

# INNOVATION IN BUSINESS MODELS IN VIETNAM'S HOTEL INDUSTRY IN THE CONTEXT OF DIGITAL TRANSFORMATION

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## ABSTRACT

*The article analyzes the trend of business model innovation in Vietnam's hotel industry under the impact of digital transformation. The digitalization process has transformed the way hotel enterprises operate, interact and create value. Based on an analysis of technological factors, customer behavior and emerging business models, the paper identifies both opportunities and challenges in restructuring operations to enhance competitiveness and achieve sustainable development.*

**Keyword:** Digital transformation, business model, hotel industry, innovation, travel technology.

## 1. INTRODUCTION

In the context of globalization and the ongoing Fourth Industrial Revolution (Industry 4.0), digital transformation has become an inevitable trend that has deeply influenced all sectors of the economy and society. The hotel industry is among the sectors most directly and visibly affected. The rapid development of modern technologies such as Artificial Intelligence (AI), Big Data, the Internet of Things (IoT), Cloud Computing and Blockchain has fundamentally changed the way hotel businesses create, deliver and distribute value to customers. From an industry traditionally based on direct experiences and conventional services, the hotel sector is now moving strongly toward digitalization, automation and personalization, where technology plays a central role in management, marketing and service development.

In Vietnam, tourism and hospitality represent a fast-growing integrated economic sector that contributes significantly to the national GDP and creates many jobs. According to the Vietnam National Administration of Tourism (VNAT), the number of international visitors to Vietnam in the first eleven months of 2025 reached more than 19 million, an increase of 20.9 percent compared to the same period in 2024. This figure marks the highest level ever recorded, surpassing the pre-pandemic peak of 18 million international arrivals in 2019. Domestic tourists during the same period reached more than 130 million. These impressive figures reflect the rising demand for innovation in management, sales and service models within the hotel industry.

Previously, hotels mainly relied on traditional business models with direct room sales and partnerships with travel agencies. However, the emergence of digital platforms such as Agoda, Booking.com, Traveloka, Airbnb and Luxstay has fundamentally reshaped the market. Customers now prefer to search, compare and book services online, which requires hotel businesses to adapt quickly in order to remain competitive. Business model innovation is not merely about adopting technology for management or marketing purposes; it involves a comprehensive restructuring of strategies, processes, organizational models and value creation mechanisms. In this context, Vietnamese hotels need to shift from a mindset of providing accommodation services to providing holistic experiences, from physical operations to digital systems and from product-oriented approaches to customer-centered strategies. This process demands investment not only in technology but also in human resources, data management and the creation of new value propositions.

Alongside these opportunities, the process of innovating business models in Vietnam's hotel industry faces several challenges. Many enterprises, especially small and medium-sized ones, still have limited financial resources, technological capacity and workforce skills. Digital transformation initiatives remain fragmented and lack a unified strategic vision, while competition from international hotel chains and cross-border technology platforms continues to grow more intense.

Therefore, the question arises: how can Vietnam's hotel industry effectively innovate its business models, take advantage of digital transformation and build sustainable competitive advantages? This paper aims to analyze the context and impact of digital transformation on the hotel sector, clarify the emerging trends in business model innovation, assess the current situation in Vietnam and propose feasible solutions to promote innovation, strengthen competitiveness and achieve sustainable development in the digital era.

## **2. THEORETICAL BASIS OF BUSINESS MODELS IN THE HOTEL INDUSTRY**

### ***2.1. Concept of a Business Model***

A business model is the way in which an enterprise creates, delivers and captures value within a specific economic system (Teece, 2010). According to Christensen and Raynor (2003), a business model consists of four fundamental components: value proposition, resources, processes and profit formula, all of which work together to generate value for customers and profit for the enterprise. Meanwhile, Osterwalder and Pigneur (2010) define a business model as "a logical structure that shows how an organization operates to create value." The two authors developed the Business Model Canvas (BMC), which includes nine key elements: customer segments, value propositions, channels, customer relationships, revenue streams, key resources, key activities, key partnerships and cost structure. This theoretical framework has become one of the most widely used tools for analyzing and innovating business models, particularly in service industries such as hospitality.

