

**IMPROVING COMPETING COMPETENCE
IN TOURISM CLUSTER CATEGORIZED BY TERRITORY:
CASE OF STUDY – KHANH HOA, VIETNAM**

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Abstract. Khanh Hoa is a province in the South Central Coast region, which is likened to the image of a miniature Vietnam with forests and mountains, possessing a plain having a coastal area with several beautiful beaches, islands and archipelagos, not to mention a long history of culture creating favorable conditions for tourism development. Despite bestowed with many potentials and advantages for development, the development results of Khanh Hoa tourism are still modest compared to expectations: unstable increase in the number of international visitors, unbalanced structure in source of visitors, slow increase in revenue, low visitor's average expenditure, modest contribution of the tourism industry in the GRDP of the province... In the face of this situation, research was conducted to answer two questions: (i) What key factors play a role in promoting or hindering the competitiveness of Khanh Hoa tourism industry? and (ii) What should be done to improve the competitiveness of Khanh Hoa tourism cluster business?. Thereby, the study evaluates the current state of competitiveness of Khanh Hoa's cluster tourism sector and recommends some appropriate solutions to improve the competitiveness of this industry cluster.

Keywords: Competitiveness, industry cluster, tourism, Khanh Hoa province.

1. Introduction

Being a coastal province in South Central Vietnam, Khanh Hoa has a coastline of 385 km with nearly 200 large and small islands along the coast and over 100 islands and reefs of Truong Sa archipelago [19]. The faulty coastline creates a unique coastal landscape for tourism because there are many beautiful beaches, white sand and clear blue sea all year round. Besides the unique marine resources, the local humanity tourism resources are also abundant with cultural heritage sites such as communal houses, temples, pagodas, towers, shrines, ancient citadel... still existing to this day: Ponagar Tower (Nha Trang), Dien Khanh Citadel (Dien Khanh), Ninh Hoa Palace (Ninh Hoa), Temple of Tran Quy Cap (Dien Khanh), Temple of Trinh Phong (Dien Khanh), Phu Cang

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Communal House (Van Ninh); Vo Canh Stele; Hoi citadel, Ong Thach Temple... and intangible cultural heritages such as the legend of Ponagar goddess - The mother of the country, Thap Ba festival, Am Chua festival, shadow dancing... [13,15]. All of these advantages help the locality to develop into an attractive tourism industry, especially including sea, island, eco-tourism, cultural tourism and MICE tourism...

In the master plan on tourism development in Vietnam to 2020, vision to 2030; Master plan for tourism development in the South Central Coast to 2020, vision to 2030, Khanh Hoa is identified as one of the two centers of the South Central Coast region and one of the three peaks of the “Tourism Development Triangle” in Southern region including TP. Ho Chi Minh - Da Lat - Nha Trang [25]. For Khanh Hoa province, tourism is also identified as a key economic sector linking tourism destinations in the South Central Coast region and the Central Highlands [8,25].

Although there are many development advantages, the tourism industry of Khanh Hoa has not been commensurate with expectations. The annual growth of the tourist market is showing signs of stagnancy. In the period 2000 - 2010, the average growth rate of the tourist market reached 17,81%, but only had an average of 14% per year in the period from 2010 to 2018 [17]. Basically, the number of visitors to Khanh Hoa is constantly increasing; however, compared to some provinces in the South Central Coast region, the number of visitors here is still behind that of Da Nang city and Quang Nam. In 2018, the number of visitors to Da Nang was 7660 thousand, Quang Nam 6500 thousand, higher than Khanh Hoa province, respectively 1622 thousand and 162 thousand visitors [6].

**Table 1. Tourist arrivals to Khanh Hoa and some provinces
in the South Central Coast region, period 2010 - 2018**

(Unit: Thousands of visitors)

| Province/ City | Year | | | | |
|------------------|-------------|-------------|-------------|-------------|-------------|
| | 2010 | 2014 | 2016 | 2017 | 2018 |
| Da Nang | 1014 | 3470 | 5510 | 6600 | 7660 |
| Quang Nam | 799 | 3994 | 4360 | 5350 | 6500 |
| Binh Thuan | 2802 | 3517 | 4521 | 5200 | 5700 |
| Khanh Hoa | 1843 | 3850 | 3450 | 4527 | 6338 |

(Source: Department of Tourism in cities/provinces above)

According to statistics of Khanh Hoa Department of Tourism, since 2015, international tourists have been mainly been China and Russia, of which the number of Chinese tourists has a rapid growth rate and accounts for the highest proportion (from 3,0% in 2010 to 67,4% in 2018), creating an imbalanced structure of customer source in the province. In addition, the length of stay of guests has little change in the period from 2015 to the present (ranging from 3-4 days for international visitors and 1-2 days for domestic visitors). In general, the average expenditure of visitors has increased compared to the past (in 2010 it was 86,3 USD and so far it is about 97 USD/person) [17], but is still lower than that in other provinces and cities with strong tourism industry in the Central region such as: Quang Nam, Da Nang, Binh Thuan... due to the

lack of big entertainment spots, shopping and entertainment centers, and unique souvenir items.

Thus, it can be seen that the journey to make tourism become a driving force for other economic sectors is relatively long due to many reasons such as: (i) restrictions on tourism promotion; (ii) lack of attractive tourism products; (iii) shortage of qualified labor resources; (iv) ineffective regional linking in tourism development... Facing this situation, Khanh Hoa needs to reevaluate its potential, identify key factors that hinder and promote the competitiveness of the tourism industry, in order to devise proper and sustainable development solutions for tourism in the future.

