p> <p>How do we create value? How do we reduce risk? How do we increase efficiency? How do we increase revenue?</p> | | | | |

Appendix 8 – Walking Tours of *socialtours* and Hayhew et al.

socialtours



Spice of Kathmandu | 2.5 hours
Kathmandu | Ason Markets

from **US\$10**

A walk through the speciality markets in Ason including clothing, vegetables, spices, herbs, utensils, traditional clothing etc

[More information](#)



The Working Nepali | 4 hrs
Kathmandu

from **US\$60**

A guided walk off the beaten tracks through urbanizing villages in the Kathmandu Valley, to see how lifestyles are changing in the suburbs

[More information](#)



Kumari Trail Walk | 3 hours
Kathmandu Durbar Square

from **US\$35**

An informative off beat walk getting knowledge about the tradition and history about ancient Kathmandu, especially about the Kumari Living Goddess

[More information](#)



Walk with Monk | 1 day
Kathmandu

from **US\$60**

The walking tour takes you from Kopan Monastery to the famous Boudha Stupa led by a Buddhist Lama

[More information](#)

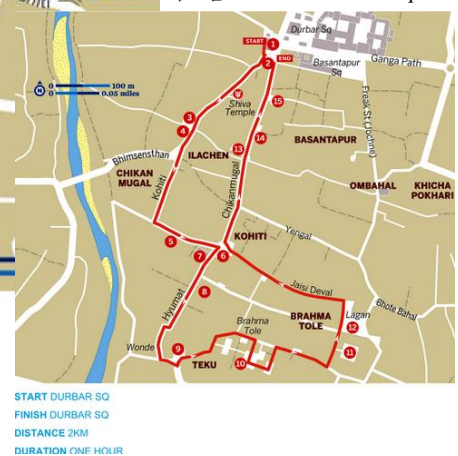
socialtours (2014)

Mayhew et al. (Lonely Planet)



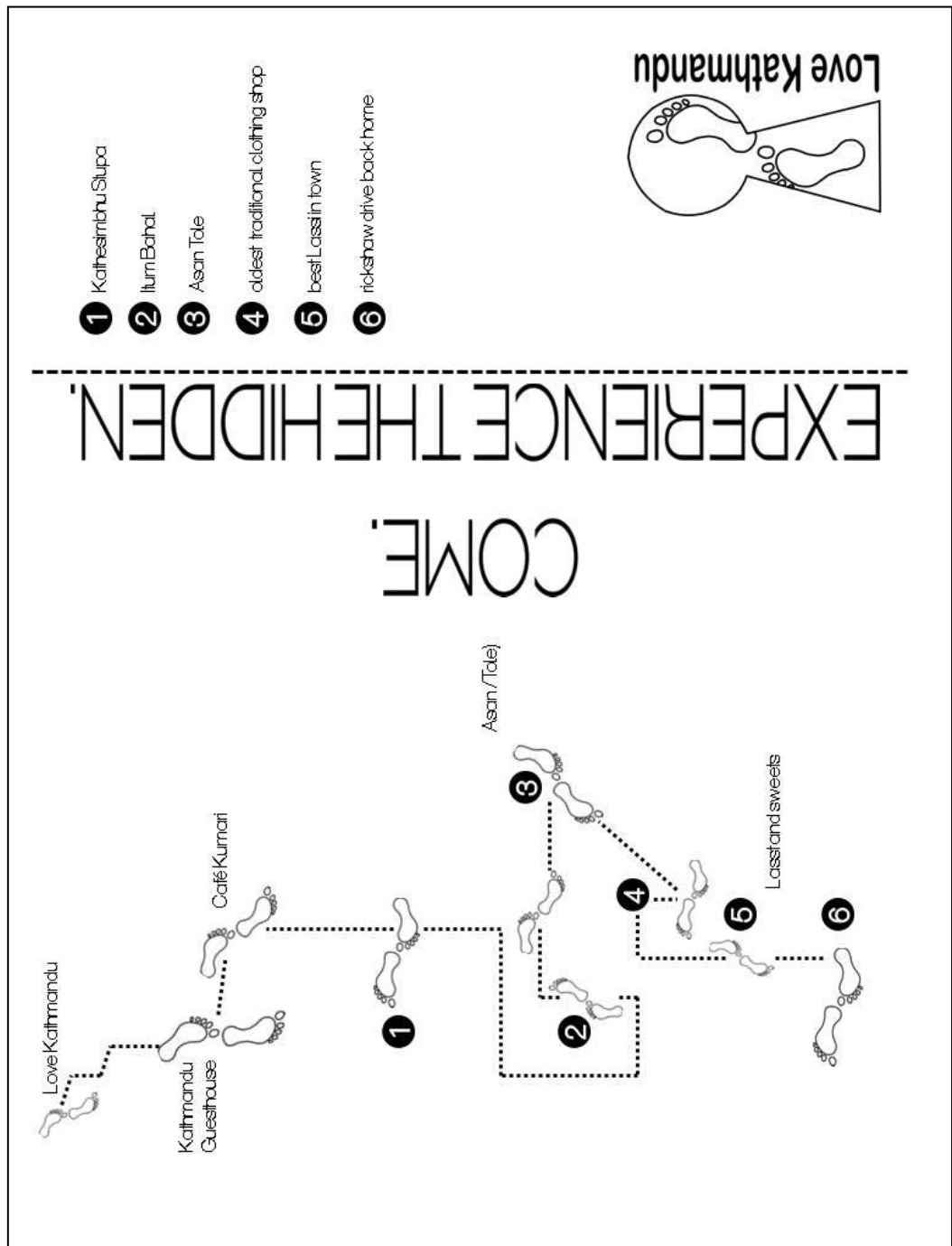
Walking Tour "South from Thamel to Durbar Square"

Walking Tour "South from Durbar Square"



Mayhew et al. (2012): p. 128; p.131

Appendix 9 – LK’s map for tourists participating in the tour “Experience Kathmandu”



Appendix 10 – Consumer Segmentation of *LK*

| Socio-demographic | | Behavioral | | Psychographic |
|---------------------------------|--|-------------------------------|---|---|
| Age | 16-30, 31-45 young adults and adults | Destinations | Nepal, Kathmandu, Thamel | Adventurer (Hahn, 1974), educational (Hahn, 1974), trekking tourist (Fingerhut, 1973); preference: mountains; (Hartmann, 1974, 1981); al- ternative tourist (Freyer, 1985) |
| Gender | male, female | Means of Transport | plane | |
| Family Status | single, married/ in a relationship, without children | Length of Stay | 2 weeks | Purpose of Travel |
| Country of Residence | foreigners except Nepali | Travel Preparation | online guides, printed guides, recommendation | Life Style |
| | | Travel Group | single, group of 2 | Explorer, non-mainstream, spontaneous open-minded |
| | | Booking Behavior | individual organized travels | |

According to Freyer's typification in tourism (2009: p.189)

