Issue In-depth, Industry-specific Cluster Development Report

Enhancing Competitiveness of ASEAN SMEs through Cluster Development and International Quality Standard Adherence Project

one vision
one identity
one community

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Executive Summary

This report aims to examine the supply chains, global value chains, and quality standards of the health tourism cluster in order to produce a report that gives policymakers and SME operators a resource for inducing business/economic growth, particularly by expanding access to regional and international markets.

The research results compilation, on-site stakeholder interviews, and on-site visits to analyze health tourism clusters consisted of expert consultations, SWOT analyses, Diamond analyses and case studies.

According to the UNWTO, heath tourism is categorized into two groups: medical tourism and wellness tourism. Medical tourism services involve the use of evidence-based medical healing resources and services. This may include diagnosis, treatment, cure, prevention and rehabilitation. Wellness tourism aims to improve and balance all of the main domains of human life including physical, mental, emotional, occupational, intellectual and spiritual health.

The health tourism sector has grown exponentially in recent years and is considered to be an emerging, global, complex and rapidly changing sector. ASEAN has become one of the regions with the largest inflows of international patients.

For this report, we will focus on three high growth countries— Thailand, the Philippines and Vietnam— and one emerging country, Cambodia. ASEAN health tourism industry's competitiveness depends on the capacity of its industry to innovate and upgrade. Industries gain advantages against regional competitors because of pressure and challenges. Industries benefit from having strong domestic rivals and demanding international and local tourists.

In order for businesses to succeed in the health tourism industry, the home environment needs to be the forward looking, dynamic and create an ecosystem to foster the competition of companies and elevate all players to meet international standards.

The results of the analysis conducted using Porter's diamond model to evaluate each country's competitiveness in the health tourism industry can be described as follows:

The *demand conditions* for all countries show strong demand for health tourism. International tourist arrivals to Thailand and the Philippines show substantial demand in the health tourism compared to in Cambodia and Vietnam. As a result, the market size for Thailand and the Philippines is higher due to the size of the home market and the economies of scale which have paved a clear strategic direction for health tourism cluster development.

The *factor conditions* indicate that Thailand is in the lead amongst the four countries thanks to its high number of JCI accredited hospitals whilst other three countries are gradually working towards Thailand's pace. Nevertheless, there is a robust growth trend in the Philippines, Vietnam and Cambodia in the health tourism sector with relation to the development of knowledge resources and infrastructure, taking into account the benefits in labor costs and natural resources for enhancing the competitiveness within this sector.

The *exploration of firm strategy, structure and rivalry* in the four countries points to the continuous growth in the ASEAN region in comparison to international players. Even though there are a number of key differences in the tourism strategies in terms of the development and management of health tourism in each country, each nation presents its differentiation in terms of competitive advantages.

Nevertheless, all four countries require better support and favorable policy development, and the future of growth in Thailand, the Philippines, Vietnam and Cambodia remains unclear. At present, each country has formed plans for cluster development, but strategies are yet to be implemented to enhance cluster interactions and development as a region.

Taking into consideration *the related and supporting industries* in the health tourism sector, the value chain's key players include the consultants and associations which act as the suppliers within the value chain, especially for the medical tourism industry in the pathway to obtaining JCI accreditation. For the wellness tourism sector, it is evident that there is a lack of regional quality standards in both spa and wellness services. Although each country has some form of national standards, regional SMEs in this sector would benefit from shared common knowledge and standards.

With strong overseas arrivals into the region and the expansion of markets in health tourism, there is no doubt that key investment and operations strategies need to focus on improving small business financing. Examples include initiatives to set up an SME bank in Cambodia and government support in enhancing access to finance for SMEs in Vietnam. Small and medium enterprises in Thailand, the Philippines, Vietnam and Cambodia are struggling in terms of market access. Most importantly, it is crucial to develop a winning market access strategy to enhance firms' competitiveness as a starting point in meeting the challenges of the increasingly demanding environment of the health tourism market.

In conclusion, this is a time of significant optimism and opportunity for ASEAN members to develop a shared commitment to expanding health tourism services for international visitors. This can be achieved by developing strategic directions with assistance from the government, particularly in enhancing business activities to increase the overall ecosystem within the sector.

Last but not least, the introduction of a clear regional strategy that links the management of natural resources and the enhancement of packaged tourism would be fruitful in enabling positive experiences for overseas visitors and enhancing growth through collaboration among ASEAN member states.

1. Introduction

1.1 Health Tourism

Health tourism is a relatively new concept and occurrence that started approximately two decades ago (García-Altés, 2005; Kaspar, 1990; Reisman, 2010). The international research community has defined health tourism in many ways. For example, Stojanović, Stojanović & Randelović (2010) noted that health tourism is 'travelling to other countries to seek medical treatment at a lower price or to avoid waiting lists in the country of origin.' For this research, health tourism is separated into two components: medical tourism and wellness tourism. Last year, the United Nations World Tourism Organization (UNWTO) and European Travel Commission (ETC) [1] identified a number of tourism-related terms which will be used in this report. Health tourism is defined below:

> "Health tourism covers those types of tourism which have as a primary motivation, the contribution to physical, mental and/or spiritual health through health-based activities which increase the capacity of individuals to satisfy their own needs and function better as individuals in their environment and society."

1.1.1 Medical Tourism

Medical tourism is an emerging global phenomenon (Connell, 2006; Hunter-Jones, 2005). The broader notion of health tourism that historically includes spa towns, coastal facilities and other therapeutic landscapes (Lunt et al., 2011). For some, medical tourism is the act of travelling overseas for treatment and care (Carrera & Lunt, 2010; Singh, 2013). For others, it is a niche market that combines both medical services and tourism packages (Connell, 2006; Yu& Ko, 2012). The treatments and services that are associated with medical tourism are varied. They may range from surgeries, e.g. heart, hip resurfacing and plastic surgeries to dental work and other wellness services (Reddy, York, & Brannon, 2010). The health tourism trend was initially driven by people seeking cheaper alternatives to cosmetic procedures; however, more vital health procedures, e.g. heart valve surgeries or knee transplants were offered instead in some countries like Thailand, Singapore, India and Taiwan (Ye, Oiu & Yuen, 2011;

[1] World Tourism Organization and European Travel Commission (2018). *Exploring Health Tourism – ExecutiveSummary*, UNWTO, Madrid, DOI: https://doi.org/10.18111/978928442030.8

Musa et al., 2012). According to UNWTO and ETC, medical tourism is defined as the following:

> "Medical tourism is a type of tourism activity which involves the use of evidence-based medical healing resources and services (both invasive and non-invasive). This may include diagnosis, treatment, cure, prevention and rehabilitation."[2]

Research and reports have noted that there are a few services that have been defined as part of medical tourism. They are described as below:

- *Balneology/ thermal therapies*, which are comparable to spas, but normally cover professional medical services and counselling. Sometimes, they are referred to as balneotourism;
- *Thalassotherapy* is referred to therapeutic practices that use products of marine environments, such as the climate, seawater, seaweed, algae, mud and sand (Smith & Puckzó, 2008);
- *Nutrition/weight loss* covers a wide range of treatments including weight loss, diets, healthy eating, detoxing, anti-obesity prescription, and treatment
  of eating disorders, such as anorexia and bulimia.

1.1.2 Wellness Tourism

Wellness tourism, in general, is a term that includes things related to medical, health, sports and fitness, adventure or any other transformational types of travel that is intended for one's wellbeing (Bushel and Sheldon, 2009). More specifically, according to Bushel and Sheldon, wellness tourism, specifically, has been defined as a holistic mode of travel with combined objectives for physical health, beauty, longevity, consciousness or spiritual awareness with some connections to community and nature. The term wellness is widely attached to tourism, and has been linked with health tourism since Greek and Roman times (Smith & Kelly, 2006) The UNWTO and ETC definition of wellness tourism is outlined below:

> "Wellness tourism is a type of tourism activity which aims to improve and balance all of the main domains of human life including physical, mental, emotional,

[2] Ibid.

> occupational, intellectual and spiritual. The primary motivation for the wellness tourist is to engage in preventive, proactive, lifestyle enhancing activities such as fitness, healthy eating, relaxation, pampering and healing treatments."[3]

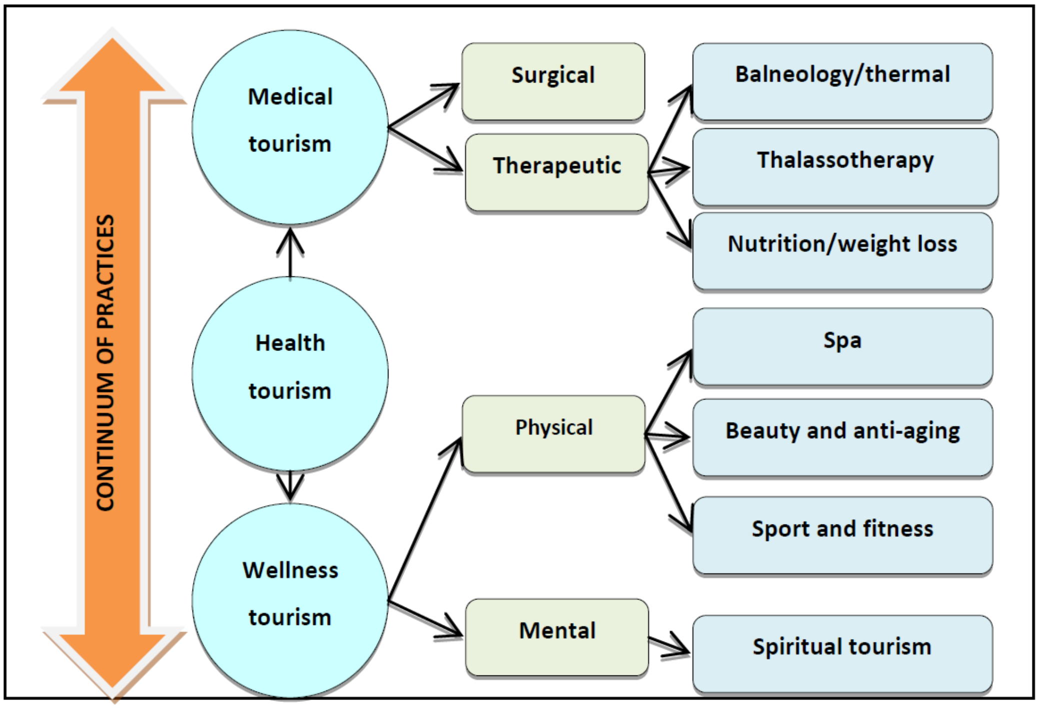
Reports and research have also specified that wellness tourism includes the following:

- *Spa* is originally an acronym for Sanus per Aquam (Latin*:* health through water), which means water-based therapies*.* At present, it has been defined as the practice that is devoted to the enhancement of overall wellbeing through a range of professional services, focusing on the renewal of mind, body and spirit*.* It is now one of the fastest growing subsectors of health tourism (Mak, Won, & Chan, 2009)*.* In practice, spas use plain tap water while some salt or additives are added*.* Spas*'* benefits also include temperature changes and water pressure on the body*.*
- *Beauty and anti-aging* are services that enhance the form of a person*'*s body, involving beauty services, cosmetics, dermatology, and aged-related physical health and appearance (Smith & Puckzó, 2008)*.*
- *Sport and fitness* are defined as experiences that promote wellness and feature the participation in leisure or competitive sport settings with opportunities to assess or improve fitness levels through a specialist (Sheldon & Park, 2009).
- *Spiritual tourism* includes all- purpose travel intended to search for connection with the spiritual self (Mansfeld & McIntosh, 2009). This commonly includes visiting a revered site to engage in religious devotion.

The definition and components of health tourism, medical tourism and wellness tourism as provided above are illustrated in Figure 1 below.

[3] Ibid.

Figure 1: Differences between health tourism



Source: Padilla-Meléndez & Del-Águila-Obra (2016)

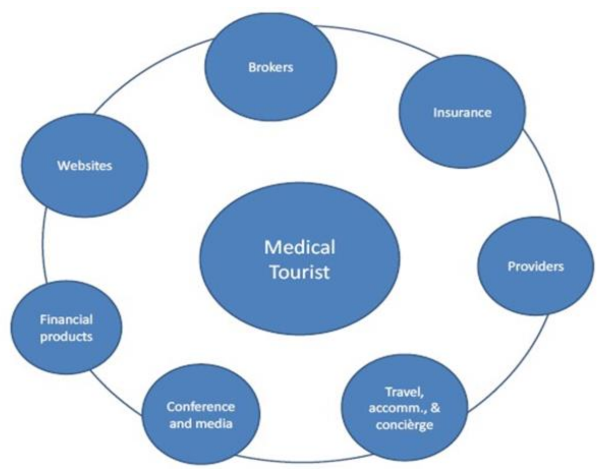
1.2 Clusters and Health Tourism Cluster

Clusters have been defined by various key researchers. For example, according to Porter (2008), clusters are geographic concentrations of companies or institutions interconnected in a particular field or industry that include a set of industries and organizations vital to competition. According to Cunha (2007), clusters are a set of organizations that operate in the same sector, located in the same geographic region and are connected by means of 'buyer-supplier relations,' by technology of common property, common buyers or the same channel of distribution or concentration of workers.

By these definitions, the health tourism cluster is composed of a group of companies and institutions related to the tourism product located in the same geographic region, which seek collective gains through joint action. Therefore, relations within the health tourism cluster can occur both vertically and horizontally and directly and indirectly.

In this sense, one of the most important factors of the health tourism cluster is collaborative action between local authorities, core business associations and local small and medium businesses. Tourism public organizations and government agencies play a vital role in encouraging the development of the health tourism cluster through their direct roles and responsibilities in the promotion of tourism sector. In addition, awareness of and contact with companies to establish or strengthen platforms for cooperation or new forms of collaboration, together with joint actions to improve the service standards prove to be equally important. The benefits of having well-established clusters in the health tourism industry are companies' specialization, skills enhancement and better service provision, and positive synergy between enterprises and the designated competition. Figure 2 below explains the connectedness among the medical tourism cluster members, including brokers, providers of medical services, providers of insurance services, providers of websites, and conference and mass-media services. These multi-level services provided with commercial interests are intertwined to serve medical tourists and produce the most efficient results (Lunt et al., 2011).

Figure 2: Medical tourism industry



Source: Lunt et al. (2011)

1.3 Service Standards

There are a number of healthcare-related accredited standards that are internationally-recognized across the world. This report focuses on the two described below.

1.3.1 Joint Commission International (JCI)

For medical tourism, the Joint Commission International (JCI) is the world's leader in healthcare accreditation and evaluation of the quality and patient safety of healthcare services. JCI has a rigorous process for developing international standards, and it measures, identifies, and shares best practice in patient safety and quality of care services. The JCI service provides solutions to assist healthcare organizations to improve their performance and achieve their outcomes. Their normal clients are hospitals, healthcare organizations, government ministries, public health agencies, academic institutions and businesses. Their standards are various, including accreditation surveys, surveyor education programs, Ambulatory Care Standards, Clinical Laboratory Standards, Care Continuum Standards, Hospital Standards, Primary Care Standards, Clinical Care Program Certification Standards, Home Care Standards, and Long Term Care Standards.

1.3.2 International Standards Organization (ISO)

Regarding wellness tourism, the International Standards Organization (ISO) has established the ISO 17679 in 2016 primarily aimed at wellness spas with a focus on the improvement of supporting processes and the quality of service provided to clients. The ISO 17679 can be applied with all types and sizes of wellness spas even if the spa is part of another institution, such as accommodation facilities, fitness centers and hospitals. Nonetheless, it should be noted that the ISO 17679 does not respond to the operation of medical spas and thalassotherapy centers, medical professions, medical training and any religious performances.

1.4 Significance of Sector

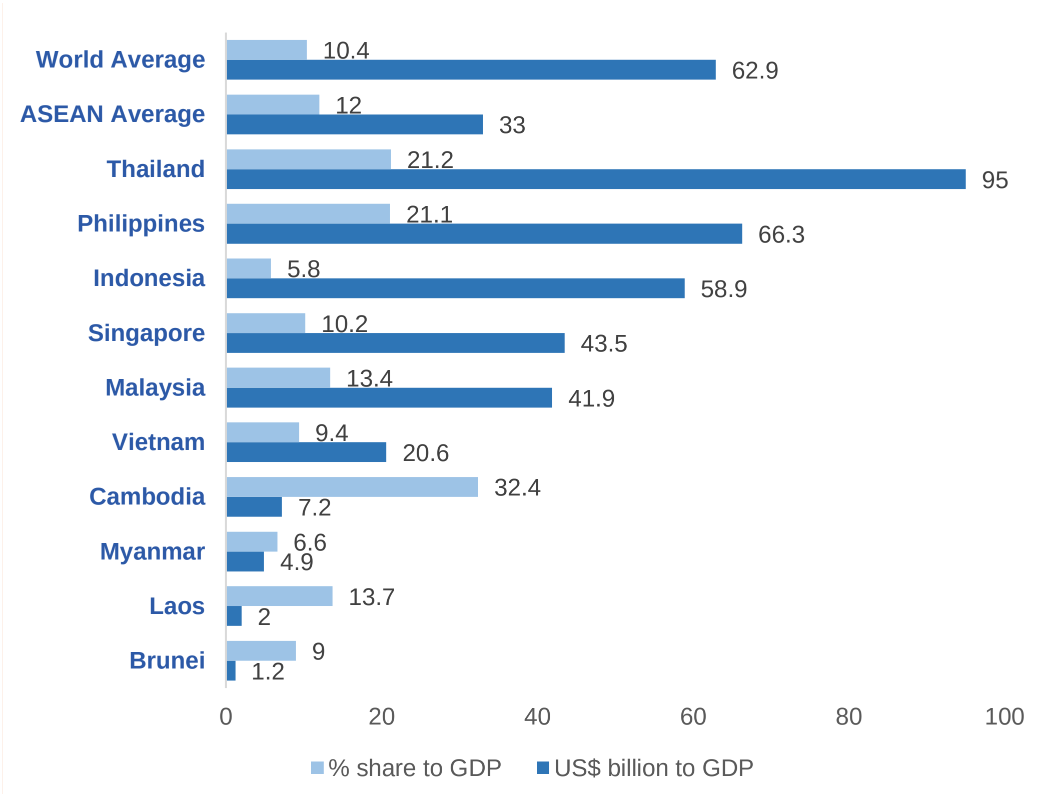
1.4.1 ASEAN's Tourism Sector

As one of the world's fastest-growing tourism markets, ASEAN attracted over 125 million international tourist arrivals in 2017[4] and tourism was identified as a priority sector for region's integration under the ASEAN Economic Community pillar.[5] The sector contributed more than US$ 329.5 billion to the region's economy, accounting for 12% of total GDP. The market leader was Thailand, whose tourism sector contributed US$ 95.0 billion to the country's economy,

[4] World Travel & Tourism Council (2018). *Travel & Tourism Economic Impact 2018 Southeast Asia*. https://www.wttc.org/-/media/files/reports/economic-impact-research/regions-2018/southeastasia2018.pdf.
[5] The ASEAN Secretariat Tourism Unit (2015). *ASEAN Tourism Strategic Plan 2016 – 2025*. https://www.asean.org/storage/2012/05/ATSP-2016-2025.pdf.

accounting for 21.2% of GDP. Thailand was followed by the Philippines and Indonesia, generating US$ 66.3 billion and US$ 58.9 billion for each country's economy, respectively.[6] See Figure 3 below.

Figure 3: Tourism contribution to GDP in 2017



Source: World Travel & Tourism Council (2018)

1.4.2 ASEAN's Healthcare Sector

The stronger the health tourism sector, the higher demand will be for healthcare. Health tourism creates a demand for consumers and expenditure on hospitality services in the healthcare sector. In order to get a better understanding of health-related tourism contexts, we will analyze the healthcare sector in ASEAN countries and categorize it into four different types by market potential:

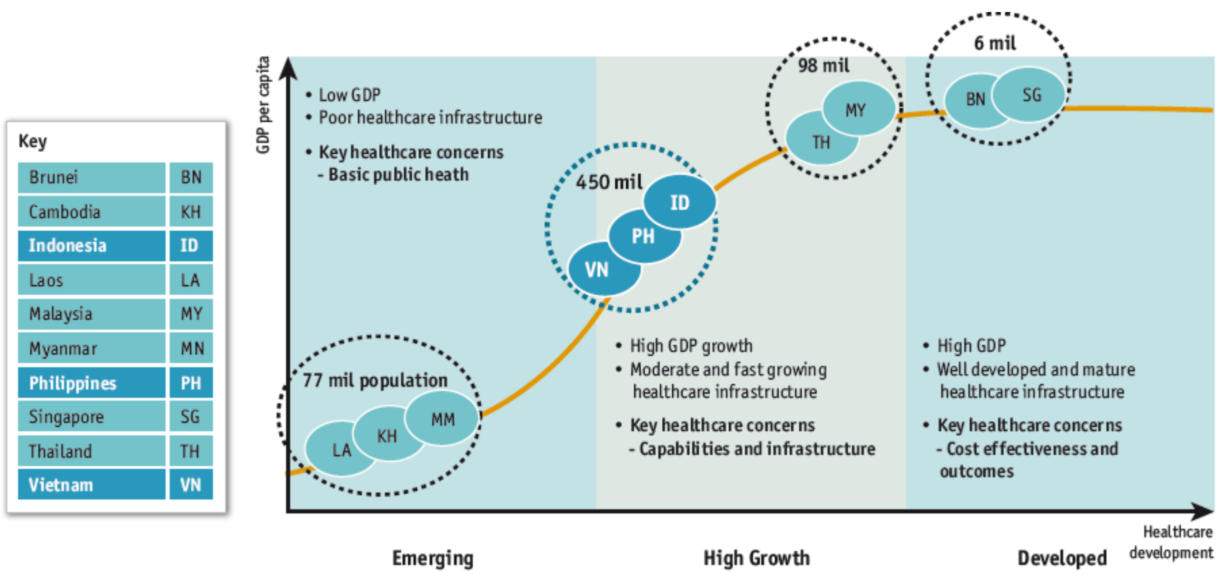
[6] World Travel & Tourism Council (2018). *Travel & Tourism Global Economic Impact & Issue 2018*. https://www.wttc.org/-/media/files/reports/economic-impact-research/documents-2018/global-economic-impact-and-issues-2018-eng.pdf.

1) developed healthcare markets; 2) maturing healthcare markets; 3) ASEAN's high-growth powerhouse triad; and 4) untapped but emerging markets.

1) Developed Healthcare Markets

Singapore and Brunei are ASEAN's most developed healthcare markets and also the two smallest countries by population size in the ASEAN. Singapore established a healthcare system that combines high- quality and innovative technology—test-bedding innovative healthcare delivery—so that the country can solve key healthcare problems such as aging and the management of chronic diseases. Additionally, the country also created the 'Superplatforms' in healthcare clusters in order to co-develop and test the use of new technology and healthcare solutions with industry partners. However, the cost of medical services still considerably high in comparison to neighboring ASEAN countries such as Thailand and Malaysia.

Figure 4: Analysis of major country groups in ASEAN's healthcare



Source: The Economist Intelligence Unit[7]

[7] The Economist Intelligence Unit (2016). *South-East Asia: The New Emerging Healthcare Market Challenge*.

2) Maturing Healthcare Markets

Thailand and Malaysia are maturing markets for healthcare, as the development of local healthcare systems in the two countries has created more choices for local patients. Thailand has ASEAN's second-largest share of pharmaceuticals: their local products accounted for 75% of the total sales. By contrast, in Malaysia, drug and medical device markets are dominated by multinational companies and market fragmentation will further dissolve. Malaysia's Ministry of Health has invested US$ 356 million to facilitate data sharing across hospitals and clinics for creating greater public and private healthcare integration. According to The Economist Intelligence Unit forecast, healthcare expenditure in Malaysia will almost triple rates. Malaysia is forecasted to grow at a CAGR of 8.9% over the period of 2016 – 2020, while Thailand is projected to grow by 3.2%.

3) ASEAN's High-growth Powerhouse Triad

The three powerhouses of healthcare market growth are Indonesia, Philippines and Vietnam – the ASEAN's most populous countries. The annual GDP of each country is expected to grow at 5-7% for the forecasted period of 2016 - 2020. This economic growth will fund public health expenditure on infrastructure and expanding public health insurance coverage. Private health expenditure is also expected to grow due to increased household consumption in the middle and wealthy classes.

However, there are some key healthcare problems in these three countries with regard to poor distribution and overburdened healthcare facilities. The governments have solved the problems by spending more money to upgrade healthcare infrastructure. For example, the Philippines invested US$ 1.3 billion in purchasing medical equipment and building infrastructure in 2015 and spent more than US$ 165 million for acquisition of new hospital facilities in both rural and urban areas. The plan is to add 100,000 hospital beds across Vietnam, the Philippines and Indonesia by 2020, which will help address the lack of hospital bed capacity in the region.

4) Untapped but Emerging Markets

The untapped but emerging markets are Myanmar, Cambodia and Laos. Myanmar's healthcare expenditure relative to GDP is one of the lowest in the world.

In 2016, the figure rested at just over 1% of the country's GDP, or approximately US$ 64.37 billion, significantly below the 5% the World Health Organization recommends for all countries. Relative to other ASEAN member states, Myanmar's healthcare system is still poor. However, the country is trying to increase government spending on healthcare and aims to provide universal health coverage for its population by 2030.

Cambodia and Laos also have undeveloped healthcare markets with less effort and attention from the governments. The markets in the two countries are driven by private healthcare providers due to insufficient government efforts to meet local healthcare demands. Out-of-pocket payments and contributions from non-government sources represent the largest share of healthcare expenditure. In Cambodia, malaria treatment is mostly provided by the private sector even though anti-malarials are available free of charge by the public healthcare sector due to perceived poorer quality of government services and facilities. Similarly, most non-communicable diseases (NCDs) are diagnosed and treated in private healthcare facilities because no clinical guidelines exist to support the care of NCDs. Additionally, diabetes care is not included in Cambodia's basic healthcare package.

1.4.3 ASEAN's Health Tourism Sector

In terms of health tourism, the sector has grown exponentially in recent years and is considered to be an emerging, complex and rapidly changing sector.[8] It is predicted to continue growing at a faster rate than the general tourism industry as more travelers focus on health and well-being.

Although health tourism was shown to be the fastest-growing segment, there are not yet official statistics for the sector at global and regional levels. Health tourism is also still poorly defined. Data on it is limited, fragmented, often unreliable and uses varying definitions and concepts based on geographical, linguistic characteristics, and the wide variety of related cultural traditions. Available data on the market forecasts in terms of earnings and expenditure from health-related travel differ widely. It is therefore difficult to estimate the market size of health

[8] World Tourism Organization and European Travel Commission (2018). *Exploring Health Tourism.* UNWTO, Madrid, DOI: https://doi.org/10.18111/9789284420209.

tourism. Estimations in numbers can vary widely depending on the definition used in the measurement.[9]

In this report, we define health tourism as an umbrella term of *medical tourism* and *wellness tourism.* In the following section, we review the estimated market size of ASEAN's health tourism according these two subtypes.

1.4.4 ASEAN's Medical Tourism

The market estimation of global medical tourism started from US$ 10.5 billion in 2012, grew to US$ 36. 9 billion in 2018, and continues exponential growth to US$ 3 trillion by 2025[10] as shown in Table 5 below.

Table 1: Estimation of the market size of medical tourism

Year	Research Company	Estimates
2018	Grand View Research	$36.9 billion, growing at CAGR of 21.9% in 2019
2017	Zion Market Research	$15.5 billion and could grow to $28 billion by 2024
2016	Medical Tourism Association and Visa report	$100 billion and could grow to $3 trillion by 2025
2016	Patients Beyond Borders	$38.5-55 billion
2015	Patients Beyond Borders	$45-72 billion, growing at 15-25%
2015	Allied Market Research	projected CAGR growth from 2015 of 15.7% to $143.8 billion in 2022
2013	SRI International	$50-60 billion
2012	Transparency Market Research	$10.5 billion, growing at CAGR of 17.9% to $32 billion in 2019

Source: Ile & Țigu (2017), Grand View Research[11], Zion Market Research[12]

[9] World Tourism Organization and European Travel Commission (2018). *Exploring Health Tourism.* UNWTO, Madrid, DOI: https://doi.org/10.18111/9789284420209.
[10] Ile, F., & Țigu, G. (2017). Medical tourism market trends - an exploratory research, *Proceedings of the International Conference on Business Excellence*, 11(1), 1111-1121, DOI: https://doi.org/10.1515/picbe-2017-0114.
[11] Grand View Research (2019). *Medical Tourism Market Size, Share, Industry Trend Report, 2019-2026.* https://www.grandviewresearch.com/industry-analysis/medical-tourism-market.
[12] Zion Market Research (2018). *Medical Tourism Market by Treatment Type (Cancer Treatment, Orthopedic Treatment, Fertility Treatment, Cardiovascular Treatment, Neurological Treatment, and Others): Global Industry Perspective, Comprehensive Analysis, and Forecast, 2017 – 2024.*

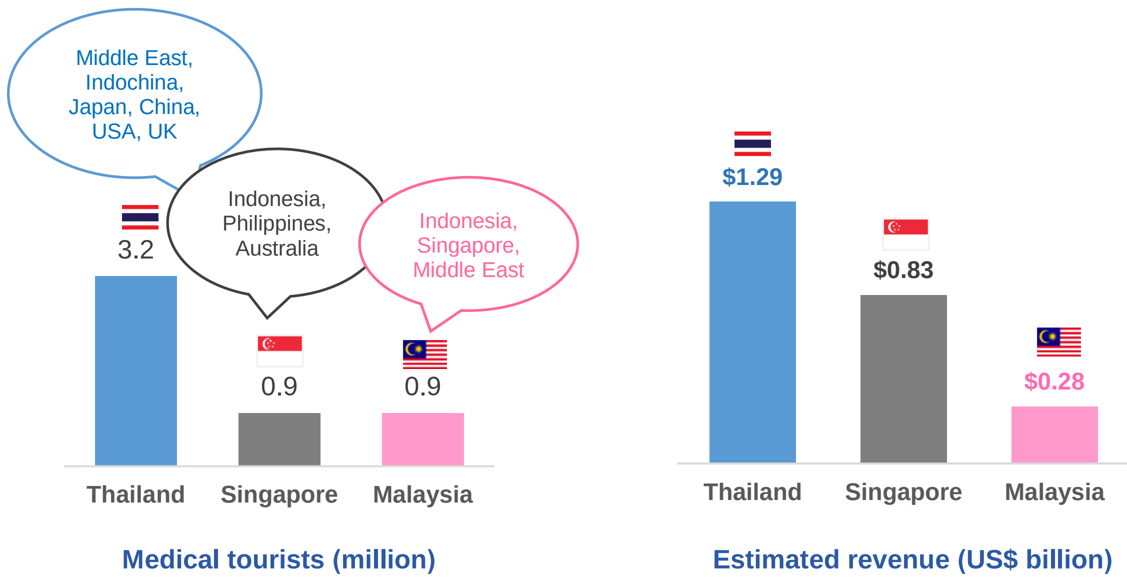
Medical tourism in ASEAN has experienced rapid growth in recent years with large inflows of international patients. The key market drivers are high-quality healthcare delivery services, affordable travel and accommodation, reputable medical expertise and competitive rates. The market leader is Thailand, accounting for 50 percent of patient share in ASEAN markets, followed by Singapore and Malaysia.[13] All three countries are positioning themselves as medical tourism hubs with government healthcare promotion support, availability of internationally accredited facilities and staff, and high standards of care.

In 2016, the medical tourism sector in these three countries attracted more than 5.0 million foreign medical tourists, generated US$ 2.4 billion in revenue. Thailand attracted more 3.2 million medical tourists, generated around US$ 1.29 billion in revenue. Singapore attracted around 900,000 medical tourists and contributed more than US$ 0.83 billion in revenue. In Malaysia, medical tourism accounted for almost US$ 0.28 billion with close to 921,000 medical tourists in 2016, as shown in Figure 5.

Foreign medical tourists are a crucial contributor to private healthcare revenue. For example, in Thailand, foreign medical tourists are accounted for roughly 40%-60% of private hospitals' revenue and will continue to be the key revenue growth driver.