2. Content

2.1. Literature review and methods

The tourism cluster and its role in enhancing territorial competitiveness (local, regional, national) are not a new issue in research and development. The theory of industry clusters stems from the concept of industrial district proposed by Alfred Marshall (1920). Marshall uses the term “industrial sector” to describe the concentration and proximity of businesses in the industry, thereby creating positive external impacts and economic advantages based on scale for businesses working in that area. Businesses will participate in the production value chain from the supply of raw materials to products delivery to consumers. Marshall's theory was developed through the studies of Hoover (1948), Piore and Sabel (1984), Krugman (1995)... However, in the context of globalization which saw a breakthrough in research on industry cluster - the theory proposed by Michael Porter (1990), Michael Porter has expanded the concept of industry clusters and developed an analytical framework for applying this concept to study issues related to competition and competitiveness at most levels of analysis, including company scale, industry scale, local, regional, and national. In Vietnam, research projects on industry clusters and competitiveness of industry groups can include typical authors such as Vu Thanh Tu Anh, Huynh The Du, Phan Chanh Duong and Nguyen Xuan Thanh of the Institute of Public Policy (IPP). The authors studied Porter's theoretical model and adjusted some parts to be suitable for the Vietnamese context.

Regarding the issue of industry cluster and competitiveness of the tourism industry, most studies are often based on Porter's theory to analyze the structure of a cluster and the competitiveness of tourist sites, typically Crouch and Ritchie (1999), Monfot (2002), Beni (2003), Dwyer and Kim (2003), Jackson and Murphy (2006), Cracolici, Nijkamp, and Rietveld (2008), Kim and Wicks (2010)... These studies generally indicate the basic components of a tourism cluster, as well as identifying the components that make up the competitiveness of a tourism destination including: determinants (location, safety, cost, etc.), destination management (organization, information, services, etc.), mainstream and specialized tourism resources (nature, culture), supporting factors (infrastructure, business, education, labor source, etc.).

About research methodology: this study uses a model assessing competitiveness and diamond model in theory of industry cluster by Michael Porter (1990, 1998, 2008). According to the analysis framework of Michael Porter (2008), the industry cluster is understood as “the geographical focus of businesses, suppliers and associated

businesses as well as relevant companies in the industry and supportive institutions (such as universities, standard departments, trade associations) in a number of specific fields, both in a competitive and cooperative relationship.” Competitiveness of industry clusters is measured by productivity, and productivity is measured by value added by a unit of labor or a unit of capital created in a unit of time. Tourism is an activity dominated by resources and support services, thereby is often spatially distributed to exploit the competitive advantage of territories using industry cluster theory in research studies in tourism, suitable for assessing the connectivity and support of service providers, related sectors and support institutions for the core activities of the tourism industry in a certain territory.

The study is conducted by analyzing statistics and secondary data to assess the current state of the competitive competence of the tourism industry. In addition, the collected information is used by the author to carefully examine the hypotheses on some key factors that hinder or promote the competitive competence of the industry sector, and on that basis, to recommend appropriate policies to improve the Competitive capability for Khanh Hoa tourism industry.

2.2. Theoretical basis of competitiveness and industry clusters

2.2.1. Competing capability

The concept of Competitive capability is relative, the content of the Competitive capability can be understood in many different ways based on the approaches and specific research context. Competing capability is considered at the national, economic or business level (Ambastha & Momaya, 2004). The origin of Competitive capability is from Latin, the term “competer” means the ability of the subject (business, industry or industry cluster, Government) to participate in a business competition, describing the economic power of an organization compared to competitors in the global market, in which goods, services, people, skills and ideas move freely across geographical boundaries (Murths & Lenway, 1998). According to Michael Porter, the only meaningful concept of competitive competence is productivity (productivity), in which productivity is measured by value added by a unit of labor (or a unit of capital) created in a unit time. In other words, productivity is the ability to create valuable goods and services through the use of a nation's human resources, capital and natural resources; the core driving force leading to sustainable prosperity [24]. The competitive competence of the country is determined by three groups of factors: (i) Macro competing competency, which does not directly affect productivity but facilitates factors that promote productivity to, (ii) micro competing competency, which directly affects productivity, describing how companies operate and external factors directly impact on the performance of the company and (iii) natural advantages, not affecting productivity but having a close relationship in creating national prosperity [23,30].

Based on the competitiveness framework study of Michael Porter (2008), Vu Thanh Tu Anh (2011) proposed the framework of competing competence analysis at the local level including three main groups of factors:

(i) First, local available factors including natural resources, geographical location and local size;

(ii) Secondly, Competitive capability at the local level including: cultural, educational, health and social infrastructure quality; quality of technical infrastructure and fiscal policy, investment, credit or economic structure.

(iii) Thirdly, the competitive competence at the enterprise level including the business environment, level of industry development and operation and strategy of the enterprise.

2.2.2. Cluster and tourism cluster

The clusters are simply understood as the geographical concentration of production and trade activities in a certain field or a number of closely related fields, is a phenomenon that has existed since many centuries ago and been studied by many scholars around the world, most notably research by Michael Porter. According to Porter (1990, 1998, 2008), the industry cluster is “the geographical concentration of businesses, suppliers and associated businesses as well as companies in related industries and institutions of support (eg universities, standard bureaus, trade associations...) in some specific fields, both competing and collaborating together”[20].

The concept of this industry cluster is based on two important pillars. First and most important is the role of geographic focus of economic activity. Emphasis on the role of this concentration in industry cluster theory provides new insights into the nature of competition and the role of location for comparative advantage. The second pillar is “connectivity” and “relevance”. The cluster is not a discrete set of any group of companies, but is linked by reciprocity and resonated by positive spillover effects. In other words, the general strength of the cluster is greater than the combined power of individual members.

The development of the cluster plays an important role in economic development. Clusters create convenience for customers, reduce the cost of operating supply chains, increase the ability to recruit skilled workers, and more easily approach professionals and professional techniques. The key benefit of industry clusters is to help strengthen competition, at the same time promote cooperation, thereby creating resonance effects (network effect) and spillover effects, and the end result is increased power, productivity, innovation, commercialization, and start-up for local or regional economies.

