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**Strategic development plan for La Paloma hotel in Nha Trang, Vietnam**

Thesis

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<p>The objective of this thesis was to develop a strategic direction and business canvas model in hotel industry based on the observation and analyses of different trends, external and internal resources. The thesis topic was derived from two main problem of La Paloma hotel, in Nhatrang city, Vietnam – low occupancy rate and recovery of initial investments. As a result, the thesis outcome will function as recommendations and references for hotel manager in advancing hotel products and services as well as in strategic planning.</p> <p>The study results from observation the different trends that might influence to hotel business and the interview with hotel manager based on qualitative research techniques. In the theoretical background, it focused on several theories of external, internal environment and resources, and of business canvas model. In the empirical section, there were three main subsections - the observation the macro-environment trends, the interpretation of the interview with hotel manager into micro-environment analysis, and the internal company analysis. The suggestive strategic direction and business canvas model were included in the discussion section which hopefully helps the hotel cope with its problems.</p> <p>The thesis is a means to approach hotel operation management for small- and medium-sized hotels. This helps to reinforce academic knowledge about hospitality marketing, room management, hotel operation management.</p>	
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## PREFACE

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## INTRODUCTION

Tourism industry has expanded and diversified over 60 years, especially in the number of international tourists, from 25 million in 1950, to 278 million in 1980, 528 million in 1995, and 1 035 million in 2012. The figure is forecasted to reach 1.8 billion in 2030. In the closer look, Asia and Pacific received 234 million international tourist arrivals, which occupied 23 percent of the world total. Furthermore, Thailand, Cambodia, Vietnam, Myanmar attained the remarkable growth in 2012 among Asia sub-regions (UNWTO, 2013, 2-7.) Apparently, Vietnam is an attractive destination for international travellers thank to its cultural diversity, natural heritage, beaches and political safety. Phuquoc, Nhatrang, Phanthiet, Danang are popular for beach holidays while HoiAn, Hanoi, Hochiminh are known as cultural cities.

In the context, La Paloma was constructed and inaugurated in May 2000 with 17 rooms. After 11 years of operation, the full renovation was implemented to advance the room capacity to 20 and offer additional facilities to hotel guests. In 2012, the new 2-star hotel with the swimming pool and the charming garden was in operation with different hotel image and price level. The new hotel comprises nine standard rooms, seven deluxe rooms, four family rooms, one small restaurant, one swimming pool and its garden. The hotel is located 4 kilometres away from Nhatrang downtown; nevertheless, it offers the guests escape from hustle and bustle city centre, as well as perfect silence for sleeping quality.



Figure 1.1: La Paloma hotel (source: La Paloma hotel's website)

Despite, the growing figure of international and domestic tourists, the hotel has struggled to low occupancy rate and recovery of initial investment. As a former part-time staff in summer season, the author recognised the need to design a strategic development plan for the hotel in the short-term. Meanwhile, hotel manager desired to obtain in-depth analyses into hotel business and to design an appropriate strategy plan to cope with two main problems – to increase

occupancy rate and to recover the initial investment. As a result, the thesis aims to observe the macro- and micro-environment trends, to analyse the internal resources. Following the observation and analysis phases, defining strategic direction and designing a business canvas model, in which describes in details how a company creates, captures and delivers its value to customers, are the backbone of the thesis.

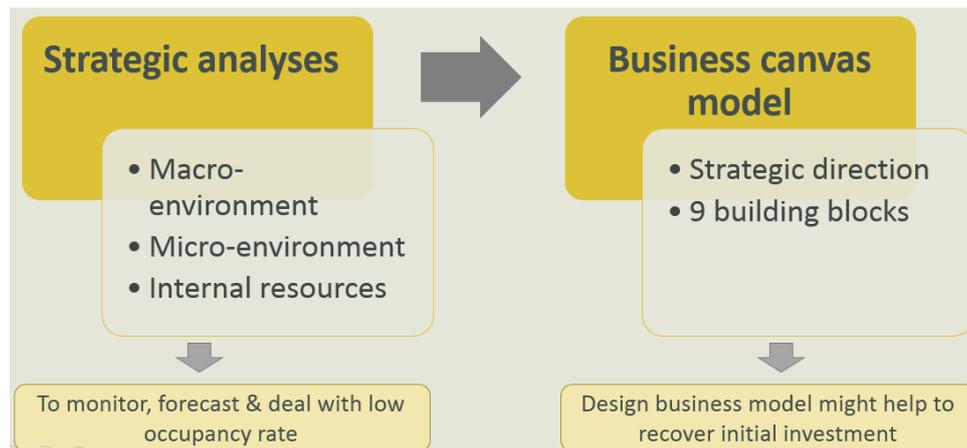


Figure 1.2 Key concepts of the thesis

To La Paloma hotel as a commissioning party, the thesis outcome will function as recommendations and references for hotel manager in planning development strategy on increasing occupancy rate and profitability.

On the other hand, to the author, this thesis is a means to approach hotel operation management via observing different trends and changes, giving strategic analyses, being aware of opportunities and threats, and designing a good business canvas model. Moreover, throughout the thesis process, the author is able to reinforce academic knowledge about hospitality marketing, customer segmentation, destination branding, room and revenue management, hotel and restaurant operation that are extreme well-preparation for future career in hospitality.

Throughout this thesis, five main sections – theoretical background, research methodology, empirical part, discussion and recommendation, and conclusion – are the backbone of thesis.

## THEORETICAL BACKGROUND

In this theoretical background, all theories regarding strategic analysis and business canvas model are described in details accompanied with authors names and sources.

Firstly, strategic analysis consists of certain components, such as analysis of macro environment, micro environment and internal resource analysis as mentioned in picture 2.1.

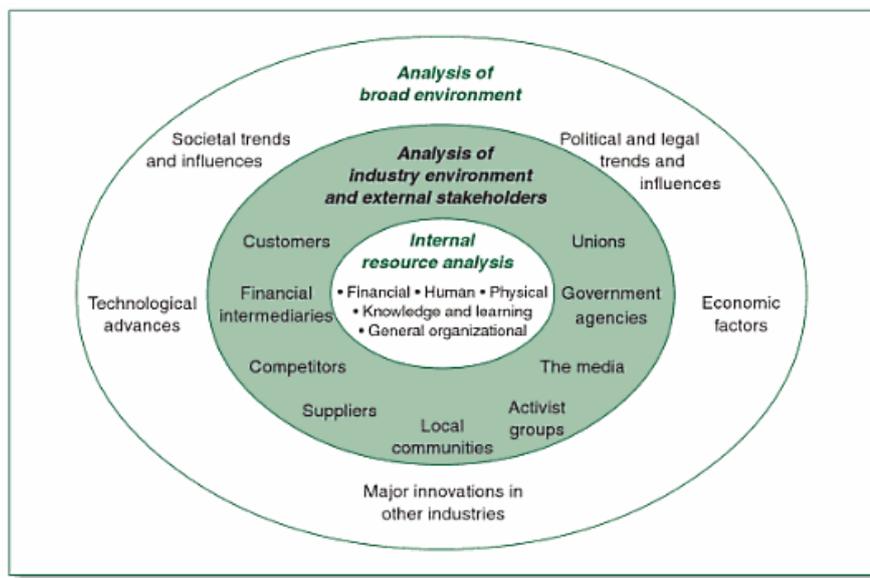


Figure 2.1 Component of Strategic Analysis (source: The Cornell School of Hotel Administration Handbook of Applied Hospitality Strategy)

Strategic analysis is done based on model of strategic management process in table 2.2. It was emphasized that the strategic analysis information is fundamental to develop overall strategic direction for companies, as well as companies' mission, vision and values. (Enz, 2010, 14-16.)

Strategic analysis should start by collecting top managers' points of view concerning sociocultural trends, market and competition, innovative technologies, and internal resources (Enz, 2010, 29).

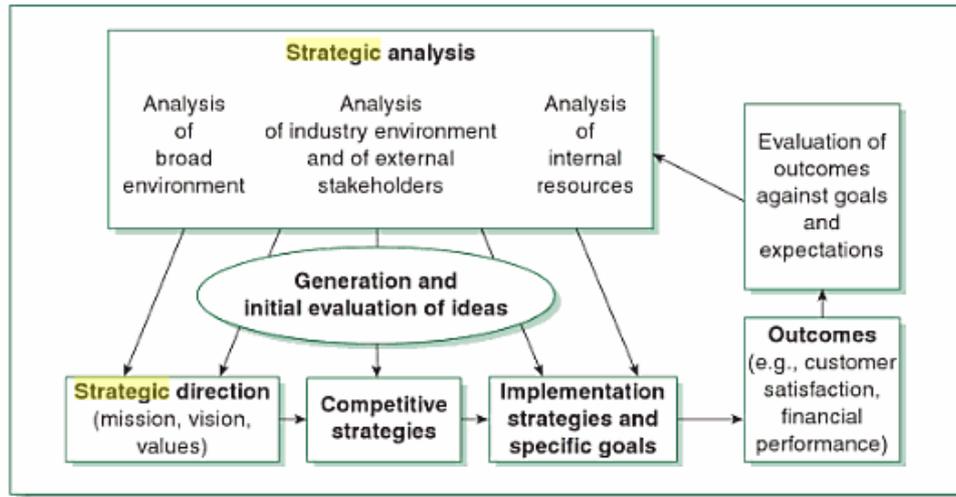


Figure 2.2 Basic model of strategic management analysis (source: The Cornell School of Hotel Administration Handbook of Applied Hospitality Strategy)

## 2.1 Macro-environment analysis

Macro-environment analysis emphasises on observing and recognizing the trends and factors that might influence to industries, especially hospitality industry. Meanwhile, it helps to identify opportunities, threats and challenges for the growth of company. There are four main trends will be analysed in this section, such as sociocultural trends, economic trends, political and regulatory trends, and technological trends (Hassanien, Dale & Clarke 2010, 43.)

### 2.1.1 Analysis of sociocultural trends

The result of sociocultural trends analysis leads to insight into market preferences, reinforcement good relationship with regular customers, and creation of new and distinctive products for potential customer segments. Population or demographic changes, such as average of age, gender, ethnic mix, migration patterns, income levels, occupation, birth and death rates, and literacy rates, of society usually function as reference for market research and tools for strategy formulation (Enz 2010, 41.) Psychographics, such as lifestyle, and generational differences, is also important within sociocultural environment. Therefore, a comprehensive understanding of psychographics of both customers and employees is essential for company's managers.

Besides that, diseases, work-life balance, terrorism, religion and nationalism are recommended to take into consideration (Okumus, Altinay & Chathoth 2010, 52.)

In addition, sociocultural factors also include the cultural, ethical trends and social responsibilities of society that might affect to business and products offered, such as cuisine and local tastes, alcohol consumption leads to violence, extended or limited business hours or efforts to reduce obesity, healthy foods, etc. (Hassanien, Dale & Clarke 2010, 47.)

Regarding societal trends, Enz suggested example questions that help to observe changes and influences as listed below:

- What is the societal attitude to the environment?
- Are current policies or behaviour of your organization likely to be offensive?
- Are there any demographics shifts?
- What changes are occurring regarding public opinion?
- Who are the emerging public-opinion leaders and what are they saying? (Enz, 2010, 17.)

Furthermore, Hofstede's study is inspected to deliver better understanding cultural differences of commission party, target customers and international readers. It consists of five dimensions: power distance, individualism versus collectivism, masculinity versus femininity, uncertainty avoidance, and long-term versus short-term orientation (Hofstede, 2005, 20.)

### 2.1.2 Analysis of economic trends

Economic environment analysis is regarded to GDP growth rate, interest rates, exchange rates, foreign direct investment, consumer confidence, and inflation rates. Those variables describe the panorama view of economy and company business from economic approach. Hence, it is advised that impact of economic changes should be tracked (Okumus, Altinay, and Chathoth, 2010, 51.)

According to Enz, inflation and availability of credit affect to interest rates that company has to pay; therefore, high interest rates and high interest payments restrain the company's growth, flexibility (Enz, 2010, 48.)

Enz also mentioned listed questions related to economic trends as below:

- How fast is the economy growing? What is economic forecast over next 12 months?
- What is inflation rate? What is the expected inflation rate over the next 12 months?
- Is inflation-adjusted disposable income per capita growing or shrinking?
- Is the target economic group growing or shrinking (e.g middle class, upper class)?
- What are current interest rates? Are they expected to move upward or downward?
- What is the rate of increase in the cost of various factors of production (e.g, wages, supplies, real estate, building materials)?
- Are foreign-currency exchange rates influencing sales? What are the expectations for future?
- Does the nation have significant international trade deficits? (Enz, 2010, 17.)

### 2.1.3 Analysis of political and regulatory trends

Observing political and regulatory environment is crucial for the future development. An illustrated example was Airline Deregulation Act in United States causing dozen of bankruptcies and downsizing of United States airline carriers (Gless, 2008, 3.) Political and regulatory changes influence directly to companies via labour laws, legal copyright and trademark, market laws and consumer laws. Moreover, political influences have similar significance as legislation, such as policies regarding safety, security, anti-terrorism. Therefore, legislative and political changes in business environment must be recorded (Enz, 2010, 19.)

Moreover, there were several questions given in assistance to observe political and legal impacts:

- What new laws are relevant to the hospitality industry?
- Are there any governmental policies that will be advantages or challenges for hospitality industry?
- Are any current or expected wars likely to influence the hospitality industry? (Enz, 2010, 17.)

#### 2.1.4 Analysis of technological trends

Technology is a feature of hospitality industry, which assists operation, management and distribution, such as Computerized Reservation Systems (CRS), Global Distribution System (GDS), and Property Management Systems (PMS). Moreover, booming Internet and social media have changed the buying behaviour and the way of marketing and promoting hospitality products (Hassanien, Dale and Clarke, 2010, 48.)

In addition, Enz highlighted that technology advances should be applied properly to aid the operation as well as the development of hospitality business. Global Distribution System was a good example which had changed the consumer behaviour in terms of reservation for hotels, airlines and car rentals (Enz, 2010, 18.)

#### 2.2 Micro-environment analysis

The micro-environment analysis is in-depth inspection into hospitality industry, market and external stakeholders (Enz, 2010, 20). This analysis is carried out based on Michael Porter's model of techniques for analysing industries and competitors as shown picture 2.3. In his competitive strategy theory, he suggested that five competitive forces, which included entry, threat of substitution, bargaining power of buyers, bargaining power of suppliers, and rivalry among current competitors. All those forces help to acknowledge in-depth competition, profitability of company within industry, and strongest force or forces to establish strategic direction (Porter, 2008, 6.)

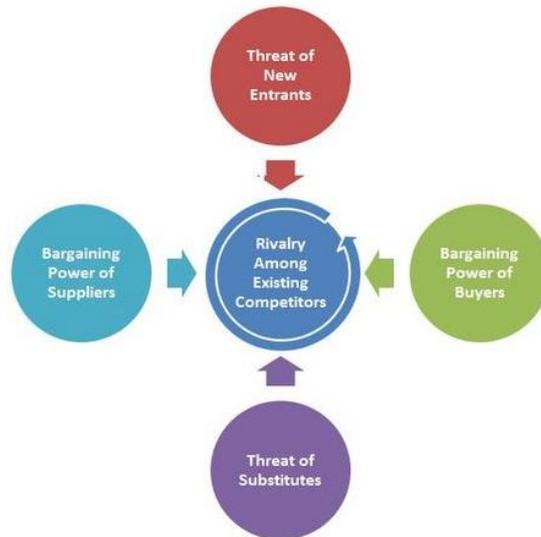


Figure 2.3 Porter's model of five forces (source: *Competitive Strategy: Techniques for Analyzing Industries and Competitors*)

### 2.2.1 Threat of entry

According to Michael Porter, there are many negative impacts to company which are generated by new entrants to an industry, such as possibility to loose market shares, bidding war, and reducing profitability. In his theory, barriers to entry primarily decide the threat of entry within an industry. There are six elements consisted in barriers to entry, such as economies of scale, product differentiation, capital requirements, switching costs, access to distribution channels, and cost disadvantages independent of scale (Porter, 2008, 7.) Therefore, it is believed that the threat of entry is high when industry barrier to entry is low (Okumus, Altinay, Chathoth, 2010, 56).

### 2.2.2 Intensity of Rivalry among existing competitors

Rivalry among existing competitors is about different competitors have similar approaches for a wining in marketplace, like advertising, pricing war, or customer service. It is seen when one or more competitors recognize the challenges or opportunities to upgrade their market position (Porter, 2008, 18.) This phenomenon is derived from surging demand and forcing companies earn more market shares. If the environment is tolerable, demand is high, and few

companies are competing, they are able to survive in their business. Otherwise, they have to forbear to earn profitability. It is noted that consolidation of major industry incumbents will decrease the direct competition with others. Moreover, the companies should focus on brand loyalty and best practices rather than engagement in price competition and marketing ad wars to avoid the fierce competition (Okumus, Altinay & Chathoth, 2010, 57.)

### 2.2.3 Pressure from substitute products

This relates to markets in which existing products could be replaced by alternative products because of instable demand, consumer behaviours or trends (Okumus, Altinay & Chathoth, 2010, 59).

### 2.2.4 Bargaining power of buyers

The buyers obtain their buying power which restraints the companies and affects to their well-being. This buying power pertains to price discounts and better service demands. In addition, companies suffer the impacts when buyers switch to other companies' products or service due to cheaper costs. This switch is usually seen in mid-price to lower end market for hospitality products (Okumus, Altinay & Chathoth, 2010, 58.)

### 2.2.5 Bargaining power of suppliers

This bargaining power is related to higher costs for materials and goods from suppliers. Especially in the market where there are only few suppliers and they have strong power, it cause difficulty for companies to search for qualified suppliers that are matched to their budget. In the hospitality industry, many restaurants face challenges in finding good suppliers for their raw materials (Okumus, Altinay & Chathoth, 2010, 59.)

## 2.3 Internal company analysis

Internal company analysis is carried out based on resource-based view, which meant that company evaluate its strategic resources to attain a sustainable competitive edge.

