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The Impact of the COVID-19 Pandemic on Ho Chi Minh City Tourism: Analysis of the 2020 Crisis and Implications for Recovery Strategies

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ABSTRACT: Numerous studies have investigated and elucidated the severe and profound impacts of the COVID-19 pandemic on a national, regional, or organizational scale. However, to provide a more specific understanding of the damage and negative effects on the tourism industry at a local level, this study employs qualitative research methods and secondary data collection to analyze the impact of the pandemic from the perspective of Ho Chi Minh City - the country's leading economic hub. By citing evidence and analyzing specific data regarding the year-on-year decline in key indicators, total tourism revenue, and international arrivals, this paper highlights the heavy damage caused by COVID-19. Based on these findings and the specific characteristics of the city's tourism sector, the study proposes solutions to restore the industry and support small and medium-sized enterprises (SMEs) in overcoming difficulties in similar contexts.

KEYWORDS: COVID-19 impact, Ho Chi Minh City tourism, Tourism recovery solutions, SMEs support, Crisis management, Tourism development.

I. INTRODUCTION

The year 2020 witnessed the world suffering a "catastrophe" known as COVID-19. COVID-19 is the abbreviation for the acute respiratory disease caused by the novel coronavirus (SARS-CoV-2). The epidemic originated in December 2019 in Wuhan City, Hubei Province, and subsequently spread globally. As of 2021, there were over 114 million confirmed cases and more than 2.5 million deaths worldwide [1].

COVID-19 has exerted direct and negative impacts on society as a whole. Spreading at a rapid pace with rising infection and mortality rates, it has caused widespread panic and pessimism. If prolonged, the pandemic threatens to destabilize all sectors, poses risks of political instability, and acts as a significant impediment to the global economy, particularly the tourism industry.

II. IMPACT OF COVID-19 ON GLOBAL AND VIETNAMESE TOURISM

A. Global Tourism Context

It is widely acknowledged that tourism is currently one of the most dynamic and fastest-growing economic sectors globally. It is considered a driving force for job creation and the promotion of economic development, culture, and local products, as mentioned in the Sustainable Development Goals (SDGs) for the 2015–2030 period. In practice, tourism has been contributing directly and indirectly to the creation of stable employment, specifically addressing job needs for rural and remote populations, particularly women and youth. Simultaneously, it fosters growth through micro, small, and medium-sized enterprises (MSMEs), creating positive social changes and improving living standards.

Despite playing a significant role in society and being an indispensable part of maintaining and developing income for a large segment of the population, in early 2020, the entire tourism industry suffered unprecedented severe losses. Following the emergence of the COVID-19 virus across the Asia-Pacific region and its subsequent global spread, the international tourism industry was essentially paralyzed and stagnant by March 2020. Pandemic prevention measures adopted by most nations, such as social distancing, travel restrictions, flight cancellations, and the closure of tourism businesses, had an immediate impact, significantly reducing both supply and demand for domestic and international tourism services. For instance, cruise ships suspended operations or were banned from docking in several countries, particularly in Asia, the Pacific, and the Caribbean. It is estimated that approximately 250,000 seafarers working on cruise ships [2] faced potential crises due to layoffs or loss of income. According to the Organization for Economic Cooperation and Development (OECD), the pandemic and global containment efforts could cause the international tourism economy to decline by 45% to 70%, depending on the duration of the crisis and the industry's recovery speed. Restrictions on global travel also significantly impacted domestic tourism, with an estimated 3 billion people adhering to movement restrictions as part of COVID-19 containment measures [3].

B. Current Situation in Vietnam

Sharing this context, Vietnam has suffered severe repercussions from COVID-19, particularly in the economic sector.

The service sector, especially tourism-related industries, bore the brunt of the pandemic's impact. In April 2020, the Vietnamese Government suspended all forms of non-essential economic activities (under the Prime Minister's Directive 16), with tourism and travel being among the first business sectors affected. Travel bans and restrictions were applied to all tourist destinations. Activities in hospitality, accommodation, restaurants, and transportation were largely postponed due to the nationwide lockdown. The aviation industry was significantly affected by the cancellation of all domestic and international flights to and from Vietnam.

According to statistics, in 2019, Ho Chi Minh City welcomed 8.169 million international visitors, accounting for nearly 50% of total international arrivals to Vietnam, with an average growth rate of over 17% per year (2016–2019). Domestic tourists reached 32.77 million, accounting for nearly one-third of the country's domestic tourists, with an average growth rate of 14% (2016–2019). In 2020, due to the severe impact of the COVID-19 pandemic, international arrivals to the city were estimated at 1.3 million, a decrease of 85% compared to 2019; domestic tourists were estimated at 12.1 million, a drop of 63% compared to 2019 [4].