Regarding the process of formation and development of clusters, it can be seen that clusters often form on the basis of certain specific advantages. First, the cluster can be formed and developed thanks to natural conditions and the availability of production factors. Second, clusters can be formed and developed thanks to conditions of demand. Market demand large enough and growing at a sufficiently attractive rate is obviously a good market opportunity, and can thus promote the formation of the industry cluster to exploit this opportunity. Third, the cluster can be formed thanks to one or several key businesses. Fourth, the birth of a cluster may stem from the success of pre-established industry clusters. This new cluster may be the development or transformation of the old sector. Fifth, the establishment of the cluster can be based (almost) entirely on state investment. In general, the formation and development of clusters is due to a combination of factors such as raw materials, fuel, transport, logistics, abundant and/or skilled labor, excellent universities, market access... [24].

The clusters impact competition in three ways: one, by increasing the productivity of businesses or industries in it; two, by increasing the innovation capacity of businesses and thereby increasing productivity; three, by promoting the formation of new businesses to support innovation and expand the cluster. The clusters not only form a facet of the Diamond model as supporting and related industries, but also express the interaction between the four faces together [22, 30].

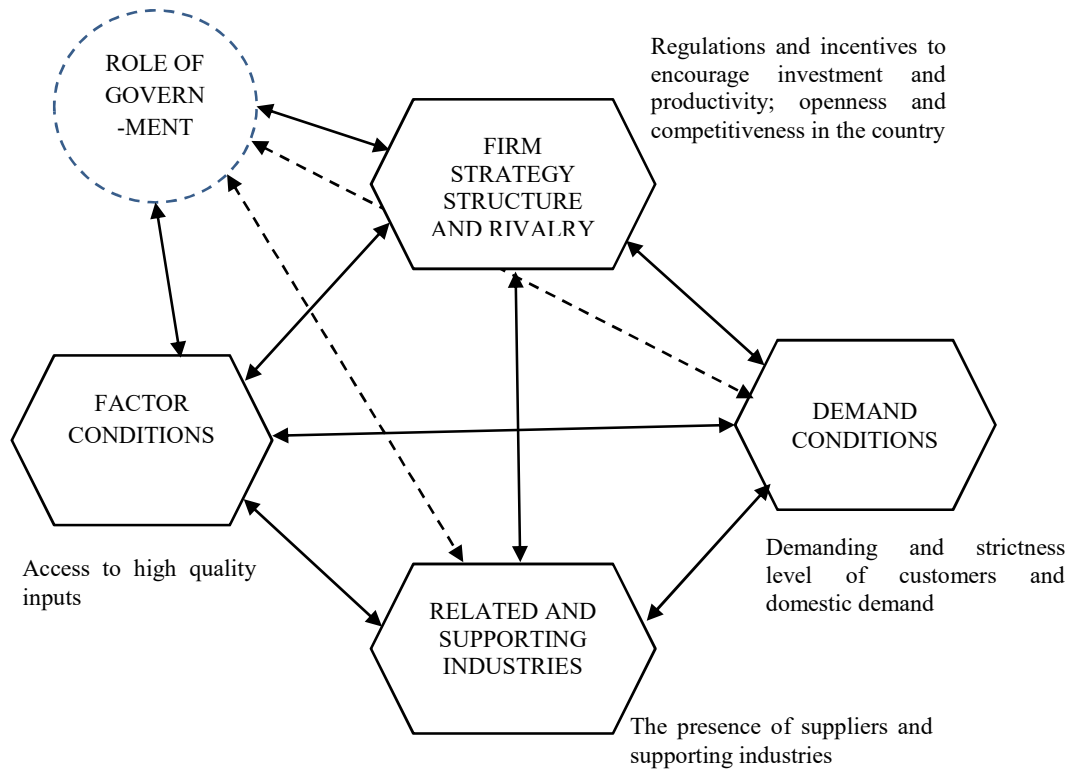


Figure 1. Diamond Model by Michael Porter, 1998 (Source: [30])

The tourism cluster is a complex group of factors such as tourism service companies (restaurants, accommodation, transportation services, etc.); tourism, infrastructure and transportation, support services (financial, information ...), resources and policy institutions (Monfot, 2002). Beni (2003) defines a tourism cluster as a set of attractions with touristic differential, concentrated in a limited geographical area with facilities and services of quality, collective efficiency, and social and policy cohesion, with coordination of the production chain and of the cultural associations, and with excellent management of companies' networks that generate comparative and competitive advantages. Tourism cluster is a geographic concentration of companies and institutions interconnected in tourism activities. This includes suppliers, services, governments, institutions, universities, and competitors (Capone, 2004). According to Ferreira (2003) tourism cluster includes, in addition to the activities considered in the tourism sector, namely accommodation, catering, entertainment, and various attractions, operators and travel agencies, guides, crafts, car rentals and touristic transport, other services and related and support activities, such as organizations and support services, transport infrastructure, education and training, consultancy and other business services.

The participation of actors other than just suppliers is needed to develop a tourism cluster (Brown & Geddes, 2007). According to Sieglinde Kindl da Cunha (2005) a tourism cluster is a group of companies and institutions bound up to a tourism product or group of products. Such companies and institutions are spatially concentrated and have vertical (within the tourism productive chain) and horizontal relationships (involving factor, jurisdiction and information exchange between similar agents dealing with a tourism product offer). They show an intern configuration that generally includes: a) a set of tourist attractions that draw non-resident attention; b) the concentration of tourism service companies: restaurants, accommodation, transport services, crafts, travel agencies etc.; c) sectors providing support to tourism services; d) suitable and low-cost infrastructure (roads, energy, sanitation, health services, etc.); e) companies and institutions that provide specialized qualification, information and financial capital; f) intern agents organized into class associations; g) government agencies and other regulating bodies that impact tourism agglomerations [26]. For these authors the government should encourage and fund programs to attract private investment, invest in infrastructure, as well as promote the region tourism since a tourism cluster can overcome crises.