### 2.3.1 Tangible and intangible resources

Tangible resources refer to physical assets, financial resources, organizational resources, and technological resources of a company to create value for its customers. Whereas, intangible resources include company's assets to create value for customers however, they cannot be seen or quantified or physically identifiable, such as company reputation, brand, managerial skills, etc. (Dess, Lumpkin & Eisner, 2008, 87-88.)

### 2.3.2 Financial resources

According to Cathy A. Enz, financial resources are unique or difficult to imitate, thus, they can be advantage for company. The company performance can be observed through financial indicators, such as financial ratios, cash flow, debts, access to low-interest capital, and credit-worthiness, etc (Enz, 2009, 128-130.) In addition, financial resources also relate to company's cash account and cash equivalents, and company's ability to borrow or to raise equity (Dess, Lumpkin & Eisner, 2008, 89).

### 2.3.3 Physical resources

According Cathy A. Enz, hotel location, superior facilities, and hotel's space design built up the remarkable physical resources and they serve as a competitive advantage of hotel. (Enz, 2009, 130).

#### 2.3.4 Human resources

Human resources related to human capital, social capital and tacit knowledge. In detail, human capital means individual abilities, knowledge, skills, and experience of staff and managers in a company. Secondly, social capital is about the network of relationships that individuals have both inside and outside the organization. Thirdly, tacit knowledge means knowledge in minds of employees that developed from their different experience and backgrounds. Moreover, human capital was believed to be the fundamentals for intellectual capital (Dess, Lumpkin & Eisner, 2008, 118-119.)

#### 2.3.5 Intellectual resources

Regarding intellectual resources, Cathy A. Enz pointed out that knowledge is an intangible assets that include intellectual assets and human skills. There are certain remarks concerned knowledge-based resources, such as several companies can apply same knowledge simultaneously, depreciation of the value of knowledge declines quickly when new one is created, measuring the value or price of knowledge and protection the intellectual property is challenging (Enz, 2009, 148-152.)

#### 2.4 Business canvas model

According to Osterwalder and Pigneur, business model was defined as a rational description of how an organization or company creates, delivers and captures value. It is well described through nine building blocks that indicate the logical way of company to make money. Those nine building blocks cover four main business areas, such as customers, offer, infrastructure, and financial viability. The business model functions as a plan to screen how strategy will be implemented in organization (Osterwalder & Pigneur, 2010, 15.)

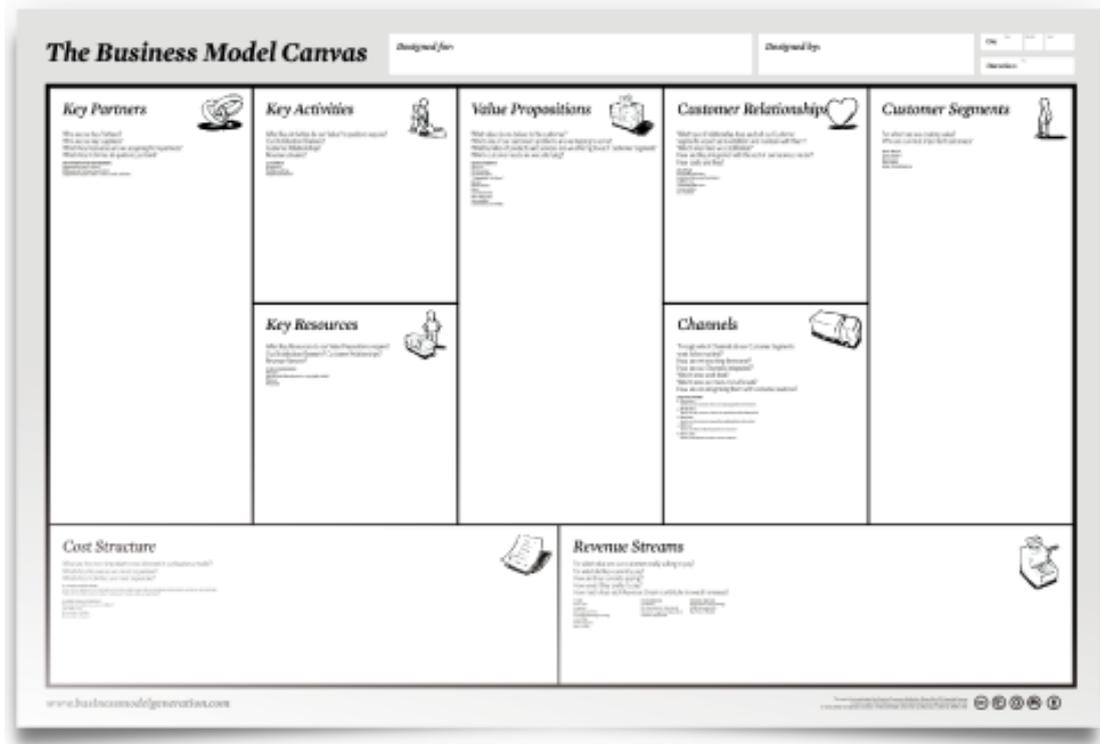


Figure 2.4 The Business Model Canvas (source: Business Model Generation: A Handbook for Visionaries, Game Changers, and Challengers)

#### 2.4.1 Customer Segments

It describes different groups of people or organizations that company targets to reach. Basically, customers are classified into segments with common needs, common behaviours, etc. This is the central of business model due to the fact that company is not able to suffer for long period without profitable customers. With an accurate customer segmentation, company is able to develop a business model based on in-depth understanding of targeted customers' needs.

Based on business canvas model, Osterwalder stated that customers are able to be segmented if:

- Their needs require and justify a distinct offer.
- They are reached through different Distribution Channels.

- They require different types of Customer Relationships.
- They have substantially differently profitability.
- They are willing to pay for different aspects of the offer (Osterwalder & Pigneur, 2010, 20-21.)

Moreover, according to Kotler, Bowen & Makens, company is advised to understand deeply model of customer behaviour in which reflects how customers will react to product features, prices, and advertising appeals. Firstly, the personal consumer buyer behaviour will be investigated and the organization or company buyer behaviour will be considered in the next stage

Regarding to individual customer segments, there are several stimuli that influence customer behaviour, such as cultural factors, social factors, personal factors, and psychological factors. In addition, the buyer decision process must be considered through need recognition, information search, evaluation of alternatives, purchase decision, and post-purchase behaviour (Kotler, Bowen & Makens, 2006, 195-227.)



Figure 2.5 Personal buyer decision process (source: Marketing for Hospitality and Tourism)

Regarding to company customer segment, several factors are taken into consideration. First of all, the participants in organizational buying process will be identified. There are six types of participants, who are called buying centre, play important role in buying process: users, influencers, deciders, approvers, buyers, and gatekeepers.

- Users are people who utilize product or service. Usually, they trigger the buying proposal and define product specifications.
- Influencers affect directly buying decision but they do not make final decision. Normally, product specifications and evaluation for alternatives are provided by them.
- Deciders select product requirements and suppliers.

- Approvers authorize the proposal of deciders or buyers as well as make formal approval for final decision.
- Buyers are able to choose suppliers and negotiate the terms of purchase. They also help to shape product specifications.
- Gatekeepers prevent sellers or information from reaching members of buying centre (Kotler, Bowen & Makens, 2006, 234-235.)

Additional, there are groups of factors that affect mainly to organizational buying behaviour, such as environmental factors, organizational factors, interpersonal factors, and individual factors. Last but not least, organizational buying process will be inspected on those aspects, such as problem recognition, general need description, product specification, supplier search, proposal solicitations, supplier selection, order-routine specification and performance review (Kotler, Bowen & Makens, 2006, 236-239.)

#### 2.4.2 Value Propositions

In Value Propositions block, the details of products and services that creates value for targeted Customer Segment are well-described. Those value propositions help to attract customers, to solve customer's problem, and to meet customer's needs. Value propositions might be innovative, might be similar offers of existing market with added values and features. To identify clearly value propositions of company, below questions should be answered:

- What value do we deliver to customer?
- Which problems of customer are we helping to solve?
- Which customer needs are we satisfying?
- What product and service packages are we offering to each Customer Segment? (Osterwalder & Pigneur, 2010, 22.)

Values can be quantitative, e.g. price or speed of service, etc., or qualitative, e.g. design, customer experience, etc. A company is able to create values for its customer through a mix of components, such as newness, design, price, accessibility.

- Newness is fully new value that customers have not ever experienced due to the newness of products or services created by company.
- Design implies a product may become outstanding in marketplace due to its distinctive and superior design.
- Performance is a value created by improving product or service better performance.
- Customisation refers to a value which is delivered by tailor-made products and services in order to meet special needs and demands of different customer segments (Osterwalder & Pigneur, 2010, 23-25.)

### 2.4.3 Channels

In this section, the means of company used to communicate with and approach its Customer Segments are scrutinized. As shown below in picture 2.6, Channels consist five main different phases, such as awareness, evaluation, purchase, delivery, and after sales; whereas each channel might cover some or all these phases. Meanwhile, Channels can be direct, e.g. sales force, web sales, or indirect, e.g. owns store, partner stores, and wholesaler.



Figure 2.6 Channel Phases (source: Business Model Generation: A Handbook for Visionaries, Game Changers, and Challenger)

According to Osterwalder & Pigneur, company is able to broaden its audience and to exploit partner's strengths by sharing its partner Channels (Osterwalder & Pigneur, 2010, 26-27.)

In Marketing for Hospitality and Tourism, it was stated that travel agents, tour wholesalers, specialists, hotel representatives, national and local tourist agencies, consortia and reservation system, and Internet constitutes the variety of distribution system in hospitality and tourism industry.

- Travel agents are a tool to reach global market; nevertheless, hotel must only select reliable agents which commend the hotel to their customers.
- Tour wholesalers mainly deliver travel packages to leisure market while they attain discounted rate from hotels or airlines in align with contracts for number of hotel rooms or airline seats. Sometimes, airlines might work as tour operators with packages include airline tickets and hotel rooms.
- Specialists refers to activities expert who sell activity package to variety market and buy company's products or service during journey.
- Hotel representatives are effective distribution channel due to the fact that they sell hotel's products and services in specific market, especially in distant marketplace.
- National and local tourist agencies are believed to be an informative organisation that enable the company to exploit market information and to receive more room bookings.
- Consortium means an organisation of several hotels for shared benefits. Moreover, there is a central reservation system for small chain hotels to manage oversea reservation service. Global Distribution Systems (GDSs) are popular distribution channel for travel agencies, service providers like hotels or airlines or car rentals. Amadeus, Galileo, Sabre, and WorldSpan are signification GDSs in the world.

- Internet has become an important channel due to the fact that 30 percent of bookings were made online in 2004. Thank to Internet, company can reduce labour force because the customers help themselves online in booking or purchasing products and services.

Among those distribution channels, company usually evaluate major channel alternatives based of different costs and sales levels, and control criteria (Kotler, Bowen & Maken, 2006, 503-529.)

#### 2.4.4 Customer Relationships

In this block, variety types of relationships that an organisation is willing to build up with particular Customer segments, will be specified. Osterwalder & Pigneur suggested that six different types of customer relationships, such as personal assistance, dedicated personal assistance, self-service, automated services, communities, and co-creation. However, a company is able to select appropriate types with consideration for the costs, customers' expectations and how to apply with other components of its business model.

- Personal assistance means a relationship that company representative interacts direct with customers during sales process and offers post-purchase service via call centres, emails, or other means.
- Dedicated personal assistance refers to relationship of company representative and individual customers. This is most imitate relationship and takes long period to build up.
- Self-service relates to a relationship in which company provides all means for customers to help themselves and company obtains no direct interact with its customers.
- Automated services refers to relationship in which customers also help themselves; however, individual customers and their characteristics and other related information are recorded in automated system.

- Communities indicates relationship in which customers' communities are developed by a company to allow them to exchange knowledge and suggest solution to problem. Communities also work as a mean to gain insight into consumer behaviours.
- Co-creation means a relationship that customers are allowed to engage in creating new and innovated products of company (Osterwalder & Pigneur, 2010, 28-29.)

In the approach for long-term development in Marketing for Hospitality and Tourism, Kotler, Bowen & Makens announced that customer satisfaction is a measurement for how company meets its customers' expectation and customer satisfaction is a prerequisite to establish customer relationship and customer loyalty. Therefore, relationship marketing was believed as long-term development oriented in compared to traditional marketing.

Table 2.1 Relationship Marketing versus Traditional marketing (source: Marketing for Hospitality and Tourism, 2006)

Relationship Marketing	Traditional Marketing
Orientation to customer retention	Orientation to single sales
Continual customer contact	Episodic customer contact
Focus on customer value	Focus on product features
Long-term horizon	Short-term horizon
High customer service emphasis	Little emphasis on customer service
High commitment to meeting customer expectations	Limited commitment to meeting customer expectations
Quality concerns all staff members	Quality concerns only production staff

In addition, customer frequency and company profitability were enlisted to understand customers' buying behaviours and establish customer relationships.

Table 2.2 Types of Customers (source: Marketing for Hospitality and Tourism, 2006)

	Low frequency	High frequency
High profitability	Try to increase customer repetition in buying products/services.	These are best customers, reward them.
Low profitability	Promotion will catch attention of these customers. Make sure company promotion profitable.	Some guests obtain potential to increase profitability.

Moreover, there are certain benefits of customer loyalty, like less marketing costs, less price sensitivity, positive word-of-mouth and their partnership activities. Company is advised to strengthen its relationship and loyalty with its ultimate customers, especially in the situation of strong competition and similar products offered. Meanwhile, resolving customer complaints was strongly believed to gain customer retention. Company is able to resolve or to respond to complaints via telephone, letters. In addition, managers were recommended to seek for guests' complaints before they leave without complaints and they never purchase company's products and services. On the other hand, the delivery better quality of service is assumed as a means to gain customer retention, to escape from price competition, to decrease costs related to solve problems as well as customer's negative experience, to attract and to maintain good employees (Kotler, Bowen & Maken, 2006, 397-413.)

#### 2.4.5 Key Partnerships

This focuses on the partnership between company and its suppliers that aims to establish a consortium or to reduce risks or gain resources. There are four distinctive kinds of partnerships:

- Strategic alliances between non-competitors.
- Cooperation implies strategic partnerships between competitors.
- Joint ventures to develop new businesses.
- Buyer-supplier relationships to assure reliable supplies.

Furthermore, company needs to consider who its key partners, key supplier are, which key resources company is acquiring from its key partners, as well as which key activities company's partners perform (Osterwalder & Pigneur, 2010, 38-39.)

#### 2.4.6 Key Activities

In this building block, key activities consist of the most important affairs that company must implement to make its business model work and to operate business successfully. These key activities are specified to ensure that company delivers its value proposition to customer segments, strengthens customer relationships, and gains profit. Therefore, company needs to define key activities based on the requirement of Value Proposition, Distribution Channels, Customer Relationships and Revenue Stream (Osterwalder & Pigneur, 2010, 36-37.)

#### 2.4.7 Key Resources

Key resources concern of the most necessary and essential assets of company. Similar to key activities, these key resources are identified to make company's business model work efficiently. They can be classified into four main groups: physical, financial, intellectual or human resources (Osterwalder & Pigneur, 2010, 34-35.)

#### 2.4.8 Cost Structure

This building block clarifies all costs incurred in entire operation of business. In the business model, all aspects such as creating and delivering value propositions, establishing and strengthening customer relationships, etc. require costs. Apparently, minimal costs are preferred in every business model; however, there are two extremes of Cost Structure, cost-driven and value-driven. There are many business models falling into inner range of those two extremes.

- In the cost-driven structure, the company concentrates mainly on minimising costs if possible, including low price Value Propositions, maximising automation and outsourcing.

- In the value-drive structure, the company is less cost sensitivity and focus on creating and delivering value. Luxury hotels with their impressive facilities are good examples of value-driven cost structure.

In general, cost structures consist of fixed costs, variable costs, economies of scale and economies of scope. Fixed costs are explained as a cost that remain the similar amount for a given time period regardless of the volume of products or services offered. Variable costs are costs that fluctuate depending on the volume of products or services produced. Economies of scale involves the cost advantages that large companies benefit from producing and purchasing in bulk. Economies of scope means cost advantages that large companies are beneficial from its larger scope of operations (Osterwalder & Pigneur, 2010, 40-41.)

#### 2.4.9 Revenue Streams

This Revenue Stream building block indicates the cash and revenue that company earn from customer segments. The key idea is the company must acknowledge for what value its customers are willing to pay. Then, it helps to identify how customers are paying, how they prefer to pay, and how much each revenue stream contribute to total revenues. In addition, each revenue stream might obtain different pricing mechanism, such as bargaining, yield management, etc. There are two distinctive types of revenue streams, one-time transaction and repetitive transaction. Furthermore, Osterwalder & Pigneur suggested several methods to generate revenue streams, such as asset sale, usage fee, subscription fees, lending/renting/leasing, and licensing (Osterwalder & Pigneur, 2010, 30-31.)

Particularly, the company's pricing mechanism is influenced by many internal and external factors, such as market and demand, cross-selling, upselling, customer perceptions of price and value, competitors' prices and offers. In addition, company set prices based on three main pricing approaches: the cost-based pricing, the value-based pricing and the competition-based pricing.

- The cost-based pricing is the simplest pricing method. It involves cost-plus pricing usually used for pricing wines in restaurants, cost as a percentage of selling price mostly used for menu prices, and break-even pricing or target profit pricing methods used to set room rates in low seasons.

- The value-based pricing is mainly determined by the consumers' perceptions of value, not by the manufacturers' costs.
- The competition-based pricing is going-rate pricing that depends heavily on competitors with less attention to costs and demand.

Besides, different pricing strategies are listed to be applied in pricing for existing products, product-bundle pricing, price-adjustment strategies, yield management, last-minute pricing, and promotional pricing.