[13] Australia supports Bali new hospital, The Jakarta Post, 2016.

Figure 5: ASEAN's key players in medical tourism



Source: Tourism Authority of Thailand, Maybank Kim Eng, Malaysia Healthcare Travel Council[14]

These three countries have taken various initiatives to improve their competitiveness in terms of infrastructure, including hospital facilities and strengthening their capabilities to capture a share in the medical tourism market over the years. Consequently, Thailand has earned a market reputation for cosmetic and sex change surgery, stem-cell therapy as well as having a wide range of affordable properties and destinations to choose from for the recovery period. Singapore is globally recognized for cardiac and neurological surgery, liver transplants and cancer treatments, while Malaysia is well-known for cardiac surgery, as shown in Figure 6.

[14] Malaysia Healthcare Travel Council (2017). Medical tourism revenue hit RM1 billion in 2016. https://www.mhtc.org.my/medical-tourism-revenue-hit-rm1-billion-in-2016/

Figure 6: Medical niches in ASEAN markets by country

Countries	Medical Niches	Top Medical Tourists
THAILAND	Cosmetic surgery, Sex change surgery, Stem-cell therapy	Middle East, Indochina – Myanmar, Cambodia, Laos and Vietnam, China, Japan, USA, UK
MALAYSIA	Cardiac surgery	Indonesia, Singapore, Middle East
SINGAPORE	Cardiac surgery, Neurosurgery, Liver transplant, Cancer	Indonesia, Philippines, Australia
Vietnam	In-vitro fertilization, Kidney transplant	Cambodia

Source: International Medical Travel Journal, Patient Beyond Borders, Globalization and Health[15]

Frost & Sullivan[16] indicated that Thailand and Malaysia will continue to grow exponentially in the upcoming years due to cost-effectiveness, but Singapore will struggle as costs become prohibitive. However, Singapore will continue to be a preferred medical destination in specialized areas such as cancer and cardiology, at least in the short term, but the volume of medical tourist will continue to look towards Thailand and Malaysia.

Medical providers in Indonesia, Vietnam and Cambodia are also eyeing a piece of the medical tourism market. Bali – Indonesia's medical destination—saw a new hospital equipped with world-class facilities, including an integrated cancer treatment center open in 2017.[17] Vietnam's local conglomerate Vingroup will also

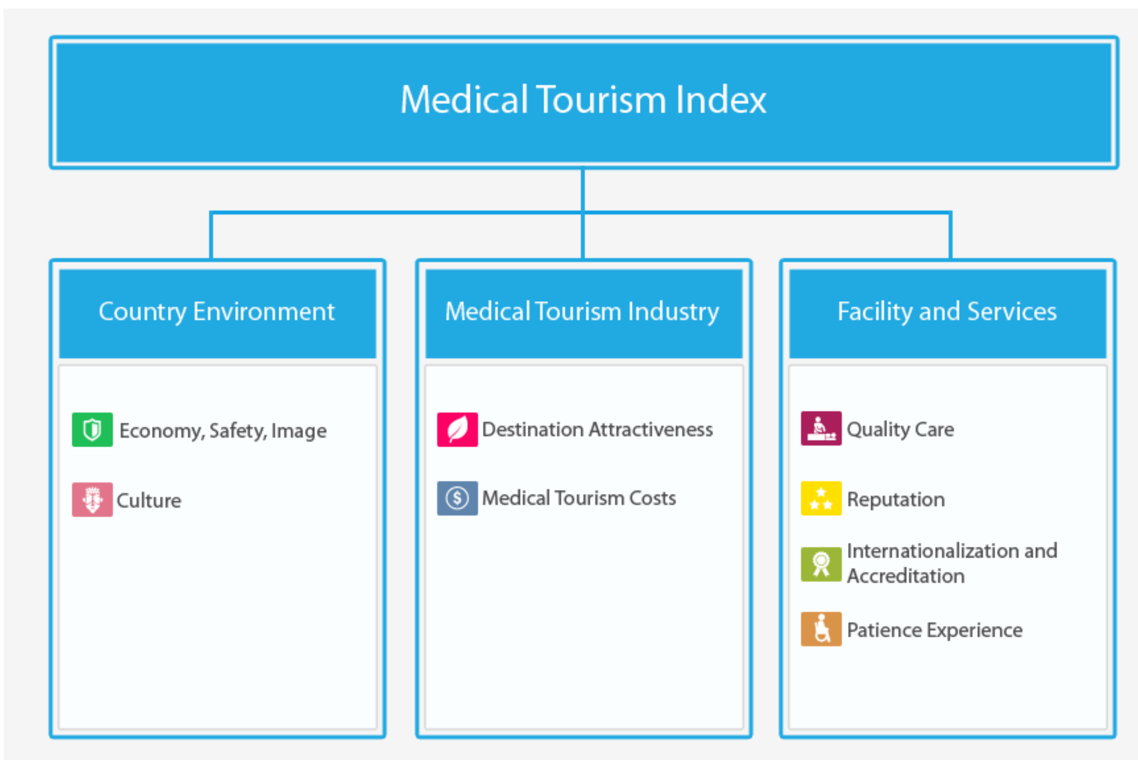
[15] Globalization and Health (2011). *Medical tourism and policy implications for health systems: A conceptual framework from a comparative study of Thailand, Singapore and Malaysia*.
[16] Frost & Sullivan (2017). *Medical tourism booming in Southeast Asia*.
[17] The Jakarta Post (2016). *Australia supports Bali new hospital*.

increase its network of private hospitals 10-fold by 2020 from a single hospital in 2015 to provide care for medical tourists and local patients alike.[18]

Medical Tourism Index

Figure 8 below identifies the Medical Tourism Index™ (MTI) as one of the indices that assesses country-based performance and their attractiveness medical tourist destinations. The MTI consists of three dimensions - country, industry, and facility and services - with 34 underlying indicators to help countries, public policymakers, healthcare and tourism industry professionals, place marketers and underlying organizations and people to better identify medical tourism destinations.

Figure 7: Dimension of the MTI model



Source: https://www.medicaltourismindex.com

[18] News release from Vinmec, 2015.

Table 2 below shows the MTI scores in 2016. Among ASEAN countries, Singapore came first, followed by Thailand and the Philippines. Thailand for example was ranked 18th on the overall score and 6th in the medical tourism industry. Its quality of facilities and services was ranked 13th.

Table 2: MTI score in 2016

Country	Overall MTI Score	Destination Environment	Medical Tourism Industry	Quality of Facilities & Services
Thailand	66.60 (18th)	56.4 (27th)	73.25 (6th)	70.14 (13th)
Philippines	66.40 (19th)	61.44 (19th)	70.54 (16th)	67.23 (19th)
Singapore	73.56 (4th)	73.26 (3rd)	70.79 (15th)	76.63 (6th)
Japan	68.00 (12th)	62.69 (14th)	67.33 (25th)	73.94 (9th)
China	64.78 (23rd)	59.42 (21st)	68.41 (23rd)	67.17 (21st)

Source: http://www. medicaltourismindex.com

1.4.5 ASEAN Wellness Tourism

Wellness tourism has become a travel trend in recent years and is becoming an emerging market segment in some ASEAN countries. While medical tourists seek treatments solely for medical purposes, wellness tourism is assumed to be pursued by healthy people who care about health and seek physical fitness or improvement, spiritual balance, and cultural as well as relaxation experiences.[19]

Globally, the market size of wellness tourism was US$ 438. 6 billion in 2012 and US$ 639.4 billion in 2017. It is expected to reach at 21.9% in 2019. At the regional level, according to Global Wellness Institute, the Asia-Pacific region has made the most gains in the number of wellness trips and wellness tourism revenue in the period of 2013 - 2017, continuing a trend that is triggered by a rising middle class, increasing intra-Asia tourism, and a growing consumer desire to adopt a wellness lifestyle. While most of the top markets have continued to grow, many ASEAN

[19] Leonardi Lucky Kurniawan (2018). Promoting Indonesia as a Wellness Tourism Destination. in *The 2018 International Conference of Organizational Innovation*, KnE Social Sciences, pages 250–260. DOI 10.18502/kss.v3i10.3378.

countries have climbed steadily in the rankings, including Thailand, Indonesia and Malaysia.

Thailand is a market leader for wellness tourism in ASEAN region. The country was ranked 4th in Asia and 13th in the global market with US$12.0 billion in revenue and 530,000 people employed in the industry. Indonesia was ranked 7nd in Asia and 17th in the world market with $6.9 billion in revenue generated and 3.2 million trips taken in 2017. Malaysia has moved into the world's top twenty for the first time with revenue amounting to US$ 5.0 billion and direct employment of 180,000 million people in the country as shown in Table 4.

Table 3: Market size estimation of wellness tourism

Year	Research Company	Estimates
2017	Global Wellness Institute	$639.4 billion and could grow to $919.4 billion by 2022
2015	Global Wellness Institute	$563.2 billion
2013	Statista	$494.1 billion
2012	Statista	$438.6 billion

Source: Global Wellness Institute[20], Statista[21]

Table 4: ASEAN's key players in wellness tourism

	Number of Trips (millions)	Direct Employment (millions)	Expenditures (US$ billions)	World Rank in 2017
Thailand	12.5	0.53	$12.0	13
Indonesia	8.3	1.31	$6.9	17
Malaysia	8.3	0.18	$5.0	18

Source: Global Wellness Institute (2018)

[20] Global Wellness Institute (2018). *Global Wellness Economy Monitor*.
[21] Statista (2019). *Global market size of the wellness tourism industry from 2012 to 2017*. https://www.statista.com/statistics/318605/global-market-size-of-the-wellness-tourism-industry.

2. Cambodia

2.1 Introduction: Overall Scenario

The travel and tourism sector in Cambodia has seen tremendous growth in the past decade and is considered one of the country's most influential economic drivers. The total contribution of travel and tourism to GDP accounted for 32.4 percent of GDP in 2017 generating 1,191,000 jobs, representing 13.6 percent of total employment (WTTC, 2018[22]). The health tourism cluster in Cambodia ranges from massage parlors, day spa centers, luxury (hotel and resort) spa, wellness centers, health and beauty clinics, medical spas, traditional and herbal medicine, spa and wellness products, and medical tourism. The findings from this study address not only fundamental issues but also technical concerns in the health tourism development in Cambodia, including the limitation of skilled human resources, the lack of local expertise in particular skills, the inadequacy of training and development programs, policy guidelines, as well as the lack of trust in quality standards of health services.

2.2 Definition of Cluster

2.2.1 Defining the Service

The wellness tourism cluster in Cambodia concentrates principally on traditional Khmer massages and the spa health tourism (Cambodia Tourism, 2018[23]). In recent years, the rise of medical tourism in Cambodia has been prominent and the services have successively expanded from common health tourism services to high-end dental treatment and alternative health services. While the exact number of health visitor arrivals in Cambodia is not known because sector is still developing at an initial stage, the growth trends for health services are relatively high due to the country's fast developing economy, which has led to an escalating number of private hospitals and global franchise health service providers from Thailand, Vietnam, Singapore and Japan opening branches in Cambodia (Export.gov, 2018[24]).

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[22] WTTC. (2018). *Travel & Tourism Economic Impact 2018 Cambodia*. Retrieved on 8 February 2018 from https://www.wttc.org/-/media/files/reports/economic-impact-research/countries-2018/cambodia2018.pdf
[23] Cambodia Tourism. (2018). *Massage and Spa*. Retrieved from http://cambodia-tourism.org/see-do/massage-spa/
[24] Export.gov. (2018). *Healthcare Resource Guide: Cambodia*. Retrieved from https://2016.export.gov/industry/health/healthcareresourceguide/eg_main_108570.asp

The Ministry of Health in Cambodia provides an estimation that around 40-50 per cent of Cambodian population uses traditional medicine. Nonetheless, there is no record of a formal survey and the procedure of traditional health services is not yet supported by national health insurance.[25] The changes and developments in tourist behavior in Cambodia indicate that there is a necessity for transformation of tourism strategies in relation to the expansion of services within the cluster.

In response to new tourism growth, the Royal Government of Cambodia has conducted a tourism industry stakeholder workshop to obtain feedback in order to draft changes to the Tourism Management Plan (TMP) aiming to enhance the growth of tourism businesses in Cambodia (UNESCO, 2012[26]). Moreover, the interview findings with key government officials and policy makers confirm that the Royal Government of Cambodia plans to pay stronger attention to the health tourism sector particularly in terms of training and business operations incentives to support SMEs competitiveness and growth.

2.2.2 Geographical Location

The emerging health tourism establishments in Cambodia are located mainly in Phnom Penh, Siem Reap and Sihanouk Ville— Bliss Spa, Aura Spa, and Samata Spa to name a few (Cambodia Tourism, 2018[27]). The map below shows the locations of cluster development. Most establishments are primarily located in and around major tourism destinations of Phnom Penh and Siem Reap, with increasing number of boutique health centers operating in lessor known locations of Sihanoukville, Ratanakiri, Kampong Thom, Kratie, Kampot and Kep. The destinations marked with yellow dots are areas where cluster development can be seen. The majority of these destinations have at least 1 to 3 major spa and wellness resorts. Phnom Penh, being the capital of Cambodia, is the only city that has a wide range of establishments covering both the health tourism cluster.

The gateway to the Angkor region, Siem Reap, focuses largely on spa and wellness services that are specifically cater to international travelers with most services linked to cultural tourism and the combination of mind, body and spirit therapy.

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[25] WHO and Ministry of Health, Cambodia. (2012). *Cambodia Health Service Delivery Profile*. Retrieved on 15 February 2019 from http://www.wpro.who.int/health_services/service_delivery_profile_cambodia.pdf

[26] UNESCO. (2012). *Case Study: Angkor and The Tourism Development Strategic Plan 2012-2020.* Retrieved on 7 February 2019 from http://whc.unesco.org/sustainabletourismtoolkit/guide-2-%E2%80%93-case-study-angkor-and-tourism-development-strategic-plan-2012%E2%80%932020

[27] Cambodia Tourism. (2018). *Massage and Spa*. Retrieved from http://cambodia-tourism.org/see-do/massage-spa/

While there are other small clusters of health tourism in Ratanakiri, Kampong Thom, Sihanoukville, Kratie, Kampot and Kep, these clusters are much smaller and less concentrated than those found in Phnom Penh and Siem Reap.

Figure 8*:* Map of health tourism cluster

Source: Elaborated by Kenan Foundation Asia (2019)

2.2.3 Market Size, Employment and Segmentation

1) Market Size

The latest tourism report identifies that Cambodia received 5,602,157 international tourist arrivals in 2017, up from previous years of 5,011,712 in 2016, 4,775,231 in 2015 and 4,502,775 in 2014 respectively. The top five greatest numbers of international visitor arrivals came from China, Vietnam, Lao PDR, Thailand, and the Republic of Korea (Ministry of Tourism, 2017[28]).

[28] Ministry of Tourism. (2017). *Tourism Statistics Report 2017.* Retrieved from http://cambodia-tourism.org

Although there are growing number of health formations including traditional Khmer massage centers, spa establishments, and wellness centers in Cambodia's major cities mainly in Phnom Penh, Siem Reap and Sihanoukville, the Royal Government of Cambodia has not yet conducted a study specific to the market size of this sector nor incorporated health tourism in the country's strategic tourism plan. Presently, most SMEs operate under their own guidelines in both marketing and business operations. Furthermore, the in-depth study and qualitative interviews revealed that registered SMEs in this sector are a fraction of the amount of businesses operating in the industry.

According to Intelligent Spas' Cambodia spa benchmark report 2007-2010, there were 35 authentic spa establishments in Cambodia, of which 34 percent were stand-alone spas and 66 percent were part of resort/hotel spa centers.[29] For medical tourism, Cambodia suffers from the transition of healthcare development with only 0.23 physicians per 10,000 residents, ranking 148 out of 192 countries, which has resulted in healthcare tourists seeking medical services elsewhere, predominantly in Thailand and Singapore where the quality of services are better (Marady & Huaifu, 2017[30]).

2) Employment

The lack of skills of Cambodia's human resources remain the biggest challenge to overcome. There is a dearth of highly-skilled doctors, qualified allied health professionals and public health professionals. According to the World Economic Forum's Global Human Capital Report 2017, Cambodia achieved the lowest score in ASEAN for training and education (Open Development Cambodia, 2015).[31] Although labor force participation is reasonably high in Cambodia, skills enhancement is necessary to increase effectiveness of the current work force. Consequently, the government has introduced its first National Employment Policy (NEP) in 2015 to enhance skills and human resources development as well as the overall labor market (ADB, 2015[32]). The 2017 Skills Shortages and Skills Gaps in the Cambodian labor market survey conducted by the National Employment Agency found that 77.9 percent of employers faced recruitment difficulties with the

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[29] Asia Travel Tips. (2008). *Intelligent Spas publishes spa industry survey report on Cambodia*. Retrieved on 20 February 2019 from http://www.asiatraveltips.com/news08/266-SpasCambodia.shtml

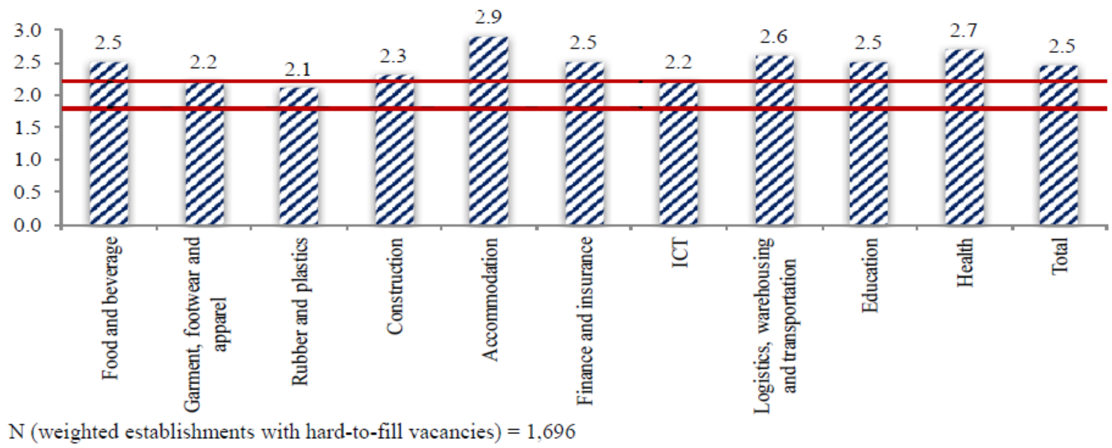
[30] Marady, H. & Huaifu, X. (2017). Why people prefer seeking care from one country to other countries: a case study from Cambodia. *MOJ Public Health*, 6(4), 373-376.

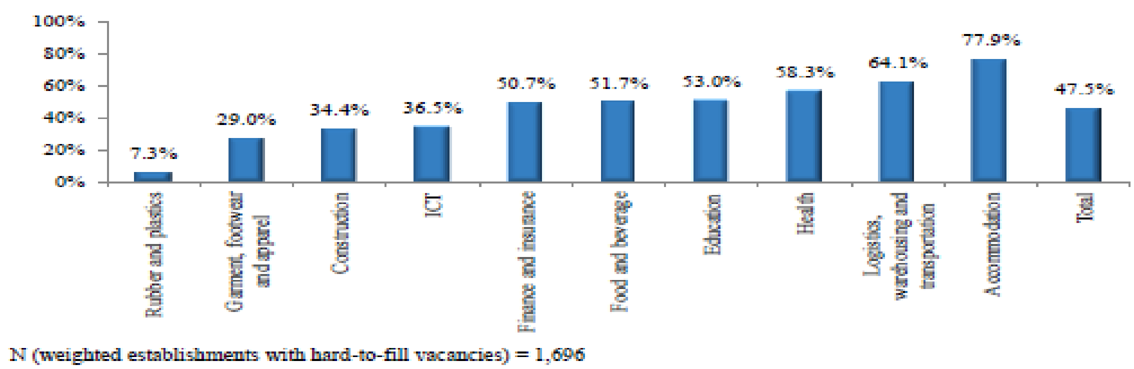
[31] Open Development Cambodia. (2015). *Science and technology*. Retrieved from https://opendevelopmentcambodia.net/topics/labor/

[32] ADB. (2015). *Cambodia: Addressing the skills gap – employment diagnostic study*. Retrieved from https://www.adb.org/sites/default/files/publication/176283/cambodia-addressing-skills-gap.pdf

sectors seeing the most hard-to-fill vacancies being accommodation, logistics, warehousing and transportation, and health (NEA, 2018[33]).

Figure 9: Index of recruitment difficulties by sector and share of hard to fill vacancies





Source: NEA (2018)

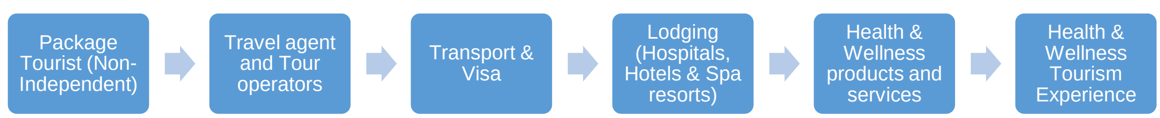
33 NEA. (2018). *Skills shortages and skills gaps in the Cambodian labour market: Evidence from employer survey 2017*. Retrieved on 19 February 2019 from http://www.nea.gov.kh/images/survay/ESNS%202017--Final--05282018.pdf

3) Segmentation

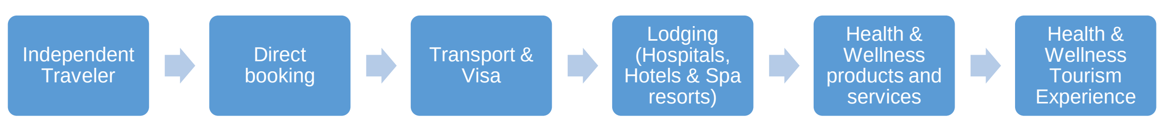
According to an empirical research conducted by McDonnell, Sakal and Petocz (2008)[34] on market segmentation of international tourism to Cambodia based on the benefits sought and travel motivations, there are two distinguishable clusters: independent travelers and package tourists. The findings suggest that both groups share the same interests in cultural tourism, which provides a solid link to health tourism.

Figure 10: Cambodia's market segmentation

Type 1: Package Tourist



Type 2: Independent Tourist



Source: Kenan Foundation Asia (2019)

Accordingly, many spa and wellness establishments in Cambodia incorporate cultural activities and heritage tourism with wellness services (ASEAN tourism, 2014[35]). A prominent example of this type of wellness service is Navutu Dreams resort and wellness retreat in Siem Reap, which combines guided mindfulness meditation and holistic healing sessions with a blessing by local monks and a local community tour to explore the temples of Angkor

[34] McDonnell, Sakal, Petocz. (2008). *Development of international tourism to Cambodia: the role of benefit segmentation.* Retrieved on 8 February 2019 from https://www.researchgate.net/publication/266020848_Development_of_international_tourism_to_Cambodia_the_role_of_benefit_segmentatio

[35] ASEAN Tourism. (2014). *Cambodia: Cultural & Heritage Tourism.* Retrieved on 19 February 2019 from http://www.aseantourism.travel/explore/subs/cambodia-cultural-heritage-tourism

(Navutu Dreams, 2019[36]). Likewise, a number of similar high-end spa and wellness centers also incorporate health and wellness services with mindfulness programs and herbal treatments. For instance, old-style health therapies, alternative and traditional medicine, acupuncture, osteopathy are combined with Khmer massages, yoga, sports therapy and meditation (Cool Sense, 2019[37]; Navutu Dreams, 2019[38]).

Most of these wellness centers have professional therapists and health practitioners. Founded in 2000, Bliss Spa is by far the first independent spa in Phnom Penh with in-house therapists, Bliss Spa has been delivering unique treatments and wellness packages such as detox escapse, Cambodian Koki Scrubs, and herbal wraps (Bliss Spa, 2018[39]). Another establishment in Phnom Penh, Samata Health and Wellness Studio, is considered the first of its kind in the Kingdom that offers a wide range of holistic therapies and functional medicine services including physiotherapy, acupuncture, chiropractic, aromatherapy, yoga, pilates and Reiki (Samata, 2018[40]). Based on the interview findings the majority their customers come from direct advertising and words of mouth, with most customers being tourists and short term visitors.

2.2.4 Quality Standards

Despite the fact that Cambodia's massage and spa industry does not have formal accreditation system, the majority of wellness and health resorts employ professionals and qualified therapists whereas massage and spa centers that are operating on smaller scale generally do not have professionally trained staff (Eurocham, 2018[41]; Nagaworld, 2018[42]). In response, the Ministry of Tourism's Education and Training Department has pointed out the need to set a requirement

[36] Navutu Dreams. (2019). *Southeast Asia Wellness Retreat*. Retrieved on 8 February 2019 from https://navutudreams.com/southeast-asia-wellness-retreat/
[37] Cool Sense Massage and Spa. (2019). *Home.* Retrieved on 19 February 2019 from https://www.coolsense-spa.com/
[38] Navutu Dreams. (2019). *Southeast Asia Wellness Retreat.* Retrieved on 8 February 2019 from https://navutudreams.com/southeast-asia-wellness-retreat/
[39] Bliss Spa. (2018). *About us.* Retrieved from http://blissspacambodia.com/about/
[40] Samata. (2018). *About us.* Retrieved from http://samata-cambodia.com/about-us/
[41] Eurocham. (2018). *Samata Health and Wellness Studio.* Retrieved from http://www.eurocham-cambodia.org/member/124/SMATA#
[42] Nagaworld. (2018). *Spa.* Retrieved from https://www.nagaworld.com/play/spa/

for massage and spa businesses to employ at least 30 percent professionally trained and certified therapists (Phnompenh Post, 2015[43]).

The Cambodian Ministry of Health (MoH) provides extensive support to assist with the advancement of the national health system in three key areas of improvement: health services, infrastructure and innovation, and quality standards for health care and services delivery (Marady & Huaifu, 2017[44]). In so doing, the directorate general for health has implemented healthcare policies and strategies to strengthen the quality of national health programs, including providing technical assistances to health organizations and coordinating with bilateral, multilateral and international agencies to manage health services activities (Ministry of Health, 2018[45]).

The government of Cambodia emphasizes creating employment opportunities and promoting local economic development through the diversification of business investment by encouraging the succession of mainstream SMEs in order to generate positive economic impacts in tourism related businesses, particularly in the niche tourism markets (Toyo University, 2017[46]).

2.3 Cluster Map

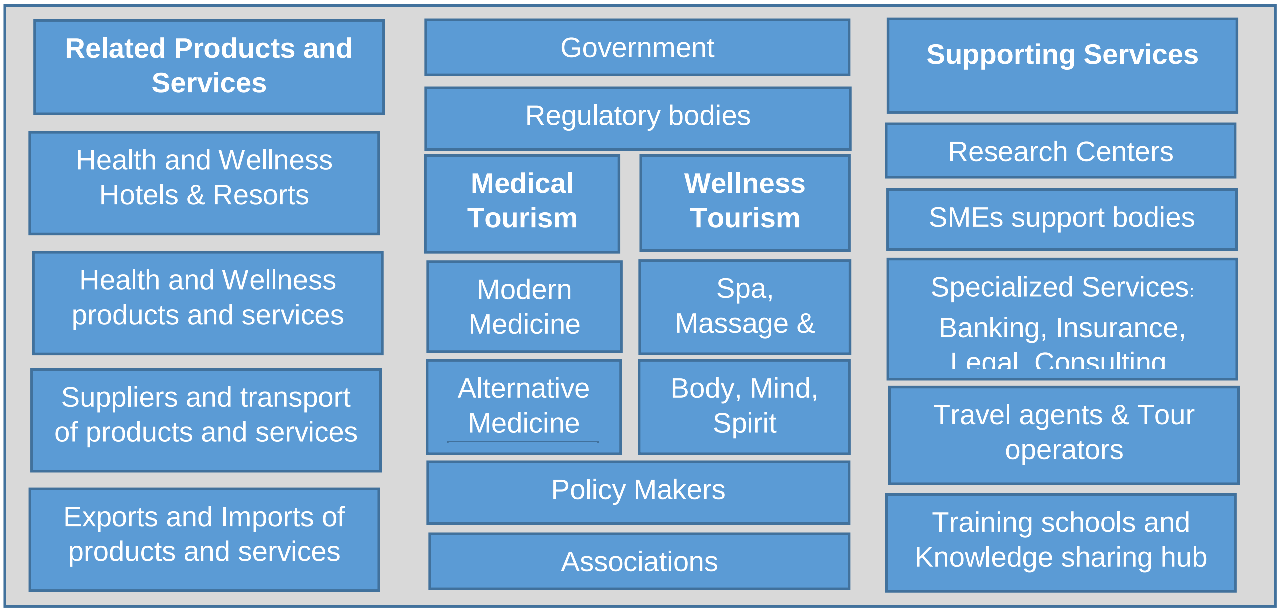
The health tourism cluster in Cambodia can be divided in three groups of key actors:

1. Medical tourism
2. Alternative medicine and herbal medicine-based tourism
3. Spa and Wellness tourism

The majority of small and medium size businesses operate within the spa and wellness tourism industry, followed by alternative health products and services, herbal medicine-based tourism, and medical tourism.