Appendix 11 – Matrix – Market Readiness

| Data Analysis | | Section/Member | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|---------------|---------------------------|----------------|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|
| | | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 | 17 | 18 | 19 | 20 | 21 | 22 | 23 | 24 | 25 | 26 | 27 | 28 | 29 | 30 |
| 2 | family | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | partner | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | friends | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | alone | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 3 | no children | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 6 | printed guides | 4 | 4 | 4 | 3 | 1 | 3 | 1 | 4 | 5 | 4 | 5 | 4 | 5 | 3 | 4 | 5 | 4 | 5 | 5 | 4 | 5 | 4 | 5 | 5 | 4 | 5 | 4 | 5 | 4 | 5 |
| | online guides | 5 | 4 | 3 | 1 | 4 | 5 | 5 | 5 | 4 | 1 | 1 | 4 | 5 | 4 | 5 | 4 | 1 | 5 | 4 | 1 | 5 | 4 | 5 | 5 | 2 | 5 | 4 | 5 | 1 | 3 |
| | friends' recommendations | 4 | 2 | 3 | 1 | 4 | 5 | 4 | 2 | 5 | 4 | 2 | 2 | 4 | 5 | 4 | 2 | 4 | 4 | 2 | 5 | 4 | 2 | 4 | 4 | 3 | 2 | 4 | 4 | 3 | 4 |
| 7 | - spontaneous | 1 | 1 | 0 | 1 | 1 | 1 | 0 | 1 | 0 | 1 | 0 | 0 | 0 | 0 | 0 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| | - adventurous | 1 | 1 | 0 | 1 | 1 | 1 | 1 | 0 | 1 | 1 | 0 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| | - experience original | 1 | 1 | 0 | 1 | 1 | 1 | 0 | 1 | 0 | 1 | 0 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| 13 | excitingly operated | 1 | 1 | 0 | 1 | 1 | 1 | 0 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| | extravagant | 1 | 1 | 0 | 1 | 1 | 1 | 0 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| | 8 people max. | 1 | 1 | 1 | 1 | 1 | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | local sights | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| | active involvement | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| 16 | holiday | 0 | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 18 | insider places | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | markets | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 24 | food | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| | traditional clothing | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| | artists/artists | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | architecture | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | women | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | education | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | religion | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | local life | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | children & youth | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | culture, history | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | crafting | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 27 | 4 | 0 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | |
| | 5 | 0 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | |
| 39c | 16-30 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 31-45 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| sex | Female | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | male | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Family status | married/in a relationship | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| | single | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| likeliness | | 19 | 19 | 19 | 16 | 16 | 19 | 19 | 16 | 19 | 16 | 16 | 19 | 16 | 16 | 19 | 16 | 16 | 19 | 16 | 16 | 19 | 16 | 16 | 19 | 16 | 16 | 19 | 16 | 16 | 19 |

Market Readiness Matrix:

| Conditions for 90-100% participation in LK | | Results |
|--|-----------------|-------------------|
| 2 | 1 very likely | |
| 3 | 1 very likely | 22/21 very likely |
| 6 | 5 very likely | 18/17-20 likely |
| | 4 likely | 16 unclear |
| 7 | 3 very likely | |
| | 2 likely | |
| | 1 unclear | |
| 13 | 5+4 very likely | |
| | 3+2 likely | |
| | 1 unclear | |
| 16 | 1 very likely | |
| 18 | 1 very likely | |
| 24 | 1 very likely | |
| 27 | 1 very likely | |
| age | 1 very likely | |
| sex | 1 very likely | |
| family st. | 1 very likely | |

Allocation of single point according to respondents' answers

| | | |
|----------|----|------------------------|
| | 18 | 60% likely-very likely |
| 86--100% | 3 | 10% very likely |
| 71-85% | 15 | 50% likely |
| 50-70% | 12 | 40% unlikely/ unclear |

Allocation of single point according to respondents' answers

Based on the specified characteristics, *LK*'s tourists show, all 30 participants embody *LK*'s target group. Thus, a percentage that these people will participate can be accounted for 50%. All participants have been given one point if they met *LK*'s customers' conception. Subtractions have been made in case of noticeable differences in their answers. The final percentage consists of the reached score of the participant and the already existing probability of 50%. For example, person 27 has scored 21 points. That means, he is 86-100% likely to participate in *LK*'s tour. Contrary, person 10 only reached 15 points; he falls into the category "unclear/unlikely". With 50-70% chance of likeliness, it cannot be assured that he joins *LK*'s tour. Generally, 60% of the sample is likely or very likely to book one of *LK*'s tours, whereas 40% is unlikely. However, these numbers are a random sample. It would require more participants and a time frame of a year or more to evaluate if the "likely" people actually booked the tours.

Appendix 12 – Tourism Act, 2035

Tourism Act, 2035 (1978)

Date of Authentication and

Publication

2035.7.8 (Oct. 25 1978)

Amendments

- | | |
|---|---------------------------|
| 1. Tourism (First Amendment) Act, 2042 (1985) | 2042.7.14 (Oct. 30, 1985) |
| 2. Administration of Justice Act, 2048 (1991) | 2048.2.16 (May 30, 1991) |
| 3. Tourism (Second Amendment) Act, 2053 (1997)* | 2053.10.23 (Feb. 5, 1997) |
| 4. Some Nepal Laws Amendment Act, 2063 | |

Act No. 27 of the year 2035 (1978)

An Act Made relating to Tourism Arrangement

Preamble: Whereas, it is expedient to make necessary arrangement of health, facility and interest ^Δof tourists and Nepalese tourist who visit one place to another place of Nepal and to make economic interest of general people through tourism development,

Now, therefore, be it enacted by His Majesty King Birendra Bir Bikram Shah Dev with the aid and advise of the *Rastriya Panchayat*.

1. **Short title, extent and commencement:** (1) This Act may be called as "Tourism Act, 2035 (1978)".
(2) This Act shall extend all over Nepal.
(3) The Chapters other than Chapter 4 of this Act shall come into force immediately and Chapter 4 shall come into force on such date as Government

* By the Notification Ministry of Tourism and Civil Aviation of dated on 2055.8.14 in Nepal Gazette Second Amendment came into force from 2055.9.17

Δ. Inserted by the Second Amendment.

1

[...]

Chapter 2

Provision Relating to Travel and Trekking Agency

3. **License to be obtained to work as a Travel and Trekking Agency:** (1) A person, who is interested to operate the Travel and Trekking Agency shall have to obtain a license pursuant to this Act.
(2) A person, who is interested to obtain a license for Travel or Trekking Agency, shall submit an application [▼]to the Government of Nepal along with the prescribed details.
(3) Upon receiving an application pursuant to Sub-section (2), Government of Nepal upon conducting necessary inquiry, may issue license as prescribed to the applicant if finds capable to operate Travel or Trekking Agency upon charging the prescribed fees.
†(4) The license issued pursuant to Sub-section (3) shall be renewed within the prescribed time upon submitting the prescribed fees.

4

+3A. **Classification of Travel or Trekking Agency:** (1) The classification of Travel or Trekking Agency shall be as prescribed.

(2) The Government of Nepal may provide facility to the Travel or Trekking Agency so classified pursuant to Sub-section (1).

4. **Disqualification:** A license pursuant to Section 2 shall not be issued to the following persons:

(a) A person who is not competent to enter into contract pursuant to prevailing contract law.

(b) A person who is declared insolvent.

(c) A person whose Travel or Trekking Agency license has been cancelled pursuant to Section 9 and a period of two years from that date has not been lapsed.

(d) A person who has been convicted and imposed penalty of imprisonment by a court in an offense involving moral turpitude.

5. **Notice regarding fees to be given by the Travel or Trekking Agency:** (1) The Travel or Trekking Agency, holding a license pursuant to this Act, shall provide notice to the Government of Nepal ~~about the rate of the service fees~~ to be charged to the tourists.

(2) The rate of the fees mentioned in the Notice pursuant to Sub-section (1) shall be published as determined by Government of Nepal.

5

6. **Payment of Bill to be made in the convertible Foreign Currency:** (1) ~~A~~ Travel or Trekking Agency, while providing service pursuant to this Act to the tourist, shall make transaction for the payment of bill in the convertible Foreign Currency as determined by Government of Nepal

(2) All transaction of the foreign currency earned within Nepal or abroad, pursuant to Sub-section (1), shall be done through Nepal Rastra Bank.

(3) Government of Nepal may conduct an inquiry to check the transaction pursuant to Sub-section (2) and (3).