### ***2.2. Characteristics of Business Models in the Hotel Industry***

The hotel industry is highly distinctive because its products are intangible services that are produced and consumed simultaneously. According to Holloway (2004), hotel business activities include the provision of accommodation, food and beverages, entertainment and supplementary services designed to meet the comprehensive needs of travelers. Therefore, the value in hotel business does not solely come from physical facilities but also from the quality of service, personalized experiences and emotional connections with customers.

A prominent characteristic of hotel business models is their continuous 24/7 operation, which requires close coordination among various departments such as front office, housekeeping, food and beverage, events and maintenance, while being heavily dependent on workforce quality. Hotels often position their business models based on market segments (luxury, mid-range or economy) and unique value propositions such as "luxury and sophistication," "friendliness and local identity," or "comfort and affordability" (Kotler, Bowen & Makens, 2016).

### ***2.3. Traditional Business Models and the Need for Innovation***

Traditionally, hotel business models relied mainly on direct sales and relationships with travel agencies, focusing on room occupancy rates and average room prices. However, with the boom of digital technology and online platforms such as Booking.com, Agoda, Traveloka and Airbnb, customer behavior has changed dramatically.

These platforms do not own tangible assets but have the ability to connect global supply and demand through digital ecosystems, creating an "asset-light" business model characterized by flexibility and efficiency (Zervas, Proserpio & Byers, 2017). This has created an urgent need for Vietnamese hotels to innovate their business models, moving toward digitalized operations, big data applications and enhanced customer experiences through technology.

### ***2.4. Fundamental Components of the Hotel Business Model***

According to Osterwalder and Pigneur (2010), when combined with the specific characteristics of the hospitality industry, the hotel business model consists of several interconnected components that together form a complete value creation system. First, the Value Proposition is the core element, representing the benefits and experiences that a hotel offers its customers through accommodation, dining, amenities, service style and the emotional values that the brand aims to deliver.

The Customer Segments component helps hotels clearly identify their target groups such as leisure travelers, business guests, conference participants or high-end clients. Based on these segments, hotels can design appropriate service packages,

pricing strategies and marketing plans that match the expectations of each customer group.

The Channels component plays an important role in linking hotels with customers. These include direct channels such as the hotel's own website and reception desk, as well as indirect channels such as online travel agencies (OTAs) like Booking.com and Agoda, social media platforms and mobile applications. These channels help hotels expand their market reach and improve sales efficiency. Alongside that, Customer Relationships are crucial, as they reflect the hotel's efforts to maintain customer satisfaction and loyalty through personalized services, after-sales care and online feedback systems.

The hotel's Key Resources and Activities include facilities, technology, human resources and brand reputation, all of which are essential to ensuring stable operations and high service quality. Meanwhile, the Cost Structure and Revenue Streams reflect the hotel's financial management and profitability capacity. Hotels need to optimize operating costs while diversifying revenue sources through additional services such as restaurants, spas, conference facilities and local experience tours.

These components are not independent but form a unified and coherent system in which each element plays a strategic role in generating and maintaining customer value. Therefore, innovation in hotel business models is not only about applying technology but also about a comprehensive restructuring of the value creation system that helps enterprises enhance competitiveness, adapt to market trends and move toward sustainable development in the digital age.

### **3. THE CURRENT SITUATION OF BUSINESS MODEL INNOVATION IN VIETNAM'S HOTEL INDUSTRY**

In recent years, the process of digital transformation has had a strong impact on Vietnam's hotel industry, encouraging enterprises to change their management mindset and restructure their business models toward modernity, flexibility and customer orientation. From the traditional business model that relied on direct room sales, travel agency marketing and conventional advertising channels, many hotels in Vietnam have now shifted to digital business models, applying technology in all aspects of their

operations, including management, distribution and customer care.

