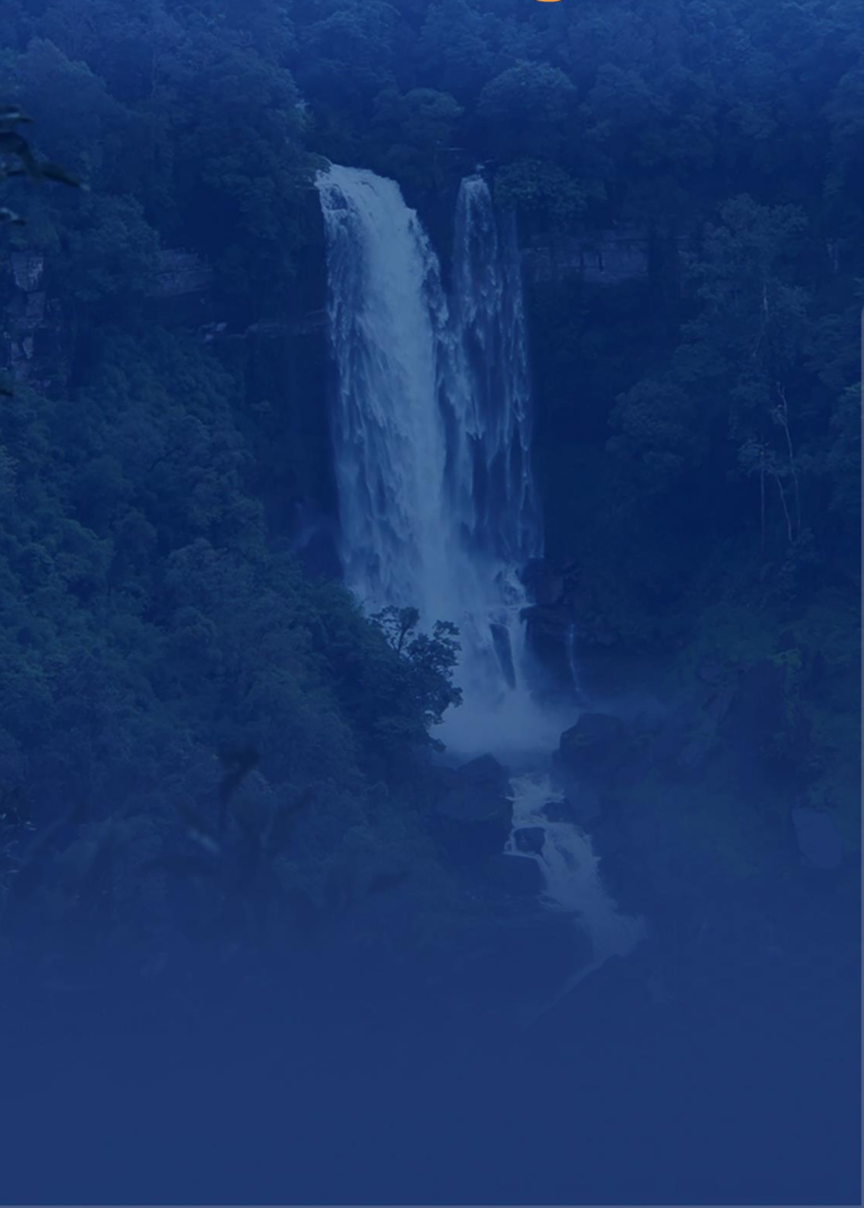
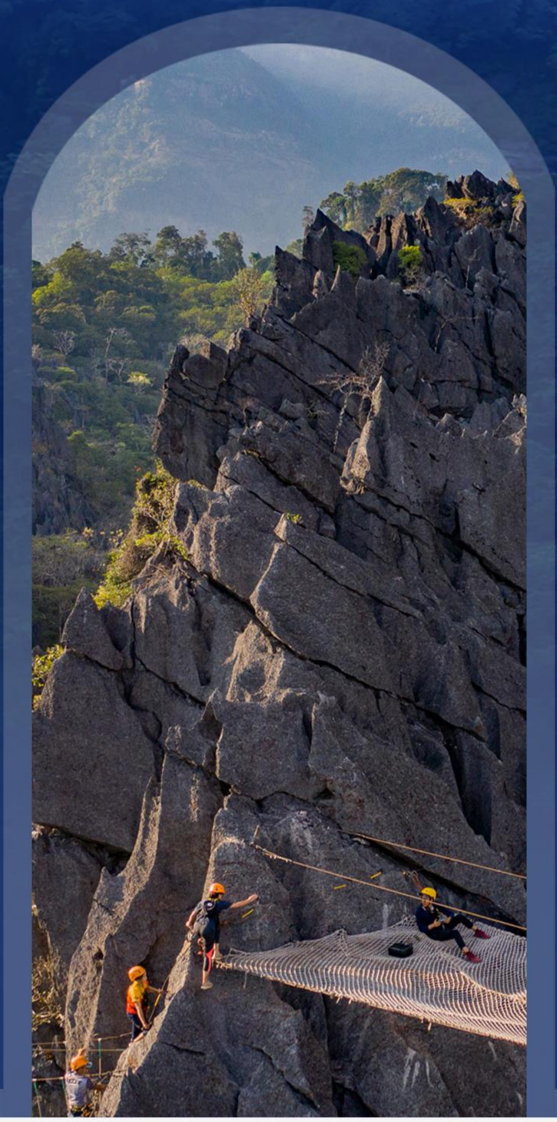
Impacts of COVID-19 on Tourism in the Lao PDR: Market Insights and Trends





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Impacts of COVID-19 on Tourism in the Lao PDR: Market Insights and Trends

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Acknowledgments

Developing nature-based tourism is a sub-task of the programmatic Advisory Services, and Analytics called Supporting Climate Change and Green Growth Action in Lao People's Democratic Republic (the Lao PDR). This study was requested by the government of Lao PDR as part of the ongoing support of the World Bank to the government on Green Growth development.

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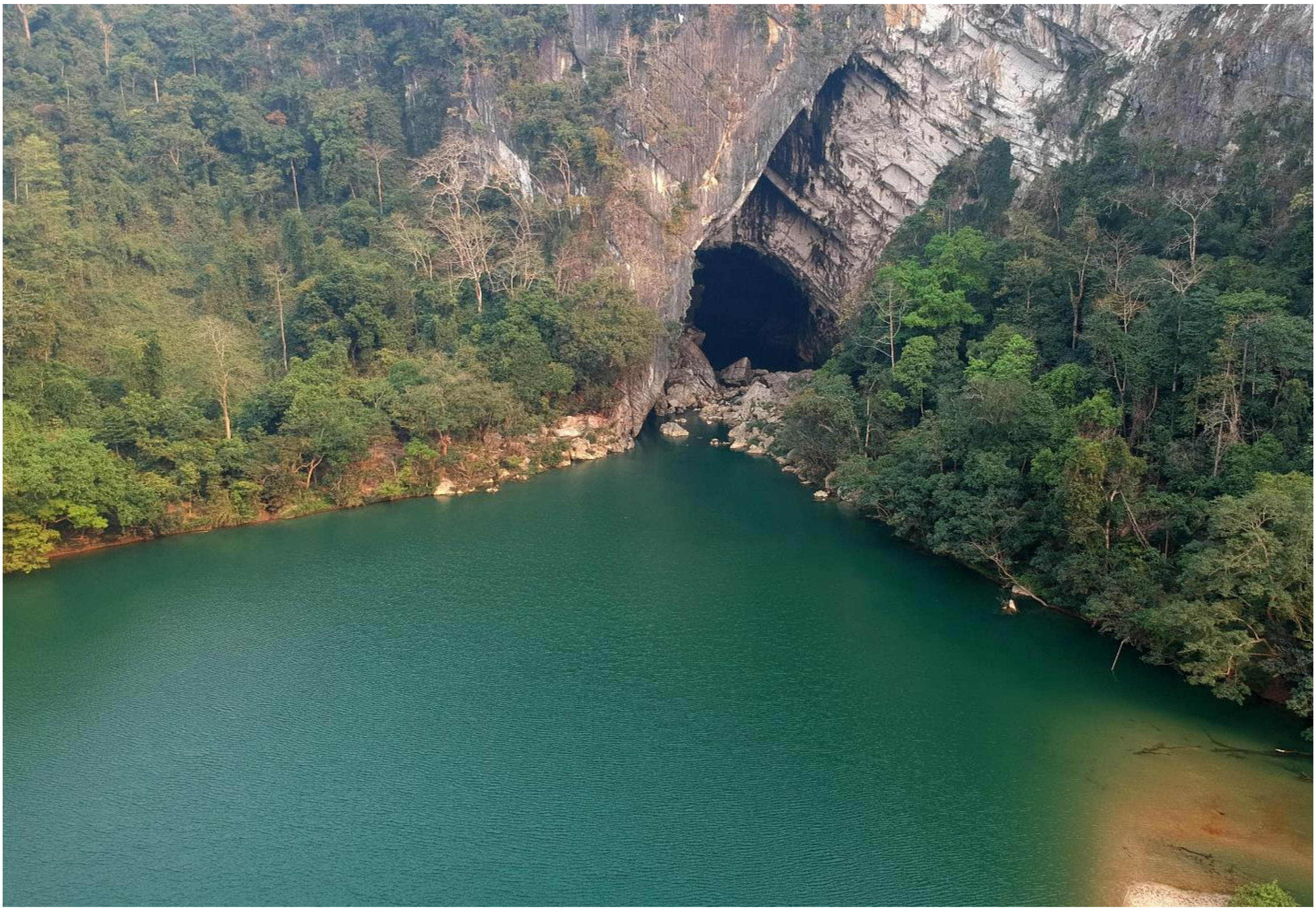
Jason Rolan (Senior Partner, RDK Group) conducted the analysis and drafted the report. Cath Croxton was the main editor of the report.

[1] See: https://www.jobsanddevelopment.org/jobs-mdtf/

Abbreviations

ASEAN	Association of Southeast Asian Nations
DCT	Dual-cooperative training
FIT	Free independent traveler
GIT	Group inclusive tourist
Lao PDR	Lao People's Democratic Republic
LNCCI	Lao National Chamber of Commerce and Industry
MAF	Ministry of Agriculture and Forestry
MoES	Ministry of Education and Sports
MoICT	Ministry of Information, Culture, and Tourism
NBT	Nature-based tourism
TDD	Tourism Development Department
TMD	Tourism Marketing Department
TVET	Technical and Vocational Education and Training
UCANZE	United States, Canada, Australia, New Zealand, and Europe
WTTC	World Travel Tourism Council



Entrance of Xe Bang Fai Cave, Khammouane Province
Photo by: Arturo Bolondi

Meuang Feuang, Vientiane Province
Photo by: Arturo Bolondi

EXECUTIVE SUMMARY

After two years of COVID-19 lockdown, Laos fully opened its borders to international travelers in May 2022.[2] While this was a positive step for the country's economy and tourism industry, the country still faced many challenges. Tourist numbers started to improve during 2022. However, the impact of the two-year lockdown left the tourism industry reeling and limited its ability to cater to the post-COVID market. In addition, there is not enough information about what the post-COVID tourist now expects or what needs to be done to recover from the situation.

Before COVID-19, the Lao tourism industry was growing. Tourist numbers from most of its key markets had been consistently increasing, and the qualifications and skills of the tourism workforce had been improving. Between 2016 and 2019, international visitors to Laos increased by an average of 10.5 percent per year (TDD 2021). In addition, before COVID-19, it was estimated that tourism contributed about five percent of Lao gross domestic product and provided jobs for about 19 percent of the Lao workforce (WTTC 2023a).

However, in 2020, the number of tourist visits to Laos dropped by more than 80 percent compared to the previous year. This shock devasted the tourism industry, many jobs were lost, and investment slowed. By May 2020, half of the tourism enterprises had closed temporarily, and over 70 percent had laid off staff (Taskashi et al 2020).

Tourist activities in Laos
Photo by: Arturo Bolondi

[2] From the World Bank press release

The recovery of the tourism sector is a high priority for Laos. The Government of Laos is implementing the Laos Tourism Recovery Roadmap 2021-2025. The roadmap provides important guidance on strategic priority actions to support the industry in the post-COVID recovery period (MoICT 2021). However, one of the biggest challenges the sector faces is a lack of robust market intelligence regarding the changing nature of Lao key tourism source markets in the context of the post-COVID environment.

The government's focus on nature-based tourism (NBT) is strategic for the country's green and inclusive growth and COVID-19 recovery.[3] Approximately 60 percent of Laos is forested, a fifth of the country's landmass is in a protected area, and the country boasts a range of internationally important biodiversity sites. Lao biodiversity and beautiful landscapes can be used to build diverse tourism products and itineraries such as trekking, hiking, camping, and high-end eco resorts. In 2019, it was estimated by the World Bank that, with the right investments and policies to improve the enabling environment for NBT, the direct contribution of NBT could be as much as 8.4 percent over the next ten years (World Bank 2019).[4] The high multiplier effect of tourism (3.28) on the economy means that the entire economy would benefit from the increase in the direct contribution of NBT.[5]

Rural communities living in Lao forest landscapes can also accrue benefits. This happens through job and enterprise creation in the tourism sector and the integration of communities in tourism value chains.[6] A case study of the impact of tourism in a rural village found that 14.5 percent of the village's salaries and revenues came from NBT.[7] In addition, revenues from NBT can help manage and improve Lao protected area landscapes and create incentives for protecting biodiversity.

This study was commissioned to support the tourism recovery roadmap. Its aims were to: (1) understand the expectations of future visitors from domestic and international source markets to Laos; and (2) identify the actions needed to fill the tourist sector skills gaps left behind in the wake of the pandemic. To gather this information, the study focused on the needs of the short- and long-haul international and domestic markets. This report cautions that the key findings of this study may change. The global tourism sector is in recovery, and tourist demands could fluctuate. In addition, the survey was conducted over a limited period. It may not sufficiently reflect the personas and visitor trends influenced by seasonal visitor movements.

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[3] NBT is a broad term that encompasses a wide range of tourism products. Some products are more desirable and sustainable than others. However, all NBT activities involve natural resources and sometimes aspects of the cultural heritage of the communities dependent on these natural resources. NBT can involve activities such as kayaking, climbing, trekking, mountain biking, ziplining, or just taking in the view. It can also involve educational experiences such as visiting local craft centers, walking through a rural village, eating traditional food, and joining in a religious festival.

[4] To date, there is no specific data collected on revenues from NBT sites in Lao PDR.

[5] The high multiplier effect of tourism on the economy is due to its higher-than-average share of human resources, other inputs to the industry being sourced locally, and a large share of ownership by local people.

[6] Jobs in NBT include tour guides, adventure sports instructors, trail developers, mountain guides, camp operators, transport providers, ecolodge operators, and hospitality staff.

[7] The study involved a village located in the Dong Hua Sao National Protected Areas in Champasack province (World Bank 2019).

Market Analysis

Key Market Takeaways

1. Nature-based tourism is increasingly popular among most tourists coming from Lao key markets.
2. The low service standards of the tourism workforce are a significant market deterrent for many tourists.
3. During COVID-19, the tourism sector lost many qualified and experience tourist workers.
4. Digital technology is the primary way that tourists source information about Laos
5. Laos has six priority markets:
    1. Domestic
    2. Thailand
    3. China
    4. Vietnam
    5. South Korea
    6. United States, Canada, Australia, New Zealand, and Europe (UCANZE).[8]

The study confirmed the importance of NBT to Lao tourist markets but also reiterated that low service standards were a market deterrent. Many interviewed stated that their clients were looking for nature-based activities, and demand for nature-related tourism has risen since the pandemic's end. However, the issue of the sector's low service standards due to lower service skills was also frequently raised. Undoubtedly, it is a market deterrent, with tourists from some markets (such as Thailand) complaining about their experiences. This highlights the importance of understanding market expectations to ensure the sector can respond appropriately.

To obtain market expectations, detailed information about the characteristics of domestic and inbound tourists was gathered. Domestic and inbound tourists were categorized into groups by talking to industry stakeholders and reviewing existing data from the Lao Tourist Marketing Department (TMD). These groupings were based on various criteria, including age, likes and dislikes, and daily expenditure. Both sets of groups can be used to inform sectoral planning and marketing strategy.

[8] United States, Canada, Australia, New Zealand, and Europe (UCANZE) are countries with strong economic and cultural ties to each other. It is not a unified traveling bloc and has smaller arrival numbers. However, it maintains higher spending power per capita (TDD 2019b).

Table ES1. Tourist Characteristics

	Groups	Key Observations
Domestic[9]	1) Retirees 2) Young Adults 3) Expatriates With No Children 4) Couples With Young Children 5) Group Travelers	• NBT was enjoyed by every group • Expatriates with no children were the highest spenders • Couples with young children were the most risk-averse.
Inbound	1) Young Explorers 2) Budget Travelers 3) Worldly Sophisticates 4) Group Tourists 5) Young Nomads	• All groups used social media and the Internet • NBT was an important attraction for all groups • Group tourists were less adventurous • The highest spenders were the Worldly Sophisticates.

Sources: Adapted from TDD 2021; Qualitative sampling of Lao PDR-based interviewees

In terms of numbers, domestic tourism stands out as a significant market. In 2019 (the year before the pandemic), 33 percent of tourism was domestic. However, numbers only tell part of the story. Some tourists have more spending power than others and stay for longer. It is important to consider who these tourists are when deciding how important a market is. According to a 2019 account of previous tourists to Laos, the Tourism Development Department (TDD) determined that the tourists with the most significant economic impact were from Thailand, China, and Vietnam (TDD 2021).[10] It should also be noted that although only 6 percent of tourists came from the United States, Canada, Australia, New Zealand, and Europe (UCANZE) group of countries, this vital market brought in 21 percent of all tourism revenue (TDD 2019b).

To determine what these markets are, the study conducted a market analysis and determined that there were six top markets (see Table ES2). The tourist numbers (both before and during COVID-19) were analyzed for the inbound markets. Each market was also discussed in terms of trends and experiences.

[9] For capturing the number and profile of domestic visitors, the Tourism Development Department (TDD) carries out similar sampled surveys among domestic visitors in different provinces. They determine the total provincial domestic visitor rates and their profile using data from provincial tourism offices, travel industry, hotels (for occupancy rates), and immigration authorities. However, given that it doesn't segregate domestic travelers traveling for visiting friends and relatives or business purposes, the numbers may be overestimated.