7. **Power to Suspend License:** (1) Government of Nepal may suspend the license of a Travel or Trekking Agency upto a period of Six months in the following conditions:-

(a) If one violates any of the provisions of this Act or Rules framed there under.

(b) If some one is disqualified pursuant to Clause (b) and (d) of Section 4.

(2) Before suspending a license of Travel or Trekking Agency of a person pursuant to Sub-section (1), an opportunity to put his/her defense shall be provided and at least fifteen days time shall be given for such defense.

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- +7A. License may be Cancelled: In case a Travel or Trekking Agency suspended pursuant to Section 7 again commits the similar acts after the expiry of suspension, Government of Nepal may cancel the license of such Travel or Trekking Agency as prescribed.
8. License to be taken by the permitted and operated Trekking Agency: (1) A person who is operating a Trekking Agency with the approval of the Government of Nepal before the commencement of this Act, shall submit an application, within the prescribed time, to the Government of Nepal to obtain a license pursuant to this Act along with the prescribed details.
- (2) Government of Nepal shall issue a trekking agency license to the person who submits an application within the time frame as mentioned in Sub-section (1).
9. Penalty: (1) In case someone runs (operates) a travel agency or trekking agency or conducts transaction without opening such agency or attempts for the same without obtaining a license pursuant to this Act, Government of Nepal shall cause to close down such agency or transaction and may fine upto Twenty Thousand Rupees.
- (2) In case, some one carries out any function relating to a Travel or Trekking Agency in the time of suspension of his/her license pursuant to Section 7, Government of Nepal may fine upto Twenty Thousand Rupees and cancel the license of such Travel or Trekking Agency.

+ Inserted by the Second Amendment

(3) In case, someone violates the provision of Sub-section (1) of Section 6, Government of Nepal may fine upto Forty Thousand Rupees for the first time and Eighty Thousand Rupees each time from the second time.

(4) In case, someone gets punishment three or more times pursuant to the prevailing foreign exchange law for violating Sub-section (2) of Section 6, Government Nepal may cancel the license of such Travel or Trekking Agency.

(5) The aggrieved person, by the order made by Government of Nepal pursuant to this Section, may file a complaint before the Court of Appeal within thirty-five days.

Chapter-5

Provision Relating to Tour Guide

39. **License to be obtained for Tour Guide:** (1) A person, who is interested to work as a tour guide shall have to obtain a license pursuant to this Act,
- (2) A person, who is interested to work as Tour Guide shall submit an application as prescribed to the prescribed officer.
- (3) A person, who submits an application pursuant to Sub-section (1), shall take part in the examination or training and prescribed officer shall provide license as prescribed to the applicant, who passes such examination or training upon charging prescribed fees.
40. **Disqualification:** The Tour Guide license shall not be provided to the following persons,-
- (a) A person who has been convicted and imposed penalty of imprisonment by a court in an offense involving moral turpitude.
- (b) A person suffering from any mental or communicable diseases.
- (c) A person whose Tour Guide license has been cancelled pursuant to

▼ Amended by the Second Amendment.

† Inserted by the First Amendment.

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Clause (a) or (d) of Section 44 and a three years period from that date has not been lapsed.

41. **Validity Period of the License:** (1) The validity period of the license of Tour Guide shall be of Five years.
- (2) The renewal, renewal fees and officer to renew the license of the Tour Guide shall be as prescribed.
- [†]41A. **Classification of Tour Guide:** The classification of Tour Guide shall be as prescribed.
42. **Another License may be obtained in case lost of License:** (1) In case, the Tour Guide license received by someone is lost, he/she shall submit an application within prescribed time to the prescribed officer for another license.
- (2) The prescribed officer pursuant to Sub-section (1) may provide another license as prescribed upon charging prescribed fees.
43. **Restricted acts for the Tour Guide:** The Following acts shall not be carried out by the Tour Guide,-
- (a) To request or accept cash or any kind, from the concerned seller or any other person, while providing any help in purchasing any goods or rendering any service to the tourist for whom he/she has helps as a Tourist Guide.
- (b) To compel a tourist to appoint him/her as a Tourist.
- (c) To provide his/her license to any other person to be engaged as a Tour Guide.

⁺ Inserted by the Second Amendment

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44. **License may be cancelled:** (1) The prescribed officer may cancel the Tour Guide license in any of the following conditions:-

- (a) A person who has been convicted and imposed penalty of imprisonment by a court in an offense involving moral turpitude.
- (b) A person who is disqualified pursuant to Clause (b) of Section 40.
- (c) A person who violates any act mentioned in Section 43.

(2) Before suspending a license of Tour Guide of a person pursuant to Sub-section (1), an opportunity to put his/her defense shall be provided and at least fifteen days time shall be given for such defense.

45. **Penalty:** (1) In case, any person commits conduct the following offence, Government of Nepal may punish as follows:-

- (a) Upto **▼ Four Thousand Rupees** fine for working as a Tour Guide by without obtaining license pursuant to Section 39, or
- (b) Upto **▼ Two Thousand Rupees** fine for working as a Tour Guide by without renewing license pursuant to Section 41.

(2) Except otherwise provided in Sub-section (1), in case, any Tour Guide who does not abide by this Act, the Rules made there under and

▼ Amended by the Second Amendment.

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direction, Government of Nepal may fine upto **▼ One Thousand Rupees.**

(3) A person who is not satisfied with the order made by the Government of Nepal pursuant to this Section, may file complaint within Thirty five days before the **▼ Court of Appeal.**

†Chapter-5A

Provisions Relating to other Tourism Enterprise

45A. **Provision relating to other Tourism Enterprise:** The provisions relating to registration, license, renewal, operation, suspension of license and cancellation of registration of Rafting, Gliding, Ballooning, Jungle Safari, Camping, Hiking, Bird Watching, Skiing and other prescribed tourism enterprise shall be as prescribed.

45B. **Approval to be obtain:** A tourist, who is interested in rafting, trekking and prescribed activity amongst tourism activity pursuant to Section 45A, shall obtain an approval as prescribed upon paying prescribed fees.

45C. **Penalty:** (1) In case, someone operating a tourism enterprise pursuant to Section 45A violates this Act or Rules made thereunder or direction or order of Government of Nepal, the prescribed officer may fine him/her **▼ upto Twenty Thousand Rupees.**

(2) In case, a tourist who commits any activity mentioned in Section 45B without obtaining an approval pursuant to this Act or Rules framed

† Inserted by the First Amendment.
▼ Amended by the Second Amendment.

Appendix 13 – Nepal Tourism Board Act, 2053

Chapter - 2

Establishment and Management of the Board

3. Establishment of the Board: (1) A Board, by the name of Nepal Tourism Board is hereby established to develop, expand and promote tourism business to present Nepal in the international arena as a fascinating tourist destination.

(2) The Central Office of the Board shall lie in Kathmandu Valley and the Board may open its branch or Sub-branch in any place within or outside Nepal as per necessity.

