Asialink Business

Strengthening Australia-Vietnam Tourism Cooperation

Report | October 2024

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Note: All non-AUD quoted currency measures have been converted to reflect an AUD measure for consistency across the report. Conversions have been made using an average exchange rate in the year of reporting and do not account for fluctuations or contain any time related adjustment.

Executive Summary

The tourism sectors in both Australia and Vietnam have undergone profound changes in recent years. While there are distinct elements to the experiences in both countries, there are also shared learnings. A deeper understanding of these experiences reveals there is an opportunity for Australia and Vietnam to collaborate and boost two-way visitation.

In the wake of COVID-19, the Australian tourism industry initially looked to domestic tourists to sustain activity as international arrivals lagged. Despite enthusiasm to support the sector, the volume and value of domestic tourism did not fully off-set the loss of international visitors. After contributing 3.1% to GDP in FY2018-19[1], the sector contributed just 1.5% of GDP in FY2021-22, increasing to 2.5% of GDP in 2022-23.

Despite appetite for travel rising, economic and geopolitical pressures continue to pose significant challenges to international tourism and decision-making around travel.[2] These pressures highlight the importance of a robust international diversification strategy to support a prosperous and more resilient visitor economy, which is currently under development as part of Austrade's THRIVE 2030 strategy for long-term sustainable growth of the visitor economy.[3]

Internationally, Australia's connections with Southeast Asia present opportunities for the visitor economy. The Australian Government has underscored its intent to deepen ties with the region, including through the release of *Invested: Australia's Southeast Asia Economic Strategy to 2040*.[4] The strategy highlights that 181 million Southeast Asians are predicted to travel overseas by 2040, up from 40.69 million outbound travellers in 2022.

Within Southeast Asia, the opportunities to increase engagement and economic ties with Vietnam is an increasing focus for the Australian Government. The Australia - Vietnam Enhanced Economic Engagement Strategy (EEES) was developed jointly by the Australian and Vietnamese Governments and announced by both Prime Ministers in 2021 to drive closer economic ties.[5] This strategy identified tourism as a key sector for cooperation.

The signing of the Comprehensive Strategic Partnership (CSP) between Australia and Vietnam in March 2024 highlighted tourism's importance in the broader economic and cultural ties between the two nations. The integration of tourism into the strategic partnership reflects both countries' commitment to deepening their relationship by building on existing people-to-people links.[6] Initiatives included investment in tourism infrastructure, cultural exchange programs and joint tourism promotion campaigns.

Historically, Vietnam has been considered a relatively lower priority market for the Australian inbound tourism industry. However, strong business and education ties, a prominent diaspora, growing airline connectivity, geographic proximity and impressive economic growth are creating the conditions for an increasingly mature and accessible market.

Australia's tourism industry should recognise Vietnam as a market with potential for significant growth. The population is forecast to hit 104 million by 2030, with an established consumer class of 20 million.[7] Vietnamese holiday-makers in Australia spend more per trip than many of their Asian peers and there is strong spending in the Visiting Friends and Relatives (VFR) segment, providing a solid foundation for growth.

Vietnam is a favourite destination for Australian visitors, with the market recovering strongly to make a significant contribution to renewed and sustained growth for Vietnam's tourism industry. There were 400,050 short-term Australian resident returns from Vietnam in the year ending July 2024, up 42% on the year ending July 2023 and 25% higher than pre-COVID levels, making Australia Vietnam's 10th largest inbound market.[8]

However, winning market share won't be easy as destinations such as Korea and Japan are actively competing for outbound travellers from within the region. The Australian Government should work with industry to invest in contemporary market insights for Vietnamese tourists, develop innovative new products, and build industry capability and connections.

While Australia grapples with these challenges, Vietnam is also seeking to grow inbound tourism. The pandemic forced the industry to pivot to domestic tourism. It now faces capacity constraints and the challenge to gain visibility and reset itself on the global tourist destination map.

Vietnam is also keen to put a focus on green tourism to limit the impacts of travel on climate change. The Vietnam National Authority of Tourism (VNAT) has identified challenges associated with tourism and sustainability, including overtourism in sensitive areas and suggested mitigations such as better destination management.[9] VNAT has been proactive in encouraging tourism businesses to adopt green practices. This includes the development of green tourism products and services, as well as raising awareness about the importance of environmental protection within the tourism industry.

Further growth is constrained by lack of destination knowledge in the Australian retail travel workforce, visa requirements, and the challenge of appealing to changing Australian tourism preferences. In addition, the Vietnam Government faces capacity constraints when it comes to working with industry to market Vietnam to a new generation of travellers, building industry knowledge and capability, and developing new products in areas such as sustainable tourism.

Given the shared challenges, the Australian and Vietnam Governments can collaborate to boost two-way visitation. Improving policy dialogue, data sharing and uplifting capacity in tourism officials will build government capability and improve the regulatory settings for industry to operate, which could result in both governments enhancing their collaboration with industry for improved marketing, promotional events, roadshows and tradeshows.

Australia and Vietnam can become a significant factor in each other's visitor economy if both governments move quickly to put the right resources and frameworks in place to support industry.

1. About this Report

This report was initially developed for the Australian Government by Asialink Business in 2023. The report was endorsed for public release by Austrade and the Vietnam National Authority of Tourism at a Bilateral Meeting held on the sidelines of the Australia-Vietnam Tourism Symposium on 17-18 June 2024. Data has been updated in this public version where available.

This report is a key activity under the Strengthening Australia – Vietnam Tourism Cooperation project, which is delivered by Austrade in cooperation with the Vietnam National Authority of Tourism (VNAT), through funding provided by Department of Foreign Affairs and Trade (DFAT) in support of the Australia-Vietnam Enhanced Economic Engagement Strategy. The report:

- Provides an overview of the Australian and Vietnamese tourism sectors, including structures, governance, key issues and key stakeholders;
- Identifies growth opportunities, industry skill and knowledge gaps, and barriers to increasing two-way visitation between Australia and Vietnam across all visitor segments; and
- Quantifies current and future market potential through a mix of quantitative and qualitative research methods.

1.1. APPROACH

This report was developed through a mixed methodology, structured approach that combines a range of information sources, including:

- Qualitative research – we conducted extensive desktop analysis of English and Vietnamese language sources;
- Quantitative analysis – we identified and analysed a range of relevant data sources;
- Consultations – we engaged a range of stakeholders across the Australian Federal and State Governments, the Vietnamese Government and a diverse cross-section of industry; and
- Expert input – we drew on in-house Vietnam and tourism sector expertise to inform the analysis and findings.

Based on our initial research and consultations we developed key hypotheses that were then tested and refined based on expert input and further analysis.

We also tested our analysis and draft recommendations with Austrade and a small number of Vietnam Government counterparts.

1.2. LIMITATIONS

While we held several consultations with VNAT and a small number of provincial tourism departments, the agreed scope of work precluded extensive consultations with Vietnam Government officials. As a result, the identified priorities that pertain to Vietnam will require further testing and refining through more extensive consultations.

While we also consulted broadly with the tourism industry in the initial phase of the project, limitations on the agreed scope of work prevented us from going back to industry to rigorously test the analysis and identified priorities.

2. Australian tourism sector

2.1. SIZE AND STRUCTURE

Australia is a world-leading tourist destination with a significant tourism industry. In 2019 the visitor economy generated AUD$166 billion in expenditure from both domestic and international travellers and was employing directly and indirectly more than 1 million Australians prior to the pandemic. In the ten years to 2020, Australia had a strong and dynamic visitor economy that was growing faster than the national economy. It was a key driver of the overall economy, with every dollar spent in the visitor economy generating a further 81 cents for other parts of the economy. [10]

COVID-19 had a devastating impact on Australia's visitor economy. International visitation dropped 98%, GDP contribution halved, and over 190,000 jobs were lost.[11] As pandemic restrictions were eased, international arrivals have begun to slowly recover, reaching 8 million short-term arrivals for the 12 months to July 2024, an increase of 30% on the same period the previous year, although still down 14.5% compared to the equivalent period in 2019.[12] The five leading destination source countries for short-term visitor arrivals for the calendar year to July 2024 were New Zealand, China, the US, Japan and the UK.