[10] The Ministry of Information Culture and Tourism (MoICT) conducts periodic surveys to determine the international and regional visitor profile and estimate daily spend (expenditure). Total visitor spend is estimated by multiplying daily spend by length of stay (days) by total number of visitors. However, it is not clear whether the expenditure figure captures the cost of travel cost such as the airfare paid by the visitor in the source country.

Table ES2. Priority Markets

Key Market	Market Facts	Description
Domestic	• 33% market share (2019) • Travel throughout the year • Short trips	**In 2019, nearly half of all tourist trips were domestic (MoICT 2019).** The market allowed the tourism sector to stay open during the COVID-19 lockdowns and fill important market gaps when it is low season for the inbound markets. Domestic tourists take short trips (usually one to three days). They prefer to drive or fly in groups with friends or family. They enjoy nature but also loud music. They travel all the year round.
Thailand	• 45% market share (2019) • 1.78% pre-COVID growth rate • 96% arrive by land	**Thai tourism is a significant and growing market for Laos.** In 2019, over two million Thais visited Laos and post-COVID this market has recovered the fastest. They usually travel to Lao overland and the new Laos-China Railway has provided a further boost to the market.
China	• 21% market share (2019) • 19.6% pre-COVID growth rate • 79% arrive by land	**China is rapidly recovering from the long COVID-19 lockdown.** Its post-COVID recovery was slow as the country only opened early in 2023. However, in the first quarter of 2023, the third largest number of tourists came from China.[11]
Vietnam	• 19.3% market share (2019) • –3.11% pre-COVID numbers dropped • 97% arrive by land	**Vietnam is also a large and expanding tourism market for Laos**. In 2019, nearly one million tourists from Vietnam visited the country. This market has great potential to grow. However, the difficult travel connections and expensive flights hold the market back.
South Korea	• 4.24% market share (2019) • 18.8% pre-COVID growth rate • 86% arrive by air	**Before COVID-19, South Korea was becoming an increasingly important tourist market for Laos.** In 2014, a South Korean reality television show showcased Laos and in 2015 the number of tourists from South Korea doubled. It is expected that going forward NBT locations, high-end tours, single travel, and family group tours will increase for this market. In addition, tourist offerings that can assure safety and hygiene will also be popular.
UCANZE	• 6.14% market share (2019) • 2.2% pre-COVID growth rate • 66% arrive by air	**This market is vital to the Lao tourism industry because these tourists spend more per capita than other tourists.** They also stay for longer and come more regularly throughout the whole year. Although in 2019 they only represented 6 percent of the market, they brought in over 21 percent of tourist revenue. However, Laos is not well-promoted and there are no direct flights. More needs to be done to attract tourists from these countries.

Sources: Adapted from TDD 2021; Qualitative sampling of Laos-based interviewees

[11] See latest figures from the Ministry of Information, Culture, and Tourism (MoICT): https://www.tourismlaos.org/2023/05/16/laos-attracts-over-800000-tourists-in-first-quarter-of-2023/

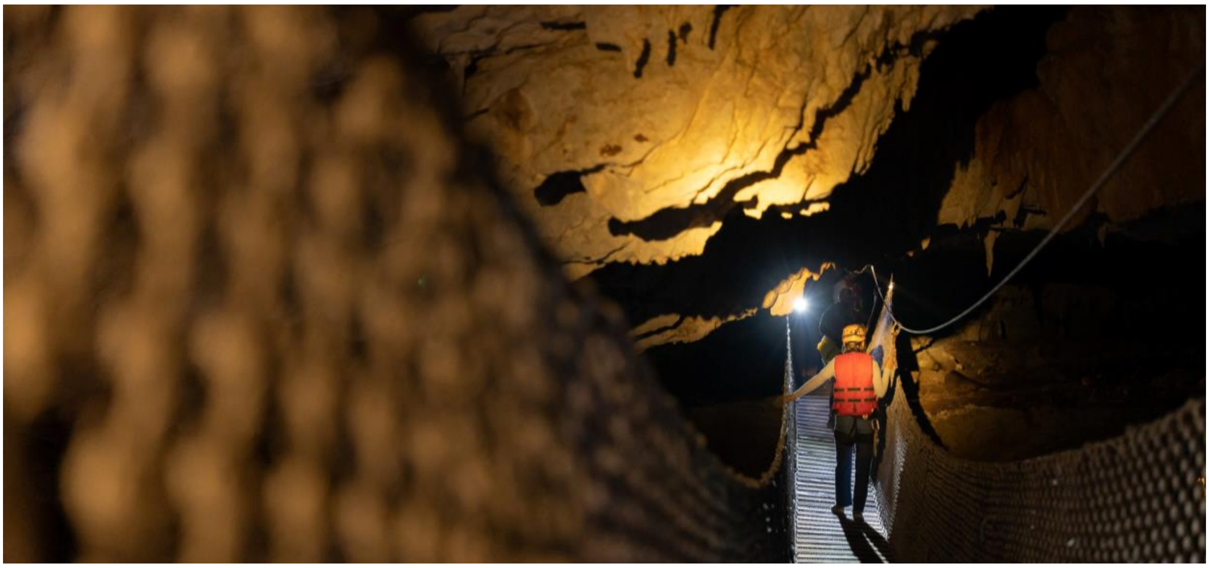
Priorities for Lao Tourism Sector in Post-COVID 19 Recovery

While the research identified a wide range of issues faced by the tourist sector, three key areas for focus were identified: (1) market monitoring; (2) investing in skills development; and (3) targeted tourism marketing and promotion. Within those three areas, there are eight actions needed to respond effectively to the demands of post-COVID tourism in Laos:

1) Conduct surveys to collect statistics on: (1) demand; (2) supply; and (3) social and environmental impact.
2) Digitize the data collection process.
3) Develop and implement general hospitality training courses that address sector needs and build workforce capacity.
4) Improve the ability of the hospitality industry to communicate with its customers.
5) Restart and expand the Chinese tourism market training program to ensure the workforce has the knowledge it needs to cater for the growing Chinese tourism market.
6) Focus marketing campaigns on the six priority markets.
7) Focus marketing campaigns on NBT activities.
8) Increase the use of social media and the Internet in marketing campaigns.

Blue Lagoon 2 – Ang Luang, Vang Vieng, Vientiane Province
Photo by: Souksavanh Sombounkhanh

INTRODUCTION



Tam Nang Rong Cave , The Rock View Point, Khammouane Province / World Bank
Photo by: The Rock View Point

1.1 Reasons for a Market Analysis

In 2020, the global tourism sector was hit by the unexpected arrival of the COVID-19 virus. In response to the spread of the virus, many borders were closed, and flights were canceled. In the first three months alone, the number of international tourists dropped by 67 million globally (MoICT 2021). The impact was so high that in 2022 it was predicted that it would take until 2024 for the tourism sector globally to recover fully.[12]

The collapse of the global tourism market devastated the tourism industry in Lao People's Democratic Republic. Almost overnight, overseas tourists stopped coming. According to the Tourism Development Department (TDD) (2020), the number of tourists in 2020 fell by more than 80 percent compared to the previous year. In addition, in 2020, the economy contracted by 0.5 percent, and the unprecedented reduction in tourist activity caused a marked 51.9 percent contraction in employment in the sector (MoES 2021).

This massive economic shock had many impacts on the Lao tourism industry. Large numbers of jobs were lost, and investment slowed. During May 2020, surveys of tourism enterprises in Laos showed that half of those surveyed had temporarily closed, over 70 percent had laid off staff, and those who served the international industry had suffered the most (Takashi et al 2020).

[12] See article dated Jan 25, 2022 from the World Economic Forum (WEF): https://www.weforum.org/agenda/2022/01/global-travel-tourism-pandemic-covid-19/

Since 2022, COVID-19 restrictions have been relaxed worldwide, and there is a growing understanding that COVID-19 is a manageable part of daily life. As a result, the Lao tourism sector is rapidly recovering. In response, the government of Laos is implementing the Laos Tourism Recovery Roadmap 2021-2025 with the development of nature-based tourism (NBT) as a key priority. It also aligns with the National Green Growth Strategy's cross-cutting areas of rural development, poverty reduction, and environmental protection. However, one of the biggest challenges that the country faces is a lack of robust market intelligence regarding the changing nature of the international tourism industry in the post-COVID era, including shifts in the priorities and preferences of Lao key tourism source markets.

The government's focus on NBT is strategic for the country's green and inclusive growth and COVID-19 recovery. Approximately 60 percent of Laos is forested, a fifth of the country's landmass is in protected areas, and the country boasts a range of internationally important biodiversity sites. Laos can leverage its biodiversity and beautiful landscapes as a tourism asset by offering various nature-based to soft adventure tourism activities, products, and itineraries. These include trekking, hiking, camping, and high-end eco resorts. It was estimated by the World Bank in 2019 that with the right investments and policies to improve the enabling environment for NBT the direct contribution of NBT could be as much as 8.4 percent over the next ten years (World Bank 2019).[13]

The high multiplier effect of tourism (3.28) on the economy means that the entire economy would benefit from the increase in direct contribution of NBT.[14] Benefits can also accrue to rural communities living in Lao forest landscapes through job and enterprise creation in the tourism sector and integration of communities in tourism value chains. [15] A case study of the impact of tourism in a rural village found that 14.5 percent of the village's salaries and revenues came from NBT.[16] NBT revenues can also help manage and improve Lao Protected Area landscapes and create incentives for protecting biodiversity.

A demand-driven offering ensures that the market gets the product it requires, which in turn encourages further demand. Understanding what the market demands and developing tourism offers and experiences are essential to ensure that destination products meet specific customer needs and preferences. Resources can be allocated more effectively by focusing on products that are in high demand or have the potential to generate significant sales. This reduces the risk of investing in tourism products and offerings that need to be in touch with market trends. It also will ensure improved development outcomes for marginalized communities (World Bank 2018).[17]

[13] To date, there is no specific data collected on revenues from NBT sites in Laos.

[14] The high multiplier effect of tourism on the economy is due to its higher-than-average share of human resources, other inputs to the industry being sourced locally, and a large share of ownership by local people.

[15] Jobs in NBT include tour guides, adventure sports instructors, trail developers, mountain guides, camp operators, transport providers, ecolodge operators, and hospitality staff.

[16] The study involved a village located in the Dong Hua Sao National Protected Areas in Champasack province (World Bank 2019).

[17] See World Bank press release released May 2022 on new tourism project in Cape Verde with a demand-driven approach to its outcomes: https://www.worldbank.org/en/news/press-release/2022/05/31/afw-world-bank-supports-economic-recovery-through-resilient-tourism-and-blue-economy-investments-in-cabo-verde

1.2 This Study

Following consultations with the Ministry of Information, Culture and Tourism (MoICT), a study was commissioned to support the tourism recovery roadmap. There was a strong need to: (1) understand the priorities and preferences of future visitors from domestic and international source markets to Laos; and (2) identify the training interventions needed to address specific obstacles, especially in relation to NBT offerings (see Box 1). To gather this information, the study focused on identifying the needs of the short- and long-haul international and domestic markets.

This study is part of the World Bank's support to the government to develop the tourism sector. The findings contained in this report are relevant to inform the government as it implements the Ministry of Agriculture and Forestry's (MAF) Lao Landscapes and Livelihoods Project 2021-2027.[18]

The team cautions there is a possibility that the study's key findings may change due to fluctuating tourist demands. The global tourism sector, including Laos, is in recovery. In the first quarter (Q1) of 2023, global tourism was already at 80 percent of 2019 levels (World Bank 2023). It is important that the Lao tourism industry closely monitors the tourism market to be fully prepared for potential market developments.

Box 1: Developing NBT as a Strategic Sector for Green Growth in Laos

What is Nature-Based Tourism (NBT)

Nature-based tourism (NBT) is a broad term that encompasses a wide range of tourism products. *Some products are more desirable and sustainable than others. However, all NBT activities involve natural resources and sometimes aspects of the cultural heritage of the communities dependent on these natural resources. NBT can involve activities such as kayaking, climbing, trekking, mountain biking, ziplining, or just taking in the view. It can also involve educational experiences such as visiting local craft centers, walking through a rural village, eating traditional food, and joining in a religious festival.*

NBT and Laos

Lao's rich natural resources have a lot to offer NBT and the general tourism industry. *Most of Lao tourism is based on these natural resources. Approximately 60 percent of Laos is forested, and a fifth of the country's landmass is in a protected area (World Bank 2019). In addition, compared to its neighbors, its ecosystems are more intact than those of its neighbors.*[19] *The country also boasts a range of internationally important biodiversity sites. Those that hold the most potential for Lao tourism industry include: (1) areas of wet evergreen forest; (2) Indochina karst—limestone rock formations such as those in Khammouan province (Key Biodiversity Areas Partnership 2023); and (3) montane forests such as those in those in the Greater Annamites (World Bank 2019). In addition, much of the Mekong River flows through Laos, offering a range of water-based activities and site-seeing opportunities.*

[18] The Lao Landscapes and Livelihoods project supports the development of nature-based tourism (NBT) by: (1) strengthening policies and regulations for NBT in protected areas; (2) strengthening the management of protected areas; (3) providing finance for NBT development; and (4) investing in skills-building in communities interested in NBT.

[19] See: https://www.iucn.org/our-work/region/asia/countries/lao-pdr

The country's well-conserved landscapes and community cultural heritage provide tourism with the economic potential to overtake other industries in terms of foreign currency earnings and rural employment. This economic opportunity can contribute to green growth, socially and environmentally sustainable development, and help eradicate poverty.

Fostering the growth of the NBT sector is one of the highest priorities of the Lao tourism industry. *The tourism industry, including the crucial NBT sector, contributes to green growth, sustainable development, and poverty eradication while providing critical livelihoods to rural and isolated households. For this reason, it is an integral part of Lao 2030 National Green Growth Strategy*[20] *and its Five-Year National Socio-Economic Development Plan (The Government of the Lao PDR 2018; The Government of the Lao PDR 2021). It is also an essential component of the Ministry of Agriculture and Forestry's Lao Landscapes and Livelihoods Project 2021-2027.* [21]

Developing NBT as a Green Growth Strategic Sector

In 2019, the World Bank published a synthesis report on NBT in Laos (World Bank 2019). *The report identified that the Laos has a significant opportunity to develop its tourism sector, particularly NBT, and achieve greener economic growth and job creation. The report estimated that tourism can grow to about 10 percent of gross domestic product with the right investments and reforms. The report identified that Laos benefits from a large regional market for tourism, with Asia experiencing a notable growth rate in tourism, driven by countries like China and Thailand. The millennial market, which has a significant share of global travelers, including a high proportion of female travelers, represents an important target market for Laos. Emphasizing greener forms of growth, the report placed its focus on regional markets that can offer long-term economic sustainability as regional incomes rise. But to tap the market the report recommends focusing on creating a favorable business environment for tourism-related investments in Laos by addressing various barriers, simplifying business registration, and licensing processes, removing restrictions on foreign direct investment, improving inter-ministerial coordination, and establishing clear regulations and incentives for tourism concessions in protected areas.*

Source: World Bank 2019

[20] See: https://www.greengrowthknowledge.org/national-documents/national-green-growth-strategy-lao-pdr-till-2030

[21] See World Bank press release: https://www.worldbank.org/en/news/press-release/2021/08/05/lao-landscapes-and-livelihoods-project-launched-to-generate-jobs-and-income-in-rural-laos

1.3 Survey and Data Collection

The study examined secondary and primary data. During November and December 2022, it reviewed secondary data related to tourism, including project documents, policies, current events articles, and scholarly research. During January and February 2023, primary data was collected through semi-structured interviews with diverse tourism stakeholders, using a purposive sampling strategy[22] to obtain multiple perspectives. The data was then further reviewed through a consultation meeting with MoICT, MAF, and some private sector tourism stakeholders. While the study did not focus in-depth on any one source market, the goal was to understand wider trends within the key source markets applicable to the Lao tourism sector. For more information about the methodology and the surveys used in this study, see Annex 1 and Annex 2.

It is important to note that the scope of this study was limited. This report does not provide a comprehensive analysis of the impacts of the COVID-19 pandemic on the tourism sector in Laos.

Top Left: Cross river ferry
Photo by: Arturo Bolondi

Bottom Left: Lao – China Train
Photo by: Phoonsab Thevongsa

Top Right: Tourists in Blue Lagoon 2, Vang Vieng
Photo by: Souksavanh Sombounkhanh

Bottom: Heuan Chan Heritage, Luang Prabang.
Photo by: Kaysone Vongthavilay

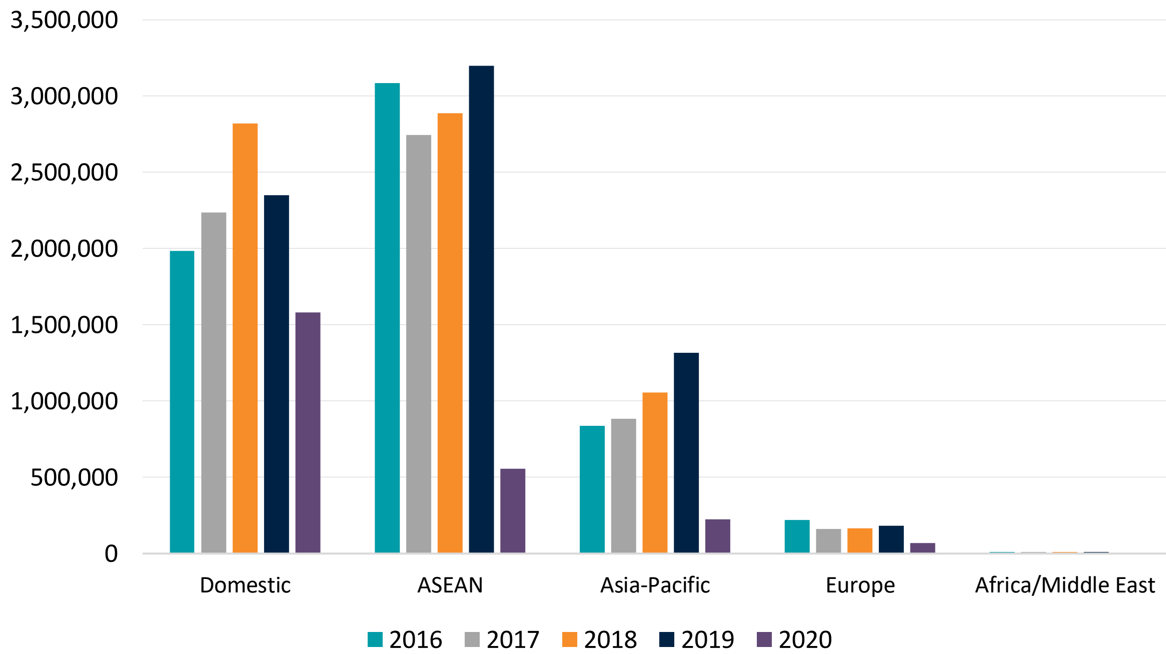
[22] See: https://research-methodology.net/sampling-in-primary-data-collection/purposive-sampling/

1.4 Before and After COVID-19—Tourist Numbers and Trends

Before COVID-19—Tourism Markets on the Rise

Before COVID-19, Lao tourism markets were steadily rising, especially tourists from the Association of Southeast Asian Nations (ASEAN) and the Asia-Pacific region (see Figure 1). Between 2016 and 2018, domestic tourism rose from nearly 2 million in 2016 to nearly 3 million by 2018. There was a slight drop to just under 2.5 million in 2019, but by 2020 the number of domestic tourists had reduced significantly to just over 1.5 million. Inbound tourists (from both regional and international markets) were also rising before COVID-19. For more information on pre-COVID tourism statistics, see Annex 4.