Appendix 14 – Source Markets for International Tourism

| | International Tourist Arrivals by region of origin (million) | | | | | | | | | | Market share (%) | Change (%) | | Average annual growth (%) | | |
|-----------------------------------|---|-------|-------|-------|-------|-------|-------|-------|------|--------|------------------|------------|-----|---------------------------|--|--|
| | 1990 | 1995 | 2000 | 2005 | 2009 | 2010 | 2012 | 2013* | 2011 | 13*/12 | | '05-13* | | | | |
| | 434 | 528 | 677 | 807 | 890 | 948 | 1,035 | 1,087 | 100 | 4.1 | | 5.0 | 3.8 | | | |
| World | | | | | | | | | | | | | | | | |
| From: | | | | | | | | | | | | | | | | |
| Europe | 250.3 | 302.6 | 388.8 | 449.7 | 476.5 | 496.6 | 537.3 | 565.9 | 52.1 | 3.4 | 5.3 | 2.9 | | | | |
| Asia and the Pacific | 58.7 | 86.3 | 114.2 | 153.2 | 180.9 | 206.3 | 237.2 | 250.3 | 23.0 | 6.5 | 5.5 | 6.3 | | | | |
| Americas | 99.3 | 108.4 | 130.8 | 136.5 | 147.1 | 156.3 | 171.6 | 178.1 | 16.4 | 4.4 | 3.8 | 3.4 | | | | |
| Middle East | 8.2 | 9.3 | 14.1 | 22.9 | 32.3 | 34.6 | 31.6 | 32.3 | 3.0 | -6.7 | 2.0 | 4.4 | | | | |
| Africa | 9.8 | 11.5 | 14.9 | 19.3 | 25.5 | 28.3 | 31.9 | 33.4 | 3.1 | 6.1 | 4.8 | 7.1 | | | | |
| Origin not specified ¹ | 7.8 | 9.4 | 14.1 | 25.4 | 28.2 | 26.3 | 25.7 | 26.8 | 2.5 | | | | | | | |
| Same region | 348.7 | 422.6 | 532.5 | 630.6 | 686.8 | 728.1 | 799.6 | 840.2 | 77.3 | 4.0 | 5.1 | 3.7 | | | | |
| Other regions | 77.6 | 95.6 | 130.3 | 150.9 | 175.4 | 194.0 | 210.0 | 219.8 | 20.2 | 4.2 | 4.7 | 4.8 | | | | |

Source: World Tourism Organization (UNWTO) ©

¹ Countries that could not be allocated to a specific region of origin. As information is derived from inbound tourism data this occurs when data on the country of origin is missing or when a category such as 'other countries of the world' is used grouping countries together that are not separately specified.

(Data as collected by UNWTO May 2014)

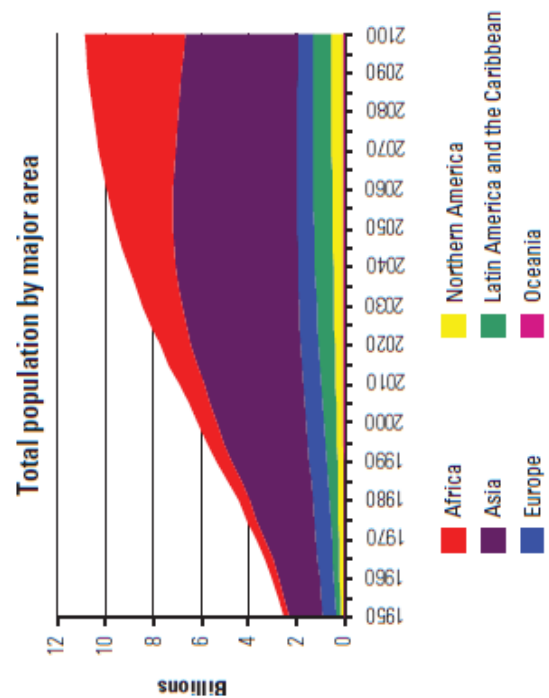
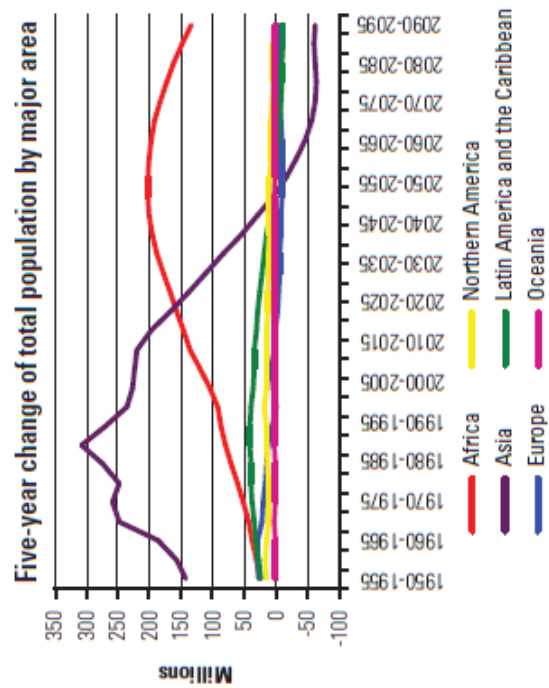
WTO, 2014: p.13

Appendix 15 – Growth of World Output, 2007-2015

| Annual percentage change | 2007-2010 ^a | 2011 | 2012 ^b | 2013 ^c | 2014 ^c | 2015 ^c | Change from WESP 2013 forecast ^d | |
|--|------------------------|------------|-------------------|-------------------|-------------------|-------------------|--|-------------|
| | | | | | | | 2013 | 2014 |
| World | 1.8 | 2.8 | 2.4 | 2.1 | 3.0 | 3.3 | -0.3 | -0.2 |
| Developed economies | 0.3 | 1.5 | 1.3 | 1.0 | 1.9 | 2.4 | -0.1 | -0.1 |
| United States of America | 0.3 | 1.8 | 2.8 | 1.6 | 2.5 | 3.2 | -0.1 | -0.2 |
| Japan | 0.0 | -0.6 | 1.9 | 1.9 | 1.5 | 1.2 | 1.3 | 0.7 |
| European Union | 0.2 | 1.7 | -0.4 | -0.1 | 1.4 | 1.9 | -0.7 | -0.3 |
| EU-15 | 0.1 | 1.5 | -0.5 | -0.1 | 1.4 | 1.8 | -0.6 | -0.2 |
| New EU members | 2.0 | 3.0 | 0.6 | 0.5 | 2.1 | 2.7 | -1.5 | -0.8 |
| Euro area | 0.2 | 1.6 | -0.7 | -0.5 | 1.1 | 1.6 | -0.8 | -0.3 |
| Other European countries | 1.1 | 1.6 | 1.9 | 1.7 | 2.6 | 2.9 | 0.2 | 0.7 |
| Other developed countries | 1.6 | 2.4 | 2.5 | 2.0 | 2.6 | 2.9 | 0.0 | -0.4 |
| Economies in transition | 2.9 | 4.6 | 3.2 | 2.0 | 3.3 | 4.0 | -1.6 | -0.9 |
| South-Eastern Europe | 2.6 | 1.9 | -0.9 | 1.8 | 2.6 | 3.1 | 0.6 | 0.0 |
| Commonwealth of Independent States and Georgia | 2.9 | 4.8 | 3.4 | 2.0 | 3.4 | 4.1 | -1.8 | -1.0 |
| Russian Federation | 2.4 | 4.3 | 3.4 | 1.5 | 2.9 | 3.6 | -2.1 | -1.3 |
| Developing economies | 5.9 | 5.9 | 4.7 | 4.6 | 5.1 | 5.3 | -0.5 | -0.5 |
| Africa | 4.8 | 0.8 | 5.7 | 4.0 | 4.7 | 5.0 | -0.8 | -0.4 |
| North Africa | 4.6 | -6.1 | 7.2 | 2.3 | 3.3 | 4.3 | - | - |
| East Africa | 6.5 | 6.5 | 6.0 | 6.0 | 6.4 | 6.4 | - | - |
| Central Africa | 4.8 | 3.9 | 5.8 | 4.2 | 4.8 | 4.1 | - | - |
| West Africa | 6.0 | 6.1 | 6.7 | 6.7 | 6.9 | 6.8 | - | - |
| Nigeria | 6.9 | 6.8 | 6.5 | 6.5 | 6.9 | 6.7 | -0.3 | -0.3 |
| Southern Africa | 3.9 | 4.0 | 3.5 | 3.6 | 4.2 | 4.4 | - | - |
| South Africa | 2.6 | 3.5 | 2.5 | 2.7 | 3.3 | 3.7 | -0.4 | -0.5 |
| East and South Asia | 7.6 | 7.0 | 5.5 | 5.6 | 5.8 | 6.0 | -0.4 | -0.5 |
| East Asia | 7.7 | 7.1 | 5.9 | 6.0 | 6.1 | 6.1 | -0.2 | -0.4 |
| China | 10.8 | 9.3 | 7.7 | 7.7 | 7.5 | 7.3 | -0.2 | -0.5 |
| South Asia | 6.9 | 6.4 | 4.2 | 3.9 | 4.6 | 5.1 | -1.1 | -1.1 |
| India | 8.1 | 7.3 | 5.1 | 4.8 | 5.3 | 5.7 | -1.3 | -1.2 |
| Western Asia | 4.0 | 6.9 | 3.9 | 3.6 | 4.3 | 3.9 | 0.3 | 0.2 |
| Latin America and the Caribbean | 3.4 | 4.4 | 3.0 | 2.6 | 3.6 | 4.1 | -1.3 | -0.8 |
| South America | 4.5 | 4.6 | 2.5 | 3.2 | 3.4 | 4.1 | -0.8 | -1.0 |
| Brazil | 4.6 | 2.7 | 0.9 | 2.5 | 3.0 | 4.2 | -1.5 | -1.4 |
| Mexico and Central America | 1.4 | 4.1 | 4.0 | 1.5 | 4.0 | 4.2 | -2.4 | -0.6 |
| Mexico | 1.2 | 4.0 | 3.9 | 1.2 | 4.0 | 4.2 | -2.6 | -0.6 |
| Caribbean | 3.5 | 2.7 | 2.8 | 2.4 | 3.3 | 3.8 | -1.3 | -0.5 |