Millions of workers in the tourism industry faced reduced income or layoffs due to a lack of work. Tourism service businesses had to struggle to survive, simultaneously preventing the epidemic and handling arising situations. Many companies faced bankruptcy and severe financial losses, with estimated damages to the tourism industry amounting to tens of trillions of VND. Forecasts indicated that the pandemic could be prolonged and difficult to overcome in the short term. This was indeed a difficult period for society as a whole, showing no signs of immediate improvement.

III. CASE STUDY: HO CHI MINH CITY

A. Role and Position Pre-Pandemic

Ho Chi Minh City is the country's leading locomotive in all missions, particularly in economic development. It is regarded as the largest tourism destination in Vietnam. Statistics show that international arrivals to Ho Chi Minh City annually account for over 50% of the total international visitors to Vietnam. Domestic tourists account for approximately one-third of the country's total domestic travelers, and the city's total tourism revenue equates to onequarter of the national tourism revenue. The position of Ho Chi Minh City's tourism industry is increasingly affirmed on the regional and world tourism map. Looking back at the 2015–2019 period, the city's key annual tourism targets were consistently met and exceeded. Furthermore, the city's tourism industry underwent continuous growth and extensive diversification to become one of the most critical economic sectors.

However, precisely because of its significant position and rapid development, the city inevitably faced negative impacts from the complex developments of the COVID-19 pandemic. Since the early months of 2020, direct international flights to Ho Chi Minh City and international tour markets had to suspend operations periodically. Many units were forced to suspend business, cut staff, or place employees on unpaid or indefinite leave to minimize costs, particularly in hotels, transportation units (waterway, road), and tourist attractions, following the government's directive to close all non-essential business activities to protect public health.

B. Extent of Damage and Specific Impacts

Even during periods when the Government had successfully controlled the epidemic with no community transmission, service, tourism, and travel businesses remained the most severely affected. Hotels simultaneously reduced occupancy rates by 30-40% year-on-year; some hotels operated at only 10-20% capacity, serving mainly retail and online customers. Many hotels were forced to revive operations through deep discount packages targeting domestic guests for "staycations." This trend offered domestic tourists the opportunity to enjoy weekend breaks at reputable hotels with prices reduced by up to 50% compared to pre-COVID-19 levels, while service quality remained unchanged. Consequently, the average number of customers and revenue of travel companies decreased by 50-60% compared to the same period the previous year. Specifically, in the first quarter of 2020, some companies saw customer numbers and revenue drop by 95% to 100%. In 2020, up to 90% of small and medium-sized travel agencies (SMEs) suspended operations; some large private enterprises only maintained skeleton staff, and state-owned enterprises operated moderately.

Tourist destinations in the city also saw a capacity reduction of 30-40%. The transportation service sector was significantly affected, with operating capacity dropping to only 40-50%, facing numerous difficulties as most businesses relied on bank loans.

At the time of the second outbreak in Vietnam, starting in early March (March 6, 2020) with the appearance of new cases and high risk of external infection, international arrivals to the city by the end of March were estimated at 117,000, a decrease of 84.23% year-on-year (March 2019 reached 742,142 arrivals). Total visitors to the city in the first three months were over 1.3 million, achieving only 14.49% of the annual plan and decreasing by 42.26% over the same period (in the first 3 months of 2019, the city welcomed over 2.2 million international visitors). With the serious decline in visitor numbers, the city's total tourism revenue in March also dropped, estimated at 3,496 billion VND, a decrease of 65.26% compared to the same period in 2019 (March 2019 achieved 10,064 billion VND). Notably, the Chinese and South Korean markets in March 2020 decreased by 100% due to the suspension of regular direct flights and charter flights to Ho Chi Minh City. Remaining potential markets such as Japan, Thailand, Europe, and the domestic market also fell deeply by 50–60% due to restricted international flights. As of March 2020, more than 20,000 out of over 28,000 employees working in accommodation facilities were out of work, forced to quit or take temporary leave; nearly 150,000 workers in the city's tourism industry were affected in terms of employment, income, and livelihood.

In the first three months, Ho Chi Minh City's tourism revenue only reached approximately 25,591 billion VND, achieving 18.28% of the 2020 plan, a decrease of 26% over the same period (3 months of 2019 reached 34,602 billion VND). Compared to other provinces such as Thanh Hoa (decreased by nearly 50%), Ba Ria - Vung Tau (48.3%),

Quang Ninh (47.1%), Khanh Hoa (43.9%), Binh Dinh (24.4%), Da Nang (19.5%), Hanoi (18.7%), and Hai Phong (14.9%) [5], this represents a notable effort by the City in minimizing the damage caused by the pandemic. It can be said that the first quarter of 2020 was the most difficult period for the tourism industry of Vietnam in general and the city in particular.