[43] Phnompenh Post. (2015). *Cambodian massage parlours told to shape up*. Retrieved from https://www.phnompenhpost.com/business/cambodian-massage-parlours-told-shape
[44] Marady, H. & Huaifu, X. (2017). Why people prefer seeking care from one country to other countries: a case study from Cambodia. *MOJ Public Health*, 6(4), 373-376.
[45] Ministry of Health. (2018). *DG for Health*. Retrieved from http://moh.gov.kh
[46] Toyo University. (2017). *Sustainable Development and Tourism – Cases in Cambodia*. Retrieved from https://www.toyo.ac.jp/uploaded/attachment/110832.pdf

Figure 11: Cluster map of core cluster and other related actors



Source: Kenan Foundation Asia (2019)

List of Actors

Medical Tourism: Key Players

1. Royal Phnom Penh Hospital (JCI accredited Since 02 June 2017), Phnom Penh[47]
2. Royal Angkor International Hospital (BDMS Network), Siem Reap[48]
3. Singapore Medical Center by DrMAP, Phnom Penh[49]
4. RoomChang Dental Hospital, Phnom Penh[50]
5. Apsara Dental Clinic, Phnom Penh[51]
6. First Center Polyclinic, Sihanoukville and Phnom Penh[52]

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[47] Royal Phnom Penh Hospital. (2019). *About us.* Retrieved on 15 February 2019 from http://royalphnompenhhospital.com/about-us/

[48] Royal Angkor International Hospital (RAH) (2019). *About Hospital.* Retrieved on 15 February 2019 from http://www.royalangkorhospital.com/about-hospital.php

[49] SGMC. (2019). *Holistic Wellness.* Retrieved on 19 February 2019 from http://sgmc.com.kh/patient-services/holistic-wellness/

[50] Roomchang Dental Hospital. (2019). *Our facilities.* Retrieved on 19 February 2019 from https://roomchang.com/our-facilities/

[51] Apsara Dental Clinic. (2019). *About us.* Retrieved on 19 February 2019 from http://www.apsaradental.com/en/about-us3.html

[52] First Center Polyclinic. (2019). *About us*. Retrieved on 19 February 2019 from http://cambodiafirstclinic.com/

7. Sen Sok International University Hospital, Phnom Penh[53]
8. Sunrise Japan Hospital, Phnom Penh[54]

Alternative Medicine, Herbal Medicine, and Body, Mind and Spirit Centers: Key Players

1. Cool Sense Massage and Spa, Siem Reap[55]
2. Hariharalaya Yoga and Meditation Retreat, Siem Reap[56]
3. Angkor Bodhi Tree Retreat and Yoga Centre, Siem Reap[57]
4. Essence of Health, Phnom Penh[58]
5. Natural Wellness Center, Phnom Penh[59]
6. Vagabond Temple, Kep and Sihanoukville[60]
7. Banteay Srey Project, Kampot[61]
8. La Plantation, Kampot[62]
9. Senteurs d'Angkor, Siem Reap[63]

Spa and Wellness Tourism: Key Players

1. Bliss Spa, Phnom Penh[64]
2. Bodia Spa, Phnom Penh and Siem Reap[65]
3. Samata Health and Wellness Studio, Phnom Penh[66]
4. Navutu Dreams Resorts and Wellness Retreat, Siem Reap[67]

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[53] SSIUH. (2019). *About SSIUH.* Retrieved on 19 February 2019 from http://www.sensokiuh.com/en/about-ssiuh/
[54] Sunrise Japan Hospital. (2019). *About us*. Retrieved on 7 February 2019 from http://www.sunrise-hs.com/index.php/about-us
[55] Cool Sense Massage and Spa. (2019). *Home.* Retrieved on 19 February 2019 from https://www.coolsense-spa.com/
[56] Hariharalaya Retreat Centre. (2019). *Spa and Wellness.* Retrieved on 9 February 2019 from https://www.hariharalaya.com/spa-wellness/
[57] Angkor Bodhi Tree. (2019). *Home.* Retrieved on 9 February 2019 from http://www.angkorbodhitree.com/
[58] Essence of Health. (2019). *Home.* Retrieved on 9 February 2019 from https://essenceofhealth.asia/
[59] National Wellness Center. (2019). *About.* Retrieved on 19 February 2019 from https://acupuncture-phnompenh.com/about/
[60] Vagabond Temple. (2019). *Yoga and Meditation*. Retrieved on 17 February 2019 from https://www.vagabondtemple.com/yoga-and-meditation-retreats/
[61] Banteay Srey Project. (2017). *The Spa.* Retrieved on 5 February 2019 from http://banteaysreyproject.org/thespa/
[62] La Plantation. (2019). *La Plantation.* Retrieved on 3 February 2019 from http://kampotpepper.com/
[63] Senteurs d'Angkor. (2019). *Home.* Retrieved on 8 February 2019 from https://senteursdangkor.com/
[64] Bliss Spa. (2018). *About us.* Retrieved from http://blissspacambodia.com/about/
[65] Bodia Spa. *Home.* Retrieved on 9 February 2019 from https://www.bodia-spa.com/
[66] Samata. (2018). *About us.* Retrieved from http://samata-cambodia.com/about-us/
[67] Navutu Dreams. (2019). *Southeast Asia Wellness Retreat.* Retrieved on 8 February 2019 from https://navutudreams.com/southeast-asia-wellness-retreat/

5. Wayist Spiritual Energy Center (Certified and licensed Pneumatherapists), Siem Reap[68]
6. Ratanakiri Paradise Hotel and Spa, Ratanakiri[69]
7. Terres Rouges Lodge, Ratanakiri[70]
8. Sambor Village, Kampong Thom[71]
9. Glorious Hotel and Spa, Kampong Thom[72]
10. Rajabori Villas, Kratie[73]
11. Jasmine Spa, Kampot[74]
12. Nibi Spa, Kampot[75]
13. Oasis Spa, Kampot[76]
14. Let's Relax Spa, Phnom Penh[77]
15. Sarai Resort and Spa, Siem Reap[78]
16. Sofitel Angkor Phokeethra Golf & Spa Resort, Siem Reap and Sofitel Phnom Penh[79]
17. Real Spa Cambodia, Siem Reap[80]
18. Angkor Century Resort and Spa, Siem Reap[81]
19. Flora Spa Cambodia, Phnom Penh[82]
20. Frangipani Spa, Siem Reap[83]

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[68] Wayist Spiritual Energy Center. (2019). *Pneumatherapy.* Retrieved on 15 February 2019 from https://angkorwat.wayist.com/
[69] Ratanakiri Paradise Hotel. (2019). *Home*. Retrieved on 15 February 2019 from https://ratanakiri-paradise-hotel.business.site/
[70] Terres Rouges Lodge. (2019). *Home.* Retrieved on 15 February 2019 from https://ratanakiri-paradise-hotel.business.site/
[71] Sambor Village. (2019). *Home.* Retrieved on 15 February 2019 from https://www.samborvillage.asia/
[72] Glorious Hotel and Spa. (2019). *Home.* Retrieved on 14 February 2019 from https://www.samborvillage.asia/
[73] Rajabori Villas. (2019). *The Villas.* Retrieved on 28 January 2019 from https://rajabori-kratie.com/en/home/
[74] Jasmine Spa. (2019). *Home.* Retrieved on 7 February 2019 from https://jasmine-spa-kampot-massage-spa.business.site/
[75] Nibi Spa. (2019). *Thermal Experience.* Retrieved on 28 January 2019 from https://www.nibispa.com/thermal-experience
[76] OASIS Spa. (2019). *Oasis Spa.* Retrieved on 29 January 2019 from http://bohemiazretreats.com/index.html
[77] Let's Relax Spa. (2019). Cambodia. Retrieved on 18 February 2019 from https://letsrelaxspa.com/cities/cambodia/
[78] Sarai Resort and Spa. (2019). *Home.* Retrieved on 18 February 2019 from https://www.sarairesort.com/
[79] Sofitel. (2019). *Cambodia.* Retrieved on 19 February 2019 from https://sofitel.accorhotels.com/gb/hotel-3123-sofitel-angkor-phokeethra-golf-spa-resort/index.shtml
[80] Real Spa Cambodia. (2019). *Experience*. Retrieved on 20 February 2019 from http://www.realspacambodia.com/experience.html
[81] Angkor Century Resort and Spa. (2019). *Home*. Retrieved on 20 February 2019 from http://www.angkorcentury.com/
[82] Flora Spa Cambodia. (2019). *Spa treatments.* Retrieved on 20 February 2019 from http://www.floraspacambodia.com/
[83] Frangipani Spa. (2019). *Home.* Retrieved on 20 February 2019 from http://www.frangipanisiemreap.com/

21. Khmer relief Spa, Siem Reap[84]
22. Little Prince Resort & Spa[85]
23. De Kampuchea Spa, Siem Reap[86]
24. Tropical Boutique Spa, Siem Reap[87]
25. Lotus dream spa, Siem Reap[88]
26. Lemongrass Garden, Siem Reap[89]
27. Empress Residence Resort and Spa, Siem Reap[90]
28. Kaya Spa, Siem Reap[91]

Table 5: Destinations where health tourism cluster can be identified

Destinations	Medical Tourism	Wellness Tourism	Spa Tourism	Alternative Health Services
Phnom Penh	✓	✓	✓	✓
Siem Reap	✓	✓	✓	✓
Ratanakiri			✓	
Kampong Thom		✓	✓	
Kratie			✓	
Sihanoukville		✓	✓	✓
Kep		✓	✓	✓
Kampot		✓	✓	✓

Source: Elaborated by Kenan Foundation Asia (2019)

[84] Khmer Relief Spa. (2019). *Home.* Retrieved on 20 February 2019 from http://www.khmerreliefspa.com/
[85] Little Price Resort. (2019). *Home.* Retrieved on 20 February 2019 from http://www.littleprinceresort.com/
[86] De Kampuchea Spa. (2019). *Home.* Retrieved on 20 February 2019 from http://www.kampucheaspa.com/
[87] Tropical Boutique Spa. (2019). *Home.* Retrieved on 20 February 2019 from http://www.tropicalboutiquespa.com/
[88] Lotus Dream Spa. (2019). *Home.* Retrieved on 20 February 2019 from https://lotusdreamspa.com/
[89] Lemongrass Garden. (2019). *Beauty and Massage.* Retrieved on 20 February 2019 from https://lemongrassgarden.com/
[90] Empress Residence Resort and Spa. (2019). *Home.* Retrieved on 20 February 2019 from http://www.empressresidence.com/
[91] Kaya Spa. (2019). *Home*. Retrieved on 18 February 2019 from http://www.floraspacambodia.com/

2.4 Value chain/ Global Value Chain

Health tourism is generally seen as an exclusive activity, but this is not the case in Cambodia where the distinctive capability of the health tourism sector is typically combined with other special interested tourism as an inclusive experience. For example, a combination of cultural and spa tourism where the tourism experience is specifically tailored to meet particular needs that create an authentic transformational tourism experience and, at the same time, maintain positive local engagement with the community and its people (Biddulph & Scheyvens, 2018).[92]

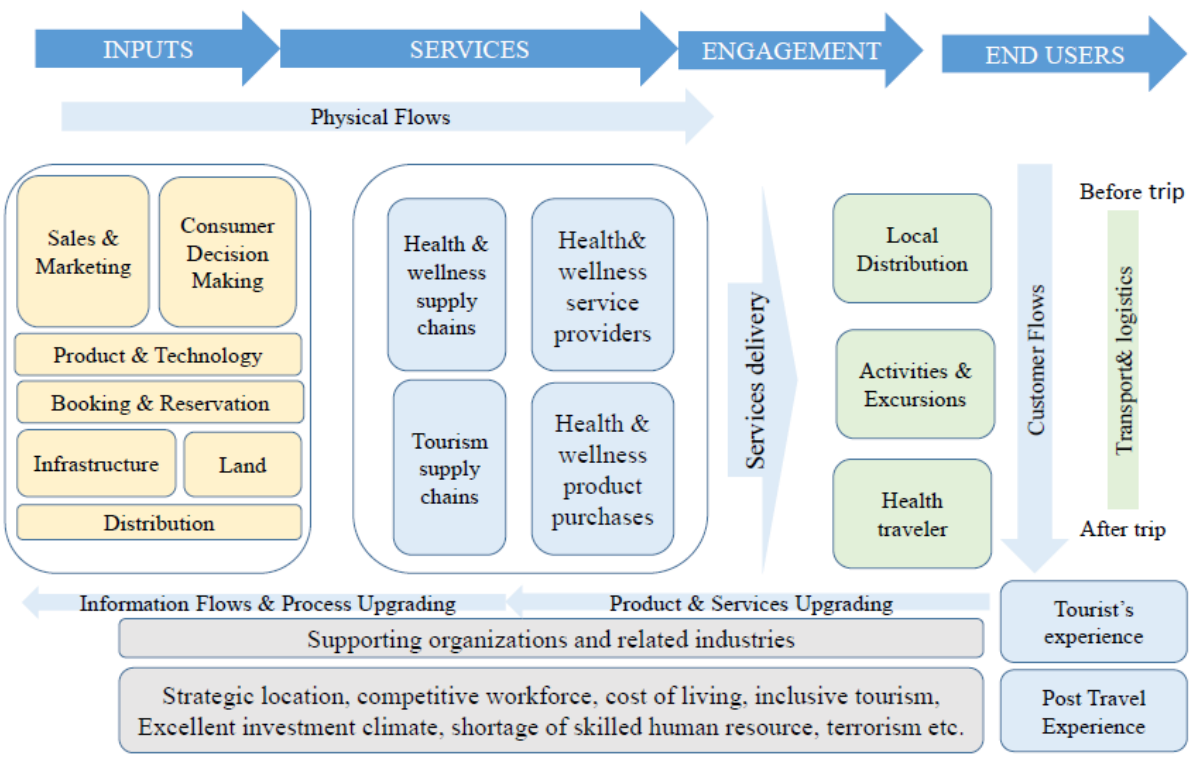
Cambodia's health tourism centers around the massage and spa tourism sector. According to a study by Hun and Rittirod (2015), factors that influence the consumers' attitude towards using spa services in Phnom Penh are the following: to get healthy (42.75%); the need for relaxation (32.3%); improving skin and beauty (20.3%); and for weight loss (4.8%). Most people learned about the spa services from their friends (39.7%), followed by personal experience (24.81%), family (17.9%), sales staff (11.7%), the group of famous (5.8%), and other (0.2%).[93]

Due to its close proximity to Thailand, affluent patients from Cambodia travel to Thailand for medical tourism purposes as the Thai government launched a smart visa scheme and possible visa extension to medical tourists who meet the criteria (KPMG, 2018[94]). Additionally, the lower cost of transport has made it more affordable for visitors to travel for health care and wellness purposes (Picazo, Dela, Nina, & Ututalum, 2015[95]). Nonetheless, it is evident that Cambodia relies on skills development programs from global organizations to improve access to market-relevant skills, training and development, and advancing job opportunities to support the growing demand for niche tourism such as the health tourism sector (ADB, 2018[96]; Swisscontact, 2016[97]).

[92] Biddulph, R. & Scheyvens, R. (2018). Introducing inclusive tourism. *Tourism Geographies*, 20(4), 583-588.
[93] Hun, S. and Rittirod, T. (2015). Factors influences the consumers' attitude of using spa service in Phnom Penh, Cambodia. *FerVAAP.* 158-164.
[94] KPMG. (2018). *Medical Tourism.* Retrieved on 15 January 2019 from https://assets.kpmg.com/content/dam/kpmg/th/pdf/2018/03/th-medical-tourism-industry-focus-secured.pdf
[95] Picazo, O. F., Dela, C., Nina, A. O., & Ututalum, S. (2015). People-to-people tourism in APEC: Facilitating cross-border entry and exit, with special focus on ASEAN*, PIDS Discussion Paper Series, No. 2015-16*, Philippine Institute for Development Studies (PIDS), Makati City.
[96] ADB. (2018). *ADB Briefs.* Retrieved from https://www.adb.org/sites/default/files/publication/401746/adb-brief-090-skills-development-fund-cambodia.pdf
[97] Swisscontact. (2016). *Skills Development Programme (SDP).* Retrieved from https://www.swisscontact.org/nc/en/projects-and-countries/search-projects/project-finder/project/-/show/skills-development-programme-cambodia.html

There is no doubt that, in the health tourism industry, Cambodia requires continuing support in skill development and knowledge transfer of human capital from Thailand, particularly in providing health services such as Thai massage certification and medical services (Bangkok Hospital, 2018[98]; Khmer Massage, 2018[99]). Further, it is reported that AJT Holdings, a Thai health care consultancy, and Singapore Medical Center (SGMC) have partnered to open a high-quality medical center in Phnom Penh, utilizing medical professionals from Singapore, the US and Thailand with an aim for the new facility to be a medical tourism hub (UTCC, 2018[100]).

Figure 12: Health tourism in Cambodia and the global value chain interaction



Source: Kenan Foundation Asia (2019)

[98] Bangkok Hospital. (2018). *Caring for Cambodia – Royal Phnom Penh Hospital*. Retrieved from https://www.bangkokhospital.com/index.php/en/diseases-treatment/caring-for-cambodia-royal-phnom-penh-hospital
[99] Khmer Massage. (2018). *Khmer Academy of Massage Therapy*. Retrieved from https://khmermassage.com/
[100] UTCC. (2018). *Cambodia: Phnom Penh looks to medical tourism*. Retrieved from http://aec.utcc.ac.th/cambodia-phnom-penh-looks-to-medical-tourism/

Cambodia's workforce development relies heavily on functional and technical skill upgrading from its regional network. However, public sector involvement has been somewhat limited as the majority of SMEs conduct skills transfer under their own guidelines. Additionally, since there is no industry association locally in the spa and wellness sector, workforce development of soft and technical skills is limited and senior management positions are generally filled by expatriates. Most of the establishments with high quality standards are foreign-run hotels and spa centers.

2.5 SWOT Analysis

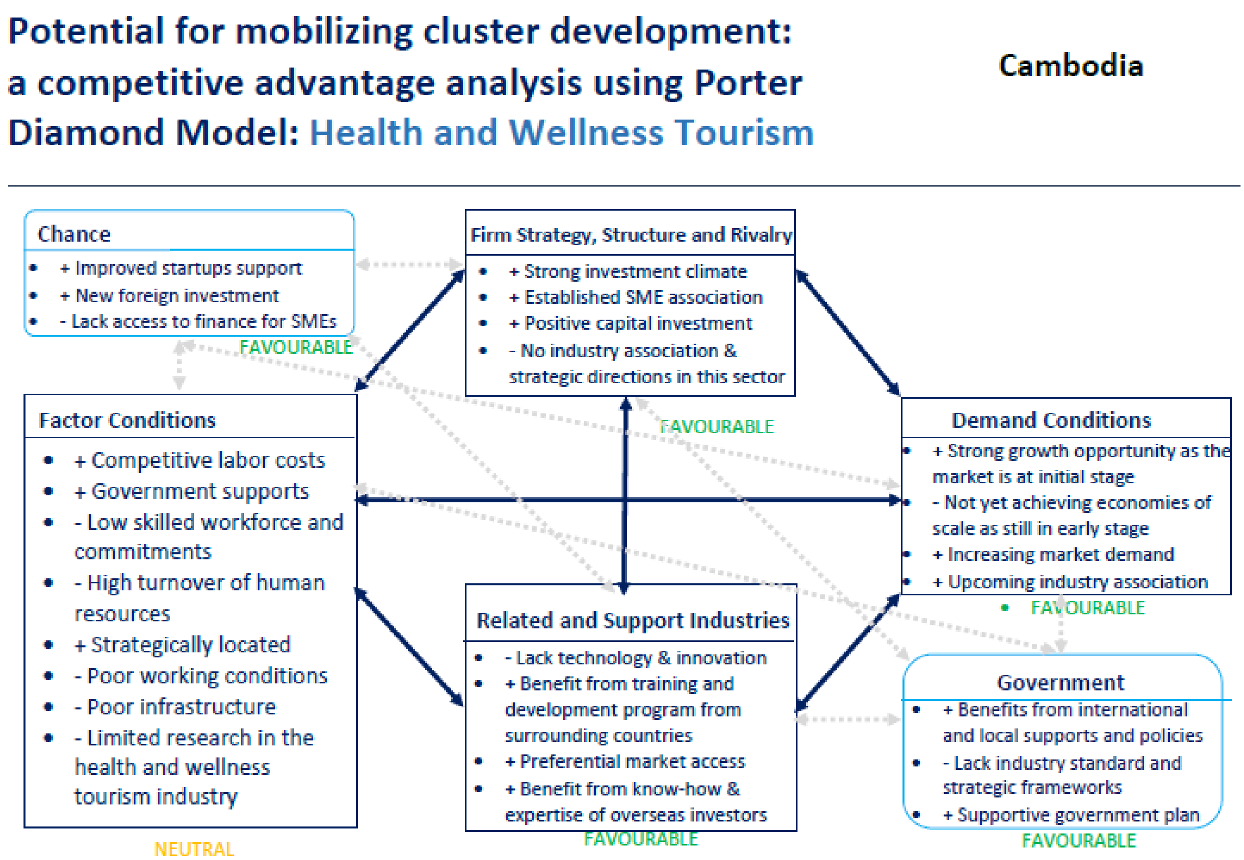
An assessment of SMEs competitiveness in the health tourism industry

STRENGTHS	WEAKNESSES
1. Government's commitment to support the growth of SMEs in setting up initiative and policy 2. Partnership between private sector, government sector and development partners 3. Improvement of political climate 4. Strong investment climate 5. Active policy and governance from the Ministry of Tourism 6. Positive positioning in cultural and heritage tourism combined with health and wellness sector 7. Diverse tourism resources and development capabilities	1. Industry association in the health and wellness tourism industry is yet to be established 2. Lack of access to finance and funding support for SMEs 3. Lack of skilled professionals and qualified workers in the field 4. Limitation of marketing and promotional efforts in the health and wellness tourism sector 5. Need for Infrastructure improvements in many areas 6. Lack of integration of marketing campaigns in relation to improving destination image

OPPORTUNITIES	THREATS
1. Regional partnerships and integration create opportunities for SMEs in the sector 2. Strong market penetration in the region provides excellent pathways for SMEs in Cambodia to boost capability to reach the global market 3. Solid increase in tourists' arrival 4. Improving purchasing power of citizens which fuels SME growth 5. Ongoing supports from international organizations 6. Economic reform and integration with CLMV, GMS, and ASEAN countries 7. Benefits from intra-regional travel and social integration	1. Competition in the region and the global context 2. Gaps in SME competitiveness within CLMV and ASEAN region 3. Lack of technology and ICT system and implementation to enhance tourists experience 4. Environmental threats due to rapid economic development 5. Limitation of advanced healthcare services 6. Poor image of the country's political and social stability 7. Possible risk of diseases including malaria, rabies and yellow fever 8. Food and water contamination 9. Incidences of petty crimes

2.6 Diamond Analysis

Figure 13: Cambodia's diamond analysis



Source: Kenan Foundation Asia (2019)

Cambodia has strong demand conditions and is growing in competitiveness in related and supporting industries as well as in firm strategy and development and favorable input conditions. Nevertheless, Cambodia lacks industry standards and policy frameworks in the health tourism development. As the health industry is relatively new in Cambodia, there are outstanding opportunities for new entrants, supportive government plans, and a strong investment environment.

Table 6: Cambodia's diamond score

Porter's determinants	Score	Remarks and Status
Factor conditions	**2.86**	
1) Competitive labor costs	5	Low labor costs make Cambodia more competitive amongst rival countries
2) Government supports	3	Supportive government contributes greatly to SME competitiveness
3) Low skilled workforce and commitment	2	Reliance on training and development from regional and global networks
4) High turnover of human resources	2	High turnover remain major issues for SMEs due to increase training costs
5) Strategically located	4	Enhance access to/from bordering countries including Thailand, Laos & Vietnam
6) Poor infrastructure	2	Poor infrastructure reduces accessibility to other towns outside travel destinations
7) Limited research in the health tourism industry	2	Minimal research done in the field of health tourism contributes to the lack of updated statistics, market research, and up-to-date industry information
Demand conditions	**3.25**	
1) Strong growth opportunity as the market is at initial stage	4	Strong growth and development possibilities increase opportunities for expansion
2) Not yet achieving economies of scale as still in early stage	2	Limits the opportunity for SMEs to expand, lack the know-how in the industry, lack industry-specific associations and technical supports
3) Increasing market demand	4	Strong growth in tourism demand and market growth in medical& wellness tourism
4) Upcoming industry association	3	Setting up of industry association increase the sharing of knowledge & know-how

Porter's determinants	Score	Remarks and Status
Firm strategy, structure and rivalry	**3.50**	
1) Strong investment climate	4	Benefits from international and local investments and industry expansion
2) Established SME association	5	SME association accelerates growth, integration opportunities & productivities
3) Positive capital investment	4	Positive investment climate enhances SME development & network extension
4) No industry association & strategic directions in this sector	1	Each SME operates under its own guidelines and quality framework which limits cluster development and competitiveness due to the lack of network hub
Related and supporting industries	**3.50**	
1. Lack technology and innovation	1	Lack the first point of contact as most SMEs are not familiar with technology to develop usable websites which limits the communication channel with consumer
2. Benefit from training and development program from surrounding countries	4	Cambodia benefits from skills transfer from Thailand, Singapore, Vietnam to name a few particularly the know-how and established quality standard structure
3. Preferential market access	4	Improve trade & investment from relative market access and bilateral trade flows
4. Benefit from know-how and expertise of overseas investors	5	High number of international NGOs support the transferring of knowledge from expatriates to local staffs which increase business environment & competitiveness

Code: (1 – highly unfavorable, 2 – unfavorable, 3 – neutral, 4 – favorable, 5 – highly favorable)
Source: Kenan Foundation Asia (2019)

Key factors affecting the potential for mobilizing cluster development in Cambodia within the health tourism sector include but are not limited to:

1) *Innovation and Technology*

Like most developing countries, Cambodia lacks technological capabilities to enhance the flow of information. Taking the area of innovation into account, the Royal Government of Cambodia plays a pivotal role in supporting industry involvement in developing regulatory frameworks, establishing national policies, and setting accreditation requirements to improve the quality of training programs (ADB, 2018[101]).

At a national level, UNESCO Phnom Penh works closely with the Ministry of Planning to support the National Committee on Science, Technology and Innovation in areas of creation and implementation of policies for sustainable development to improve guidelines and strategies (Open Development Cambodia, 2015[102]; UNESCO, 2018[103]).

2) *R&D*

The CLMV region collectively received 22.08 million international visitors in 2015. Cambodia enjoys supportive government policies which drive national and regional growth and has a substantial domestic tourism market, accounting for 8.5 million trips in Cambodia alone. Direct GDP contribution of the travel and tourism market was highest in Cambodia at 13.5 percent (ADB, 2017[104]).

The Ministry of Tourism of Cambodia is responsible for formulating tourism policies in line with national strategic development plans, conducting market research and tourism related research, publishing findings and maintaining standards and quality of the tourism services (Tourism Cambodia, 2018[105]). The Mekong Subregion Tourism Sector Strategy 2016-2025 program addresses the importance of improving infrastructure quality to provide safe and

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[101] ADB. (2018). *Toward adopting a skills development fund for Cambodia*. Retrieved from https://www.adb.org/sites/default/files/publication/401746/adb-brief-090-skills-development-fund-cambodia.pdf

[102] Open Development Cambodia. (2015). *Science and technology*. Retrieved from https://opendevelopmentcambodia.net/topics/science-and-technology/

[103] UNESCO. (2018). *National Science, Technology and Innovation Policy*. Retrieved from http://www.unesco.org/new/en/phnompenh/natural-sciences/science-education-and-policy/national-science-technology-and-innovation-policy/

[104] ADB. (2017). *Tourism sector assessment, strategy, and road map for Cambodia, Lao People's Democratic Republic, Myanmar, and Vietnam (2016-2018)*. Retrieved from https://www.mekongtourism.org/tourism-sector-assessment-strategy-road-map-cambodia-lao-pdr-myanmar-viet-nam-2016-2018/

[105] Tourism Cambodia. (2018). *The Ministry of Tourism of Cambodia*. Retrieved from http://www.tourismcambodia.org/mot/index.php?view=mot_cambodia#comp

convenient access to travel destinations in order to enhance the overall visitor experience and services (Mekong Tourism Office, 2017[106]).

3) *Financial Access and Capacity*

In Cambodia, the Council for Development of Cambodia (CDC) has a pivotal role in promoting public and private sector investment and related decision making (CDC, 2018[107]). The Ministry of Tourism of Cambodia, in cooperation with the CDC, engages with key public and private investment agencies such as boards of investment, industry associations, and chambers of commerce to facilitate the investment process and increase investment opportunities (Mekong Tourism Office, 2017[108]).

2.7 Problems Identified

Key challenges and barriers in enhancing tourism development in Cambodia include the lack of technological progress, inadequate infrastructure, a rudimentary healthcare system, lack of education and training, need for financial assistance for small and medium enterprises, and lack of supportive investment policies (UNDP, 2018[109]). Due to its close linkage to medical tourism, the main obstacles that limit Cambodia's health tourism market to include the shortage of skilled professional and health and wellness workers, lower aggregate health indicators compared to its neighbors and the lack of hygiene and international services standards (Carruthers, 2018[110]; Marady & Huaifu, 2017[111]).

Nevertheless, Cambodia's dental care segment is experiencing an increased medical tourism demand from developed countries such as Japan, Australia and the Middle East with around 20 clinics that meet ISO certification and international standards (Export.gov, 2018[112]). One of Cambodia's leading hospitals, Royal Phnom Penh Hospital, is a member of the Bangkok Dusit Medical Services Group (BDMS) which allows Cambodian and medical tourists

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[106] Mekong Tourism Office. (2017). *GMS Tourism sector strategy 2016-2025.* Retrieved from https://www.mekongtourism.org/gms-tourism-sector-strategy-2016-2025/
[107] CDC. (2018). *Investment Trend.* Retrieved from http://www.cambodiainvestment.gov.kh/why-invest-in-cambodia/investment-enviroment/investment-trend.html
[108] Mekong Tourism Office. (2017). *GMS Tourism sector strategy 2016-2025.* Retrieved from https://www.mekongtourism.org/gms-tourism-sector-strategy-2016-2025/
[109] UNDP. (2018). *Draft country programme document for Cambodia (2019-2023).* Retrieved on 8 February 2019 from http://www.kh.undp.org/content/dam/cambodia/docs/Homepage/undp_kh%20final%20Cambodia%20CPD.pdf
[110] Carruthers, M. (2018). *Is Cambodia the next wellness destination?* Retrieved from https://www.travelbeginsat40.com/2018/04/is-cambodia-the-next-wellness-destination/
[111] Marady, H. & Huaifu, X. (2017). Why people prefer seeking care from one country to other countries: a case study from Cambodia. *MOJ Public Health*, 6(4), 373-376.
[112] Export.gov. (2018). *Healthcare Resource Guide: Cambodia.* Retrieved from https://2016.export.gov/industry/health/healthcareresourceguide/eg_main_108570.asp

to have access to its first and only JCI accredited hospital in Cambodia (Bangkok Hospital, 2018[113]). On a positive note, Cambodia gains solid tourism growth based on tourism cooperation to enhance connections and corridors as well as in tourism public-private partnerships enhancement for both international and intra-regional tourism under the Ayeyawady-Chao Phraya-Mekong Economic Cooperation Strategy (ACMECS). Key limitations and support requirements in Cambodia in the health tourism industry include the following:

1) Organizational Support

At an organizational level, Sokha Hotels & Resorts, one of Cambodia's largest hotel operators employing over 2,500 staff in the country, focuses on employee's training and development as well as providing opportunity in career growth
(Sokha Hotels, 2018[114]).

At an industry-specific level, the Asian Development Bank and the Mekong Tourism Coordination Office provide mentoring, marketing and investment advisory services for tourism businesses in CLMV countries (UNWTO, 2018[115]). Additionally, the Ministry of Tourism of Cambodia manages tourism development at a national level and offers ongoing support to tourism organizations in terms of licensing, standards and quality management and strategic development (Tourism Cambodia, 2018[116]).

In 2018, the Cambodian government increased healthcare spending by 16 percent from 2017 (Export.gov, 2018[117]). However, Cambodia's tourism development also faces great challenges due to the county's limited capacity to keep up with these developments, especially in terms of managing skilled human capital, improving transportation and infrastructure, and keeping tourists in Cambodia for longer. Based on the data provided by Ministry of Tourism, the average length of stay for a tourist in Cambodia was 6.8 days in 2015, increasing slightly from 6.5 days in 2014 (Ministry of Tourism, 2015[118]).

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[113] Bangkok Hospital. (2018). *Caring for Cambodia – Royal Phnom Penh Hospital.* Retrieved from https://www.bangkokhospital.com/index.php/en/diseases-treatment/caring-for-cambodia-royal-phnom-penh-hospital
[114] Sokha Hotels. (2018). *Career.* Retrieved from http://www.sokhahotels.com.kh/corporate-office/page/career
[115] UNWTO. (2018). *Global report on inclusive tourism destinations – Model and success stories*. Retrieved from https://www.mekongtourism.org/wp-content/uploads/global_report_inclusive_tourism_destinations_en_web.pdf
[116] Tourism Cambodia. (2018). *Duties of the Ministry of Tourism.* Retrieved from http://www.tourismcambodia.org/mot/index.php?view=mot_cambodia
[117] Export.gov. (2018). *Healthcare Resource Guide: Cambodia*. Retrieved from https://2016.export.gov/industry/health/healthcareresourceguide/eg_main_108570.asp
[118] Ministry of Tourism. *Tourism statistics report year 2015*. Retrieved from https://www.tourismcambodia.com/ftp/cambodia_tourism_statistics_2015.pdf

2) *National Strategies*

According to the tourism development strategic plan 2012-2020[119], the royal government of Cambodia has set five fundamental principles for tourism development:

1. Enhance freedom of tourism business through free market economy policy to diversify tourism activities
2. Implement open sky policy to improve travel facilitation and transportation
3. Cooperate with private sector and development partners
4. Enhance engagement and integration of community-based tourism, sustainable tourism, benefit sharing, job creation and protection
5. Support legitimate tourism benefits and quality tourism development

Furthermore, the Ministry of Industry and Handicraft of Cambodia has outlined key implications and strategic directions which were incorporated into the National Strategic Development Plan 2013-2018. The directions include building SME clusters through the promotion of sectoral association, improving access to enable technology and information, and developing workshop and training programs and standardized benchmarks for SME to improve the level of compliance and capacity development (JICA, 2015[120]).

3) *Resources Management*

Cambodia's HDI value was 0.582 in 2017, ranking at 146 out of 189 countries and below the average of 0.645 for countries in the medium human development group (UNDP, 2018[121]). While tourism is one of Cambodia's highest growth sectors contributing to economic expansion and generating 1,191,000 jobs in 2017, skills development and the levels of participation in higher education remain the country's biggest challenges and constraints to create sustainable growth (ADB, 2015[122]; WTTC, 2018[123]). Cambodia has been relying on a number of support services from international foundations.