UN/DESA, 2014: p.4

Appendix 16 – World Population



UN. Department of Economic and Social Affairs. Population Division, 2012: p.1

Appendix 18 – Tourism Nepal

Tourist Arrivals Nepal, 1986-2012

TABLE 1: TOURIST ARRIVAL AND AVERAGE LENGTH OF STAY, 1962-2012

| Year | Total | | By Air | | By Land | | Average Length of Stay |
|------|---------|------------------------|---------|---------|---------|---------|------------------------|
| | Number | Annual Growth Rate (%) | Number | Percent | Number | Percent | |
| 1962 | 6,179 | 0.0 | - | - | - | - | - |
| 1963 | 7,275 | 17.7 | - | - | - | - | - |
| 1964 | 9,526 | 30.9 | 8,435 | 88.5 | 1,091 | 11.5 | - |
| 1965 | 9,388 | -1.4 | 8,303 | 88.4 | 1,085 | 11.6 | - |
| 1966 | 12,567 | 33.9 | 11,206 | 89.2 | 1,361 | 10.8 | - |
| 1967 | 18,093 | 44.0 | 15,064 | 83.3 | 3,029 | 16.7 | - |
| 1968 | 24,209 | 33.8 | 19,717 | 81.4 | 4,492 | 18.6 | - |
| 1969 | 34,901 | 44.2 | 28,130 | 80.6 | 6,771 | 19.4 | - |
| 1970 | 45,970 | 31.7 | 36,508 | 79.4 | 9,462 | 20.6 | - |
| 1971 | 49,914 | 8.6 | 40,369 | 80.9 | 9,545 | 19.1 | - |
| 1972 | 52,930 | 6.0 | 42,484 | 80.3 | 10,446 | 19.7 | - |
| 1973 | 68,047 | 28.6 | 55,791 | 82.0 | 12,256 | 18.0 | - |
| 1974 | 89,838 | 32.0 | 74,170 | 82.6 | 15,668 | 17.4 | 13.20 |
| 1975 | 92,440 | 2.9 | 78,995 | 85.5 | 13,445 | 14.5 | 13.05 |
| 1976 | 105,108 | 13.7 | 90,498 | 86.1 | 14,610 | 13.9 | 12.41 |
| 1977 | 129,329 | 23.0 | 110,180 | 85.2 | 19,149 | 14.8 | 11.60 |
| 1978 | 156,123 | 20.7 | 130,034 | 83.3 | 26,089 | 16.7 | 11.84 |
| 1979 | 162,276 | 3.9 | 137,865 | 85.0 | 24,411 | 15.0 | 12.02 |
| 1980 | 162,897 | 0.4 | 139,387 | 85.6 | 23,510 | 14.4 | 11.18 |
| 1981 | 161,669 | -0.8 | 142,084 | 87.9 | 19,585 | 12.1 | 10.49 |
| 1982 | 175,448 | 8.5 | 153,509 | 87.5 | 21,939 | 12.5 | 13.33 |
| 1983 | 179,405 | 2.3 | 152,470 | 85.0 | 26,935 | 15.0 | 11.53 |
| 1984 | 176,634 | -1.5 | 149,920 | 84.9 | 26,714 | 15.1 | 10.55 |
| 1985 | 180,989 | 2.5 | 151,870 | 83.9 | 29,119 | 16.1 | 11.30 |

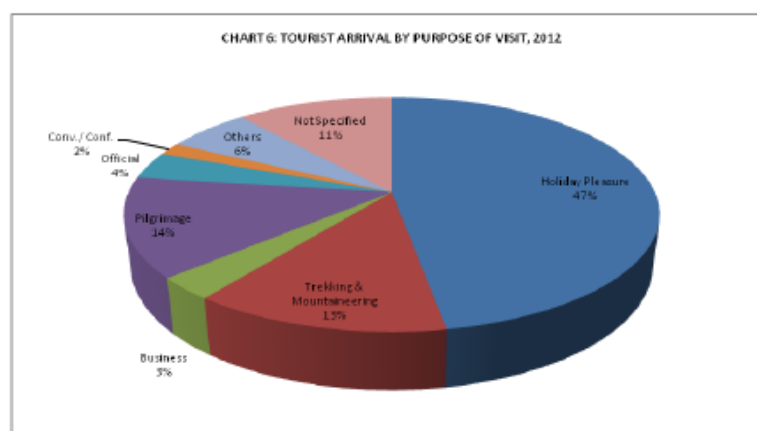
Ministry of Tourism, Culture & Civil Aviation (2013): p.5

TABLE 1: TOURIST ARRIVAL AND AVERAGE LENGTH OF STAY, 1962-2012 (contd.)