Figure 1. Domestic and Inbound Tourist Numbers—2016 to 2020



Source: TDD 2020

Notes on Figure:

1. *TDD counts tourist numbers using these five regional categories. However, numbers are also broken down by country. This assessment used those country data to identify and assess the top markets.*
2. *For capturing the number and profile of domestic visitors, the TDD carries out similar sampled surveys among domestic visitors in different provinces. Together with provincial tourism offices, travel industry and hotels (for occupancy rates) and immigration authorities, the total domestic visitor and their profile by province is determined. However, given that it does not segregate domestic travelers traveling for visiting friends and relatives or business purposes, the numbers may be overestimated.*
3. *Asia-Pacific countries are not included in the ASEAN grouping.*

During COVID-19—Market Supported by Domestic Tourism

During the pandemic, domestic tourism had enough turnover to keep the Lao tourism economy open (MoICT 2021). Before the pandemic, Laos was heavily reliant on international tourism. However, domestic tourists were the only tourists available to the industry during the travel bans. Taskashi et al (2020) found that a larger share (69 percent) of tourism enterprises that targeted the domestic market remained open in May 2020, compared to just 30 percent of enterprises that targeted international guests.

Aside from periodic movement restrictions, the pandemic did not greatly affect the traveling patterns of the domestic tourism market in Laos. Many people who wanted to travel had no option but to explore destinations closer to home; this trend was seen in many tourism markets. It was this *proximity tourism* that kept the country's tourism industry alive. (See Box 2 and Annex 5: COVID-19 Tourist Behaviors for more information).

Box 2. COVID-19 Tourist Expectations and Behaviors

During the COVID-19 pandemic, changes were seen in the behavior and expectations of tourists. *These four important tourism dimensions may become less important now that international tourism has resumed. However, aspects of these behaviors may still affect post-COVID tourist expectations, and it is useful for the industry to be aware of them. There were four main trends identified: (1) proximity tourism; (2) health security; (3) pandemic fatigue; and (4) revenge spending.*

Proximity Tourism

The desire to explore tourist destinations closer to home (also known as staycation). The behavior existed before the pandemic but because of travel restrictions, more people reviewed their travel expectations and local tourism increased accordingly.

Health Security

A heightened awareness of health risks, healthcare infrastructure capacity, and travel insurance. This results in an increase in concerns about health issues and a higher demand for greater cleanliness and hygiene.

Pandemic Fatigue

The mental and emotional exhaustion experienced by individuals brought on by a prolonged pandemic, its associated restrictions, and the constant need to adapt to new health and safety measures.

Revenge Spending

Excessive spending on travel experiences to compensate for lost time and opportunities caused by the experience of the pandemic and driven by a desire for normalcy (Kawaf et al 2021).

The importance of the domestic market during this period is acknowledged in the COVID-19 recovery roadmap (MoICT 2021). It points out that the buying capacity of domestic tourists is more limited than the inbound market. Nonetheless, the market is important as it is crucial in filling market gaps during inbound low season periods. In response, Strategic Priority 4 in the roadmap is aimed at supporting the local tourism businesses by providing the intelligence needed to cater more effectively to the domestic market (MoICT 2021).

Forest trail in Kuang Si Waterfall, Luang Prabang
Photo by: Phitsamai Chanthaboury

After COVID-19—Tourists Returning

The signs are that tourists are now returning. In the first quarter of 2023, Laos received over 800,000 inbound tourists.[23] Over 600,000 of these tourists came from regional countries that border Laos (that is Thailand, Vietnam, and China). In addition, over 40 percent of these tourists were from Thailand (344,405).

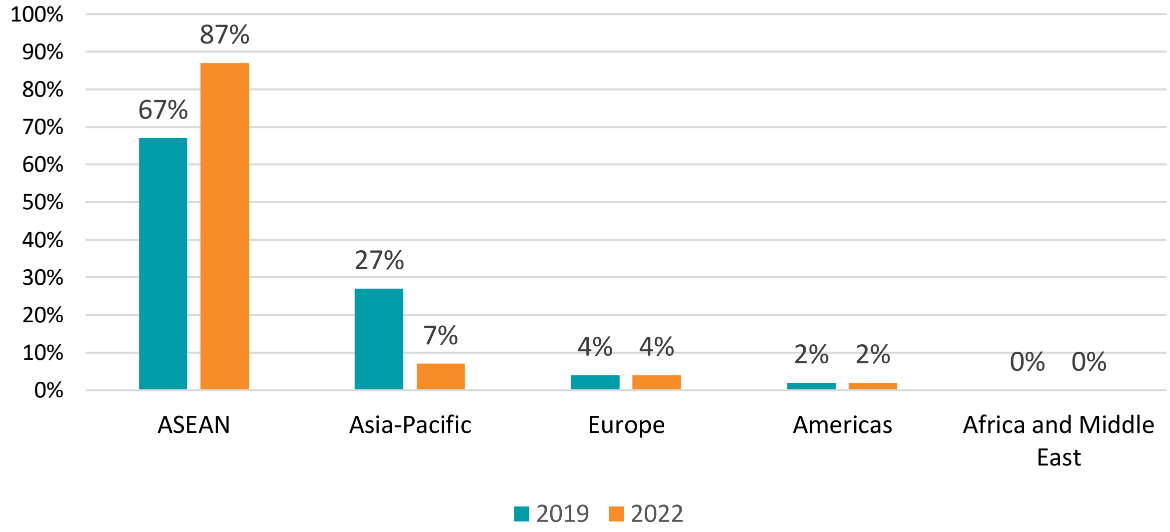
However, numbers are not yet reached 2019 levels. Several potential factors might explain these lower post-COVID figures:

- Laos only reopened in May 2022—a fact that was only minimally publicized internationally.
- Before January 2023, zero-COVID policies in China had prevented most Chinese tourists from leaving their country and visiting Laos.
- Some markets (such as China) may still be affected by mass health campaigns during COVID-19, prioritizing personal health and safety concerns and influencing people to postpone their pent-up travel plans.
- Lastly, the worldwide economic recession and inflation have negatively impacted the disposable incomes of many people. Although this hypothesis is contradicted by recent research from the World Travel Tourism Council (WTTC) that suggests that despite the cost of living concerns, more than 30 percent of international travelers said they intend to spend more money than they did in 2022 on travel (WTTC 2023b).

One noticeable recent trend was the increase in the percentage of tourists from the ASEAN region. The research was provided with unofficial data provided by the TDD. This showed that between 2019 and 2022 ASEAN tourists had increased from 67 percent to 87 percent—a rise of 20 percent (Figure 2).

[23] These data were reported in May 2023 by the Tourism Lao website which is run by TMD. See: https://www.tourismlaos.org/2023/05/16/laos-attracts-over-800000-tourists-in-first-quarter-of-2023/

Figure 2. Change in Tourist Arrivals Between 2019 and 2022



Source: TDD 2019b and unofficial figures provided by TDD in 2023.

Thailand and Vietnam contributed the most to this rise of ASEAN tourists. By December 2022, the number of tourists from Thailand had reached 33 percent of pre-COVID numbers. Tourism from Vietnam had reached more than 38 percent. When 2019 and 2022 figures are placed side by side, it is possible to understand the pace of recovery for key Lao Markets (see Table 3).

Table 3. Tourism Recovery Rate 2019 Compared to 2022

Nationality	2019	2022	Recovery Rate 2022 vs. 2019 (%)
Thailand	2,160,300	731,754	33.87%
China	1,022,727	45,249	4.42%
Vietnam	924,875	360,045	38.93%
South Korea	203,191	26,008	12.80%
UCANZE[24]	285,237	75,515	26.47%
Others	194,735	55,794	28.65%
Total Arrivals	4,791,065	1,294,365	27.02%

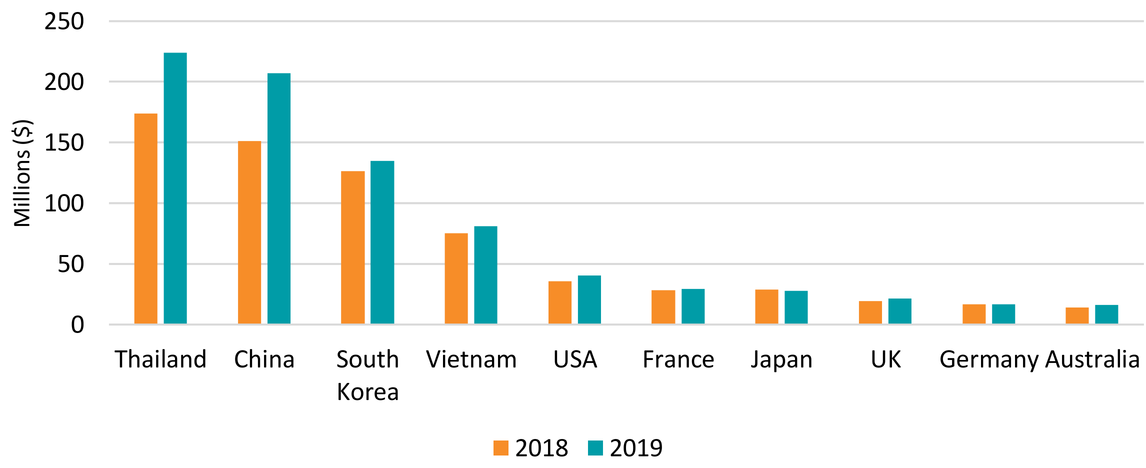
Source: TDD 2023 in discussion with researcher

[24] United States, Canada, Australia, New Zealand, and Europe (UCANZE) are countries with strong economic and cultural ties to each other. It is not a unified traveling bloc and has smaller arrival numbers. However, it maintains higher spending power per capita (TDD 2019b).

High Economic Impact Markets

Tourist numbers alone only tell part of the story, as some tourists spend more money and stay longer. By analyzing numbers and expenditure, it is possible to understand better the tourists who warrant more attention because they have a greater impact on the economy. Based on a 2019 account of previous tourists to Laos, TDD determined that the highest inbound sources of tourism revenue came from Thailand, China, and Vietnam (TDD 2021).[25] Figure 3 shows top sources of Lao tourism revenue and the changing revenue patterns pre-COVID.[26] One noticeable trend in just one year was the rise in revenue from Thai and Chinese tourists.

Figure 3. Top 10 Highest Inbound Sources of Tourism Revenue—2018 and 2019 ($ Million)



Source: TDD 2019[27]

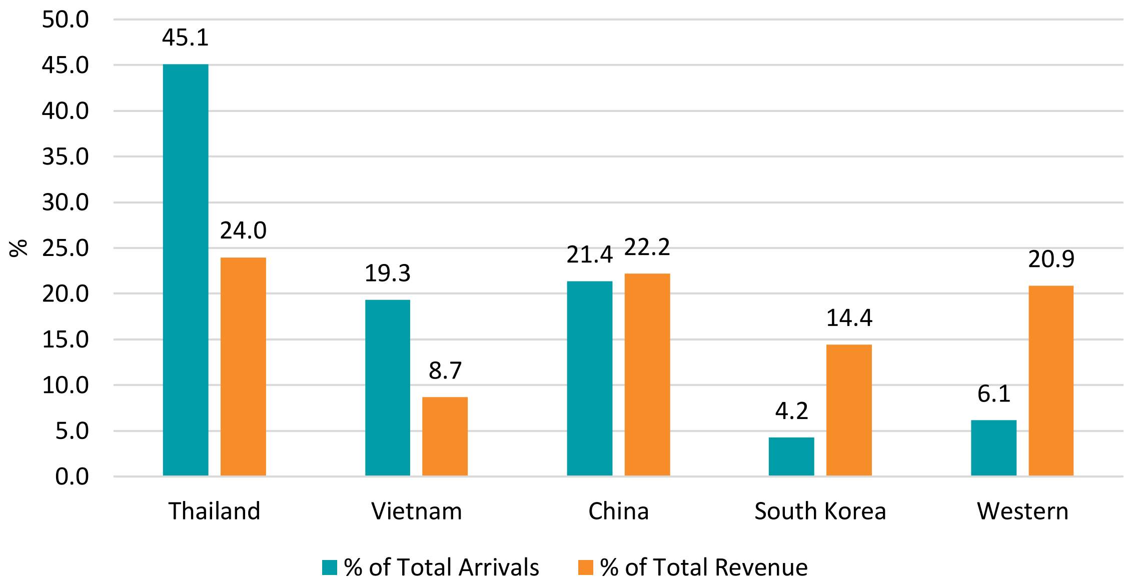
TDD also calculates tourist economic impact by number of tourists, daily expenditure, and the average length of stay. This data places China and UCANZE markets as having the biggest economic impact (see Figure 4). In the case of the UCANZE group of countries, while only 6 percent of tourists came from that market, they brought in 21 percent of all tourism revenue (TDD 2019b).

[25] The MoICT conducts periodic surveys to determine the international and regional visitor profile and estimate daily spend (expenditure). Total visitor spend is estimated by multiplying daily spend by length of stay (days) by total number of visitors. However, it is not clear whether the expenditure figure captures the travel cost, for example the airfare paid by the visitor in the source country.

[26] These totals include both border passes and passport holders.

[27] Due to the closure of the country during COVID-19, data for 2020-2021 is inconclusive. Data for 2022 has not yet been released.

Figure 4. Total Inbound Arrivals Vs. Total Revenue 2019 (%)



Source: TDD 2019

However, there is room to improve the accuracy of tourism statistics. The domestic visitor numbers in the Lao tourism statistics seem to capture the visiting friends and relatives and business traveler segments, which may need to be discounted from the other domestic tourist segments. The visitor expenditure per person coefficient and the same average length of stay coefficient are used for all non-regional nationalities. This is not the reality based on feedback collected through the interviews. In addition, the system is not digitized, and it takes too long for the data to be available.

It is also crucial to distinguish between the types of travel documents tourists use to enter the country. Laos permits travelers from nations with shared borders to enter the country using a temporary border pass. Border pass holders must remain in the province of entry and are frequently cross-border traders or day travelers. However, regional tourists can enter the country with passports, giving them more freedom to move around. This can skew the data collected as passport holders spend more money and stay longer in the country. The data shows that although border pass holders make up nearly 22 percent of arrivals, they generate just over 2 percent of tourism revenue, as their stay is restricted to only several days (TDD 2019b).

Pha That Luang, Vientiane.
Photo by: Kaysone Vongthavilay

Patuxay, Vientiane..
Photo by: Kaysone Vongthavilay

MARKET ANALYSIS

2.1 Key Observations

NBT has Become Increasingly Important

The importance of NBT for the Laos tourism industry is recognized by the tourism industry, and those interviewed for this research. According to Skift Research (2022) sustainable tourism should now be a permanent fixture rather than just a trend, with over 50 percent of consumers looking for sustainable travel options. In addition, many of those interviewed for this survey confirmed that since the pandemic, nature was more important for their clients (Box 3).

Box 3. Interviewees Confirmed an Increasing Demand for NBT

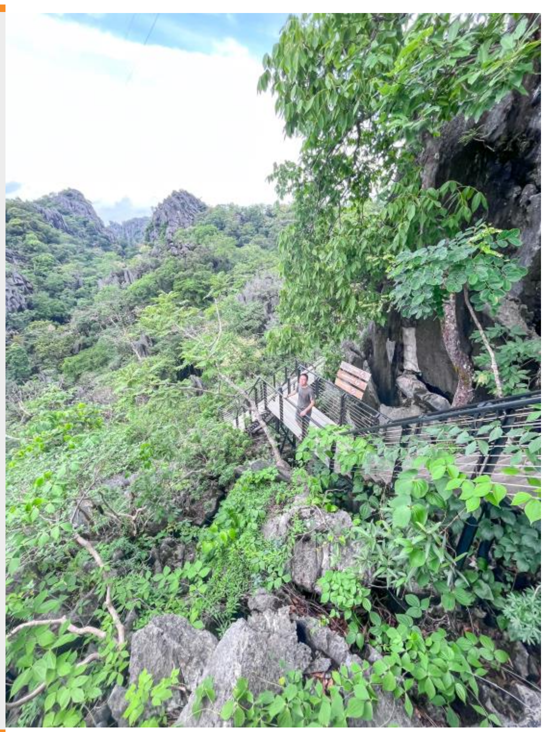
"Trends are looking for the experience, capture the photo, get close to nature and the local rural life". (Hotel in Vang Vieng)

"Laos is popular because it is near, and some people want to revisit it after Covid. They want to go to nature and culture".

"The younger tourists are looking for nature-based options, those with some money and time. They go to The Rock at Phou Phamarn and Nam Kat".

"In the past, not as much (more cultural/historical). But now, there is a lot more interest in natural travel (maybe 30%)".