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[119] Tourism Cambodia. (2012). *Tourism Development Strategic Plan 2012-2020.* Retrieved from http://www.tourismcambodia.org/images/mot/legal_documents/tourism_development_stategic_plan_2012_2020_english.pdf

[120] Japan International Cooperation Agency. (JICA). (2015). *Project for strategic strengthening of small and medium enterprise (SME) support system.* Retrieved from http://open_jicareport.jica.go.jp/pdf/12245049_01.pdf

[121] UNDP. (2018). *Human development indices and indicators: 2018 statistical update: Cambodia.* Retrieved from http://hdr.undp.org/sites/all/themes/hdr_theme/country-notes/KHM.pdf

[122] ADB. (2015). *Cambodia: Addressing the skills gap – employment diagnostic study.* Retrieved from https://www.adb.org/sites/default/files/publication/176283/cambodia-addressing-skills-gap.pdf

[123] WTTC. (2018). *Travel & Tourism Economic Impact 2018: Cambodia.* Retrieved from https://www.wttc.org/-/media/files/reports/economic-impact-research/countries-2018/cambodia2018.pdf

Established in 2006, Volunteering Solutions runs volunteering and internship services in a range of industries including the medical and healthcare sector and has provided support in Cambodia through its medical volunteering project (Volunteering Solutions, 2018[124]).

2.8 Summary

Currently, the health tourism industry in Cambodia is growing steadily and short term visitors and travelers are considered key target markets in the wellness and spa tourism sector.

The findings revealed that Cambodia's health tourism industry is at its initial stage of development where SMEs seek industry-specific development and policy support to enhance industry growth nationally, regionally and globally. At present, SME cluster development in this sector is limited by the lack of skilled labor, standardized training curricula and industry-specific policy. As a result, key recommendations are proposed to assist in expanding SME access and integration in improving cluster efficiency and enhancing quality standards within the industry.

The health tourism sector in Cambodia is expanding progressively with a growing number of wellness-oriented resorts offering holistic wellness programs as well as a combination of wisdom and therapeutic treatments, making Cambodia a unique health tourism destination (Navutudreams, 2015[125]; Travelogues, 2018[126]; The Upsider, 2018[127]).

Key strategies in enhancing competitiveness of ASEAN SMEs through cluster development in the health tourism industry in Cambodia include, but are not limited to the following:

1. Raising regional quality standards amongst ASEAN member states and industry-specific health tourism associations to improve regional linkage and enhance market access regionally and internationally
2. Implementing sector specific strategic plans for the region where representatives from each ASEAN country have the ability to contribute to regional development in the health tourism sector to enhance SMEs capability and support inclusive development

[124] Volunteering Solutions. (2018). *Medical volunteer program in Cambodia.* Retrieved from https://www.volunteeringsolutions.com/cambodia/medical-volunteer-program
[125] Navutu Dreams. (2015). *Wellness Travel to Cambodia*. Retrieved from https://navutudreams.com/2015/11/12/wellness-travel-to-cambodia/
[126] Travelogues. (2018). *Wellness and spirituality in Cambodia.* Retrieved from https://www.remotelands.com/travelogues/wellness-and-spirituality-in-cambodia/
[127] The Upsider. (2018). *Siem Reap has become Cambodia's wellness capital*. Retrieved from https://theupsider.com.au/siem-reap-wellness/8975

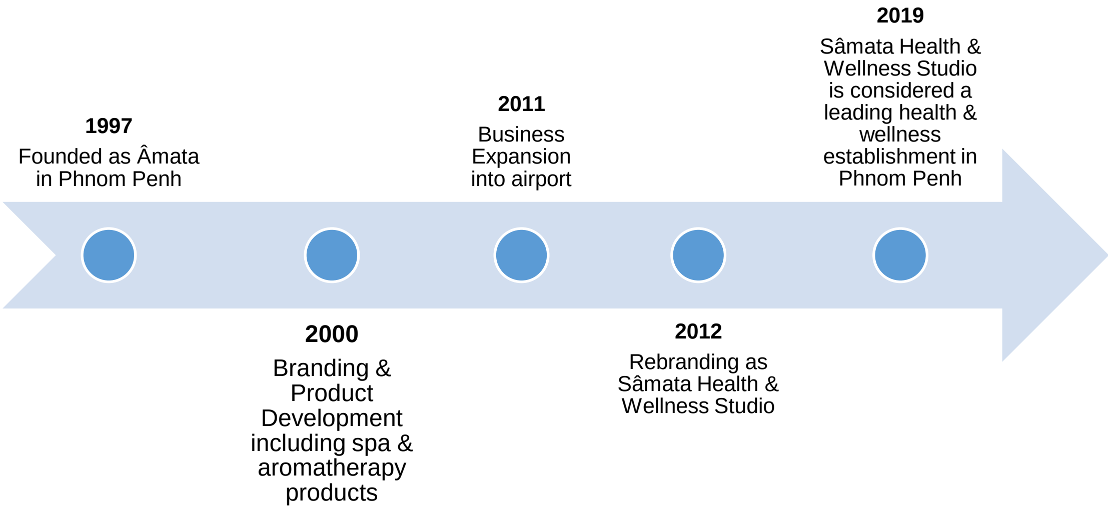
3. Setting up a platform for knowledge sharing to strengthen cluster development in the area of innovation and training, such as developing a shared base where all ASEAN member states can access sectoral development information, foreign market information, training and development programs, industry news, and quality standards codification
4. Developing regulatory frameworks and standardization strategies for the health tourism businesses, as well as conducting regular events, trade fairs and seminars to support cluster development, enhance ASEAN integration and opportunities for micro enterprises and create robust linkages amongst SMEs
5. Identifying development gaps and propose strategies to enhance competitiveness of SMEs in the health tourism sector and their integration with other tourism sectors

2.9 A Case Study From Cambodia: Sâmata Health and Wellness Studio, Phnom Penh

Sâmata is considered a one of a kind health and wellness studio in Phnom Penh. The studio offers a wide range of products and services with special focuses in functional medicine and holistic approach of health and wellness services, including physiotheraphy, acupuncture, podiatry, specialized treatments, as well as massage and spa. The studio has on-site qualified practitioners including a physiotherapist, massage therapist, aroma therapist, acupuncturist, midwife, doctor in acupuncture, chiropractor, podiatrist, pilates and yoga instructures, and reiki master.

History & Timelines

Figure 14: History & Timeline of Sâmata Health and Wellness Studio



Source: Kenan Foundation Asia (2019)

1997: Founded

Mr Jean Claude Dhuez founded and opened Âmata for business as the first international physiotherapy clinic in Phnom Penh

2000: Branding and Product Development

Âmata brand was developed including the sale of spa and aromatherapy products

2011: Business Expansion

Âmata Massage Lounge is opened at the Phnom Penh International Airport

2012: Rebranding

Âmata was rebranded as Sâmata Health and Wellness Studio for business expansion

2019: Sâmata Health & Wellness Studio

Sâmata Health & Wellness Studio is considered a leading health and wellness establishment in Phnom Penh and is recognized for its quality standards with qualified in-house therapists and practitioners underpinning the provision of full health and wellness services

Mr Jean Claude Dhuez, Owner, Founder, and qualified physiotherapist of Sâmata Health and Wellness Studio

Mr Dhuez is a qualified French physiotherapist who began his work in Cambodia in 1991 as the National Rehabilitation Center supervisor and trainer. He also worked as a technical advisor at the National Physiotherapy School and was involved in the supervision of trainers in curriculum rewriting and practical training.

Apart from running Sâmata Health and Wellness Studio, Mr Dhuez is also a technical advisor to the Ministry of Tourism Cambodia in spa and masseurs standards and massage training curriculum design and is an active member of the tourism committee of the European Chamber of Commerce in Cambodia.

Key Success Factors:

Market Position

Sâmata Health and Wellness Studio is considered a leading health and wellness establishment in Phnom Penh and is recognized for its high quality standards with qualified in-house therapists and practitioners underpinning the provision of full health and wellness services. The company's long operation as well as its brand and product development has allowed the company to deliver unparalleled health tourism products and services.

Diversification

The studio's product and service offerings encompass not only spa and wellness services but also medical and health tourism services, offering a range of diversifying health and wellness products and services including but are not limited to the following:

Table 7: Sâmata Health Services

Medical and health tourism	Spa and wellness tourism
1) **Physiotherapy**	1) Pilates and yoga classes
2) **Acupuncture**	2) Spa treatments and packages
3) **Chiropractic**	3) Aromatherapies
4) **Midwifery**	4) Massage and body treatments
5) **Holistic therapies**	5) Beauty and waxing services
6) **Physical activity rehabilitation**	6) Reiki
7) **Wellbeing and women's health treatments**	7) Aromatherapy and spa products

Source: Kenan Foundation Asia (2019)

Marketing and Distribution Network

Sâmata Health and Wellness Studio currently has three branches in Cambodia including a city center location, a part of hotel's establishment, and an airport location. This allows the center to enhance branding effectiveness in building brand equity. Sâmata Health and Wellness Studio's key marketing strength is its communicative website with plenty of information that addresses the company's full product and service profiles.

Interview Findings and Recommendations from Mr. Dhuez

Mr Dhuez has suggestions related to enhancing competitiveness of ASEAN SMEs through cluster development of the health tourism industry in Cambodia in terms of international quality standard adherence. Mr Dhuez advised that the majority of his clients are foreigners who are short term visitors to Cambodia. While Mr. Dhuez mentioned that tourism demand in this sector remains constant over the years, he stated that the national quality standards in the health tourism industry in Cambodia is still lagging behind its competitors such as Thailand, Vietnam and the Philippines. In addition, Cambodia lacks proper training curriculum design to produce skilled workers in this sector. Hence, Mr. Dhuez has been involved in working closely with the Ministry of Tourism Cambodia as a technical advisor regarding setting spa and masseurs' standards.

Locations

Sâmata Health and Wellness Studio is located at:

54 St. 306 (between St. 63 & Monivong), BKK1, Phnom Penh

With additional premises at Phnom Penh International Airport and the Arunreas Hotel.

Contact and website

Tel: 010 274 208 / 023 726 267

http://samata-cambodia.com/

3. The Philippines

3.1 Introduction: Overall Scenario

The Philippines is another Southeast Asian country that demonstrates great strength in tourism with its large archipelago of 7,107 islands, world famous beaches, amazing surfing, diving and snorkeling sites and other natural wonders. It has rich culture with a combination of the west and the east. The people are also a distinctive asset, renowned for being warm, easy-going and friendly. English is commonly spoken which makes it inviting for visitors.

The country has worked on competing in medical tourism for years. Since the government realized the Philippines' extensive assets as well as the abundance of qualified nurses in early 2000s (interview with Ms. Joyce Socao-Alumno, CEO of HealthCore, a consultant in international healthcare management, quality accreditation, and medical tourism services), it began promoting the medical tourism sub-sector more and wellness tourism less (Global Wellness Institute, 2015[128]). Though it entered the medical tourism market after other regional competitors such as Malaysia and Thailand, it became one of the world's top destinations. The Medical Tourism Index (MTI) 2016 ranks the Philippines 19th in Destination Environment, 16th in Medical Tourism Industry and 19th in Quality of Facilities and Services, resulting in the 19th place on global MTI ranking based on the study of 41 country destinations.

The Philippines is also a global leader in terms of growth. According to Global Wellness Economy Monitor in October 2018, there were 1.1 million wellness tourism trips added from 2015 to 2017, ranking at the 25th place in the world, with an average annual increase rate of 31.1% (the world's average is 6.5%). Although this is not a big proportion in the country's tourism, the same report also lists the Philippines the 6th among Asia-Pacific thermal/mineral springs markets with a total revenue of US$ 70.7 million from 153 establishments in 2017. In the Survey of Tourism Establishments in the Philippines (STEP) conducted nationwide by the Philippine Statistics Authority (PSA), the 2009 survey shows the total number of business establishments engaged in health and wellness as 3,797 while the 2014 survey reports 7,234 establishments, a 91% growth in 5 years. Revenues of the health and wellness industry coming from tourists also grew dramatically by 1,518% from 2009 to 2014, a leap from PHP2.8 billion to PHP45.3 billion (US$ 52.83 million to US$ 854.72 million).

Regarding medical tourism, the Department of Tourism (DOT) points out that the Philippines is a preferred destination due to its high standard, state-of-the-

[128] Global Wellness Institute. (2015). *The Global Wellness Tourism Economy Report 2013 & 2014*. Retrieved from https://globalwellnessinstitute.org/wp-content/uploads/2018/06/GWI_2013_and_2014_Global_Wellness_Tourism_Economy_Report_Final.pdf

art healthcare facilities and technologies, internationally-trained doctors, hospitality and relatively low cost of medical treatments. Medical services commonly available are aesthetic medicine, derma care, cosmetic surgery, dental treatments, eye surgery, ophthalmology, cardiovascular care, orthopedic care, general surgery, minimally-invasive surgery, weight loss surgery, stem cell therapy and rehabilitation. A report by the Industry Studies Department of the Philippines Board of Investments (BOI) identifies the main target markets as overseas and former Filipinos from the USA and Canada, patients from the Middle East and patients from Pacific island states such as Nauru, Papua New Guinea, Guam and Micronesia (BOI, 2011[129])

The Philippines has many types of spas, including day spas, destination spas, hotel/ report spas and medical spas. The growth of the spa industry is in line with that of the tourism industry. The Department of Tourism (DOT) is promoting the spa industry by making it mandatory for a 4 to 5 star hotel to have a spa and offer Hilot (traditional healing massage) in the spa menu. DOT and the private sector view wellness tourism including spa and beauty as the strongest part of health tourism. Industry experts expect more investment and further growth in large cities such as Cebu and Davao. However, there is no officially published report exists on the situation of this health and wellness sub-sector.

The International Living Magazine's Annual Global Retirement Index 2018 lists the Philippines at the 21st best place for retirees. The country is specially favored for its affordable cost of living, ease of fitting in as well as entertainment and amenities (International Living Magazine, 2018[130]). The retirement business sector contributes significantly to the Philippines economy. The Philippine Retirement Authority (PRA) reports revenues from deposits of Special Resident Retiree's Visa (SRRV), a non-immigrant visa allowing holder multiple entry/ indefinite stay in 2016 as US$ 38 million, a 67.3% increase from US$ 22.77 million in 2012. With growth each year, the country enrolled 48,072 foreign retirees between 1987 and 2016. PRA has 36,343 net enrollees as of December 31, 2016. There are a handful of retirement villages and properties extended for retirees in the Philippines and some new projects ongoing. Existing projects include the 35,100 square-metered Imperial Silver Town retirement village in Nasugbu, and Queen's Castle in Medellin, both targeting Korean citizens, and Rose Princess Garden, a nursing home for Japanese citizens. PRA expects the new flagship of the Philippine Tourism Economic Zone in San Vicente, Palawan, to be developed as new retirement haven.

[129] Board of Investments. (2011). *Medical Tourism (Health and Wellness Facilities)*. Retrieve from http://www.philexport.ph/c/document_library/get_file?uuid=3ff31a7b-1b91-4241-ae88-8854ad9fe9ef&groupId=127524
[130] International Living Magazine. (2018). *The World's Best Places to Retire in 2018*. Retrieved from https://internationalliving.com/the-best-places-to-retire/

Both tourism services and health and wellness services are among the priority sectors that have an impact on achieving "AmBisyon Natin 2040", the country's long-term vision. The government encourages investments in the sectors as well as supports development in terms of related policies, procedures, access to finance, human assets, technologies and innovation.

3.2 Definition of Cluster

3.2.1 Defining the Service

Health and wellness tourism in the Philippines is categorized into three groups: medical tourism, wellness tourism and retirement. The retirement industry, however, is attached to the healthcare industry.

In medical tourism sector, services involve medical treatments and use of healthcare services for expats, foreign retirees and foreign travelers. Medical services commonly available are aesthetic medicine, derma care, cosmetic surgery, dental treatments, eye surgery, ophthalmology, cardiovascular care, orthopedic care, general surgery, minimally-invasive surgery, weight loss surgery, stem cell therapy and rehabilitation. The retirement industry offers retirement facilities such as retirement village and resort homes while the government offers SRRV visas.

Wellness services catered for travelers are mostly spa services such as massages, facials, and body wraps. Wellness services also integrate traditional and alternative medicine such as hilot and detox. There are several hotels and resorts that offer health and wellness services, some upscale destination resorts and spas are internationally-awarded for their service excellence.

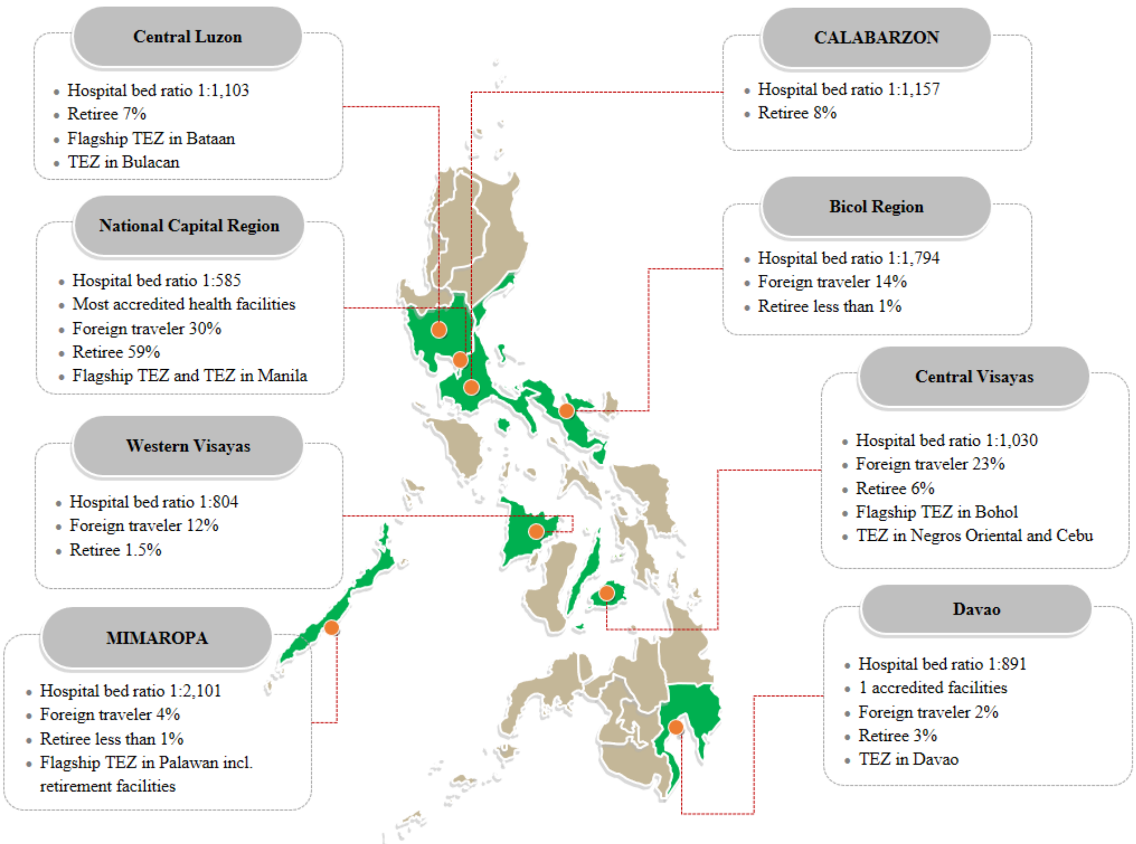
3.2.2 Geographical Location

The health tourism industry actors are clustered in the National Capital Region (NCR), major cities and tourism destinations. According to data from DOH as of December 2017 almost half of general hospitals are located in NCR, Central Luzon and CALABARZON. In line with density of health facilities, approximately 75% of SRRV visa holders reside in those regions. Premium hotels spas are numerous in NCR. World renowned, award-winning resort spas and wellness retreats are located in CALABARZON, MIMAROPA, Central Visayas and Western Visayas.

Other government agencies such as Tourism Infrastructure and Enterprise Zone Authority (TIEZA), Philippine Economic Zone Authority (PEZA), The Cagayan Economic Zone Authority (CEZA) as well as local government units play a role in shaping the clusters through investment incentives. Metro Manila

(NCR), Central Luzon and CALABARZON are the focal points. Figure 10 gives the overview of how healthcare facilities, tourism clusters and foreigners are clustered.

Figure 15: Distribution of general hospitals, TIEZA's tourism economic zone, foreign travelers and retirees



Source: Kenan Foundation Asia (2019)

3.2.3 Market Size, Employment, Segmentation

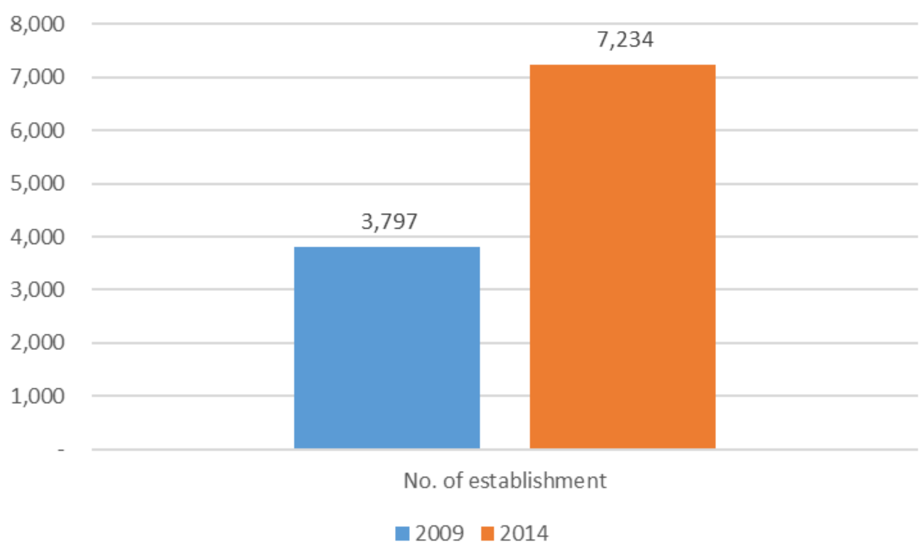
In 2018, the World Travel & Tourism Council (WTTC) reported the travel and tourism direct impact on the economy of the Philippines to be PHP1,377.7 billion (US$ 27.3 billion) or 8.7% of total GDP in 2017. The percentage was expected to increase by 6.2% in 2018. The industry directly employs 2,348,000 people (5.8% of total employment in 2017). Statistics from DOT show that the main markets include South Korea, China, the USA and Japan.

It is difficult to determine the size of the health tourism market due to lack of valid and specific data. Number of medical tourists were estimated at 80,000 in

2010 (Youngman, 2012[131]). However, the number can range from 80,000 to 250,000 (International Medical Travel Journal, August 2018)

The Survey of Tourism Establishments in the Philippines (STEP) conducted a nationwide survey on the health and wellness industry by the Philippine Statistics Authority (PSA) in 2009, which showed the total number of business establishments engaged in health and wellness as 3,797. The 2014 survey reports 7,234 establishments, a 91% growth in 5 years. PSA also reports revenues from tourists in 2014 as PHP45.3 billion (US$ 854.72 million), a dramatic growth of 1,518% from PHP2.8 billion (USD52.83 million) in 2009. Euromonitor, cited in a presentation by BOI in 2015, reports revenues in medical tourism in the Philippines as US$ 144.5 million in 2014, increasing by 117% from US$ 66.6 million in 2009. More specifically in 2016 PRA found revenues of US$ 38 million from deposits of SRRV visas, a 67.3% increase from US$ 22.77 million in 2012.

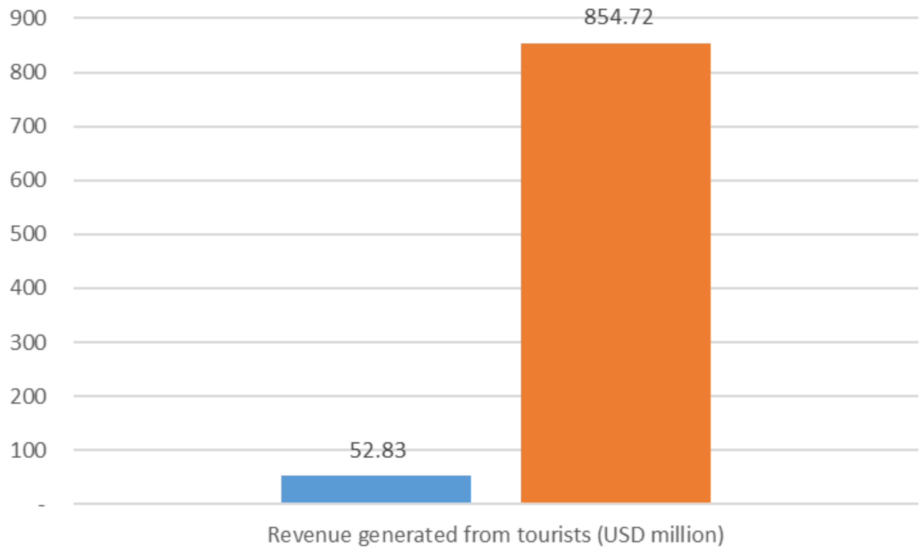
Figure 16: Number of health tourism establishment in 2009 and 2014



Source: Philippine Statistics Authority

[131] Youngman. (2012). *Discussion Paper: Medical tourism in the Philippines*. Retrieved from https://www.cabi.org/leisuretourism/news/23571

Figure 17: Revenue of health tourism establishment generated from tourists in 2009 and 2014

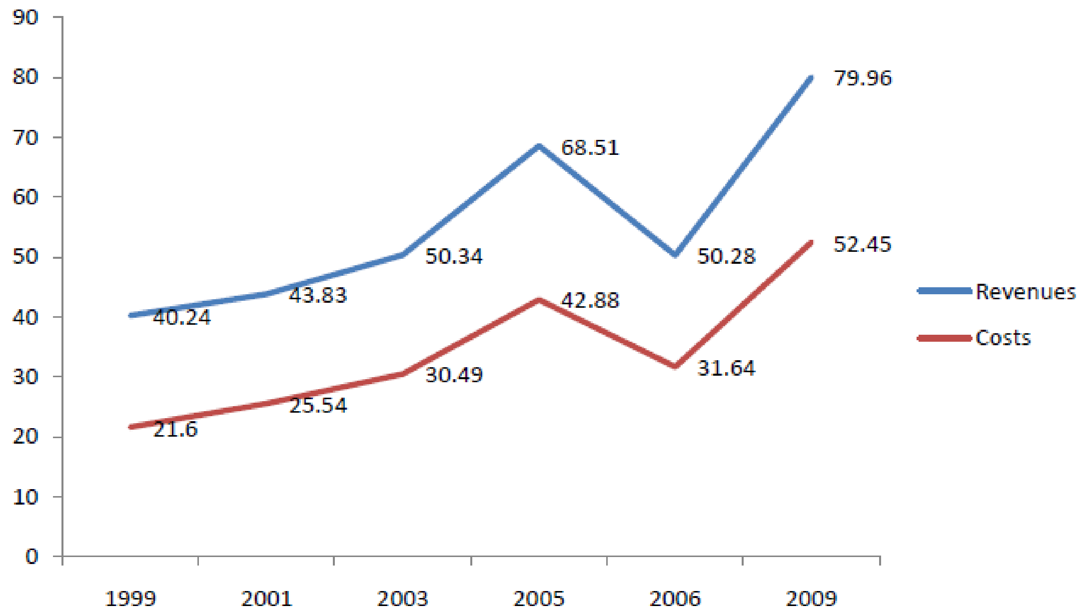


Note: *USD1 = PHP53
Source: Philippine Statistics Authority

Despite being a rapidly growing industry, the medical tourism sub-sector lacks vital data available to the public that can be deployed to determine the growth and trends. A study by the Philippine Institute for Development Studies dated to September 2013 (see Picture 12) shows a decade of industry growth except a sudden plunge in 2006, which is possibly a sign of economic recession in western countries (Picazo, 2013[132]). The cost and revenue comparison also suggests medical tourism is an attractively profitable industry. It is remarked in the paper, however, that the data reported include both domestic and foreign activities as it is not possible to disaggregate for medical tourism only.

[132] Picazo. (2013). Health–enhancing holidays: challenges in expanding medical tourism in the Philippines. Retrieved from https://dirp4.pids.gov.ph/webportal/CDN/PUBLICATIONS/pidspn1311.pdf

Figure 18: Revenue and cost trends of selected health tourism activities in the Philippines, PHP billion, 1999 to 2009



Source: Philippine Institute for Development Studies (Picazo, 2013)

The continuous expansion of private hospitals suggests the growth of both domestic and foreign demands. This expansion is through acquisitions and new development of medical facilities. Big developers in the sector include Metro Pacific Investments Corporation (MPIC), QualiMed Health Network (Qualimed), Mt. Grace Hospitals Inc. (MGHI), St. Luke's Medical Center (SLMC) and The Medical City (U.S. International Trade Administration, 2019[133]). Other than affluent Filipinos, Balikbayans (Filipinos returning home after a long time living abroad), foreign retirees, private hospitals target primarily Filipinos living overseas, especially those living in North America, patients from the Middle Eastern and patients from island states in the Pacific such as Guam, Nauru and Papua New Guinea.

The Philippines has identified segments of the health tourism as 1) tourists, 2) expatriates, 3) foreign travelers in search of spa and wellness services, 4) foreign travelers in search of medical tests or health checks, and 5) foreign travelers in search of surgery, cosmetic surgery or dental care. Those who

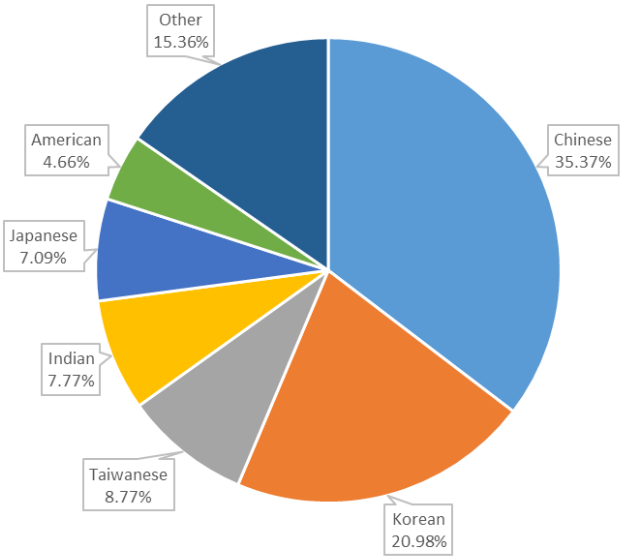
[133] U.S. International Trade Administration. (2019). Healthcare Technologies Resource Guide: A Reference for U.S. Exporters (2019 Edition). Retrieved from https://build.export.gov/build/idcplg?IdcService=DOWNLOAD_PUBLIC_FILE&RevisionSelectionMethod=Latest&dDocName=eg_main_124814

come to the Philippines for medical related purposes (segment 4 and 5) are mainly overseas Filipinos who visit home (International Medical Travel Journal, 2018[134]). It should be noted that according to the Stock Estimate of Overseas Filipinos by The Commission on Filipinos Overseas in 2013, there are more than 10 million of overseas Filipinos worldwide with approximately 3.5 million residing in USA.

Foreign patients in hospital are reported to come from China, Japan, Korea, Guam, Marinas Islands and Papua New Guinea. A smaller number come from North America, Australia, Netherlands and Vietnam. Patients from USA, Canada and Europe are overseas Filipinos and expats.

As for the retirement sector, although the Philippines target European nationals, currently the main segments by nationality are Chinese (35.37%) and South Korean (20.98%) while others smaller groups include Taiwanese, Indian and Japanese. All are Asian countries.

Figure 19: Special resident retiree's visa (SRRV) enrollment by nationality (1987 - 2016)



Source: The Philippine Retirement Authority, 2016[135]

[134] International Medical Travel Journal. (2018). Philippines plans to promote wellness and medical tourist. Retrieved from https://www.imtj.com/news/philippines-plans-promote-wellness-and-medical-tourism/

[135] Philippine Retirement Authority Annual Report. (2016). Retrieved from https://pra.gov.ph/assets/transparency-seal/2016%20Annual%20Report%20Edited%20(7-17).pdf

3.2.4 Quality Standards

In the medical tourism industry, a major requirement for medical facilities is well accepted, international accreditation. In the Philippines, however, having only a DOH license is sufficient to establish health facilities. Currently, there are five organizations that receive Joint Commission International (JCI) accreditation certification and six organizations accredited by the Canada based not-for-profit organization Accreditation Canada. The UK's QHA Trent accreditation has been adopted by some hospitals, for example Cebu Doctors' University Hospital of the CebuDoc Group, but QHA Trent does not provide public access to data on accredited healthcare facilities.

