Vietnam Tourism industry: Prospects and challenges

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Abstract:
The year 2018 has been continuously considered as a successful year for Vietnamese economy due to an increase in the tourism industry. Regarding the growth rate of international visitors, Vietnam is currently at a very high level in terms of numbers which can be accounted to 21% while Thailand, Singapore and Malaysia are all showing signs of decline. However, according to Businesses and Research of Joint Stock Company of Vietnam Report (Vietnam Report), currently tourism industry in Vietnam is facing 3 big challenges are listed in preceding paragraphs.

Booming tourism
In recent years, tourism industry in Vietnam has had a steady growth, an average increase of over 15% in both the number of domestic tourists and international visitors to Vietnam. The year 2018, therefore, continues to be assessed as a successful year of Vietnam tourism which could be accounted for receiving about 15.6 million international visitors, serving over 80 million domestic visitors, making total revenue from this particular industry to reach an amount of VND 620,000 billion. Concerning the growth rate of international visitors, Vietnam is currently at a very high level (21%), while Thailand, Singapore and Malaysia are all showing signs of slowing down. Hence, this represents a good business opportunity for Vietnam’s tourism industry to shorten the gap with stronger countries in tourism in the region. Since the government has lower down restrictions on visa proceedings; a rapid expansion of tourist arrivals mainly from China and South Korea has been noticed. Additionally, due to the trade war between China and the United States, much attention has been given to Vietnam’s fast-expanding manufacturing sector. Albeit, the tourism industry is often neglected which has been growing rapidly in recent years. Tourist arrivals have risen since 2000 and have surged since 2015, reaching a record high of 15 million in 2018. The pace of tourist arrivals has also risen, doubling from 7.5 million to 15 million over the last six years. Consequently, more tourists have brought more revenue to the country. Tourism receipts has been accelerated in the past decade, generating US$27 billion in 2018 (11% of GDP).

To answer the question of why has Vietnam’s tourism been booming in the past few years is from the government’s continued liberalization efforts. Vietnam introduced a pilot program in mid-2015, granting one-year visa exemptions to five European countries including France, Germany, Italy, Spain, and the UK. The scheme has since been extended three times and is now scheduled to last until 2020. Furthermore, Vietnam has targeted other major markets like China, Japan, South Korea and the US by granting e-visa in early 2017, which was extended to 46 countries later during that year. Reflecting upon at the breakdown of the number of tourists, it is not difficult to see the benefits of lower visa restrictions. In 2018, 80% of tourists came from Asia, largely driven by China and South Korea. These two countries combined contributed 16 parts per million to the 20% growth of tourist arrivals. The strong trend continues in 2019, with 6 million tourists visiting as from April to up to 9% from last year. Thailand and Taiwan have contributed the most to the growth of the year 2019, indicating Vietnam’s increasing attractiveness to new markets. It can be predicted if the trend continues, Vietnam is very likely to reach its goal of welcoming 17-20 million tourists by 2020 (Vietnam News, May 2019).

According to the World Economic Forum WEF, Vietnam is currently ranked 67 over 136 economies of tourism competitiveness, ranking 5th in ASEAN. Among the 14 pillars, Natural Resources (Grade 34) and Cultural Resources and Official Tourism (Grade 30) of Vietnam are considered to be the most positive.

Researchers mentioned that Vietnam’s tourism and its tourism industry in 2019 is promised to continue to grow as Vietnam is emerging as an attractive tourist destination in the world. The promotion of the national image through activities such as tourism promotion, ITB fair, WTM, through movies, beauty contests, sports..etc as marketing strategies are proving to be appropriate and beneficial.
With the strong development trend of economy, Vietnam's tourism has a prospect of further development, towards the completion of the target by 2020 "to attract 17-20 million times international tourists, 82 million domestic tourists, contributing over 10% of GDP, a total revenue from tourists reached 35 billion USD, export value through tourism reached 20 billion USD, creating 4 million jobs, including 1.6 million direct jobs "(General Resolution 08-NQ / TW, 2017 on tourism development becomes a key economic sector).

Apart from resorting to traditional toolkits, like investing in marketing and improving infrastructure that take a long time to come to fruition, Vietnam has implemented some innovative policies that provide a short time angle to boost tourism in Vietnam. One way is to diversify the tourism products to be offered. Vietnam has been named Asia’s best golf destination in the past two consecutive years by the World Golf Awards, as a result, Vietnam will be focusing on golf tourism. In 2018, Greg Norman, an Australian World Golf Hall-of-Fame member was appointed to be its tourism ambassador, as aim to use his popularity to attract international golfers. According to Vietnam National Administration of Tourism, international travel companies aim to increase golf-related arrivals by 50%, which would likely generate sizeable revenue to the country, to be noted golf tourists spend over twice more than general tourists. This could be translated into a US$1 billion business by 2020 (Asian Golf Industry Federation, 2018). In terms of breakdowns, tourist arrivals from Korea, Japan and Taiwan are also likely to increase, since these countries have a large interest in sport activity, especially golf.