"Among younger Chinese consumers (Gen Zs especially), climate impact, sustainability, waste management, resource, and wildlife preservation are emerging issues of both conscience and behavior."



The Rock View Point, Khammouane Province
Photo by: Souksavanh Sombounkhanh

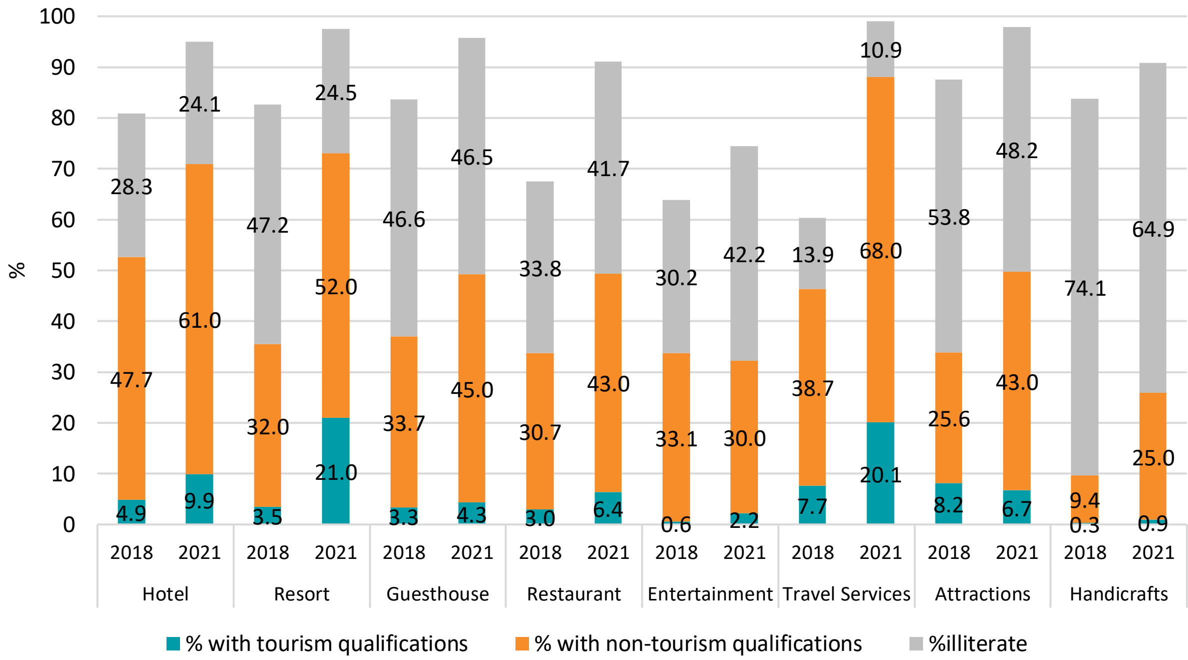
Source: Feedback from survey respondents and in discussion with the researcher

Low Service Standards are a Market Deterrent

Laos, like many developing countries, possesses a wealth of natural and cultural assets that have the potential to attract tourists from all over the world. However, to realize this potential, the tourism industry requires a skilled and trained workforce that can cater to the specific demands of the sector. Unfortunately, there is often a mismatch between the level of skills in local communities and the high-skill, labor-related demands of the tourism industry.

Before the COVID-19 pandemic, skills development in Lao tourism workforce was growing (see Figure 5). Data from research carried out in 2020 by the Ministry of Education and Sports (MoES) confirmed that: (1) the proportion of employed tourism workers holding formal qualifications (such as certificates, diplomas, and degrees) increased from 30 percent in 2018 to 51 percent in 2020; (2) the proportion with tourism and hospitality-specific qualifications doubled from 3.1 percent in 2018 to 6.7 percent in 2021; and (3) the illiteracy rate in the tourism and hospitality sector decreased from 49.3 to 42 percent between 2018 and 2020 (MoES 2021).

Figure 5. Tourism and Hospitality Staff Qualifications by Sector—2018 and 2021



Sources: MoES 2018; MoES 2021

Without a sufficient pool of appropriately skilled labor, developing the Lao tourism sector is impossible. To meet market demand, attract investment, and sustain growth, it is crucial to address any shortfalls in the availability of local skilled labor. This can be achieved in the short term by accessing labor from elsewhere. In the medium-to long-term, it will need suitable skills to be developed locally.

1. **Many of those interviewed confirmed low service standards were an issue (see Box 4).** Examples included: (1) lack of reception skills; (2) hygiene and cleanliness; (3) inability to understand and speak important languages (such as English, Chinese, and Korean); (4) general hospitality skills (such as folding towels); and (5) a lack of trained tour guides.

Box 4. Interviewee Feedback on Service Standards and Lack of Skills

“Except for Luang Prabang, services skills are limited everywhere”….“English, Chinese, Korean, and other European languages are needed. Service skills training also lacking.”

“Outside of Vientiane, there are hygiene and cleanliness concerns when they don’t stay at branded hotels. Safety issues too. Fire safety is not really focused on – a training gap”.

“Post COVID-19 most clients are understanding and forgiving and overall, very positive, but we are very careful in what properties/experiences we offer. I think lower down the scale for hotels the situation is worse, and we’ve had to ‘blacklist’ several properties due to the service levels being far below our expectations.”

“We need more guides in all Western languages if we want to respond to the demand we may face in 2023-2024”.

“Not enough Chinese guides”.

Vang Vieng
Photo by: Phoonsab Thevongsa

Source: Feedback from survey respondents and in discussion with researcher

Tourism Sector Workforce has Contracted

The same research survey on tourism and hospitality skills found that during the pandemic, employment in the sector contracted by 64 percent (MoES 2021). The survey, conducted in June 2021, estimated that employment in the sector would not return to 2019 levels until 2025 (MoES 2021). As of April 2022, employment in the sector was about 68 percent of 2019 levels (LAOSIS 2023). This lack of employment in the sector resulted in a large exodus of talent. Hospitality workers found jobs in other industries, and in May 2022, when the borders reopened, the situation deteriorated further. Thailand was facing similar staffing vacancies, and many hospitality workers from Laos were lured to Thailand to pursue higher-paid hospitality positions (see Box 5).

Box 5. Interviewee Feedback on Labor Migration

> *"Currently, the mass transition of Lao labor force to seek jobs in neighboring countries makes it very difficult to rebound to the pre-COVID service standards. In particular, the Food and Beverage departments are slim. No chefs available".*

Source: Feedback from survey respondents and in discussion with researcher

The situation is unlikely to improve as the demand for workers from higher labor wage markets exists, especially in Thailand. Thailand is the destination country for most migrant workers from Laos because of its proximity, and the minimum monthly wage is about three times higher in Thailand than in Laos (World Bank 2023). As Thailand ended all COVID-19-related entry restrictions in October 2022, many migrant workers who returned to Laos during the pandemic returned to Thailand for work (International Labour Organization 2023). However, not everyone will leave Laos, and equipping them with the skills they need to receive a higher wage is better. In addition, the tourism industry needs higher-skilled labor to compete with its neighboring tourism markets.

Digital Technology is Increasingly Important for the Tourism Sector

In Laos, the use of social media is increasing. In 2023, 62 percent of the population use the Internet and over 68 percent of Lao population is exposed to Facebook advertisements.[28] The use of social media is also on the rise worldwide. Engaging with social media through passive news feed scrolling exposes users to algorithmically selected travel-related content.

Apart from the coordinated *Lao Thiao Lao* domestic tourism campaign, travel content in Laos is mainly produced by a handful of volunteer travel bloggers. These travelers have the necessary equipment (such as cameras, laptops, and drones) to write, edit, take photos, and create videos. Their blogs and articles earn them large followings on social media. They are primarily self-funded but sometimes collect advertising fees from sponsors. Their power to influence should not be underestimated. It has been shown that bloggers play an important role in encouraging tourists to visit a destination (Estelle 2021).

Facebook is the go-to platform for consumers to interact with businesses directly. When a payment needs to be made, the transaction moves to WhatsApp or happens on Facebook Messenger. A small number of urban and wealthy consumers use Instagram due to its focus on photographs with less discussion or link sharing. An unknown percentage of people are exploring new content on TikTok.

[28] For DataReportal's 2023 report on Digital 2023: Laos see: https://datareportal.com/reports/digital-2023-laos

Expatriates and educated Lao people use more than just social media. They often see and post travel content on social networking sites. However, they also supplement their information intake from the wider web, especially Google, leading them to travel websites.

Market operators interviewed considered social media and the Internet their main marketing tools. They stated that social media was the most effective way to attract customers and that their customers learned about Laos through social media and word of mouth. Social media and the Internet were mentioned multiple times as being important (see Box 6).

Box 6. Social Media and Online Research is a Big Factor

> *"Social media is a big factor. They see interesting places to go on Facebook and Instagram."*
>
> *"Social media is very important today…a vital source of information [as are] websites with content."*
>
> *"One of the main motivations for travelling is gaining social capital by doing interesting things and telling friends about it during and after the trip via Social Media."*
>
> *"Being influenced by family and friends' travels, as well as social media, are big drivers for inspiration and learning about destinations."*
>
> *"The primary sources of learning about destinations are personal research online, social media and short-video apps, recommendations and advocacy from friends, family, overseas students, and influencers. Young Chinese especially have spent a lot of time online researching the destinations they want to visit."*

Source: Feedback from survey respondents and in discussion with researcher

2.2 Tourist Characteristics

Domestic Market

Research conducted in 2020 by the TMD employing interviews and ethnographic data uncovered some insight into the domestic market by identifying five types of domestic tourists in Laos (TMD 2021)[29]. The narrative accounts were drawn from actual groups. However, these groups should be viewed as snapshots of behavior rather than exclusive representations of the segments from which they are drawn. These behaviors may cut across age, gender, provincial, and even ethnic and national lines. In addition, TDD's

[29] The study, conducted during the pandemic in 2020, aimed "*to strike a balance between breadth and depth... using a combination of semi-structured interviews coupled with ethnographic techniques such as participant observation." The personas, therefore, were derived based on qualitative rather than statistical processes*." (TMD 2021)

research was conducted during COVID-19, and some aspects of these tourist groups may have subsequently changed. The estimated daily spend per capita was drawn from survey data. See Table 4 for a description of these groups.

Table 4. Five Domestic Tourist Groups[30]

Groups	Name	Age	Estimated Daily Spend per Capita	Description
Group A	Retirees	60 to 70	$4.5	This group enjoys travelling to well-known locations, exploring natural attractions, outdoor activities, religious and seasonal events, and trips to see families and friends.
Group B	Young Adults	25 to 40	$90	This group is wealthy and privileged. Young adults enjoy luxury, NBT with exclusive and adventurous options. Having a good time is one of their main motivations and they appreciate good quality service and exclusivity.
Group C	Expatriates With No Children	32 to 40	$108	These travelers are well-researched and tend to make bookings in advance. They enjoy outdoor activities and cultural experiences, especially those that involve Lao natural beauty. The group is digitally fluent and has the power to influence potential tourists from around the world.
Group D	Couples With Young Children	30 to 45	$58	Safety, comfort, and having fun are important to this group, as are NBT activities. Couples with young children prefer low-risk activities and are willing to spend money if they consider the NBT activities to be safe. They prefer to travel outside their home provinces.
Group E	Group Travelers	25 to 45	$26	These travelers are low- to middle-income. They especially enjoy making short trips to nearby NBT attractions close to where they live or in neighboring provinces. They travel in small groups, bring their own food, use their own vehicles, and choose budget accommodation. They are relatively new to traveling and have limited awareness of travel etiquette.

Sources: Adapted from TMD 2021b; Qualitative sampling of Lao PDR-based interviewees

30 This information, and in each persona group below, is an averaged qualitative sampling collected across Lao PDR-based interviewees in this study. It is based on an aggregate of the participants' personal, but informed estimates based on industry experience.

Inbound (International) Market

Existing research by the MoICT (TDD 2021) points to five different types of tourists coming to Laos from outside the country. These groups do not represent people from specific tourist markets, but they provide a framework for understanding the wants and needs of various segments. See Table 5 for a description of these groups.

Table 5. Five Inbound Tourist Groups

Groups	Name	Age	Estimated Daily Spend per Capita	Description
Group A	**Young Explorers**	20 to 40	$60	This group is middle-income. They mostly come from cities and enjoy travelling alone or with close friends. Social media is important to them, and they seek out picturesque landscapes and NBT activities to share on social media.
Group B	**Budget Travelers**	25 to 45	$36	This group is low- to middle-income. They prefer budget accommodation, self-catering, and joining group excursions to save costs. They will travel with friends if it helps reduce expenses. English language levels are moderate.
Group C	**Worldly Sophisticates**	40 to 70	$140	This group is upper- to middle-income and affluent. They have professional careers and families. They travel for work and for leisure. They often opt for high-end resorts and ecotourism and are fully digitally literate.
Group D	**Group Tourists**	45 to 65	$47	This group is low- to middle-income. They are less adventurous than other groups and choose trips with pre-arranged itineraries and a group leader due to language barriers. They use travel agents but will also check social media and websites in their home languages for reviews.
Group E	**Young Nomads**	18 to 30	$21	This group is low- to middle-income. They usually travel for a long period, on a budget, and independently. They enjoy participating in NBT activities like trekking, ziplining, and watersports. They also like to travel to remote non-touristy areas, are keen on homestays, and use social media and the Internet for reviews.

Sources: Adapted from TDD 2021; Qualitative sampling of Lao PDR-based interviewees

2.3 Six Priority Tourism Markets

Desk research and talking to industry stakeholders helped identify the six most important Lao tourism markets. The analysis considered tourist numbers, market opinions, and an estimate of tourist expenditure. The six markets are: (1) Domestic; (2) Thailand; (3) China; (4) Vietnam; (5) South Korea; and (6) UCANZE. These markets are not listed in order of size or importance. UCANZE includes countries with strong economic and cultural ties to each other. It is not a unified traveling bloc and has smaller arrival numbers. However, it maintains higher spending power per capita (TDD 2019b). Vietnam, China, and Thailand have borders with Laos and are treated as regional. South Korea is international. All markets are *inbound* except for Domestic, which is *local*.[31]

Domestic

KEY TOURISM FACTS

- **33% of all tourists are locally-based**
- **Local tourism is less seasonal and continues throughout the year**
- **Most visits are short, 1-2 days.**

MoICT (2019) estimates there were 2.3 million domestic tourists in 2019 compared to 4.7 million inbound tourists. If these numbers are accurate, domestic tourism can account for nearly 33 percent of all tourists in Laos. However, it is not easy to precisely count the number of domestic tourists. Local people can move freely around the country. In addition, the definition of a local tourist is unclear, as it is difficult to differentiate between someone moving around for work or other reasons. The MoICT admits that the collection of domestic visitor statistics is a challenge as: (1) they are dependent on data collected from attractions and accommodation businesses; (2) some numbers are duplicated; (3) and the data collection process is disorganized and sporadic (TDD 2021a).

The authors of the Laos Destination Management Plan 2020-2025 provide a succinct summary of this often-overlooked market segment. "*Lao people and foreigners living in Laos who travel within and to other provinces. They either drive or fly to a destination with families, as couples, with friends or colleagues, and stay at accommodations where there are parking areas, they like to eat local food, buy local products, and use public toilets in rest areas along the roads. They prefer attractions that have restaurants close to nature and loud music*" (MoICT 2019, page 47). They travel all year round, especially on weekends and public or religious holidays. They typically stay at their destination only one to three days.

[31] *Inbound* tourists are tourists visiting Lao PDR from outside the country. *Local* tourists are domestic tourists.

The needs of the domestic tourist market are diverse. The importance of these needs was amplified during the COVID-19 pandemic, and it can vary depending on changes in wealth, international exposure, and the relative spending power of the Lao population. However, tourism service providers must prioritize and cater to the diverse needs of the domestic market, even with the influx of international tourists.

The research also highlighted other insights about the perceptions and behaviors of domestic tourists. See below for more information.

I am Not a Tourist

Lao people do not usually perceive themselves as tourists when they travel in Laos. Pre-planning is minimal, and tightly defined itineraries are rare. Even in the latter case, they often deviate from the intended agenda of a trip, particularly if something of interest is spotted along the roadside. Linguistic and culinary similarities are common throughout the country, so travel uncertainty is reduced, and greater exploration is possible if enough information and interest are available.

Traveling is a Social Affair

Lao people love to have company during any recreational activity. This includes immediate or extended family and close friends. Lao people also tend to travel in groups and generally engage in activities together.

Expatriates are Hybrid Tourists

Expatriates still retain many characteristics of a free independent traveler (FIT) and hybrid tourist.[32] They seek authentic cultural, natural, and rural experiences and are driven by a fervent desire to see and experience as much as possible during their limited time in the country. They usually understand the country well, and their Lao language abilities help them make the most of their trips. Notably, expatriates use various social media platforms, and their social networks go far beyond Laos. This means that social media posts of their travels can be effective electronic word-of-mouth marketing.

[32] For an explanation of a FIT, see: https://travellezer.com/what-is-fit-and-git-in-the-tourism/

High-Income Domestic Tourists

For the more affluent, a short trip to another province by rail, air, or private car is easy. There are less boundaries for them to attend a social event or religious ritual. High-income younger generations[33] take advantage of the opportunity to go abroad and enjoy the luxuries lacking in Laos. When traveling in the country, their purchasing power and diverse travel experience means they choose high-end restaurants and hotels—typically in more developed provinces. Yet, it is worth noting that their expectations of service levels are lower than when they travel abroad. Modern bars and coffee shops that remind them of their trips abroad are the ones that stylishly end up on Instagram posts. For those with minimal family or work obligations, travel planning can happen on the spur of the moment. While this is a small market, this demographic kept the high-end tourism establishments open during the pandemic and helped keep a portion of the workforce employed.

Open Borders

Open borders could encourage domestic tourists to travel abroad rather than within their country. Open international borders could also positively impact tourism in Laos. It would lead to an increase in inbound visitors and revenue for local businesses. It would also encourage the regional tourism market, making it easier for tourists from neighboring countries to visit Laos. This is an important consideration as this regional tourism sector (that is Thailand, Vietnam, and China) is among Lao top priority markets.