In positive news, total visitor economy spend (including long-term international students) for the calendar year 2023 (AUD$207.7 billion) has exceeded the THRIVE 2030 target of AUD$166 billion by 2024.[13] This measure is now 25% higher than it was in 2019, though this by no means indicates that the visitor economy has fully recovered.

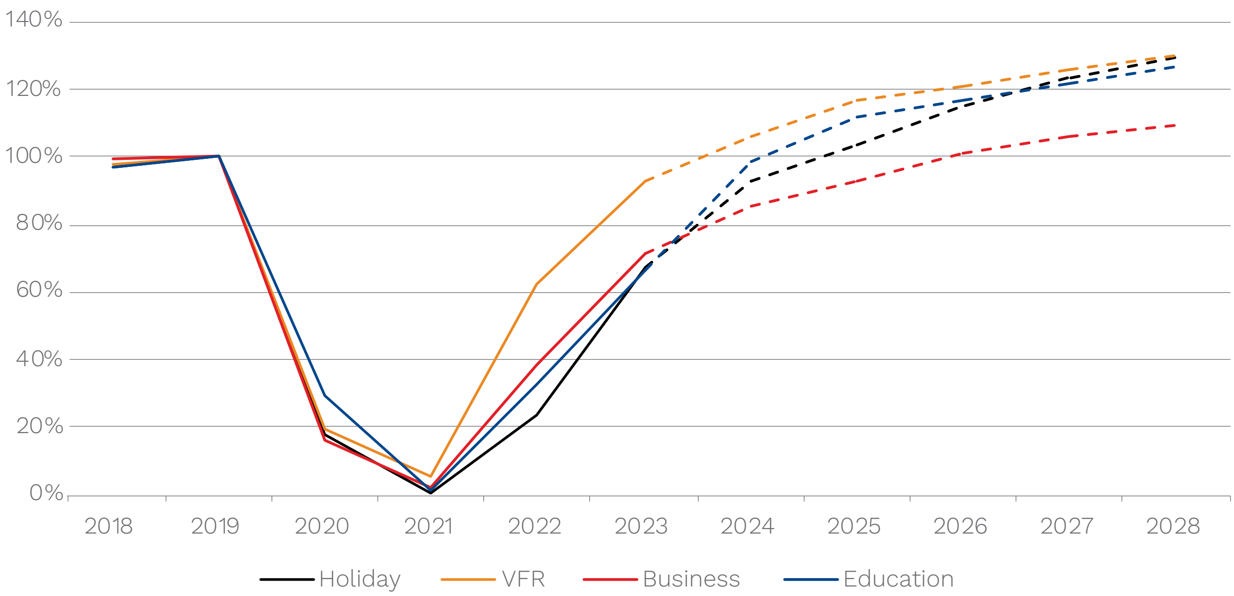
The pace of recovery has varied across Australia's leading international source markets to date, with key markets in South and Southeast Asia picking up the fastest. TRA forecasts the number of international arrivals in 2025 to reach 10.2 million (108% of the pre-pandemic level). The number of short-term visitor arrivals is expected to reach 12.1 million in 2028.

Key visitor segments

Holidays and visiting friends and relatives (VFR) remain the most popular inbound segments, with 42% of all international arrivals in the twelve months to April 2024 on holiday and 35% coming for VFR. Holidaymakers remain 24% below their pre-pandemic levels, while VFR has now almost fully recovered. Visitors arriving for business and education are also yet to fully recover, down 30% and 22% respectively when compared with their pre-pandemic levels.[14]

Recovery of holiday arrivals started slowly following the pandemic but are projected to surpass pre-pandemic figures and reach 5.8 million by 2028. VFR rebounded quickly in 2022 and 2023 due to pent-up demand and is expected to reach 3.7 million visitors by 2028. Education-related travel is expected to grow at a similar rate, reaching 784,000 by 2028 (26% above its level in 2019), though this may change with impending Australian Government legislation relating to international student numbers. Business travel should hit pre-pandemic levels with 1.1 million arrivals by 2028.[15]

Figure 2.1. International arrivals in Australia by purpose of travel with forecasts (per cent relative to 2019 level)[16]



Education and tourism

The intersection of tourism and international education is significant for the Australian visitor economy. Data within these segments share some overlap in definition and reporting. The International Visitor Survey (IVS) reporting on visitors with education as the main reason for their visit excludes visitors aged under 15 years, and visitors with an intended duration of stay greater than 12 months.

Visitors who state the main purpose of their trip as education stay longer and spend more than holiday and business tourists. For instance, in 2023, there were 547,075 international student visa holders in Australia in December 2023, which was an increase of 20% from the previous period.[17] Education export income was worth $47.8 billion to the Australian economy in 2023.[18]

Education visitors on average stay longer and spend more than holiday and business visitors, though not all this expenditure is directed at the tourism sector. For the year ending March 2024, they stayed on average 145 nights, compared to 23 for holidaymakers and 30 for the VFR segment. They spent on average AUD$24,400 per trip compared to AUD$3,320 for holidaymakers and AUD$2,888 for business visitors. While education only represented 6.4% of international visitors in 2024, they accounted for 25.2% of visitor nights and 36.1% of the spend within Australia.[19]

Figure 2.2. Average nights stayed by reason of visit from March 2023 - 2024 – International visitors[20]