Table 8: Medical facilities accredited by JCI

Organization	Location
Asian Hospital and Medical Center	Muntinlupa City
Makati Medical Center	Makati City
St. Luke's Medical Center - Global City	Taguig City
St. Luke's Medical Center - Quezon City	Quezon City
The Medical City	Pasig City

Source: JCI

Table 9: Medical facilities accredited by Accreditation Canada

Organization	Location
Asian Eye Institute – Mall of Asia Clinic	Pasay City
Asian Eye Institute – Rockwell Clinic	Makati City
Asian Eye Institute – Trinoma Clinic	Quezon City
Davao Doctors Hospital	Davao City
Manila Doctors Hospital	Manila, Metro Manila
Philippine Heart Center	Quezon City, Metro Manila

Source: Accreditation Canada

According to healthcare standard expert Ms. Joyce Socao-Alumno, JCI, despite being the most renowned and longest established standard, is costly, has complex requirements and needs reassessment every 3 years. Therefore, it receives less acceptance among healthcare facilities. Other alternative standards that are easier to follow such as India–based National Accreditation

Board of Hospitals (NABH), TEMOS of Germany, ISO standard ISO 9001:2015 BS EN 15224 are brought in for the benefit of the local market. Presently, NABH accredits healthcare facilities under Belo Medical Group and the two facilities of St. Luke's Medical Center (SLMC) receive TEMOS accreditation. The Philippine Health Insurance Corporation (PhilHealth) also contributes to quality standards by accrediting hospitals as centers of excellence (COE).

There is no particular nationally-imposed spa or wellness facility standards except the requirement to have a DOH licensed therapist working on site. However, it is mandatory for all enterprises and tour guides engaged in tourism to gain accreditation from DOT in compliance with the Tourism Act of 2009. Although the main targets for DOT accreditation (Primary Tourism Enterprise) include accommodation, tour agencies, transportation and tour guides, other enterprises from the health and wellness sector are encouraged to apply for accreditation as well such as tertiary hospital, ambulatory clinic/medical concierge and spa. In order for accommodation facilities to achieve higher star ratings they have to have wellness services and amenities on site such as fitness centers, massage services or spas with three or more treatment options. Spa services must consist of massage, body treatments and water applications. Spa services include Traditional Filipino treatments. (DOT, NA[136])

Retirement facilities and merchant partners and marketers of SRRV, however, are accredited by PRA. PRA reports planning in collaboration with PEZA to work on improving standards and guidelines for retirement-related facilities developers, including retirement villages. Developers that conform to these standards and guidelines will be able to enjoy PEZA investment incentives. PRA will also use them as PRA accreditation standards (Philippine Retirement Authority Annual Report 2016[137]).

DOH is responsible for health-related regulations and standards such as licenses for medical facility establishment and spa establishment as well as examinations for licensed massage therapist.

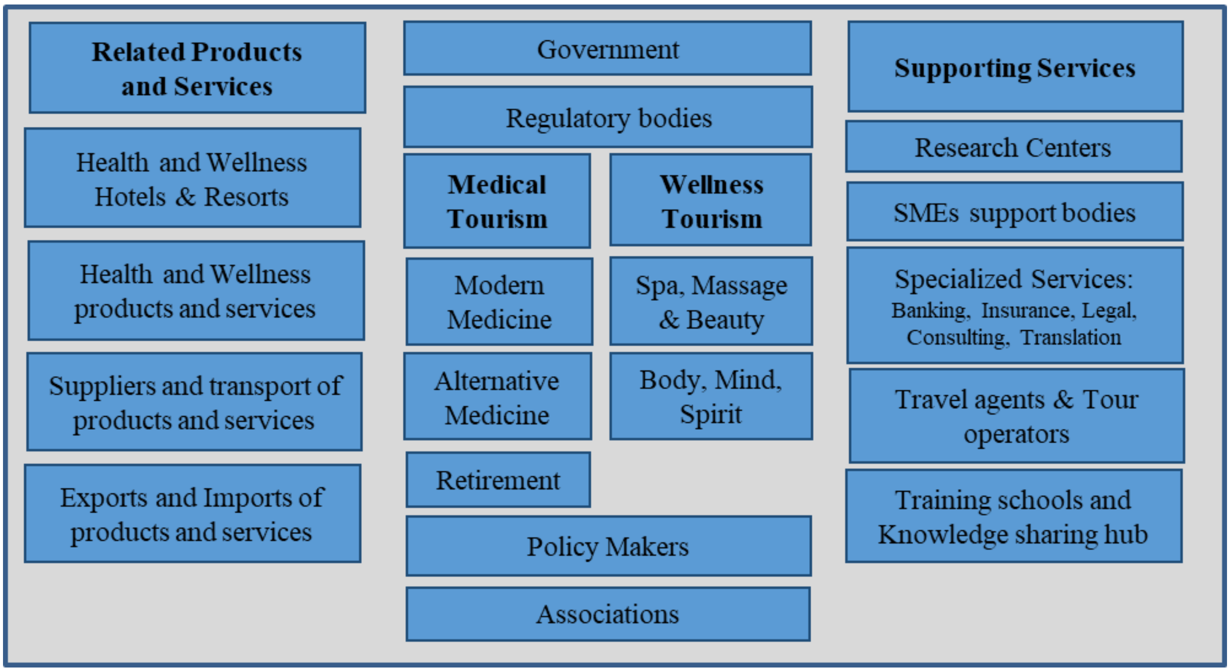
3.3 Cluster Map

Health tourism is a large industry and involves various actors. Core actors are service providers from hospitals, clinics and retirement facilities in the healthcare sector and spa, beauty, wellness center, yoga retreat in the wellness

[136] Department of Tourism. (NA). National Accommodation Standards. Retrieved from http://accreditationonline.tourism.gov.ph/Downloadables/Standards/Standards_Hotel.pdf
[137] Philippine Retirement Authority. (2017). Philippine Retirement Authority Annual Report 2016. Retrieved from https://pra.gov.ph/assets/transparency-seal/2016%20Annual%20Report%20Edited%20(7-17).pdf

sector. The industry is supported by suppliers, consultants, intermediaries in healthcare, and the wellness and travel industry. Institutes for collaboration (IFC) such as government agencies, educational institutes and associations also have an effect on developing the industry.

Figure 20: Cluster map of health tourism of the Philippines



Source: Kenan Foundation Asia (2019)

3.4 Value Chain/ Global Value Chain

Porter et al (2008[138]) describes the value chain of health tourism as involving a wide range of stakeholders from health travelers to health facilities to government agencies to resorts. Travelers recognize the need for medical treatments and study various options from offline and online channels before making decisions. Health travelers receive healthcare services from reputable private health facilities offering treatments of comparable standard to developed countries. After procedures, the travelers enjoy resting and recovering at world famous resorts before going home. Health tourism in the Philippines is,

[138] Porter et al. (2008). Medical tourism in the Philippines. Retrieved from https://www.isc.hbs.edu/resources/courses/moc-course-at-harvard/Documents/pdf/student-projects/Philippine_Medical_Tourism_2008.pdf

therefore, a way for patients to have medical treatment and bundle it with a holiday.

When in home country (outbound), health travelers look for information from word-of-mouth, the Internet, medical tourism agencies or, if available, directly from hospital representatives or referral services. If travelers choose to arrange trips by themselves, they proceed with common procedures for travelers such as looking for flights and accommodations from travel agencies. Otherwise they could use service of intermediary such as a medical tourism agency/ facilitator who can arrange a package for them. However, this role of bringing patients to hospitals usually belongs to the hospitals since local travel agencies do not have expertise and do not want liabilities from medical travel (interview with Joyce Socao-Alumno, HealthCore). Other than having advertisements in several health tourism sources, the hospitals that are in health tourism have access to target markets through channels such as representatives, hospital partners and medical referral companies. The government helps facilitate the process by signing bilateral agreements on collaboration of medical exchange.

There are certain important factors in health value chain;

1) ***Human Resource***

   The primary activity in service industry is, inevitably, providing services. The people are a core input of the services in healthcare, wellness or tourism as a whole. While there are a large number of laborers that can enter the service sector, skilled professionals are less available. Filipinos have always been known for emigration, bringing their skills with them to work and live overseas. This is especially true in case of health workers such as physicians and nurses, as many of them choose to work abroad or change careers due to relatively low wages and limited healthcare in country.

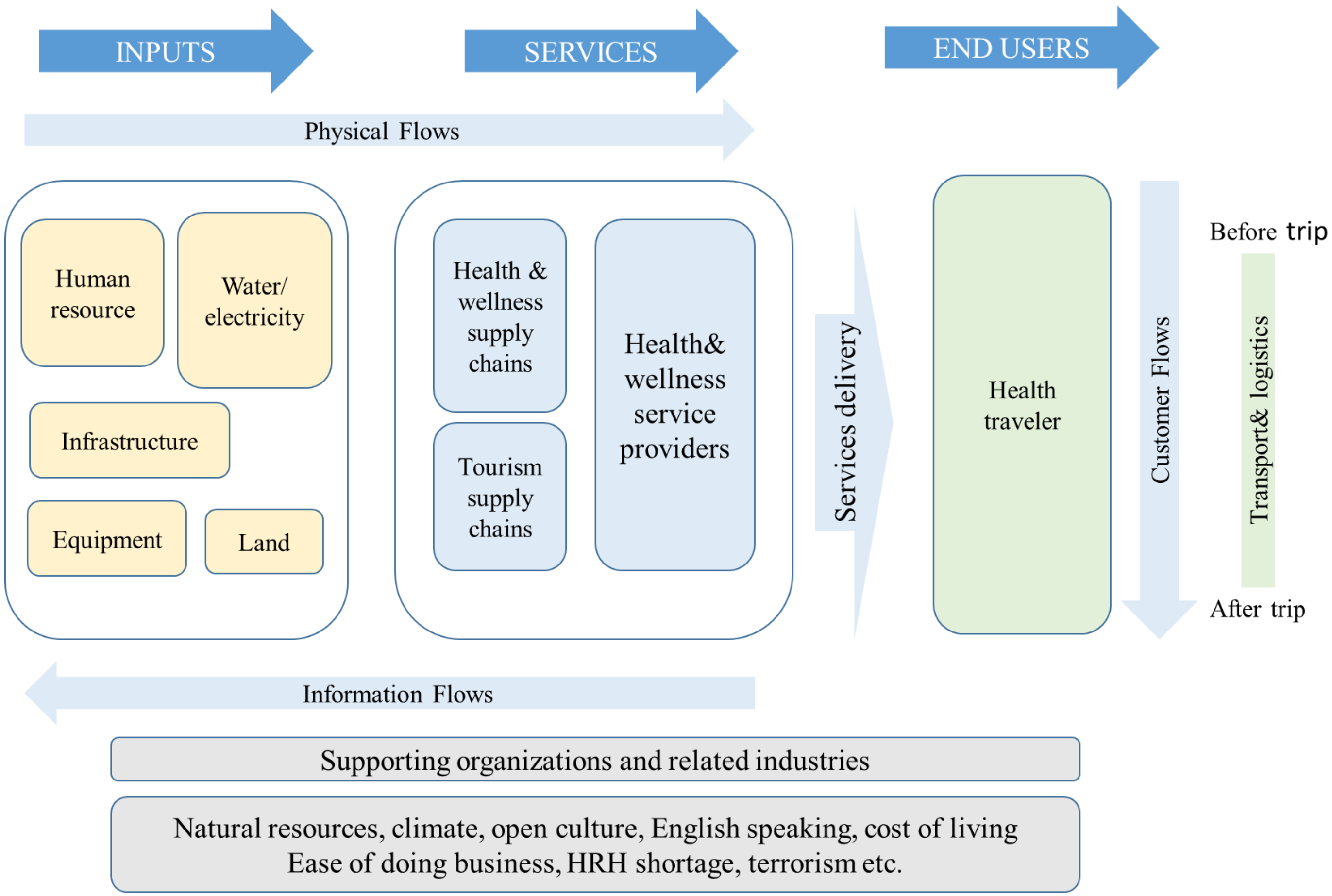
2) ***Innovation and Technology R&D***

   Quality and state-of-the-art technologies could uplift service procedures in all sectors as well as reduce operation costs. In healthcare, digitalization of healthcare systems, especially adopting platforms for medical data is needed. Research and development activities should be encouraged and supported to make the healthcare industry technology competitive, keep up with latest industry knowledge and be less dependent on import of technologies.

3) *Infrastructure*

Roads, air connectivity, cruise and telecommunication infrastructure link services along the value chain. Efficient and sufficient infrastructure can reduce time and cost of services and help deliver smooth service to health travelers.

Figure 21: Global value chain of health tourism in the Philippines



Source: Kenan Foundation Asia (2019)

There are numerous supporting organizations and related industries along the value chain. The government play an important role in shaping the industry's value chain.

In an effort to strengthen the health industry of the country, the government imposes several policies to support the industry. In 2004, a public-private partnership project by the name of the Philippine Medical Tourism Program (PMTP) was launched with the aim of building the Philippines' global competitiveness in medical tourism through quality standards implemented in the public and private sector. PMTP is administered by the Department of Health (DOH) in partnership with a number of public and private organizations: DOT, Department of Trade and Industry (DTI), Philippine Retirement Authority (PRA), Technical Education and Skills Development Authority (TESDA), Philippine Hospital Association (PHA) and HealthCore. The program, however, has not been very active for years.

To strengthen the supply side, the government also encourages both local and foreign investments on health tourism through tax and incentive plans. Investments are primarily encouraged in the special economic zones (SEZs). These investment promotion plans are administered by various government agencies both at the national and regional level, and are offered in fiscal and non-fiscal forms. Some of the tax and incentive plans to boost health industry investment are as follows:

1) Philippine Economic Zone Authority (PEZA)

PEZA is a body that governs as well as monitors special economic zones, industrial estates and industrial parks, export processing zones and other economic zones. Health tourism establishments may submit application in the following categories: Tourism Ecozone, Medical Tourism Park, Medical Tourism Center, Retirement Ecozone Park and Retirement Ecozone Center. PEZA offers incentives in the following areas to enterprises:

- 4-year Income Tax Holiday (ITH) (on income solely from servicing foreign patients for medical tourism enterprise)
- Upon expiry of ITH - 5% Special Tax on Gross Income and exemption from all national and local taxes
- Tax and duty-free importation of capital equipment (on selected medical equipment for medical tourism enterprise)
- VAT Zero Rating on local purchases of goods and services
- Exemption from expanded withholding tax
- Simplified import – export procedures

- Non-resident foreign nationals may be employed in supervisory, technical or advisory positions
- Special Non-Immigrant Visa with Multiple Entry Privileges for investor, officer, and employees in supervisory, technical or advisory position and their families

Other than tourism enterprises, tourism economic zone developer/ operator also benefits from 5% Special Tax on Gross Income and exemption from all national and local taxes, VAT Zero Rating on local purchases and expanded withholding tax exemption.

2) Tourism Infrastructure and Enterprise Zone Authority (TIEZA)

TIEZA is a body attached to DOT and acts as a mechanism to drive investments
in tourism enterprise zones (TEZ). TIEZA provides similar incentives to PEZA.

- 6-year ITH that is extendible if there is expansion or facilities upgrade
- Net Loss Carry Over for 6 consecutive years
- 5% Special Tax on Gross Income in lieu of all national and local taxes and license fees, imposts and assessments.
- Tax and duty-free importation of capital investment and equipment, Transportation equipment and Spare parts, and goods and services
- Tax credit
- Social responsibility incentive- Tax deduction equivalent to 50% of the cost of social responsibility activities
- Non-resident foreign nationals may be employed in supervisory, technical or advisory positions
- Special investor's resident visa for investor and family
- Maximum of 50 years lease of lands and buildings in TEZ, renewable for not more than 25 years
- Right to foreign currency transactions is guaranteed
- No requisition of the property of the TEZ Operator or the registered tourism enterprise

TIEZA also gives ITH and tax importation incentives to existing accommodation establishments outside TEZ that will undertake substantial expansion or facility upgrade.

3) Board of Investment (BOI)

Prospective investments outside of SEZ may submit to BOI. BOI's preferred investment activities cover investment in healthcare services, including drug rehabilitation centers, natural health products (herbal medicines or traditionally used herbal products) and tourism, including development and operation of health facilities and retirement villages. BOI also considers supporting MLEs in the tourism industry that provide business opportunities to MSEs in their value chains. BOI offers similar incentives as PEZA for investments in medical tourism.

- 4-year ITH on income solely derived from servicing foreign patients
- Upon the expiry of the ITH period, payment of 5% Gross Income Tax on income solely derived from servicing foreign patients, in lieu of all national and local taxes
- Tax and duty-free importation of medical equipment
- Employment of foreign nationals
- Special investor's resident visa

Nonetheless, as commented by the industry expert there are some issues in cluster policies that might be discouraging for investors and should be revised, such as the requirement to prove income from medical tourists before being allowed to receive investment incentives.

Investment promotion incentives on tourism and/or health facilities, including retirement villages, are granted to enterprises in other economic zones and certain cities, too. For example, incentives are offered to prospective investors in the Cagayan Special Economic Zone, similar to incentives given by PEZA. Davao city offers incentives for investors in the city, which include local fiscal incentives such as business tax exemptions and real property tax exemption and non-fiscal incentives such as facilitating the process of obtaining local permits and licenses. This is in an effort to establish Davao as a medical tourism destination by setting up specialized medical facilities such as cancer treatment facilities and retirement villages.

According to The Philippine National Tourism Plan (NTDP) 2011-2016, DOT plans to simplify border formalities/ procedures to boost tourism. The plan includes visa relaxation for key markets and developing long term stay visa for medical tourists and retirees in partnership with the Department of Foreign Affairs (DFA) and Bureau of Immigration (BI). However, as of 2018 Philippine long stay visa categories include SRRV and Special Investor's Resident Visa only. DOT is reported to working on a 6-month medical visa within the committee on health tourism to promote the country as a health tourism destination for targets like the USA, Canada, Indonesia, Pacific Islands states, Middle East and Australia (International Medical Travel Journal, 2018[139])

In line with the Philippine Development Plan 2017-2022, the National Tourism Development Plan highlights development of human resource capacity and service standards. Technical Education and Skills Development Authority (TESDA), the Philippines' Technical Vocational Education and Training (TVET) authority, collaborates with the public and private sectors to offer no tuition fee to minimal fee training to build capacities of workforce. Training courses in tourism and healthcare include hilot (traditional healing massage), massage therapy, caregiving and health care services.

3.5 SWOT Analysis

From the value chain analysis certain strengths and weaknesses that could hinder or support the development of industry's competitiveness are identified. External factors are also taken into account in the SWOT analysis.

Figure 22: SWOT analysis of health tourism of the Philippines

Strengths	Weaknesses
• Cost advantage of health tourism industry • People (Health workers and local people) • Reputation as tourist destination • Tropical climate • Young workforce population	• HRH shortage • Limited number of health facilities • Existing health facilities are not modern/ efficient • Lack of medical research facilities • Lack of medical facilities with international accreditation • Lack of data to formulate policy and strategy • Lack of medical tourist visa • Weak synergy among industry stakeholders • Limited access to finance for SMEs • Ease of doing business • Airport and air congestion

[139] International Medical Travel Journal. (2018). Visa hopes for inbound medical travel. Retrieved from https://www.imtj.com/news/visa-hopes-inbound-medical-travel/

Opportunities	**Threats**
• Growing global demand of health tourism • Rise of medical cost in developed countries • Waiting time to see doctors or specialists in developed countries • Decrease transportation cost for international and domestic travel • Rise of middle class in Asia Pacific region	• High competition in health tourism, especially in Asia • Natural disaster • Terrorism • Economic slowdown

1) Strength

- **Cost Advantage of Health Tourism**

An essential factor that generally influences tourist decision on selecting the destination is cost effectiveness of product and services. Cost advantage is one of the major draws of the Philippines' health tourism industry due to low labor and accommodation costs. In terms of medical tourism, Table 9 displays comparative costs of sample medical procedures of The Philippines, Thailand, Singapore and Malaysia, according to data from St.Luke's Medical Center.

Table 10: Sample medical procedures comparative estimated cost (US Dollar)

Medical Procedure	The Philippines	Thailand	Singapore	Malaysia
Hip Replacement	10,000	16,500	21,400	12,500
Knee Replacement	9,000	11,500	19,200	12,500
Rhinoplasty	1,200	4,300	4,750	3,600

Source: St.Luke's Medical Center (NA)[140]

According to ASEAN Briefing, minimum daily wage and monthly salary range of The Philippines labor is quite wide and comparatively lower than other ASEAN countries known for health tourism (note that Singapore does not have

[140] St Luke's Medical Center. (NA). The Medical Cost Estimate. Retrieved from https://www.stlukes.com.ph/international-patients/the-medical-cost-estimate

a mandatory minimum wage). Table 10 reveals the comparative minimum wage and salary among The Philippines, Thailand and Malaysia as of August 2018.

Table 11: Comparative labor cost of health tourism destinations

Country	Daily Wage	Monthly Salary (US$)
The Philippines	4.80 - 9.61	144.14 - 288.3
Thailand	9.19 - 9.85	276 - 295
Malaysia	7.63 - 8.30	229.11 - 249.03

Source: ASEAN Briefing (2018[141])

- **People (Health Workers and Local People)**

The fact that English is commonly used in the Philippines makes it an accessible destination, especially for travelers from countries that speak English such as the USA, England, Australia, etc. Another tourism component that can draw in tourists from around the globe is the hospitality and fun-loving character of local people. The Department of Tourism (DOT) has even published advertisement about Filipino openness and hospitality under the campaign "It's more fun in Philippines" (ABS-CBN News, 2015[142]). Furthermore, The Philippines health professionals are highly trained. Many have trained or studied internationally (Islands of the Philippines, 2018[143]). Filipino doctors are trained in several fields including cardiology, orthopedic, ophthalmology, minimally invasive surgery, aesthetic, cosmetics, cancer and cancer care (Manila Bulletin, 2018[144])

- **Reputation as Tourist Destination**

The Philippines has been recognized as a competitive tourism destination for years. With more than 7,000 islands, the country is known for large-scale natural beauty as well as a prosperous cultural heritage. After the launch of "It's More Fun in Philippines!" campaign, it has achieved more visibility, boosted by social media and vigorous international marketing efforts and tourism growth. It has gained more recognition in 2016 when three Philippine islands including

[141] ASEAN Briefing. (2018). Minimum Wage Levels Across ASEAN. Retrieved from https://www.aseanbriefing.com/news/2018/08/30/minimum-wage-levels-across-asean.html
[142] ABS-CBN News. (2015). Tourism still 'more fun' in PH, say Jimenez. Retrieved from https://news.abs-cbn.com/nation/v1/11/11/15/tourism-still-more-fun-in-ph-says-jimenez
[143] Islands of the Philippines. (2018). Medical Tourism in the Philippines. Retrieved from https://www.islandsofthephilippines.com/2018/01/medical-tourism-in-the-philippines/
[144] Manila Bulletin. (2018). DOT proposes 6-month visa to promote medical tourism. Retrieved from https://news.mb.com.ph/2018/05/27/dot-proposes-6-month-visa-to-promote-medical-tourism/

Palawan, Boracay and Cebu were described as world's best islands in the New York-based magazine, Travel + Leisure. Palawan was designated the world's best island in 2013 and 2015, while in 2016 Boracay was voted as the best island in the world by Condé Nast Traveler (Oxford Business Group, NA[145]).

- **Tropical Climate**

Weather and climate can affect tourist decision making and the travel experience, substantially influencing travel patterns and expenditures worldwide (UNWTO, 2009[146]). "Dreamy beaches, silky warm seas, lush scenery, and endless sunshine" are some of the primary components of the ideal tropical vacation (Planet Ware, NA[147]). Since The Philippines is a country of more than 7,000 islands with a tropical climate, it can leverage this to attract tourists around the world who desire warm beach vacations.

- **Young Workforce Population**

The United Nation estimates the population of the Philippines to be 107,500,566 in 2019 which is 1.40% share of world population. It is globally ranked at 13th place (Worldometer, 2019[148]). Interestingly, the median age in the Philippines is 24.3 years (Philippine Statistics Authority, 2017[149]), which is in the working age range. Statistics of Philippine Statistics Authority (2019[150]) indicates that as of July 2018 there are 42,979,000 people in the labor force. These figures can imply that the Philippines has sufficient number of individuals who have potential to support the industry growth.

2) Weakness

- **Limited number of Human Resources for Health (HRH)**

The Philippines has been suffering from the shortage of HRH. In terms of doctor, the ratio is one doctor for 10,000 to 26,000 Filipinos. There are limited number of doctors due to the high cost of medical education and its lengthy

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145 Oxford Business Group. (NA). Tourist numbers rise as the Philippines invests in promotional campaigns. Retrieved from https://oxfordbusinessgroup.com/overview/wish-you-were-here-foreign-visitor-numbers-rise-back-sustained-investment-and-promotion
146 UNWTO. (2009). Weather and Climate Information for Tourism. Retrieved from http://sdt.unwto.org/sites/all/files/docpdf/wcc3tourismwhitepaper.pdf
147 Planet Ware. (NA). 15 Best Tropical Vacations. Retrieved from https://www.planetware.com/seychelles/best-tropical-vacations-sey-1-12.htm
148 Worldometer. (2019). Philippines Population. Retrieved from http://www.worldometers.info/world-population/philippines-population/.
149 Philippine Statistics Authority. (2017). Philippine Population Surpassed the 100 Million Mark (Results from the 2015 Census of Population). Retrieved from https://psa.gov.ph/population-and-housing/node/120080
150 Philippine Statistics Authority. (2019). Statistical Tables on Labor Force Survey (LFS): July 2018. Retrieved from https://psa.gov.ph/content/statistical-tables-labor-force-survey-lfs-july-2018

training (Bureau of Local Employment, NA[151]). In addition, Dr. Jesus Jardin, President of Philippine Hospital Association (PHA) addressed that the shortage is caused by the lower medical school enrollment of students as well as migration of healthcare workers. Money is the root cause of the migration crisis. Healthcare workers including doctors, nurses, midwives, dentists, therapists, medical technologists tend to seek work abroad which offers higher wages, more benefits and better professional growth (Health Care Asia Daily, 2017[152]).

According to Philippine Statistics Authority (2018[153]) in 2017 there were 2,339,000 Filipinos working overseas. A large number of Filipinos seeks to work abroad because of the higher financial compensation. In terms of doctor salary, people employed in hospitals receive monthly pay between P20,000 to P35,000 - around $383 – $671 (Bureau of Local Employment, NA[154]). Mr. Maurice T. Liwag, Chief Health Program Officer, Public-Private Partnership for Health, Department of Health – Philippines addressed during the interview that the Philippines is facing a challenge on not only the insufficient production of health workforce, but also the failure to keep them in the country.

In terms of nurses, since there is high demand for Filipino registered nursed abroad many people consider a career as a registered nurse. This situation expanded to many relevant fields.

- **Limited Number of Health Facility**

In the Philippines hospitals with higher level of service are mostly clustered in Central Luzon (Region III) and National Capital Region (NCR) (Department of Health, NA[155]). Based on Philippines Health Facilities and Services Regulatory Bureau (HFSRB) in 2017 there are 1,211 government and private hospitals (general hospital only) and total 96,956 hospital beds, resulting in a general hospital bed to population ratio of 1:1,083. Although according to WHO (2014[156]) there is no global norm for the number of hospital bed ratio per population, many developed countries have the least ratio at 2:1,000. For instance, in 2015 the USA had 2.8:1,000, Australia had 3.8:1,000, Switzerland

151 Bureau of Local Employment. (NA). Doctor (General Practitioner). Retrieved from http://www.ble.dole.gov.ph/index.php/doctor-general-practitioner
152 Health Care Asia Daily. (2017). Shortage of Health Professionals in the Philippines, a growing concern. Retrieved from http://www.healthcareasia.org/2017/shortage-of-health-professionals-in-the-philippines-a-growing-concern/
153 Philippine Statistics Authority. (2018). Statistical Tables on Overseas Filipino Workers (OFW): 2017. Retrieved from https://psa.gov.ph/content/statistical-tables-overseas-filipino-workers-ofw-2017
154 Bureau of Local Employment. (NA). Doctor (General Practitioner). Retrieved from http://www.ble.dole.gov.ph/index.php/doctor-general-practitioner
155 Department of Health. (NA). Chapter 1 The Philippines Health System at a Glance. Retrieved from https://www.doh.gov.ph/sites/default/files/basic-page/chapter-one.pdf
156 WHO. (2014). World Health Statistics 2014. Retrieved from https://www.who.int/gho/publications/world_health_statistics/whs2014_indicatorcompendium.pdf

had 4.6:1,000 and Japan had 13.2:1,000 (Statista, 2015[157]). Mr. Maurice T. Liwag, Chief Health Program Officer, Public-Private Partnership for Health, Department of Health – Philippines, explained during the interviewed that the government is expecting to develop the industry by investing in health facilities.

- **Existing Health Facilities Are Dated**

According to Ms. Joyce Socao-Alumno, one aspect that many hospitals in the Philippines should improve is digitization. Technology is a health tourism enabler. For instance, Electronic Health Record can help to provide global access to a tourist's personal medical information (US National Library of Medicine, 2017[158]), and telemedicine in advance of travel can help mitigate against unexpected diagnoses (Medical Tourism Review, 2015[159]).

- **Lack of Medical Research Facility**

In the Philippines most practitioners need to study or train internationally in order to obtain the necessary skills for certain expertise. This could mean that the country lacks mentors and pioneers of procedures. Dr. Jamie Montoya, Executive Director, Philippine Council for Health Research and Development, addressed that one of the challenges for health research in the Philippines is the lack of health research facilities. It is believed that more Centers of Excellence for research need to be created. A group of research infrastructures will upgrade the quality and depth of the basic science research.

It will also improve the potential to bring about new income and investments via the development of new products. In order to move forward, research requires government support and resource generation as well as the improvement of research infrastructure which is short in highly-skilled researchers. In order to be up-to-date with the advances in science and technology, researchers also require trainings and laboratory facilities necessary for conducting leading research works, especially in the different teaching hospitals and medical centers (COHRED, NA[160]).

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[157] Statista. (2015). Hospital bed density in selected countries as of 2015 (per 1,000 population). Retrieved from https://www.statista.com/statistics/283273/oecd-countries--hospital-bed-density/
[158] US National Library of Medicine. (2017). The Applications of Health Informatics in Medical Tourism Industry of Iran. Retrieved from https://www.ncbi.nlm.nih.gov/pmc/articles/PMC5575399/
[159] Medical Tourism Review. (2015). Technology: a medical tourism enabler. Retrieved from http://www.cmtcorp.com/wp-content/uploads/2015/11/Technology-A-Medical-Tourism-Enabler.pdf
[160] COHRED. (NA). Priorities for health research in the Philippines. Retrieved from http://www.cohred.org/perspectives/priorities-for-health-research-in-the-philippines/

- **Lack of Health Facilities with International Accreditation**

Based on the information from in-depth interview of Ms. Joyce Socao-Alumno and information gathered by Kenan's research team, there are only some hospitals in the Philippines that are certified by widely recognized, international accreditation such as JCI, Accreditation Canada, TEMOS International, NABH International etc. Health services rely on patients' trust. Therefore, it is essential for healthcare facilities to meet the globally accepted standards to gain trust and become competitive in the medical tourism industry.

- **Lack of Data to Formulate Policy and Strategy**

Based on the research, the Philippines government has no specific data for health tourism such as numbers of health tourist arrivals, country of residence, treatment and services they use (spending behaviors). This is a result of insufficient data sharing from private hospitals as well. Tourism data that exist cannot be disaggregated to gain insight on health tourism.