However, it also poses certain threats to the domestic tourism industry as it could shift domestic tourism away from the country. This may happen for various reasons, such as a desire for novelty or a perception that international destinations offer superior experiences. This could potentially harm the domestic tourism industry by reducing the number of domestic visitors and their expenditure on local businesses. Therefore, the government and tourism industry stakeholders must develop strategies that promote domestic tourism and showcase Laos unique attractions and experiences.

[33] Some of those interviewed used the terms Generation Z and Millennials. There are five common generational categories to track groups of people for behavior, preferences, and needs: (1) Generation Z (1997-2012); (2) Millennials (1981-1996); (3) Generation X (1965-1980); (4) Baby boomers (1946-1964); and the Silent Generation (1928-1945) (Pew Research Center 2015).

Krabi, Thailand
Photo by: Kaysone Vongthavilay

KEY TOURISM FACTS

- By 2022, market share had increased to 57%
- Before COVID-19 average annual growth rate was 1.78%
- 96% Thai tourists arrive by land
- Most Thai travelers to Laos come for a long weekend.

Thailand

Before COVID-19, the number of Thais traveling abroad had been growing every year. According to Thailand's Ministry of Tourism and Sports, 11 million Thais were expected to travel overseas in 2019. It was predicted that they would spend 330 billion Thai Baht ($9.7 million) on these trips (Bangkok Post 2019).

Observations suggest that Thai tourists prefer NBT destinations. One study of domestic Thai tourists found that 81 percent preferred to travel to environmental destinations in the northern region. This was because of the breathtaking landscapes and mild weather allowing tourists to visit all year round. This finding was consistent for both pre- and post-COVID periods (Chansuk et al 2022). TDD (2019a) also reported that Thais are motivated by the desire to gain a stronger understanding of Lao culture and way of life, untouched nature, and entertainment.

For most Thais travelling abroad, Malaysia was the most popular destination and Laos was the second most popular (Bangkok Post 2019). Data shows that in 2019 over 2 million Thais visited the Laos (TDD 2021). The geographical proximity to Thailand, the cultural and linguistic similarities, and the low cost of living, makes the country an extremely convenient and attractive destination to visit for many Thais.

Prior to COVID19, there were some key drivers that motivated many Thais to make overseas trips. According to Charoen Wangananont, vice-president of the Thai Travel Agents Association, these included: (1) hot weather and the air pollution haze that troubles several Thai tourism provinces; (2) a strong currency; and (3) cheaper and frequent flights (Bangkok Post 2019). Unfortunately, the issue of air pollution is not unique to Thailand. Forest fires and shifting cultivation in Laos also result in air pollution and haze between January and April, and this will dissuade Thai travelers from visiting during these periods.[34]

> *"The scenic landscapes and charming culture of Luang Prabang and Vang Vieng have always been the biggest draws for Thai travelers…. but accessing them has been arduous in the past, due to underdeveloped infrastructure" (Market operator in discussion with researcher—January 16, 2023)*

Until recently, the infrastructure for travelling around Laos has deterred Thai tourists. However, the Laos-China Railway has changed things. According to one market operator, nearly 100 percent of their tourists wanted to use the railway in the months after Laos reopened.

Thai FITs

Although Thai FITs can represent several generations, most of them (75 percent) are Generation X and Millennials. They prefer to arrange trips themselves. They tend to rely heavily on Online Travel Agents to set up itineraries and book tourism services and look for the best deals. They also frequently opt for trips with outdoor activities and cultural and historical tourism (Bangkok Post 2019).

> *"Luang Prabang and Vang Vieng are always popular. Some more adventurous travelers are even riding the train to Oudomxay to visit Nam Kat Yorla Pa [a popular ecotourism resort]…We are even getting requests to visit Meuang Feuang, which is harder to reach and less developed than Vang Vieng, but the pictures posted on Facebook and Instagram create demand" (Market operator in discussion with researcher—January 16, 2023)*

Group Inclusive Tour (GIT)

Around 25 percent of Thai tourists take GITs, which are provided by tour operators in Thailand (Bangkok Post 2019). Most Thai tourists using GITs are in their 40s and 50s. They are traditionally religious (Buddhist) and enjoy making merit and offerings. The tour follows the itinerary devised by the travel agents. They do not have time to engage or interact with the destination hosts because they travel in a large group with a tight schedule.

[34] See: https://laotiantimes.com/2023/02/14/luang-prabang-chokes-under-smoky-air-as-crop-burning-season-begins

According to the Laos Tourism Destination Management Plan 2020-2025, there are four popular routes for Thai packaged tour groups. See Table 6.

Table 6. Four Popular Thai Packaged Tour Group Routes

Transport Type Leaving Thailand	Route	Destination
1) **Air**	Direct from Bangkok or Chiang Mai	Luang Prabang
2) **Air**	Direct flight to Wattay International Airport (Vientiane) 1. Change to fly to Luang Prabang, or 2. Bus to Vang Vieng	Luang Prabang Vang Vieng
3) **Train**	From Vientiane	Vang Vieng or Luang prabang
4) **Bus or Minivan**	Across **The Friendship Bridge** 1 (Vientiane-Nongkhai)	Luang Prabang Vang Vieng
5) **Bus or minivan**	Across the Chong Mek (Vang Tao) border	To visit sites around Vientiane and Vang Vieng

Thai tourists enjoy being entertained while visiting tourist attractions and traveling. As a result, tour guides must be adept at entertaining, storytelling, and singing. Women enjoy shopping at local markets (although most of the items available are made in factories rather than by hand). Men prefer to spend their nights out. They enjoy massages and spas, and when traveling, they use public restrooms in rest areas (TDD 2019a).

*"**The Friendship Bridge** is a favorite access point for many Thais from the Isan region - Nong Khai, Udon Thani, Khon Kaen, Loei, etc. The tours usually come via large buses and always stop by Simeuang Temple (Vientiane Capital), which has a reputation among Thais for being one of the most popular pagodas in Laos. They typically come here to make merit and ask for wishes to be granted" (Restaurateur in Vientiane).*

The average length of stay for these types of tourists is often three days and two nights. The peak season is usually during Lao New Year (Thailand's Songkran in mid-April) and the traditional long weekend holidays (such as the King's birthday in July). On average, they spend anywhere from \$56 to \$118 per day (TDD 2019a).

Thai tourists frequently use the Internet for travel information. In addition to social media apps such as Twitter, Facebook, and LINE, Thais use websites such as Pantip, TripAdvisor, Sanook, and Mthai as sources of information for travel recommendations and tips (TDD 2019a).

"Thailand suffered a lot during the COVID-19 pandemic. Some younger Thais who are tired of mask mandates will want to go to a country without such restrictions. They'll put up with masks in places that require them, like Japan, but they appreciate being able to go without them, too. In Thailand, most people still mask up everywhere, even outdoors," explained one Thai tour operator in discussion with researcher.

Key Observations

Most Thais obey Thai law and follow advice from their health technocrats. One study of domestic travel post-COVID in Thailand noted that travelers were extending their length of stay to avoid frequent exposure to persons that might raise their risk of contracting COVID-19 (Chansuk et al 2022). The extension might also allow them to make time for excursions beyond their trip to travel on the Laos-China Railway.

The Laos-China Railway has become a huge attraction for many Thais wanting to experience the newest train in Asia. The Thai media have hyped this to the point where demand has become so high that many Thai tourists cannot buy tickets or have been forced to stand on the return trip on the railway.[35] Initially, there were many problems primarily due to mismanagement from train administrators, especially with the reservation and ticketing system. However, the novelty of the train ride to many of Lao tourism destinations will likely continue to be a favorite among Thai travelers for the short and medium term.

Thailand has many long weekends making it easy for Thais to travel all year round. However, travel is most popular during winter between October and December, and tourists are expected to spend more money during this period. Visitors prefer to travel by car with a group of people on weekends.

There are also Thai tourists who travel through Laos on big bikes or in long caravans of four-wheel drive vehicles. They are usually part of a club or association in Thailand and receive sponsorships from vehicle distributors. Typically, they travel to Vang Vieng and Luang Prabang from Vientiane, or visit sites in southern Laos. More adventurous groups ride overland to Vietnam through Attapeu, or travel to Luang Prabang through Xayaboury. Sometimes, these groups engage in charitable activities such as donations to rural villages and schools. These tourists often sleep in homestays and enjoy adventurous activities like ziplining (TDD 2019a).

[35] See: https://laotiantimes.com/2022/08/09/passengers-confused-by-laos-china-railway-stance-on-standing-tickets

Shanghai at night,Huangpu River, China
Photo by: Wu Zhiyi / World Bank

KEY TOURISM FACTS

- Before COVID-19:
  - 20% tourists came from China
  - Average annual growth rate was 19.6%
- Market growth is increasing year on year due to Chinese promotion and investment in Laos
- 79% of Chinese tourists arrive by land.

China

Prior to the COVID-19 outbreak, China was a significant source market for tourism in Laos. Just over 20 percent of all visitors came from China (1,022,727 travelers). This inflow of visitors was the second-largest source of tourism income for the nation (TDD 2019b). The Visit Laos-China Year[36] (a significant joint tourism marketing event held in 2019) increased interest in traveling to Laos among Chinese citizens.

At that time, there were generally three routes for Chinese tourists to enter Laos: (1) by plane; (2) by automobile; and (3) by tour bus (TDD 2019a). 217,770 travelers entered the country through airports, making up most arrivals; the rest of the travelers entered by land or water border crossings. In 2019, air connections to numerous Chinese cities, including Changsha, Changzhou, Chengdu, Hangzhou, Shanghai, Guangzhou, and Kunming were only starting to take off (Lao Airlines 2019). Air travelers normally stayed in Laos for two to eight days, whereas overland travelers by road typically stayed for three to four days.

Only 10 percent of China's 1.4 billion citizens have passports, yet those with passports that travel spent more than $120 billion abroad in 2018.[37] Although it has long been believed that Chinese people primarily travel in mass market group tours, before COVID-19 there was already a trend toward independent travel. According to some estimates, only 40 percent of Chinese travelers to Thailand took group trips.[38] It is also stated that a tourist who is visiting a place for the first time may tend to travel with a group (Pearson and Bowerman (Hosts) January 9, 2023). For a second or third trip, a tourist would likely travel independently or on semi-organized tailor-made excursions.

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36 See: https://www.vientianetimes.org.la/freeContent/FreeConten_Visit_lao_china_23.php

37 See: https://news.cgtn.com/news/2019-07-09/Chinese-passport-holders-to-double-by-2020-fueling-overseas-travel-IbE4RFs7QY/index.html

38 See: https://www.nationthailand.com/thailand/tourism/40023857

After a period of almost three years, the Chinese government has greenlit the sale of outbound group tours for Chinese travelers to 20 destinations, including Laos. This came into effect in February 2023, and since then the numbers of Chinese travelers to Laos have already increased substantially.[39]

It is anticipated that over 360,000 Chinese tourists will visit Laos during 2023.[40] However, traffic is limited because the capacity of air traffic connecting China to other nations is only 10 percent of what it was before the pandemic. Before tickets may even be sold, aviation agreements need to be reviewed and airline landing slots need to be allocated at airports (Pearson and Bowerman (Hosts) January 9, 2023).

It was estimated that over 56 million journeys would be taken outside of China in 2023, with most of these excursions going to Southeast Asia (Pearson and Bowerman (Hosts) January 9, 2023). Dr. Wolfgang Georg Arlt of the China Outbound Tourism Research Institute predicted that, barring any significant problems this year, outbound Chinese tourism would reach 2019 levels by 2024 (Pearson and Bowerman (Hosts) January 9, 2023). Many of the initial trips conducted in the short term will be to reunite families, students traveling for academic purposes, and those traveling for business.

A nationwide survey of Chinese travelers found that there are five types of preferred destinations. These are: (1) beach and island destinations; (2) scenic tourist cities; (3) world natural and cultural heritage; (4) historical and cultural towns; and (5) leisure resorts near a city. Post-pandemic travel may become more prevalent in places that offer comfort and escape. The top reasons Chinese people travel are for escape and scenery, while the primary deterrents are financial and time limits as well as health concerns (Jin et al 2021).

Demographics

A recent survey of Chinese tourists points to the existence of a significant and reliable group of tourists who are the most likely market for a potential recovery in tourism following COVID-19. This segment can be distinguished based on household income and wealth structure while being demographically and geographically diversified (that is not just from first-tier cities) and demographically heterogeneous (that is age and gender).

These findings suggest that there may be a behavioral difference between the lowest income group[41] and other income groups. However, there are not many differences among the higher income groups. Those with annual incomes of over ¥100,000 Chinese Yuan ($14,500) have significant purchasing power and serve as the primary source market for domestic and international leisure travel (Jin et al 2021).

This study, quoted from Jin et al (2021), also uncovered useful demographic information:

1) **Respondents aged 30 to 39**—Resembled post-1980s generation tourists (Cheng and Foley 2018 as cited in Jin et al 2021) and correspond to the second wave of Chinese outbound tourists described as young, latte-drinking, English-speaking, independent, and sophisticated (Arlt 2013, as cited in Jin et al 2021).[42]

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[39] See: https://laotiantimes.com/2023/01/22/laos-among-list-of-countries-greenlit-for-chinese-group-tours

[40] See: https://english.news.cn/20230228/b92c4946f6044de29fd524aebed39e6b/c.html

[41] Those making under ¥ 50,000 (Chinese Yuan) or approximately $ 7,300

[42] Corresponds with International PERSONA GROUP A: YOUNG EXPLORERS.

2) **Affluent aged 40 to 49 and 50 to 59**—These age groups correspond to the elite middle-aged tourists identified as the possible third wave of Chinese outbound tourists (Bao et al 2019, as cited in Jin et al 2021). The numbers of tourists from these groups could exceed 23.8 million.[43]
3) **Chinese millennials aged 18 to 29—**Less is known about the travel characteristics of the Chinese millennials. Prior studies indicate that within Australian households, singles without children spend more on overseas vacations than on financial investments (Dolnicar et al 2008, as cited in Jin et al 2021). It is possible the same could be true in the Chinese context, where younger Chinese—even those outside of property-owning higher income groups—are more likely to take vacations overseas.[44] However, how applicable these results are to the Chinese market remains unclear.

> *"For the affluent 6 or 7 percent on top of the society, the speed of getting richer has slowed down thanks to problems in the real estate market. However, for a trip to neighboring Laos, there will be no lack of money, regardless if they no longer have three million Yuan but only two million Yuan in their bank accounts…The problem for Laos is rather that the aspiring group of people who have been climbing up the social ladder to the point that they could afford a trip to Laos has become smaller as China is not getting richer the same way than before. That is a prime reason why Laos should not concentrate at the low end of the market" Dr Arlt (Discussion with researcher—February 6, 2023).*

The higher income segments have a high propensity to continue tourism activities even in bad economic times. This is due to their sound social and economic standing acquired over the last two decades.

Key Observations

It is likely to be the Chinese upper middle classes who will travel outside of China first. Thailand is their favorite destination, where they shop for luxury items, including cosmetics. They will also stay for longer and spend more. Based on an estimate of all the flights from China, it is estimated that approximately five million Chinese will go to Thailand (Pearson and Bowerman (Hosts) January 9, 2023).

During the pandemic, there was a rapid buildup in savings from households. This suggests that frequent lockdowns have led to restraints on household spending.[45] It also implies that for Chinese tourists who have been confined in the country for the past three years, revenge spending may be a real possibility. However, any revenge spending may be moderated by global economic problems causing higher tour prices than before the pandemic.

> *"The rapid buildup in … [bank] deposits over the past year suggests that households in China have accumulated significant cash holdings" Alex Loo (Macro Strategist for TD Securities cited in CNN article).*

[43] Corresponds with International PERSONA GROUP C: WORLDLY SOPHISTICATES.
[44] Corresponds with International PERSONA GROUP E: YOUNG NOMAD.
[45] See CNN article on the return of the Chinese tourist: https://edition.cnn.com/2023/01/06/economy/china-tourist-boom-post-covid-impact-intl-hnk/index.html

Five tactics are recommended to prepare for the return of the Chinese traveler. [46] These tactics will also enable a greater understanding of the expectations of this vast market. The five tactics include: (1) be prepared to serve diverse travelers; (2) be aware that mass tourism is dying; (3) ensure safety issues are clearly communicated; (4) offer value for money; and (5) reduce visa bureaucracy.

Prepare to Serve Diverse Travelers

The population of China is enormous, and not all Chinese people are the same. Experienced FITs, such as millennials, Generation Z, and luxury travelers, are expected to make up the first wave of long-haul passengers. Their needs can range from cultural exchanges, natural escapes, or even luxurious pampering as they look to build social capital through posts on social media.

Mass Tourism is Dying

Chinese travelers who have traveled before are less likely to travel in big sight-seeing groups. That market will only appeal to Chinese travelers from smaller cities who have never traveled before. Live streaming has also gained popularity in tourism advertising to attract independent visitors since it shows what life is like in possible destinations. In 2022, marketing firm Dragon Trail conducted a study and found that experiencing local food and ways of life were the top two goals of nearly two-thirds of Chinese tourists surveyed (Dragon Trail 2022).

> *"Big-group sightseeing tours will probably appeal only to Chinese travelers from smaller cities who've never traveled in the past. Residents from China's largest cities won't be impressed with the big tour approach; they will laugh at you. They've had three years' time to dream about places and read up and talk to people—and look on Mafengwo or Qyer [two Chinese travel-planning sites] for ideas of where to go." Dr. Arlt (Bloomberg article January 16, 2023)*

Communicate Safety Needs

In the minds of Chinese tourists, a destination's safety comes in second place behind its pricing. However, following reopening, for the initial wave of Chinese FITs safety will be important. It is crucial to make the first tourists feel at home and secure since they will later return to China and influence subsequent tourists.

Offer Value for Money

Before COVID-19, bragging about large purchases was considered noteworthy in China. However, today it is regarded as impressive to spend on and learn from genuine experiences rather than just flaunting wealth. Chinese tourists increasingly emphasize value

[46] See: https://www.bloomberg.com/news/articles/2023-01-16/5-ways-tourism-needs-to-improve-in-2023-to-attract-chinese-travelers?

for money due to the rising travel costs and the dearth of affordable vacation packages. Those from China seem more willing to pay more for ecologically friendly options than travelers from Europe and the United States. In the Dragon Trail survey, 88 percent of Chinese visitors expressed concern about their impact on locations and communities (Dragon Trail 2022).