| Year | Total | | By Air | | By Land | | Average Length of Stay |
|------|---------|------------------------|---------|---------|---------|---------|------------------------|
| | Number | Annual Growth Rate (%) | Number | Percent | Number | Percent | |
| 1986 | 223,331 | 23.4 | 182,745 | 81.8 | 40,586 | 18.2 | 11.16 |
| 1987 | 248,080 | 11.1 | 205,611 | 82.9 | 42,469 | 17.1 | 11.98 |
| 1988 | 265,943 | 7.2 | 234,945 | 88.3 | 30,998 | 11.7 | 12.00 |
| 1989 | 239,945 | -9.8 | 207,907 | 86.6 | 32,038 | 13.4 | 12.00 |
| 1990 | 254,885 | 6.2 | 226,421 | 88.8 | 28,464 | 11.2 | 12.00 |
| 1991 | 292,995 | 15.0 | 267,932 | 91.4 | 25,063 | 8.6 | 9.25 |
| 1992 | 334,353 | 14.1 | 300,496 | 89.9 | 33,857 | 10.1 | 10.14 |
| 1993 | 293,567 | -12.2 | 254,140 | 86.6 | 39,427 | 13.4 | 11.94 |
| 1994 | 326,531 | 11.2 | 289,381 | 88.6 | 37,150 | 11.4 | 10.00 |
| 1995 | 363,395 | 11.3 | 325,035 | 89.4 | 38,360 | 10.6 | 11.27 |
| 1996 | 393,613 | 8.3 | 343,246 | 87.2 | 50,367 | 12.8 | 13.50 |
| 1997 | 421,857 | 7.2 | 371,145 | 88.0 | 50,712 | 12.0 | 10.49 |
| 1998 | 463,684 | 9.9 | 398,008 | 85.8 | 65,676 | 14.2 | 10.76 |
| 1999 | 491,504 | 6.0 | 421,243 | 85.7 | 70,261 | 14.3 | 12.28 |
| 2000 | 463,646 | -5.7 | 376,914 | 81.3 | 86,732 | 18.7 | 11.88 |
| 2001 | 361,237 | -22.1 | 299,514 | 82.9 | 61,723 | 17.1 | 11.93 |
| 2002 | 275,468 | -23.7 | 218,660 | 79.4 | 56,808 | 20.6 | 7.92 |
| 2003 | 338,132 | 22.7 | 275,438 | 81.5 | 62,694 | 18.5 | 9.60 |
| 2004 | 385,297 | 13.9 | 297,335 | 77.2 | 87,962 | 22.8 | 13.51 |
| 2005 | 375,398 | -2.6 | 277,346 | 73.9 | 98,052 | 26.1 | 9.09 |
| 2006 | 383,926 | 2.3 | 283,819 | 73.9 | 100,107 | 26.1 | 10.20 |
| 2007 | 526,705 | 37.2 | 360,713 | 68.5 | 165,992 | 31.5 | 11.96 |
| 2008 | 500,277 | -5.0 | 374,661 | 74.9 | 125,616 | 25.1 | 11.78 |
| 2009 | 509,956 | 1.9 | 379,322 | 74.4 | 130,634 | 25.6 | 11.32 |
| 2010 | 602,867 | 18.2 | 448,800 | 74.4 | 154,067 | 25.6 | 12.67 |
| 2011 | 736,215 | 22.1 | 545,221 | 74.1 | 190,994 | 25.9 | 13.12 |
| 2012 | 803,092 | 9.1 | 598,258 | 74.5 | 204,834 | 25.5 | 12.16 |

Ministry of Tourism, Culture & Civil Aviation (2013): p.6

Purpose of Visit

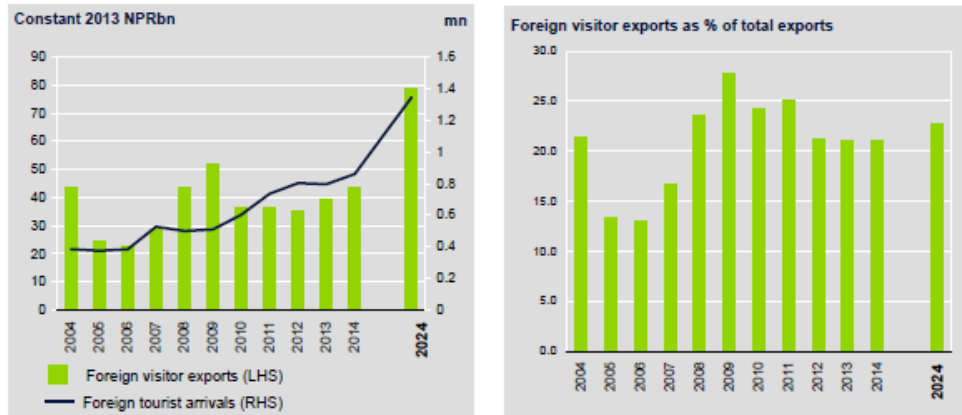


Ministry of Tourism, Culture & Civil Aviation (2013): p.19

Appendix 19 – Economic Tourism Nepal

Visitor Exports and International Tourist Arrivals

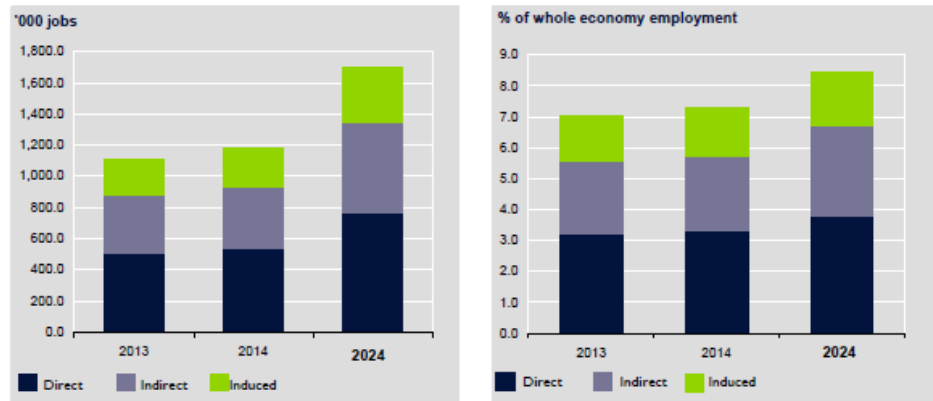
NEPAL: VISITOR EXPORTS AND INTERNATIONAL TOURIST ARRIVALS



WTTC (2014): p.5

Total Contribution of Travel & Tourism to Employment

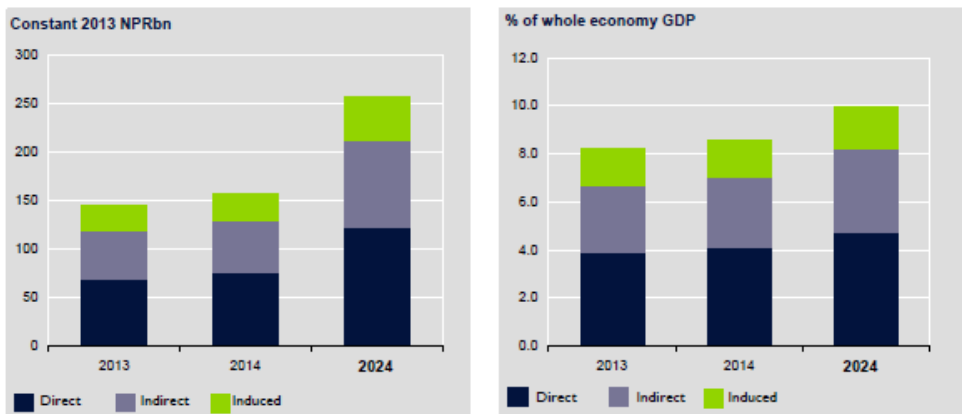
NEPAL: TOTAL CONTRIBUTION OF TRAVEL & TOURISM TO EMPLOYMENT