- **Lack of Medical Tourist Visa**

Visa relaxation and facilitation is a tool to ease traveler journeys. In 2018, the Department of Tourism – Philippines proposed 6-month visa in a plan to promote medical tourism (Manila Bulletin, 2018[161]) but it is still inactive. Presently, persons entering the Philippines for medical purposes must hold a tourist visa derived from the nearest Philippine Consulate. There is no specific visa for medical tourists; however, nations of some countries receive visa exemption. For instance, US, UK, Australia, and Japan passport holders obtain visa-free stay for maximum of 30 days. After the completion of 30 day stay, if they wish to continue their stay, they are required to pay for fee of visa extension of 1, 2 or 6 months (Philippine Consulate LA, NA[162]). This is not as attractive as the proposed 6-month visa.

- **Weak Synergy Among Industry Stakeholder**

According to the research meetings with DTI, DOH and DOT, the research result found that these authorities responsible for health tourism program are not working productively with one another. For instance, even though DOT announced 2019 is the year they promote medical tourism, DOH seems to be not ready for the promotion, while DTI has limited information about it. Although the authorities have program working group, it takes time to call for meetings.

[161] Manila Bulletin. (2018). DOT proposes 6-month visa to promote medical tourism. Retrieved from https://news.mb.com.ph/2018/05/27/dot-proposes-6-month-visa-to-promote-medical-tourism/

[162] Philippine Consulate LA. (NA). Do you need a visa to travel to the Philippines? Retrieved from http://www.philippineconsulatela.org/consular-services-2/visa/dont-know-if-you-need-a-visa-to-travel-check-here

Moreover, some associations related to the industry are currently inactive or do not engage, such as Philippine Wellness and Spa Association (PhilWell).

- **Limited Access to Financial Support for SMEs**

Financial support is important for small and medium-sized enterprises (SMEs). Even though SMEs hold 99.6% of all businesses in the Philippines, hire 65% of its labor pool, and represent 35% of GDP, they encounter various challenges like low of technical capacity, hardship of connecting to regional markets in ASEAN, and particularly lack of access to finance. It is found that the Philippines is behind its neighbors within the region in terms of credit access. SMEs mainly depend on their personal funds. In terms of bank loans, collateral is commonly required in most banks in order to extend credit. Additionally, the lack of credit information and the lack of guidance from banks and the government regarding compliance documents often causes the delay of disbursement. Furthermore, SMEs credit cost is considerably higher compared to large-scale corporate loans. Therefore, many SMEs need to reach out for finance from alternative sources (Oxford Business Group, NA[163]).

- **Ease of Doing Business**

According to World Bank Group Flagship Report, the Philippines is ranked at the 124th place (out of 190 economies) for ease of doing business. Although the country is strategically located among high growth countries such as China, Malaysia and Singapore, which enhance the ease of export to those Asian countries, has a large pool of English-speaking citizen with hospitality, low domestic wages and educated workforce—factors that make it an interesting choice to establish businesses—its bureaucracy, corruption, restrictions on ownership of land by foreign companies, and restrictions on investment in certain sectors are the primary challenges of doing business for foreigners (Mordor Intelligence, 2017[164]).

- **Airport Infrastructure and Air Congestion**

International Airport is the major gateway to the country. Airport experience, thus, inevitably has an impact on tourist decision in choosing destination. Ninoy Aquino International Airport (NAIA) has been facing congestion issues for many years. It is limited airfield capacity is the most critical hindrance to accommodate increase in number of flights which come along the economic

[163] Oxford Business Group. (NA). Philippines focused on working with SMEs to create economic opportunities. Retrieved from https://oxfordbusinessgroup.com/analysis/start-small-small-and-medium-sized-businesses-are-core-economy

[164] Mordor Intelligence. (2017). Market Entry- Tourism and Hotel Industry in Philippines: Analysis of Growth, Trends and Progress (2015-2020). Retrieved from https://www.mordorintelligence.com/industry-reports/market-entry-tourism-and-hotel-industry-in-philippines

growth. This limitation results in flight delays, thereby worsening the traffic in the terminal. In addition, in December 2018, US Department of Homeland Security (2018[165]) announced a travel advisory that NAIA has failed to meet the security standards set up by the International Civil Aviation Organization (ICAO). This determination was established by the evaluation by security experts from the Transportation Security Administration (TSA). Based on this announcement, airlines issuing tickets from all United States airports to Manila Airport are directed to inform passengers regarding this determination.

3) Opportunity

- **Growing Global Demand of Health Tourism**

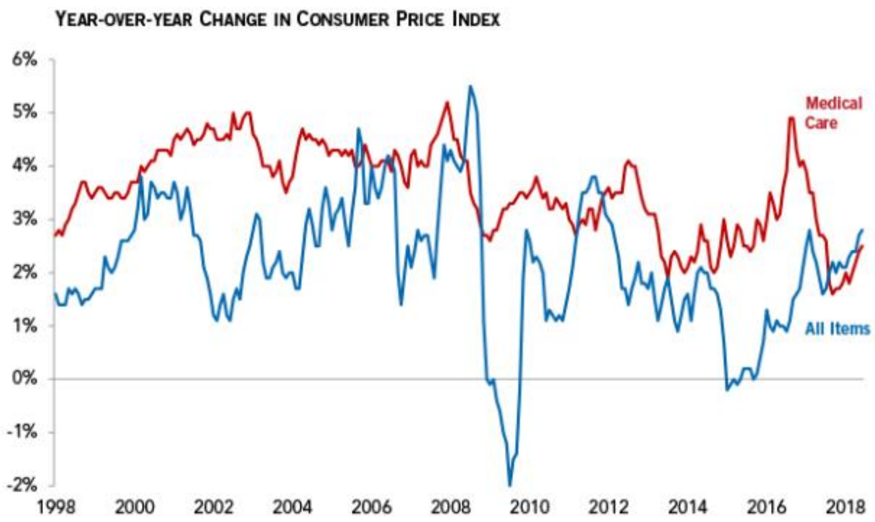
Market demand of wellness tourism is growing rapidly owing higher concern about health, fitness and well-being. In 2017 there were 830 million wellness trips made by global travelers, which is 139 million trips more than in 2015. It can be counted as 17 % of all tourism revenue. The value of the industry has increased from US$ 563 billion market in 2015 to US$ 639 billion in 2017, which is 6.5% annually, more than twice as fast as tourism overall (3.2%). Asia pacific is the eye-opening growth leader. The industry is forecasted to grow even faster through 2022 at an average annual rate of 7.5%, which is significantly faster than the estimated growth rate of overall tourism (Global Wellness Institute, 2018[166]).

- **Rise of Medical Cost in Developed Countries**

Rising health care cost in developed countries leads to the increasing demand in less developed countries for medical tourists to seek medical care. Figure 9 from the Peter G. Peterson Foundation shows the changes over time of medical care price index from 1998 to 2018 in USA.

[165] US Department of Homeland Security. (2018). Department of Homeland Security Issues Travel Advisory to the Republic of the Philippines. Retrieved from https://www.dhs.gov/news/2018/12/26/department-homeland-security-issues-travel-advisory-republic-philippines
[166] Global Wellness Institute. (2018). 2018 Global Wellness Tourism Economy. Retrieved from https://globalwellnessinstitute.org/industry-research/global-wellness-tourism-economy/

Figure 23: Medical care and change in consumer price index



Source: Peter G. Perterson Foundation (2018[167])

From the graph it could be assumed that the medical price trend will continue to rise over time. Such trends can be long term opportunities for the Philippines medical tourism industry

- **Waiting Time to See Doctors or Specialists in Developed Countries**

Long waiting time to see doctors or specialists is a serious issue in many developed countries. It is one of the causes that bring about medical tourism. For instance, Forbes has reported that patients in 15 metropolitan cities in the USA need to wait an average of 24 days to schedule an appointment with a doctor. In 2017 the wait time to see doctors in major US cities had increased 30% from 2014 (Forbes, 2017[168]).

Like in the USA, patients in Canada suffer from long waits to schedule an appointment with doctors. The waiting time is largely diverse across the provinces. In some province patients may need to wait at least 15.4 weeks while in some province it takes a maximum of 45.1 weeks. Patients waiting for GP referral and orthopedic surgery could take 39 weeks, while those waiting for medical oncology may need to wait for 3.8 weeks (Fraser Institute, 2018[169]). Moreover, Australian Institute of Health and Welfare has reported that during

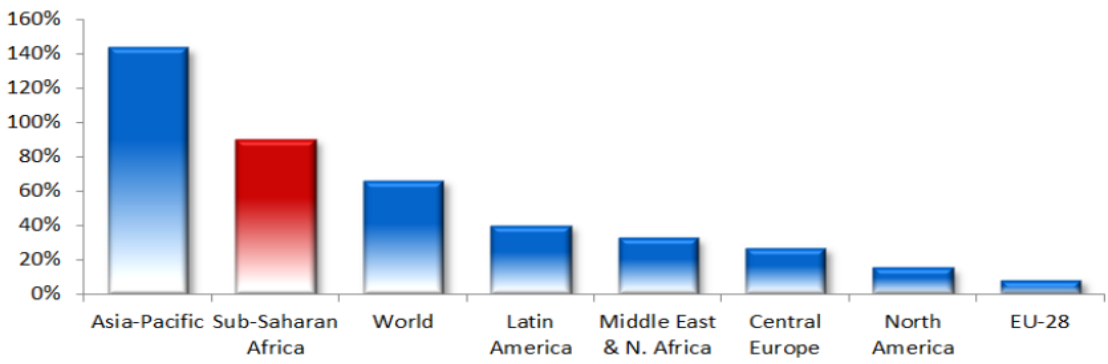
[167] Peter G.Peterson Foundation. (2018). Why are Americans paying more for healthcare? Retrieved from https://www.pgpf.org/blog/2018/07/why-are-americans-paying-more-for-healthcare
[168] Forbes. (2017). Doctor Wait Times Soar 30% in Major U.S. Cities. Retrieved from https://www.forbes.com/sites/brucejapsen/2017/03/19/doctor-wait-times-soar-amid-trumpcare-debate/#125bbd0e2e74
[169] Fraser Institute. (2018). Waiting Your Turn: Wait Times for Health Care in Canada, 2018 Report. Retrieved from https://www.fraserinstitute.org/studies/waiting-your-turn-wait-times-for-health-care-in-canada-2018

2016-2017, the average waiting time in the public hospital elective surgery waiting time was 38 days, while the longest average waiting time are for Septoplasty (209 days) and Total Knee Replacement (195 days) (Australian Institute of Health and Welfare, 2018[170]).

- **Decrease Transportation Cost for International and Domestic Travel**

The emergence of a significant number of new low-cost airlines which operate internationally and domestically enhance the tourism industry. It is especially important to the development of short-break tourism and affects the fundamental expansion of potential destinations. They broaden the range of motivation and frequency of travel for private reasons. Moreover, the practical services of their website such as booking a hotel, hiring a car, buying travel insurance and sometimes checking entertainments in the destinations, simplify the travel management for tourists, which could boost tourism (Olipra L., NA[171]).

Figure 24: Forecasted middle class growth (2014 – 2024)



Source: United State Department of Agriculture (2015)[172]

[170] Australian Institute of Health and Welfare. (2018). Australia's health 2018. Retrieved from https://www.aihw.gov.au/reports/australias-health/australias-health-2018/contents/indicators-of-australias-health/waiting-times-for-elective-surgery
[171] Olipra L. (NA). The Impact of low cost carriers on tourism development in less famous destinations. Retrieved from https://www.lifeasabutterfly.com/wp-content/uploads/2015/07/766-1042-1-PB-1.pdf
[172] United State Department of Agriculture. (2015). A Turning Point for Agricultural Exports to Sub-Saharan Africa. Retrieved from https://www.fas.usda.gov/data/turning-point-agricultural-exports-sub-saharan-africa

- **Rise of Middle Class in Asia Pacific Region**

According to Asian Development Bank (2010[173]), when compared to the poor, the middle class people has higher possibility to seek more expensive medical care, invest more in health and nutrition. In many developing countries the industry parallels the rapid increase of the middle class. Owing to its urban lifestyle of being sedentary, obesity and chronic diseases— which were considered rich-world issues e.g. diabetes, heart disease and cancer—have escalated. These tendencies generate demand for healthcare service.

4) Threats

- **High Competition in Health Tourism, especially in Asia**

There are approximately 41 countries targeting the health tourism industry. Based on the 2016 medical tourism ranking by MTI, Asian countries ranked in the top 20 medical destinations include Singapore, India, South Korea, Japan, Thailand, the Philippines and Taiwan respectively (Brand Incorporated, NA[174]). In order to be competitive, health tourism destinations must consider access to care (i.e. waiting time, travel itinerary complexity and travel duration), average cost of affordable health and wellness procedures, access to technology, destination attractiveness, and market constraints such as language and cultural preparedness of health personnel (Center for Health Tourism Strategy, NA[175]). Although the Philippines can meet many of the aforementioned qualifications, many other top countries in Asia are still superior in various aspects, which is a challenge for industry development.

- **Natural Disasters**

The Philippines is one of the most natural-disaster-prone countries in the world. Due to its geography, the country can encounter volcanic eruptions, earthquakes, tropical cyclones and floods (World Bank, NA[176]). Since safety is a fundamental matter in tourism industry, these incidents can affect tourists' decisions on travel destinations. Some developed countries warn their citizen who wish to travel to the Philippines about the risk of natural disasters.

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173 ADB. (2010). Key Indicators for Asia and the Pacific 2010. Retrieved from https://www.adb.org/sites/default/files/publication/27726/special-chapter-06.pdf

174 Brand Incorporated. (NA). Medical PR Perspective: Redefining Medical Tourism Edge. Retrieved from https://www.brand-incorporated.com/insights/medical-pr-perspective-medical-tourism/

175 Center for Health Tourism Strategy. (NA). Health Tourism Market Analysis. Retrieved from http://medicaltourismstrategy.com/health-tourism-market-analysis/

176 World Bank. (NA). Natural Disaster Risk Management in the Philippines: Enhancing Poverty Alleviation Through Disaster Reduction. Retrieved from http://documents.worldbank.org/curated/en/975311468776739344/pdf/338220REPLACEM1aster0Report1combine.pdf

For example, the UK government (NA[177]) posts travel advice to its citizens regarding typhoons, earthquakes and volcanos in the Philippines.

- **Terrorism**

Safety is a top priority for travelers when considering their destination. In 2018, the Institute for Economic and Peace ranked the Philippines 10th place from 138 countries impacted by terrorism (Institute for Economics & Peace, 2019[178]). Despite the fact that the red zone is mostly in Mindanao, the southern part of the Philippines, media can generally set negative perceptions of the country to tourists. Additionally, the warning and travel advice from governments can affect tourists' decisions. For example, the US Embassy in the Philippines (2017[179]) posted security warning message for US citizen on its website. The UK government (NA[180]) updated the recent terrorism situation on its website. The Australian government posted a security message and a map showing that central and western Mindanao are the red zone where it warns its citizens not to travel, eastern Mindanao is a zone where there is high level of risk, and the Philippines overall is a place where travelers must exercise a high degree of caution (Department of Foreign Affairs and Trade, 2019[181]).

- **Economic Slowdown**

Goldman Sachs Economics Research (2018[182]) predicted that there will be an economic slowdown in 2019 due to the deceleration in the US and continued softening in China. There has been a vast tightening policy and gradually rising core inflation in the US. This situation could cause global economic slowdown in general. The health tourism success is inevitably dependent on the global economy both in terms of investment and power to purchase on the demand side. Especially if the target market is from the less developed countries where the economic situation is more sensitive, players must always be alert to global economic movement.

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[177] UK government. (NA). Foreign travel advice Philippines. Retrieved from https://www.gov.uk/foreign-travel-advice/philippines/natural-disasters
[178] Institute for Economics & Peace. (2019). 2018 Global Terrorism Index. Retrieved from http://visionofhumanity.org/app/uploads/2019/01/GTI2018-A3-poster-wall-chart.pdf
[179] U.S. Embassy in the Philippines. (2017). Security Message for U.S. Citizens: Updated Travel Warning for the Philippines. Retrieved from https://ph.usembassy.gov/security-message-u-s-citizens-security-message-u-s-citizens/
[180] UK Government. (NA). Foreign travel advice Philippines. Retrieved from https://www.gov.uk/foreign-travel-advice/philippines
[181] Department of Foreign Affairs and Trade. (2019). Advice Level. Retrieved from https://smartraveller.gov.au/countries/asia/south-east/pages/philippines.aspx#natural_disasters
[182] Goldman Sachs Economics Research. (2018). Global Economics Analyst, Landing the Plane. Retrieved from https://www.goldmansachs.com/insights/pages/outlook-2019/global-outlook/report.pdf

3.6 Diamond Analysis

1) Factor Conditions

The Philippines possesses many positive factors in offering competitive services in the health tourism. The country has a strong brand perception worldwide as a top tourism destination with a warm climate and various types of attractions from world renowned beaches to cultural heritage sites. Added to the natural resources and rich culture is its people. The locals are generally friendly, open to other cultures, and English is widely spoken. The country excels in tourism and hospitality.

While many countries are aging, the Philippines' population is relatively young, with a median age of only 24.3 years in a population of approximately 100 million citizens (the 2015 Census of Population). Young citizens can contribute greatly to the country's labor, especially in health-related and retirement industries.

In spite of having people as an asset, remuneration packages in the healthcare industry are not sufficiently attractive, which leads to the persistent problem of brain drain of health professionals, particularly nurses and physicians. There is also shortage of health facilities. Thus, much of the health workforce does not have much opportunity for career advancement in country. In addition to the lack of health facilities, not many of the existing ones comply with international standards.

Tourism involves mobilization of travelers. Such activity is especially significant for many travelers who travel for medical treatments. Therefore, the Philippines's constraining transport infrastructure can limit the expansion of the tourism industry. Limitation of digital connectivity is also another hindrance to tourism development.

Lastly, in order to develop strategies that address the needs of the industry, policy makers should have sufficient amounts of relevant data. The lack of health tourism industry data, such as numbers of health tourist arrivals, country of residence and spending behavior, makes it difficult to build policy for industry development.

2) Demand Conditions

As the global demand of health and wellness grows, so does the domestic market. A large number of overseas and former Filipinos, mostly based in North

America, who make home visit trip with health related activities, drive the growth in the country's domestic health and wellness industry.

The size of the domestic market is large: the country has more than 100 million people and the number keeps growing. The rise of the more sophisticated middle class, who look after themselves more and demand better quality of service, also drive product and service development.

In addition to the domestic demand, there is also presence of demand from neighboring countries, where healthcare and wellness facilities are insufficient, such as Guam.

3) *Related and Support Industries*

Perhaps the strongest point of the Philippines' health tourism is the fact that the country has long been competitive in tourism global value chains. Tourism-related and support industries such as transport and logistics, restaurants, retails, financial services, hospitality suppliers and tourism associations are well exposed to and familiar with the international and competitive nature of the industry.

There are a number of education and training institutes for tourism. For health practices, there are also health science education institutes and some COEs. However, in recent years there are concerns about quality of education as the passing rate in professional examination is low.

The Philippines does not have many medical research institutes, therefore and does not demonstrate competitive advantage in terms of research and development in healthcare. In addition, similar to many developing countries, it is dependent on import of state-of-the-art healthcare technologies and medical supplies.

Furthermore, though the health tourism industry consists of a number of actors from healthcare, wellness and tourism, lack of synergy among the actors is prevalent. Some associations are not active or do not engage much in strategy development. This condition prevents close collaboration that should promote the growth of clusters and the industry as a whole.

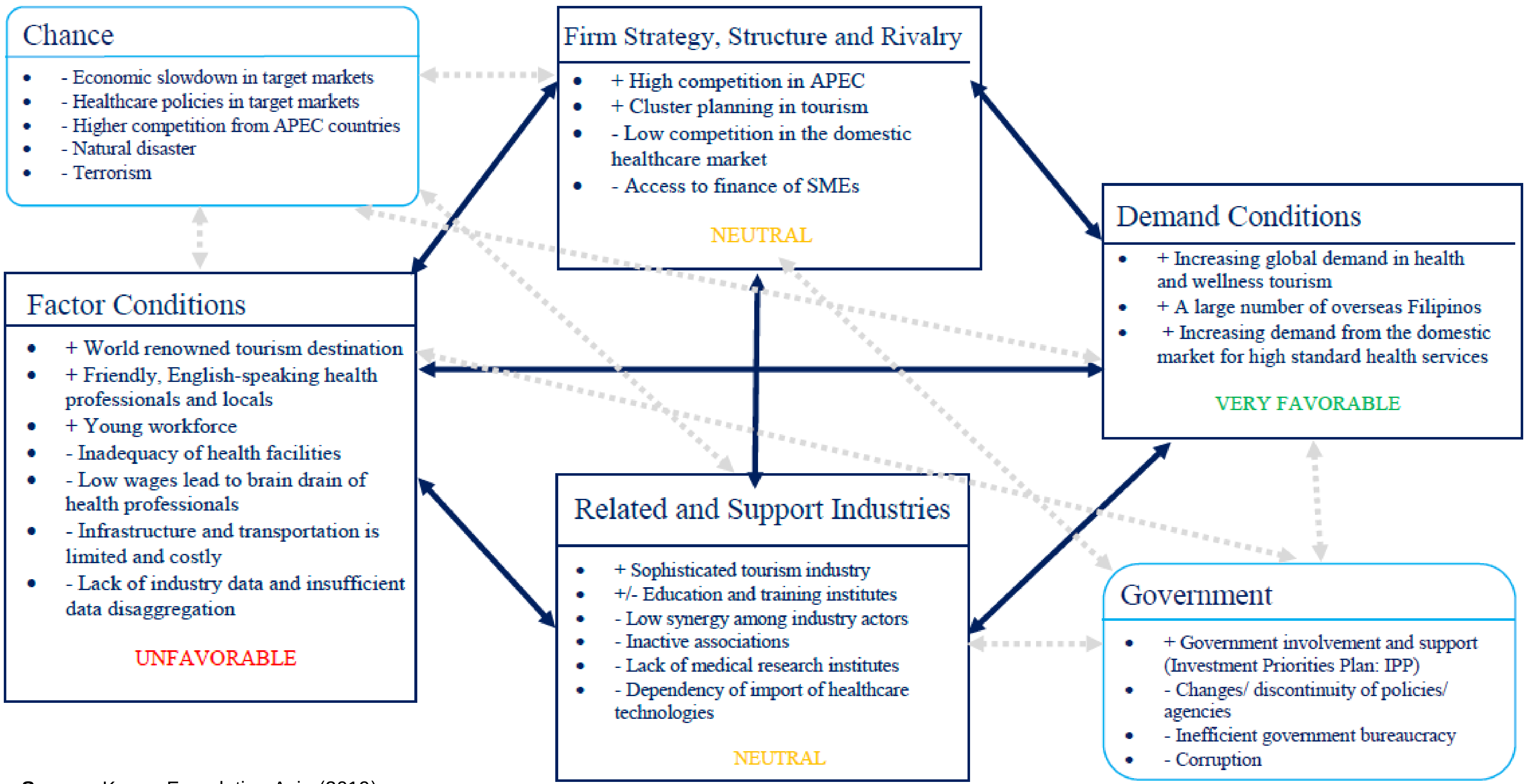
4) *Firm Strategy, Structure and Rivalry*

In the medical sector, domestic rivalry is not intense in the private sector. Private hospitals and clinics that achieve well-recognized healthcare standards are in demand and there are not many of them in the industry. The strong competition is at the regional level from highly competent providers of health tourism such as Malaysia, Singapore, Thailand and India. In wellness sector, on the contrary, more competition exists with a wide range of service providers.

The health tourism industry actors are clustered naturally in NCR, major cities and tourism destinations. The government has cluster planning policies with investment benefits that help shape the clusters. Nonetheless, there are some issues with cluster policies that might discourage investors and should be revised.

In terms of investment there are no significant barriers in establishing or expanding business. However, access to finance remains a main problem for SMEs.

Figure 25: A Competitive advantage analysis of health tourism of the Philippines



Source: Kenan Foundation Asia (2019)

Table 12: Porter's framework for health tourism of the Philippines

Determinants	Score	Remark and Status
Factor conditions	**2.75**	
1) Brand perception	4	The Philippines is a world renowned tourism destination.
2) Human resource and skill availability	3	People speak good English and are welcoming of foreigners. There are a large number of workforce to work in the service sector. However, relatively low wages leads to brain drain of skilled health professionals.
3) Infrastructure	2	Infrastructure supporting tourism is not sufficient nor efficient, especially international gateways.
4) Market intelligence	2	The data in health tourism is minimum and scattered.
Demand conditions	**4.25**	
1) Size of domestic market	5	The Philippines has more than 1 million citizens with the promising growth of the middle class
2) Growth of domestic demand	4	There is positive growth due to increasing health awareness and increasing disposable income
3) Sophistication of domestic market	4	There is more demand of quality product and service from the middle class
4) Presence of foreign markets	4	Large number of overseas Filipinos visit home and spend on health tourism. Neighboring island states do not have sufficient health facilities and expertise and visit the Philippines for medical treatments.

Determinants	Score	Remark and Status
Firm Strategy, Structure and Rivalry	**3**	
1) Competition in domestic market	3	Competition in the healthcare sector is not intense. There are more players in the wellness sector.
2) Cluster	3	The industry actors are clustered naturally and by existing cluster planning policies.
Determinants	**Score**	**Remark and Status**
3) Business establishment	3	There are no significant barriers in establishing or expanding business. However, access to finance is a problem for SMEs
Related and Support Industries	**2.86**	
1) Tourism industry	5	Health and wellness industry is supported by the long established tourism industry and related industries. Wellness is integrated with eco-tourism.
2) Education and training	4	Institutes providing education and training in services, tourism and health exist. There is concern about quality of health education such as nurse.
3) Market development	3	There is no significant actor other than DOT and the private sector working on market development of health tourism.
4) Research and development	2	Not many medical research institutes in country.
5) Supplies	2	The healthcare industry relies mostly on imported technologies and supplies.
6) Associations	2	A number of association exist but many are inactive or do not engage in industry development roles.
7) Synergy	2	Synergy among industry actors are low.

3.7 Problems Identified

From the competitive advantage analysis of the industry we identify problems in the industry and potential strategies/ actions as follows;

1) Brain Drain of Health Professionals

- Improve remuneration packages in the healthcare industry. Since the wage and benefits for health workers in the Philippines are still lower than in other countries, it is difficult to retain talents in the country without lifting wages or proving more benefits for workers.
- Attract health workers from other AMSs under Mutual Recognition Arrangements (MRAs) , which facilitates movement of health professionals within the region.

2) Shortage of Health Facilities

- Strategic investment in building health facilities to meet the needs of the growing population as well as leaving room for international patients
- Large, credible public hospitals could offer health tourism services. Profits can be used for facilities upgrade.

3) Constraint of Transport Infrastructure and Digital Connectivity

- Government investment in airport facilities needs upgrading, roads connecting tourist attractions, telecommunications and digital infrastructure. Negotiate direct flights to tourism areas to avoid passing through Manila.

4) Lack of Health Tourism Data

- Develop data collection system with involvement, engagement and commitment of all parties in health tourism.

5) Quality of Health Professional Education

- Assess quality of schools and ensures teaching quality, student-faculty ratio and other factors are up to quality standards.

6) Lack of Technologies, Research and Development

- Encourage and support health science research and development activities such as international conference, research collaborations, grants etc.

7) Demand for Quality of Service

- Encourage health facilities to adopt internationally recognized standards. Provide educational workshop and training for operators.

8) Lack of Synergy among the Actors

- Develop mechanisms that provide linkages among key actors. This could be a special organization, a working group or other forms. There should be an assigned leader and commitment from other parties.

9) High Competition in Asia

- Develop unique services/ products that make the Philippines stand out from other countries and could complement the regional offering.

10)Cluster Policies Do Not Encourage Investors

- Review cluster strategies and investment conditions and benefits

11)Access to Finance for SMEs

- Ensure laws and regulations facilitate SMEs access to finance. Develop tools that help identify borrower and provide creditors with sufficient information. Encourage SMEs to participate in SME development programs.

3.8 Summary

1) The industry can be categorized, based on activities, into medical, wellness and retirement.
2) The Philippines health tourism segment differs from other countries. It classifies target groups into tourist, expatriates, foreign travelers searching for spa and wellness services, foreign travelers searching for

medical test or health checks and foreign travelers searching for surgery or dental care. The customer group which travel for health checks and surgery or dental service are mainly Filipinos living abroad.

3) The Philippines health businesses generally cluster in National Capital Region (NCR) as it is the major market with transportation hub. The government is expecting to promote the health tourism by redesigning the cluster areas into tourism economic zone and administering incentives to attract investors. However, the implementation has not yet revealed success due to some impractical policies which need to be revised.
4) The weak linkage among the industry actors is considered a hindrance of the industry growth. With the incomparable policy and practices of responsible authorities, inactive associate bodies and that the private sector insufficiently share information to public sector, the industry is slowly developed and even stops progressing some times.
5) To become competitive in this industry the Philippines needs to improve various aspects, including the number of required professionals, wage or incentives of the related jobs, fundamental data to formulate policy and strategy, digitization in hospitals, airport and transport connectivity, medical research facility, visa, synergy among stakeholders, number of health facility, financial support for SMEs, business process, and healthcare providers' accreditation.

3.9 A Case Study from The Philippines: Joyce Socao-Alumno

JOYCE SOCAO-ALUMNO

Industry Development: from Cluster Development Agent to Product Development

About

"We need to integrate a single standard for ASEAN as well"

Joyce Socao-Alumno, HealthCore

Joyce Socao-Alumno is a pioneer and a constant contributor to the Philippines development of health (medical) tourism. She initiated and partook in national strategies and initiatives to achieve the country vision of being "the global leader in providing quality healthcare for all through universal health care," including the Philippine Medical Tourism Program (PMTP). She has partnered with various stakeholders, locally and internationally, from the government and private sectors in development and promotion of global healthcare destination since 2004.

Her vast experience includes a National Assessor of the Philippines' Department of Tourism for the official star-rating of accommodation sector, a contributor to Philippine Daily Inquirer for the Philippine Health Travel section, an author of the Philippine Medical Tourism Compendium as well as several corporate roles in investment banking, integrated marketing communications and marketing in the financial and tourism industry.

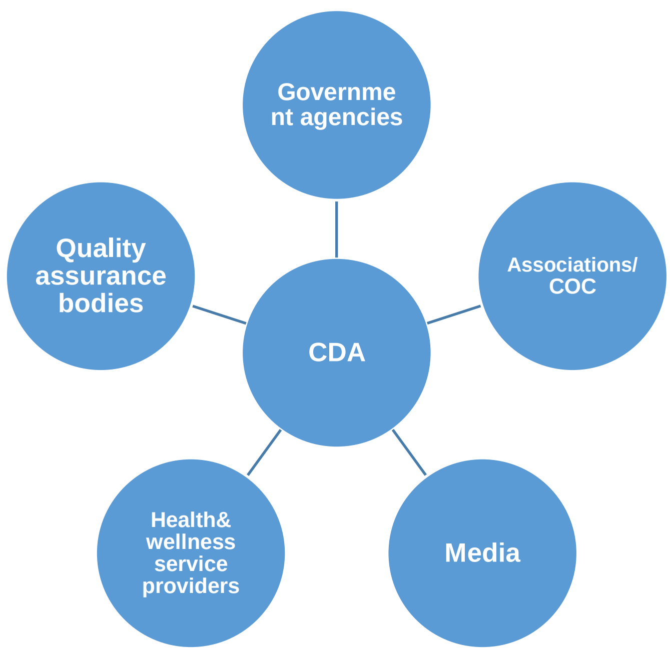
Today, Joyce is the Founder, President and CEO of HealthCore, a consulting firm in global healthcare management, quality accreditation and medical tourism services in the Philippines. She founded HealthCore in 2010 with the vision "to make the country a premier healthcare and tourism destination by introducing international quality standards in the healthcare and hospitality industry evidenced by achieving globally-recognized Quality Accreditation seals". She is also an adjunct professor, a speaker and judge for various local and international events such as IMTJ Medical Travel Awards.

Roles in Industry Development

Joyce saw an opportunity for the Philippines to be a leader in health tourism in the early 2000s when she was working for a foreign bank. As a financial analyst with a background of marketing in tourism and hospitality industry, Joyce combined the country's strength of tourism and abundance of health professional resources and brought out the industry's competitiveness. She immediately and actively presented the opportunity to DOT. With her experience and strong communication skills, the government was convinced the industry way to uplift the Philippines economy. Joyce, then, had a chance to take part in the country's development of the industry.

