

*The Social Club rooftop bar at the Hotel des Arts*

The Future of Hospitality in Vietnam

Hotels are popping up everywhere from Hanoi to HCMC to Phu Quoc. Is the rapid growth setting Vietnam on a course for burn-out? Advice from three experts in the hospitality sector show how to keep Vietnam a paradise for everyone—locals and tourists alike.

Head 24 floors up to the Social Club roof bar on the top of the Hotel des Arts, and there, buoyed by the beat of the DJ's music, you'll find a landscape of night sky, city lights and hotels as far as the eye can see.

In Vietnam it seems that every day a new hotel chain is breaking ground. The Mandarin Oriental is set to open in 2020 in Saigon, while Best Western plans to launch a new resort in Phu Quoc after beginning its Vietnam expansion in Vung Tau in 2017. International hotel brands have made Vietnam a key area of focus.

This is unsurprising when you consider the numbers. In 2017, market researcher Statista reported that the hotel sector pulled in more than US\$391 million in revenues in Vietnam and is predicted to grow 15.9 percent year on year. By 2022, the earnings will more than double to US\$890 million.

#iAMHCMC interviewed the general managers of three top hotels in HCMC to get their take.

David Wicker, the GM of the New World hotel in Saigon, has seen the changes over the six years he's been living in Vietnam. He wrote in

response to emailed questions that within the cities there has been "a reasonable increase of new 5-star properties. But the huge growth has happened in places like Phu Quoc, Danang, Hoi An, Qui Nhon as well as destinations such as Sapa and Ha Long Bay."

*Sofitel Saigon*

As Tourism Increases so do Fears of Market Overload

The customer demographic across Vietnam is predominantly Asian (Korean, Japanese, Vietnamese, Chinese, Taiwanese) with Australians, Europeans and North Americans rounding things off. This is generally similar to the rest of Vietnam other than Phu Quoc and the central coast where there is a stronger Russian presence. The travellers also include a growing number of Vietnamese domestic travellers, who increased from 17 percent to 20.4 percent between 2014 and 2016.

"The middle class is growing," Wicker wrote, "and so is the new-found discovery of travel—more planes flying to more locations within Vietnam, more people have cars, local tour operators are able to secure very attractive prices for domestic and regional travel, which fuels more demand."

Carl Gagnon, the GM of the MGallery Collection's Hotel des Arts Saigon, said that "[domestic travellers] are one of the biggest focuses for Hotel des Arts. It's a good position to be in because if ever the world becomes more precarious in a certain region, then it is important to have your local market support you."

Olivier Revy, Sofitel Saigon Plaza's GM, has worked for 25 years in Asia and has some qualms about how quickly the hotel industry is growing. In China he saw first-hand how an overload in hotels can work against the interests of the industry. Revy said that "[Vietnam] has to be very careful that the supply of rooms is not too much compared to the demand. In Singapore [the authorities] spent years controlling the hotel construction and in the end a city with a certain order was created. In Vietnam for the moment there is not a lot being controlled."

All three GMs agreed that Vietnam is far from the saturation point, for now.

Gagnon said that "it's fine for five years at least. It's just the beginning for tourism in Vietnam. When you start seeing all these top hotel brands coming to the country, it means the country is serious for business."

The statistics agree. According to a 2017 report by Grant Thornton there was a 5.6 percent increase in occupancy rates between 2015 and 2016 and an 8 percent increase in RevPAR (revenue per available room). This spring the Sofitel Saigon Plaza's occupancy rate averaged close to 80 percent.

But, that is not to say that there are not problems in the foreseeable future.

Well Trained Employees; Hard to Hold on to

Wicker wrote that hotel training "remains well below international standard as a result of a combination of cultures coming to terms with modernity and change. There is still a negative overtone that must change—it's alright if things go wrong, or if I made a mistake, or if the customers are not totally happy with some aspects of service delivery. After all, this is Vietnam!"

Another issue that both Revy and Gagnon mentioned is the fact that once staff have been trained to the level expected of a 5-star hotel, they can be poached by other hotels.

"Unfortunately, this is something that happens a lot so we have to be very fast with our succession plan", Gagnon said. "In more remote areas like Phu Quoc and Sapa, the market is developing fast. There is not always a sufficient local resource to fulfill the staff needs.



So then people need to be brought in but once the employees get things figured out they get poached by other hotels."

However, there is a positive development in hotel training in Vietnam. Beyond the big names in schools like Vatel there are some smaller schools that are working to train young people who would normally not have access to education and stable career paths. STREETS International teaches kids from the streets how to work in the culinary and service industry. Their students are then placed in 4-5-star hotels. KOTO, which stands for Know One Teach One, is a social enterprise that also helps disadvantaged youth succeed in the hospitality sector.

How to Deal with Waste Management

Both Hotel des Arts and Sofitel are part of the AccorHotels Group, which has the biggest footprint in hospitality in Vietnam. Some of the group's current holdings include Novotel, Ibis, Mercure, and Pullman, while more Accor properties are being planned. There are already 30 Accor hotels in Vietnam, with 15 more soon to come, Gagnon shared. And what all these properties have in common is the focus on sustainability. The GMs agreed that waste management is a trend that should be implemented industry-wide.

AccorHotels has put into effect a program called Planet 21 which aims to make the hotels more eco-friendly.

There is an enormous amount of waste in the food and beverage portion of the industry. The Hotel des Arts follows a program created by Winnow Solutions, which weighs each amount of food that is not consumed in order to create a running tally of what is consistently being wasted. Chefs can then gear their menus towards sustainability.

"Customers need to understand that quantity doesn't always rhyme with quality", Gagnon said. "Some guests do not understand this approach. They want kilometres of food and mountains of abundance. But the Hotel des Arts is not the place for this type of consumption. We're about filling the garbage as little as possible."

Wicker offers this word of advice to the hospitality industry: "Don't reinvent the wheel—follow, copy, adapt to similar plans that have succeeded in Thailand, Singapore and Malaysia."

And for locations like Phu Quoc and Nha Trang, which risk sharp growth followed by a tourism burn-out, Gagnon and Revy agree that the hotels, competitors or not, need to band together along with the local authorities and NGOs to create a reasonable growth plan.

As Gagnon put it, "The beauty of the country is easy to break. And if you break it, you break the 'golden goose' for everyone. A sustainable approach to the environmental impact is not optional." 🌱