

## Potential niches for Vietnam domestic tourism (post) - COVID-19 pandemic

Những phân khúc tiềm năng cho du lịch nội địa Việt Nam sau đại dịch COVID-19

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### Abstract

Although the number of domestic tourists significantly outweighs the number of international tourists, the focus of tourism research and tourism development in Vietnam has had a strong bias towards international tourism. This research seeks to address this gap in the literature by investigating the key tourism niches that Vietnam domestic tourism can focus on to survive and thrive during and post COVID-19 pandemic. The research utilises a qualitative research approach combining both secondary data (i.e., news media in Vietnamese and English, online webinars) and primary data (semi-structured interviews with Vietnamese tourism experts). Thematic analysis reveals four potential niches for Vietnam domestic tourism: luxury tourism, M.I.C.E, community-based tourism and proximity/backyard tourism. Five practical recommendations to Vietnam tourism businesses and policymakers are proposed.

**Keywords:** COVID-19; niche market; domestic tourism; luxury tourism; community-based tourism; staycation.

### Tóm tắt

Mặc dù lượng khách du lịch nội địa cao hơn nhiều so với lượng khách du lịch quốc tế, trọng tâm của nghiên cứu du lịch và phát triển du lịch ở Việt Nam nhiều năm qua vẫn có thiên hướng nghiêng về du lịch quốc tế. Nghiên cứu này nhằm phát triển thêm kiến thức về du lịch Việt Nam bằng cách điều tra các lĩnh vực du lịch chính mà du lịch nội địa Việt Nam có thể tập trung vào để tồn tại và phát triển trong và sau đại dịch COVID-19. Bài viết sử dụng phương pháp nghiên cứu định tính kết hợp cả dữ liệu thứ cấp (các bài báo viết bằng tiếng Việt và tiếng Anh và các hội thảo trực tuyến) và dữ liệu sơ cấp (phỏng vấn với các chuyên gia du lịch Việt Nam). Phân tích dữ liệu cho thấy bốn lĩnh vực tiềm năng cho du lịch nội địa Việt Nam, bao gồm: Du lịch hạng sang, M.I.C.E, du lịch cộng đồng và du lịch tại chỗ. Dựa vào đó, bài báo đề xuất năm khuyến nghị thiết thực cho các doanh nghiệp du lịch Việt Nam và các nhà hoạch định chính sách.

**Từ khóa:** COVID-19; thị trường ngách; du lịch nội địa; du lịch hạng sang; du lịch cộng đồng; du lịch tại chỗ.

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## 1. Introduction

Vietnam tourism has grown rapidly in the last few decades, catering to 85 million domestic tourists and 18 million international tourists in 2019 [1]. Throughout 2020 and the early half of 2021, the COVID-19 global pandemic and its related travel restrictions have slowed international arrivals to a trickle, creating significant challenges for the Vietnam tourism industry. While the global situation is rapidly changing, as of May 2021, Vietnam has been one of the very few countries in the world that are keeping COVID-19 local transmission under control [2]. Vietnam's successful COVID-19 stories enable domestic tourism to continue taking place, creating some silver linings for the struggling Vietnamese tourism businesses. Despite the fact that the number of domestic tourists significantly outweighs the number of international tourists, the focus of tourism research and tourism development in Vietnam has had a strong bias towards international tourism. This paper seeks to address this gap in the literature by investigating the key tourism niches that Vietnam domestic tourism can focus on to survive and thrive during and post COVID-19 pandemic. In doing so, it also makes practical recommendations to Vietnam tourism businesses and policymakers.

## 2. Research methods

To achieve the above aim, the researcher employs a qualitative research approach utilising both secondary and primary data sources. Since the starting of COVID-19 pandemic, the news media (both written in Vietnamese and English) have reported the challenges and strategies of Vietnamese tourism businesses extensively. A database of news media related to 'COVID-19' and 'tourism businesses' was thus collected via Google News and main Vietnamese online

newspapers such as vnexpress, baochinphu, thanhnieu. The analysis of news media can produce important insights into contemporary issues as the media timely reports tourism stakeholders' strategic responses to the evolving COVID-19 situation [3]. In addition to the news media, two webinars with tourism experts in Vietnam and South-east Asia (to which the author also participated in the expert role) were added as an important data source, to provide expert viewpoints regarding strategies relevant for Vietnam domestic tourism. These two webinars are titled "Tea Time Chat: Southeast Asia Tourism, COVID-19 and Silver Linings" and "Vietnam's Domestic Tourism", both held in 2020, and each lasted around 45 minutes. The secondary data is triangulated with two semi-structured interviews with tourism experts in Vietnam, including a director of a tour company and representative of the Vietnam Tourism Board.

A thematic analysis was applied to identify key themes in the main dataset. Thematic analysis involves the identification and reporting of key patterns and themes that 'capture something important about the data in relation to the research question' [4]. The researchers followed the iterative and reflective phases of thematic data analysis proposed by Braun and Clarke [4]. The analysis process is inductive, allowing key themes to emerge organically from the dataset.