Joyce has had an important role in bringing together stakeholders in the industry in the role of Cluster Development Agent (CDA). She was a leader in several national initiatives, most remarkably the founding of PMTP in 2006 to be the center of medical tourism cluster management.

Figure 26: Joyce Alumno as a facilitator among various actors

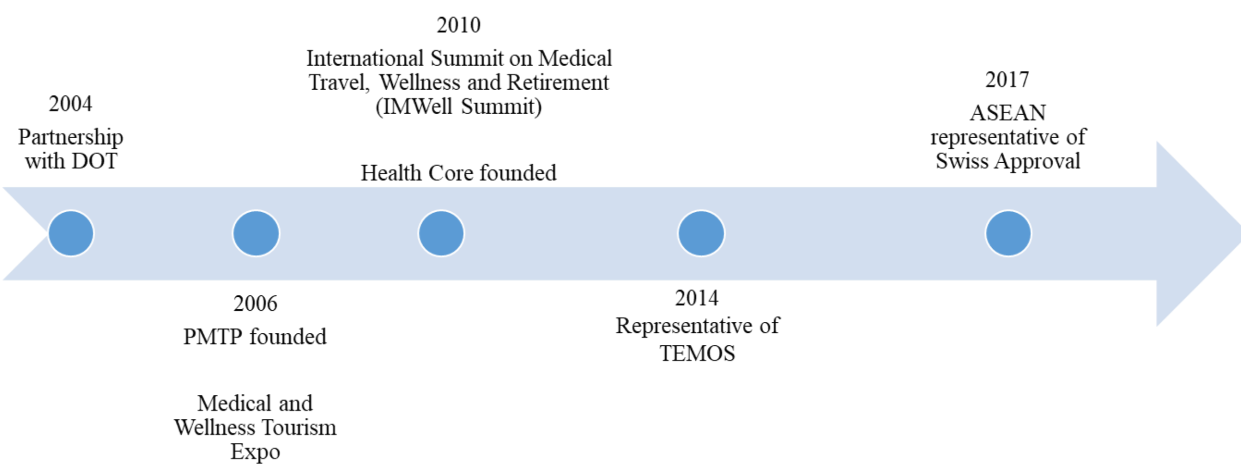


Source: Kenan Foundation Asia (2019)

Her role, however was particularly strong in market development. She was a key person in implementing event marketing with the aim to establish the Philippines brand as a health tourism leader. Joyce partnered with DOT and other industry players and organized the Health Tourism Expo in 2006, the first of its kind in the Philippines. She succeeded in gathering stakeholders from multiple sectors and the bill was signed at the event. Later in 2010, she led the International Summit on Medical Travel, Wellness and Retirement (IMWell Summit), an effort to make Asia a hub for medical, wellness and retirement. The event successfully hosted representatives of different Asian countries including India, Thailand, Malaysia, Korea, Taiwan and Singapore.

Inconsistency in Philippine government administration and policies has obstructed the development of industry and cluster. Joyce founded HealthCore in 2010 and shifted towards the product development realm. She currently focuses on promoting quality assurance in healthcare. She believes quality assurance through international accreditations is fundamental to industry development. She envisions international accreditations being adopted throughout ASEAN. HealthCore, however, also provides consultancy service and helps businesses build partnership and linkages in the health and wellness industry through an extensive network of government, corporates and education institutes.

Figure 27: Timeline of Joyce Alumno's role in industry development



Source: Kenan Foundation Asia

Key Success Factors:

- **Thorough Background in Related Industries**

Firsthand experience working in marketing, hospitality and investment banking field gives Joyce an outlook of the entire industry's ecosystem. Being business-savvy, she always keeps an eye on the global trends and analyzes what is necessary for creating a supportive business environment and competitive products and services.

- **Extensive Network**

Joyce also understands the importance of networking in a developing industry. She develops close relationships with various stakeholders, from public and private sectors, in the Philippines and overseas. She also encourages information exchange and collaboration among stakeholders through meetings and events such as forums and conferences. Networking activities emphasize her brand as an industry expert as well as facilitate cluster formation.

Figure 28: Extensive network in the Philippines

Source: Healthcore

Interview Findings and Recommendations

From Kenan's interview with Joyce, she pointed out certain key issues in industry development as well as cluster development at the regional level;

1) ***Government support is significantly important in building the industry's competitiveness.***

Changing of government administration and discontinuity of support had an effect in marketing the country's health tourism while the industry was on the rise. Policies such as zoning, investment incentives and license to practice of foreign doctor affects FDI and development of the industry.

2) ***Health and wellness services need to be professionalized***

Joyce believes in order to establish itself as a health destination, the Philippines needs to develop its capacity and standards. It needs more hospitals that abide by international standards. In her opinion standards should be a mandatory requirement. She stresses the importance of standards development; spa standards/protocols and massage certificate (license to operate).

3) ***ASEAN should develop a single standard across ASEAN as well as cluster collaboration***

Joyce realized the need for the region to develop a single standard. She supports adoption of international standards throughout ASEAN. Seeing the opportunity for more health tourism in the region, she is an ASEAN representative for international standards. She also encourages collaboration intra-ASEAN with AMSs amplifying each other's strengths and supporting each other's weaknesses. Protocols can vary in each sector (medical, wellness and retirement) but should work in synchrony.

Figure 29: Kenan's interview with key stakeholder

Source: Kenan Foundation Asia (2019)

4. Thailand

4.1 Introduction: Overall Scenario

Thailand is known as a country with rich natural resources and a sophisticated culture. In addition, Thailand is located in the middle of ASEAN region. Consequently, Thailand has become a major destination for tourism for both domestic and international tourists in 2018, Thailand was ranked 10th in the world for international tourist arrivals. Based on the data reported by the Bank of Thailand, Thailand received 38,277,300 international tourists in 2018, an increase from previous years, which saw 35,591,980 in 2017, 32,529,580 in 2016, and 29,923,180 in 2015.[183]

After the economic crisis in 1997, which started in Thailand and spread to the rest of the world, the Royal Thai Government (RTG) initiated many measures and policies to aid recovery. One of measures was the promotion of health tourism. In 2004, the RTG first enacted the five-year strategic plan to make Thailand a health hub of Asia. The five-year strategic plan promoted health sector internationalization under the theme of “Health Tourism Hub of Asia”, Wellness Capital of Asia,” and “Thai Herbs of Health.”

The development plan covers medical care services, health services, and herbal products. Initial target development areas included Bangkok, Chiang Mai and Phuket, with ten other provinces to be developed later. The government will provide overall planning, marketing, monitoring services, and price standardization, certification, regulation, biotechnology related research and development.

Figure 30: Summary the Five-Year strategic plan

Source: Kenan Foundation Asia (2019)

[183] Bank of Thailand. “Tourism Indicator”. http://www2.bot.or.th/statistics/ReportPage.aspx?reportID=875&language=eng (February 11, 2019)

In 2016, the RTG enacted the Ten-Year Strategic Plan (2016 – 2025). This strategic plan proposed to turn Thailand into a hub of four major areas: wellness, medical services, academia and products.[184]

Figure 31: Four major areas of health tourism

Source: BOI (2017)[185]

Today, it is undeniable that Thailand is one of the leaders in the health tourism sector and becoming a major destination for foreign tourists from around the world. With comprehensive infrastructure (i.e. hospitals, transportation system), and capable human resources, Thailand has become a major health tourism destination for foreign tourists, not only come from neighboring countries, but also foreign tourists from all around the world.

[184] BOI (2016). Thailand Medical Hub. Retrieved February 20, 2019 from https://www.boi.go.th/upload/content/BOI-brochure%202016-medical-20160524_24249.pdf
[185] BOI (2016). Thailand Medical Hub. Retrieved February 20, 2019 from https://www.boi.go.th/upload/content/BOI-brochure%202016-medical-20160524_24249.pdf

In terms of growth, the annual growth rate of health tourism during 2013 – 2015 was over 7%. Its market is valued at 320 billion baht or around 10 trillion USD and ranked 13th in the world and 4th in Asia after China, Japan and India.[186]

Health tourism accounts for around 3% of Thai GDP with 90% of its revenue coming from beauty and anti-aging businesses, preventive medicine, and sport and adventure tourism. The other 10% of revenue comes from spa businesses. Moreover, health tourists have 61% greater spending than average tourists due to their high purchasing power and longer duration of stay.

Today, Thailand is facing with many challenges, especially the growing competition from neighboring countries, such as Singapore, Malaysia, and the Philippines. According, Thailand needs to improve its marketing strategies as well as improve the quality of the services.[187]

4.2 Definition of Cluster

4.2.1 Defining the Service

According to the Ten-Year Strategic Plan, health tourism in Thailand can be divided into four main areas: the wellness sector, medical service sector, academic medical sector, and health products sector.

The wellness sector can be divided into three main focuses: body, mind, and spirit. The study done by Nutworadee Kanittinsuttitong (2018) stated that the most popular services for wellness sector include spa, thermal, Ashrams, Yoga Retreat, Thalassotherapy Spa, Thermal Baths, Health Resorts, Wellness Center, Wellness Cruise, Healthy Hotel, Beauty Salon, Gym/Fitness Center, Holistic Care, Detox, and Ayurveda. In addition, Thailand is also acknowledged as a major destination in rehabilitation, especially in Northern Thailand.

For the medical sector, Thailand has been known in terms of quality standards and capable human resources. The medical services provided range from general examination, dentistry, cancer treatment, hip replacement, kidney transplants, cardiology testing, heart surgeries, laser eye surgeries, cosmetic surgeries, weigh loss surgeries, sex change operation, and balloon dilatation. According to the BOI (2016), there are around 1,000 public and 347 private hospitals nationwide and over 50,573 physicians.

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[186] Pullawat Pitigraisorn (2017) Thinking Outside the Box about Wellness Tourism. Retrieved 21February 2019 from https://www.scbeic.com/en/detail/file/product/4011/eu6tpclhlc/NOTE_EN_Wellness-Tourism_20171003.pdf

[187] Jutamas Rerkrujipimol (2008) Medical Tourism in Thailand and Its Marketing Strategies. http://www.conference.phuket.psu.ac.th/proceedings/psu_open_week_2008/data/tourism/4_13.pdf

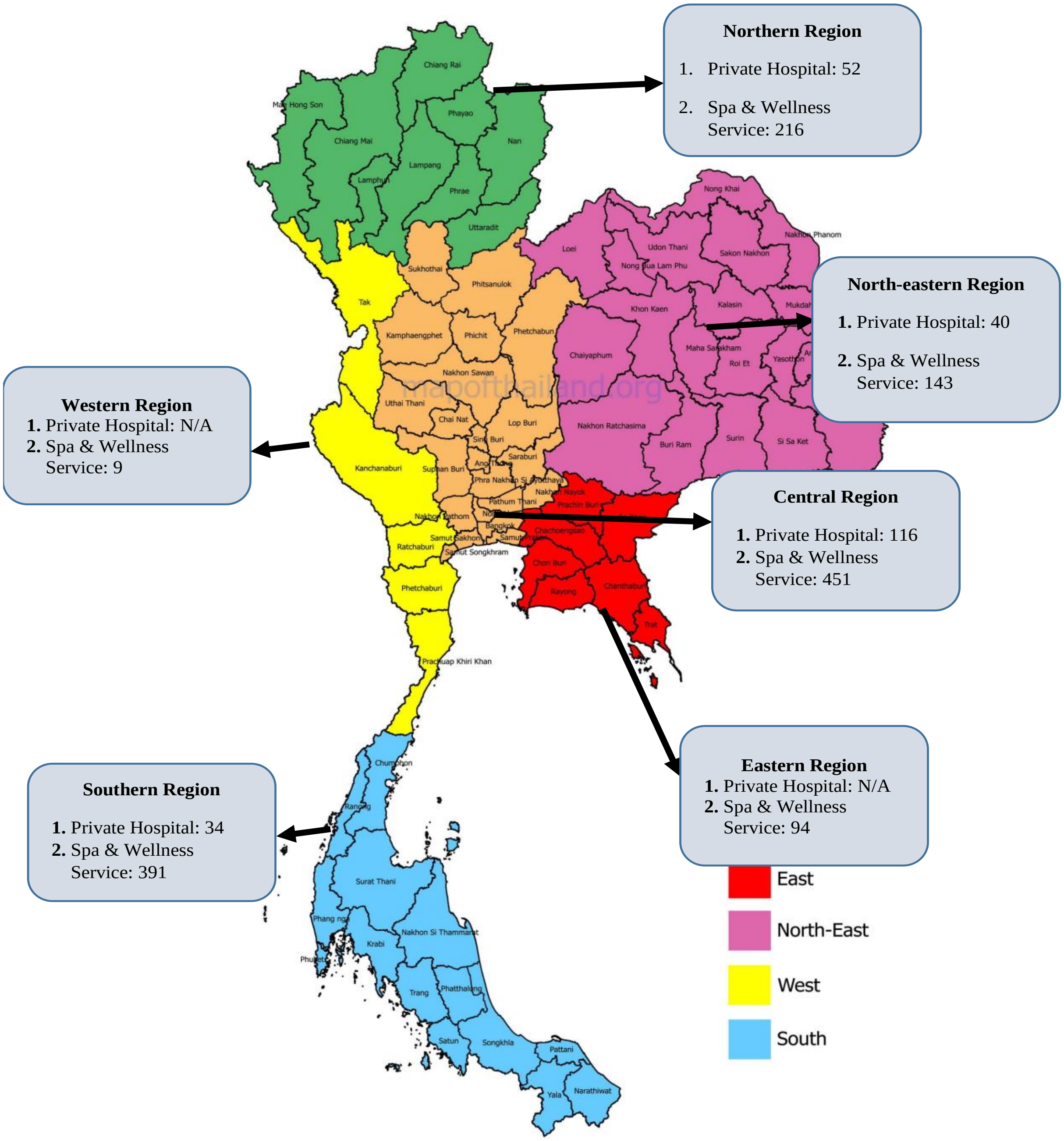
4.2.2 Geographical Location

In the wellness sector, around 80% of health services providers are located in Bangkok, followed by the South, and the Central region, which accounted for 6.12% and 4.24%, respectively.[188] In terms of medical services, the National Statistical Office (2017) stated that the most concentrated area of medical is in the Central region, especially Bangkok.[189] In Bangkok, there are a prestige medical tourism hospitals for foreign visitors—Bumrungrad Hospital, Bangkok Hospital, and Samitivej Hospital. In addition, the study found out that hospitals located close to the border areas, such as Surin Hospital, and Maharaj Nakorn Chiang Mai Hospital, are also main destination for medical tourists from the neighbouring countries, such as Cambodia, and Lao.

Figure 43 shows numbers of private hospital and registered wellness service providers (spas and massages). According to the figure, the most concentrated area of health service providers is in the Central region, especially Bangkok province. The Northern region is ranked the second for private hospital registration. The Southern region is ranked second for wellness services. The concentration is correlated with the number of tourist inflows.

[188] Department of Health Service Support (2016)
[189] National Statistical Office (2017)

Figure 32: Geographical location of health tourism in Thailand



Source: National Statistical Office (2017), Ministry of Commerce (2014)

4.2.3 Market Size, Employment, Segmentation

1) Market Size

Number of Foreign Health Tourists

Since there is limitation in terms of statistical data on wellness tourism, the research applied the statistical data of medical tourism. For medical tourism, the 2012 Private Hospital Survey done by the National Statistical Officer stated that about 3 million foreign tourists came to Thailand for medical tourism. Of these, 95% of foreign tourists were identified as out-patients. Only 5% of foreign tourists were identified as in-patients. According to the statistical data, a major destination for foreign patients was Bangkok, which accounted for 63% of patients, followed by the central region and the northern region[190] (Table 13).

Based on the statistics mentioned above, the estimation of the Bank of Ayutthaya in 2018 found that the number of non-Thai patients is growing over time as greater numbers of expatriates decide to move to Thailand for work or retirement, and more individuals from region and neighboring countries travel to Thailand for treatment. The combined total number of tourists who have a need for some kind of medical care and medical tourists (i.e. those who traveled specifically for treatment) accounts for around 60% of all non-Thais receiving care from a private hospital.[191]

Table 13: Number of foreign patients in 2012, classified by type of treatment

	OPD	IPD	Total
Whole Country	**2865.9**	**143.3**	**3009.2**
Bangkok	1819.6	76.0	1895.6
Central Region	610.5	28.8	639.3
Northern Region	158.6	16.9	175.5
Northeastern Region	84.3	5.5	89.8
Southern Region	192.9	16.1	209.0

Source: National Statistical Office (2012). The 2012 Private Hospital Survey

[190] National Statistical Office (2012). The 2012 Private Hospital Survey
[191] Bank of Ayutthaya (2018). Private Hospital Industry. Retrieved February 22, 2019 from https://www.krungsri.com/bank/getmedia/6bb5fd01-cebc-4656-938c-ba380ee0db09/IO_PrivateHospital_2017_EN.aspx

The biggest share is patients from Asia and neighboring countries at nearly 60%. The second largest share (nearly 30%) was held by the expatriate residents of Thailand. This portion includes both long-term tourists and foreign workers with their families. Much of the success in pulling in the long-term visitors is due to the Tourism Authority of Thailand's campaign targeting the retired Japanese, while the increase in expatriates is the result of invitation of FDI. It seems that those policies are taking the role of promoters of medical tourism of Thailand. The third position was taken by Europe with 10% share, but these patients from other parts of the world are limited in number.[192]

Traditionally, Japan has been the biggest market, but recently, patients from the ASEAN countries and the Middle East countries are growing in number. The booming number of Japanese patients reflects the region's relative quick recovery and rapid economic growth since the 1997 crisis. The increase in patients from the Middle East may be due to the diversion of people who would have otherwise gone to the US choosing to come to Thailand and other countries in this region because of the difficulty of getting US visas.

Contribution from Health Tourism

In 2014, the study done by the Ministry of Commerce pointed out that while the revenue from healthcare business declined, the revenue from spa and massage increased. According to the estimation of the Ministry of Commerce, the growth rate of spa and massage businesses was 11.27%.[193]

For the medical tourism, the International Healthcare Research Center (IHRC) stated that medical tourism is likely to grow 14% annually, aligning with the yearly 12% growth of international tourist arrivals in Thailand. The growth of medical tourism in Thailand is a combined result of rising income and the growth of the middle class, leading to higher spending on tourism; people becoming more concerned about their health due to higher prevalence of non-communicable diseases (NCDs) and work stress; and the rising trend of experiential travel.[194]

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[192] Monica Harryono (2006) Thailand Medical Tourism Cluster

[193] Sunettra Chantaburi (2013), Opportunity of Spa Business in Thailand (in Thai).

[194] https://home.kpmg/th/en/home/insights/2018/03/th-medical-tourism-industry-focus-q1-2018.html

Table 14: Market size and revenue of spa business in Thailand

	Market Size/Revenue				Growth Rate (%)		
	2010	2011	2012	2013	2011	2012	2013
Market revenue of Spa and Thai Massage (Million USD)	109.66	106.84	97.41	108.41	-2.56	-8.81	11.27
Market Revenue of Healthcare services (Million USD)	4,131.97	4,565.53	5,290.34	4,405.25	10.49	15.88	-16.73
Proportion of Spa and Thai Massage in Healthcare Services	2.65	2.34	1.84	2.46	-11.82	-21.31	33.62

Remark: USD Rate = 32 Baht per 1 USD

Source: Sunettra Chantaburi (2013), Opportunity of Spa Business in Thailand (in Thai)

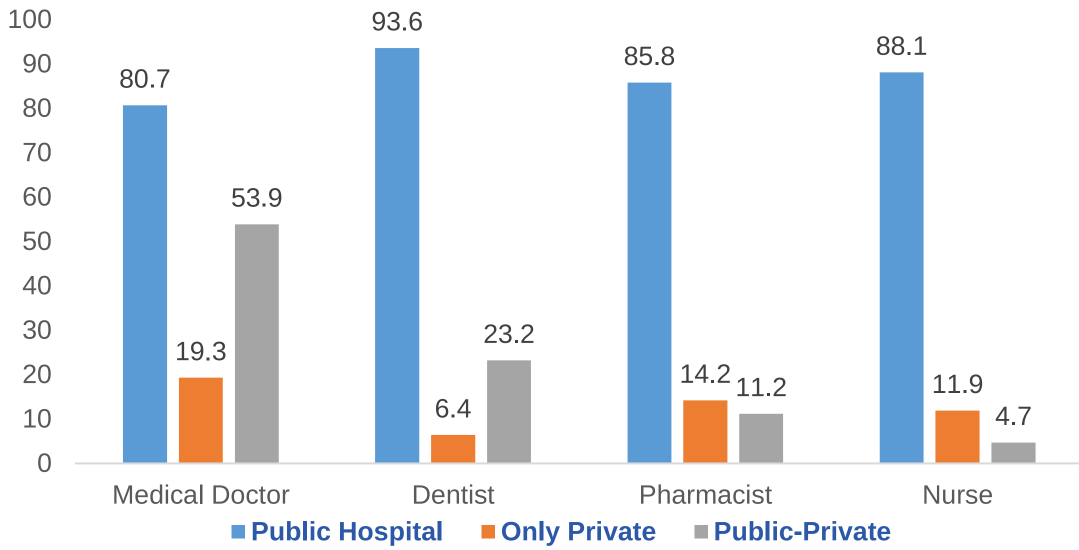
2) Employment

In medical tourism, the statistical data of the Ministry of Public Health (2017) stated that there were around 50,000 medical doctors—the proportion per population was about 1: 1,292 persons. There were around 158,000 nurses (1: 419 persons), and 11,500 dentists (1: 5,643 persons). There is an increase of new medical doctors estimated at 3,000 persons per year. It estimated that in the next 10 years, there will be a new medical doctor for around 30,000 people, which aid in providing healthcare for Thai people and serve the growth of the medical tourism industry in Thailand.[195]

According to the statistical data from the Ministry of Public Health, more than 80% of medical doctors work in public hospitals, followed by 53.9% of medical doctor working in both public and private hospitals. Only 19.3% of medical doctors work only in private hospitals. More than 90% of dentists work in public hospitals. There were around 23.2% that work in both public and private hospital and only 6.4% work only in private hospitals. Overall, the majority of workers in the medical sector are in public hospitals. However, the Ministry of Public Health also pointed out that there was an increase in terms of workers in private hospitals. The balance of workers is one of the factors that may affect the expansion of medical tourism.[196]

[195] https://mgronline.com/qol/detail/9600000033816
[196] Ministry of Public Health (2017). Thailand Health Report

Figure 33: Number of workers in medical sector, 2017

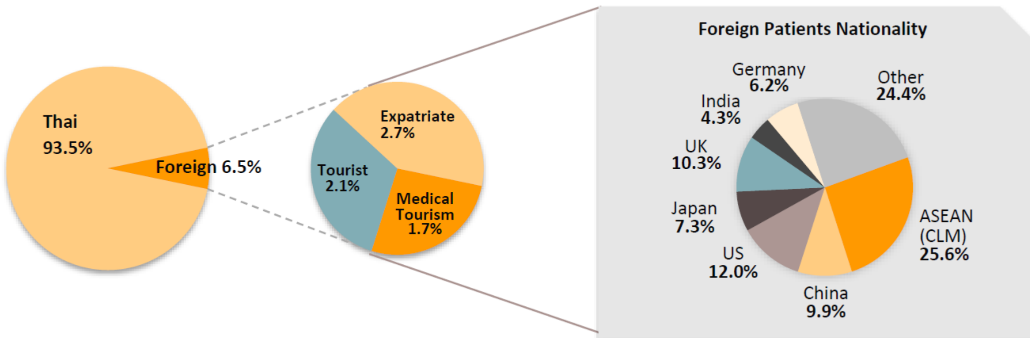


Source: Ministry of Public Health (2017)

3) Segmentation

A survey by the National Statistical Office in 2010 revealed that 93.5% of health and wellness tourists were Thai nationals. However, although at the time of the survey, only 6.5% of the health and wellness tourist were foreign, the number of non-Thai tourists is growing over time as greater numbers of expatriates decide to move to Thailand for work or retirement and more individuals from the region travel to Thailand for treatment. The combined total of tourists who have a need for some kind of medical care and medical tourists (i.e. those who traveled specifically for treatment) accounts for around 60% of all non-Thais receiving care from private hospitals.

Figure 34: Type of health tourists in Thailand

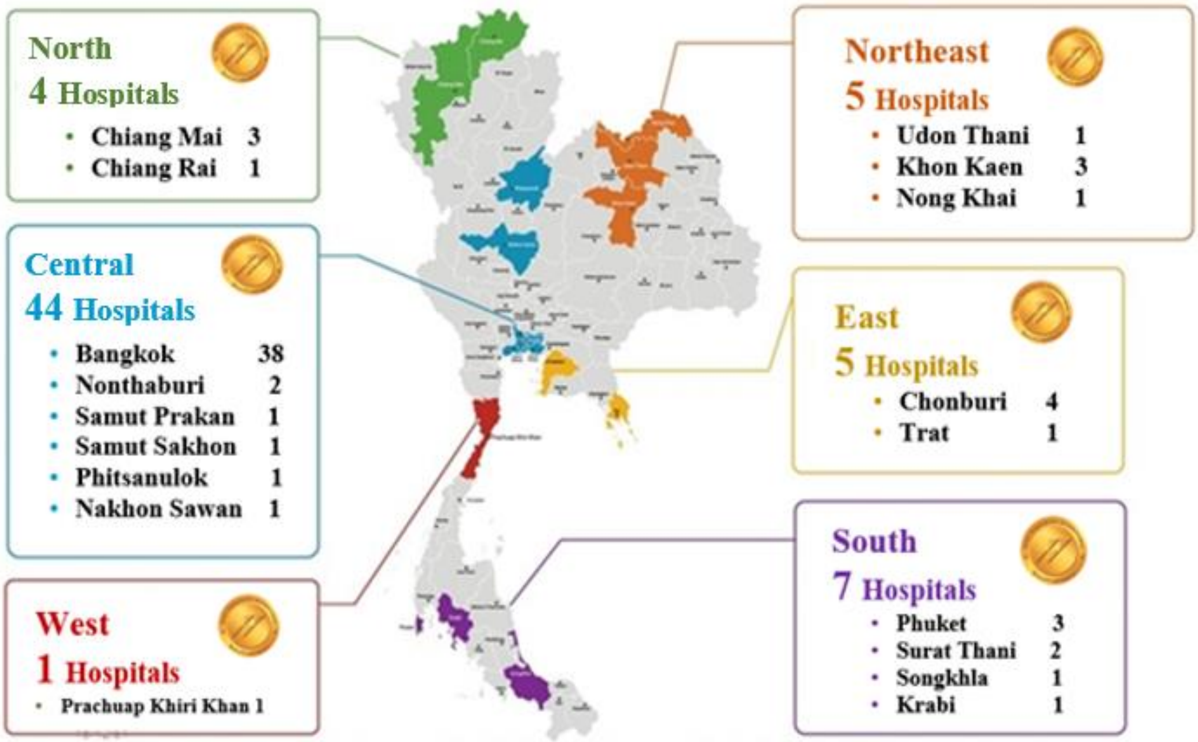


Source: Krungsri (2017)

4.2.4 Quality Standards

Thailand's medical tourism sector is largely driven by world-class medical facilities. Currently, the country now has 66 JCI-accredited hospitals nationwide, ranking at the 1st place in ASEAN and the 4th in the world after United Arab Emirates (195 JCI-accredited), China (108 JCI-accredited) and Saudi Arabia (107 JCI-accredited). Most of JCI-accredited hospitals are located in major tourist destinations, including Bangkok, Chonburi, Phuket, Chiang Mai and Khon Kaen. Only six are situated in second-tier cities, such as Chiang Rai, Phitsanulok, Nakhon Sawan, Udon Thani, Nongkhai and Trat as shown in figure below.

Figure 35: Thailand's 66 hospitals accredited by JCI



Source: Joint Commission International (2019)[197]

Table 15: Thailand's JCI-accredited hospitals, by region and province

Regions	Provinces	Hospitals
North	Chiang Mai	1. Bangkok Hospital Chiang Mai
		2. Chiangmai Ram Hospital
		3. Sriphat Gastrointestinal and Liver Center
	Chiang Rai	4. Overbrook Hospital
Central	Bangkok	5. Apex Medical Center
		6. Bangkok Hospital Chinatown
		7. Bangkok Hospital Medical Center
		8. Bangkok International Dental Center
		9. Bangkok Rayong Hospital Co. Ltd
		10. Bangpakok 9 International Hospital
		11. BB Clinic

[197] Joint Commission Resources (2019). *JCI-Accredited Organizations*. https://www.jointcommissioninternational.org/about-jci/jci-accredited-organizations/?c=Thailand&pg=1

Regions	Provinces	Hospitals
		12. BNH Hospital
		13. Bumrungrad International
		14. Chaophya Hospital Public Company Limited
		15. Jetanin IVF Clinic
		16. Kamol Cosmetic Hospital
		17. Kluaynamthai Home Care
		18. Kluaynamthai Hospital
		19. Kluaynamthai Polyclinic Branch Asoke
		20. Kluaynamthai Polyclinic; The Shoppes Grand Rama 9 Branch
		21. Kluaynamthai2 Geriatric Hospital
		22. Ladprao Eye Center
		23. MALI Interdisciplinary Hospital
		24. Metta International Eye Center
		25. Navamin 9 Hospital
		26. Nonthavej Hospital
		27. Nopparat Cosmetic Clinic
		28. Phyathai 2 Hospital
		29. Piyavate Hospital
		30. Praram 9 Hospital
		31. Rachvipa MRI Center
		32. Ramkhamhaeng Hospital
		33. Samitivej Srinakarin Hospital
		34. Samitivej Sukhumvit Hospital
		35. Sikarin Hospital
		36. Siriraj Piyamaharajkarun Hospital
		37. Sukumvit Hospital
		38. Synphaet Hospital
		39. Vejthani Hospital
		40. Vibhavadi Hospital
		41. Wuttisak Clinic Siam Square Branch
		42. Yanhee Hospital
	Nonthaburi	43. Asia Cosmetic Hospital Co., Ltd.
		44. The World Medical Hospital
	Samut Prakarn	45. Chularat 3 Theparak Hospital
	Samut Sakhon	46. Mahachai Hospital Public Company Limited
	Phitsanulok	47. Pitsanuvej Hospital
	Nakhon Sawan	48. Srisawan Hospital

Regions	Provinces	Hospitals
West	Prachuap Khiri Khan	49. Bangkok Hospital Hua Hin
Northeast	Udon Thani	50. Aek Udon International Hospital
	Khon Kaen	51. Khonkaen Ram Hospital
		52. Kranuan Crown Prince Hospital
		53. Queen Sirikit Heart Center of the Northeast
	Nongkhai	54. Thabo Crown Prince Hospital
East	Chonburi	55. Aikchol Hospital
		56. Bangkok Hospital Pattaya
		57. Chonburi Hospital
		58. Samitivej Sriracha Hospital
	Trat	59. International Clinic Koh Chang
South	Phuket	60. Bangkok Hospital Phuket
		61. Sea Smile Dental Clinic
		62. Siriroj International Hospital
	Surat Thani	63. Bangkok Hospital Samui
		64. Sri Phala Clinic
	Krabi	65. Krabi Nakharin International Hospital
	Songkhla	66. Sikarin Hatyai Hospital

Source: Joint Commission International (2019)

Major JCI-accredited hospitals include Bangkok Dusit Medical Services (BDMS) and Bumrungrad International Hospital.