Reduce Visa Bureaucracy

After price and safety, Chinese tourists seek convenience. Travelers from China will focus on visiting nations that make the procedure simpler by granting eVisas, speedy visas-on-arrival, or even eliminating the need for visas. This small convenience also creates a welcoming atmosphere.

Although there is no forecast available for Laos, the opening of the new Laos-China Railway has provided a desirable new mode of transportation to explore the country. Flights recently announced by Lao Airlines to important Chinese cities like Guangzhou, Shanghai, Chengdu, Changzhou, and Hangzhou will also boost this development at an unspecified point in the future.[47]

Dr. Arlt of the China Outbound Tourism Research Institute reinforces the importance of the train for tourists from Yunnan, although visitors from other cities will likely still utilize air travel. He also points out changes in the Chinese market since the pandemic. Chinese travelers will want to: (1) get away from it all; (2) visit smaller new destinations; (3) travel in smaller groups of family or friends; and (4) experience outdoor activities. Laos has the potential to satisfy all these requirements (discussion with researcher —February 6, 2023).

[47] See: https://laotiantimes.com/2023/01/10/lao-airlines-to-launch-new-routes-to-welcome-chinese-tourists

Light show in front of Opera House, Hanoi, Vietnam Photo by: Souksavanh Sombounkhanh

KEY TOURISM FACTS

- By 2022, market share had increased to 28%
- Before COVID-19 average annual growth rate had decreased by -3.11%
- 97% of Vietnamese tourists arrive by land
- Market growth is constrained due to flight connections and a lack of promotion of Lao tourism.

Vietnam

Vietnam is one of Laos closest allies and a significant source of tourism arrivals. In 2019, arrivals from Vietnam topped 920,000 (TDD 2019b), and in 2022 the numbers managed to recover to 359,000 (TDD in discussion with researcher, January 31, 2023). Unfortunately, the numbers of Vietnamese business travelers and formal and informal migrant labor likely inflated these figures, as these groups often enter the country as tourists.

Even though the shared border between Laos and Vietnam is long, crossing it is arduous for many Vietnamese leisure travelers. The cost of a package tour is expensive, and no low-cost airlines fly to Laos. It is also estimated that 90 percent of leisure tourists that enter Laos overland from Central Vietnam continue to Thailand for shopping and sightseeing, where traveling is cheaper and more convenient (Vietnamese Hotelier in discussion with researcher, February 8, 2023).

*"**Vietnamese people** want to visit Vientiane and then take the train to Luang Prabang, but getting to Vientiane takes a very long time over rough roads. There are no low-cost airlines that fly to Laos, so airfares greatly add to the cost of a package tour" (Vietnamese Hotelier in discussion with researcher).*

Key Observations

Vietnamese travelers appear to be less concerned about *health security* and there is more evidence of *revenge spending*. With the pandemic fading further from recent memory, concerns about health security are dwindling, with the numbers of concerned tourists dropping from approximately 80 percent to 60 percent (Outbox Insight 2022). This study reports that in the first nine months of 2022 that 88.5 percent of

*"**Vietnamese tourists** enjoy shopping, but Laos does not offer many options compared to Thailand. They also would like to see and experience some culture here in Vientiane, like seeing a performance of the traditional Lamvong circle dance that they have heard about, but there is nowhere for them to do this" (Market operator in discussion with researcher—February 7, 2023).*

Vietnamese took domestic and outbound trips. The *revenge spending* phenomenon has also manifested with 65 percent of Vietnamese travelers spending more on outbound travel than they did in 2019.

Group travel has declined.[48] Prior to COVID-19, 48 percent of Vietnamese tourists who traveled abroad preferred organized group excursions from tour operators. In the summer of 2022, only 20 percent of passengers chose this option for their outward vacation. Now, they prefer independent travel alone, or travelling with friends or family (Outbox Insight 2022).

Sightseeing, exploring local cuisines, shopping in malls, visiting amusement parks, and visiting cultural sites are the key attractions for Vietnamese traveler (Outbox Insight 2022). A survey of Vietnamese outbound travelers revealed the following data on Vietnamese requirements: (1) sightseeing (72 percent); (2) exploring local cuisines (66.8 percent); (3) shopping in malls (57.3 percent); (4) visiting amusement parks (51.8 percent); (5) and visiting cultural attractions (48.8 percent) (Outbox Insight 2022).

Younger Vietnamese tourists (Group A—Young Explorers) look for new places to visit. Research shows that 60 percent of the population in Vietnam is under the age of 35. They are better educated and earn more money than previous generations (Outbox Insight 2022). They can spend time and money on longer trips and nature experiences, like The Rock at Phou Pha Marn in Khammouan and Nam Kat Yorla Pa in Oudomxay. Unfortunately, tourism marketing does not reach them, and most travel information about Laos is not in Vietnamese.

Young Vietnamese Tourists
"This group is not being promoted to in Vietnam. It is very difficult to find about Laos in Vietnamese. Instead, they visit Japan, Thailand, or even Europe" (Market operator in discussion with researcher—February 7, 2023.

Most Vietnamese tourists care about sustainable travel and intend to travel more sustainably after the pandemic. In 2021, the online travel agent Booking.com surveyed Vietnamese respondents and found that an astonishing 97 percent of travelers stated that sustainable travel was an important issue and that 88 percent wanted to travel more sustainably after the pandemic. Respondents also reported wanting to stay in sustainable accommodation in the coming year.[49]

[48] Group travel has also declined in the Thai and Chinese markets.
[49] See: https://e.vnexpress.net/news/travel/vietnamese-highly-keen-on-sustainable-tourism-post-pandemic-4294037.html

Gyeongbokgung Palace, Seoul
Photo by: Kaysone Vongthavilay

KEY TOURISM FACTS

- By 2022, the market share had dropped to 2% (but South Korea only reopened late in 2022)
- Before COVID-19, average annual growth rate was 18.8%
- 86% of tourists from South Korea arrive by air
- Market growth is constrained due to flight availability.

South Korea

Since 2014, South Korean tourism to Laos has grown hugely (TDD 2019b). Before 2014, South Korean tourism to Laos was in its infancy but in 2014 Youth Over Flowers (a wildly popular South Korean reality show) was filmed in Vang Vieng. This put Laos firmly in the minds of South Korean tourists.[50] As a result, between 2014 and 2015, arrivals to Laos nearly doubled (TDD 2019b). This was supported by the rapid roll out of direct flights on legacy and low-cost carriers adding Laos to their flight routes, including Air Busan, Korean Airlines, Jeju Air, T-Way, and Jin Air.

In 2019, TDD studied packaged group tourism flows in Laos from South Korea (TDD 2019a). South Korean group tours [Group B—Budget Traveler] typically stayed 4-6 days in the country and were interested in nature and cultural heritage. These tours predominantly began in Vientiane, then traveled up to Vang Vieng and Luang Prabang before returning to Vientiane and onward to South Korea (TMD 2019). In addition, in South Korea the working hours are longer than any other developed country and they only get eight days of annual leave per year.[51] As a result, holiday periods are often short for many travelers.

Golf tourism is very popular among South Koreans [Group C—Worldly Sophisticates]. There is a strong drive to play golf in Laos because the golf fees are cheaper, and the weather allows golfers to play all year round (TDD 2019). Such is the strength of the South Korean golfer in Lao tourism that the government tabled a strategy to allow South Korean golf tours to enter the country and sequester at golf resorts before Laos fully reopened.[52]

Not all South Korean visitors are package tourists. Outbound travel statistics in 2019 indicate that 95 percent of South Korean outbound tourists travel in groups of 10 or fewer.[53] One South Korean travel expert mentions that these tourists typically follow similar routes

[50] See: https://www.vacationstravel.com/the-metamorphosis-of-vang-vieng/
[51] See: https://www.linkedin.com/pulse/targeting-south-korean-tourists-after-pandemic-know-jaeyeon/
[52] See: https://laotiantimes.com/2021/10/27/laos-considers-reopening-of-borders-to-group-tours
[53] See: https://www.statista.com/statistics/1137871/south-korea-group-sizes-for-foreign-travel/

in Laos as group tourists but have the flexibility to take in other sights and experiences that are not on group tours (K Kim in discussion with research January 30, 2023).

Before COVID-19, between 2019 and 2020, travel destinations, seasons, activities, and accommodation were important considerations for South Korean visitors (Yoo and Choi 2022). However, by 2020, factors such as the travel area, COVID-19 health security, day trips, and family were also considered.

Future trends are likely to favor open-air tourist locations focused on nature with same-day ticketing and lodging options. It is also anticipated that travel-related consumption patterns would rise, such as the preference for high-end tours, single travel or family group tours, and accommodation that can assure safety and hygiene (Yoo and Choi 2022).

There is a growing niche of young professionals looking for a new work-life balance which includes overseas travel. In 2015, it was noticed that young professionals in their late 20s to early 40s had grown tired of their hectic workaday lives and sought a one-month stay abroad. These travelers are different from the traditional backpacker. They go for a month and like to visit one destination with the desire to live like locals. The trend goes hand in hand with the *You Only Live Once* belief system spreading in South Korean society and the increasing contempt for social conventions based on Confucianism values. These young people value individual choices, happiness, wellness, and hedonism over working and success.[54] Between 2016 and 2018, this type of travel surged by 198 percent.[55]

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[54] See: https://www.linkedin.com/pulse/targeting-south-korean-tourists-after-pandemic-know-jaeyeon/

[55] See: https://pulsenews.co.kr/view.php?year=2019&no=129249

United States, Canada, Australia, New Zealand, and Europe (UCANZE)

KEY TOURISM FACTS

- By 2022, the market share has dropped very slightly to 5.8%
- Before COVID-19, the average annual growth rate had fallen to 2.2%
- 66% of tourists from UCANZE arrive by air
- Market growth is constrained due to time and expense to get to Laos, and lower promotion of Laos compared to neighbors.

The UCANZE market is vital to the tourism industry, as these tourists typically spend more per capita in the country. In 2019, this group comprised just less than 6 percent of all arrivals yet brought 21 percent of all tourism revenue to Laos (TDD 2019b). There are no direct flights from any international source market, so all travel to Laos involves multiple flight connections.

Demographics

TDD (2019a) analyzed pre-COVID-19 visitor flows. It identified four types of inbound tourists: (1) International GITs; (2) Experiential FITs; (3) Budget FITs; and (4) Mekong River Cruise tourists.

International GIT [Group D]

International GIT travelers purchase packages through tour operators and travel throughout the region on an itinerary that includes a stay in Laos for four to 10 days. These groups usually visit Luang Prabang, Vientiane, and southern Laos to experience cultural heritage and authentic nature. They travel in groups of nine to 25 people and are aged 35 to 70. They stay at 3-, 4-, and 5-star hotels. Their average spend is $120 to $150 per person per day. Due to their age and the fact that they travel in large groups, they lack the time to partake in many experiential activities.

To access tourist destinations, they need good infrastructure, including a road, railings, piers, and public toilets. They travel all year round, but their peak season is between November and March (TDD 2019a).

Experiential FITs [Group A—Young Explorer and Group C—Worldly Sophisticate]

Experiential FITs are usually middle-aged, have families, or are couples on vacation. They travel to Laos for approximately 7-10 days and to Southern Laos, Vang Vieng, Luang Prabang, and Vientiane. They also travel all year round, particularly between November and March. Their average spend is >$90 per person per day. Experiential FITs plan and travel independently because this group is tech savvy and does prior research on TripAdvisor, Lonely Planet, or destination websites. Travel is booked on online travel agent such as Expedia, Agoda, or Booking.com. These tourists book day tour programs like Treetop Explorer and Mystic Mountain Coffee. Experiential FITs like hiring local guides, booking peaceful high-quality lodging, and steering clear of hotels catering to large tour groups. They indulge in spa services and like to explore the local culture. These tourists often fly between provinces and stop at tourist information offices (TDD 2019a).

Budget FITs [Group E—Young Nomad]

These tourists are between the ages of 18 and 29 and on a tight budget. Their regional itinerary includes stops in Cambodia, Thailand, Vietnam, and Laos. During their 7-10 days in Laos, they visit Vientiane, Luang Prabang, Vang Vieng, and Southern Laos during their trip. The average spend is between $10 to $15 per person per day. Like the experiential FITs, budget FITs are digitally aware and have easy access to information and travel arrangements. The key difference is that Budget FITs favor cheaper activities and stay in inexpensive hotels and guesthouses with internet access. They can travel by plane or bus to other provinces and utilize homestays (TDD 2019a).

Mekong River Cruise Tourists [Group C—Worldly Sophisticate]

These are middle to high-end travelers on cruises between Houai Xay and Luang Prabang. Their main aim is to experience nature and cultural heritage along the Mekong. These groups typically travel between October and March while water levels are high enough and stay in Laos for two to eight days. The average spend is $160 to $220 per person per day (TDD 2019a).

Key Observations

Popular travel magazine, Condé Nast Traveller, highlighted several emerging travel trends for 2023 that fit into the Lao context.[56] These included: (1) hybrid flight and train travel; (2) electric road trips; (3) tourism services run by local communities; (4) combined work and leisure trips; and (5) educational experiences.

Hybrid Flight and Train Travel

An ecological way of traveling is to avoid air travel and travel by train. Choosing train over air travel can reduce the carbon footprint by 90 percent. In Laos, there is a trend for this already, caused by the novelty of the train.

Electric Road Trips

Another ecological way of travelling is to use only electric vehicles where possible. Some electric vehicles available today can travel farther between charges, so it is possible to use them for longer trips overland, as well as short getaways near a city. Laos lacks oil reserves of its own but has a wealth of hydroelectric power. Local technology startup, LOCA, has already installed electric vehicle charging stations in most towns along the route from Luang Prabang to Pakse, which will facilitate travel by electric vehicle throughout the country.[57] In Luang Prabang, local tour company Discover Laos Today has acquired a fleet of electric vehicles to rent out to tourists.[58]

Tourism Services Run by Local Communities

Travelers are increasingly aware of the impacts of their travels and want to support these communities as much as possible. They would prefer to support locally owned businesses and attractions, so that money stays in the area they visit.

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[56] See: https://www.cntraveller.com/article/travel-trends

[57] See: https://www.facebook.com/photo?fbid=220753670303325&set=a.197304599314899

[58] See: https://discoverlaos.today/promotion/ev-rental-in-luang-prabang

Combined Work and Leisure Trips

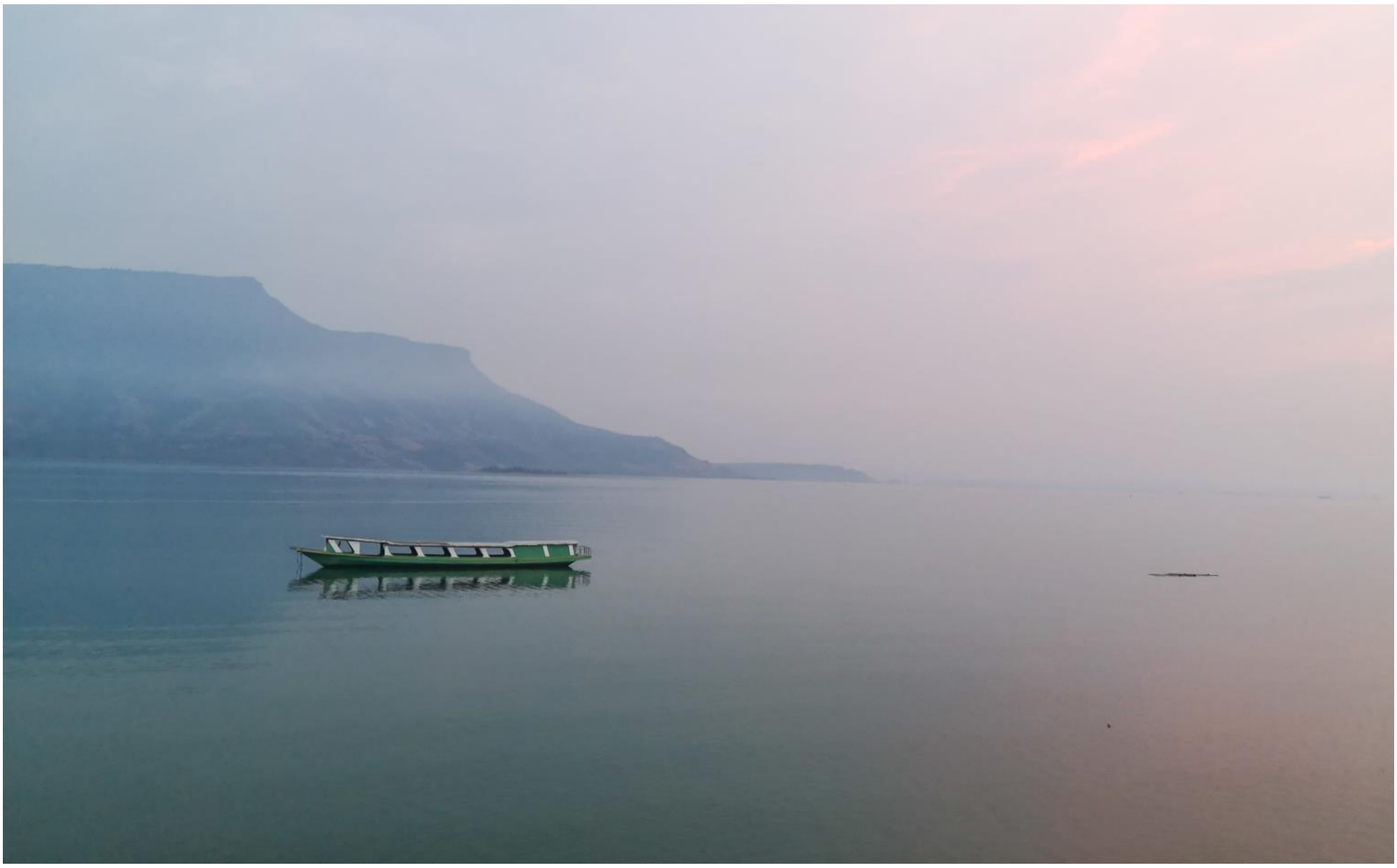
> *"It's highly noticeable that there are more individuals travelling that require high-speed Internet and peaceful environments to be able to work online" (Hotelier in Vang Vieng in discussion with researcher).*

There is more opportunity to encourage working tourists. *Bleisure* and *Lisness* trips are the combination of work and leisure. *Bleisure* is a business trip with added leisure. *Lisness* is a leisure trip with some time allocated for work. After some businesses shifted to remote working during the pandemic, employees could work from anywhere. Visitors could also travel longer if they can also accomplish their work at the same time.