- Product-bundle pricing means a strategy that company integrates different products or services and sell the bundle at lower price. Hospitality and travel organisations are beneficial from this strategy due to the fact that organisation can be flexible to transfer surpluses from one product to another product within a bundle to expand its market. An additional for organisation is ability to price wars or perception of low-quality product due to the unseen price of core product.
- Price-adjustment strategies involve company setting the adjustable basic prices for different customer segments and for dynamic situations. Bulk discounts are popular among price-adjustment strategies to motivate customers to purchase in large quantity, especially for purchasing hotel rooms in bulk, in certain period or throughout the year. Seasonal discounts refers to the discounted prices in low seasons in order to remain the demand stability in entire year. Discrimination pricing implies the differentiation prices to different customer segments based on price elasticity characteristics of these segments. It usually applied for early-bird or coupon for price-sensitivity customers.
- Yield management is strategy that using price as a tool to match capacity with demand. This aims to optimise the yield or contribution margin. In hotel industry, yield management is about hotel attains its optimum room occupancy at highest rate or rack rate (Bardi, 1996, 198).
- Last-minute pricing concerns selling unsold products or inventory at below-market rates to last-minute market.
- Promotional pricing means company sets the short-term prices underneath listed price. This promotional strategy can be applied during low season of hotel to intensify

the customers' demands as well as hotel business (Kotler, Bowen & Makens, 2006, 455-483.)

## RESEARCH METHODOLOGY

### 3.1 Data sources

The primary data of this thesis had been developed on the theoretical framework, which was extracted from academic course books. Majority of data were referred from world-wide travel companies, for example, ITB Berlin, Amadeus, PhoCusWright Research Centre, or global tourism organisation, like United Nation World Tourism Organisation. Moreover, another research outcome of VinaSearch, which was known as Market Analysis Company in Vietnam, was extracted and applied in this thesis. In addition, the author has searched for existing data, information, and collating facts about macro-environment trends in course books, journals, academic summits and conferences, academic publications, and other public research.

The secondary data of this thesis was implemented with an interview with La Paloma Hotel Manager. The interview was designed based on the qualitative research methods, which was defined as “a field of inquiry in its own right. It crosscuts disciplines, fields, and subject matters” (Denzin & Lincoln, 2005, 2). Based on qualitative research technique, the open-ended questionnaire was designed to interview hotel manager. The questionnaire was developed based on Michael Porter’s theory – five forces models to analyse the micro-environment of hotel industry in Nhatrang region and competitors of La Paloma hotel. The interview was planned to be carried out via emails in three rounds to gain more specific information.

## EMPIRICAL PART

### 4.1 Introduction of Vietnam

Vietnam is Southeast Asian country, in the Gulf of Tonkin as shown in picture 4.1. In 2012, the population of Vietnam was about 88.78 million people, which ranked thirteenth most populous country in the world. The population consists of many ethnic groups: Vietnamese 86.2 percent, Nun 1.1 percent, Thai 1.7 percent, Chinese 1.1 percent, Kho me 1.4 percent, etc. There are three main age groups of population:

- 0-14 years old which occupies 26.3 percent of population.
- 15-64 years old which occupies 67.9 percent of population.
- Over 65 years old which occupies 5.8 percent of population.

There are many religion groups in Vietnam, such as Buddhist about 9.3 percent, Protestant 0.5 percent, Christianity 8 percent to 10 percent, Muslim 0.5 percent and none 80.8 percent. Official language is Vietnamese, and English is extremely popular in Vietnam whereas French and Chinese are also in use. It is reported that 94 percent of adults are literate (Ray & Balasingamchow, 2010, 16-54.)



Figure 4.1 Map of Vietnam (source: Centres for Disease Control and Prevention)

## 4.2 Macro-environment analysis

### 4.2.1 Analysis of sociocultural trends

#### Global sociocultural trends

In the World Travel Trends Report 2012/2013 of ITB Berlin, it was asserted that global tourism still grows in number of travellers despite the global financial and economic crisis. According to IPK International's World Travel Monitor, there were 6.8 billion trips during 2012, increased 2.5 percent comparing to 2011. In details, North America and Europe are considered as two largest markets in size. In 2012, there was an increase by three percent of outbound travel from North America, while long-haul travel rose by six percent. It is predicted that number of outbound travellers from North America remains stability in 2013. Meanwhile, in 2012 there was a slight growth by two percent of outbound travellers from Europe, and it will grow by two percent in forecast for 2013. Inside Europe, there was a 12 percent upturn of outbound travel by Russians thank to its strong economy. However, Germans, who are seen the biggest outbound market in Europe, remain hibernation in international trips despite its stable economy. In general, it is predicted that there will be a positive growth in outbound travel from Europe in 2013. Following North American and European markets, Japan and China also obtained a strong growth rates of outbound travel. In the first nine months of 2012, the rate of international trips by Japanese reached 13.7 percent and it is forecasted to increase around three percent in 2013. Similarly, the Chinese occupied around 20 percent of international outbound travellers in first six months of 2012 and it is predicted to rise to 38 percent in 2013.

Regarding characteristics of travellers, there were three main segmentations by age of international travellers, such as:

- Age from 15 to 34 occupies 35 percent.
- Age from 35 to 54 occupies 42 percent.
- Age over 55 occupies 23 percent.

In addition, the report pointed that in 2012 taking international trips for holidays still dominated with 71 percent whereas for business travel was about 16 percent and for visiting friends and relatives was 13 percent. Additionally, thanks to the development of technology and Internet, 54 percent of online bookings were made in 2012 compared to 24 percent of bookings with travel agencies. Surprisingly, Asians and South Americans attain booking methods via webpages similar to North Americans and Europeans.

On the other hand, during the 20<sup>th</sup> World Travel Monitor Forum in Pisa in 2012, 50 international travel experts agreed that nowadays consumers will aim to gain more individual and authentic travel experience through seeking exotic holiday destinations or interacting with local communities. In addition, consumers will plan and enjoy their journeys mostly based on technological advances, especially to search for information and to buy travel products and services.

Based on Amadeus report for Air Travel industry, Future Traveller Tribes 2020 was developed by Henley Centre Headlight Vision in corporate with Amadeus published on 25<sup>th</sup> April, 2013. It reported that there would be four main segments of international travellers in 2020:

- People aged from 50 to 75, who were named as Active Seniors, would enjoy short breaks and taking holidays as freedom of retirement thank to scientific and medical advances.
- Individuals or groups, who travel to visit friends and relatives, were grouped as Global Clans. They would travel with families, young children, parents and grandparents, with booking and prices consideration.
- Cosmopolitan Commuters were defined as number of individuals who commute to work. They would demand for booking convenience, speedy check-in, and security for travelling and commuting. They would pay attention to green or environment-friendly means of transportation.
- Last segment referred to most wealthy travellers, who were senior executives of international companies. They would travel with premium class or private jet or air-taxi. They would seek for maximum premium and luxurious experiences as well as highly personalised services.

In addition to four segments, trend of globalisation of travel and tourism in 2020 was noticed in the report due to the fact that 1.56 billion international tourists were expected by the World Trade Organisation, especially international tourists from Asia and Middle East. Likewise, aging population were recognised in the report based of United Nations Demographic Indicators 1950-2050. It was pointed out that people aged above 65 would be significant in 2020, such as 25 percent of Japanese, 20 percent of German, French, British, 17.7 percent of Americans, Canadians, Australians and New Zealanders would be above 65. Thus, a demand for wellness travel and medical tourism would be triggered and boosted. Moreover, in response to the changes of the earth's climate, human would be gradually be aware of carbon emission and environmental impacts. Therefore, travellers would firmly seek for sustainable tourism with stronger responsibilities and supporting for both local environment and local cultures (Henley Centre Headlight Vision, 2013, 5-11.)

Last but not least, based on the publication of United Nation World Tourism Organisation in 2010 which was 'Tourism and the Millennium Development Goals, responsible and sustainable tourism was strongly emphasised in tourism development to minimize the negative influences on both local environment as well as local communities and simultaneously to maximize the economic and social benefits. In addition, corporate social responsibility, which was believed to add value and diversity of enterprises, was clearly addressed in the Millennium Development Goals, such as:

- Eradicating extreme poverty and hunger by local recruitment, local enterprise investment and purchasing.
- Attaining global primary education by funding the schools, offering grants to teachers, scholarships programmes for local staff and community.
- Boosting gender equality and empowering women via family support structures for working mothers, such as childcare, flexible working hours for mothers.
- Decreasing child mortality through better investment in health facilities, equipment and properties, nutrition programmes.
- Improving maternal health by better education programmes related maternity, childcare facilities.

- Shrinking HIV/AIDS, malaria and other diseases by training on how to prevent and facilities usage, investment in Research and Development.
- Guaranteeing the sustainability of local environment by increasing resources efficiency and renewable energies, recycling and preserving eco-system and natural environment (Tourism and the Millennium Development Goals, 2010, 8-12.)

#### Sociocultural trends in Vietnam

On the Vietnamese newspaper, Ralf Matthaes, who was Director of Taylor Nelson Sofres Vietnam (a market research company), stated that Vietnam's population in 2006 was approximately 82 million people with 75 percent of population lives in countryside or rural areas. Thus, an urbanization, which means a growth of urban areas and big cities results from rural migration, would be inevitable. Moreover, it is forecasted that there will be a growth of Vietnam's population in 2020 and this growth will rank Vietnam as the fourth most populous country in Asia, only behind China, India and Indonesia. Certainly, a rural-urban migration and population growth will affect the consumer behaviour in next ten years. On the other hand, Vietnam is a young population country with around 65 percent of population under 30 years old in 2010 (Ray & Balasingamchow, 2010, 50). Therefore, it is believed that population growth and young labour force will determine the main buying behaviours and decisions and the strong demands of consumption for basic needs and wants.

Regarding income level, it is forecasted by Ralf Matthaes that from 2006 to 2016 there will be an expansion of high-income class, which currently occupies one percent of population and will reach ten percent in 2016. This group will demand strongly for luxury goods and high quality standard living. It also contributes to change the traditional consumer behaviour and create new demands for marketers and enterprises.

According to research of Le Tan Lam Anh on Vietnamese daily newspaper, Vietnamese consumers prefer cash payment to card and banking payment due to their habit and unreasonable fees of banking transactions. The majority of transactions have been done in cash regardless the amount of transactions, some transactions could reach 50 000 euros. This habit belongs to not only Vietnamese individuals but also Vietnamese small- and medium-size enterprises.

Furthermore, there was a set of suggestive outcomes of a research on Vietnamese travel trend and traveling behaviours in 2013 which was carried out by Vinasearch Company Ltd. The

quantitative research was carried out online from 18<sup>th</sup> to 25<sup>th</sup> April 2013 in the two big cities in Vietnam, Ho Chi Minh City and Hanoi. The outcome showed that summer is the most favourable seasons for Vietnamese travellers, which accounted for 74.1 percent of sample size, in comparison to annual leaves, public holidays, new years and weekends. The chart below pointed the most pleasant travel seasons of Vietnamese:



Figure 4.2 Travel seasons of Vietnamese in 2013 (source: VinaResearch)

Furthermore, the research results the travelling behaviour of Vietnamese that they are likely to travel with family rather than with friends. In general, it showed that 51.6 percent of sample size travelling with family whereas only 28.4 percent traveling with friends. In details, the report also indicated the detailed correlations between travel companions versus different age groups as well as different income levels as in charts below:

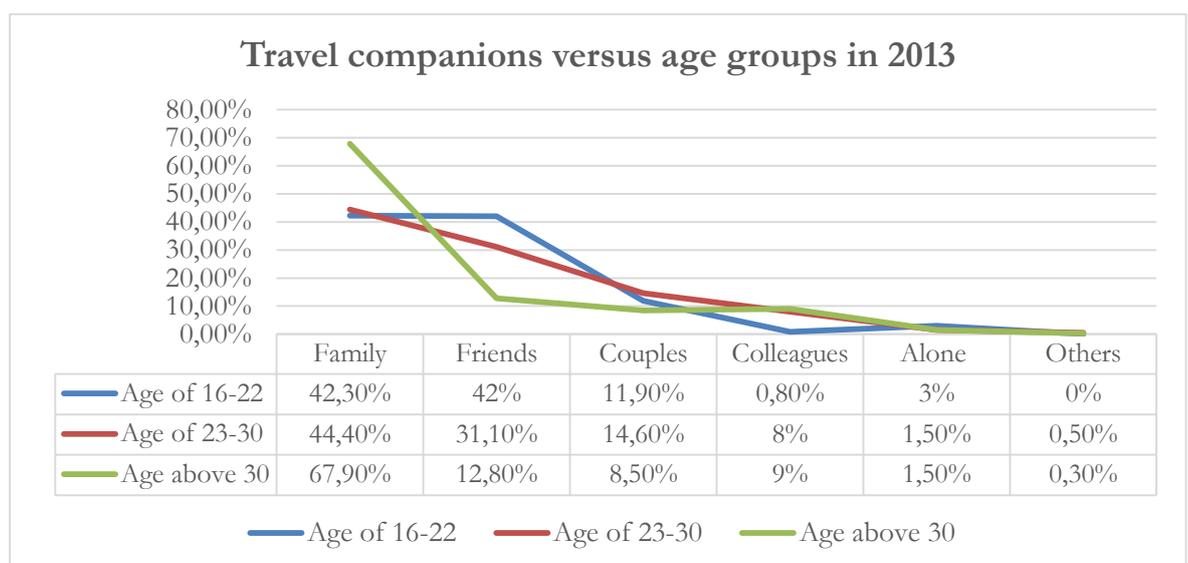


Figure 4.3 Travel companions versus age groups in 2013 (source: VinaResearch)

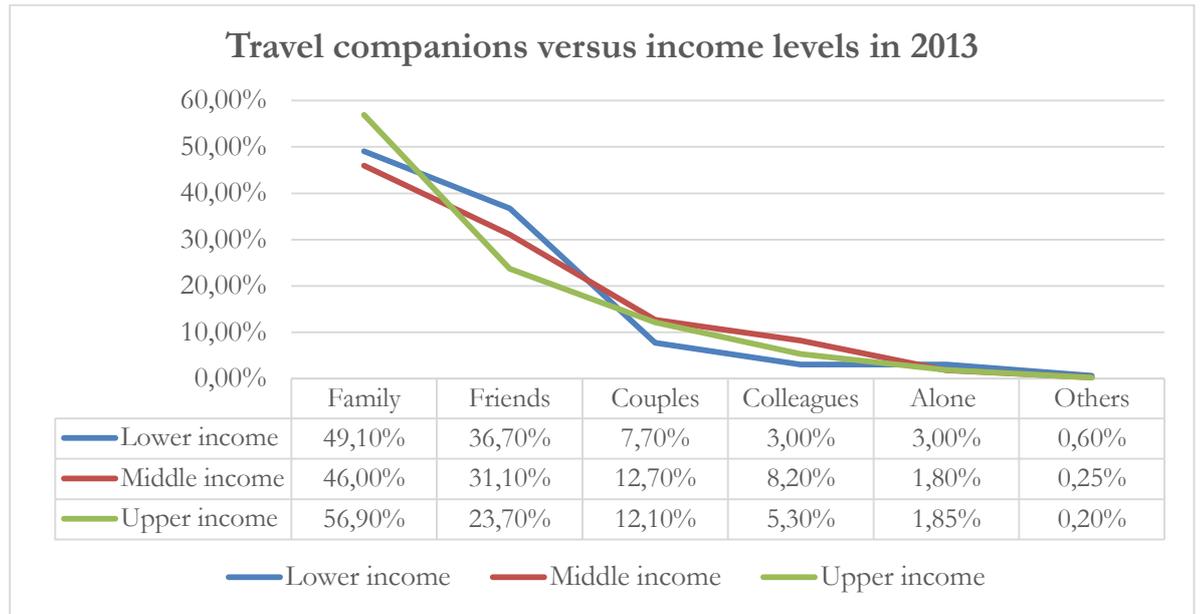


Figure 4.4 Travel companions versus income levels in 2013 (source: VinaResearch)

In addition, for the domestic trips, Vietnamese prefer planning and organizing their trips by themselves, which account for 61.9 percent, to booking with travel agencies or tour operators. On the other hand, the average travel length of Vietnamese was estimated in the research outcome, approximately three or four days for domestic trips. Regarding travel budget, the average was about 180 euro, equals to 5.19 million Vietnam dong. In details, the correlations between travel budget versus age groups and income levels was investigated as in the charts below:

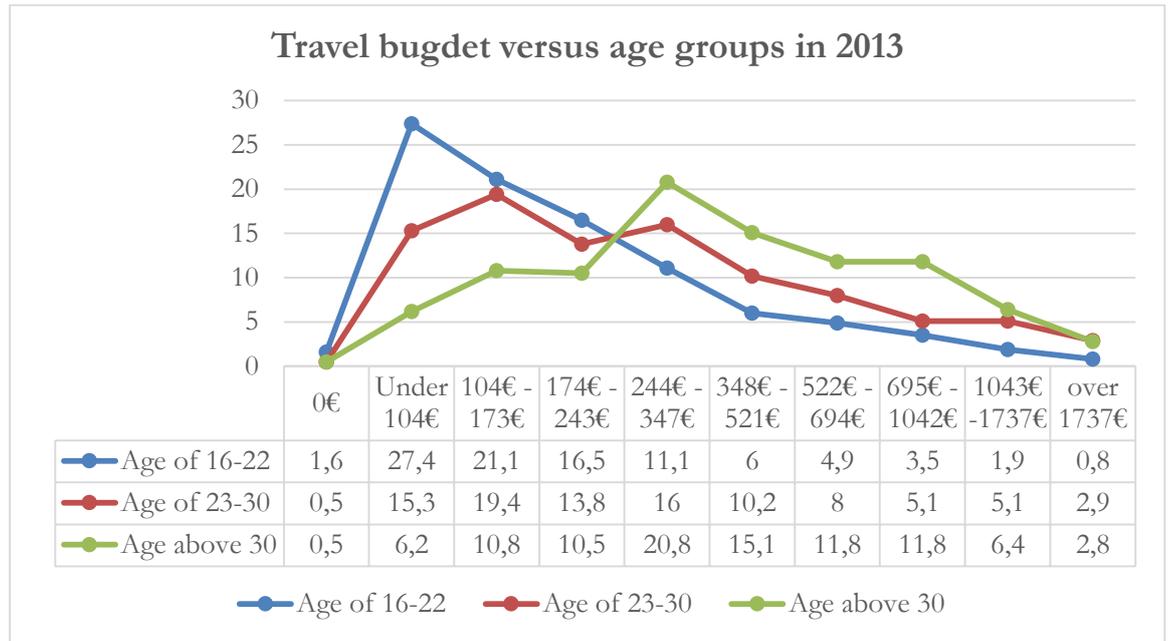


Figure 4.5 Travel budget versus age groups in 2013 (source: VinaResearch)

