

## Resorts in Bangladesh: A BUDDING BUSINESS

**T**he provision of modern, Western-style resorts and tourist facilities is a fairly new business phenomenon in Bangladesh. This fledgling hospitality industry has adopted, to an extent, the practices of international tourist firms, offering package vacations complete with organized entertainment and activities for the whole family, countryside walks and tours, visits to sites of local historical and/or cultural interest, boating and guided village tours, museum visits, etc. The tourism and travel business is spectacularly successful in many hot tourist destinations and clearly the idea is to replicate it in Bangladesh by adapting them to local conditions and contexts. These ventures are a natural outcome of Bangladesh's increasing interactions with the outside world. As an ever-growing number of foreign companies, international concerns, embassies, aid agencies and their likes establish their presence in Bangladesh, the sheer volume of foreign residents and visitors has grown. Furthermore, a rise in income

levels in Bangladesh increased the number of domestic consumers demanding vacation resorts which provide modern facilities and entertainments. With it has grown a corresponding need for diversity and choice in the hospitality industry, a need and market for suitably fitted-out hideaways and retreats that offer an escape from the heat and dust of our cities that can also function as up-to-date conference and convention center facilities.

One such entrant in this line of business in Bangladesh is Nazimgarh Resort in Sylhet. Another one, still being built but on radically different principles, is Panigram Resort in Jessore. The former is an established, going concern, constructed along conventional lines, with all the modern amenities that such facilities offer as a matter of course in tourist spots all over the world, but are a first as far as Bangladesh is concerned (Jacuzzis, swimming pools, guided tours, tennis courts, etc.). Panigram's founding principle, on the other hand, is more along the lines of

---

a spa-cum-resort, a wellness center, eco-friendly, using local designs and materials, offering a Bengali (ethnic) lifestyle with none of its hazards, holistically at one with its environment of mud, clay pots, thatched roofs and bamboo groves, serving an eclectic mix of local and traditional cuisine. In an age increasingly aware of the havoc wreaked on our fragile planet by our collective carbon footprint, this model too is one that is increasingly attractive to tourists and travelers.



Usually, international-styled resorts tend to be franchises that are already established names in the field, backed by a network of associated industry services ranging from horticulture to travel guides. But the reverse is true of the creators of Nazimgarh and Panigram, who had virtually no prior experience in the tourism industry. Mr. Nazim K. Choudhury, the owner of Nazimgarh Resorts, initially renovated his ancestral home in Sylhet and rented it out to visitors to recover its maintenance cost. The massive response from domestic vacation-goers and business tourists to his initial venture gave him the idea of building a full-fledged holiday resort in the area. He commissioned a survey in order to determine the feasibility of a resort in Sylhet. Eventually, Nazimgarh came into being in early 2008 on six acres of landscaped hillside with a total investment, over two years, of a little over BDT 15 crores (approximately \$2.2 million). This figure is independent of the value of land, which Mr. Choudhury inherited. Nazimgarh has logged over 2,000 visitors in the last 15 months, out of which, interestingly enough, above 90 percent were Bangladeshis; additionally, 35 corporate programs and retreats were arranged. In operational terms, the resort needs approximately 400 rooms-nights (out of 1,500 room-nights) to be booked per month to break even. Room costs at the resort currently range from Tk. 5,250 to Tk. 13,300 per night, with special holiday packages on offer at different times. Mr. Choudhury estimates that the number of visitors to Nazimgarh will increase to at least 5,000 over the next



## Customer bases for resorts in Bangladesh

|  |   |  |   |
|--|---|--|---|
| <p><b>Corporate Programmes</b><br/>(Board meetings, Seminars, Training Sessions)</p> | <p><b>Domestic Tourists</b><br/>(Affluent young and nuclear families)</p> | <p><b>Expatriate Community</b><br/>(Long-term residents of Bangladesh)</p> | <p><b>Foreign Tourists</b><br/>(Short-term residents engaged in consultancy and business)</p> |
|--|---|--|---|

year. In terms of attracting foreign tourists who will visit Bangladesh for the sole purpose of spending holidays, he concedes that Nazimgarh still has a long way to go: "Nazimgarh is still only a baby." In order to attract foreign tourists, a resort has to be able to offer a certain quality of service, which such Bangladeshi facilities are yet to completely provide. Proper personnel and staff are hard to recruit and train; even once inducted and trained, they are difficult to retain due to more lucrative opportunities in the cities. Future plans for Nazimgarh include an expansion of accommodation facilities and visitor activities. At some point in the future, the owner hopes to partner with an Indian resort/franchise to bring Meghalaya (which borders Sylhet) within Nazimgarh's orbit of operations.

When the Bangladesh Finance Ministry announced a tax holiday provision for any 3-star resort with at least 10 rooms, Nazimgarh resort applied. However, it was denied the facility due to another regulation, originating from Parjatan, requiring that all 3-star resorts should have at least 100 rooms, and Nazimgarh only had 50. Nazimgarh appealed for reconsideration, citing that the announcement had said 'at least 10 rooms', but a whole year has gone by and the government is yet to respond. Recognizing the need to serve alcohol in order to attract foreign tourist business, Nazimgarh planned to apply for a bar license but found out that the licensing authority is the Home Ministry, an organization which is unlikely to consider the resort operator's point-of-view in issuing a bar license. So it begs the question: Are things likely to advance in this sector if the government's actions belie its words?

