

# INTERNATIONAL HOTEL BRANDS EXPAND IN VIETNAM

The hotel industry is experiencing a decrease in occupancy rates despite room rates reaching levels similar to those in 2019 in most regions across the globe. This drop is mainly due to the slow recovery in important tourism markets such as Russia and China. Additionally, the increase in supply in coastal destinations since 2020, with many previously delayed projects now underway, has further contributed to this decline. However, international hotel brands are exploring Vietnam.

In the first half of 2024, the number of international tourists visiting Vietnam reached 8.8 million, slightly higher than pre-COVID-19 in 2019. Overall, the market has fully recovered on the demand side. Experts point out that the recovery in demand after COVID-19 is almost complete. Still, the market faces challenges ranging from oversupply in some destinations, mainly due to large-scale projects now operational, to undersupply in places like Ho Chi Minh City, which requires new and improved products to remain competitive at the regional level.

Many developers seized opportunities during the tourism boom but often neglected the overall planning and execution of projects. Therefore, they relied heavily on tourism growth instead of meeting market demand with suitable products. This oversight has left many condotel properties in coastal areas vulnerable and unable to move forward amid changing market conditions.

A trend of rebranding and repositioning is emerging, with hotels and condotels improving their competitiveness and market share through rebranding, enhanced dining offerings, and other strategic adjustments.

International hotel brands in Vietnam have increased significantly in recent years. This trend has become even more evident post-pandemic as hotels undergo conversions or brand upgrades. In 2013, less than 25% of the country's hotels were affiliated with international brands. This figure is expected to increase to 40% in the next three years. The uncertainty of recent market conditions has challenged hoteliers to maintain normal levels of profitability. Large operations are particularly vulnerable, highlighting the growing importance of improving the operational efficiency of hotels and resorts, especially with the rising costs of skilled staff.

There are two distinct trends regarding the international hotel brands. First, there is a growing interest in lifestyle brands such as W Hotels or Andaz, focusing on robust dining offerings, especially in mixed-use buildings. On the other hand, there is an increasing preference for establishments with limited or no food services, known as targeted service hotels like Holiday Inn Express or Ibis Budget. These properties respond well to the growing midscale market's needs, a concept widespread in other destinations but still emerging in Vietnam.

A more focused hotel model that emphasizes accommodation can be viable in areas with a high activity level and nearby amenities. These hotels depend on the surrounding area to provide guests with various food and drink options. The targeted service model is expanding to different locations in Vietnam, particularly in bustling cities like Ho Chi Minh City, Nha Trang, and Da Nang, attracting a diverse clientele for business and leisure purposes. However, this model represents a smaller percentage than that of neighboring Thailand. Of the five largest international hotel chains, there are only one-third as many midscale properties with targeted service in Vietnam as in Thailand. In Thailand, almost 60% of these properties are concentrated in Bangkok, while only 27% are in Ho Chi Minh City. It is expected that the importance of the targeted service model will grow in Ho Chi Minh City due to its mix of business and leisure travelers and the changing dynamics of the market.

The recovery of the Chinese market, along with the new visa policy and stimulus program, is expected to speed up the rebound of the hospitality sector. Savills Hotels reports that the Vietnamese hospitality market is gradually improving in product quality and diversification to accommodate the varying needs of leisure and business travelers.

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