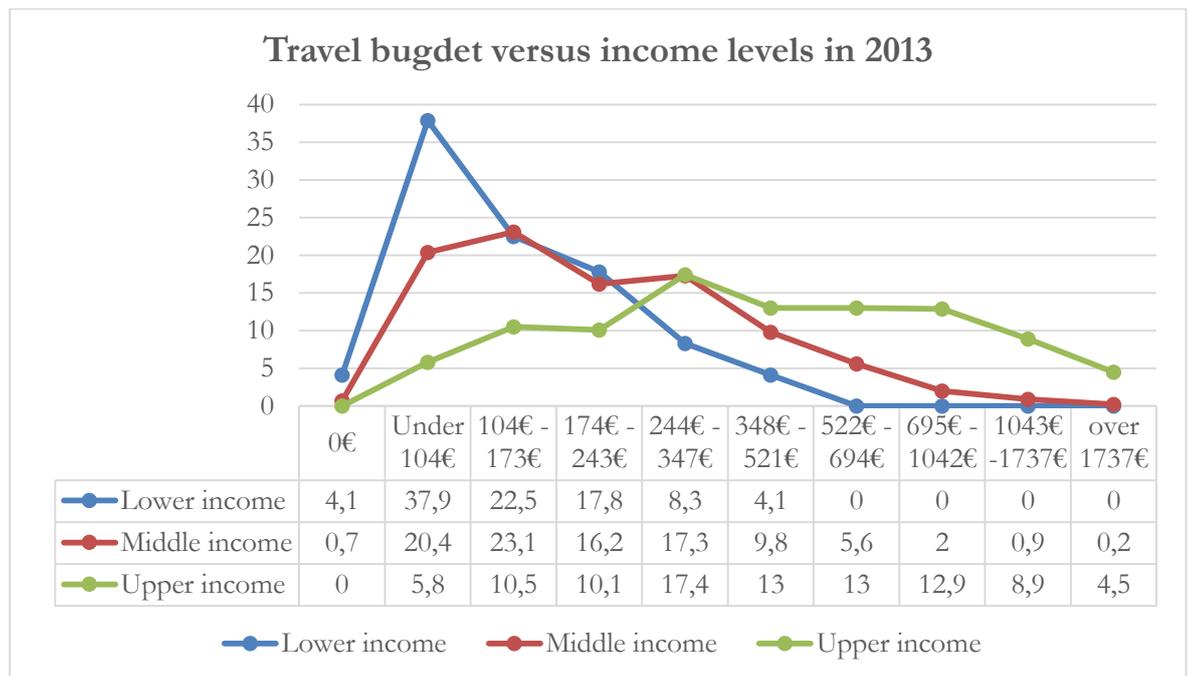


Figure 4.6 Travel budget versus income levels in 2013 (source: VinaResearch)

Last but not least, in the research report, five main destinations were anticipated as the most attractive destinations of domestic travellers in 2014, such as Dalat, Nhatrang, Halong, Danang, and Sapa.

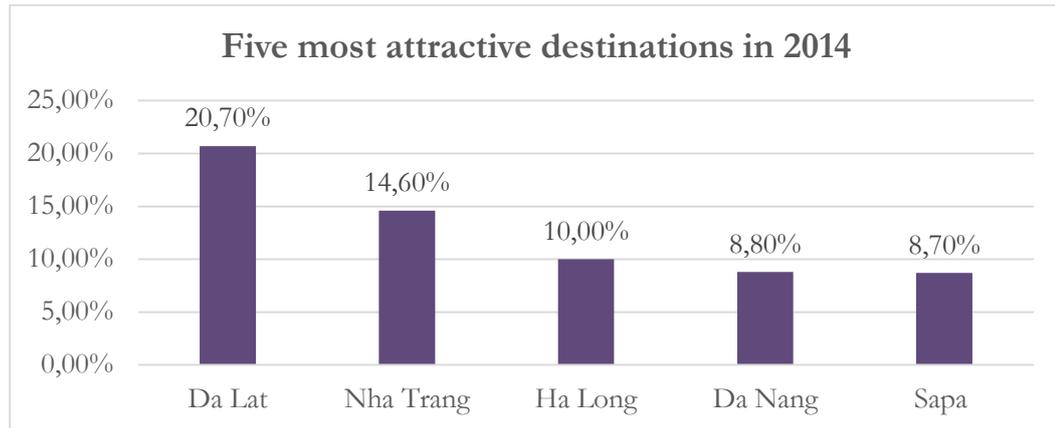


Figure 4.7 Five most attractive destinations in 2014 (source: VinaResearch)

#### 4.2.2 Analysis of economic trends

##### Global economic trends

In a report from Economist Intelligence Unit, it was forecasted that in 2020 Chinese economy would be the largest economy measured by the expected Gross Domestic Product about 29,590 billion US dollar at purchasing power parity. Moreover, Gross Domestic Product at purchasing power parity measures the volume of goods and services produced at a common set of prices. In terms of definition, purchasing power parity weights are conversion factors that eliminated the difference in price levels between countries. After China, United States and India were anticipated to attain second and third largest economy in 2020 instead of United State and Japan in 2005 (Kekic, 2006, 8-12.)

On the other hand, in the report of Henley Centre and Amadeus in April 2013, rising cost of oil would be a critical hassle in travel industry due to the climbing energy demand of China and India. It was reported that since 1976, no new oil fields had been discovered; nevertheless, global demand for oil had grown from 78 million barrels per day in 2002 to 84 million barrels per day in 2005. That figure was forecasted to hit 103 million barrels per day in 2015. Based on those fact and figures, high price of oil would likely endure in future. (Henley Centre Headlight Vision, 2013, 8.)

##### Economic trends in Vietnam

In the publication of McKindsey Global Institute in 2012, it suggested that there would be several challenges for Vietnam economic growth. Due to the slow economic recovery of United States and Europe, accompanied by the nuclear disaster in Japan, these factors created an instability of global trade and economy. Consequently, Vietnamese government with its expansive macroeconomic policies caused the budget and trade deficits, inflation pressures, and instability of exchange rate. Furthermore, it was pointed that transition of labour force from agriculture to other industries, which was main drive for the growth of Vietnam in the past, would erode in long-term development. In addition, labour shortage in Vietnam in 2020 is predictable with the decline of 5-9 years old group to 22 percent in 2020 from 27 percent in 2010 and 34 percent in 1999. In general, it was believed that without seeking productivity of labour force and ensuring macroeconomic and financial sector stability, Vietnam would hardly maintain sustainable growth in long-term.

In addition, in the economic press conference on 12<sup>th</sup> July 2013 in Vietnam, Mr. Deepak Mishra, Chief Economist of World Bank Vietnam, announced that inflation rate would rise to 8.2 percent in 2013 and to 7.9 percent in 2014, compared to 6.8 percent in 2012. He added that the growth of Gross Domestic Product (GDP) per capita of Vietnam in 2013 was 5.3 percent in comparison to 5.2 percent in 2012. Finally, he concluded that Vietnam was in its stage of low growth and downside risks as well as it would be difficult to catch up with Philippines, Malaysia and Thailand.

After that, in the economic forum held in September 2013, Ph. D. Tran Du Lich had reported that in general Vietnam's economy is on the way to recover after global financial crisis in 2008. It had been observed via the positive indicators of macroeconomic growth, inflation rate, exchange rate stabilization, etc. Nevertheless, he added that budget deficit emerged as a new huge problem in 2013, which might threat the macroeconomic stability and accelerate the inflation rise in the next two years. It was pointed out that budget deficit particularly in Ho Chi Minh City, a biggest economic and commercial city in Vietnam, reached 694 million euro (equals to 20 trillion Vietnam dong). In addition, Mr. Tran Dinh Thien, Director of Vietnam Economic Institute, stated that the global economy has been recovered after global financial crisis in 2008; in contrast, Vietnam's economy continued on the downturn. He cited that until June 2013, 135 000 enterprises out of 450 000 enterprises collapsed in entire Vietnam and 5.5 million people were the annual unemployed rate. Thus, he asserted that those figures and trends would affect the economic development in Vietnam in the next few years.

In the *Asian Tourism: Growth and Change* book, authors emphasised that in Vietnam double pricing strategies for international tourists, which aimed to maximise the revenues and profits in comparison to local travellers, were apparently a short-sighted viewpoint. Despite the short-term profits, these policies and thinking would spoil the tourists' experiences and gain more negative comments in return visits and recommendations for new arrival (Suntikul, Butler & Airey, 2008, 76.)

#### 4.2.3 Analysis of political and regulatory trends

##### Political trends in Vietnam

According to the report of Swiss State Secretariat for Economic Affairs of Vietnam from 2013 to 2016, the political situation in 2013 in Vietnam was considered as stable with the ruling Communist Party of Vietnam. The Communist Party of Vietnam obtained its decisive role in policies formulation and key personnel. In election in January 2011, Communist Party once again overwhelmed the majority of parliament when several members of Communist Party were elected to Vietnam's National Assembly. During the past few years, the National Assembly played stronger role in economic development, public administration and governance issues. However, there was no potential internal instability.

Regarding diplomatic affairs, in 1995, Vietnam officially joined to the Association of South-East Asian Nations (ASEAN) and from then Vietnam economy was opened for international traders and investors. In 2007, Vietnam became a member of World Trade Organisation. These integration played important role in connection to global economy and international business partners and gained both political and economic benefits.

##### Regulatory trends in Vietnam

In January 2013, a master plan for Vietnam tourism development in 2020 was approved by Vietnamese Prime Minister, in which strongly emphasised to develop tourist destinations, such as... Nhatrang, Sapa, Dalat and Vungtau. Throughout the plan, it was explicit estimated that Vietnam tourism will be well-prepared for 10.5 million international visitors and 47.5 million domestic travellers in 2020. Consequently, both international and domestic travellers

will be expected to contribute approximately 12.9 billion euro (equals to 372 trillion Vietnam dong).

According to the master plan for tourism development until 2020, Vietnamese government implement legal protocols and regulations regarding travel and immigration. In 2004, visa exemption to Vietnam was applied for several international citizens, such as: citizens of Thailand, Philippines, Malaysia, Brunei, Singapore, Indonesia and Laos with valid ordinary passport, or citizens of Sweden, Finland, Norway, Denmark, Japan and South Korea with all valid passports. The additional regulation within visa exemption was approved in September 2005 and implemented in Phu Quoc region, which is an island located in the Southern Vietnam. It was stated that international travellers are exempt from visas when their stay in Phu Quoc Island is no longer than 15 days. Furthermore, by February 2011, visa exemption was expanded to citizens with ordinary passports of China, Kyrgyzstan, North Korea, Rumania, etc. Obviously, this visa policy will facilitate the accessibility to Vietnam for international visitors.

Transportation networks are believed as one of the key determinants in tourism in Vietnam due to the accessibility and connection from and to destinations (Suntikul, Butler & Airey, 2008, 69). However, traffic accidents were one of the most critical problem in Vietnamese transportation system. In response to that problem, Mr. Ho Nghia Dung, who was Head of Ministry of Transportations, had suggested that the minimum age for legal bus drivers must be at least 30, instead of 25 in the transportation regulations in 2007. Additionally, he added that a detailed and strict legislation for transportation providers and drivers was agreed in 2009 by Vietnamese government and Ministry of Transportation to ensure the safety in transportation as well as reduce the traffic accidents, especially on roads and railways.

In the updated legislation by Vietnamese government in July 2013, it was mentioned that upgrading supermarkets, commercial centres and shopping malls in Nhatrang would be emphasised to close the gaps between urban and rural regions and to attain a complete local trade network in entire country. Moreover, tourism development in Nhatrang had to be concentrated on beach holidays, coastal advantages, and marine eco-tourism into international scale. In response to the unskilled local labour force, the government focused on investment and increasing funds into local university, colleges, and vocational schools. This aimed to improve and to train qualified and skills labour force to meet the demands related to human resources. Regarding infrastructure, the national highway would be first prior invested to upgrade into 4-lane highway throughout whole country. By 2015, this creates an ease to access to major

tourist cities, such as, Ho Chi Minh City, Phan Thiet, Nha Trang, Da Nang, etc. as well as intensifies the transportation capacity, especially for tourism development.

The government decree 86/2013/ND-CP was effective from 29<sup>th</sup> July 2013. That new decree regulated that 5-star hotels or luxury hotels would be legal to apply for operating casinos within hotels if they meet certain required criteria. This new regulation affected to small- and medium-sized hotels with existing slot machines. The recurring violation of this new decree would lead to the fine for company from 3,474 euro to 6,949 euro (equals from 100 million to 200 million Vietnam dong) and the license withdrawal.

#### 4.2.4 Analysis of technological trends

##### Global technological trends

Based on the research of Douglas Quinby and Ralph Merten in 2009, Global Distribution Systems (GDS) has developed from Computer Reservation Systems in 1990s and functioned as electronic travel distribution networks that both world-wide travel agents and consumers utilise to make or to access their bookings of different global airlines, hotels, cars or other travel services. There were four major GDS companies in the world: Amadeus, Galileo, Sabre, and WorldSpan, which was a part of Travelport. It was emphasised that GDSs play essential role in online travel services due to the fact that shopping, pricing, booking and ticketing services could be carried out online through online travel agents or travel management companies. In details, the distribution process would be illustrated as below. Moreover, the online travel retailers would be shown in the picture 4.2 which were categorised by GDS companies as well as their market segmentation (Quinby & Merten, 2009, 1-3.)

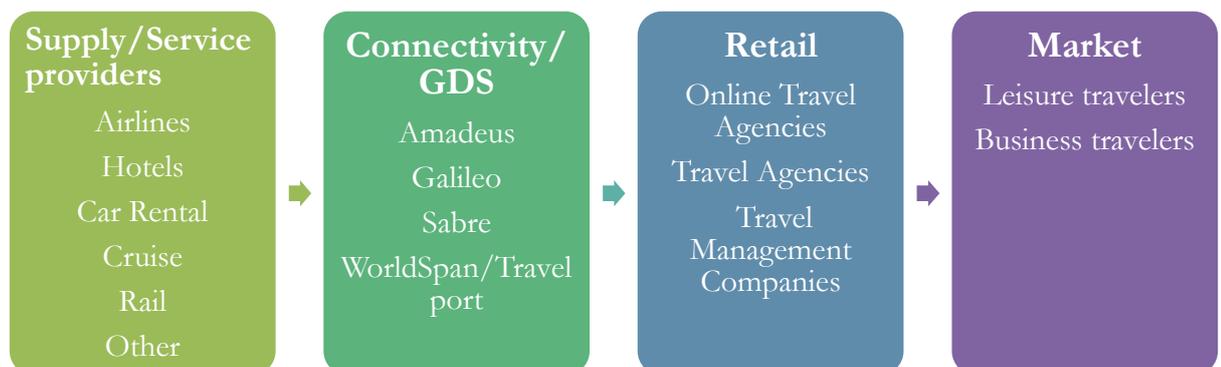


Figure 4.8 Travel Distribution Process (source: PhoCusWright Inc.)

Table 4.1 GDS-Owned Online Travel Services for Leisure and Corporate Travel (source: PhoCusWright Inc.)

GDS Companies	Online Travel Retailers for Leisure Market	Online Travel Agencies for Corporate Market
Amadeus	Opodo	Amadeus e-Travel Management
Sabre	<b>Travelocity</b> included: <ul style="list-style-type: none"> <li>• Last Minute</li> <li>• World Choice Travel</li> <li>• Zuji</li> </ul>	GetThere Travelocity Business
Travelport	<b>Orbitz</b> included: <ul style="list-style-type: none"> <li>• CheapTickets</li> <li>• ebookers</li> <li>• HotelClub</li> <li>• RatesToGo</li> </ul>	Traversa Orbitz for Business

According to the Future Traveller Tribes in 2020 report, human-centric technology was expected as the most important technological trend in 2020, such as digital personal identities, integrated information system from different sources, real-time information, and social computing. In the next few years, digital personal identities and intelligent database analysis would be developed further. That would facilitate the service providers to recognise the personalised travelling behaviours. As a consequence, tailored services, travel programmes, and personalised destination for individual travellers would be designed to match perfectly to the needs of consumers. Likewise, the portable devices with digital personal identities and personal details would be in use, such as a mobile device including biometric details, travel itinerary, visa status and passenger name record. Furthermore, it was asserted that 24/7 technology connections would be highly demanded because travellers would require to access to Internet 24 hours in 7 days everywhere. Therefore, wireless access on flights and via mobile devices was developed rapidly to meet the demand of being connected of travellers. Similarly, social computing and online communicating in the next few years were forecasted to diversify the buying behaviours of travellers (Henley Centre Headlight Vision, 2013, 12-18.)

In the Cornell Hospitality Research Summit Proceedings in March 2011, Lorraine Sileo, who was Vice President of PhoCusWright research, showed that social media played significant role in hospitality industry due to the fact that 1 in 3 people were affected by social networks in traveling decision making. Those figures were based on the PhoCusWright's Traveler Technology Survey in 2010. According to Lorraine Sileo, Facebook is the most predominant social medium with approximately 600 million users equals to 10 percent of global population; meanwhile, 66 percent of travellers were Facebook users. Moreover, Michael Wooden, who was senior vice president of ACS Xerox Company, asserted that two primary advantages of using social media were offering better services and reducing costs in management customer relationship. In details, Anil Aggarwal, who was Chief Executive Officer of Milestone, suggested that five main approaches to make reservation in the Internet:

- Company's or hotel's websites
- Search engine (e.g. Google, Yahoo, Bing, etc.)
- Email of promotions or great deals
- Travel sites (e.g. TripAdvisor, Agoda)
- Social media platforms (e.g. Facebook, Twitter)

In the summit, Aggarwal also specified that social media can be applied to monitor the hotel's brand, drive traffic to website, and to tap into buzz media despite the fact that travellers do not find hotels or make reservation by social media (Cornel University, 2011, 6-9.)

#### 4.3 Micro-environment analysis

Micro-environment analysis is primarily based on the result of interview with La Paloma hotel manager, Mr. Le Tien Loi. The interview can be found in the Appendix 1.