First, in terms of sales and distribution, the rapid growth of online travel agencies (OTAs) such as Agoda, Booking.com, Traveloka, Luxstay and Airbnb has profoundly changed how hotels reach customers. Most hotels, from small establishments to luxury chains, have joined OTA ecosystems to expand their markets and increase room occupancy. This shift not only helps hotels optimize sales channels but also enhances brand visibility in the digital environment.

Second, technological applications in hotel management and operations are being prioritized. Major hotel chains such as Vinpearl, Mường Thanh and FLC have implemented Property Management Systems (PMS) integrated with Customer Relationship Management (CRM) software to optimize booking processes, monitor customer behavior, manage data and automate service operations. The use of Artificial Intelligence (AI) and Big Data analytics enables hotels to better understand consumer behavior, thereby designing personalized promotions and experiences for specific customer groups.

Moreover, medium and small-sized hotels are gradually transforming toward multi-service and experiential business models. Several hotels in Hanoi, Da Nang and Da Lat have adopted the "stay and work" concept, combining accommodation, coffee spaces and co-working areas to cater to young customers and international travelers who prefer a modern and flexible lifestyle. This model helps hotels utilize space efficiently while generating stable additional income beyond traditional lodging services.

At the management level, digital transformation has also altered decision-making models and organizational structures within hotel businesses. Managers are shifting from intuition-based management to data-driven management, using Revenue Management Systems (RMS) to forecast demand, adjust prices dynamically and improve profitability. Some four- and five-star hotels in Vietnam have also introduced self check-in systems, smart locks and cashless payment solutions, which enhance customer experience and reduce labor costs. However, the process of business model innovation in Vietnam's hotel industry still faces several challenges. The majority of small and medium-sized enterprises

continue to struggle with limited financial capacity, technological resources and employee skills. The adoption of advanced technologies such as AI, CRM and Big Data remains fragmented and is mainly concentrated in major urban areas. Additionally, domestic customers' purchasing habits still lean toward traditional channels, leading to uneven levels of digital transformation across regions.

Another concern is the heavy dependence on foreign OTAs, which leaves many Vietnamese hotels passive in managing customer data and coping with high commission rates. This situation underscores the need to develop domestic booking platforms, such as Luxstay, to help businesses gain more autonomy in their commercial strategies and safeguard long-term interests.

Overall, Vietnam's hotel industry is entering a stage of dynamic business model innovation, in which digital technology plays a central role. Although the process still encounters limitations, positive changes in management thinking, distribution methods and customer experience demonstrate that the shift toward smart, flexible and customer-centric hotel models is an inevitable path to enhancing competitiveness and achieving sustainable development in the future.

#### **4. OPPORTUNITIES AND CHALLENGES IN INNOVATING BUSINESS MODELS IN VIETNAM'S HOTEL INDUSTRY**

The process of business model innovation in Vietnam's hotel industry is taking place amid digital transformation and deep international integration. This context opens up new opportunities for growth while also posing significant challenges for businesses in maintaining competitive advantages and achieving sustainable development.

##### **4.1. Opportunities**

First, digital transformation creates favorable conditions for market expansion and competitiveness improvement. With the rapid development of online platforms, social media and mobile technologies, Vietnamese hotels can now reach global customers more easily and effectively.

Second, technology enables the optimization of management and operational processes. The

implementation of systems such as Property Management System (PMS), Revenue Management System (RMS) and Customer Relationship Management (CRM) allows hotels to monitor business performance in real time, control costs, optimize room occupancy and enhance service quality. These innovations help businesses reduce labor costs, minimize operational errors and improve overall efficiency.