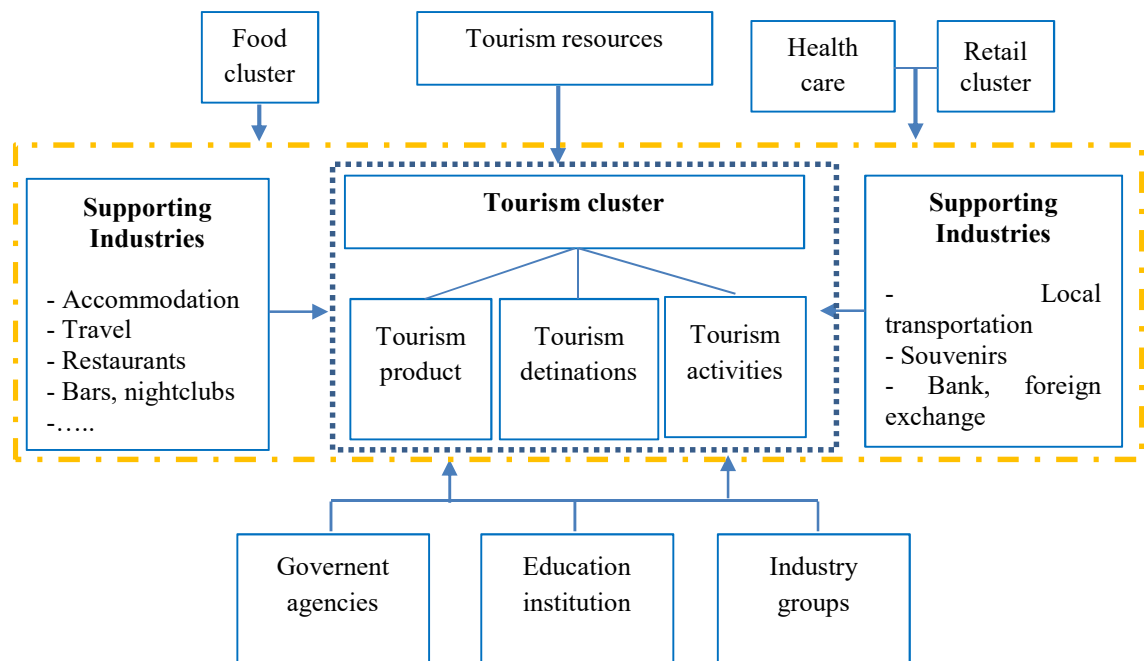


Figure 2. Structure of a tourism industry cluster

(Source: Authors' proposals)

According to the study of the authors group, the tourism industry is a form of production organization based on the geographical focus of businesses, in which participants include travel business enterprises and transportation and tourist accommodation organizations linking the inputs and outputs of the chain; units providing service providers, related industries (production, technology and customer relations), supporting institutions (finance, education, research, and infrastructure)...

Tourism cluster can also be supported by other industry clusters such as food industry cluster, tourism health care cluster, retail industry ... (see Figure 2).

The spatial scope of a tourism industry cluster can be either a city, a region, a country, or even a group of neighboring countries. Because the structure of the tourism industry is very diverse, depending on its depth and complexity with vertical and horizontal links complementarily affecting each other, determining the exact scope of a cluster is relatively complicated. According to Poter (2008), determining the scope of an industry cluster, in this case a tourism industry cluster, needs to trace down to large tourism businesses in the area and companies/businesses supporting tourism activities vertically (companies providing direct services to tourism) and horizontally (companies/businesses that provide products and services that complement the tourism industry), then identify organizations that provide members of the industry with specialized skills, technology, information, capital, infrastructure, or other essential inputs ;and finally, search for government agencies or institutions and management mechanisms that have a significant influence on the activities of members in the industry cluster.

2.3. Results

2.3.1. Competitiveness of Khanh Hoa tourism industry cluster

2.3.1.1. Factors determining the competitiveness of Khanh Hoa tourism industry

(i) Conditions and inputs

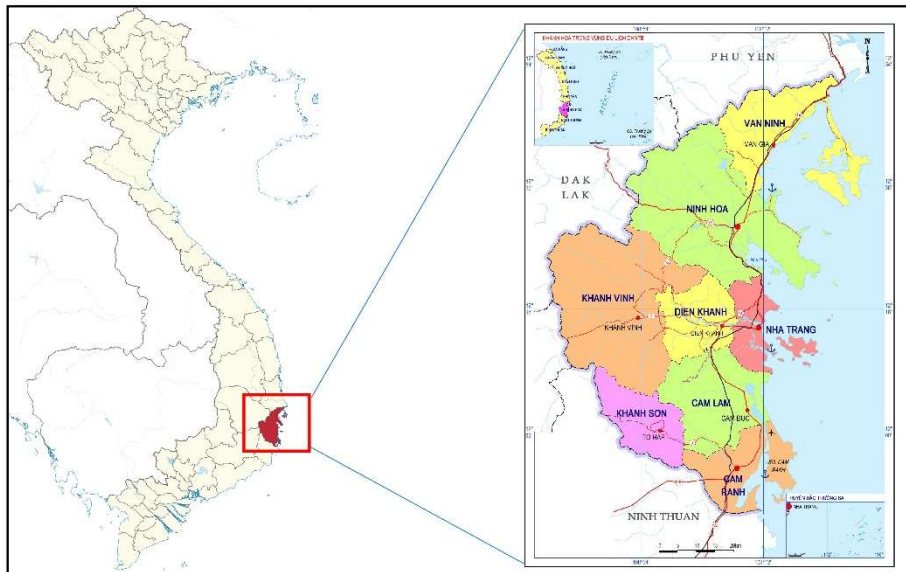


Figure 3. Location of Khanh Hoa province on Vietnam map

(Source: Authors)

- *Location and tourism resources:* Khanh Hoa has a favorable geographical position near international maritime routes, has a seaport system linked to important traffic hubs on roads, railways, waterways, and airway; and is one of the gateways to the East Sea of the Central Highlands and Cambodia... [19]. Besides, Khanh Hoa also possesses many great potentials for both natural (sea tourism resources system, diverse

ecotourism) and humanity (diverse cultural and historical heritage, festivals, craft villages...) for tourism development. All these factors create a uniqueness and certain competitive advantages for the province's tourism industry compared to other regions [15].