Another policy is to diversify the source of tourists. With deepening economic ties, the US has emerged to be a potential market. Despite a consistent 10% annual increase in American tourists since 2015, the actual number of visitors still lag far behind other markets (e.g. only c1/3 of European tourists). Recent news that Vietnamese airlines are allowed to operate direct flights to the US will provide the potential to boost American tourists, while also supporting local airline and hotel industries. Apart from the US, Europe is also a potential target. Since the start of this year, Vietnam has extended its e-visa program to an additional 34 countries, out of which 65% are in Europe, in particular Eastern Europe. With further easing of visa requirements, robust growth of European visitors could be continued.

Why does this all matter?

All these facts matter because the continuation of strong tourism growth will bring many benefits to the economy. More tourist receipts will provide further FX inflows and thus reduce services of deficit in the Balance of Payments in Vietnam. Moreover, it will provide a broader array of employment opportunities, and crucially, it will help further diversify the Vietnamese growth story.

The three biggest challenges of Vietnam's tourism industry

Despite of the rosy picture, Vietnam’s tourism falls behind some regional peers. A limited budget for tourism promotion and a lack of infrastructure constrain the ability to attract visitors. In addition to investing in marketing and improving infrastructure, efforts which will pay dividends over the longer-term, Vietnam has also come up with some short-term policies, such as diversification of tourism products and tourist markets to boost tourism. If the trend will continue, tourism is likely to become a growth pillar, increasing its contribution to the service sector and the overall GDP. Increasingly strong tourism revenues will help further diversify the economic growth and reinforces the BoP in Vietnam.

According to enterprises and research of Vietnam Report, Vietnam tourism industry is facing three biggest challenges including: firstly, exploiting tourism resources which are not commensurate with the available potential, secondly, no resources have been mobilized to support tourism development and thirdly the lack of infrastructure and transportation is not convenient.

First of all, although Vietnam is considered as a country with many advantages in tourism resources, its exploitation capacity is not worthy of its potential. International tourists are still mainly concentrated in branded tourist locations (Nha Trang, Da Nang, Phu Quoc ...), while many new
heritages (Co To, Ly Son ...) are not attracted. Large numbers of tourists but short stay period (if any), and also guest spending is not high.

Secondly, in order to develop the tourism industry, it is necessary to have a policy of synchronous development of related services such as passenger transport, health care and telecommunications,...etc, but now sanctions in the related situation in the industry has been seen to be still inadequate, so it is difficult to retain visitors in the next time.

Thirdly, along with the increase in income, the number of middle and upstream tourists is increasing, requiring the industry-technical infrastructure system to improve respectively in both quantity and quality, however, in reality, the number of high-class hotels, auxiliary services, security and environment has not been able to meet the standards, in that result, affecting the perception of tourists.

The trend of self-sufficiency tourism, the development of technology and urgent issues of building a communication image of travel tourism enterprises has emerged.

A recent study by the Department of Ho Chi Minh City Statistics and Tourism has pointed out that the trend of free travel, self-organized tour of the tourists is increasing. Survey of travel companies shows that the number of customers who buy package tours is still high, but the number of customers buying retail services (sightseeing tours at the destination) is on the rise. This general trend tends to reduce the relative revenue of travel companies.

Along with the development of technology, tourists, especially young people often use the internet to find information and book travel services. More than 85% of tourists surveyed by Vietnam Report reported that they searched for information about Vietnam tourism first on the internet or electronic newspaper, before referring to acquaintances and friends thus this shows that if travel businesses do not take advantage of this communication channel effectively, it will be very easy to miss their potential customers.

The results of the analysis of Vietnam Report's media data demonstrated that the number of articles about enterprises is very small, the presence of business representatives is not much (compared with other service sectors such as transportation, real products -drinks, retail). In terms of the diversity of topics covered, the majority of business information focuses on the Image / PR and Price topics

It can be seen that enterprises are not fully aware of the role of internet or electronic newspapers in promoting tourism brands, so no proper investment is made. This is a problem when referring to past times of travel businesses in particular and Vietnam's tourism industry in general.