Third, the ability to personalize customer experiences has become increasingly advanced. The application of Big Data and Artificial Intelligence (AI) enables hotels to better understand customer needs, preferences and consumption habits, allowing them to offer more tailored services. For example, automatic recommendation systems can suggest room types, dining options or spa services based on a guest's previous stays, thereby enhancing customer satisfaction and loyalty.

Fourth, the development of flexible and sustainable business models is becoming more prominent. The diversity of customer needs and the rising trends of green and experiential tourism are driving hotels to adopt hybrid models that integrate accommodation, dining, culture and entertainment. The move toward "green hotels" and "smart hotels" not only meets environmental requirements but also builds a positive brand image aligned with the global trend of responsible consumption.

##### **4.2. Challenges**

Despite these opportunities, the process of business model innovation in Vietnam's hotel industry still faces a number of significant challenges.

First, limitations in financial resources and technological capacity remain major obstacles. Most Vietnamese hotels are small and medium-sized enterprises that lack the capital to invest in digital infrastructure, data systems or high-tech workforce training. The high costs of implementing modern management systems such as PMS, CRM or RMS have led many small hotels to rely on manual management methods, which reduce operational efficiency.

Second, the tourism and hospitality workforce lacks digital skills and creative thinking. According to the Vietnam Institute for Tourism Development Research (2022), only about 35 percent of hotel



employees have basic information technology skills, while the operation of digital systems requires more advanced competencies. Traditional work habits and limited data literacy also make the implementation of digital models more difficult.

Third, the heavy dependence on foreign OTAs poses risks in terms of costs and information control. International platforms such as Booking.com and Agoda charge commissions ranging from 15 to 25 percent of booking value, which significantly reduces hotel profitability. At the same time, most customer data is stored by these intermediaries, making it difficult for hotels to use this information to develop long-term marketing and customer retention strategies.

Fourth, cybersecurity and data protection have become growing concerns. As hotels adopt digital technologies and store data online, they face risks of data breaches or cyberattacks. The lack of internationally standardized security systems and comprehensive data governance policies can lead to severe financial losses and reputational damage.

Finally, intensifying competition both domestically and internationally poses another major challenge. Global hotel groups with strong financial capacity, such as Accor, Marriott, Hilton and IHG, are expanding their presence in Vietnam, creating pressure on local businesses to innovate. At the same time, alternative accommodation models such as homestays, serviced apartments and Airbnb continue to grow, fragmenting the market and forcing traditional hotels to constantly adapt.

## **5. SOLUTIONS TO PROMOTE BUSINESS MODEL INNOVATION IN VIETNAM'S HOTEL INDUSTRY**

In the context of digital transformation and deep international integration, innovating business models has become an inevitable requirement for Vietnam's hotel industry to enhance competitiveness, optimize operational efficiency and meet the increasingly diverse needs of customers. To ensure sustainable effectiveness, it is necessary to implement synchronized solutions at both the enterprise and state management levels.

### **5.1. At the Hotel Enterprise Level**

*First, develop a comprehensive digital transformation strategy linked to a long-term vision.*

Hotel enterprises need to clearly understand that business model innovation is not merely the fragmented application of technology but a holistic strategy aligned with business goals, competitive capacity and brand positioning. Accordingly, hotels should identify their transformation stages, choose suitable business models (such as smart hotels, green hotels or experiential hotels) and establish detailed roadmaps for technology investment, human resource training and management restructuring.

*Second, invest in technological infrastructure and digital data systems.*

The implementation of systems such as Property Management System (PMS), Customer Relationship Management (CRM) and Revenue Management System (RMS) serves as the foundation for optimizing operations, enhancing business efficiency and improving customer experience management. Hotels should prioritize the adoption of cloud computing to ensure flexibility, security and scalability. In addition, Big Data analysis helps businesses gain deeper insights into customer behavior, allowing them to develop products and services tailored to different market segments.