#### 4.3.1 Threat of entry

According to theory of five forces of Michael Porter, the brand loyalty, capital requirements, access to distribution channels, cost advantages, and government regulations were main elements to build the barriers to reduce the threat of new entrants to market. Firstly, Le Tien Loi believed that the large number of new opening hotel will create a threat of new entrants to market in Nhatrang region. He also stated that due to strong demand from Russian speaking, German, the United Kingdom's, the United States', Australians markets, as well as Vietnam domestic tourists, the hotel supply and apartments service had increased in near future.

On the other hand, according to outcome of the survey which was carried out by the Property Market Research Company Savills, in Nhatrang city in 2010, 18 hotels projects will be completed in the near future because of their 70 percent completed construction. Most of them were located on the main street, Tran Phu Street, and only three hotels among 18 were in suburb and two on islands. These hotel projects made Nhatrang in 2010 obtain approximately 385 hotels, resorts, and residences, in which 3 five-star hotels, 5 four-star hotels, and 12 three-star hotels. Moreover, in the peak season in January 2010 which was known as Lunar New Year, the prices escalated about 20 to 30 percent and the general room occupancy reached 90 percent during that period (Communist Party of Vietnam Online Newspaper, 2013).

Secondly, according to hotel manager, the brand loyalty is positive because the guests have a positive image of La Paloma hotel. Furthermore, in reference to Tripadvisor.com, an online travel community, the La Paloma's rating was quite optimistic with 46 comments from guests that hotel was excellent and very good ranking despite 3 negative comments that ranked the hotel in poor and terrible performance. As hotel manager's statements, La Paloma has gained its positive image in the mind-set of customers thank to its hotel design, garden and swimming pool which make hotel become unique 2-star hotel in Nhatrang region. Furthermore, he added that the perfect cleanliness of hotel room make the guests feel comfortable during their stay and visit hotel again. The brand loyalty was proved by around 35 to 40 percent guests become hotel's regular guests.

Regarding capital requirements, he addressed that it required quite huge capital for small and medium sized business to enter hotel industry. In addition, there is difficulty in seeking available land to build up similar hotel to La Paloma with green space due to the limited availability

and the costs of lands, especially inner Nhatrang city. Therefore, it required huge capital for both new entrants and existing hotel to offer similar products and services to his hotel.

On the other hand, hotel La Paloma lost its cost advantage among the marketplace due to the fact that hotel manager estimated that hotel room rates were approximately 20 percent higher other small hotels. In addition, hotel manager reckoned that the government regulations had minor influence on small- and medium-sized hotels.

#### 4.3.2 Intensity Rivalry among existing competitors

In general, Le Tien Loi, La Paloma hotel manager, believed that the competition in hotel industry has been sharper than last few years due to the fact that the tourists had more choices for their beach holidays in different destinations, such as Phuquoc, Phanthiet, Nhatrang, Danang, etc. In the local scale, the increased number of hotels in Nhatrang triggered a harsh competition, especially price wars and better services. It could be seen through two main competitors of La Paloma hotel, Le SimoLe Boutique Apartments & Hotel and Carpe DM Hotel in Nhatrang. These small hotels have offered similar room products and breakfast services to La Paloma hotel and their competitive edges were downtown location and low prices.

#### 4.3.3 Pressure from substitute products

In this aspect, hotel manager reckoned that the pressure was significant due to the number of accommodation and hotel properties. There were more than 400 hotels and accommodation services that offered variety of room types and services. In low season, the 3-star or 4-star hotels offered great discount with partly similar products and services. Therefore, customers were able to find substitute products easily. Nevertheless, due to the costs and limited availability of lands, hotel manager believed that it was difficult for small- and medium-sized enterprises to create substitute products that completely replace La Paloma hotel's products and services, especially the green space inner hotel.

#### 4.3.4 Bargaining power of buyers

In general, La Paloma has not suffered a strong bargaining power of buyers. Commonly, long-stay guests bargained for the price, and the gap was about 10 to 15 percent of the rack rates. In addition, guests also bargained higher quality of service, such as shuttle service to train or bus stations, airport, etc.

#### 4.3.5 Bargaining power of suppliers

Due to the availability of retailers in Nhatrang city and their equable prices, the suppliers have not had a strong bargaining power to hotel. Furthermore, there were no switching costs among retailers and the ease to find other suppliers for the hotel's demand of food and beverage.

### 4.4 Internal company analysis

#### Overview of hotel location

Based on information on the Vietnam National Administration of Tourism, in general, Nhatrang city belongs to Khanh Hoa Province, is located in a mountain valley with the coast in the East. The city is 251 square kilometres with the population was 362 thousand people in 2008. In Nhatrang, there were 19 islands on which approximately 15 thousand people live. Hence, Nhatrang is popular for its pristine beaches and scuba diving activities. The distance between Nhatrang and Hanoi, a capital city of Vietnam, is around 1 278 kilometres; whereas between Nhatrang and Hochiminh city, the largest economic city of Vietnam, is around 448 kilometres. There are several in-bound flights daily from international airports to Nhatrang, such as 10 flights daily between Nhatrang and Hochiminh city, 6 flights daily between Nhatrang and Hanoi, and 4 flights daily between Nhatrang and Danang. In addition, there were several daily railway connections, 5 daily trains between Nhatrang and Hochiminh city, 6 daily trains between Nhatrang and Hanoi.

## Description of hotel and hotel services

La Paloma hotel is a 2-star hotel located in Nhatrang, a coastal city in central of Vietnam. La Paloma hotel was opened to public in May 2000 with the capacity 17 rooms. In 2012, it was renovated and room capacity was extended to 20 rooms. There are three main room types – nine standard rooms, seven deluxe rooms, and four family rooms. Currently, in-house guests are offered breakfast in small restaurant with maximum capacity 30 seats. In general, there are limited choices for breakfast, for instance, baguettes with jam, baguette with omelettes, Vietnamese beef noodle soup.

Due to the closest airport – Cam Ranh airport - located 40 kilometres from Nhatrang centre, the airport shuttle service is provided by hotel's partner and the shuttle fee is charged 15 euro for one way. Nevertheless, the shuttle service is free-of-charge to bus or train stations in Nhatrang, as well as to Nhatrang downtown daily. Additionally, in-house guests have a free daily access to swimming pool and Jacuzzi pool from 6.00 to 23.00. The Wi-Fi connection and desktops are available and free-of-charge for guests.

### 4.4.1 Financial resources

According to Le Tien Loi, hotel manager of La Paloma hotel, the financial resources in 2013 was in medium level. Due to a huge renovation cost of entire hotel in 2012, the cash availability of the hotel was limited. Furthermore, the low occupancy rate of the hotel endured from 2012 to 2013 caused the instable total revenue and net profit, especially room revenue. Regarding detailed financial health, he added that there was no bookkeeping neither records on financial ratios, such as gross profit margin, net profit margin, return on assets and equity, etc. However, he stated that the total assets in 2012 was approximately 260 thousand euro (equals to 7.5 billion Vietnam dong). Additionally, total long-term liabilities in 2012 was minimal due to the fact that the hotel obtained no bank loans neither mortgages. Therefore, he believed minimal amount of accounts payable in this situation helped the hotel reduce the pressure from inflation rate and increased interest rates of the banks' loans.

#### 4.4.2 Physical resources

Regarding physical resources, Le Tien Loi, La Paloma hotel manager, confirmed that hotel design was one of the most essential physical resources to create its strong competitive edge in marketplace. La Paloma hotel was designed based on Spanish modern architecture with the green garden in central; on the contrary, majority of competitor hotels were shaped in block or high building without any green space. La Paloma hotel consists 20 full-furnished rooms, with wooden furniture and new bathroom and restroom equipment. In addition, there is small outdoor swimming pool and Jacuzzi pool for the usage of in-house guests in the central of hotel. Likewise, small and renovated restaurant, which mainly served breakfast for in-house guests, was also an important hotel physical resource. The maximum capacity of the restaurant was about 30 people. Since the restaurant was merely utilised for serving breakfast of in-house guests, the design of restaurant was aimed to reflect the simplicity and cleanliness of hotel with the home-style kitchen.

#### 4.4.3 Human resources

Based on the statement of Le Tien Loi, La Paloma hotel, hotel's number of employees in 2013 was eight people and two on-call or part-time staff in the peak season. Besides, he emphasised that room cleanliness was one of the hotel's competitive edge; therefore, housekeeping staff was trained clearly about essential procedure and skills to maintain cleanliness and staff's productivity. When the employees were recruited by hotel manager, normally they were entry-level employee without hotel industry backgrounds. La Paloma hotel manager explained that it was easier and simple to train housekeeping staff from beginning to follow hotel standard. In general, he agreed that hotel human-based resources was limited, due to the fact that, hotel's human capital was merely his own knowledge, abilities and his managerial skills and 13-year experience. However, thank to hotel's administrative employee, hotel's social capital is quite strong. Especially he gained good relationships with other tour agencies, other service providers, such as activities providers, other hotels in different regions, etc.

#### 4.4.4 Intellectual resources

Regarding intellectual assets, Le Tien Loi, La Paloma hotel manager, affirmed that currently La Paloma does not possess much essential knowledge in hotel industry. The hotel name and hotel image was relevant to the duration of hotel operation and they are quite positive based on positive comments on TripAdvisor.com. He also explained that the operation of hotel was based on his 13 working knowledge and experience without professional training. In addition, in his opinion, La Paloma hotel currently is one of the followers of other qualified and standard hotels; however, the hotel manager combines his experience and the knowledge learnt from others to apply and to operate his own hotel. Furthermore, he admitted that there is a lack of knowledge creation in hotel; however, knowledge retention, sharing and using are implemented quite well via communication and daily meetings.

In the nutshell, the key findings of macro-, micro-environment, and the internal company analyses would be indicated in the figures below.

## Introduction

### Vietnam

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- Southeast Asian country
- Population 88.78 million in 2012
- Age group: 0-14 (26.3%), 15-64 (67.9%), 65+ (5.8)
- Religion groups: none religion (80.8%), Buddhist (9.3%), Christianity (8-10%), Protestant & Muslim (0.5%)

## Macro-environment

### Sociocultural trends

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- Number of travellers increasing in 2012 & 2013
- Travelling for leisure dominating
- Gain individual experience, exotic holidays, interacting with local cultures
- 54% booking online versus 24% booking with travel agencies
- Purchasing behaviour: searching for information online then buying products
- 4 customer segments in 2020: Active Seniors, Individuals/Groups with companions, Cosmopolitan Commuters, & Wealthy travellers
- Aging population
- Responsible & sustainable tourism
- High-income class 10% of population in 2016 in Vietnam
- Vietnamese prefer paying in cash, travelling with families.
- Favourable travelling season: Summer (74.10%), annual leave (60.70%), public holidays (58.80%)
- Most attractive destinations: Dalat (20.70%), Nhatrang (14.60%), Halong (10%) etc.

## Macro-environment

### Economic trends

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- Chinese, United States, Indian economies are largest
- Rising price of oil barrels
- Vietnamese economy is slow recovered & growth, budget deficits, rising inflation rate & unemployed rate
- Double pricing strategies for foreigners

## Macro-environment

### Political & regulatory trends

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- Political stabilising with ruling Communist Party of Vietnam
- No potential internal instability of National Assembly & Communist Party
- Vietnam was member of ASEAN (1995); World Trade Organisation (2007)
- Master plan for tourism development to 2020
- Visa exemptions facilitating tourists arrivals
- Minimum age of bus drivers might be regulated and updated to reduce traffic accidents
- Investment into infrastructure for tourism development in Nhatrang
- New decree on casinos operation of hotel business

## Macro-environment

### Technological trends

- Global Distribution Systems developing - 4 companies: Amadeus, Galileo, Sabre, Travelport
- Human-centric technology growing in 2020
- Demand of being connected 24/7
- Social media is important to buying decision of travellers
- Facebook is more populous social media platform
- 5 approaches to make reservation online: company's websites, search engine, promotion emails, travel community sites, & social media platforms

Figure 4.9 Macro-environment analysis in brief



Figure 4.10 Micro-environment analysis in brief

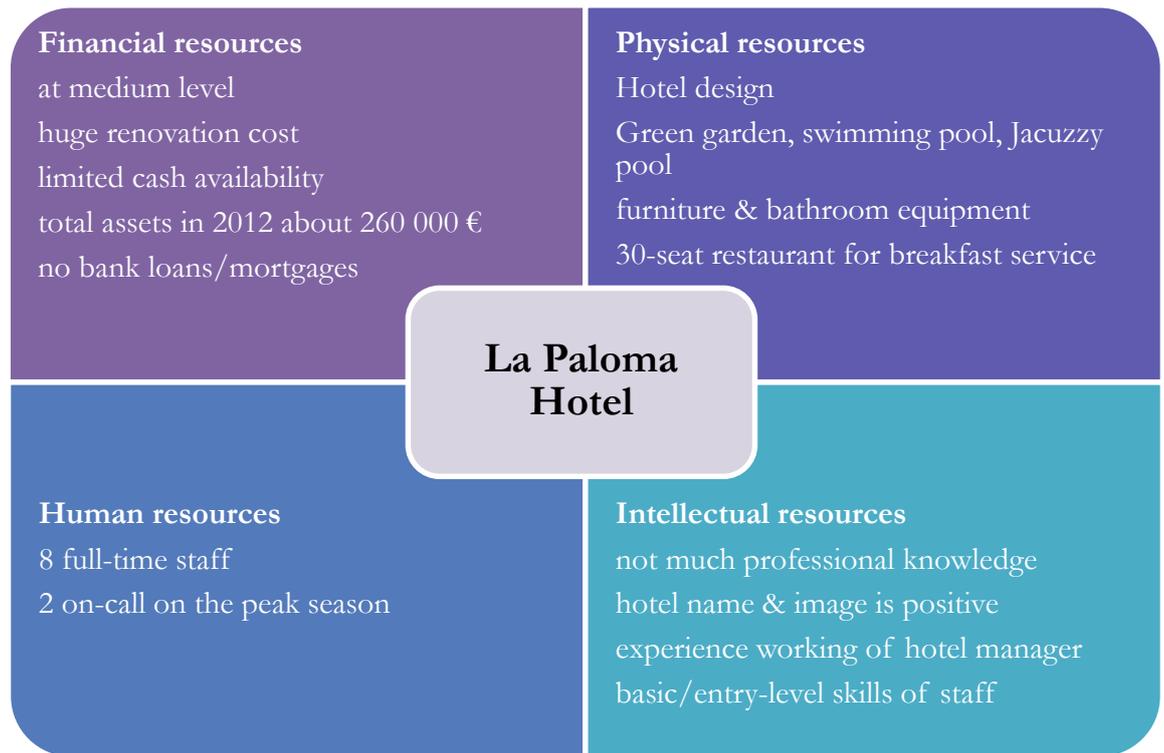


Figure 4.11 Internal company analysis in brief

## DISCUSSION AND RECOMMENDATION

### 5.1 Strategic direction (mission, vision)

In the model of strategic management analysis in theoretical framework, the strategic direction for the company is outlined based on analysis of macro-, micro-environment, and internal resources. The hotel renovation added green grass meadow with blossom flowers, stony swimming pool, Jacuzzi pool, and other in-room facilities, that made La Paloma hotel partly become a small boutique hotel in Nhatrang. These new features make La Paloma hotel become unique and stand out among other small block-hotels in marketplace. Thus, it is necessary to exploit its new competitive edges and to position La Paloma to higher level in the mind of targeting customers. As a result, La Paloma hotel's vision was defined as "to be the best small boutique hotel in Vietnam in 2020". Similarly, La Paloma hotel's mission was about exploiting its green space advantage, other accompanied services, better quality of service and enhancing the hotel's image as well as brand loyalty. Moreover, in line with Tourism and the Millennium Development Goals published by UNWTO, while responsible and sustainable tourism was emphasised, the suggestive mission was seen as a corporate social responsibility in the long-term development.

Vision: "to be the best small boutique hotel in Vietnam in 2020".

Mission: "La Paloma inspires in-house guests with natural theme, engages them to local culture through Vietnamese cuisine and creates memorable experience during their stay."

### 5.2 Business canvas model

This business canvas model was to define what and how La Paloma hotel is going to create, deliver and capture value. It was designed in consistent with hotel's strategic direction mentioned above. It can be found in the Appendix 2.

### 5.2.1 Customer Segments

The first customer segment is family with children or grandchildren for leisure, both international and Vietnamese families. This segment seeks for authentic experience with their spouse and children and the kids will be happy with playground and swimming pool. They would consider prices, value and prefer booking in advance for public holidays or school breaks or weekends. The parents easily satisfy with products and services offered as long as their children are happy. On the other hand, due to the report of socio-cultural trends in 2012, 71 percent of international trips was for holidays and leisure purpose and this group will be one among four main segmentations of international travellers in 2020 by Amadeus and Henley Centre Headlight Vision. Furthermore, based on the survey of VinaSearch regarding Vietnamese travelling behaviours, majority of domestic tourists were travelling with their family. In addition, hotel manager stated that around 90 percent of Vietnamese guests were family. Hence, these figures proved that this customer segment is potential and large in size and growth. Despite the price consideration prior the travel, this customer segment offers medium level of profits because their traveling budget is larger. The figures in survey of VinaSearch showed that their budgets are mostly above 244 euro. Moreover, based on the sociocultural and economic trends, Chinese travellers were seen as huge potential market. Therefore, this international and Vietnamese families with children segment, especially Chinese, is the great potential targeted customers for La Paloma hotel due to its size, growth and attractive profits. In return, the hotel resources were evaluated to meet these customers' demand.

The second customer segment is active seniors aged above 50 for leisure from around the world. They enjoy short break and holidays as freedom of retirement. This group enjoys the silence to ensure sleep quality as well as requires special attention to health care, food allergy and safety. Their travel budget is larger and they are less price-sensitivity. They also seeks for authentic travelling experience through better quality of services, such as staff friendliness, cleanliness of room, etc. The figures given by United Nations Demographics showed that 25 percent of Japan, 20 percent of German, French, British, and 17.7 percent of Americans, Australians would be above 65 in 2020. Meanwhile, they are less price-sensitivity due to the amount of their accumulated salary and retire pension benefits. Hence, in term of evaluating this customer segment, the size and growth is expanding, the attractiveness of profits is high and company resources are matched.