## 3. Findings

This section presents 4 key markets for Vietnam domestic tourism (post)-Covid 19 based on the thematic analysis. These are luxury tourism, M.I.C.E, community-based tourism and proximity/backyard tourism.

### 3.1. *Luxury tourism*

Luxury tourism is traditionally associated with high-end integrated resorts where tourists can enjoy high-quality infrastructures, fine

dining and pampering services [5]. For the past decade, many luxury tourist facilities in Vietnam have been built with the specific aim of catering to international tourist markets. Today, as the pandemic unfolds and inbound arrivals come close to zero due to cross-border travel restrictions, domestic tourists, now as the only tourist market available, can start enjoying luxury infrastructures previously preserved for international tourists. Many luxury resorts in Phu Quoc, Nha Trang and Danang have offered heavily discounted high-end tour packages throughout the pandemic [6]. This shift of target market for luxury tourism in Vietnam aligns well with the fast-rising of the middle-class population, which currently makes up 10% of the population [7].

Concurrently, Vietnam has the world's fastest-growing percentage of individuals with net worth of at least USD 30 million, and the number of millionaires in Vietnam has tripled in the last decade [7]. As outbound travel also comes to a halt during the pandemic, many high-end resorts have taken the opportunity to target this group of Vietnamese elites with extremely high disposable incomes, appealing to their needs for privacy, comfort and safety (i.e., away from the normal tourist crowd). Public relation strategies have been employed extensively, with many Vietnamese celebrities and social media influencers broadcasting their luxury trips inside Vietnam in their social media channels.

### **3.2. Meetings, incentives, conferences and exhibitions (M.I.C.E)**

M.I.C.E is a tourism niche revolving around the planning and booking of large groups (usually professionals) for conferences, seminars and other events [8]. Together with luxury tourism, MICE tourism has the potential to offer significantly higher economic value per tourist for tourism and service providers as well as for tourism destinations. A report by

Vietnam National Administration of Tourism found that MICE generate on average six times higher revenue than other types of tourism [9]. Often supported by the companies' funding, MICE tourists also stay 3-4 times longer and have higher overall expenditure. Unsurprisingly, many Vietnamese tourism operators are developing new MICE products and implement promotional campaigns to target this segment during COVID-19. Vietnam TravelMart, for instance, has extended their focus beyond the traditional packaged tourist market to the MICE tourist market, and has started to welcome groups between 100-200 in this market segment in 2021 [10]. Some travel and hospitality businesses have also collaborated to offer incentives and discounted packages for these target groups.

The growth of M.I.C.E as a cornerstone for Vietnam domestic tourism recovery is further stimulated by favourable policies from public authorities in destinations that already had a focus on this market before COVID-19. Danang city is a prime example, where the authorities have committed a budget of VND300 billion (USD \$13 million) to attract 100 MICE delegations to visit the city in 2021 [9].

### **3.3. Community-based tourism**

The Environmentally and Socially Responsible Tourism Capacity Development Programme -ESRT [11] defines Community-based Tourism (CBT) as the provision of local life's experience to tourists, in which local communities are directly involved in the development of tourism activities and receive socio-economic benefits from these activities. As tour operators seek new products to cater to increased demands for socially distanced leisure and recovery from pandemic anxiety, many parts of Vietnam are experiencing a rise in domestic rural and CBT. In an interview with the author, a tour director noted that even Hop

Thanh, a very remote commune in the Northern mountain of Vietnam, still received steady flows of tourists during the pandemic from its adjunct city of Lao Cai. He thus believed that “*there is unlimited potential to develop rural and community-based tourism targeting the urban citizens of Vietnam’s 87 cities*”.

The rise of rural and community-based tourism is further supported by government policies to stimulate domestic tourism in Vietnam. Officials in both the Northern mountainous areas and Southern highlands are promoting tours that showcase ethnic minority cultural practices, including weaving and harvesting activities, as well as traditional musical performances to local tourists [12]. Ms Vuong Hoang, Head of the Culture and Communication department at Sapa stated in an interview with Laocai TV:

‘Currently, we are building a few pilot models, in which the homestay designs can be altered to meet the needs of Vietnamese tourists, along with new ‘check-in’ tourist attractions and increasing the quality of food and beverage services’ [13]

Similarly, Khanh Hoa province has issued a strategic plan to support CBT between 2021-2025. This includes over 13.6 billion VND to support homestay design and associated CBT tourism products and services, as well as local capacity tourism training [14].

### **3.4. Proximity and backyard tourism**

The road to tourism’s full recovery is not straightforward. Since the beginning of the pandemic, Vietnam has experienced a few local breakouts of COVID-19, each time leading to massive travel cancellation by domestic tourists and further risks of travel restrictions [15]. Hence, before we can truly move towards a ‘post-COVID’ world, the promotion of ‘proximity tourism’ or ‘staycation’ remains a more relevant strategy during the pandemic.