- *Infrastructure*: The provincial network of infrastructure is relatively diverse, with all four types of transport: air, rail, waterway and road basically meeting the demand for expanding routes, tours and local tourism development activities. However, the quality of infrastructure here is typically limited by the overloading of the tourism infrastructure causing a bottleneck in transport, creating a bad impression in the province's tourism development.

- *Human resources and their level*: According to statistics, the number of employees in Khanh Hoa tourism sector increases rapidly to meet the development requirements of the industry. In 2000, the direct labor force in the tourism industry reached about 2,332 people, by 2010 this number increased to 10,384 and now has increased to about 28,000 people (of which the accommodation sector is about 25,000 people). The average growth rate of labor in the period 2000 - 2018 is 21,7%. The number of indirect workers is about 6.2 times that of direct labor. From 2010 to 2018, the number of direct employees increased rapidly with a rate of 18,9%, accounting for 87,3% of the total labor force in the province in 2018 [17]. However, the quality of human resources in Khanh Hoa tourism sector is still limited, especially foreign language proficiency. According to a quick survey of the Department of Tourism (October 2017), on the need for foreign language training in 34 enterprises (25 enterprises of accommodation establishments and 9 travel enterprises), with a total of 3,700 employees, the results show that up to 1,700 workers (45,9%) wishing to be retrained. Survey results on assessments of employers in the tourism business sector, up to 92,3% of labor force when recruited, do not meet the requirements of enterprises on foreign language proficiency; 84,6% of workers lack practical work experience, and need retraining.

- *Source of funding*: Currently in Khanh Hoa province, there are more than 150 tourism projects which have been granted investment licenses with a total registered capital of approximately VND 150,000 billion, mostly investment projects on accommodation and resort facilities, apartments combined with commercial and service centers [17]; in which many coastal entertainment parks have been put into operation and become attractive sites for domestic and international tourists Vinpearl land, Dimonbay... However, in general, the investment capital for socio-economic development and infrastructure in Khanh Hoa is quite limited, including tourism, typically entertainment and catering services, limiting the level of tourist spending.

(ii) Context of competition in Khanh Hoa tourism industry

- *Competition in tourism business*: In general, tourism businesses in Khanh Hoa are often in small scale, and depending on large enterprises in Hanoi and Ho Chi Minh City, providing products and services relatively similar tourism services (means of transport, accommodation and catering services, etc.) so the price competition often takes place. However, the quality of service for tourists here is gradually improved. Improvements are expressed through the relatively high rate of customer satisfaction with local services.

- *Connection in tourism development*: Khanh Hoa has implemented links and cooperation in tourism development with localities in the South Central Coast, Central Highlands and South East regions in terms of: linking products, forming tours, tourism

routes; links in investment promotion and human resource development activities; linked development in regional tourism. However, the co-operation of Khanh Hoa with some localities in the South Central Coast is also heavily committed to formalism, and there is not yet a plan associated with specific objectives and implementation plans, the effectiveness of the link expressed in the regional development of the region is still unclear and not yet as expected.

(iii) Demand conditions

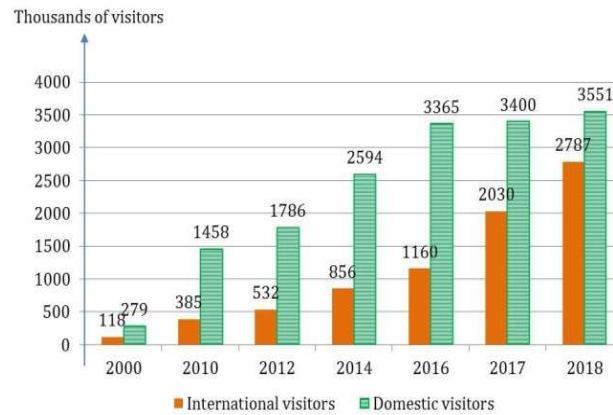


Figure 4. Number of tourists in Khanh Hoa in the period 2000 – 2018

(Source: [17])

- The number of tourists coming to Khanh Hoa in the period of 2010 - 2018 continuously increases, and it especially has increased strongly from 2017 onwards. In 2018, the number of visitors staying in Khanh Hoa province reached 6338 thousand turns of people with 15715 thousand guest days, an average increase of 16,73% and 13,88% compared to 2017 [17] (see Figure 4).

Most countries in the world have visitors to Khanh Hoa including tourists from the European market (Russia, England, France, Germany, the Netherlands); Asia (mainly Japan, Korea, China, Taiwan); America (mainly USA, Canada) and Oceania (mainly Australia). However, in the period from 2010 up to now, the structure of international visitors from nationalities to Khanh Hoa has changed rapidly. If in 2010 the European tourist market accounted for the highest proportion, by 2018, the Asian tourist market has risen to the top with mainly Chinese tourists with the aim of sea tourism and relaxation [6,17]. Regarding the domestic tourist market of Khanh Hoa, the number of visitors from Ho Chi Minh City (50,5%), from other provinces in the Southeast (9.0%), the provinces in the Mekong Delta (5,5%), Hanoi, Hai Phong (27,8%), other northern provinces (12,5%)... The main purpose of domestic tourists is still pure tourism (accounting for about 57,8%) [17]. According to the general assessment of tourists, the province's entertainment services are relatively poor; tourism products are monotonous, focusing mainly on marine tourism products, cultural tourism products, ecotourism have not been properly invested, lack of synchronization and cohesion to meet the requirements of tourists.

