

Webinar: Vietnam Lodging Industry - Where are we now and what can we expect for 2021 and beyond?

Questions and Answers

1. What is the volume of responses collected for Grant Thornton Vietnam's Hotel Survey 2020?

In previous years we had up to nearly a hundred hotels joining us in the Hotel Survey but for this year 2020 we had only a half of that.

2. Do Vietnamese Government plan Economic recovery for Hospitality Industry?

The Tourism and Hospitality industry is a spearhead industry accounting for more than 10% of GDP and over US\$ 30 billion in revenue.

Therefore recovery is of paramount importance. The challenge is that the Government does not have the luxury of being able to give financial stimulus to the industry and so far has offered relief through reduced land rental rates, electricity prices, deferment of VAT and PIT payments.

The Tourism Advisory Board is advocating for a loan system but the reality is that many of the small businesses will not survive the current situation.

3. We have seen most of hotel in Vietnam remain their room rate next year. It will be hard for us to launch promotion and lift up market in coming month. Is there any change in pricing strategy from hotels you think?

Most, but not all, hotels have reduced their rates significantly in the past few months and we suspect they will carry these reduced rates through into next year until business comes back probably in Q3 or Q4. These rates will be the basis of a variety of seasonal promotions that all hotels will no doubt offer in the months to come. Having said that these current low rates by most hotels cannot continue as once business does start to return to somewhere near normal then owners will want to see a rate rise to get a return on their investment and to try and make up for the huge losses they have suffered during the pandemic.

4. What are the prospects for the apartment segment in 2021?

This long-term upwards growth trend before and during the pandemic, both from owners and developers as well as consumers, is likely to continue. Not only does it lend itself well fundamentally to the current trading conditions, but it does particularly in Southeast Asia provide a profitable and successful business segment, liked by many kinds of corporate clients and beyond. We would expect the growth pace gap to normal hotels to narrow, as normal business starts to come back – but regardless we would expect this segment to grow well.

5. We have seen for 2 months now that domestic market leisure travel staycations are not enough to sustain business. It is fact that international travel is essential to see the first signs of recovery. Are you in a situation to present a step by step actual plan of opening as the original plans seem to have been on hold for the last couple of months?

Yes it is true that domestic business accounts for less than 45% of tourism revenue and even less if you exclude outbound travel paid for in Vietnam. So inbound international travel is the main revenue generator for the sector. However, the Government has made it clear that they will not sacrifice the health and safety of its citizens for economic gain. Whilst regional travel bubbles are

a possibility as some stage in the future it is impossible to develop an actual plan. We have stressed the importance of a coordinated plan and also a coordinated marketing plan to be developed and ready for implementation.

It is right for cities and major resorts areas and overall mass tourism infrastructure segment would not be able to sustain under the current environment. Will mass tourism come back and when mass tourism come back is a debatable subject. We are, however, more hopefully today about opening in the coming months than few weeks ago because: (1) vaccine – (2) the successful recovery of domestic travel in China.

6. Do you have documented solutions being agreed to take place with a timeline order as a result of the ASEAN meet up in November?

As far as I understand, there have been several discussions on opening but there is no documented solutions which are adopted by all. The lack of examples in the world and unsuccessful travel bubbles elsewhere are the main reason. You could see that through the new cases in Ho Chi Minh City on December 1st and its impact to the fragile domestic market. TMG had to postpone our Mui Ne Marathon which is scheduled for this weekend to a later date which 600 people have signed up. I think the Vietnamese government will take very cautious actions to protect our success so far.

My best guess is that we could start opening from Q2 with safe countries with increase testing protocol, the opening will be more with other countries where vaccination reaches 50% of the population which could be well toward the end of 2021 or early 2022.

7. Where is government funding stand as of now and what is planned for 2021?

At the current time there is no direct Government funding to the sector and only indirect financial support. The Government has accelerated funding for infrastructure much of which will benefit the sector when the market returns to some kind of normality.