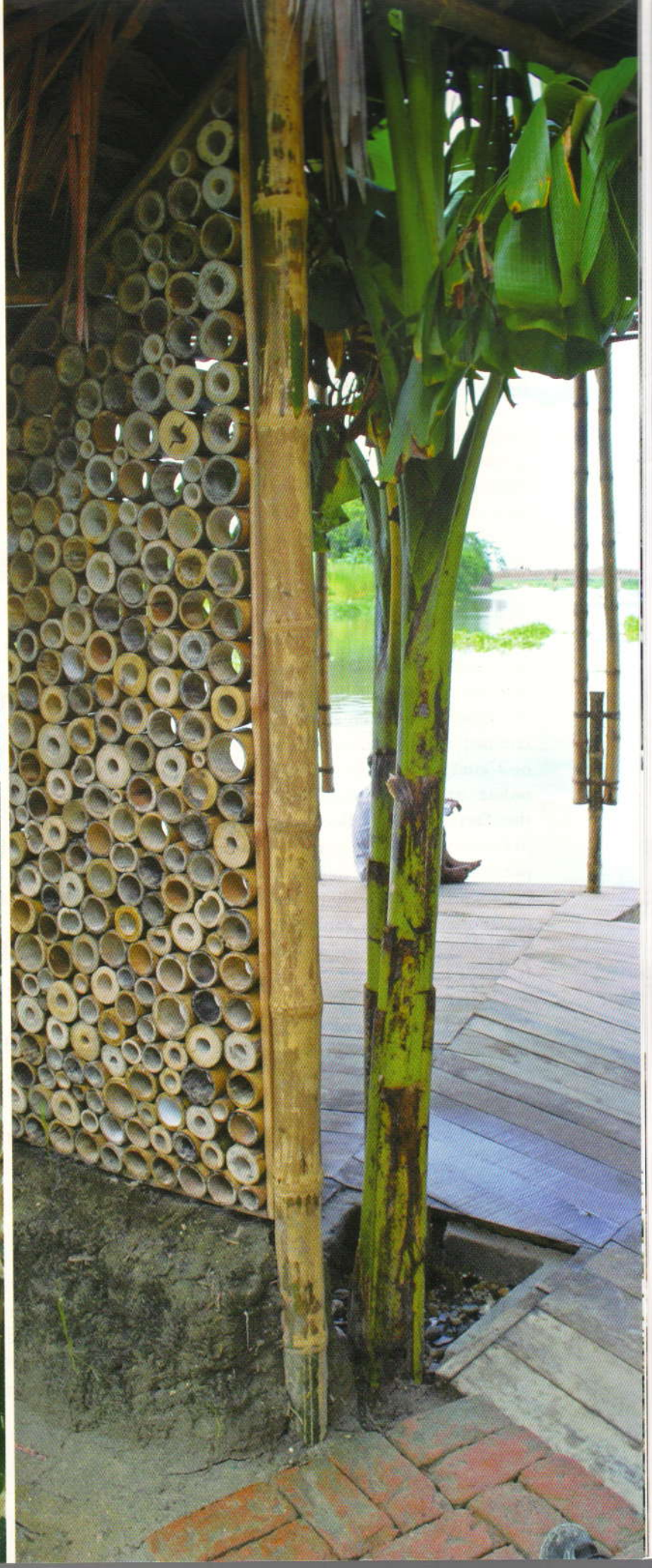


**Proper personnel and staff are hard to recruit and train; even once inducted and trained, they are difficult to retain.**

Panigram, set just 70 kilometres from the Sundarban forests and scheduled for launch in 2011, has been planned as more of a boutique resort. It is the result of Kristin Boekhoff's pursuit of a dream. An American who used to work at CharterMac (now Centerline Capital Group), a New York real estate financing company, she came to Bangladesh in 2006 on a Fulbright Fellowship, which she used to research the feasibility of setting up a sustainable, eco-friendly resort. She then returned to Bangladesh with \$60,000 as seed money, which is now covering her living expenses and initial start-up costs of the resort.

So far, almost the whole of the initial \$60,000 has been invested to conduct the land search and form the company. A local investment partner is to invest an additional \$200,000 in order to purchase the first piece of land, do the full GPS site survey, and create the architectural plans. An additional \$1.8 million in equity and \$2.25 million in loans is being raised. The total project cost is thus currently estimated to be \$4.5 million: \$250,000 from Ms. Boekhoff and a Paris-based partner (the LaPaz Group), \$2 million in equity from other investors, and \$2.25 million in loans.