(iv) Supporting and related industries

- Supporting institutions:

- State management agencies: The People's Committee of Khanh Hoa province in

recent years has instructed provincial agencies to implement mechanisms and policies to appeal, promote, review, supplement tourism planning and support investment in tourism development; Department of Tourism with its functions has regularly focused on the state management work and has coordinated with functional branches to adjust and build the development planning for tourism up to 2025, vision to 2030 [13,15], has managing activities of training facilities, service business establishments in the area. At the same time directing businesses, travel companies to build, advertise and organize the implementation of tourism programs for domestic and foreign tourists during the holidays... In general, the propaganda, promotion and promotion Progress of tourism in recent years has had many changes in terms of content and form, they have proactively strengthened the implementation of information and propaganda to promote the image of Khanh Hoa tourism. However, it has not met the development requirements, not yet professional; Enterprises, although having implemented promotional activities, are still limited due to limited funding. The application of electronic means to promote the tourism (website, online registration ...) has not been paid attention by enterprises.

- Tourism Association of Nha Trang - Khanh Hoa: Although it is determined as the organization playing the role of coordinating activities, acting as a bridge between state management agencies and tourism enterprises, the role of the association is quite faint.

- Education and training system: In Khanh Hoa province, there are 7 universities, 8 colleges (3 vocational colleges), 11 intermediate schools (7 vocational schools), 7 vocational training centers and 34 other vocational training establishments [17]. The total number of students trained annually is 30,325 people. In which, Nha Trang University and Nha Trang Tourism College plays an important role in training high quality labor force for the tourism industry of the province.

- International governments and organizations: Being a key tourism area of the Central region, Khanh Hoa receives a lot of support and support from EU, JICA, ADB, ILO and UNESCO organizations. Most projects are aimed at developing sustainable, environmentally responsible and community tourism, implementing tourism training and education, supporting policies and strengthening institutions and improve the capacity of tourism associations and partners.

- Supportive and related service industries

- Accommodation and catering services: The current accommodation system in Khanh Hoa is relatively stable and increases rapidly. Diverse types of accommodation quickly meet the needs of many customers from budget to luxury. In 2018 the number of provincial accommodation establishments was 750 with more than 40,000 rooms. In particular, the number of 3-5 star establishments is 111 establishments, with more than 20,000 rooms meeting the increasing demand of tourists [6]. Many high quality hotels have been developed to meet the needs of international and domestic tourists, such as: Evason Ana Mandara Nha Trang Resort, Sunrise Nha Trang Beach Hotel & Spa, Six Senses Ninh Van Bay, Vinpearl Resort Nha Trang, MerPerle Hon Tam Resort, Saigon Yasaka, Hai Au, Logde... Besides, the commercial system for food and drink for tourists including restaurants, eateries from popular to luxurious is quite widely distributed in the province, but concentrated in Nha Trang city: Louisiane Brewhouse, Sailing Club, Champa Islands, Nha Trang Seafood... Towns and districts are mainly private enterprises.

Table 2. Number of accommodation establishments and number of rooms of Khanh Hoa, 2000 – 2018 (Source [17])

| | 2000 | 2010 | 2012 | 2014 | 2016 | 2018 |
|---|------|-------|-------|-------|-------|-------|
| Number of accommodation establishments (establishments) | 168 | 472 | 510 | 527 | 642 | 750 |
| The number of rooms | 3414 | 10506 | 12500 | 13016 | 23375 | 40000 |
| Productivity using (%) | 40,2 | 61,5 | 69,2 | 69,8 | 70,1 | 75,2 |

- [+] Tourism orientation is key.
- [-] Lack of close links with businesses.
- [-] Support weak businesses.
- [-] Government dynamics are low.
- [-] Extensive investment and tourism promotion bring low efficiency.

- [+] Barriers to entry are low.
- [+] Accommodation businesses gradually shifted to competition in service quality.
- [-] High time costs.
- [-] Lack of fair competition.
- [-] Small tourism businesses, competing primarily through prices, do not have much difference in products.