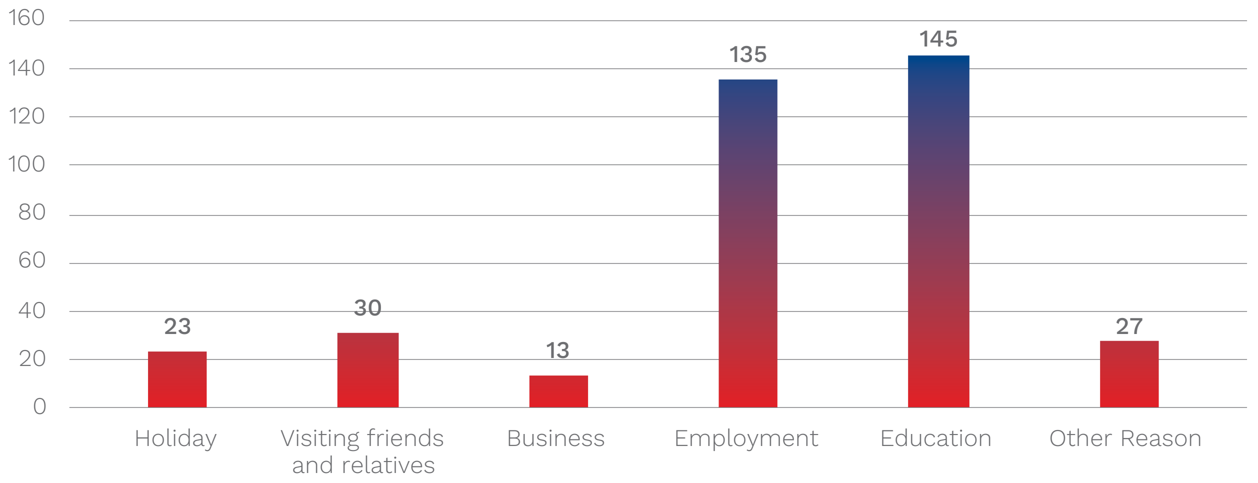
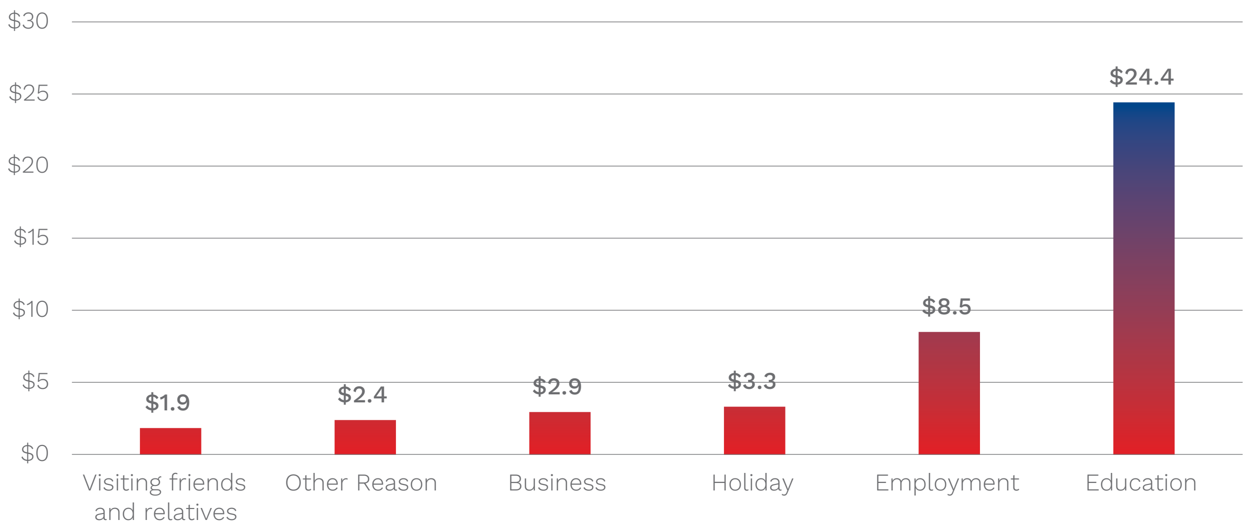


Figure 2.3. Average trip expenditure by reason of visit from March 2023 - 2024[21] – International visitors ($,000)

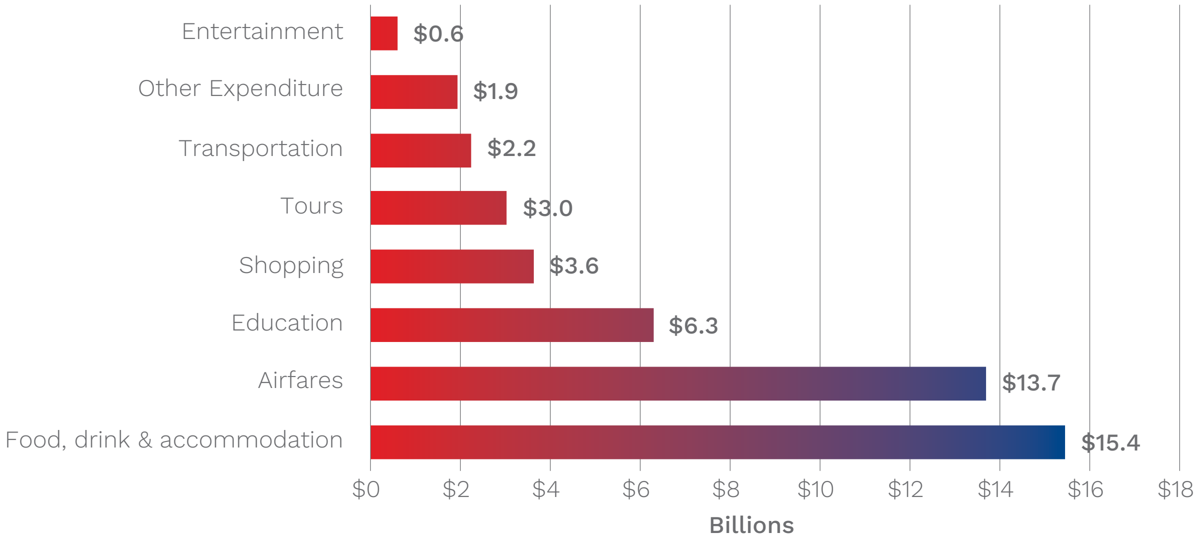


Tourism experiences

Australia's tourism offering is diverse, encompassing high-end luxury travel, eco-tourism, outback adventures, and culturally immersive experiences. Hotels are the lead revenue generator, followed by all-inclusive packaged holidays and vacation rentals (e.g. Airbnb).[22]

Food, drink and accommodation (AUD$15.4 billion) was the expenditure item that incurred the highest spend by international visitors to Australia between March 2023-2024. This was followed by airfares at AUD$13.7 billion. International education and shopping were the third and fourth largest expenditure categories with totals of AUD$6.3 billion and AUD$3.6 billion respectively (based on spend in Australia).[23]

Figure 2.4. International visitor total trip expenditure by item, March 2024[24]



2.2. GOVERNANCE AND KEY STAKEHOLDERS

Policy, governance and promotion activities to support the tourism industry cut across all levels of Federal, State and Local Government. Austrade, with the Department of Foreign Affairs and Trade (DFAT), lead bilateral tourism policy, national strategy, regulation and research while supporting the industry with capacity building. Tourism Australia as the national tourism marketing organisation leads international promotion of Australia as a destination, as well as undertaking industry engagement activities and aviation development working in partnership with the State and Territory tourism organisations. These entities and the broader sector, including regional and local tourism boards, industry associations and councils, other government departments and the private sector, work collaboratively to support the development of international and domestic tourism.

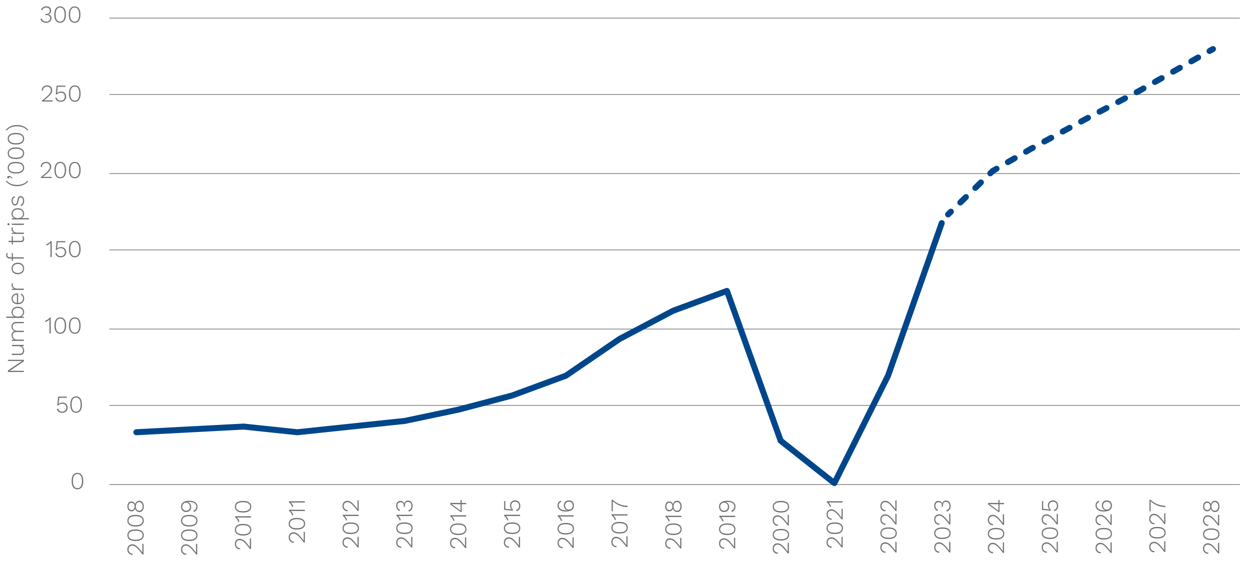
An infographic of the Australian ecosystem is found on the next page.