WTTC (2014): p.4

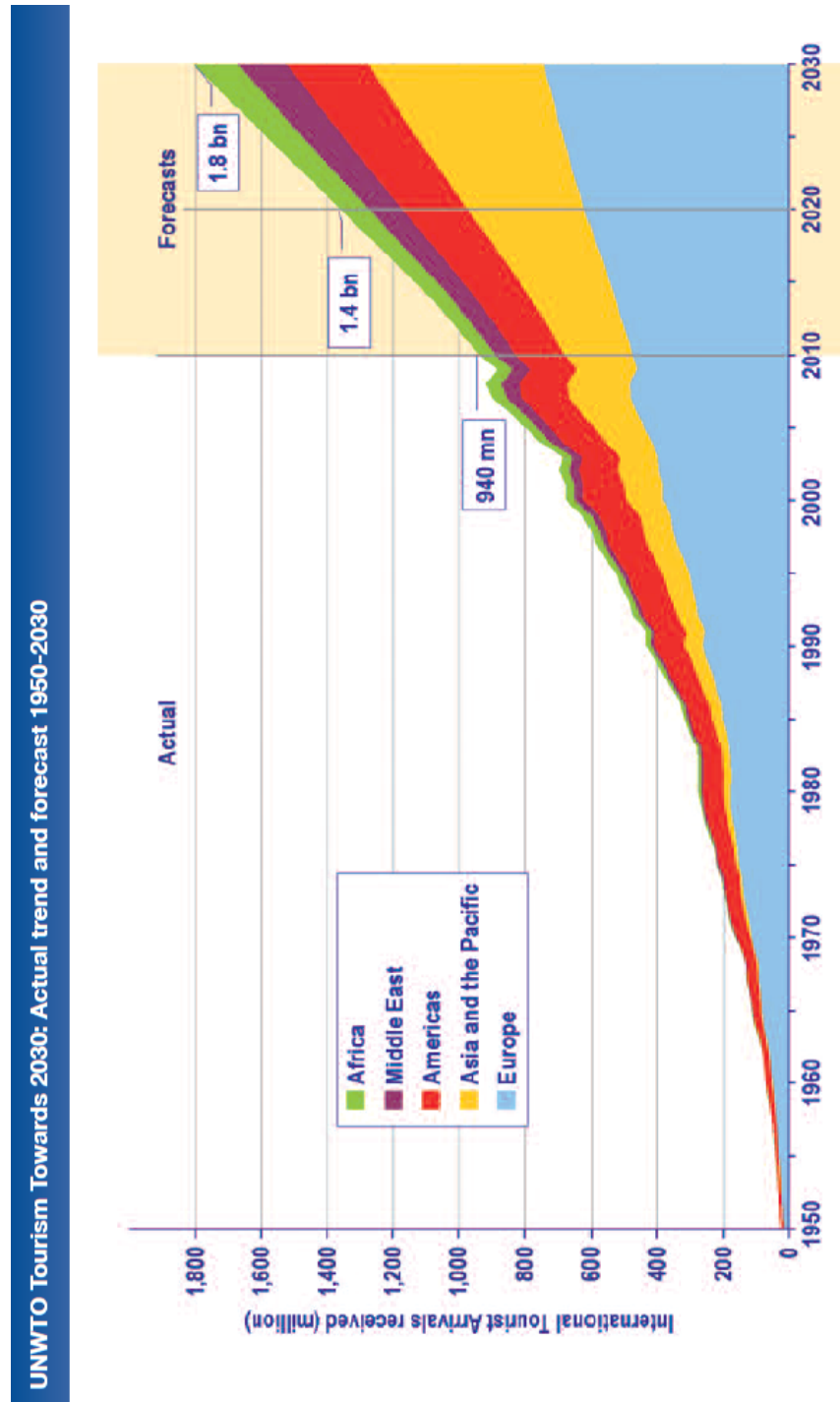
Total Contribution of Travel & Tourism to GDP

NEPAL: TOTAL CONTRIBUTION OF TRAVEL & TOURISM TO GDP



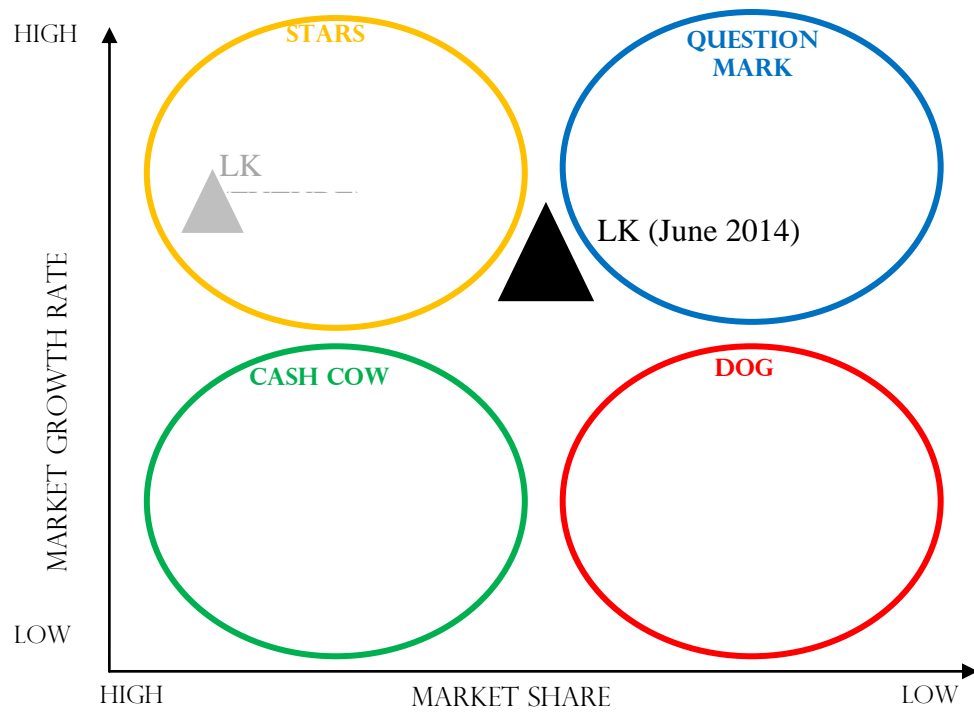
WTTC (2014): p.3

Appendix 20 – Long-Term Forecasts, UNWTO



UNWTO, 2014: p.14

Appendix 21 – LK’s current and Future Positioning in the Boston Consulting Group Matrix



Appendix 22 – LK’s Finances

Assuming 7 persons/ tour; 3 tours/ week (Sunday, Wednesday, Friday)

| Welcoming gifts | Tea | Saree Shop | Lassi | Samosa | Rickshaw | Overall p.p. |
|--|---------------------------|--|-------------------|---|-------------------|-----------------------|
| Shawl: 50/1 Tikka: 80/100g (100g=1month =84pers.) | Black: 10/1 Milk: 15/1 | Ratna D. Kansakar (42 20681, son: Pravodh) shows female visitors how to wear saree | Small: 30/1 | Samosa: 20/1 Barfi: 5/1 Laddu: 5/1 Jerry: 20/1 | 120/1 | |
| = 50+1.20 | =15 | = 20 (remuneration) | = 30 | = 20 | = 60 | |
| = 51.20NRS | = 15NRS | = 20NRS | = 30NRS | = 40NRS | = 60NRS | = 216.20NRS |

Fixed Costs: Salary Tour Guide

= 1,400 NRs

Break-Even Point:

$$800NPR - 216.20NPR = 583.80NPR \text{ (net income)}$$

$$583.80NPR * 3 \text{ persons} = \mathbf{1,751.40NPR}$$

(at least 3 persons necessary per tour)

EBIT:

$$583.80NPR * 7 \text{ persons} = 4,086.60NPR$$

$$4,086.60NPR - 1,400(\text{fixed costs}) = 2,686.6$$

$$2,686.60NPR * 3 \text{ days} = \mathbf{8,059.80NPR(EBIT per week)}$$

$$8,059.80NPR * 4 \text{ weeks} = \mathbf{32,239.20NPR(EBIT per month)}$$

ROS:

$$\frac{8,059.80NPR}{16,800NPR(\text{week})} = 0,5 * 100 = \mathbf{50\%}$$

50% is kept in profit, meaning 50 cents of profit per NPR of sales.