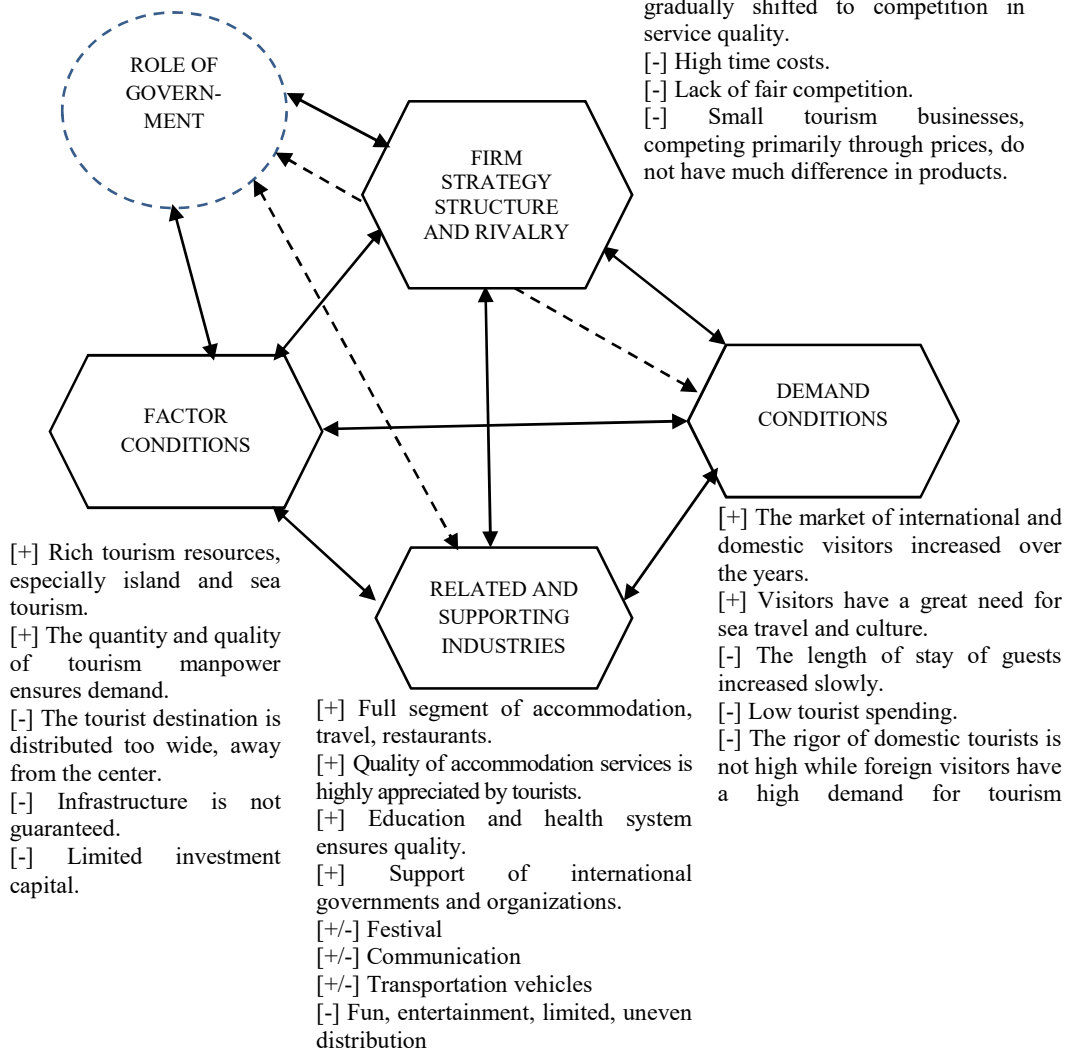


Figure 5. Diamond model of Khanh Hoa tourism industry cluster (Source: Authors' group analysis)

- Travel services: In general, local travel enterprises are small-scale, concentrating on exploiting marine tourism, competing mainly on prices and offering few new and attractive tourism products. In fact, the number of tourists according to the tour to Khanh Hoa is mainly that of big and domestic travel companies.
- Entertainment services: Service is limited, they currently only concentrate in large locations such as Vinpearlland, Diamond Bay ...
- Other services: Transportation, communication, security, health and banking services are generally developed fairly synchronously, but some quality services are not high.

Based on the analysis of factors affecting the competitiveness of Khanh Hoa tourism industry, it can be summarized according to Michel Porter's diamond model as Figure 5.

2.3.1.2. Assessing the competitiveness of Khanh Hoa tourism industry cluster

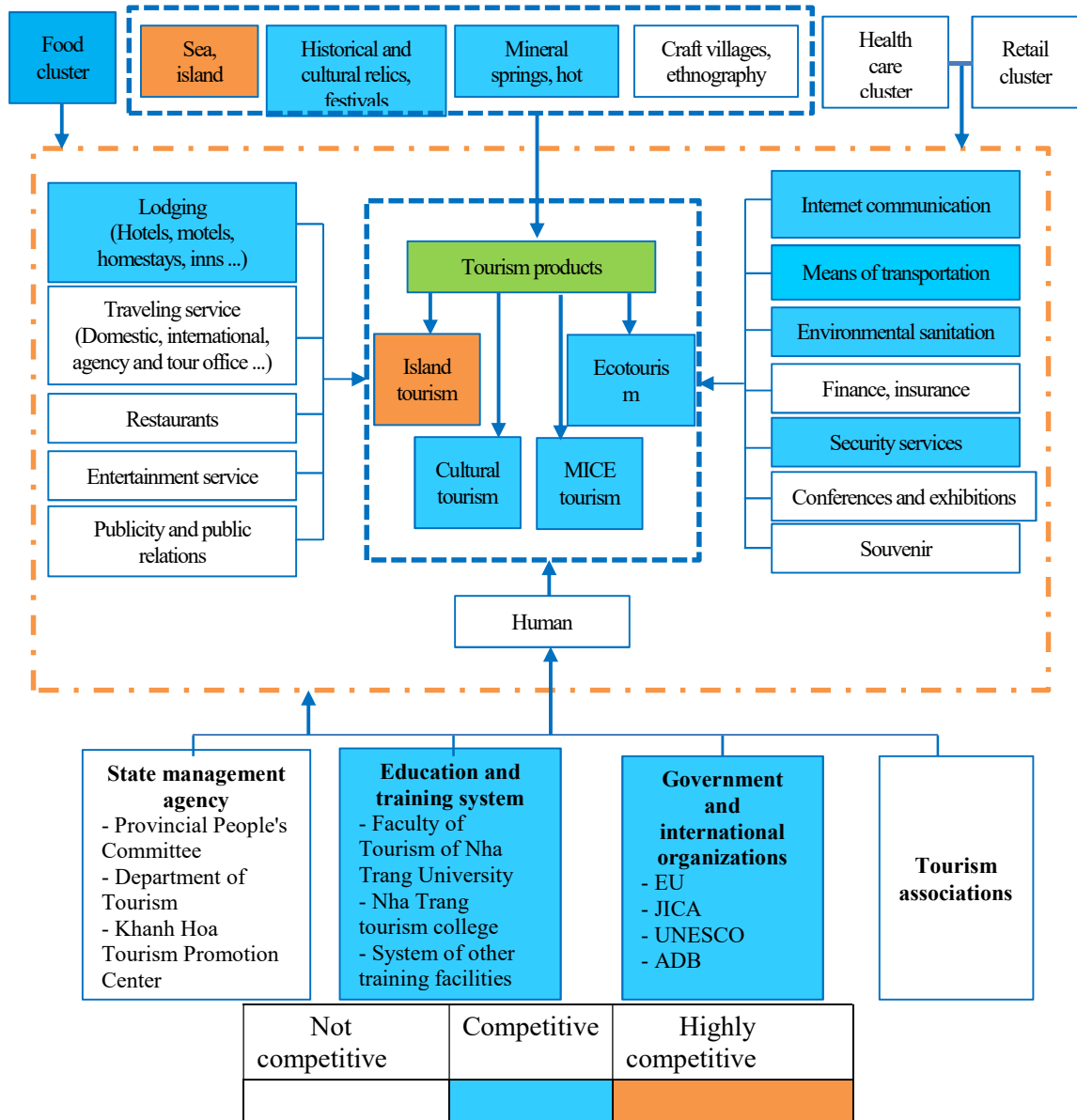


Figure 6. Khanh Hoa tourism industry cluster (Source: Authors' group analysis)