2.3. MARKET POTENTIAL FOR VIETNAMESE VISITORS

The Vietnamese market is currently Australia's fastest growing market for inbound visitation. Vietnam and India were the first markets in Australia's top twenty source markets to have surpassed pre-pandemic levels, with a record 178,900 visitor arrivals from Vietnam for the year ending March 2024, 59% above pre-pandemic levels.[25] By 2028, TRA forecasts an additional 110,300 international arrivals from Vietnam annually (65% increase). This would see 279,000 visitor arrivals from Vietnam by 2028.

Vietnamese travellers are spending steadily more per trip. Expenditure grew 14.6% from 2009 to 2019 (CAGR - Compound Annual Growth Rate). In 2009, Vietnamese travellers spent approximately AUD$144 million on travel to Australia, peaking at around AUD$640 million in 2019. Young Vietnamese are part of the trend of spending more – those aged between 20 and 40 spend an average of AUD$2,000 while travelling.[26]

Figure 2.5. Total inbound trips from Vietnam to Australia, 2008-2028 (including forecasts)[27]



The Australian tourism ecosystem

INTERNATIONAL ENGAGEMENT/ OUTBOUND & INBOUND TOURISM ⟷ LOCAL DEVELOPMENT / DOMESTIC TOURISM

GOVERNMENT ⟷ PRIVATE SECTOR

GOVERNMENT

Australian Government
(Tourism Minister)

- **Department of Foreign Affairs & Trade** — eg,. Australian Embassies, Bilateral trade and agreements
- **Austrade** — e.g Visitor Economy Division, Tourism Research Australia
- **Tourism Australia** — e.g. Marketing, International, Aviation & Industry Development

State Government
(Tourism Minister)

- **State Government Industry & Policy** — e.g. Victorian Tourism, Events and Visitor Economy Branch
- **State Tourism Organisations** — e.g. Tourism Western Australia, Destination NSW)
- **State Trade, Investment and Education Agencies** — e.g. Trade & Investment Queensland, Study NSW

Local Government
(Mayor/ Councillors)

- **Local Government Visitor Economy Departments** — e.g. Adelaide Economic Development Agency
- **Local Government International & Trade Agencies** — e.g. Invest Melbourne

GOVERNMENT & INDUSTRY BODIES

- **Outbound Tourism Industry Associations** — e.g. CATO, IATA, ATIA
- **Inbound Tourism Associations** — e.g. Ecotourism Australia, Australia Tourism Export Council, ATIA
- **Marketing Alliances** — e.g. Discover Aboriginal Experiences, Australian Tourism Data Warehouse
- **Tourism Industry Councils** — e.g. Tourism Industry Council of SA, Queensland Tourism Industry Council
- **Business Events / MICE Sector** — e.g. Sydney Convention Centre, Melbourne Convention Bureau
- **Regional Tourism Board** — e.g. Tourism Tropical North Queensland, Destination Phillip Island
- **Local Tourism Organisations** — e.g. Tourism Port Douglas Daintree

PRIVATE SECTOR

- **Outbound Travel Agencies** — eg. Flight Centre, Wendy Wu Tours, Express Travel Group
- **Airlines** — e.g. Jetstar, Qantas, Virgin
- **Airports and Aviation Sector** — e.g. Melbourne Airport, Sydney Airport
- **Online Travel Agents** — e.g. Klook, KKDay, Booking.com
- **Inbound Tour Operators / Dest. Mgt. Companies** — e.g. Tournet, Australia & Beyond Holidays
- **Tour Operators** — e.g. AAT Kings, Get Lost Travel Group, Sealink
- **Tourism Attractions & Experiences** — e.g. Australian Attractions, Sovereign Hill
- **Hotels and Accommodation** — e.g. Accor, IHG
- **Tourism Training & Education Institutions** — e.g. Chisolm Institute, Transglobal
- **Hospitality, Retail and Transport sectors** — e.g. Skybus, Vicinity Centres

Vietnam visitor preferences

Vietnamese travellers are drawn to diverse sensory activities such as tasting trails, food and drink festivals, and Indigenous food experiences, making up 7 of the top 10 experiences.[28] When asked about activities for future vacations, tasting trails stood out as the most appealing, with 63% of Vietnamese travellers expressing interest. They were also drawn to immersive experiences like farm visits and ecotourism (49%), natural landmarks and wonders (52%) and shopping (56%).[i]

There is an opportunity to develop Indigenous tourism experiences for Vietnamese visitors. This could involve utilising existing Tourism Australia resources, such as tailoring content from the Discover Aboriginal Experiences program and website for a Vietnamese audience.[29] It could also build on the lessons learned targeting Indigenous cultural tourism experiences to Chinese audiences, such as GoCultural Aboriginal Tours and Experiences.[30]

Connectivity

The Vietnamese aviation sector has demonstrated resilience post-pandemic. Seat capacity from Vietnam in the first three months of 2023 was 109% of the comparable pre-pandemic period in 2019 for inbound traffic and 112% for outbound. Additionally, inbound passengers reached 122% and outbound passengers 117% when compared to pre-COVID. In the first three months of 2023, there were 322 inbound flights from Vietnam and 329 flights to Vietnam, in contrast to the 296 flights in and 295 out in the first three months of 2019.[31]

Australia and Vietnam have agreed to increase air services in response to growing travel demand. In December 2023, Australia and Vietnam signed a new Air Services MoU to increase capacity of passenger services from 42 to 84 services each week to Sydney, Western Sydney, Melbourne, Brisbane and Perth, phased in over the next two years, with an immediate increase of 14 services a week.[32] Vietjet and Vietnam Airlines have increased the frequency of direct flights, now offering more regular connections between major Australian cities and Ho Chi Minh City and Hanoi.[33] [34]

i Griffith Institute for Tourism's Vietnam Joint Data report will be released in conjunction with this report, providing more detailed analysis of two- way travel trends, visitor profiles and spending behaviours.

Growth prospects

Increase in outbound tourism from Vietnam will be driven by growth of the middle class. Vietnam is on track to achieve middle-income status by 2025, with the average annual income around AUD$7,400, up from AUD$4,100 in 2020.[35] The middle and affluent class, defined as those earning at least AUD$1,100 per month, is expected to triple between 2012 and 2030. This rate is projected to outpace other Southeast Asian nations including Indonesia and Thailand.