Educational Experiences

Travelers now want more than just to visit sites to tick off a list. They want to learn something new and take away something more meaningful. A recent survey by luxury tour operator The Luminaire[59] found that luxury educational travel experiences ranked 8 out of 10 or higher for 90 percent of respondents.[60]

[59] See: https://www.theluminaire.com
[60] See: https://www.cntraveller.com/article/travel-trends



Nam Neung Lake, Xaysomboun.
Photo by: Arturo Bolondi

Twilight sky view in Vang Vieng
Photo by: Kaysone Vongthavilay

PRIORITIES FOR LAO TOURISM SECTOR IN POST-COVID 19 RECOVERY

3.1 Market Monitoring

One of the problems faced by the Lao tourist industry is a lack of reliable data. Even the MoICT admits that data collection is disorganized and sporadic (TDD 2021). The data they collect comes from the tourist industry, which can be unreliable. However, data must be robust for monitoring and evaluation systems to be effective. In addition, the data collection process needs to be digitized to ensure trends can be identified in a timely manner. Close monitoring of Lao markets will be important for informing Lao tourism sector as global tourism recovers.

The most authoritative statistical tools recognized nationally and internationally for measuring tourism's economic and social contributions are the United Nations World Tourism Organization recommended system of tourism statistics and the tourism satellite account. A fully developed national system of tourism statistics can provide reliable information and insights that support planning, policymaking, and decision-making in tourism development. For Laos to align closely with the methodological framework of tourism satellite account, it is necessary to conduct various surveys to generate comprehensive tourism statistics. These surveys include visitor surveys (exit and arrivals), hotel occupancy rate surveys, monthly accommodation statistics surveys, household tourism expenditure surveys, inbound and outbound tourism surveys, and other surveys (as needed) to study specific areas. The data collected should cover:

Night market in front of royal palace, Luang Prabang.
Photo by: Phitsamai Chanthaboury

1. **Demand statistics:** Data on visitor arrivals categorized by length of stay, purpose of visit, nationality, demographics, and travel behavior.
2. **Supply statistics:** Information on the number, location, and classification of attractions, accommodations, transport companies, and other relevant entities.
3. **Value statistics:** Data on expenditure, average spending per trip, average spending per day, marketing expenses, and similar metrics.
4. **Spatial flow, environmental, and social management statistics**: Information related to the movement of tourists, environmental impact, and social management measures.

It is recommended that a dedicated survey on average tourist expenditure with a more consistent methodology would support the development of a more targeted tourism strategy. A dedicated survey should; (1) include measurements of the value of direct, indirect, and induced tourism; (2) ensure supply data is more comprehensive; (3) generate data for the tourism satellite account; and (4) the system should be digitized to allow trends to be observed much sooner. Implementing these changes will make the tourism sector more credible and visible as a distinct economic activity.

3.2 Investing in Skills Development

Investment is urgently needed to develop a tourism workforce that has the skills needed to cater effectively for Lao priority markets. The research identified three focus areas for training and skills development. These are: (1) general hospitality training; (2) language training; and (3) knowledge of the Chinese market. In addition to implementing these skills development programs, it is important to incorporate effective monitoring systems to review the investment impacts and to build in continual adaptations and improvements. These opportunities have also been highlighted. See Table 7 for more information

Nam Song River, Vang Vieng.
Photo by: KaysoneVongthavilay

Table 7. Priority Actions for Developing Lao Tourism Workforce Skills

Skills Development	Action	Activity	Stakeholders
General hospitality training courses	Develop and implement general hospitality training courses that address sector needs and build workforce capacity.	1. Mobilize funding to subsidize public institutions and private training companies in delivering training courses that address sector needs and develop human resources. Existing short curricula, ranging from two to five days, can be utilized through existing private sector providers. These companies periodically offer their services to businesses on an ad hoc basis. 2. Establish partnerships with local educational institutions and hospitality businesses in cities like Vientiane and Luang Prabang. This will provide more consistent and accessible training opportunities.	Ministry of Health, Ministry of Information, Culture, and Tourism, Ministry of Industry and Commerce
Language training	Take action to improve the ability of the hospitality industry to communicate with its customers.	1. Assess the industry's language requirements, focusing on identifying: (1) the most in-demand languages (such as Chinese and Korean); and (2) the specific job roles (such as receptionists, waitstaff, front office workers and drivers) that would benefit most from language training. 2. Collaborate with language experts and hospitality professionals to create targeted language courses that address the unique needs of various job roles within the industry, emphasizing industry-specific terminology, and practical communication scenarios. 3. Form partnerships with language schools, universities, and vocational training centers to offer these courses and ensure they are widely available and accessible to hospitality workers. 4. Provide financial incentives, such as subsidies or tuition reimbursement, to encourage enrollment in language courses, and launch marketing campaigns to raise awareness about the available language courses among hospitality workers and employers. 5. Encourage hospitality employers to create a supportive environment for language training by offering flexible work schedules, providing on-site language classes, or establishing partnerships with language schools for employee discounts.	Ministry of Health, Ministry of Information, Culture, and Tourism, Ministry of Industry and Commerce

		6. Collaborate with the MoES to integrate foreign language education into the national curriculum and promote the importance of language skills for the tourism sector, encouraging universities and vocational schools to offer specialized programs that combine tourism and hospitality education with language training. 7. Ensure implementation plan for language training includes both short- and long-term goals.	
	Monitor and evaluate	8. Implement a monitoring and evaluation system to track the progress and impact of the language training program on the hospitality industry, and use the data collected to make continuous improvements to the courses and address any gaps in language training needs.	Ministry of Information, Culture, and Tourism
Knowledge of Chinese market	Develop a Chinese tourist training program to ensure workforce has the knowledge it needs to cater for the growing Chinese tourism market.	1. Secure funding to roll out the training program in key tourism areas. These areas should include: (1) Vientiane Capital; (2) Vientiane Province; (3) Luang Prabang; (4) Oudomxay; (5) Luang Namtha; and (6) Bokeo. The Institute of Mass Media, Culture, and Tourism (IMCT) previously developed a China-Ready[61] curriculum and has trainers with expertise in this field. This can be utilized to deliver the training program. 2. The program should cover various topics, including Chinese culture, etiquette, customs, communication styles, and food preferences. This will enable tourism businesses to cater to the needs of Chinese tourists effectively. Practical knowledge, such as how to greet and welcome Chinese tourists, how to provide Chinese-language signage, and how to create menus that cater to Chinese dietary preferences, should also be included.	Ministry of Education and Sports, Ministry of Information, Culture, and Tourism, and private sector and private sector
	Monitor and evaluate	3. Collect regular feedback from Chinese tourists and tourism businesses to identify areas of success and areas that require improvement. This data will help to evaluate the program's impact and allow for adjustments to be made to the curriculum as necessary.	Ministry of Information, Culture, and Tourism

[61] See: https://www.traveldailynews.asia/organizations/graduates-of-china-ready-programme-ready-to-support-tourism-businesses-in-lao-pdr/

3.3 Tourism Marketing and Promotion

Target Key Markets

Knowing the priority markets allows the industry to focus on developing effective marketing strategies. Laos tourism sector has six priority markets: (1) Domestic; (2) Thailand; (3) China; (4) Vietnam; (5) South Korea; and (6) UCANZE. There are three main considerations:

1) Marketing interventions should ensure all six markets are targeted using as much of the tourist characteristic data available.
2) Marketing campaigns must reach all six priority markets. It was pointed out that Vietnamese people are less aware of travel opportunities in Laos than other regional countries.
3) Marketing campaigns should also consider the dominance of social media and the Internet as the main source of information for tourists.

Capitalize on the Internet and Social Media to Attract Markets

The survey identified that the primary source of information for tourists from all markets was the Internet, especially social media. Facebook and Instagram were the main content sources, and many travel payments also used social media. Laos needs to capitalize on social media platforms to attract market segments and promote destinations. It is equally important to connect Lao tourism service providers to online booking platforms to make it easier for travelers to find accommodations and related services.

Continue Development of NBT

The survey confirmed the importance of Lao NBT sector. Every market included tourist groups who saw Lao natural resources as a key attraction. In addition, since COVID-19, those interviewed stated that NBT tourism was growing in popularity. NBT is Lao top tourism product and should be promoted as such. Extensive recommendations for NBT are included in the 2019 World Bank publication *Developing Nature-Based Tourism as a Strategic Sector for Green Growth in Laos*.[62] Five key knowledge gaps need to be addressed to develop NBT in Laos effectively:

1) **Comprehensive data on available and potential NBT products, itineraries, and destinations is needed.** The data should include their economic and employment contribution to the country as well as developing variety specific activities such as trekking, bird watching, canoeing, camping, and rock climbing. This information can be used to inform future development plans for the sector.

[62] Use this link to download this report: https://www.worldbank.org/en/country/lao/publication/developing-nature-based-tourism-as-a-strategic-sector-for-green-growth-in-lao-pdr

2) **It is important to understand the contribution of NBT to rural incomes and job creation**. It is also necessary to know the actions needed to ensure that NBT benefits local communities and contributes to sustainable development.
3) **It is essential to identify the types of jobs that could be created in the NBT sector, and the required skills needed for these jobs**. This information can inform training programs and ensure that the tourism workforce has the necessary skills to support the growth of NBT.
4) **It is crucial to design NBT interventions for sustainability and positive impact on the surrounding landscape.** This is to minimize negative impacts on the environment and local communities including preservation of nature resources such as wildlife, and biodiversity.
5) **Comprehensive data on the skills of the tourism workforce is needed**. This includes skills relevant for NBT, such as tour guiding, trail development, safety assessment, and monitoring for equipment such as ziplines. This information can be used to inform training programs and ensure that the tourism workforce has the necessary skills to support the growth of NBT in Laos.

Bridge walk at Nam Pien Yorla Pa, Vientiane.
Photo by: Kaysone Vongthavilay

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Annex 1: Methodology

The study identified a mixed-method approach as the most appropriate way to collect data and information for the aims of the market research. It used primary and secondary data.

1) ***Secondary Data (Desktop Research).*** The study reviewed existing project documents and policies, current events articles, and scholarly research (via Google Scholar). The focus was data related to the tourism landscape, needs of travelers, obstacles, and opportunities in regional and long-haul markets. It also focused on data from before and after the COVID-19 pandemic. This was to set the foundational context for the research, identify key issues, and deepen the overall understanding of the project.
2) ***Primary Data (Interviews).*** This study then engaged in semi-structured interviews, using a combination of platforms, with a select group of private and public sector tourism stakeholders involved with the key markets highlighted in this study. These interviewees were based in Laos and in source market countries and served both FIT and GIT leisure travelers. A *heterogeneous purposive sampling* strategy was employed defined by "maximal variation" (Patton 2002). This was to maximize access to specific individuals from a diverse range of tourism players. The goal of this non-probabilistic sampling method was not to obtain representative views on a particular phenomenon but to investigate it from multiple perspectives, where extreme cases are just as valuable as average ones. Apart from variations in ownership structure, the tourism players differ in language, writing style, content, audience size and demographic, and the number of years in operation. A maximal variation strategy was essential to estimate the shared patterns that existed within a diverse context (Palinkas et al 2015). In brief, it was key to obtaining a broad overview of the megatrends, behavior patterns, and shifting tourism paradigms, (if any) as recounted by a variety of stakeholders in the tourism industry, both local and international.

It was not possible to achieve a holistically in-depth focus on any one source market since this was not within the scope of the study. It was to obtain a relatively nuanced appraisal of wider trends within multiple source markets over disparate geographic areas (that is breadth over depth). However, validity and reliability on the part of respondents were a concern. As tourism business representatives and affiliated experts, they may have tended to portray their organizations in a positive light while downplaying weaknesses, leading at times to exaggerated viewpoints. To mitigate this, several strategies were employed including: (1) cross-referencing accounts with those of other respondents and secondary data; (2) asking the subjects to question their own biases or to view phenomena from different perspectives (especially those of other industry players); and (3) being prepared with industry-based and theoretically informed knowledge about the topic (Berry 2002).

The data are limited and can only be used as a guide. Due to the near-infinite number of factors at play across so many contexts and scales, assessing and forecasting tourist demand, even at the regional level, is notoriously challenging. In addition, there are insufficient longitudinal data and limited case studies in various contexts to establish tourism phenomena outside of a single case or application. This makes it difficult to evaluate pre- and post-COVID behaviors in a rigorous manner. Lastly, scholarly research and statistical information on recent tourism behavior, as well as on market characteristics, is scarce.

The compromise was that we made hypotheses based on historical precedent and current events. In addition, there was no verifiable data to go on other than personal and anecdotal experiences and the opinions of travel writers and media pundits who may or may not have reliable observations that are representative of wider population-level trends.

China's swift opening was also announced while this report was being written. The full results of this remain to be seen. In addition, many people, including tourists, government officials, and business owners, may decide to alter their behavior to prepare for the upcoming influx of Chinese tourists, and this could have far-reaching consequences for the tourism landscape.

Table A8. Stakeholders Interviewed

Interviewee	Focus Market	Reason for Inclusion	Website
Inbound Tourism Businesses			
EXO Travel	Unbound	• One of Lao largest and oldest inbound ground operators. • Focuses on mid and upper range tourists.	www.www.exotravel.com
Green Discovery Tours	All	• Adventure travel pioneer and tour provider throughout Laos.	www.greendiscoverylaos.com
Nakarath Travel	Inbound	• Lao-based inbound ground operator serving high-end clients.	www.nakarathtravel.com
Silver Naga Hotel	All	• Hotel in Vang Vieng.	www.www.facebook.com/SilverNagaHotel
Kualao Restaurant	All	• Popular Lao cuisine restaurant in Vientiane.	www.kualaorestaurant.com
1. **My Lao Home Hotels** 2. **Discover Laos Today**	All	• Hotel chain in Luang Prabang and online tour booking platform for independent travelers.	My Lao Home Guesthouse (*website not working at time of publishing*) www.discoverlaos.today
Treasure Group	All	• Hospitality company with hotels and restaurants in Vientiane, Vang Vieng, and Luang Prabang.	www.treasuregrouplaos.com

1. TMark Resort **2. HanaTour**	South Korea	• Owner of one of Vang Vieng's top hotels geared to Korean market. • Also Managing Director of HanaTour Southeast Asia Division.	www.tmarkresortvangvieng.com www.hanatour.com
Muong Thanh Luxury Hotel	Vietnam and South Korea	• Luxury four-star hotel catering to Korean and Vietnamese guests in Vientiane.	www.luxuryvientiane.muongthanh.com
Champasak Hotel and Restaurant Association	All	• Champasak Palace Hotel and Champasak Hotel and Restaurant Association.	www.facebook.com/champasakpalacehotel
Crowne Plaza Vientiane	Laos	• Premier hotel in Vientiane.	www.vientiane.crowneplaza.com
Resort Maison de Nongkhiaw	All	• Small mid-range hotel in Nong Khiaw.	www.maisondenongkhiaw.com
LOCA	All	• Local ride sharing App.	www.loca.la
The Hiker	All	• Local trekking company based in Luang Namtha.	www.thehikerlaos.com
Soutchai Travel	All	• Local tour company handling Chinese and Korean mass markets, European FITs, and domestic tourists.	www.soutchai.com
Foreign Tour Companies			
Mango Tiger	Inbound	• Regional tour operator focusing on lower market travelers	www.mangotiger.com
Sanook Holiday Tour	Thailand	• Tour operator selling packages all over the world.	www.sanookholidays.com
1. New Wave Travel **2. Thai Teaw Laos**	Thailand	• Popular company focusing on tours to Laos.	www.facebook.com/Thaiteawlaos
Grand Travel	Thailand	• Outbound tour company offering set departure trips all over the world.	www.grandtravelthailand.com/index1.html
Saigontourism	Vietnam	• One of Vietnam's largest outbound tour companies.	www.saigontourist.net
iVIVU.com	Vietnam	• A widely used online booking portal for Vietnamese travelers.	www.ivivu.com
Hanatour	South Korea	• Korea's largest outbound travel company.	www.hanatour.com

International Tourism Experts			
Pear Anderson	Asia	• Research firm focusing on Southeast Asian tourism	www.pearanderson.com
Asia Travel Re:Set	China	• Research firm on outbound Chinese market	www.asiatravelreset.substack.com
Chinese Outbound Travel Research Institute	China	• Outbound Chinese travel research organization	www.china-outbound.com
Lao Public Sector and Nongovernmental organizations			
1. Director General of Tourism Development Department **2. Ministry of Information, Culture, and Tourism**	All	• Oversees tourism development functions such as infrastructure, statistics, and related policies in the Ministry.	www.tourismlaos.org
1. National Tourism Destination Development and Management Specialist **2. Second Greater Mekong Subregion Tourism Infrastructure for Inclusive Growth Project** **3. Ministry of Information, Culture, and Tourism**	All	• Leading and managing the Asian Development Bank's project in the MoICT supporting infrastructure development and coordination. Also leads the Lao Destination Management to bring private and public sector together.	www.tiigp2-laos.org
SUSTOUR Laos	All	• Plan International project to build and certify sustainability in the tourism supply chain in Laos.	www.switch-asia.eu/project/sustour-laos/
Skills for Tourism Project LAO/029	All	• Luxembourg Development project leader which assisted with tourism skills development in vocational education (project very recently completed).	www.luxdev.lu/en/activities/project/LAO/029
DFICT	Laos	• Hospitality training company from a former LANITH director.	www.www.dfictlao.com

Annex 2: Tourism Market Research Survey

The World Bank is supporting the Government of Lao PDR on nature-based tourism (NBT) through the Lao Landscapes and Livelihoods project. RDK Group[63] is supporting research into tourism demand and trends in Laos. We, and the wider industry, would be grateful for your assistance in our data collection.