In terms of Panigram as a business concern, its primary target markets are foreign expatriates and Bangladeshis



living in Dhaka who want a different, up-scale resort experience with a strong local flavour - fitted into the environment. Panigram's two targeted groups are presumed to have differing aesthetic standards and environmental awareness, expect excellent customer service and easily be able to afford a 'boutique' product. The biggest obstacle to setting up Panigram, not unexpectedly, was the overwhelming maze of bureaucracy and paperwork that one has to work through to set up a company in Bangladesh. Panigram had to form a company in order to open a bank account, but then in a Kafkaesque version of the chicken-and-egg dilemma, Ms. Boekhoff found out that a bank account was needed to start a company. It took over a year to finally get the necessary work permits and investor visa, and then be able to open bank accounts. In contrast, in her native USA, a new company can be formed online within 24 hours, and the fact that Ms. Boekhoff persevered for a year in pursuit of the necessary paperwork is testimony to her determination to get Panigram going.

Issues of land proved to be no less challenging as well, especially on matters of deeds and titles. The thorniest challenge was the price discrepancies between what a foreigner is offered when s/he tries to buy something, and what a local can buy for. Even for a shovel, let alone a piece of land, the asking price will be anywhere from 2 to 10 times the 'real' price. Consequently, Ms Boekhoff had no option but to contract a local agent to handle all procurements. In distinct similarity to Nazimgarh's financials, Panigram's break-even occupancy rate is 26% as well. Since this is a fairly small (20 key - a 'key' being rooms/bungalows) boutique resort, this means that only five keys would need to be occupied each night to

break even. The annual dividend for investors has been estimated at an average of 25% and the debt-service coverage ratio has been estimated at 3.3. Room rates would range from Tk. 4,500 (\$69) to Tk. 10,000 (\$154) per night, depending on the season and size of room. Bungalow rates would range from Tk. 10,500 (\$162) to Tk. 40,000 (\$615) per night, depending again on the season and rental size.

**Panigram had to form a company in order to open a bank account, but Ms. Boekhoff found out that a bank account was needed to start a company. It took over a year to finally get the necessary work permit and investor visa, and then be able to open bank accounts.**

The results after the number-crunching for Panigram come out positive. Ms. Boekhoff thinks that in the next five years, Panigram will have at least a 50% regular occupancy rate. This figure is achievable given the number of people in the target market and the comparative lack of high-end competitors in the business. When finished, the resort is expected to have 10 bungalows (ranging from 2-4 bedrooms), a guesthouse with 10 rooms, a spa and a wellness center, a restaurant, a bar, a tea house, a hammock house, a swimming pool, a playground, extensive gardens (the resort will be built on 60 bighas of land), and organic gardens that would supply fresh fruits and vegetables for its restaurant. Depending on the performance of the resort, it may undergo expansion in the future, but not beyond the set limit of 50 keys, since that would spell the end of Panigram as a boutique, eco-resort.

Ms. Boekhoff has assembled a team whose members have an average of 20 years experience in the premier resorts of the global tourist/hospitality industry. The architect, Mr. Rafiq Azam, is one of the few 'Green' Bangladeshi architects with numerous international awards to his name. Given this array of talent, it will be interesting to see how Panigram finally pans out in this emerging line of business.

While the Bangladesh government has continued to give lip service to the need to encourage the tourism industry, its words have not translated into meaningful action. An adequate infrastructure, safe roads free from hazardous traffic, reliable supply of electricity, proper security measures, international standards of care and comfort as well as related, broader cultural and social factors - critical to the development and growth of the industry - are rare or absent. The government's lead in this sector has hardly been satisfactory. A couple of examples should suffice. It is the government's responsibility to take measures to protect the natural environment surrounding resort areas and its ecological balance, since the surrounding area of the sites is not the property of the resort owner. The government should also review existing, if any, or put in place a proper regulatory framework within which such businesses can be built and operated. The absence of such regulations, or their weak enforcement, otherwise leads to the nightmare scenario already visible in places like St Martin's island and Cox's Bazar: an uncontrolled spate of second-rate resort-building or hotel construction that not only wrecks havoc on the country's natural settings and environment, but also provides few modern facilities and will be disastrous for the industry in the long term. It is significant that domestic tourism is on the rise - a result of the economic growth that has added more

## THE BANGLADESH GOVERNMENT

people to the ranks of the urban middle class with disposable income. The broader culture, however, has to undergo a change for Bangladeshis to generally embrace touring parts of their own country which are not their 'ancestral' homes. For large numbers of Bangladeshis who can otherwise afford family or personal vacation tours, it is still customary to spend such time in their own villages. The desired cultural change, however, is noticeable in the newer generation of Bangladeshis living abroad, whose willingness to depart from traditional habits is likely to propel them to spend their holidays in Bangladesh at resorts and leisure centers. But here, too, unless the tourism industry is given all the necessary help and assistance from the government, these *probashis* will opt to spend their tourist dollars at other, more developed holiday spots like India, Thailand or Maldives. The Indian government's attitude and policies regarding the tourism and travel industry can serve as an example to our government. It, for example, has made it mandatory that every state has a corporation to administer and support issues related to tourism. The Indian government, society and businesses have adapted extremely well to the necessities of modern global tourism. The results are clearly visible - in 2006, four million tourists visited India and spent US \$8.9 billion. When will we be able to say the same about the government and the tourism industry of Bangladesh? ■