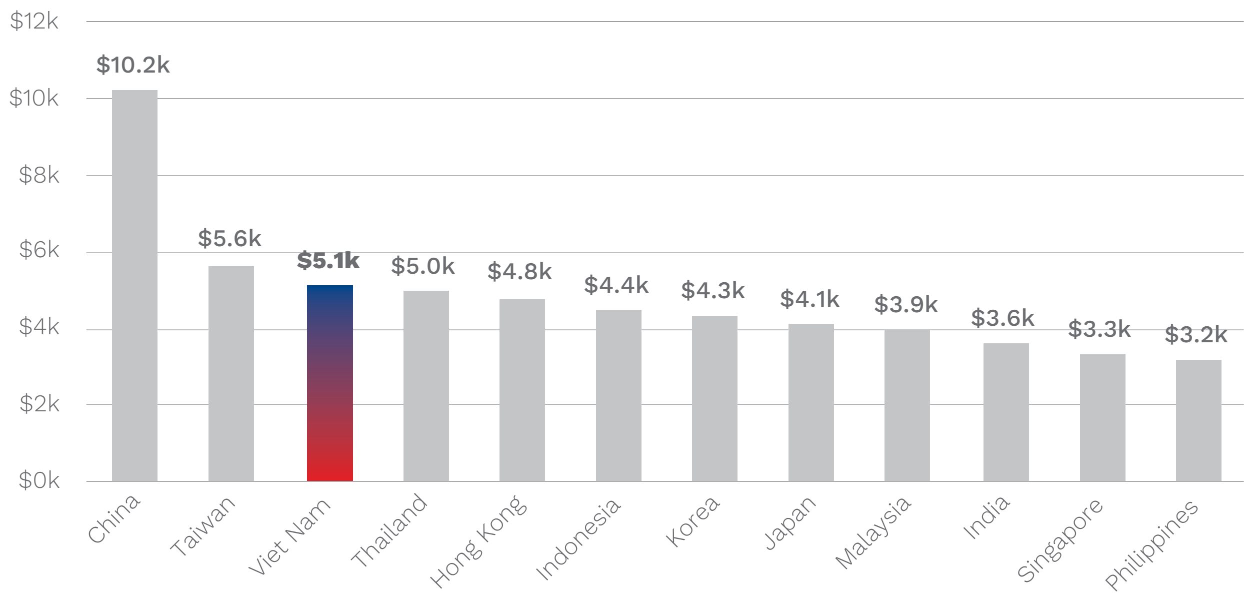
Vietnamese are getting richer younger. The number of Vietnamese consumers entering the middle class is growing rapidly, predicted to constitute 20% of the projected 104 million population by 2030.[36] Younger Vietnamese have more discretionary spending power, a growing desire to explore the world, and high levels of social media use. Growing international travel is also being fuelled by the resurgence of international education opportunities.

The Vietnamese middle class continues to pursue Australian educational opportunities centred around the world class rankings of Australian universities, supporting the broader the visitor economy. The use of social media and online platforms for travel planning is also presenting growth opportunities for digital marketing. As the middle class grows, so does the potential for repeat visitors. The challenge for Australia is to attract Vietnamese tourists amidst a growing range of comparable and affordable destinations, including South Korea and Japan.

Vietnamese outbound travel and per head spend into other Asian destinations, such as South Korea, continues to grow. In the first three months of 2022, more than 80,000 Vietnamese visitors travelled to Korea,[37] compared to Australia's 5,000 visitors over the same period. Korea's Vietnam market has recovered to pre-pandemic levels with 110,000 visitors in March 2024, marking a 100.4% recovery compared to the same period in 2019.[38] Australia received 15,130 Vietnamese visitors in March 2024, growing from 8,710 in March 2019 — a 53% growth.[39] Travel is driven by the appeal of Korean culture and shopping. Korea has seen a strong post-pandemic rebound in Vietnamese consumer spending on duty-free shopping, department stores, hospital visits, and cosmetics, with reported growth of 1,837% seen in spending at tax-free stores and a 400% increase in department store spending between 2021 and 2022.[40]

In Australia, Vietnamese holiday travellers on average spent AUD$5,100 per trip in 2024, placing Vietnam above all other Asian countries besides Taiwan and China. Attractive holiday offerings, tailored shopping experiences, and appealing leisure activities will attract more Vietnamese tourists and increase spending.

Figure 2.6. Average spend per trip in Australia by country (selected Asian countries), June 2024[41]



Segment prospects

There is clear potential to grow the holiday segment based on Vietnam's forecast population growth, its emerging middle class and spending habits in markets such as Korea and Japan.

In addition to the holiday segment, VFR also shows potential. Currently, travel from Vietnam to Australia is driven largely by VFR, with a strong Vietnamese diaspora, estimated at 250,000 in the 2021 Census.[42] The Vietnamese-born population is the sixth largest migrant community in Australia.[43]

Education offers potential for growth, both in terms of visa holders and increasing demand to visit friends and relatives pursuing education in Australia. Prior to COVID-19, Australia was the fourth largest destination for Vietnamese students studying abroad. In 2020, there were close to 30,000 Vietnamese enrolments across all Australia education sectors, reflecting an education-related export value of AUD$1.3 billion.[44] While this number dropped during the pandemic, it had rebounded to a record 33,765 Vietnamese students in Australia in May 2024, up 44% on the previous year and making it our fifth largest source market for students.[45]

Friends and family are regular visitors for Vietnamese students in Australia. These visits contribute to the tourism industry, with family and friends exploring the country. They spend on accommodation, food, travel, and leisure activities, supporting local businesses. These visits lead to repeat trips, with friends and family becoming advocates for Australia on return to Vietnam. Cultural exchange during these visits fosters mutual understanding between the two countries, strengthening the relationship.

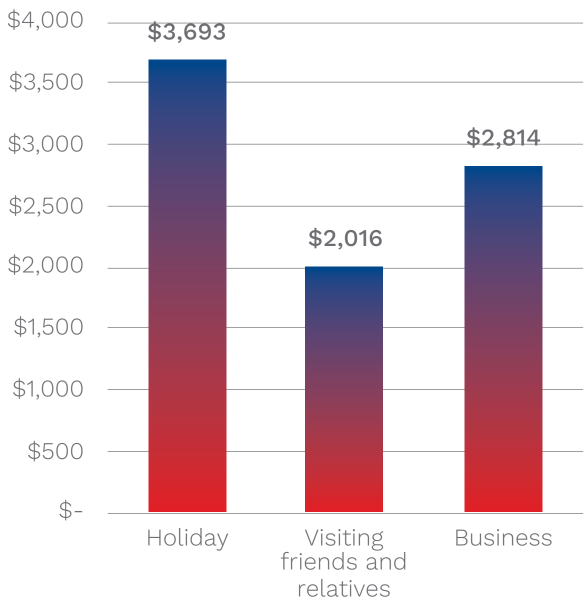
2.4. BARRIERS FOR VIETNAMESE TOURISM TO AUSTRALIA

Cost

A significant consideration for travel from Vietnam to Australia is cost. With websites advising consumers to budget AU$1,400 for a seven-day trip, including accommodation, transportation, food, sightseeing, and car rental,[46] Australia is relatively costly in contrast to other regional destinations such as Thailand, Japan, and South Korea. Pre-pandemic, a Vietnamese traveller spent an average of AUD$320-$640 for each foreign trip while those on tour packages were willing to spend AUD$640-$1300.[47] This picture is skewed by Vietnamese spending in low-cost Southeast Asia nations, as data from 2023 shows the average spend per trip for Vietnamese holiday-makers in Australia was AUD$3,693 and AUD$2,016 for the VFR segment.

The average length of stay of Vietnamese visitors to Australia is relatively high at 47 days. Despite a high spend per trip, Vietnam's daily tourist expenditure is moderate, at AUD$98 per day, significantly lower than Singapore, China, Hong Kong and South Korea. The Vietnamese figure is slightly lower than the average international tourist expenditure of AUD$116 per day in Australia.

Figure 2.7. Vietnamese tourism spend per trip in Australia by segment (2023)[48]



Note: Short-term visitors from Vietnam with other reasons for travel had an average spend of $20,078 per trip

Competitors

Other Asian markets, including South Korea and Japan, present as price sensitive competitive alternatives due to their proximity, cultural influence, more lenient visa policies, potentially lower costs, and diverse attractions. Both destinations are closer than Australia, with shorter flight times and more flight options allowing more time on vacation rather than in transit.

Culturally, the Korean Wave (Hallyu) and Japanese pop culture influence young Vietnamese travellers. Popular Korean dramas, K-pop music, and Japanese anime have made these countries top travel destinations for Vietnamese who are fans of these cultural phenomena.[49]

While Australia, Japan, and Korea are developed nations, the cost of living and travelling can vary. For many Vietnamese tourists, the cost of travel, accommodation, and daily expenses may be lower in Korea and Japan. For example, some online websites recommend tourists budget AUD$172 per day in South Korea and AUD$199 per day in Japan, compared to AUD$241 per day in Australia.[50]

Korea, Japan and Singapore are all appealing for their shopping experiences. Visitors can spend less on travel but then splurge on shopping. Australia is not well known for its shopping experiences and is also considered more expensive due to the cost of goods and services.