DEMOGRAPHICS PRE/POST-COVID-19

1. What were your customers like before COVID-19? Where were they from? What sort of demographic were they?
2. And now after COVID-19? Have you noticed any changes to their traveling demands? Or are there any new trends or expectations?
3. How did you adjust your business model or strategy during the COVID-19 period?
4. What are your perspectives on the 2023 season? Do you think travel to Laos will continue to grow? Which markets and demographics seem most promising?

TOURIST BEHAVIOR

1. Comparing before and after COVID-19, what inspired them to travel to Laos? How did they learn about the country?
2. How do they book their travels now? Have you noticed any changes in hotel requirements or average spending per trip since COVID-19? What might be driving these changes?
3. Through your personal experience and through your sales channels, have you heard of anything driving (or limiting) demand to visit Laos?
4. How important or influential is technology for your source market?
5. Where do they get their information about travel?
6. Comparing to neighboring countries, how is pricing for tourism services in Laos?
7. How is connectivity between Laos and your source country?
8. Are transport links easy and available?
9. Currently, are you noticing any trends in your clients toward greener travel options? What kind are they looking for?
10. Are there any services or products that your clients would like, but do not yet exist in Laos?

[63] See: https://www.rdkgroup.la

TOURISM PERSONAS

Read through the persona groups and assign your perceived percentage value based on total numbers of leisure tourists, their daily per capita spend, and locations and activities that these tourists enjoy.

Domestic Personas	Daily per capita spend	Locations and Activities
Domestic A: Lao Retirees		
Domestic B: Wealthy Young Adults		
Domestic C: Expats		
Domestic D: Couples and Families		
Domestic E: Low-Mid Income		

International Personas	Daily per capita spend	Locations and Activities
Intl A: Young Explorers		
Intl B: Budget Travelers		
Intl C: Worldly Sophisticates		
Intl D: Group Tourists		
Intl E: Young Nomads		

INTERNATIONAL FACTORS AND TRENDS

Economic issues have affected the entire world, causing people to cut back on some expenses.

1. How is disposable income affecting your market? Is travel one of the expenses that tourists are cutting back, and in what ways?

2. China is rapidly reopening and allowing its citizens to travel abroad after several years. Do you foresee this affecting your business? And when it does open, how do you see it affecting tourism in the region, particularly in Laos?

REGULATORY ENVIRONMENT

1. Could you suggest any changes to the regulatory landscape that would enable the growth and improvement of Lao tourism?

RECOMMENDATIONS

1. Do you have any specific recommendations or suggestions on how to improve the tourist experience and the industry in Laos?

TRAINING AND SERVICE

Service Standards in Laos

1. Have your clients had any comments or feedback about service standards in Laos?
2. From your experience, are there any priorities for training that Laos should focus on? Is there anything specific to serving your market?
3. How are your staff in Laos trained? Did they attend schools or third-party training for this?
4. Human resources are a critical issue in Laos. What should be done to attract and retain workers in this field?
5. Are you aware of any training opportunities for the hospitality sector in Laos? How prevalent or effective are these?
6. Do you have any more recommendations regarding training or service skills in Laos so that the tourism sector can flourish?

Hygiene and Service Standards in Source Markets

1. To gauge what tourists are used to at home, how are service standards in the hospitality industry in your source markets?
2. During COVID-19, many people left the hospitality industry. In your market, how has the industry been recruiting, training, and retaining staff to meet consumer demand?
3. There are health, safety, and financial regulations in some source markets, that force suppliers in destination countries to comply. Are you aware of any tightening or loosening of these restrictions by any source market since COVID-19?
4. What are the current masking norms, and vaccination and entry requirements in your source market? Would your tourists feel uneasy in places with different standards?
5. During COVID-19, health policy in some countries has focused quite heavily on personal health and safety, causing some cases of undue fear of the outside world. Do you think this phenomenon has affected your market and how so?

PRIVACY

Would you prefer to be anonymous in this survey? Feel free to mark or highlight your response.

☐ No ☐ Yes

Annex 3: Key Foreign Donor-Financed Training Programs

Luxembourg Development Corporation: Skills for Tourism, Agriculture, and Forestry Project LAO/036, 2023-2027—25 million Euros

This is a continuation and expansion of the previous Skills for Tourism Project LAO/029, which ran from 2016-2022. Activities have yet to be formalized but are expected to be like previous initiatives while also expanding into agriculture and forestry. Highlights from Project LAO/029 included:

- Revision and development of 14 tourism and hospitality Technical and Vocational Education and Training (TVET) and skills development programs and courses.
- Over 12,000 beneficiaries of project support—71 percent women and 83 percent from disadvantaged backgrounds.
- Over 450 tourism and hospitality teachers were provided skills training.
- Construction and operation of The Academy Training Hotel and Restaurant practical facility in Vang Vieng.
- 4700 tourism and hospitality employees received skills training including bartending, food production, product development, HR management, and supervisory skills.
- During COVID-19, the project focused more on skills training and support to the recovery of the tourism sector with the Lao Thiao Lao domestic tourism campaign and LaoSafe COVID-readiness certification program for tourism and hospitality businesses.

The International Labour Organization

The International Labour Organization has supported some sporadic tourism and hospitality training for Lao returnee migrant workers from neighboring countries affected by the COVID-19 pandemic. One such program was recently completed in Vientiane for a total of 120 participants. Skills taught included housekeeping and food and beverage service. This training scheme was held in partnership with the Lao Hotel and Restaurant Association and conducted by DFICT.[64]

Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH: Vocational Education in Laos Phase 2, 2019-2023—4 million Euros[65]

The GIZ Vocational Education in Laos (Vocational Education in Lao PDR) project supports the Ministry of Education and Sports (MoES) and the Lao National Chamber of Commerce and Industry (LNCCI) to strengthen dual-cooperative training (DCT) training. DCT involves vocational students from six TVET institutions receive on-the-job skills development as 50

[64] See: https://laotiantimes.com/2023/03/07/laos-holds-training-to-improve-services-in-hospitality-and-tourism-sectors
[65] See: https://www.veff-laos.org/index.php/en/what-is-dct

percent of their coursework. This approach helps create a workforce that meets labor market needs. Programs of study are not only limited to tourism and hospitality but apply to a variety of other majors offered in TVET institutions. The LNCCI, as the voice of the Lao private sector, takes the lead in promoting DCT as the preferred TVET route. The DCT Service Center, which LNCCI established, offers all services necessary for the private sector, including certification services, training of in-company trainers, and the establishment of occupational standards. Over 700 students enroll annually in DCT courses, and in 2021, 79 percent of graduates were found to be employed or enrolled in further education.[66]

PLAN International: SUSTOUR Laos, 2020-2024—2.2 million Euros

SUSTOUR Laos mobilizes and trains Lao tour operators and hotels in Luang Prabang, Vientiane Province, and Vientiane Capital. The aim is to adopt and promote sustainable consumption and production practices throughout their supply chains and operational procedures. This involves working with local vendors, buying ecologically friendly goods, preserving natural resources, and engaging with the neighborhood in socially responsible ways.

The Travelife program is a part of the SUSTOUR program.[67] It has been developed by the European Centre for Ecological and Agricultural Tourism in collaboration with various European Union travel associations and is acknowledged internationally as the top sustainability system in the tourism industry. The program will certify and award sustainable accommodation providers, tour operators, and travel agents.

In addition, the 'Lasting Laos' certification will boost the reputation and economic viability of other businesses in the Lao tourism section.[68] These include transportation, food and beverage, handicrafts and souvenirs, and cultural excursion providers. The certification will be used to certify businesses implementing sustainable environmental, social, and economic practices.

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[66] For more information on the impact of the Vocational Education in Lao PDR project, see GIZ factsheet: https://www.giz.de/en/downloads/giz2023-en-factsheet-VELA.pdf

[67] See: https://www.travelife.info/index_new.php?menu=home&lang=en

[68] See: https://kpl.gov.la/EN/detail.aspx?id=71804

Annex 4: Pre-COVID Tourist Statistics

Table A9. Visitors, Revenue, Accommodation, and Occupancy 2016-2020

Visitors, Revenue, Accommodation Occupancy 2016-2020					
	2016	**2017**	**2018**	**2019**	**2020**
Visitors	4,239,047	3,868,838	4,186,432	t	886,447
Change YOY		-8.73%	8.21%	14.44%	-81.50%
Rooms	46,513	50,600	58,628	55,541	56,347
Change YOY		8.79%	15.87%	-5.27%	1.45%
Occupancy	5%	54%	53%	54%	N/A
Revenue (USDm)	$724.20	$648.10	$811.01	$934.71	$213.37
Change YOY		-10.51%	25.14%	15.25%	-77.17%

Source: TDD 2020

Table A10. Average Length of Stay of Tourists

Average Lengths of Stay for Tourists 2016-2020			
	Avg. Stay for International Tourists	**Avg. Stay for Regional Tourists**	**Avg. Stay for Total Tourists**
2016	7.5	2.0	4.8
2017	8.3	2.0	5.2
2018	7.9	2.0	5.0
2019	7.9	2.0	5.0
2020	7.9	2.0	5.0

Source: TDD 2020

Annex 5: COVID-19 Tourist Behaviors

The impact of COVID-19 on the global tourism market was unprecedented and it is not forecast to fully recover until 2024.[69] However, as well as creating a massive slowdown in the sector, during the pandemic other changes were seen in the behavior and expectations of tourists. These four important tourism dimensions may become less important now the tourism sector has opened. However, aspects of these behaviors may still affect post-COVID tourist expectations and it is useful for the industry to be aware of them. There were four main trends identified: (1) proximity tourism; (2) health security; (3) pandemic fatigue; and (4) revenge spending.

Proximity Tourism

> ***Proximity Tourism***
> The desire to explore tourist destinations closer to home (also known as staycation). The behavior existed before the pandemic but because of travel restrictions more people reviewed their travel expectations and local tourism increased accordingly.

One of the changes in tourist behaviors during COVID-19 was an increase in proximity tourism or vacationing close to home. During the pandemic, many people who wanted to travel had no option but to explore destinations closer to home. It was this proximity tourism[70] that kept the country's tourism industry alive. In 2020, it was forecast that visitors would likely opt to travel to locations closest to their place of residence due to increased social and environmental awareness (Romagosa 2020). This forecast was confirmed by a 2020 study showing that over 70 percent of Italian tourists preferred proximity tourism (Candia and Pirlone 2022). In addition, many potential visitors who saw their spending power decrease due to the economic crisis viewed adjacent places as less hazardous in the context of increased financial insecurity. After the pandemic, there were limitations on long-distance travel as many air routes had limited capacity and airfares skyrocketed as source countries reopened.

If proximity tourism continues as a long-term trend, Laos may face the new challenge of managing an increasing volume of regional tourists into Laos in certain periods. Hotels in Luang Prabang have already reported that they had no occupancy during Chinese New Year 2023 due to the surge in Chinese visitors.[71] In addition, self-driving tourists from regional countries have caused a stir due to a lack of parking and facilities for their motorhomes among Luang Prabang's narrow street.[72] However, there is not enough research available to confirm if the demand for proximity tourism will continue to be an important factor post-COVID.

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[69] See: https://www.weforum.org/agenda/2022/01/global-travel-tourism-pandemic-covid-19/
[70] Traveling to destinations closer to home.
[71] See: https://laotiantimes.com/2023/02/27/luang-prabang-hotels-on-full-capacity-thanks-to-chinese-tourists/
[72] See: https://laotiantimes.com/2023/01/22/laos-among-list-of-countries-greenlit-for-chinese-group-tours

Health Security

Health Security
A heightened awareness of health risks, healthcare infrastructure capacity, and travel insurance. This results in an increase in concerns about health issues and a higher demand for greater cleanliness and hygiene.

COVID-19 had a greater detrimental impact on consumer travel behavior than previous health crises. Unlike most previous health or natural disasters where the impact was regionally limited, COVID-19 affected all global markets and destinations and at a level not seen before.

In 2020, travel experts argued that health security was a new tourism dimension caused by the pandemic (Wilson and Chen 2020). Health security meant that tourists' perception of COVID-19 safety affected the travel choices they made. During times of global health issues, tourists' decisions could be categorized into three broad categories. These include decisions based on: (1) an assessment of their own health and readiness for travel risks; (2) research and an evaluation of the health protocols and conditions of their destination, including the perceived level of healthcare infrastructure in the country; and (3) an assessment of the policies that may affect them throughout the trip, such as insurance requirements, testing and quarantine requirements both at the destination and on returning home.

It is possible that in the post-COVID age, the hygiene concerns of tourists will continue to impact on the ability to attract visitors. Cleanliness and hygiene are anticipated to become important features of tourism, and in the context of tourism and hospitality, hygienic measures could be a deciding factor when choosing an accommodation provider (Chansuk et al 2022). This has led to most governments prioritizing the health and safety of their citizens and tourists. During the initial COVID-19 liberalization period strict hygiene guidelines were imposed on tourism and hospitality staff and cumbersome practices on tourists. Programs such as Thailand's SHA[73] and Lao's LaoSafe[74] were in full swing and their confidence-building certification was in high demand among the tourism and hospitality sector. However, SHA appears to be on its way out and the Lao SAFE initiative is now winding down.

[73] See: https://www.shathailand.com

[74] The LaoSafe program was expected to continue under the supervision of the MoICT, led by the TMD. However, when donor funding ceased, the government had limited budgetary and technical capacity to sustain the program.

Pandemic Fatigue

> ***Pandemic Fatigue***
> The mental and emotional exhaustion experienced by individuals brought on by a prolonged pandemic, its associated restrictions, and the constant need to adapt to new health and safety measures.

During the pandemic, tourists grew weary of the burdens implemented on them. In response, as people look to return to the pre-pandemic lifestyles (including travel and social activities) there has been a decreased concern for risk and uncertainty. Although risk and uncertainty are still an issue for tourists when making a travel decision, people are yearning to return to their pre-pandemic lifestyles. The the United Nations World Tourism Organization reports that in the first three months of 2023, international arrivals had already reached 80 percent of pre-pandemic levels.[75]

A 2022 study conducted in Vietnam discovered that destination health risk is no longer a critical determinant for tourists' plans. This finding could potentially be applicable to other Southeast Asian countries, including Laos (Duong et al 2022). Factors such as attitude, monetary promotions, and social media have reappeared as significant influences on travel intentions, albeit with different priorities and emphases. In the new normal, where pandemic fatigue is a prevalent sentiment, the focus and weight of certain travel determinants have shifted slightly. Attitudes now place greater emphasis on balancing personal preferences with health and safety concerns, reflecting a growing desire for normalcy amidst pandemic fatigue. However, monetary promotions continue to be significant, as national tourism boards and tourism businesses compete for the first waves of international tourists.

An overwhelming majority of Lao tourism-related business owners and representatives interviewed for this assessment advocated for a shift in perspective. They were more affected by pandemic fatigue than the virus itself and believed that acknowledging COVID-19 as an endemic issue and adapting to it should be the primary focus of government policy and tourist behavior. These business owners and representatives endured substantial losses due to the pandemic, and this led them to prioritize financial recovery over concerns surrounding hygiene and safety. They argued that continued strict measures were detrimental to the long-term health of the tourism industry, as these measures hindered the sector's ability to bounce back and generate revenue.

Years of border closures and lockdowns have taken a toll on people. One Lao hospitality expert noted: "*We have seen it with the Thai market. They are ready to get out of the same places and routines they have been cooped up in over the past several years. They will exercise some personal caution and wear masks, but that does not hinder their drive. People want to find their freedom again*."

[75] See: https://www.unwto.org/news/tourism-set-to-return-to-pre-pandemic-levels-in-some-regions-in-2023

Revenge Spending

> ***Revenge Spending***
> Excessive spending on travel experiences to compensate for lost time and opportunities caused by the experience of the pandemic and driven by a desire for normalcy.[76]

Revenge spending involves spending more money than usual to compensate for previous negative experiences. In tourism it includes: (1) splashing out on luxurious accommodation; (2) indulging in fine dining; and (3) visiting multiple destinations—activities that typically would not have happened. The behavior alleviates stress, counteracts negative emotions, and celebrates regained freedom and enjoyment. Interestingly, it is argued that the behavior of revenge spending is a complex dynamic between the push and pull of perceptions of risk versus the need for reward and that for some people the reward becomes more important than the risk (Kim et al 2022). This highlights the complex interplay between promotional strategies and consumer behavior in the post-pandemic tourism landscape.

Laos, like other countries heavily reliant on tourism, may experience positive impacts from revenge spending in post-pandemic tourism. The surge in demand for travel experiences and the willingness of some tourists to spend on luxury accommodations and fine dining could benefit the country's hospitality and tourism industries. In addition, Lao natural beauty, rich cultural heritage, and unique cuisine may appeal to travelers seeking new and immersive experiences.

However, there is a risk of negative impact too. Lao tourism infrastructure may not be equipped to handle a sudden surge in demand for luxury accommodations and high-end dining experiences. In addition, if the surge in demand for travel experiences is short-lived and not sustained, it could result in a boom-and-bust cycle that could be harmful to the country's economy. If travelers prioritize making up for missed experiences over responsible tourism practices, it could lead to negative environmental and social impacts, including over tourism and cultural commodification.[77] Government and the tourism sector needs to be prepared to cater for these surges in demand and ensure it has the data to it needs to plan and respond.

Social media has played an important part in encouraging revenge spending. Its role has evolved beyond just sharing experiences. It now offers real-time updates on travel restrictions and opportunities while also popularizing newer platforms, such as TikTok (Douyin)[78] and Online Travel Agencies. Lao tourism industry needs to adapt its marketing strategies to reach potential travelers through these platforms. In addition, the country's tourism officials should closely monitor social media for updates on travel restrictions and opportunities plus respond accordingly to promote tourism in a responsible and sustainable manner.

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[76] See: https://gala.gre.ac.uk/id/eprint/35070/7/35070_KAWAF_The_light_at_the_end_of_the_COVID_19.pdf

[77] *Cultural commodification* describes the packaging and presentation of culture and heritage for consumers, especially in the context of general tourism and NBT.

[78] See: https://www.tiktok.com/en/

The Rock Viewpoint, Khammouane.
Photo by: Anorath Douangphachanh

Kuang Si Waterfall, Luang Prabang.
Photo by: Souksavanh Sombounkhanh

Tad Lerk Waterfall, Bolikhamxay
Photo by: : Anorath Douangphachanh

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