According to statistics from the Ho Chi Minh City Department of Tourism, it is estimated that for the whole of 2020, international arrivals to the City reached only over 1.3 million, a decrease of 84.8% compared to 2019. For domestic visitors, the city welcomed approximately 15 million arrivals, a decrease of 54.2% (2019 was 32.7 million). Notably, the estimated total revenue of the city's tourism industry in 2020 reached only 84,000 billion VND, a decrease of 40% compared to the previous year, equivalent to a loss of 56,000 billion VND. This resulted in hundreds of businesses closing and tens of thousands of workers losing their jobs. Therefore, for businesses to recover quickly, local authorities and the Government need to coordinate to identify the most appropriate solutions and directions for the "post-COVID-19" era, restoring tourism to its inherent position in the economy and resolving labor issues for the population.

IV. PROPOSED SOLUTIONS FOR RECOVERY

Before proposing specific solutions, it is essential to acknowledge that Ho Chi Minh City has implemented effective and practical directions since the onset of the pandemic to prevent the spread of COVID-19, adhering to the spirit: "If disease prevention is unsuccessful, other tasks cannot be executed according to plan." Indeed, the negativity and damage to the tourism industry in 2020 were caused by the pandemic; thus, tourism recovery solutions can only ensure success when the government and the city's citizens perform well in epidemic prevention.

By the end of 2020, the global pandemic situation remained complex. Although vaccines existed, production was insufficient to meet global demand, not to mention the emergence of COVID-19 variants that spread faster, stronger, and were more difficult to predict. Ho Chi Minh City must still "coexist" with COVID-19, maintaining a constant state of preparedness without subjectivity, as the disease persists in many other nations.

A. Government and Management Policies

State management agencies and competent authorities are recommended to consider policies that assist businesses in sustaining operations, such as investment in tourism infrastructure, provision of loans, and tax exemptions or reductions. It is crucial to organize training and capacity building for tourism staff during downtime through free or subsidized online courses. The Ho Chi Minh City Department of Tourism should construct and implement demand stimulation programs, offering product discount packages and increasing service quality to attract tourists, primarily focusing on the domestic market.

B. Business Adaptation Strategies

For businesses currently serving guests, strict compliance with epidemic prevention rules is mandatory to ensure safety for employees and laborers; solutions for responding to the epidemic must be implemented in accordance with the business's specific circumstances.

Furthermore, improving human resource quality during the crisis is vital. In the current period of limited travel, businesses should take the opportunity to enhance their human resource development strategies. This preparation ensures that businesses are ready to return faster, stronger, and achieve higher results post-crisis. Establishments with few or no customers should focus on upgrading facilities, opening training classes for staff, and re-evaluating business weaknesses to improve service quality. Additionally, this time should be utilized for marketing, advertising services, and promoting the brand to a wider audience, in anticipation of a new tourism season.

C. Diversification of Tourism Products and Promotion

Diversifying tourism products, particularly developing the night-time economy, is essential. To recover the tourism industry quickly, in addition to implementing stimulus programs and diversifying international markets, the development of night tourism, if executed well, will become a driving force for accelerating recovery. Ho Chi Minh City needs to call for investment from large enterprises to build and develop night tourism products, thereby increasing visitors' rest time, activities, and spending, rather than limiting them to daytime activities. Subsequently, preferential policies and incentives regarding taxes, fees, premises, and land use are needed for businesses investing in night economic products.

Simultaneously, the city should organize tourism brand promotion, typically through mobile applications such as "Vibrant Ho Chi Minh City," targeting both domestic and international markets, aligned with the City's Tourism Development Strategy to 2030. This presents a significant opportunity for businesses to build materials serving domestic and foreign promotion programs, creating tools to advertise the city's tourism events, destination brands, and specific tourism products, thereby enhancing awareness of their businesses and services.

V. CONCLUSIONS

In summary, the tourism industry is among the sectors hardest hit by the COVID-19 crisis [6]; consequently, it will be difficult for the industry to emerge from the current crisis without timely and urgent solutions. However, the tourism sector is also renowned for its resilience in the face of economic recessions and crises, as evidenced by the 2003 SARS outbreak and the 2008–2009 Global Financial Crisis. As tourism is considered a fundamental human need, the industry can play a pivotal role in reconstructing the global economy once the crisis subsides; it is poised to return more robustly and dynamically in the post-pandemic era. The process of overcoming these challenges serves not only immediate development purposes but also provides valuable experience for similar future scenarios. This will enable the Ho Chi Minh City tourism industry to advance faster and further, aligning the sector more closely with sustainable development goals in the national construction and development mission.

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