Product and Distribution Channels

Vietnam has historically been a lower priority market for the Australian travel industry and national and state tourism organisations. As a result, it hasn't been the focus of destination marketing campaigns, tailored products and experiences have not been developed, and Vietnamese cultural capability is lacking in the Australian tourism workforce. It has the potential to be a strategic market for the Australian travel industry given the Australian Government's intention to deepen ties with the region both through enhancing supply and demand side activities.

While Korea and Japan have many Destination Management Companies (DMC) in Vietnam, there are few from Australia. DMCs unlock the full range of visitor experiences, so without DMCs visitors will have less awareness of experiences outside Sydney and Melbourne. This problem is compounded by airlines advertising based on routes. Vietnamese tourists prefer curated experiences and may not be aware of the full range of experiences in Australia. Visitors also face the paperwork and waiting associated with a visa process, as Australia is not a visa-free destination.

Vietnamese Consumer Insights

There is growing understanding of Vietnamese consumer profiles, drivers of outbound travel and tourism behaviour, helping to leverage the growing opportunity for inbound visitation from Vietnam to Australia. The Future of Tourism Demand research developed by Tourism Australia now includes Philippines and Vietnam as separate markets, previously grouped in Other Asia prior to January 2023. Future International Visitor Surveys will provide valuable insights into Vietnam-specific consumer travel preferences, previously limited. Austrade has also commissioned the Griffith Institute for Tourism to develop a report providing data-driven insights into two-way visitor profiles.

3. Vietnam tourism sector

3.1. SIZE AND STRUCTURE

Vietnam's tourism industry is multi-faceted, offering historic cultural experiences, luxury coastal resorts, eco-adventures in diverse landscapes, and urban explorations in bustling cities, serving a wide spectrum of domestic and international visitors.

As with Australia, the industry was severely impacted by COVID-19. In 2021-22, Vietnam's tourism industry generated AUD$24 billion in revenue, down from AUD$47 billion in 2018-19.[51] Pre-pandemic, the sector employed 1.3 million people and contributed 9.2% of GDP.[52] The pandemic impacted small and medium-sized enterprises (SMEs), which make up a significant proportion of the sector. By 2021, an estimated 90-95% of tourism businesses had closed their doors or changed core business focus.[53]

The Vietnamese tourism industry has shown resilience and adaptability, offsetting the loss of international tourists by stimulating the domestic tourism sector. At the same time the industry has accelerated through digital transformation, growing virtual tours and transitioning to online platforms such as TikTok, Facebook and Instagram to engage prospective tourists.

Vietnam reopened its borders in 2022, however international tourism remained subdued. The country saw 3.7 million foreign tourists in 2022, or around 20% of pre-pandemic figures.[54] Significant tourist destinations like Ha Long Bay, a UNESCO World Heritage site, saw fewer visitors.[55] The region, which borders China, welcomed 60% of its tourists from there in 2019, however was heavily impacted by China's zero-COVID policy.

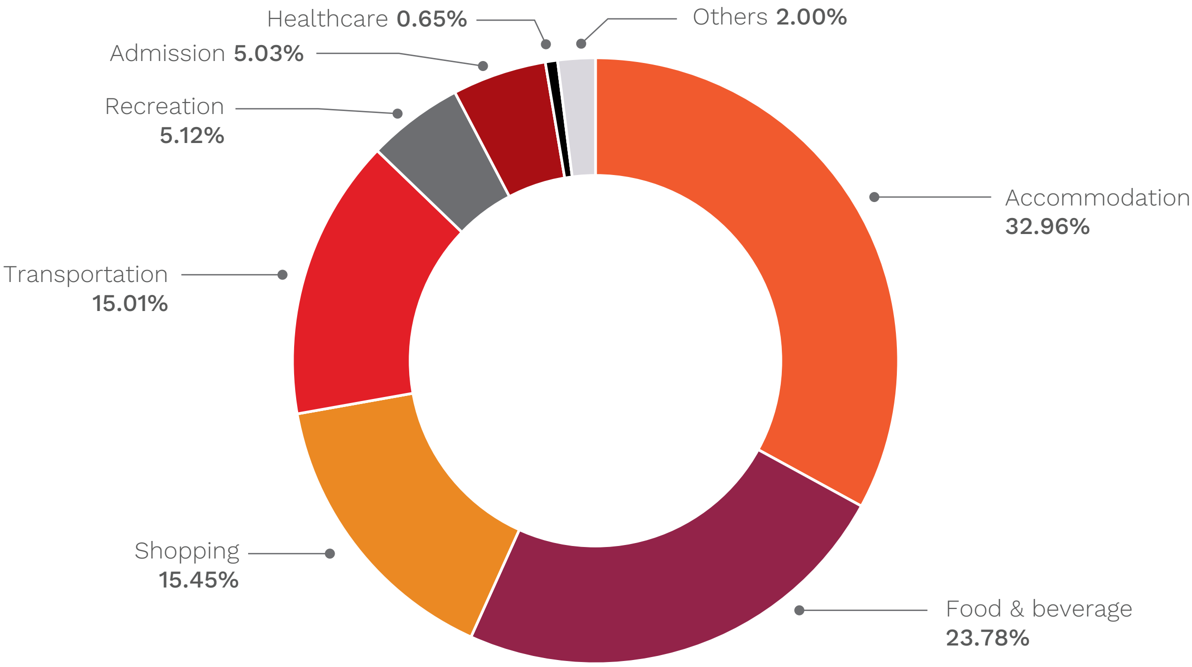
Since then, the international tourist market has experienced significant growth. In the first 9 months of 2024, the number of international visitors reached 12.7 million, an increase of 43% over the same period in 2023. Korea continues to be Vietnam's largest source market, with China ranking second and Taiwan third. Australia is the seventh largest tourist source market for Vietnam. [56]

Visitor experiences

The most significant sources of tourism revenue in Vietnam come from hotels and package holidays, although rentals are becoming more popular.[57] The growth of other types of accommodation (e.g., Airbnb), indicates a shift in traveller preferences, particularly among younger travellers. These rentals bridge the gap between hotel accommodation and the desire for authentic and localised experiences. While camping generates the lowest yield, this sector displays potential for future growth, aligned with global trends towards eco and adventure travel. Vietnam's diverse natural landscapes, ranging from mountainous terrains to stunning coastlines and dense jungles, offers significant opportunities.[58]

For international visitors to Vietnam, the highest average expenditure per overnight stay is on accommodation (AUD$490), followed by food and beverage expenses (AUD$353), shopping (AUD$230) and transportation (AUD$223).

Figure 3.1. Breakdown of average expenditure per overnight international visitor to Vietnam (2019)[59]



Tourism workforce

In 2023, Vietnam had 3,921 registered inbound and outbound tour operators and over 37,000 tour guides, or which more than 21,000 are international tour guides. [60]

Digital trends

Tourism distribution channels in Vietnam are increasingly moving online. This projected shift underlines the importance and potential of digital platforms in shaping the future of Vietnam's tourism sector. The transition aligns with the global consumer trend toward online booking platforms due to their convenience, accessibility, and extensive options to compare prices, read reviews, and make bookings. As a result, social media, virtual tours, online consultations, and digital payment solutions are a key part of rejuvenation in Vietnam, particularly in the powerful storytelling and visually oriented social media platforms. However, the adoption of social media presents a challenge to the traditional inbound tourism operator model, necessitating the adoption of updated methods.