### 5.2.2 Value Propositions

On the basis of the hotel mission, hotel should create added value for its target customers through its service performance and its customised products which best suits to different customer segments, family with children and seniors aged above 50. Creating memorable experience for guests during their stay is an efficient way to create value. In general, hotel design, service performance, customer satisfaction, special attention to customers' requests and demands are major element to create and deliver value and good experience to guests. For example, offering tropical welcome drinks to guests on their arrivals makes them surprised and feel warmly welcomed and impressed by hotel's hospitality.

Secondly, a small photo-book, in which captured the best moments of their family during their stay, could be a precious present for families on their departure. Obviously, the hotel name and location – La Paloma Hotel, Nhatrang, Vietnam - must be stamped at the corner of each photo in the album. This photo-book delivers the value to customers; meanwhile, it enables them to embrace their good experience adhered to hotel image back to their home towns or home countries, as well as to enhance their brand loyalty.

Thirdly, daily shuttle service to downtown, which is currently provided to in-house guests, should be improved. Due to the customer feedbacks on Tripadvisor.com, the location of La Paloma hotel is 4 kilometres from Nhatrang downtown in comparison to other hotels. Hence, to make up for this disadvantage, daily shuttle service should be planned well in order to ensure customer satisfaction as well as to minimise the fuel cost. In suggestion, there will be a paper form of shuttle service in room, then the guests will fill in after their arrivals and submit to hotel reception desk. The draft form of shuttle service is found in Appendix 3.

Fourthly, the swimming pool and Jacuzzi pool should be exploited properly to add value to room products and services. First attention was about availability of towels, guests always asked for towels prior to their swimming. Thus, a shelf of clean towels and basket for used towels should be placed next to the pool where guests can help themselves before and after swimming. In addition, I recommend a small pool bar, which offers both alcoholic and non-alcoholic drinks and local snacks, such as Vietnamese spring rolls, can be established to increase the hotel revenues through food and beverage sales.

Last but not least, I strongly believed that boosting the productivity of the restaurant. Due to the forecasted trend in World Travel Monitor Forum in Pisa in 2012 that international travellers enjoyed being interactive to local culture and local cuisine, restaurant should be extended opening hours, instead of breakfast time. A small a-la-carte menu for restaurant and room service should be designed to deliver customer authentic local cuisine, experience local food. Meanwhile, this helps to enlarge the total hotel revenues. Finally, all the activities mentioned above aims to deliver added value to customer segments as well as to increase the total hotel revenues.

### 5.2.3 Channels

As mentioned in theoretical part, Channels obtain five different phases, awareness, evaluation, purchase, delivery and after sales. Therefore, in this section, all channel phases will be discussed related to two main customer segments. Based on the survey of VinaSearch, it stated that Vietnamese are likely to organise their trips or vacations by themselves and the average length for the trips are usually three or four days. Therefore, it can be seen that travel agencies and tour operations will not be effective distribution channels for domestic tourists. Furthermore, hotel manager explained that currently, hotel awareness was mainly raised by word-of-mouth, online travel community, like tripadvisor.com, and international travel guide books, such as Lonely Planet in French and German. Thus, there is a need to establish more productive channels, in which aims to raise awareness about La Paloma hotel to broader audience and its target segments. In the Summit of Cornell Hospitality School and the research of PhocusWright, the social media played significant role in hospitality industry. Lorraine Sileo pointed out 33 percent of travellers were influenced by social networks in travelling making decision. Among social media platforms, Facebook is most popular platforms for hoteliers due to 66 percent of travellers using Facebook. Hence, Facebook is suggested to be one of channels that support hotel to raise awareness among users, especially travellers.

Secondly, in the evaluation phase, the travel online community tripadvisor.com is a popular means of travel reference which customers shared their experience and suggested travel tips for destinations, hotels, restaurants, etc. Therefore, positive customer feedbacks on the tripadvisor.com enable to enhance hotel's image as well as increase the number of booking indi-

rectly. It is seen that online travel communities like tripadvisor.com are useful channel in evaluation phase of customers. In suggestion, being a business partner of tripadvisor.com should be taken in consideration in the development stage of hotel. In consideration of 117 euro for monthly fee or 1567 euro for annual fee to be listing as tripadvisor.com business partner, the hotel will be able to list three contact links, such as website address, email address, and telephone number, special offer, announcement, and slideshow.

Thirdly, utilising the online travel agencies as the channel in purchasing phase will be applicable for international family with children and international seniors segments. Due to the World Travel Trends Report 2012/2013 of ITB Berlin, the dominance of online bookings were seen through 54 percent of online bookings in 2012. Moreover, in the World Travel Monitor Forum in Pisa in 2012, experts pointed out that consumers would organise their trips thank to the technological advances, for example, they search for information and purchase hotel products and services online. Therefore, seeking appropriate online travel agencies is crucial action in the next future. In the research of Douglas Quinby and Ralph Merten in 2009, it was suggested that Opodo owned by Amadeus, Travelocity owned by Sabre, and Orbitz owned by Travelport were online travel retailers for leisure market globally. In addition, in a special report of Samipatra Das regarding Global Distribution Systems (GDSs), she described that besides four giant companies of GDSs, there were regional GDSs for separate regions, such as Tapas in Korean, Abacus in Asia Pacific, etc. However, for La Paloma hotel's situation, it is a small hotel that is not able to meet certain criteria to be connected with giant GDSs. For example, to be linked with Amadeus GDS, the hotel inventory is at least 20 rooms to meet demands from multi-channel distribution, as well as hotel amenities must include Wi-Fi, meeting rooms and parking lots. It is seen that these giant GDSs companies are not suitable for small-sized hotel. As an alternative, joining to Abacus Hotel network is a solution in Asia Pacific market while using Abacus Hotel GDS as a platform to distribute hotel products and real-time rates. The main purpose of utilising Abacus Hotel GDS is to gain bookings through 20 000 Asia travel agencies as well as potential corporate customers in Asia Pacific region. On the other hand, agoda.com should be taken in consideration in order to expand the market into South East Asia market, due to its online platform for hotel worldwide, especially in Asia, like in Singapore, Bangkok, Kuala Lumpur, Tokyo, Hong Kong, etc. Nevertheless, hotel manager should be notified that Agoda.com is an effective channel for best-price guarantee, and it offers the best deals on the Internet. Consequently, in my recommendation, Agoda.com

should be in use as purchasing channel for South East Asia in different seasonal period to improve room occupancy and room revenue.

Likewise, in the purchasing phase of domestic tourists, Vietnamese consumers currently prefer cash payment to card and banking payment based on the research of Le Tan Lam Anh on Vietnamese daily newspaper in 2013. It is possible to combine the purchasing phase and delivery phase into a single phase channel. Especially in hospitality industry, guests earn the experience and hotel delivers its products or services simultaneously. At this moment, based on statement of La Paloma hotel manager, word-of-mouth is a popular channel among the domestic travellers, especially hotel regular guests. Moreover, hotel website is also effective channel which is responsible for major bookings of hotel. Therefore, there is an essential need to maintain and update all up-to-date information and special promotion to attract customers' attention because there are few errors and inadequate information given on hotel website.

In the delivery phase, guests gain experience and value at the same time while hotel delivers its products and services on the basis of hospitality industry. Therefore, in this phase, it is recommended that hotel should maximise its usage of hotel name and image in order to increase the awareness of hotel as well as to strengthen hotel's image accompanied with guests' experience in their minds.

Finally, in the after sales phase, emails and newsletters are recommended to be used. As mentioned in value proposition section, photo-book of guests could be utilised a means to create more memorable experience. Likewise, customers' photos can be sent via email to them to recall their stay at hotel and to motivate them visit hotel again. In addition, newsletters of hotel special promotion and up-to-date information could be sent to customers' monthly to awake their travel inspiration.

#### 5.2.4 Customer Relationships

Among different types of customer relationships, personal assistance and communities are believed as most appropriate approaches to maintain relationship with customer segments. Currently, La Paloma hotel employs a Sales and Reservation Executive to be responsible for assistance customers in sales, booking process. However, the post-purchases service is not exploited yet. Thus, personal assistance is applicable due to the availability of human and

knowledge resources. Moreover, similar to after-sales service, customer relationships can be maintained by via emails and newsletters. According to Kotler, continual contacting to customer will gain customer retention as well as customer commitment in long-term development. Consequently, personal assistance combined with continual customer contact would strengthen the relationships between hotel and its customer segments.

Furthermore, as mentioned above, Tripadvisor.com is one of the largest online travel community with customer feedbacks and comments. Especially, in the technological trends in 20<sup>th</sup> World Travel Monitor Forum in Pisa, experts forecasted that consumers search for travel, hotel and destination information online based on the technologies advances. It can be seen that online travel community plays important role in providing relevant information, individual experience, and making purchase decision of travellers. Therefore, there is a strong need for La Paloma hotel to be active user with quick responses in those communities.

On the other hand, La Paloma hotel manager stated that hotel obtained about 35 percent of regular guests. In my opinion, La Paloma hotel should establish the reward system for most regular guests bringing high profitability. Discounted room rates and accumulating reward points should be optimum solutions. This helps to gain more customer loyalty that saves marketing costs, reduces price sensitivity and creates positive word-of-mouth (Kotler, Bowen & Makens, 2006, 397-413).

In addition, Kotler, Bowen & Makens emphasised that resolving and responding to customer complaints must be an ability of company; meanwhile, seeking for customer complaints or feedbacks must be an important part of customer relationship management. Hence, I strongly recommend that hotel should be proactive in collecting customer feedbacks or complaints. Therefore, a small comment card should be designed to meet those demands as well as gain insight into customer expectations in order to improve quality of service. A draft comment card can be found in Appendix 4. Simultaneously, customers gain positive image of hotel and its service due to the fact that their opinions or comments have been appreciated.

### 5.2.5 Key Partnerships

According to suggestive distribution channels mentioned above, Amadeus owned Opodo and LinkHotel GDS, Abacus owned Abacus Hotel GDS, Priceline owned Agoda.com, TripAdvisor Inc. owned tripadvisor.com, are primary partners in cooperation relationship. These partners play an important role in this business model. Due to the fact that these partnerships enable hotel to expand its market in different regions, to gain online bookings through multi-channel distributions. These partnerships aim to increase hotel room occupancy and to reduce the instability of occupancy rate and hotel revenues.

Local governmental authorities are key partners of hotels. Firstly, local police in Nhatrang region is the governmental authority that is responsible for tracking of international and domestic tourists. In general, every hotel has to submit their guest records including name, nationality, year of birth, duration of stay, etc. to local police. In return, the local police is responsible for security, safety and investigation in any criminal, loss or damaged cases, in surrounding areas. Besides, Khanh Hoa Department of Taxation is also one of hotel's partner, which is responsible for providing official up-to-date information of tax as well as supervising the monthly or quarterly tax payment of every enterprises in Nha Trang city, in Khanh Hoa Province.

On the other hand, Khanh Hoa Power Company is another important partner due to the hotel's need of electricity. In Vietnam, the electricity bills must be paid monthly and in time, otherwise, the power will be cut automatically. In summer, the electric power is usually cut off due to the shortage of electricity. Therefore, seeking an alternative power suppliers is essential to ensure the quality of room products and service. Similarly, the water supplier, which is managed by Khanh Hoa Water and Sewage Company, is sometime halted for a day with a prior notification. Hence, there should be water reservation for these incidents.

### 5.2.6 Key Activities

Selling hotel products and services to customer segments are identified as the first key activities. Increasing room sales is the most important activity in hotel business, in which comprises of other different activities, such as cooperating with key partners, like Amadeus, Abacus,

Priceline, TripAdvisor Inc, receiving bookings, managing yield, creating special promotions, updating seasonal room rates in different channels and supervising transactions of hotel and partner companies. Regarding operation management within hotel, it is essential to maintain room cleanliness, decorate garden to ensure the value for customer segments as well as strengthen hotel competitive edge. In addition, selling food and beverage products and services as well as operating restaurant service and pool bar catering are key activities that must be taken in consideration to maximise the total revenues.

### 5.2.7 Key Resources

There are four main types of key resources - financial, physical, human, and intellectual resources. According to hotel manager, the hotel assets and cash availability are key financial resources of La Paloma hotel whereas hotel building, furniture, bathroom equipment, swimming pool, and Jacuzzi pool are main physical resources. Regarding human resources, professional marketing staff should be employed due to the cooperation with partner companies – Abacus, Priceline and TripAdvisor Inc. In addition, to deliver the value propositions to customer segments, there is a need to hire a bartender and Vietnamese chef. Intellectual resources comprise of hotel image, hotel name, staff working experience and professional skills. Furthermore, the intellectual resources would be expanded thank to the new professional employees and coordination between key partners and hotels, for example, knowledge of using partners' platform and GDS. Additionally, trainings on professional skills, first-aid and emergency cases should be offered to permanent employees. For detailed resources, please refer to section 4.4, internal company analysis.

### 5.2.8 Cost Structure

Based on statement of hotel manager regarding price competition, it was obviously seen that La Paloma hotel obtains value-driven structure. That means hotel is less cost sensitivity and focus more on creating and delivering value in line with hotel vision and mission. Firstly, partnership fee is annual or monthly fee must be paid to TripAdvisor Inc. Regarding Abacus GDS and Priceline, I could not find any information of fee or the procedure because they

asked for hotel manager's signature and further details. However, they will be cost elements for hotel.

In addition, power costs, staff salary, and fuel costs are other significant cost elements in room products and services, which can be seen as variable production costs. Regarding creating value for customers, there are some cost drivers, for instance, food and beverage variable costs, towel fixed costs, and photo book printing variable costs. The cost structure in details was shown in Appendix 5.

### 5.2.9 Revenue Streams

It was obviously shown that main revenue stream of La Paloma hotel is room revenue which is one-time transaction for every customer. In fact, the room rates are cost-based pricing by hotel manager that ensures to reach break-even point as well as profit margin. On the other hand, Kotler, Bowen & Makens suggested among the different pricing strategies, price adjustment strategy was applicable for dynamic situations and seasonality. In my recommendation, the rack rates should be cost-based pricing; however, there will be price adjustment in peak season, and the seasonal rates should be value-based pricing. In addition, in low season, the competition-based pricing should be utilised to determine promotional or discounted prices. Moreover, bulk discounts should be applied popular for long-stay or groups of guests; meanwhile, price discrimination for early-bird or last-minute booking should be exploited (Kotler, Bowen & Makens, 2006, 455-483.)

Another revenue stream is generated by food and beverage sales. As mentioned above, the restaurant is suggested to extend opening hours instead of breakfast, which boosts total revenue through cross-selling and up-selling techniques. The revenue streams in details was shown in Appendix 5.

## CONCLUSION

As mentioned earlier, La Paloma has struggled to the low occupancy rate approximately 23 percent in 2012, and to the recovery of initial investment despite the increasing figures of international and domestic tourists. Derived from two main problems, the outcome of this study comprises suggestive strategic direction and operation management that enable hotel manager to acknowledge the broader trends that might influence to hotel business. Moreover, this dissertation functions as a reference for hotel manager in advancing hotel products and services as well as in strategic planning in the near future.

The study results from observation the different trends that might influence to hotel business and the interview with hotel manager based on qualitative research techniques. In the theoretical background, it focused on different sociocultural, economic, political, regulatory, technological trends in macro-environment. In addition, it also concentrated on theory of analysing micro-environment of Michael Porter and internal company resources. Last but not least, theory of business canvas model was also emphasised in the thesis with nine building blocks.

In the research methodology section, data collation and data sources were described in detail. Majority of information were collected from reliable sources, course books, journals, academic summits and conferences, specialised publications of well-known professional companies, world-wide organisation, such as Amadeus, United Nation World Tourism Organisation, etc. Secondary data were interpreted from interview with hotel manager of La Paloma hotel. It was planned to have three-round interview via email with hotel manager. Nevertheless, the interview was conducted one-round via Facebook message due to his limited time. Fortunately, all the questions were asked and answered.

Following that, in the empirical section, there are three main subsections - the observation and analyses of the macro-environment trends, the interpretation of the interview with hotel manager into micro-environment analysis, and the internal company analysis.

Regarding sociocultural trends, the number of travellers has increasing despite the global financial and economic crisis, especially Chinese travellers. Furthermore, majority of trips was travelling for leisure and online bookings predominated the booking with travel agencies. Meanwhile, travellers currently are seeking for exotic destinations, being more interactive with local culture and they prefer to search information online prior to purchasing products or

services for their holidays. On the other hand, four customer segments – Active Seniors, Individuals or Groups travelling with companions, Cosmopolitan Commuters and Wealthy travellers - were forecasted in 2020. Finally, responsible and sustainable tourism was emphasised by UNWTO.

Beside the global sociocultural trends, there were certain trends in Vietnam that might affect to hotel industry as well. In Vietnam, the young population would determine the main purchasing behaviours. Meanwhile, wealthy class will be 10 percent of population in 2016. In addition, Vietnamese consumers are likely to pay by cash rather than pay by cards or bank transactions. Based on another research, it was shown that summers, annual leave, public holidays were most favourable seasons of Vietnamese travellers. Dalat, Nhatrang, Halong, Danang, Sapa will be most attractive destinations in 2014. For the trips or holidays, travellers prefer being with family regardless the age or income level while they are likely to organise their trips rather than booking with travel agencies.

Secondly, in global economic trends, Chinese, United States and Indian economy will be three largest economies in the world in 2020. Simultaneously, energy costs will escalate due to the demand of China and India. In Vietnam, the budget deficits, inflation pressures will be burdens of Vietnamese economic to recover and to maintain the fast growth as in previous years. Furthermore, double prices for international tourists was mentioned as a short-sighted idea.

Thirdly, the political status of Vietnam was considered as stable with Communist Party of Vietnam. Moreover, Vietnam joined to Association of South-East Asian Nations to gain political and economic benefits. On the other hand, a master plan for Vietnam tourism development in 2020 was approved and implemented in national scale. In line with master plan, the infrastructure, transportation, human labour will be upgraded. Furthermore, visa exemptions were expanded to citizens of Chinese, South Korea, Japan, etc.; meanwhile, the short international arrivals to Phuquoc Island also are exempted visa. Besides, the government might update the minimum bus drivers' age to 30 instead of 25. Additionally, a new decree of operating casinos was effective from July 2013 for 5-star and luxurious hotels.