Figure 6 describes the nature of each element in the Khanh Hoa tourism industry cluster with the evaluation criteria: highly competitive, competitive and non-competitive. The factors that need to be improved to improve the competitive capability include: travel services, entertainment services, finance, insurance, health care, souvenirs, State management of tourism, tourism associations... According to the diagram of Khanh Hoa tourism industry cluster, the core activity of the sector is tourism products, sea and island tourism including sea resort, entertainment, sightseeing, adventure sports, examination breaking the seabed and islands. In addition, Khanh Hoa can develop other tourism products to complement marine tourism such as eco-tourism, cultural tourism, MICE tourism... Khanh Hoa's tourism products are relatively good and attractive many tourists, however, need to invest in new products to extend length of stay and increase the target level of tourists, resulting in greater revenue for the province.

2.4. Discussion and Implications

Through the above analysis, we see that Khanh Hoa's problems are encountered in the process of developing the industry sector are (i) monotonous tourism products that do not have the connection between different types, lack of night entertainment places to meet the requirements of tourists, new tourism products have not been completed; (ii) The ability to plan and orient tourism in state agencies is limited, the state management agencies and enterprises have not had close links, promotion programs are ineffective and they lack of diffusion. Meanwhile, the role of tourism associations is rather faint, uncontrollable competition situation; (iii) Tourism resources are weak and inadequate; (iv) Limited investment in infrastructure in tourist areas outside Nha Trang, industries supporting inadequate development and overcrowding in services when mass arrivals increase rapidly; (v) Transport infrastructure at connecting tourist destinations is not guaranteed. Limiting international routes. (vi) Ineffective tourism promotion and promotion activities; (vii) Environmental pollution and impacts of climate change on the type of marine tourism (international attractions) of Khanh Hoa.

Therefore, in order to improve the competitiveness of Khanh Hoa tourism sector in the coming time, it is necessary to focus on the following solutions:

(i) *Firstly*, Khanh Hoa needs to have a strategy of maximizing the effectiveness of island tourism products combined with traditional Champa cultural values on the basis of ecotourism activities associated with the western mountainous areas aim to create diversified tourism products from hilly areas to plains and coastal areas combined with unique local cultural values. In the future, it is necessary to consider the exploitation of tourism potentials in the Spratly Islands.

(ii) *Secondly*, the province needs to strengthen inter-regional cooperation with provinces on a basis to share rights and responsibilities, promote local connectivity with the Central heritage road, the green road with the Central Highlands in many aspects: cooperation in tourism product development, tourism promotion, cooperation in human resource development. At the same time, the government creates conditions for tourism enterprises in each locality to link so as to erase administrative boundaries between localities.

(iii) *Thirdly*, local authorities need to improve the quality of the business environment and improve the linkages between actors in the sector, including: regulatory agencies, hotel facilities and Tourist attractions, tour operators and guides, local community groups. First of all, it is necessary to renew the strategic thinking of the provincial leaders, build a contingent of staff with the capacity, responsibility and spirit of innovation. Along with that, conducting the review and optimization of administrative procedures, publicizing the administrative procedures in the mass media, focusing on the indices that the locality is falling such as dynamism, time costs or fair competition as well as facilitating tourism businesses to participate in activities forming tourism development strategies, promotion, advertising and designed tourism programs.

(iv) *Fourthly*, there is a plan to prioritize the development of infrastructure for the tourism industry. Actively seeking funding sources from domestic and foreign organizations, governments in protecting island marine resources to adapt to climate change, preserving cultural heritage, calling for strategic investors with resources to ensure investment in potential tourism areas in Khanh Hoa (concentrated in Van Phong, Bac Cam Ranh, Doc Let and Hom Gom areas ...). Promote PPP public cooperation in all areas: conservation, infrastructure construction, tourism development.

(v) *Fifthly*, Department of Tourism cooperates with universities, colleges and related units to implement training programs on tourism human resources, improve foreign language skills and professional skills for direct labor in the industry. Bringing educational programs to raise awareness about tourism and develop sustainable tourism into population communities and educational institutions as a foundation for the development of sustainable tourism in Khanh Hoa. The strategy for sustainable tourism development has only been successful when actors join the industry, people and businesses understand, have responsibility and recognize their roles in the industry, raising awareness about protection of resources and tourism environment.

3. Conclusions

The study showed that Khanh Hoa has many advantages to develop tourism products, namely island tourism and favorable conditions to form and develop the tourism industry. The tourism sector of Khanh Hoa province is facing many development opportunities but is also facing many obstacles stemming from the reasons for the orientation of the development plan, the inefficiency of the institutions related to the development of industry clusters, especially local authorities and stakeholders, lack of investment capital, infrastructure does not meet the needs of tourists, as well as the quality of human resources is not high, pollution of environmental resources, threats of climate change to the marine environmental resources ... Therefore, in the coming time, Khanh Hoa needs to synchronously implement solutions on tourism products and on creating an effective and transparent business environment, about investment capital, human resources, infrastructure, and environmental resources in order to remove bottlenecks, creating impetus for the sustainable development of industry clusters.

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