

How to Re-Open Vietnam's Tourism Sector

Executive Summary

- International tourism is likely to remain depressed for the next two years, which could threaten the viability of large parts of the industry, and affect Vietnam's GDP growth in the short term
- To help revitalize the industry, we propose the concept of "Safe Haven Tourism", which would enable Vietnam to maximize its tourism revenues while minimizing risks posed by COVID-19
- A multi-pronged strategy addressing the issues that transport and accommodation businesses are facing could help promote domestic tourism

International Tourism Is Unlikely To Rebound Quickly

Tourism makes a major contribution to Vietnam's economy, but international tourist arrivals are likely to remain depressed for the next two years, based on what happened after 9/11 as well as an emerging consensus that it will take as long as two years for an effective vaccine to be deployed.

We have identified some ideas to maximize Vietnam's international and domestic tourism revenues over these next two years while minimizing the risks to both travelers and Vietnamese citizens. Obviously, it is not possible to eliminate all medical risks, just as it is not possible to eliminate the possibility that visiting tourists suffer a car accident when they visit Vietnam; our focus is to *minimize* the risks entailed in resuming some level of tourism in Vietnam prior to the availability of a COVID vaccine.

Finally, in addition to minimizing the financial hit to the industry over the next two years, another reason to pursue getting a least a modicum of revenues into tourism businesses during this difficult period is to help ensure the survival of this important industry. Many resorts may have a difficult time re-opening after the epidemic abates if they lose too many staff. Overall, the tourism sector employs approximately 1.3 million Vietnamese.

High-end resorts require a critical mass of trained staff to provide the services that demanding tourists expect, so those resorts will need to hold on to a sufficient number of staff in order to "come out on the other side" of the current malaise (this risk is particularly acute for resorts situated in remote locations).

Supporting International Tourism

According to one recent survey conducted by a hospitality consulting firm in first-tier cities in China, nearly half of the respondents said they want to travel abroad this year. We all probably feel the

same right now, so it is easy to conclude that many people in other countries share that sentiment. But, of course, they cannot simply travel anywhere. They will want to visit countries that have demonstrated an ability to detect and control COVID and that do not require transit or significant travel times to get to. They are also unlikely to want to visit densely populated urban areas or attractions that have many visitors. This is perfect for Vietnam.

At the same time, Vietnam must be careful as it cannot afford to open-up to tourism with the risk of having to control a third wave of the virus sweeping across the country. Therefore, we encourage a low risk/high return strategy be applied where Vietnam specifically targets higher spending tourists from countries with low risks for COVID-19, complemented by controls that lower the risk of new cases occurring in Vietnam.

One such way the Government could restart tourism is by partnering with suitable resorts and airlines to offer “safe haven” tourist experiences that enable visitors to once again enjoy travel while minimizing the risks associated with the virus. For example, visitors can avoid having to be quarantined and stay at designated resorts with the peace of mind that the property they are staying at has been essentially sealed from the virus. Resorts participating in this program would need to be large, integrated properties with compelling attractions such as nice beaches and/or gaming facilities. This might even lead to the Government declaring entire islands (such as Phu Quoc or Con Dao) as “safe haven tourism zones”.

Critically, steps would need to be taken to ensure that visitors would not be exposed to COVID-19 while traveling from their home country to the resort as well as while they are staying at the property. Visitors would need to be tested for the virus before boarding a flight to Vietnam (similar to a program Emirates Airlines is said to be implementing). Daily temperature checks of all guest and employees at the resort would need to be undertaken and all employees would need to live within the designated quarantine area. Contact tracing procedures would also need to be established and all guests and employees might be required to download a geo-tracking app for their mobile phones which would need to be carried with them at all times. The standard social distancing measures, we are all now used to, would also have to be maintained.

Targeting China, South Korea and Taiwan

The obvious countries to target for a program like this would be China and Korea because of their close geographic proximity and because those countries have already “flattened the curve” and have COVID under control. Together, Chinese and Korean tourists account for half of Vietnam’s foreign tourists and they visit Vietnam for an average of about a week. Vietnam would need to enter into agreements with these countries that would enable their citizens to travel to Vietnam as “safe haven tourists” and not need to be quarantined upon return to their home countries.

Tourists from those countries could be attracted to Vietnam because it is the only country in the region with large-scale resorts areas that have little COVID-19 risk. Vietnam’s Government has also effectively demonstrated that it can detect and control the virus if it were to appear again. Singapore, the Philippines, Malaysia, Indonesia, and Thailand and other destinations will remain risky for some time.

Finally, we believe there is probably pent-up demand from honeymooners in these countries who have not been able to travel, and Vietnam could even offer visitors the ability to hold destination

weddings – given that group gatherings of over 30 people are generally prohibited in most geographies in the world now.

In conclusion, the vast number of potential upper middle-class Chinese and Korean “safe haven” visitors should be sufficient to fill many of Vietnam’s 466 4- and 5-star resorts, and “safe haven” tourism could even introduce new high-end travelers to Vietnam who may not have been otherwise interested in visiting the country.

Supporting Domestic Tourism

Vietnam’s domestic tourism spending is growing by nearly 7% annually, and now contributes about 40% of the country’s tourism revenue. In 2019, more than 86 million Vietnamese traveled within the country. With international travel options limited in the near term, domestic travel is likely to grow, and we believe the Government can support that segment of the sector by addressing issues related to transportation, accommodation and services, and destinations. This is a logical move to support those hotels and business catering to the more affordable segments below 4-stars resorts and those in urban areas.

Domestic flights, intercity busses, and trains are now permitted to operate at regular capacity, although schedules may be limited in the coming months. The Government may want to consider some form of subsidies for domestic passenger transport companies to help ensure that local travelers can get to where they want to go. This in turn would help the hotel industry, which is currently operating at a very low occupancy rate.

Additionally, the Government needs to diversify the locations people travel to by formulating a coordinated strategy for determining which locations are open and which are closed to receiving tourists. This would help avoid a situation like the one that happened over the May 1st weekend holiday, in which throngs of people crowded into a select few destinations that were still open while other locations were completely closed. There are some destinations that are perennial favorites of Vietnamese tourists, resulting in throngs of visitors during public holidays. With so many options in the country, more could be done to identify other destinations that can be developed and promoted to local tourists.

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