Technological trends were last part in macro-environment, in which Global Distribution Systems were an important trend. In addition, Amadeus, Galileo, Sabre, and Travelport are four global GDSs giants and certain online travel retailers, such as Opodo, Travelocity, and Orbitz,

owned by these four companies. Moreover, in 2020, human-based technology will be developed, like real-time information, digital personal identities and demand of being connected was increasing. Additionally, travellers were expected to make reservation via websites, search engine, emails, travel communities, and social media platforms. Likewise, social media proved its essential role in purchasing decision and among social media platforms, Facebook had the most users in 2011.

Moving to micro-environment analysis section, threat of new entrants was evaluated at first. Large number of new hotels in construction would threaten to La Paloma hotel's business due to strong demand from Russian, and international markets. Nevertheless, the brand loyalty is positive due to the percentage of regular guests and good comments on TripAdvisor.com. High capital requirements could limit number of new entrants; however, La Paloma did not attain cost advantages in marketplace.

Regarding the competition intensity of existing competitors, hotel manager pointed out that the strong competition from both other attractive destinations and other competitors derived from price wars and their downtown location. On the other hand, there is pressure from substitute products due to available facilities of 3-star or 4-star at discounted prices. The buyers of hotel had adequate bargaining power while the suppliers did not have bargaining power.

Internal company analysis was conducted after micro-environment analysis. In general, Nhatrang city is popular destination for international and domestic travellers. It was well connected to other main cities by airways, railways, and road transportation. In details, La Paloma hotel had quite strong financial resources without bank loans among small hotels. Additionally, 20 new rooms, wooden furniture, bathroom equipment, swimming pool, and the restaurant constitute hotel's physical resources. In term of human resources, hotel employed eight full-time staffs and two on-call in high seasons. Thus, intellectual resources comprise hotel name and hotel image, hotel manager's working experience, and staff skills.

After observing different trends and analysing hotel industry from both external and internal approaches, the author suggested the strategic direction and business model based on these observation and analyses. The strategic direction included vision and mission as below:

Vision: "to be the best small boutique hotel in Vietnam in 2020".

Mission: “La Paloma inspires in-house guests with natural theme, engages them to local culture through Vietnamese cuisine and creates memorable experience during their stay.”

Following then, a suggestive business canvas model was designed with nine building blocks that covered main operation management of La Paloma hotel. First of all, customer segments were categorised into 2 main groups: international and Vietnamese family with children, and international seniors.

Secondly, La Paloma will create added value and memorable experiences for its customer segments by paying more attention to details and maximising customer satisfaction. Welcome drinks, photo-book souvenirs on departure, better daily shuttle service, pool bar drinks and snacks, extending restaurant opening hours were main activities to deliver value to in-house guests.

Thirdly, regarding distribution channels, word-of-mouth, online travel community, international travel guide books and Facebook were identified as most effective channels in raising aware phase whereas TripAdvisor.com – online travel community -played crucial role in evaluation phase. After that, Amadeus LinkHotel GDS, Abacus Hotel GDS, and Priceline Agoda.com were recommended to be in use as channels because they offered real-time transactions and aimed to improve room occupancy. Finally, emails and newsletter should be utilised in after sales phase.

The following building block was about customer relationships, in which personal assistance and being active in communities were suggested. Furthermore, dealing with complaints was believed as an essential ability of La Paloma hotel. Meanwhile, a comment card was outlined to understand customer expectations and to improve service quality.

There were some certain key partnerships – Amadeus, Abacus, Priceline, TripAdvisor Inc. were most important partners. In addition, local police, Khanh Hoa Department of Taxation, Khanh Hoa Power Company, Khanh Hoa Water Sewage Company were governmental authorities and hotel partners.

In the sixth building block – key activities, selling hotel products and services were the most important activities. It comprised a set of supplementary activities, such as cooperating with key partners, receiving bookings, managing yield. In addition, food and beverage sales in restaurant and pool bar was considered as essential activities to increase total hotel revenues.

In key sources description, there were some additional resources in this business model. Additional staff, experienced marketer, semi-professional bartender and Vietnamese chef would be required. In return, the GDS, and central reservation system will be added in the intellectual resources.

After that, La Paloma hotel concentrated on value-driven cost structure, which included monthly or annual partnership fee, power costs, staff salary, fuel costs, photo-book printing costs, and food and beverage material costs. On the other hand, room revenue and food and beverage revenue were believed as main revenue streams of hotel.

In conclusion, the development plan, which consisted of the strategic direction and business model, was designed based on theory and analyses of several trends. In a nutshell, the author hopes it could work as a guideline for La Paloma hotel in coping with its difficulties. Despite there are many limitations of this study, such as time limited and resources limited, this thesis topic was very interesting and helped the author to be well-prepared for future career in hotel industry. Last but not least, the author hopes to expand this development plan forwards to be specialised in marketing, or in hotel operation, or in distribution channels, or strategic management.

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## INTERVIEW QUESTIONNAIRE

### Introduction

In the aim to gain overview of competitors' analysis of La Paloma Hotel, the questionnaire was developed based on Michael Porter's theory of five forces in 1980. There are two versions of questionnaire and answers, in English and in Vietnamese, because the interview will be carried out by thesis writer and La Paloma's hotel manager via email in Vietnamese. The answer of questionnaire would be utilized publicly for the purpose of student's thesis and hotel development.

Please specify your answers not longer than 150 words for each question.

### **Threat of new market entrants**

1. How is the possibility for new entrants in hotel industry in your local region in 2013? (E.g. economic growth, capital resources, high demand, etc.)

The possibilities are quite large, more and more hotels have been built in this year. There are many new entrants to Nhatrang region, such as Sheraton Nhatrang Hotel & Spa in 2012, and Marriott is going to complete its construction phase at the end of 2013. There is strong demand from Russian-speakers, Germany, the United Kingdom, the United States, Australians, and domestic tourists.

### **Brand loyalty**

2. How is your current hotel image?

Hotel image is currently quite positive. There are a lot of good comments of La Paloma hotel in the website tripadvisor.com. However, hotel renovation is a challenging for hotel image. Previously, La Paloma hotel was ranked in low-rate hotel, mainly for backpackers and price-sensitivity customers. Nowadays, after entirely renovation, hotel aims to be recognise as mid-rate boutique hotel.

3. What are main differences of your products/services offered from others?

Key distinctions of La Paloma hotel are its modern architectural design, a large, vivid garden and stony swimming pool that create the most memorable experience for the guests, especially family customers. In general, La Paloma is a unique 2-star hotel with garden and swimming pool in Nhatrang while majority hotels shape in narrow blocks and high buildings without garden or parking spaces. Moreover, the perfect cleanliness is one of the competitive edge of La Paloma hotel, the room and inner space of hotel are completely clean and tidy. Furthermore, the location of hotel is isolated from hustle and bustle Nhatrang city centre, which brings an ideal silence and fit to hotel's theme.

4. How many percentage of regular guests return to your hotel?

Around 35-40 percent of customers come back to hotel. Among that, around 70 percent are domestic tourists and 30 percent of international tourists.

5. How is your plan for earning regular guests?

We try to offer better quality of service to the guests. There might be a discount from 10 to 15 percent for regular guests or for guests staying more than 10 days.

### **Capital requirements**

6. How do you evaluate your current capital?

Total assets in 2012 was approximately 260 thousand euro (equals to 7.5 billion Vietnam dong). The cash flow in 2013 is still good because we tried to cut the additional costs, such as advertising costs, marketing costs, etc.

7. For how long does your current capital could bear?

I think the life cycle of La Paloma is 20 years. However, with the increased inflation rate, it is difficult to tell how much hotel depreciates. In addition, the current capital can cover maximum 3 years in similar situation.

8. How is the possibility to seek new financial resources/investment?

La Paloma hotel is a small family-run hotel. I do not think of seeking for external investment or external financial resources. However, with renovated hotel, if we can increase the room occupancy, the revenue is one of the important financial resources.

On the other hand, it also requires a large capital requirement for new entrants to obtain similar products and services to what La Paloma is offering. In addition, other competitors need large capital for lands which is limited availability and controlled strictly by government.

### **Access to Distribution Channels**

9. Which main distribution channels do you currently utilize?

We receive the bookings mainly from our website: <http://lapaloma-nhatrang.com/beta/default.aspx>, international travel guide books, such as Lonely Planet in French and German, word-of-mouth from regular guests, online travel community [tripadvisor.com](http://tripadvisor.com), and some alliance hotels in different regions.

10. How do you evaluate the efficiency of your distribution channels?

We measure the efficiency of the distribution channels by booking rate in each channel. We receive 40 percent of reservation through hotel's website, so website is an efficient distribution tool, especially nowadays most of international tourists make online reservation. Likewise, many international tourists review the online travel website [tripadvisor.com](http://tripadvisor.com) prior making reservation; nevertheless, we are not Tripadvisor's partner. Travel guide books are main distribution channel for international tourists; however, the bookings on this channel are on the downturn. Word-of-mouth is primarily used by domestic tourists and international tourists. This is an important channel for La Paloma hotel because Vietnamese consumers are likely to prefer the opinion of their friends and family to the advertising and marketing. We also receive bookings from alliance hotels, but they are merely 5 to 6 percent in overall.

11. How secure of your distribution channels is in compared to new entrants?

In general, the secure of our distribution channels is at medium level. For example, to be listed in travel guide books, it is complicated process and it requires several criteria and good comments of travellers. Word-of-mouth is unsure but as long as the hotel image is very positive

in customers' mind-set, this channel is safe. I have good relationship with alliance hotels and it takes time to build strong relationship so it is tough for the new entrants.

### **Cost advantages**

12. How is your pricing in marketplace?

In marketplace, our average price is higher than other small 2-star hotels, approximately 20 to 25 percent.

13. How do you control your current cost structure?

Main costs are electricity and power costs, staff salary, taxes and insurance. However, in the situation of low occupancy, we cut down the electricity and power costs, as well as employ part-time or seasonal staff. We are using Facebook as a free-of-charge means of marketing because we are not eager to pay for intermediaries. However, we think of seeking reliable marketing strategy and distribution channel with small costs for small- and medium-sized hotels.

### **Government regulations**

14. How are the government policies for new enterprises to hotel industry?

I am not really sure, but there is no specific policies, regarding new small- and medium-sized enterprise in hotel industry. The government has no encouraging neither limiting the number of small- and medium-sized hotels.

15. What are the main influences of the government policies for existing enterprises (e.g. your hotel)?

I do not really know. The government policies do not affect to our business too much.

### **Bargaining power of buyers**

16. How do you evaluate the bargaining prices of business customers?

Currently, we do not have business customers.

17. How is the gap between the bargaining prices and original prices?

Normally, long-stay guests bargain for discounted room rates. The gap is about 10 to 15 percent lower in comparison to rack rates. The discount is usually applied for families staying over 5 nights and for couples staying 7 nights.

18. What are main differences of the bargaining higher quality of services versus your service quality offered?

The quality of our services is seen as above the expectation of in-house guests. Shuttle service is always requested when guests arrive Nhatrang by airplanes because the airport located 40 kilometres from Nhatrang downtown. Likewise, shuttle service is always offered free-of-charge for guests arriving Nhatrang by bus or trains.

### **Bargaining power of suppliers**

19. How dependent do your hotel's products/services rely on suppliers?

La Paloma does not depend on suppliers because we just need the suppliers for food and beverage. There are many different retailers in Nhatrang and their prices are similar. In addition, local market offering almost everything is opened from 5am to 10pm.

20. How hard for you to find substitute suppliers in marketplace?

As I mentioned above, there are several available retailers in this surrounding area with delivery service. Therefore, it is easy for us to find substitute suppliers.

### **Threat of substitute products and services**

21. How is the availability of substitute products and services among the marketplace?

In this region, there are more than 400 all sized hotels with various types of rooms. Therefore, for the truly accommodation service, the guests have tremendous choices. However, it is difficult to seek a similar 2-star room types with garden view and swimming pool as what we

have offered. In a small district in city centre, full of block-hotels next to each other. There are some situations that walk-in guests transfer from those suffocating hotel to our green space hotel in central area. In addition, the land costs are rocketing due to the limited available lands in central area; thus, in next few years, we still offer unique room services at mid-rate among the marketplace in this region.

22. How is the possibility for other enterprises to imitate your products and services?

It is hard to say, but I mentioned above, it is extremely difficult for small- and medium-sized business to asset large land and create similar hotel amenities services to ours. To imitate our products, it also requires a large capital and investment.

However, currently we are coping with small problem that few 3-star or 4-star hotels with additional services offer discounted price to guests. Their products are partly similar to us; however, they have strong brand and deliver added value services.

### **Intensity of rivalry among competitors in hotel industry**

23. What are the competitive edges of your hotel/products/services?

The main competitive edge of La Paloma hotel are hotel design, room cleanliness, swimming pool, garden, and good services. In addition, due to our location, we offer in-house guests the free-of-charge shuttle to bus, trains on requests and Nhatrang downtown every day.

24. How do you think of the competition among hotel industry?

The competition in hotel industry currently is harsh. In general, the number of both international and domestic tourists still increases in compared to last few years. Nevertheless, the guests have variety of choices for beach holidays in Vietnam: Phuquoc, Phanthiet, Nhatrang, Danang, etc. In addition, more hotels were built in Nhatrang city. Despite the rising demands, number of tourists visiting Nhatrang is freezing. Therefore, the price wars and better services make competition stronger.

25. How do you evaluate your main competitors? What are their offered products & services?

LeSimoLe Boutique Apartments & Hotel. It is a small hotel with 12 rooms, located in Nhatrang downtown. They offer service apartments with kitchen and other amenities for families. Their performance is quite good thank to its downtown location. Their cleanliness, location, friendly staff are their main competitive edge.

Carpe DM Hotel is also located in Nhatrang downtown. It is also small hotel with 16 rooms. In addition, there is a restaurant for breakfast service. Their rooms are spacious and with elevators, and full room facilities. It is highly recommended in [tripadvisor.com](https://www.tripadvisor.com) for bed and breakfast hotel in Nhatrang.

26. Which tactics do you current use to compete in marketplace (e.g. price competition, advertising battles, product introduction, high quality of customer service, etc.)?

We try to deliver better quality of customer service. I do not think price competition works in our situation. While the main competitors are located in downtown or good location, we are located in quiet area, 4kilometres from downtown and with shuttle service to downtown every day. We believe better quality of service is better than price and advertising battles.

27. How does the economic trends affect to competition/market share in the near future?

In general, Vietnam economy is still affected from crisis and in slow recovery. It caused the decrease number of both international and domestic tourists. Consequently, the current competition is sharp and will be sharper in next year. However, this is common situation everywhere in Vietnam.

Thank you so much for your time and your information.

<b>Key Partners</b> GDS companies: Amadeus, Abacus Online travel retailer – Agoda.com TripAdvisor Inc. Local governmental authorities: Local Police, Khanh Hoa Department of Taxation Khanh Hoa Power Company, Khanh Hoa Water and Sewage Company	<b>Key Activities</b> Selling rooms: cooperating with key partners, receiving bookings, yield management, special promotions, updating seasonal room rates Maintain cleanliness & decorate garden Selling food & beverage products & services Operating restaurant, pool bar	<b>Value Propositions</b> Create added value & memorable experience: Offer welcome drink on arrivals Present small photo book for guests Improve daily shuttle service to downtown Enhance swimming pool service – towels, pool bar & snacks Extend opening hours of restaurant	<b>Customer Relationships</b> Personal assistance: Emails & newsletters, Reward System for loyal guests with high profitability, Resolving & responding guest complaints, Comment card Communities: Online travel community Comments & feedbacks	<b>Customer Segments</b> International and Vietnamese families with children International seniors aged above 50
	<b>Key Resources</b> Financial: hotel assets, cash availability Physical: hotel building, furniture, bathroom equipment, swimming pool, Jacuzzi pool Human: full-time and part-time staff Intellectual: hotel image, hotel name, staff working experience & professional skills, knowledge of GDS platforms, first-aid.		<b>Channels</b> Awareness phase: Word-of-mouth, International travel guide books – Lonely Planet, Social media platform Facebook Evaluating phase: Online travel community – TripAdvisor.com Purchasing phase: GDSs – Amadeus LinkHotel/Abacus Hotel, Online travel retailers: Priceline - Agoda.com, Amadeus – Opodo After-sales phase: Emails & newsletters	
<b>Cost Structure</b> Monthly/annual fee to TripAdvisor Inc., Amadeus, Abacus, Priceline Variable costs: power costs, staff salary, fuel cost for shuttle service, food and beverage material costs, photo book printing cost		<b>Revenue Streams</b> Room revenue Food and beverage revenue		





## Comment Card

Guest Name: ..... Age: ..... Nationality: .....

La Paloma Hotel appreciate your feedback. It is extremely helpful for us to improve products and services quality.