3.2. GOVERNANCE AND KEY STAKEHOLDERS

The Vietnamese Government plays a significant role in the development and regulation of the tourism industry. The Ministry of Culture, Sports and Tourism (MCST) is the primary agency responsible for overseeing, developing policies, plans, and strategies to promote the tourism sector. The Vietnam National Authority of Tourism (VNAT) operates under MCST. VNAT is responsible for implementing tourism policies and programs, promoting Vietnam as a travel destination, conducting market research, and collaborating with international tourism organizations. Provinces and municipalities in Vietnam also have their own tourism departments responsible for promoting tourism activities and attractions at the regional level.

The private sector plays a vital role in Vietnam's tourism sector, most notably through major corporations such as VinGroup and Sun Group. These corporations leverage their close ties to government to make major investments in real estate and other tourism infrastructure. From the creation of world-class resorts and hotels to the development of state-of-the-art entertainment complexes, their investment has been vital to enhancing Vietnam's tourism infrastructure.

An infographic of the Vietnamese ecosystem can be found on the next page.

The Vietnam tourism ecosystem

INTERNATIONAL ENGAGEMENT / OUTBOUND TOURISM / DESTINATION AWARENESS

LOCAL ENGAGEMENT / DOMESTIC TOURISM / INDUSTRY DEVELOPMENT

GOVERNMENT

GOVERNMENT & PRIVATE SECTOR

GOVERNMENT

PRIVATE SECTOR

Vietnam Government

Ministry of Culture, Sport and Tourism

Vietnam National Authority of Tourism

Vietnam Tourism Advisory Board (TAB)

Provincial Government Tourism Departments

Local Government Agency Department of Tourism (e.g. Ho Chi Minh City, Hanoi, Danang)

Local Government Tourism Departments

e.g. Sapa Tourism Office, Ninh Binh Tourist, Mekong Tourist

Airports and Aviation Sector

e.g. Airports Corporation of Vietnam (ACV), Vietnam Air Traffic Management Corporation (VATM)

Airlines

e.g. Vietnam Airlines, Bamboo Airway, Vietjet

Industry Councils & Associations

e.g. Vietnam Tourism Association (VITA), Vietnam Society of Travel Agents (VISTA)

Regional Tourism Board

e.g. Vietnam Village Association

Tourism Training & Education Institutions

e.g. Institute for Tourism Development Research (ITDR)

Outbound Travel Agencies

e.g. Saigon Tourist, Viet Travel, Châu Âu Euro Travel, BenThanh Tourist, Fiditour, Exotissimo Travel

Inbound Tour Operators / Destination Management Companies

e.g. HanoiTourist, BestPrice Travel, PYS Travel

Hotels and Accommodation

e.g. Four Seasons, Vinpearl, Sun Group, IHG, Muong Thanh Hospitality, InterContinental Hotels Group, Marriott International

Tour Operators

e.g. Vietnam Amazing Tours, Expat Explore, World Expeditions, Topas Travel, Intrepid Travel, Exodus Travels, Klook, Traveloka, trip.com, booking.com

Tourism Attractions & Experiences

e.g. Notre Dame Cathedral of Saigon, One Pillar Pagoda, Oxalis Travel – Son Đoong Cave, Ba Be National Park

Hospitality, Retail and Transport sectors

e.g. HCMC Bus Sight & Seeing, Hanoi Bus Tour, Elite of the Seas, Aqua Of The Seas, Ambassador Cruise Halong, Vietnam Helicopter Tours

3.3. MARKET POTENTIAL FOR AUSTRALIAN VISITORS

Australia plays a key role in Vietnam's tourism industry and is among the top 10 markets in terms of volume, visitor spend and length of stay. Historically, Australian players like Intrepid, Wide Eyed Tours, and Vietnam Backpackers pioneered the surge of tourists to Vietnam. In addition, institutions like RMIT played a role in bolstering Vietnam's education and tourism sectors, underscoring the influential presence of Australian enterprises and expatriates in shaping the country's international appeal.

Australian visitation to Vietnam is recovering. There were over 179,010 short-term arrivals for the 12 months to July 2024, an increase of 31% on the same period the previous year and 52% higher than the equivalent period in 2019.[61] Vietnam was the eighth most popular destination for Australian travellers in 2024.[62] Hanoi ranks fourth in the list of most Googled tourist destinations by Australians over the past 20 years, according to Google, following Japan, New Zealand and Thailand.

Australian visitor preferences

Vietnam's offerings align well with Australian visitor preferences. Tourism Australia research indicates clear preferences for tourism experiences by Australian travellers.[63] Australians prefer dining out the most (65%), followed by activities such as beach visits and shopping (both at 57%). Road trips emerged as a significant interest point (49%), followed by natural wonders (47%), walking tours and cruises (both at 39%). From a gastronomic perspective, street food garnered interest (39%) followed by casual to mid-range dining venues (34%).

According to the Griffith Institute for Tourism report commissioned by Austrade, most Australian tourists now prefer to book trips and accommodations directly, bypassing travel agents. Tours that were once popular among veterans have been cancelled, leading to a shift in focus toward leisure seekers and adventure enthusiasts, who typically have smaller budgets. Leisure seekers in Vietnam are drawn to historical experiences, Indochina connections and exploring culture and nature. Adventure enthusiasts prefer historical and cultural experiences, sightseeing and adventure activities.

In addition, eco-tourism features as a significant aspect of Vietnam's appeal to Australian travellers, emphasising responsible travel to natural areas, conservation of the environment, and the well-being of local people. Eco-tourism is a natural fit for Vietnam with UNESCO World Heritage sites, beaches, islands, mountainous regions, vast rice fields, and biodiversity-rich national parks.

Eco-tourism encompasses cultural sustainability and respect for local communities.[64] Home stays in local villages, such as those in Sapa or Mai Chau, allow Australian visitors to immerse themselves in Vietnamese culture while supporting local economies. The rise in Vietnamese eco-tourism offerings supports the Australian trend toward responsible and sustainable travel experiences. 87% of global travellers indicate a desire to travel sustainably, with 70% of Australian travellers indicating they will make more effort to travel sustainably in the coming year, up 10% from 2021.[65]

3.4. BARRIERS FOR AUSTRALIAN TOURISM TO VIETNAM

Product Development

Vietnam faces several barriers to growing Australian tourism, most particularly outdated perceptions. Historic marketing campaigns in the Australian market have often underscored a few emblematic attractions – such as Halong Bay, Hanoi, and Ho Chi Minh City – potentially at the expense of showcasing the nation's broader appeal. The lack of marketing campaigns that showcase the full range of Vietnam's appeal means that many Australians think of Vietnam primarily as a stopover destination, often overshadowed within the broader Southeast Asian travel circuit.[66]

While Vietnam has significant potential as an eco-tourism destination, it still has a limited range of products tailored for Australian travellers. Product development and accompanying marketing campaigns will be crucial to attract more holiday-makers. Strengthening marketing efforts through targeted campaigns that highlight Vietnam's unique cultural and natural attractions can be developed, potentially through travel influencers.[67]