*Third, develop high-quality human resources and strengthen digital competencies.*

Human capital is the key factor determining the success of business model innovation. Hotels need to focus on training in information technology, data analytics and creative thinking for both managers and staff. At the same time, they should foster a culture of innovation, encouraging employees to propose ideas that improve processes and enhance service quality.

*Fourth, diversify business models and service offerings.*

Hotels should move toward integrated multi-service business models, combining accommodation with dining, entertainment, local culture or flexible working spaces (co-working). Developing experiential tourism products such as "stay and local culture," "eco-hotel," or "wellness hotel" helps create distinctive value, aligning with

current trends of personalized and sustainable tourism.

*Fifth, strengthen partnerships and collaboration within the tourism ecosystem.*

Hotels should proactively cooperate with technology companies, airlines, travel agencies and e-payment platforms to form a complete value chain, enabling customers to enjoy seamless experiences from booking and transportation to accommodation. The establishment of a digital hotel alliance or association would also allow domestic businesses to share data, reduce dependence on foreign OTAs and enhance the competitiveness of Vietnam's hotel industry in international markets.

### **5.2. At the State and Regulatory Level**

*First, improve the legal framework and policies supporting digital transformation in tourism and hospitality.*

The government should issue specific regulations on technology standardization in hotel management, data protection, electronic transactions and information sharing. In addition, it should provide tax incentives, credit support or financial assistance for enterprises investing in new technologies, particularly small and medium-sized lodging businesses.

*Second, develop a national digital platform for the hotel and tourism industry.*

The Ministry of Culture, Sports and Tourism, in collaboration with the Ministry of Science and Technology, could build a national tourism data portal that integrates information from hotels, accommodation facilities and domestic OTA platforms. This platform would not only connect supply and demand more effectively but also promote Vietnam's tourism image internationally in a unified and transparent manner.

*Third, strengthen training programs for the tourism workforce with a focus on digital skills.*

It is essential to expand collaboration between universities, enterprises and tourism associations to train workers capable of applying technology, managing data and thinking creatively in hospitality services. The government should also support short-term training courses, online learning programs and digital skills certifications for hotel employees in various localities.

*Fourth, promote international cooperation in digital transformation for tourism and hospitality.*

Vietnam should enhance collaboration with international organizations such as UNWTO, WTTC and global technology corporations to learn from global best practices, transfer technology and develop smart hotel models in line with international standards. At the same time, Vietnamese enterprises should be encouraged to participate in public-private partnership (PPP) projects in digital infrastructure development and innovation.

## **6. CONCLUSION**

In the context of globalization and the ongoing Fourth Industrial Revolution, business model innovation in Vietnam's hotel industry has become an inevitable requirement to adapt to market changes and evolving consumer behavior. Digital transformation has profoundly changed how hotel businesses create, deliver and capture value. From a sector that traditionally relied heavily on direct experience and manual service delivery, the hotel industry is rapidly shifting toward digitalization, automation and personalization, enabling higher productivity, cost optimization and improved service quality. The study shows that Vietnam's hotel industry has made initial progress in applying technology and innovating operational models, especially among large enterprises such as Vinpearl, Mường Thanh and new models like Luxstay and smart accommodations in major tourist cities. However, challenges remain, including limited capital investment, technological capability, workforce quality and dependence on foreign OTA platforms. To achieve sustainable business model innovation, coordinated efforts among the government, enterprises and educational institutions are essential. Businesses must proactively develop comprehensive digital transformation strategies, invest in technological infrastructure and digital human resources and diversify service offerings to enhance customer experiences. The government, meanwhile, should refine its policy framework, establish a national tourism data platform and strengthen international cooperation in training and technology transfer. In summary, innovating business models in Vietnam's hotel industry amid digital transformation is not merely a trend but an inevitable path toward sustainable development. The integration of technology, creativity and modern management thinking will be the key to

enhancing competitiveness, building a strong national brand and affirming Vietnam's position on the global tourism map.

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