‘Staycation’ is defined in Oxford dictionary as ‘*a holiday spent in one’s home country rather than abroad, or one spent at home and involving day trips to local attractions*’. Backyard tourism is perhaps the most ‘extreme’ form of staycation, which encourage people to become ‘tourists’ in their own ‘backyards’, to explore or reconnect with places very close to home [16]. This type of ‘staycation’ or ‘backyard tourism’ can help both to reduce the risks of being stranded or exposed to COVID-19 for tourists, and to channel some of the pent-up travel demand to support the struggling tourism businesses at home [17]. Amid prolonged travel restrictions, staycation and backyard tourism has been promoted heavily in many countries such as Australia, Singapore and Denmark [18]. The Singapore Tourism Board, for instance, just invested S\$45 million in the next 9 months to encourage Singapore residents to take a local holiday through the ‘Singapoliday’ campaign [19].

Besides developing new products, adopting discounted pricing strategy for locals across all tourist attractions can also contribute to stimulating backyard tourism. In the past months, many luxury hotel chains in Hanoi have offered staycation packages for locals to enjoy tourism experience in their city at a reasonable price [20]. For many years, attractions such as Hoi an Impression theme park and Bana Hills have offered special pricing for locals to encourage their frequent visits. During COVID-19, this preferential pricing for locals should be further encouraged.

## **4. Recommendations**

With the increase in Vietnamese’s disposable income, most Vietnamese domestic travellers are seeking ‘value for money’ rather than low cost travel [21]. In other words, they are willing to pay a good price in exchange for quality experience. There

is thus great potential to develop new niche tourism experiences that deliver a premium return, as opposed to focusing on mass tourism products with high volume but lower quality and often resulting in lower economic value. Examples of ‘hero’ or ‘transformative’ tourism experience can be found in many Australian destinations, largely influenced by the shift towards experience economy [22] [23]. This section suggests five key recommendations for Vietnamese tourism businesses and authorities in relation to the growth of four tourism niches discussed above.

(1) As consumers’ tastes become more mature, the luxury tourist segment has evolved beyond the ready-made packages offered by resorts to include a wide range of customised and private vacations such as celebration journeys, safari, adventure travel and cruises/yachting [24]. A study by Bakker [25] also suggests that accommodation in luxury tourism might not necessarily be five-star standards but should be in unique locations and offer authenticity in both resort designs and services. In addition, the luxury tourist segment is far from heterogenic. Celebrities, for example, value luxury tourism for hedonic values (i.e., privacy and quietness), while ordinary people are attracted to luxury tourism for exquisite and thrilling experience [26]. Tourism companies in Vietnam thus need to take into account these changes in luxury tourist behaviors, to develop new products that meet their diverse needs. Resort providers in Vietnam can also collaborate with other companies in the destinations to provide high quality tailor-made activities for luxury tourists beyond the resort walls.

(2) During pre-COVID-19 period, Vietnam domestic tourism has already been dominated by incentive travel, where trips are paid for and facilitated by employers or trade unions [21].

Hence, beyond professional business events, MICE venues can also target large companies to promote domestic incentive trips, highlighting both leisure and team-building activities, as well as the benefits of reduced travel cost for these corporations.

(3) The fast rise of domestic community-based tourism during COVID-19 poses environmental challenges for local rural communities, especially when the number of urban tourists may exceed the number of local residents during peak season. Tourism policies in the (post)-Covid 19 period need to further support these local CBTs to build human resources (especially in marketing and management areas) to better capture and serve high value domestic tourists, while still maintaining environmental sustainability and authenticity/peacefulness at the villages.

(4) For staycation, local tourism authorities can act as facilitators in the creation and promotion of new ‘neighbourhood guidebooks’ for locals, with a focus on relaxing and family activities. Inspiration can once again be found from Singapore, where tourism agencies are actively partnering with local foodies, photographers, nature groups and heritage groups, to help locals discover hidden gems [19].

(5) Finally, in the recent webinar, “Vietnam’s Domestic Tourism” (2020) with Vietnamese tourism experts, it was noted how “food and drinks” are the most important elements for domestic tourists, and they often spend more generally for food and drinks on average. Special efforts hence should be put into developing premium food & beverage experience for domestic tourists across all emerging niche markets.

## 5. Conclusion

The COVID-19 pandemic has created significant challenges and changes to Vietnam

travel industry. While many of its impacts are detrimental, there is also opportunities to leverage the disruption caused by the pandemic to develop and strengthen Vietnam domestic tourism. Indeed, previous studies have shown that during the global financial crisis of 2007-2008, domestic tourism continued to increase much faster in Asia in general and Southeast Asia in particular, compared to North America and Europe [27]. This reflects not only favourable views of Southeast Asian (and Vietnamese) towards domestic tourism, but also the broader shift in leisure mobility thanks to economic growth and the expansion of the middle class in the region. With correct pricing strategies and creative product development that better cater to the needs of the key segments of domestic tourists, destinations in Vietnam can secure a stronger balance between benefits created by the domestic and international tourism market, in turn creating a more resilient travel industry in the long-term.

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