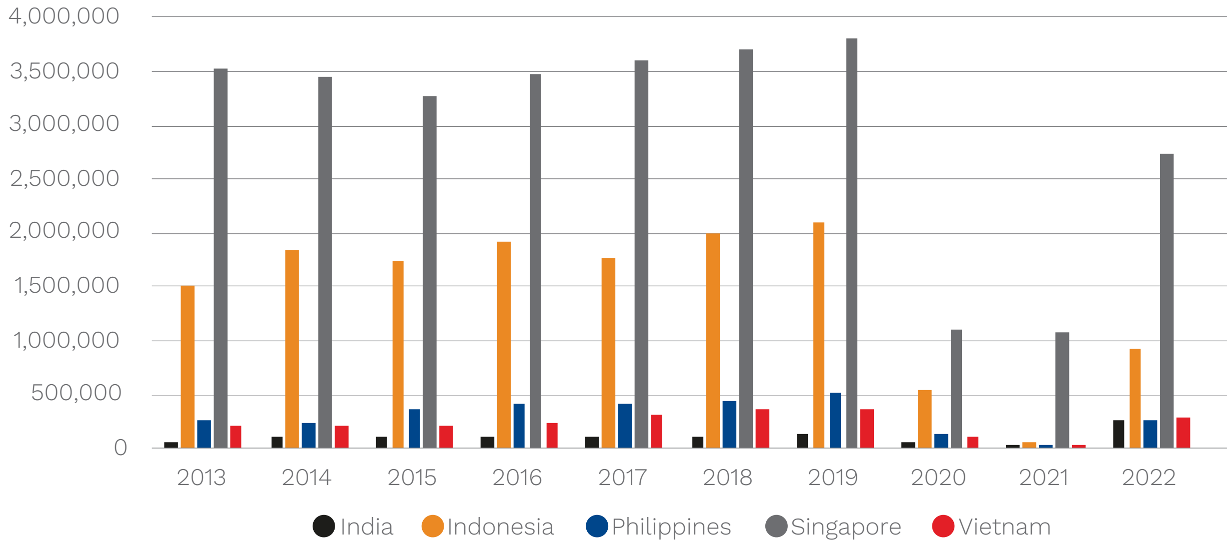
Market access

Anecdotal reports suggest that some Australian travellers are confused by the e-visa process or deterred by the thirty-day tourist visa. Vietnam moved to address these concerns in August 2023 by extending the e-visa duration to ninety days and allowing multiple entry. Despite these changes, Vietnam still faces competition from Bali, which offers visa on arrival for Australians.

Airline capacity is also a factor constraining the growth of Australian tourists to Vietnam. In contrast to Vietnam's regional neighbours, the number of inbound seats to Vietnam from Australia remains low, impacting supply, price points and route connectivity. While there has been an increase in activity from new carriers, this has not yet met the surge in demand with travel reopening.

Potential growth in business travel is constrained by Australia's economic ties to Vietnam relative to other countries. While Australia and Vietnam have a strong economic relationship, Australia's economic influence is small relative to countries such as China, the United States, South Korea, and Japan.[68] Business travel grows in tandem with trade and investment through the travel necessary to sustain operations, for face-to-face meetings and generating local partnerships.

Figure 3.2. Total number of seats on inbound flights between Australia and select countries.[69]



4.
Priorities moving forward

The potential to grow two-way visitation between Australia and Vietnam is clear. However, the range of challenges facing both countries means that future growth is by no means certain. Both governments and industry will need to take action to grow the visitor economy. Based on our research and consultations across government and industry in both countries, we have proposed initiatives that will set the sector up for success. These initiatives will need to be tested with Vietnamese counterparts and further developed.

1. Enhance government-to-government cooperation

While government-to-government ties are strong, tourism has not historically been a focus of engagement. It's clear that there is an opportunity to elevate and sustain bilateral engagement through a range of mechanisms that will allow policy-makers to discuss shared challenges, share insights and develop their capability. Better policy-making will create the environment within which the tourism industry can thrive. The Australian Government should include tourism as a key sector in bilateral talks and, where relevant, include tourism businesses in discussions.

2. Invest in brand building and demand-side development

Both countries should do more to increase awareness and understanding of their market if they want to attract more visitors. The lack of destination marketing and limited understanding of the broad range of tourism experiences is hampering growth. These constraints extend to the travel trade industry, which faces capacity constraints and knowledge gaps that are impeding its ability to effectively promote Australia and Vietnam.

Australia and Vietnam should step up branding and marketing activities, ensuring there is relevant and readily available material for both industry professionals and consumers. New marketing techniques will be essential to reach digitally-savvy audiences. Even so, the role of a physical presence in the other market cannot be ignored. In particular, Australian Federal and State Governments should improve their presence and coordination in Vietnam.

3. Build industry capability

While both governments have an important enabling role to play, industry must take the lead in developing capability. It is essential that the industry tailor existing products and experiences to Vietnamese and Australian tourists, while also piloting offerings in emerging sectors. Industry in both countries needs to build its understanding of tourists from the other. And travel professionals need to be equipped with the skills to serve new customers. Australia could support Vietnam in the latter endeavour by enlisting our education sector in skills development.

Specific actions under these three groups and the role that government and industry should play are articulated on the following pages.

4. Consult Vietnam further

Scope limitations prevented us from conducting extensive consultations with the Vietnam Government. The Australian Government should conduct further consultations with Vietnam to understand its perspectives, particularly regarding the initiatives that follow.

5.
Appendix - Consultations

In developing the Strengthening Australia – Vietnam Tourism Cooperation (SAVTC) report, Asialink Business was requested to conduct 10 consultations with key Australian and Vietnamese government and industry stakeholders.

The consultation program was designed in partnership with Austrade and included a targeted program of one-on-one consultations with strategic partners coupled with a series of group consultations aligned with key sub-sectors of the industry. On the Vietnamese side, more focus was placed on one-on-one consultations in line with culturally appropriate business practices.

In total over 100 government, industry and private sector representatives across Australia and Vietnam were invited to join the consultation process. Asialink Business also participated in the Austrade Visitor Economy – International Diversification Roundtable Sessions in Melbourne and Sydney, engaging with an additional 25 businesses.

VIETNAM

Stakeholder Engagement – Strategic Partners

1-ON-1 | GROUP

- Vietnam National Authority of Tourism (VNAT) – International Cooperation Department
- Airports Corporation of Vietnam (ACV)

Consultation 1: Provincial Tourism Organisations

GROUP

- HCMC Department of Tourism
- Hanoi Department of Tourism
- Danang Fantasticity

AUSTRALIA

Stakeholder Engagement – Strategic Partners

1-ON-1 | GROUP

- Department of Foreign Affairs and Trade (DFAT) – Vietnam Economic Section
- Austrade – Vietnam (Ho Chi Minh City and Hanoi)
- Tourism Australia - Government Relations, Industry Relations, International Operations & Aviation Development
- Australian Tourism Export Council

Consultation 1: State / Regional Tourism Organisations

1-ON-1 | GROUP

- Tourism Western Australia
- Visit Victoria
- Tourism and Events Queensland
- Destination NSW
- Northern Territory Government

VIETNAM

Consultation 2-4: Aviation Stakeholders

2 x 1-ON-1

- Vietnam Airlines
- Bamboo Airlines

Consultation 5: Inbound suppliers

GROUP

- IHG Group Vietnam
- Oxalis
- Melia Vinpearl
- New World Hotels

Consultation 6: Inbound & Outbound Distribution Partners:

1-ON-1 | GROUP

- Intrepid Vietnam
- Wide Eyed Tours
- Saigon Tourist
- Viettravel

AUSTRALIA

Consultation 2: Aviation Stakeholders:

- Brisbane Airport
- Sunshine Coast Airport
- Melbourne Airport
- Sydney Airport

Consultation 3: Inbound Suppliers

1-ON-1 | GROUP

- Australian Attractions
- Australian Tourism Connections
- Ecotourism Australia
- Great Southern Touring Route
- Alloggio
- Chisholm TAFE
- Rees International

Consultation 4: Inbound Distribution Partners:

1-ON-1 | GROUP

- Klook
- Australia and Beyond Holidays
- Dream Tours and Incentives Management
- Tournet Australia

Consultation 5: Outbound Distribution Partners

GROUP

- Council of Australian Tour Operators (CATO)
- Flight Centre Travel Group
- Wendy Wu Tours
- MW Tours
- Express Travel Group

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