Appendix 23 – Exemplary Logos of Start-Ups in Kathmandu



Hidden Journeys Nepal



socialtours



Edushala

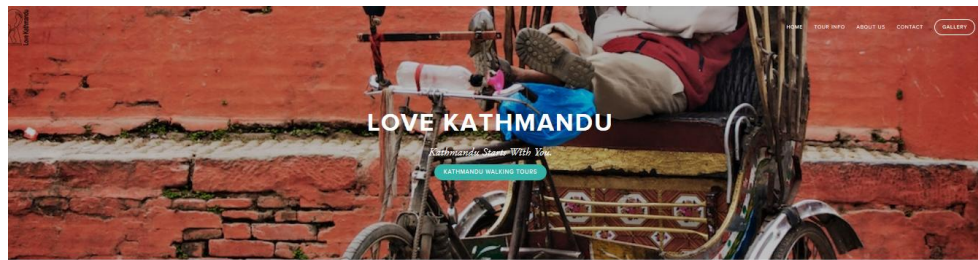


Sattya Media Arts Collective

Appendix 24 – LK's Logo



Appendix 25 – LK’s Corporate Design – The Homepage



BACKSTREET WALKING TOURS OF KATHMANDU



[ABOUT US →](#)

[WALKING TOURS →](#)

Home

TOUR COST

800 NPR: All tours cost 800 NPR (approx. USD\$8). Our guides are government registered and receive the full government guiding day rate. Light refreshments (local food & drinks) are included, along with transport (rickshaw) back to Kathmandu Guesthouse (Central Thamel). **10% of our profits** go straight back into supporting our social projects in Kathmandu. Make sure to bring some change, so that you can buy some souvenirs during your break.

WHERE WE MEET

Start: 10am. Meet your guide outside the well known Kathmandu Guesthouse in Central Thamel (ask for directions if lost).
Finish: 1pm. Returned to Kathmandu Guesthouse by Rickshaw.

TOUR LENGTH

2.5 -3 hrs: The tour lasts between 2.5 to 3 hours, during which we will walk about 1.8kms (that is about 1.1 miles) over flat sealed streets.

NO BOOKINGS NO PRE-PAYING

No Booking: You do not have to book. You do not have to pre-pay for the tours. Simply pay when you arrive. Make sure you are on time!

Tour Info

MEET OUR TEAM



LISA NEUBERT

Co-founder of Love Kathmandu
 coincidence brought her to Nepal, earth lover, German, organiser, her final destination will always be Kathmandu



SOODIP TAMRAKAR

Co-founder of Love Kathmandu
 Accountant during the day, rock star at night, Nepali, down-to-earth, co-operator



ANDREW DODSON

Co-founder of Love Kathmandu
 Entrepreneur, disaster manager, traveller, Kiwi, presently overseeing general strategy and marketing for Love Kathmandu

IN PARTNERSHIP WITH

Winner of Surya Nepal Social Entrepreneurship Award 2011



<http://www.mountaindelights.com/>

MEET OUR GUIDES



About Us

Facebook page header for **Love Kathmandu**. Navigation tabs include Page, Activity, Insights, and Settings. The cover photo shows a person in a rickshaw. The page name is **Love Kathmandu** with the tagline **Tours & Sightseeing**. A sidebar on the right shows statistics for 'THIS WEEK': 2 Page Likes, 3 Post Reach, 0 UNREAD Notifications, and 0 Messages. The main content area shows a post by **Love Kathmandu** dated May 20, with 79 likes and 3 visits. The post text reads: 'Wondering what this could possibly be? Our EXPERIENCE KATHMANDU tour discloses this secret and immerses yourself in a world full of local, first-hand stories!'.

Close-up of the Facebook post from **Love Kathmandu**. The text of the post is: 'Wondering what this could possibly be? Our EXPERIENCE KATHMANDU tour discloses this secret and immerses yourself in a world full of local, first-hand stories!'. Below the text is a large image of numerous old, worn, circular metal coins. The post has 2 likes and 41 people reached. A 'Boost Post' button is visible at the bottom right.

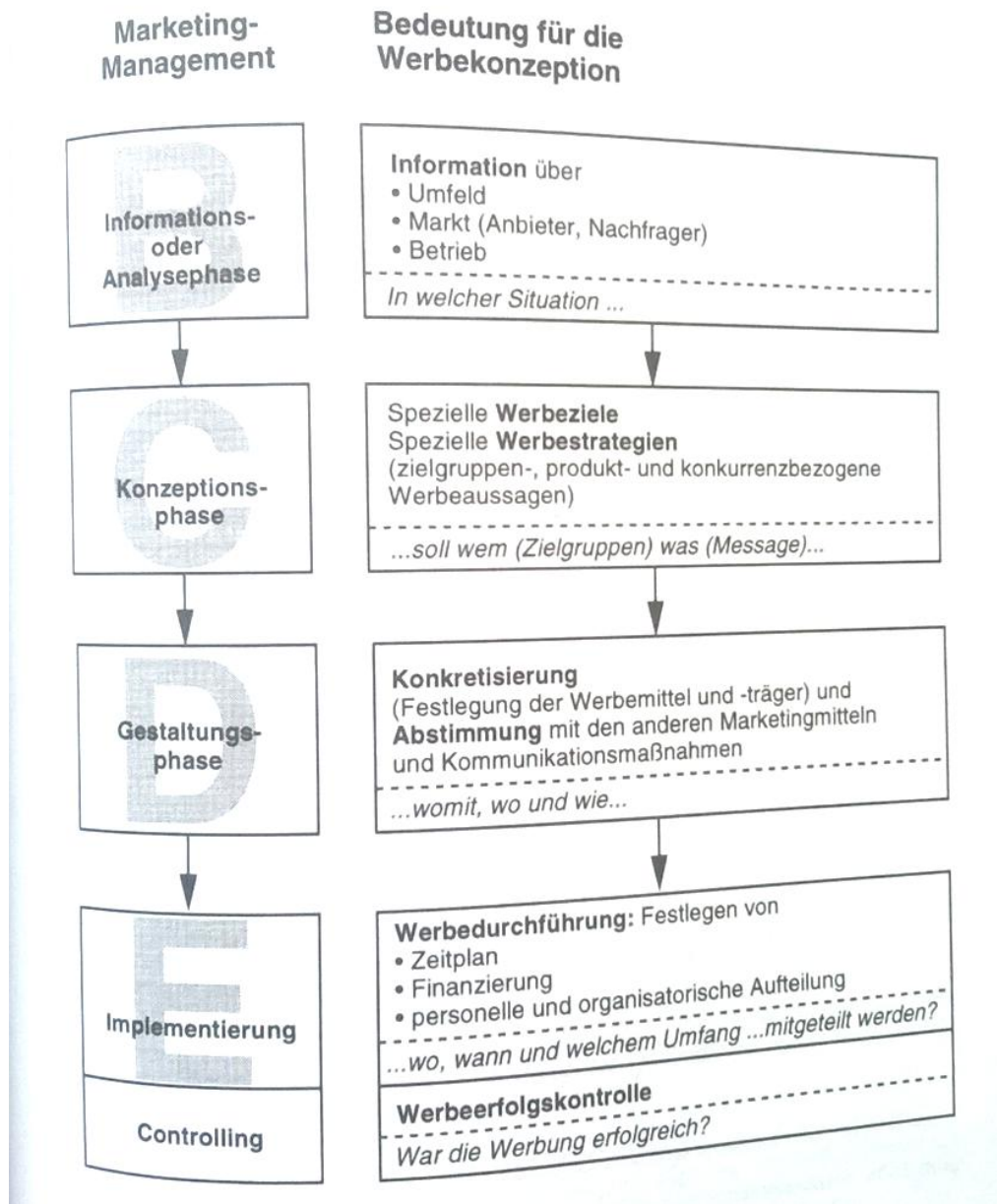
Recent Post of LK

Appendix 26 – LK’s Photo Gallery as a form of Sales Promotion



Gallery

Appendix 27 – Freyer's Media Concept



Freyer (1990): p.312

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12 Affidavit

I declare that I wrote this thesis independently and on my own. I clearly marked any language or ideas borrowed from other sources as not my own and documented their sources. The thesis does not contain any work that I have handed in or have graded as a Prüfungsleistung earlier on.

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