Please rate your opinion in 5-point scale (1=lowest point, 5=highest point)

	1	2	3	4	5	Please specify the potential improvements
Hotel location						
Room						
Cleanliness						
Sleeping quality						
Staff						
Facilities						
Safety						
Value						

**Profit and Loss Statement**

For January 31, 2014

Room occupancy 80 %

	<b>Estimated</b>		
	Vietnam Dong(VND)	Euro (€)	%
<b>REVENUE</b>			
Room revenue	347 200 000	12 125,02 €	80,0%
Food revenue	62 000 000	2 165,18 €	14,3%
Beverage revenue	24 800 000	866,07 €	5,7%
Room allowance	0	0,00 €	0,0%
Food allowance	0	0,00 €	0,0%
Beverage allowance	0	0,00 €	0,0%
<b>TOTAL REVENUE</b>	<b>434 000 000</b>	<b>15 156,28 €</b>	<b>100,0%</b>
<b>COST OF SALE</b>			
Cost of Room Sales	14 984 000	523,28 €	33,5%
Cost of Food Sales	24 800 000	866,07 €	55,4%
Cost of Beverage Sales	4 960 000	173,21 €	11,1%
<b>TOTAL COST SALES</b>	<b>44 744 000</b>	<b>1 562,56 €</b>	<b>10,3%</b>
<b>EXPENSES:</b>			
Salaries and Wages	50 000 000	1 746,11 €	23,4%
Electric supply	15 000 000	523,83 €	7,0%
Water supply	6 000 000	209,53 €	2,8%
Fuel cost for guest transportation	7 130 000	249,00 €	3,3%
Laundry	4 800 000	167,63 €	2,3%
<b>OTHER EXPENSES:</b>			
<b>KITCHEN EXPENSES</b>			
Kitchen equipment	58 700 000	2 049,94 €	27,5%
Kitchen utensils	10 000 000	349,22 €	4,7%
<b>RESTAURANT &amp; POOLBAR EXPENSES</b>			
Glassware	6 600 000	230,49 €	3,1%
China	18 000 000	628,60 €	8,4%
Linen	7 000 000	244,46 €	3,3%
Menus & beverage lists	2 000 000	69,84 €	0,9%
Towels	4 800 000	167,63 €	2,3%
Guest complimentary	0	0,00 €	0,0%
Furniture and furnishing	0	0,00 €	0,0%
Printing and stationery	4 000 000	139,69 €	1,9%
Uniforms	19 200 000	670,51 €	9,0%
<b>TOTAL HOTEL EXPENSES</b>	<b>213 230 000</b>	<b>7 446,48 €</b>	<b>49,1%</b>
<b>TOTAL HOTEL PROFIT / (LOSS)</b>	<b>176 026 000</b>	<b>6 147,23 €</b>	<b>40,6%</b>
<b>TAX EXPENSES</b>	<b>44 006 500</b>	<b>1 536,81 €</b>	<b>25,0%</b>
<b>TOTAL HOTEL NET PROFIT/LOSS</b>	<b>132 019 500</b>	<b>4 610,42 €</b>	<b>75,0%</b>

**Profit and Loss Statement**

Room occupancy

60 %

For February 28, 2014

	<b>Estimated</b>		
	Vietnam Dong(VND)	Euro (€)	%
<b>REVENUE</b>			
Room revenue	201 600 000	7 040,34 €	77,4%
Food revenue	42 000 000	1 466,74 €	16,1%
Beverage revenue	16 800 000	586,69 €	6,5%
Room allowance	0	0,00 €	0,0%
Food allowance	0	0,00 €	0,0%
Beverage allowance	0	0,00 €	0,0%
<b>TOTAL REVENUE</b>	<b>260 400 000</b>	<b>9 093,77 €</b>	<b>100,0%</b>
<b>COST OF SALE</b>			
Cost of Room Sales	14 984 000	523,28 €	42,6%
Cost of Food Sales	16 800 000	586,69 €	47,8%
Cost of Beverage Sales	3 360 000	117,34 €	9,6%
<b>TOTAL COST SALES</b>	<b>35 144 000</b>	<b>1 227,31 €</b>	<b>13,5%</b>
<b>EXPENSES:</b>			
Salaries and Wages	46 000 000	1 606,43 €	58,8%
Electric supply	11 250 000	392,88 €	14,4%
Water supply	4 500 000	157,15 €	5,7%
Fuel cost for guest transportation	6 440 000	224,90 €	8,2%
Laundry	3 600 000	125,72 €	4,6%
<b>OTHER EXPENSES:</b>			
<b>KITCHEN EXPENSES</b>			
Kitchen equipment	0	0,00 €	0,0%
Kitchen utensils	0	0,00 €	0,0%
<b>RESTAURANT &amp; POOLBAR EXPENSES</b>			
Glassware	1 100 000	38,41 €	1,4%
China	1 800 000	62,86 €	2,3%
Linen	0	0,00 €	0,0%
Menus & beverage lists	0	0,00 €	0,0%
Towels	0	0,00 €	0,0%
Guest complimentary	0	0,00 €	0,0%
Furniture and furnishing	0	0,00 €	0,0%
Printing and stationery	2 000 000	69,84 €	2,6%
Uniforms	0	0,00 €	0,0%
<b>TOTAL HOTEL EXPENSES</b>	<b>78 290 000</b>	<b>2 734,07 €</b>	<b>30,1%</b>
<b>TOTAL HOTEL PROFIT / (LOSS)</b>	<b>146 966 000</b>	<b>5 132,39 €</b>	<b>56,4%</b>
<b>TAX EXPENSES</b>	<b>36 741 500</b>	<b>1 283,10 €</b>	<b>25,0%</b>
<b>TOTAL HOTEL NET PROFIT/LOSS</b>	<b>110 224 500</b>	<b>3 849,29 €</b>	<b>75,0%</b>

**Profit and Loss Statement**

Room occupancy 50 %

For March 31, 2014

	Estimated		
	Vietnam Dong(VND)	Euro (€)	%
<b>REVENUE</b>			
Room revenue	186 000 000	6 495,55 €	78,1%
Food revenue	37 200 000	1 299,11 €	15,6%
Beverage revenue	14 880 000	519,64 €	6,3%
Room allowance	0	0,00 €	0,0%
Food allowance	0	0,00 €	0,0%
Beverage allowance	0	0,00 €	0,0%
<b>TOTAL REVENUE</b>	<b>238 080 000</b>	<b>8 314,30 €</b>	<b>100,0%</b>
<b>COST OF SALE</b>			
Cost of Room Sales	14 984 000	523,28 €	45,6%
Cost of Food Sales	14 880 000	519,64 €	45,3%
Cost of Beverage Sales	2 976 000	103,93 €	9,1%
<b>TOTAL COST SALES</b>	<b>32 840 000</b>	<b>1 146,85 €</b>	<b>13,8%</b>
<b>EXPENSES:</b>			
Salaries and Wages	46 000 000	1 606,43 €	61,7%
Electric supply	10 500 000	450,50 €	14,1%
Water supply	4 500 000	180,72 €	6,0%
Fuel cost for guest transportation	5 704 000	249,00 €	7,6%
Laundry	3 000 000	144,58 €	4,0%
<b>OTHER EXPENSES:</b>			
<b>KITCHEN EXPENSES</b>			
Kitchen equipment	0	0,00 €	0,0%
Kitchen utensils	0	0,00 €	0,0%
<b>RESTAURANT &amp; POOLBAR EXPENSES</b>			
Glassware	1 100 000	38,41 €	1,5%
China	1 800 000	62,86 €	2,4%
Linen	0	0,00 €	0,0%
Menus & beverage lists	0	0,00 €	0,0%
Towels	0	0,00 €	0,0%
Guest complimentary	0	0,00 €	0,0%
Furniture and furnishing	0	0,00 €	0,0%
Printing and stationery	2 000 000	69,84 €	2,7%
Uniforms	0	0,00 €	0,0%
<b>TOTAL HOTEL EXPENSES</b>	<b>74 604 000</b>	<b>2 605,34 €</b>	<b>31,3%</b>
<b>TOTAL HOTEL PROFIT / (LOSS)</b>	<b>130 636 000</b>	<b>4 562,11 €</b>	<b>54,9%</b>
<b>TAX EXPENSES</b>	<b>32 659 000</b>	<b>1 140,53 €</b>	<b>25,0%</b>
<b>TOTAL HOTEL NET PROFIT/LOSS</b>	<b>97 977 000</b>	<b>3 421,58 €</b>	<b>75,0%</b>

**Profit and Loss Statement**

Room occupancy 50 %

For April 30, 2014

	<b>Estimated</b>		
	Vietnam Dong(VND)	Euro (€)	%
<b>REVENUE</b>			
Room revenue	186 000 000	6 495,55 €	78,7%
Food revenue	36 000 000	1 257,20 €	15,2%
Beverage revenue	14 400 000	502,88 €	6,1%
Room allowance	0	0,00 €	0,0%
Food allowance	0	0,00 €	0,0%
Beverage allowance	0	0,00 €	0,0%
<b>TOTAL REVENUE</b>	<b>236 400 000</b>	<b>8 255,63 €</b>	<b>100,0%</b>
<b>COST OF SALE</b>			
Cost of Room Sales	14 984 000	523,28 €	46,4%
Cost of Food Sales	14 400 000	502,88 €	44,6%
Cost of Beverage Sales	2 880 000	100,58 €	8,9%
<b>TOTAL COST SALES</b>	<b>32 264 000</b>	<b>1 126,73 €</b>	<b>13,6%</b>
<b>EXPENSES:</b>			
Salaries and Wages	46 000 000	1 606,43 €	58,7%
Electric supply	10 500 000	366,68 €	13,4%
Water supply	4 500 000	157,15 €	5,7%
Fuel cost for guest transportation	5 520 000	192,77 €	7,0%
Laundry	3 000 000	104,77 €	3,8%
<b>OTHER EXPENSES:</b>			
<b>KITCHEN EXPENSES</b>			
Kitchen equipment	0	0,00 €	0,0%
Kitchen utensils	0	0,00 €	0,0%
<b>RESTAURANT &amp; POOLBAR EXPENSES</b>			
Glassware	1 100 000	38,41 €	1,4%
China	1 800 000	62,86 €	2,3%
Linen	0	0,00 €	0,0%
Menus & beverage lists	4 000 000	139,69 €	5,1%
Towels	0	0,00 €	0,0%
Guest complimentary	0	0,00 €	0,0%
Furniture and furnishing	0	0,00 €	0,0%
Printing and stationery	2 000 000	69,84 €	2,6%
Uniforms	0	0,00 €	0,0%
<b>TOTAL HOTEL EXPENSES</b>	<b>78 420 000</b>	<b>2 738,61 €</b>	<b>33,2%</b>
<b>TOTAL HOTEL PROFIT / (LOSS)</b>	<b>125 716 000</b>	<b>4 390,29 €</b>	<b>53,2%</b>
<b>TAX EXPENSES</b>	<b>31 429 000</b>	<b>1 097,57 €</b>	<b>25,0%</b>
<b>TOTAL HOTEL NET PROFIT/LOSS</b>	<b>94 287 000</b>	<b>3 292,72 €</b>	<b>75,0%</b>

**Profit and Loss Statement**

For May 31, 2014

Room occupancy 37 %

	Estimated		
	Vietnam Dong(VND)	Euro (€)	%
<b>REVENUE</b>			
Room revenue	114 700 000	4 005,59 €	79,1%
Food revenue	21 700 000	757,81 €	15,0%
Beverage revenue	8 680 000	303,13 €	6,0%
Room allowance	0	0,00 €	0,0%
Food allowance	0	0,00 €	0,0%
Beverage allowance	0	0,00 €	0,0%
<b>TOTAL REVENUE</b>	<b>145 080 000</b>	<b>5 066,53 €</b>	<b>100,0%</b>
<b>COST OF SALE</b>			
Cost of Room Sales	14 984 000	523,28 €	59,0%
Cost of Food Sales	8 680 000	303,13 €	34,2%
Cost of Beverage Sales	1 736 000	60,63 €	6,8%
<b>TOTAL COST SALES</b>	<b>25 400 000</b>	<b>887,03 €</b>	<b>17,5%</b>
<b>EXPENSES:</b>			
Salaries and Wages	46 000 000	1 606,43 €	62,3%
Electric supply	10 500 000	366,68 €	14,2%
Water supply	4 500 000	157,15 €	6,1%
Fuel cost for guest transportation	5 704 000	199,20 €	7,7%
Laundry	2 200 000	76,83 €	3,0%
<b>OTHER EXPENSES:</b>			
<b>KITCHEN EXPENSES</b>			
Kitchen equipment	0	0,00 €	0,0%
Kitchen utensils	0	0,00 €	0,0%
<b>RESTAURANT &amp; POOLBAR EXPENSES</b>			
Glassware	1 100 000	38,41 €	1,5%
China	1 800 000	62,86 €	2,4%
Linen	0	0,00 €	0,0%
Menus & beverage lists	0	0,00 €	0,0%
Towels	0	0,00 €	0,0%
Guest complimentary	0	0,00 €	0,0%
Furniture and furnishing	0	0,00 €	0,0%
Printing and stationery	2 000 000	69,84 €	2,7%
Uniforms	0	0,00 €	0,0%
<b>TOTAL HOTEL EXPENSES</b>	<b>73 804 000</b>	<b>2 577,41 €</b>	<b>50,9%</b>
<b>TOTAL HOTEL PROFIT / (LOSS)</b>	<b>45 876 000</b>	<b>1 602,10 €</b>	<b>31,6%</b>
<b>TAX EXPENSES</b>	<b>11 469 000</b>	<b>400,52 €</b>	<b>25,0%</b>
<b>TOTAL HOTEL NET PROFIT/LOSS</b>	<b>34 407 000</b>	<b>1 201,57 €</b>	<b>75,0%</b>

<b>Profit and Loss Statement</b> For June 30, 2014	Room occupancy 52 %		
	<b>Estimated</b>		
	Vietnam Dong(VND)	Euro (€)	%
<b>REVENUE</b>			
Room revenue	187 200 000	6 537,45 €	77,4%
Food revenue	39 000 000	1 361,97 €	16,1%
Beverage revenue	15 600 000	544,79 €	6,5%
Room allowance	0	0,00 €	0,0%
Food allowance	0	0,00 €	0,0%
Beverage allowance	0	0,00 €	0,0%
<b>TOTAL REVENUE</b>	<b>241 800 000</b>	<b>8 444,21 €</b>	<b>100,0%</b>
<b>COST OF SALE</b>			
Cost of Room Sales	14 984 000	523,28 €	44,5%
Cost of Food Sales	15 600 000	544,79 €	46,3%
Cost of Beverage Sales	3 120 000	108,96 €	9,3%
<b>TOTAL COST SALES</b>	<b>33 704 000</b>	<b>1 177,02 €</b>	<b>13,9%</b>
<b>EXPENSES:</b>			
Salaries and Wages	46 000 000	1 606,43 €	61,7%
Electric supply	10 500 000	366,68 €	14,1%
Water supply	4 500 000	157,15 €	6,0%
Fuel cost for guest transportation	5 520 000	192,77 €	7,4%
Laundry	3 120 000	108,96 €	4,2%
<b>OTHER EXPENSES:</b>			
<b>KITCHEN EXPENSES</b>			
Kitchen equipment	0	0,00 €	0,0%
Kitchen utensils	0	0,00 €	0,0%
<b>RESTAURANT &amp; POOLBAR EXPENSES</b>			
Glassware	1 100 000	38,41 €	1,5%
China	1 800 000	62,86 €	2,4%
Linen	0	0,00 €	0,0%
Menus & beverage lists	0	0,00 €	0,0%
Towels	0	0,00 €	0,0%
Guest complimentary	0	0,00 €	0,0%
Furniture and furnishing	0	0,00 €	0,0%
Printing and stationery	2 000 000	69,84 €	2,7%
Uniforms	0	0,00 €	0,0%
<b>TOTAL HOTEL EXPENSES</b>	<b>74 540 000</b>	<b>2 603,11 €</b>	<b>30,8%</b>
<b>TOTAL HOTEL PROFIT / (LOSS)</b>	<b>133 556 000</b>	<b>4 664,08 €</b>	<b>55,2%</b>
<b>TAX EXPENSES</b>	<b>33 389 000</b>	<b>1 166,02 €</b>	<b>25,0%</b>
<b>TOTAL HOTEL NET PROFIT/LOSS</b>	<b>100 167 000</b>	<b>3 498,06 €</b>	<b>75,0%</b>

**Profit and Loss Statement**

From January 1, 2014 to June 30, 2014

Room occupancy

55 %

	<b>Estimated</b>		
	Vietnam Dong(VND)	Euro (€)	%
<b>REVENUE</b>			
Room revenue	1 222 700 000	42 699,49 €	77,4%
Food revenue	237 900 000	8 308,01 €	16,1%
Beverage revenue	95 160 000	3 323,21 €	6,5%
Room allowance	0	0,00 €	0,0%
Food allowance	0	0,00 €	0,0%
Beverage allowance	0	0,00 €	0,0%
<b>TOTAL REVENUE</b>	<b>1 555 760 000</b>	<b>54 330,71 €</b>	<b>100,0%</b>
<b>COST OF SALE</b>			
Cost of Room Sales	89 904 000	3 139,65 €	44,5%
Cost of Food Sales	95 160 000	3 323,21 €	46,3%
Cost of Beverage Sales	19 032 000	664,64 €	9,3%
<b>TOTAL COST SALES</b>	<b>204 096 000</b>	<b>7 127,50 €</b>	<b>13,9%</b>
<b>EXPENSES:</b>			
Salaries and Wages	280 000 000	9 778,24 €	61,7%
Electric supply	68 250 000	2 383,45 €	14,1%
Water supply	28 500 000	995,29 €	6,0%
Fuel cost for guest transportation	36 018 000	1 257,83 €	7,4%
Laundry	19 720 000	688,67 €	4,2%
<b>OTHER EXPENSES:</b>			
<b>KITCHEN EXPENSES</b>			
Kitchen equipment	58 700 000	2 049,94 €	0,0%
Kitchen utensils	10 000 000	349,22 €	0,0%
<b>RESTAURANT &amp; POOLBAR EXPENSES</b>			
Glassware	12 100 000	422,56 €	1,5%
China	27 000 000	942,90 €	2,4%
Linen	7 000 000	244,46 €	0,0%
Menus & beverage lists	6 000 000	209,53 €	0,0%
Towels	4 800 000	167,63 €	0,0%
Guest complimentary	0	0,00 €	0,0%
Furniture and furnishing	0	0,00 €	0,0%
Printing and stationery	14 000 000	69,84 €	2,7%
Uniforms	19 200 000	670,51 €	0,0%
<b>TOTAL HOTEL EXPENSES</b>	<b>592 888 000</b>	<b>20 705,01 €</b>	<b>30,8%</b>
<b>TOTAL HOTEL PROFIT / (LOSS)</b>	<b>758 776 000</b>	<b>26 498,20 €</b>	<b>55,2%</b>
<b>TAX EXPENSES</b>	<b>189 694 000</b>	<b>6 624,55 €</b>	<b>25,0%</b>
<b>TOTAL HOTEL NET PROFIT/LOSS</b>	<b>569 082 000</b>	<b>19 873,65 €</b>	<b>75,0%</b>



APPENDIX 5/8