BDMS is the largest medical group in Thailand and the 5th largest globally in terms of market capitalization. The company owns and manages six major hospital groups: BNH Hospital, Bangkok Hospital, Samitivej Hospital, Phayathai Hospital, Paolo Memorial Hospital and the Royal Hospital. It also manages a number of medical facilities in prime tourist areas throughout Thailand such as Bangkok, Chiang Mai, Phuket, Chonburi, Surat Thani and Prachuap and Khiri Khan, as well as two in neighboring Cambodia. BDMS offers a wide range of medical programs and facilities, from basic healthcare to advanced services, as well as specialized hospitals: private heart hospital, private cancer hospital, and private children's hospital with more than 26,000 staff members, including over 12,000 physicians and 10,000 well-trained nurses. Currently, BDMS welcomes more than 10 million patients per year. [198]

Another JCI-accredited hospital is Bumrungrad International Hospital, Bumrungrad were the first ASEAN hospitals that were accredited JCI. The hospital is a multi-specialty healthcare provider and is one of the largest private healthcare operators

[198] http://www.bdms.co.th/

in ASEAN, with 580 beds and over 30 specialty centers. It offers state-of-the-art diagnostics, therapeutic and intensive care facilities as a one-stop medical center. The hospital attracted more than 400,000 international patients per year, including Western medical travelers, expats rom 190 countries, and regional business executives.[199]

Despite rising quality standards in hospitals, Thailand still remains one of the world's best in terms of value for money, with cost savings on medical procedures ranging from 50% to 75% over out of pocket fees found in theUSA, UAE, Korea and Singapore. India generally offers the cheapest medical services, while Singapore is more expensive than Thailand.

Popular treatments in Thailand consist of those for cosmetic surgery, stem-cell therapy, IVF/ reproductive medicine, cancer treatment, dentistry, cardiac, orthopedics, cardiology, spinal surgery and sex change surgery.

Table 16: Comparison medical treat costs among global key players

Procedure	USA	UAE	Thailand	India	Korea	Singapore	Malaysia
Cost saving		60% - 70%	50% - 75%	65% - 90%	25% - 45%	25% - 40%	60% - 80%
Heart Bypass	$ 92,000	$ 40,900	$ 33,000	$ 9,800	$ 29,000	$ 54,500	$ 20,800
Hip Replacement	$ 31,000	$ 40,000	$ 16,500	$ 9,400	$ 21, 400	$ 21,400	$ 12, 500
Knee Replacement	$ 28,000	$ 11,000	$ 13,200	$ 7,200	$ 19,200	$ 19,200	$ 7,800
Laminectomy surgery	$ 65,000	$ 24,000	$ 16,000	$ 9,500	$ 27,800	$ 27,800	$ 14,250
In vitro fertilization (IVF)	$ 12,500	$ 8,000	$ 4,000	$ 3,300	$ 9,450	$ 9,450	$ 4,200
Bariatric surgery	$ 23,000	$ 16,000	$ 12,600	$ 6,800	$ 14,800	$14,800	$ 9,250

Source: Patients Beyond Borders (2018)[200]

For wellness tourism, there are two main standards development for businesses: Thai Spa Standard and Health Service Standards for Oversea Establishment. The scope of both standards focus on the same sector, which is spa and Thai massage. The framework covers five categories, including place, staff, service, tools, and safety. The box below shows the scope of the standards.[201] In addition, there is the Notification of the Ministry of Public Health B.E. 2509 (amendment B.E.2551) that used for control to quality of the wellness providers. This notification covers

[199] Patients Beyond Borders (2018). *Bumrungrad International Hospital*. https://patientsbeyondborders.com/hospital/bumrungrad-international-hospital
[200] https://patientsbeyondborders.com/
[201] http://www.thaispa.go.th/spa2013/web/web_new/fileupload_doc/2017-11-15-3-17-2521506.pdf

health spa service, health massage, and relaxed massage.[202] According to the Ministry of Public Health, around 1,700 services providers received certification from the government under this notification.[203]

Summary scope and framework of Health Service Standards for Oversea Establishment

The scope is for two types of health service establishment including Spa for Health and Thai Traditional Massage for Health. Firstly, the establishment must meet minimum requirement of the local law related to service establishment in the country where the operation is located. The criteria of the standard are as follows: 1) The owner of the establishment must be Thai nationality or foreigner with Thai nationality spouse. If the establishment is operated by a registered company at least 50% of stakeholder must be Thai. 2) Establishment must be registered according to the local law of the country where the operation is located. 3) Establishment must have registration certificate from local government office stating the period of business management at least one year. 4) Establishment must be in the correct sector of business according to Thai law. The framework of the "Health Service Standards for the Oversea Establishment" consists of five categories. The details of each category are as follows: 1) Place 2) Staff 3) Service 4) Tools, Equipment and Product 5) Safety

Source: Ministry of Public Health (2008)

[202] https://samutprakarnfda.files.wordpress.com/2012/04/e0b89be0b8a3e0b8b0e0b881e0b8b2e0b8a8e0b8afe0b889e0b89ae0b8b1e0b89a-2551.pdf
[203] http://www.bangkokbiznews.com/news/detail/716658

4.3 Cluster Map

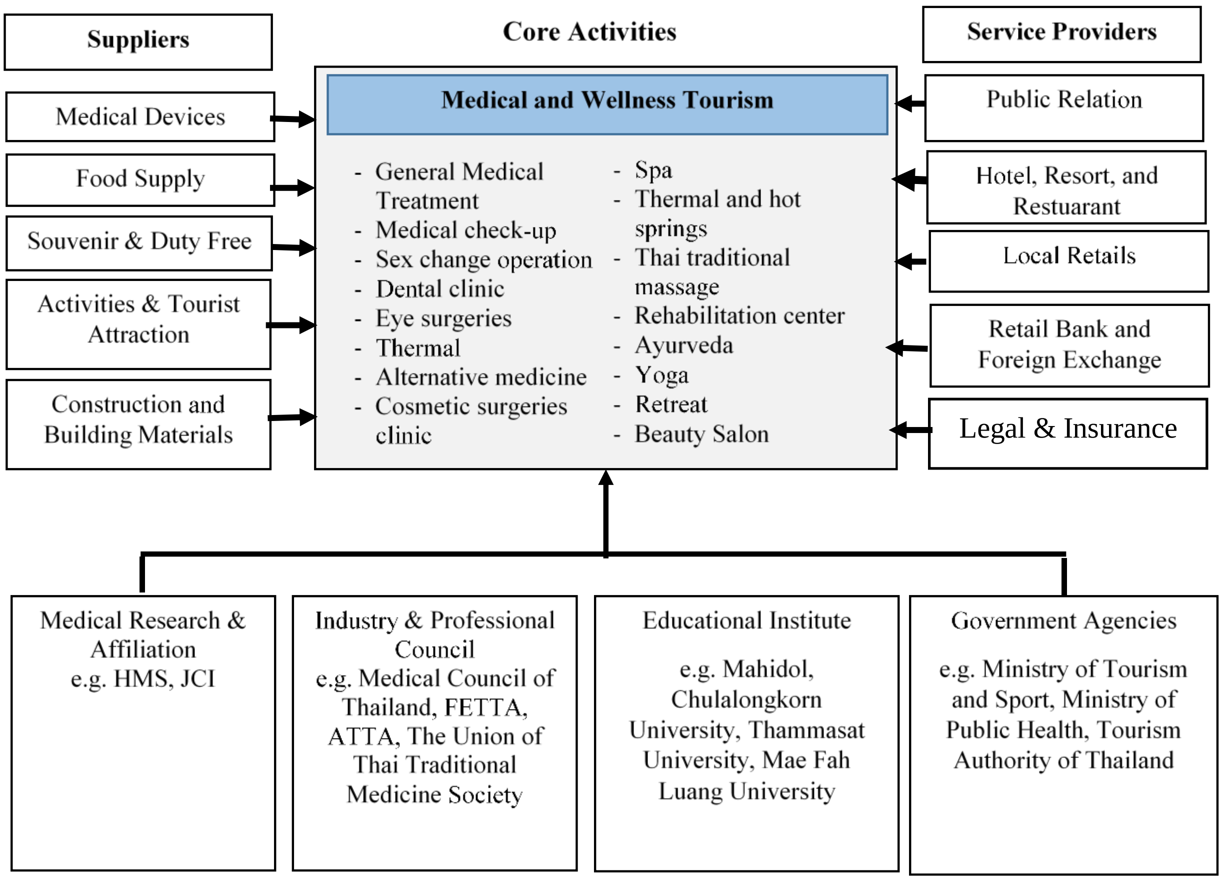
Health and wellness tourism is an emerging cluster at intersection between the tourism and medical clusters. The tourism elements of this cluster includes international and local transportation, tour agents and operators, hotels, restaurants and other tourism activities, attractions and entertainment. Thailand has a strong position in these areas. The medical elements of the cluster include leading private hospitals, cosmetic and LASIK surgery, dentistry, and alternative medicine, including the famous Thai massage and herbal treatment. Except for the hospitals, who are an emerging player, the other sectors have been very active in Thailand.

For cluster map analysis, attention should be paid to the supporting players at the bottom:

1) Medical research affiliations and certifications: The second largest private Bangkok hospital is affiliated with Harvard Medical School for staff training; Bumrungrad is accredited by Joint Commission International.
2) Educational Institutions: Chulalongkorn and Thammasat Universities, Mahidol Medical School; International Tourism Industry Management School led by leading Dusit Thani Hotel Group; Wat Pho Temple-affiliated traditional massage school.
3) Government Agencies: Ministry of Health and Ministry of Tourism and Sport with its affiliation, Tourism Authority of Thailand, which has fifteen offices abroad. The Thai government has launched a campaign for Thailand to be the "Medical Hub of Asia," emphasizing a combination of the recently-emerging medical industry with traditional strengths such as spas, traditional massage and herbal treatment.

A weak element of cluster support is IFCs. Thailand has IFCs in fields related to medical tourism: Medical Council of Thailand and the Federation of Thai Tourism Association, corresponding to the medical and the tourism areas, respectively. But these are industry-oriented IFCs, and not cluster-oriented. There is little collaboration of activities between these two associations to promote health and wellness tourism.

Figure 36: Cluster map



Source: Kenan Foundation Asia (2019)

4.4 Value Chain/ Global Value Chain

The engagement in value chains and global value chains of Thailand's health and medical industry can be classified into two main roles, the role of destination country and the role of origin country.

As a sending country, Thailand is a major origin country for health and wellness products. There are many Thai spa businesses established abroad, as well as many workers in spa industry employed in other countries.

In the role of destination country, Thailand has been long acknowledged as a destination country for health and medical tourism for both the regional market and international market. The advantages in natural resources, medical technology, professional medical staff, and hospitality is a pull factors that attract many health and medical tourists to visit Thailand. The majority of health and wellness tourists in Thailand are from neighboring countries (e.g. Lao, Cambodia, Myanmar, and

Vietnam), the Middle East, Europe, the USA, and Japan. For the health and wellness tourists, there are two main channels to receive services: working through an agency and directly contacting services providers. At present, there are many hospitals in Thailand which have established clinic and transferred centers abroad, such as Bangkok Hospital and Bumrungrad Hospital.

According to the survey done by BNH hospital the factors affecting the decision to get health services in Thailand are the following;

1) Professional Treatment

Thailand has been acknowledged as one of the world's best places to spend recovery time after complicated surgery.

2) Short Waiting Times

In Thailand, physical examinations can be done on the same day as admittance into hospital and surgery can be done in as little as three days.

3) The Price

The lower cost of like-for-like treatments in Thailand versus most western countries is one of the main factors that keeps it so popular. Exact costs are difficult to provide because each person's needs are unique, but a general rule is that treatment is 30% cheaper than in Europe and 70% cheaper than the US. It is common for Thai doctors to study abroad, and their combined international experience and added skills ensure Thailand is at the forefront of medical techniques and innovation.

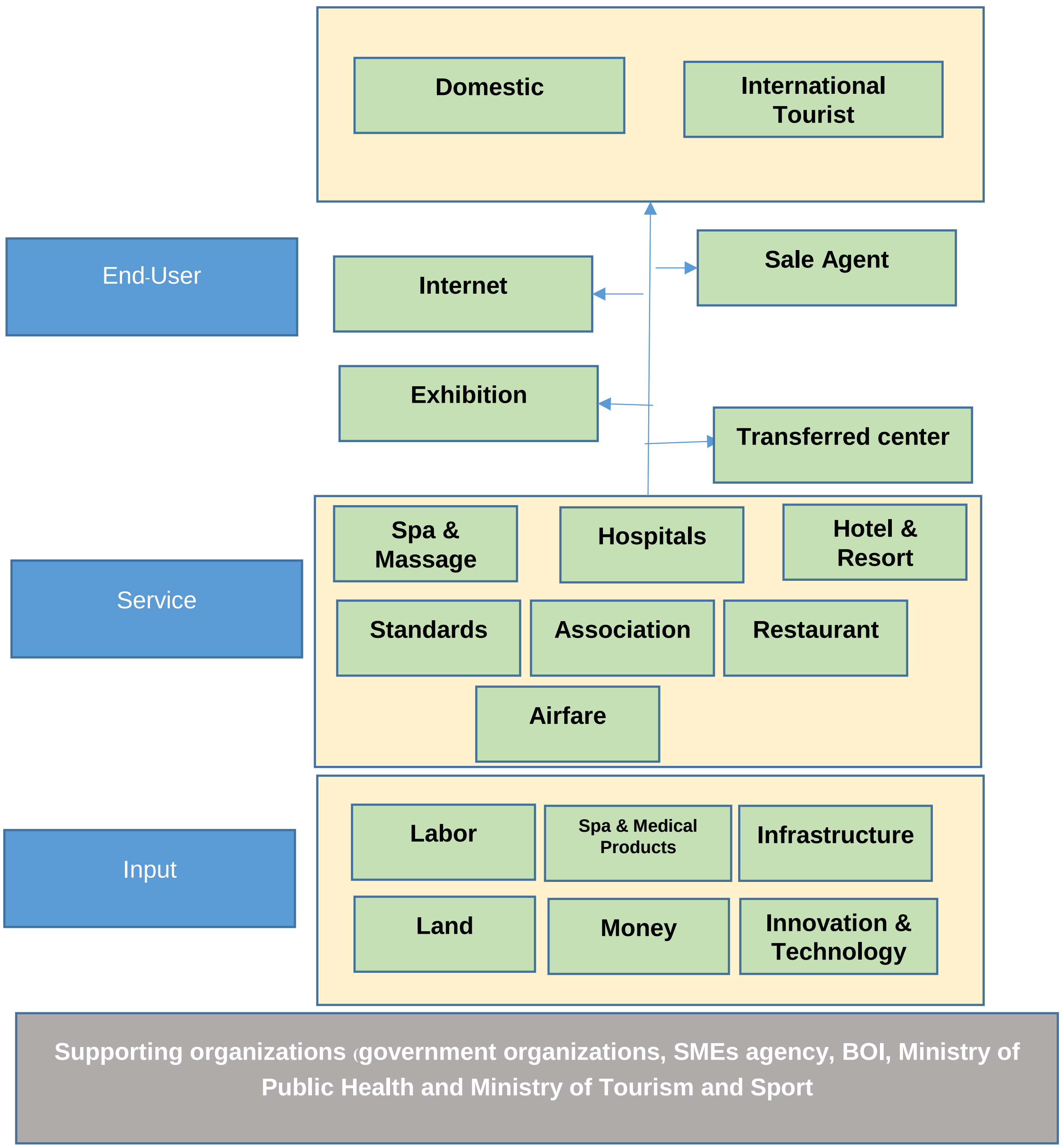
4) Insurance Companies May Consider Covering Patient's Treatment and Flight

Even if patients are not based in Thailand, insurance companies may consider covering treatment, flights and stay provided it is work out more expensive than in-country treatment. Expats who are living elsewhere in Asia are the most common type of patient to use this method of receiving healthcare.

5) Advanced/ Cutting-Edge Technology

At the present, Bangkok has more than 42 Joint Commission International (JCI) accredited hospitals. This accreditation is only possible if a hospital is offering the latest advances in surgery and treatment.

Figure 37: Value chain of health tourism in Thailand



Source: Kenan Institute Asia (2019)

At present, there are many organizations and stakeholders involved in the health value chain of Thailand. The lists below detail the organizations involved in health tourism in Thailand.

1) Tourism Authority of Thailand (TAT) (falls under Ministry of Tourism & Sports): National body responsible for promoting tourism in Thailand.
2) Department of International Trade Promotion (DITP) and Department of Business Development (DBD) (fall under Ministry of Commerce): DITP’s mission is (1) to expand the market for Thai products and services; (2) to consistently enhance the added value of export product and service; (3) to upgrade the competitiveness of Thai entrepreneurs in ASEAN and global markets. DBD’s duties include: business development, promotion, registration, promotion of trade associations and chambers, promotion of service and e-commerce businesses.
3) Department of Industrial Promotion (falls under Ministry of Industry): Supports new enterprises and job creation and promotes and develops industries, especially small and medium-sized enterprises (SMEs) and community-based industries, to compete in the global market.
4) Ministry of Education: Responsible for the supervision of educational programs, including medical education and spa training. Ministry of Public Health (MOPH): Oversees quality standards and regulation in both health tourism, including spas. Also seems to be loosely involved in promotional activities, although this is not one of its official functions.
5) Office of SMEs Promotion (OSMEP): Acts as a central planning office and coordinates the action plans of all relevant offices in promoting SMEs in Thailand. OSMEP’s role is thus to promote and, when appropriate, re-implement certain promotional activities in order to enhance SME potential.
6) Thai Spa Association: Represents the Thai spa industry and supports initiatives in promotion, training of therapists, etc.
7) Medical Tourism Cluster Thailand: Represents and promotes the medical tourism sector and facilitates foreigners seeking medical services in Thailand. Membership consists of hospitals/clinics, hotels and recuperation facilities, health travel planners, doctors, nurses, ambulance service providers, spa operators, and other downstream supporting businesses.

4.5 SWOT Analysis

The analysis of strengths, weaknesses, opportunities, and threats evaluates the current conditions of operation in the tourism industry in Thailand under a strict and competitive business environment. The government and private sectors could clearly define challenges before putting forward targets for the future. Those aspects need evaluating from customers' perspective, which ensures realistic insights.

Table 17: SWOT Analysis

Strength	Weakness
1. Established strategies, associations, and policies to support SME growth 2. Strong partnership and networks amongst private sector, government bodies and accreditation partners 3. Differentiation through unique Thai hospitality & exceptional services 4. Considered as a regional leader in both health tourism 5. Excellent marketing supported by the Tourism Authority of Thailand 6. Designated visa for medical tourists 7. Well-known destination for health & wellness tourism with established providers that are JCI accredited	1. Political instability internally 2. Stringent requirement could be a barrier for foreign practitioners to be registered in Thailand 3. Lack of English language competency 4. Concerns over travel-related incidents could contribute to bad publicity & trip cancellations 5. Lack of financial & SME supports 6. Lack of entrepreneurship & business knowhow for micro businesses 7. SMEs rely on their own expertise rather than receiving supports from the government 8. Lack of investment supports
Opportunity	**Threats**
1. Strong opportunity for regional integrations with the Greater Mekong Subregion & ASEAN 2. Geographical location provides great opportunity for SME to expand its market in Asia-Pacific 3. Increased visitor arrivals by 11% in 2018 and growth in the sector 4. Enhanced travel networks and reduction of air travel cost contribute to tourism growth in the region 5. Regional development in health & wellness tourism helped to improve destination branding	1. Intensifying competition in the region and the global context 2. Gaps in SME competitiveness within CLMV and ASEAN region 3. Lack of competency to catch up with new technology 4. Effects from global environmental threats pose great risk to the health & wellness tourism sector 5. Negative effects from political instability and possibility of civil unrest & demonstrations 6. High safety risk in the southern provinces of Yala, Pattani, Narathiwat & Songkhla due to attacks and bombings

6. Increase global market demands in the health & wellness tourism open new growth opportunity	7. Severe storms, seasonal flooding and pollution limit travel needs

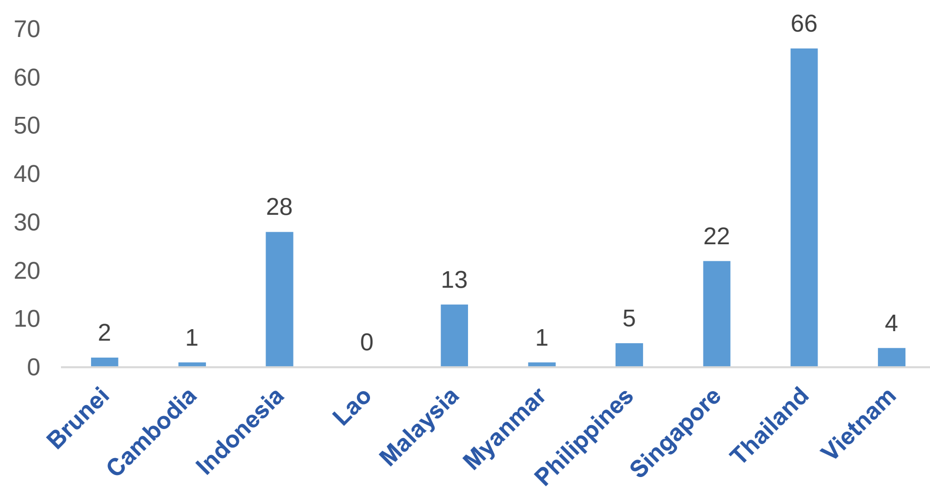
Source: Compiled by Kenan Foundation Asia (2019)

1) Strengths

Thailand is located in the middle of Southeast Asia. In addition, it is a logistics and transportation hub. This is one of the advantages of Thailand and makes Thailand a major destination and transit country for tourists from around the world. In addition, Thailand has many natural resources, including mountains, forests, rivers, and coastal areas. The tourist attractions in Thailand are suitable for all forms of tourism. The warm climate is suitable for the tourists from Western countries. Thailand has also long been acknowledged in terms of local hospitality.

Thailand has 66 JCI-accredited hospitals. Of these, 42 hospitals are located in Bangkok Metropolitan areas. Thailand has the highest number JCI-accredited hospitals in ASEAN, followed by Indonesia and Singapore, which have 28 hospitals and 22 JCI-accredited hospitals, respectively. The quality standards as well as professionalism of medical practitioners create trust in tourists (Figure 38).

Figure 38: Number of JCI hospital in ASEAN 2019, classified by country



Source: JCI (2019)

The study further found out that price advantage is one of the strengths of Thai health and wellness industry. Compared to other countries, such as Singapore, and Malaysia, Thailand is competitive, with lower prices but high quality. Figure 12 shows a comparison of medical treatment costs. According to the figure, the medical treatment in Thailand is the cheapest among the USA, India, and Singapore.

Figure 39: Comparison medical treatment costs

Procedure :	USA	India	Thailand	Singapore
Coronary Angioplasty	28,200 $	5,700 $	**4,200 $**	13,400 $
Heart Bypass	123,000 $	7,900 $	**15,000 $**	17,200 $
Hip Replacement	40,364 $	7,200 $	**17,000 $**	12,000 $
Gastric Bypass	25,000 $	7,000 $	**16,800 $**	13,700 $
Hysterectomy	15,400 $	3,200 $	**3,650 $**	10,400 $
Lasik (2 eyes)	4,000 $	1,000 $	**2,310 $**	3,800 $
Dental Implant	2,500 $	900 $	**1,720 $**	2,700 $
Breast Implant	6,400 $	3,000 $	**3,500 $**	8,400 $

Source: Krungsri (2017)

Thailand also has policies to promote Thailand as a 'medical hub,' which have run since 2003 and led to the steady growth of medical tourism in the country. In many Thai private hospitals, the quality of service and the efficiency of the treatments match global requirements. At the same time, when compared to other countries which offer equivalent levels of care, the cost of care in Thailand is relatively low. Thailand also benefits as a medical hub from its many natural attractions, making it a suitable place for those recuperating from illness or treatments, and from the large numbers of non-Thais already in the country to invest and to work. Another boon for the health sector in Thailand is the visa policy for medical tourists. Medical tourists can apply for a "Visa for Medical Treatment" in order to get medical treatment in Thailand.

2) *Weakness*

Political stability is an important factor influencing the competitiveness in health tourism in Thailand. During the past decades, Thailand has seen two coups d'état. The political instability affects investment and the trust not only among the investors, but tourists as well.

Stringent requirements could be barriers for foreign practitioners to be registered in Thailand. Foreign practitioners need to have Thailand competency before applying for certification. Another limitation is a lack of English language competency. Thus, Thailand needs to improve language skills for works to facilitate communication with foreign tourists.

Most SMEs in Thailand still lack financial support from the government. Since the majority of businesses in wellness tourism are small and medium enterprises, the government should consider financial assistance to stimulate development.

3) *Opportunity*

ASEAN integration affected the free flow of international migration and economic development. The collaboration among the ASEAN states will lead to the inclusive development. In terms of geographical location, as mentioned above, Thailand is located strategically, which provides the opportunities for Thai SMEs to expand their markets in the ASEAN region.

The global trend focusing on health and aging is pushing people in search of healthcare services and methods that can improve their health conditions. Steadily aging populations both domestically and internationally create greater demand for modern and high-tech medical services. The growing demand of the middle class population provides an opportunity for the growth of health tourism in Thailand as people will have the capability to spend more on healthcare services.

The travelling cost and the regional development in health tourism are also helpful in improving destination branding.

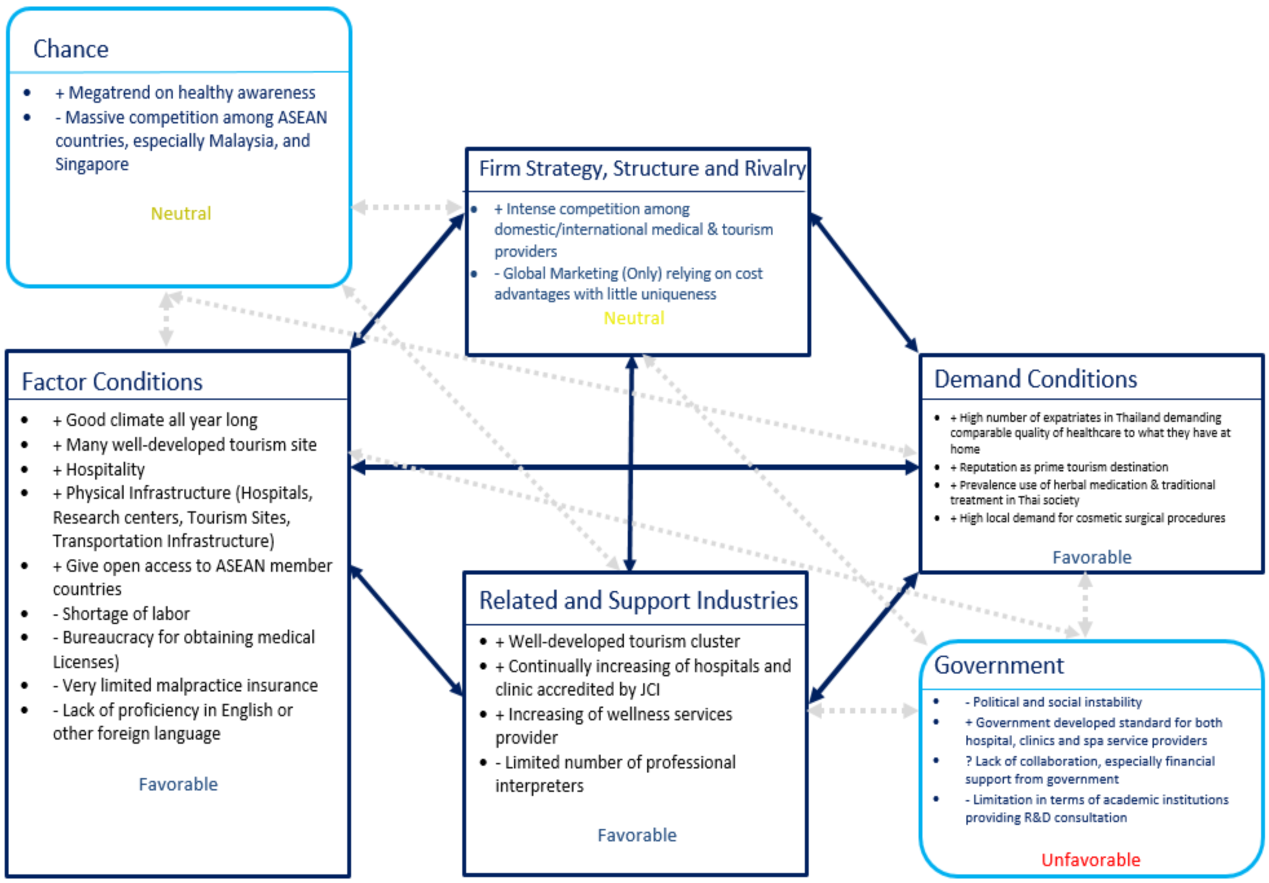
4) *Threats*

While there are many opportunities for Thailand to grow in health tourism, there are many challenges and threats that may affect the competitiveness of the sector. There is intensifying competition in the region and the global context, especially among Thailand, Malaysia, Singapore, and India. The gaps in SME competitiveness within CLMV and ASEAN region affect the capability of the SMEs to develop their businesses and quality standards. The lack of financial assistance and the limitation of financial resources make it difficult to keep pace with new technology. Global environmental threats pose a risk to the health and wellness tourism sector. There can also be nnegative effects from political instability and the possibility of civil unrest and demonstrations. The unrest in the southernmost of Thailand is one of key threats that affects the competitiveness of Thailand.

4.6 Diamond Analysis

Thailand's medical tourism cluster diamond as shown in Figure 14 outlines the advantages and
challenges faced by the country.

Figure 40: Diamond analysis on health tourism in Thailand



Source: Kenan Foundation Asia (2019)

With a large number of expatriate patients demanding high quality medical service and a long history of high demand for sophisticated plastic surgery from the domestic market, demand conditions are quite strong. Factor conditions are good with a clear commitment by the government to enhance its position as a tourist destination by combining it with the government's Universal Health Plan to provide the necessary infrastructure for the medical tourism cluster to thrive. Similarly, medical tourism enables Thailand to diversify out of its existing strengths in related and supporting industries. In the context of firm strategy and rivalry, Thailand has intense domestic and international competition which pushes current players to maintain and upgrade their services.

1) Factor Condition

As described earlier, Thailand has been assembling various factor inputs necessary for a thriving medical tourism cluster. These pieces can be broadly classified as (i) suitable infrastructure; (ii) nice environment, people and culture; and (iii) government's key policy.

2) Infrastructure

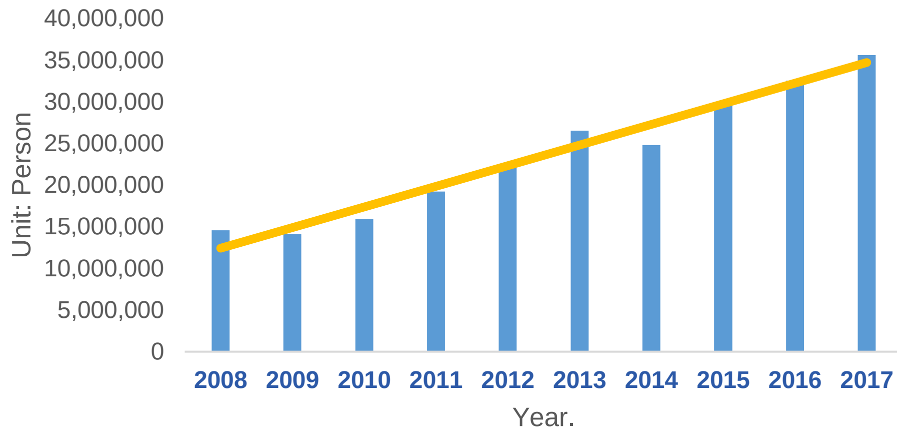
Thailand has 12 medical schools which can produce approximately 1,000 doctors per year.[204] The country now has 1,345 hospitals nationwide. In Bangkok there are 53 public hospitals[205] and there are 23 private hospitals, 7 plastic surgery clinics, 7 dermatologists, 6 vision LASIK clinics, and 4 dental clinics that are advertised to offer medical tourism. In Phuket, there are 7 private hospitals, 2 plastic surgery clinics, and 7 dental clinics providing medical tourism services.[206] Public hospitals are not involved in medical tourism.

3) Demand Conditions

There are four key sources of demand for medical tourism in Thailand. (i) Due to its high number of expatriates mostly living in Bangkok, and over 10 million tourists arriving per year (24.80 million in 2014, 29.92million in 2015, 32.52 million in 2016, and 35.59 million in 2017)[207], Thailand has to provide comparable quality of healthcare to what those expatriates and tourists have at their home countries. (ii) Thailand has strong local demand for cosmetic surgical procedures. (iii) In Thai society, there is a prevalent use of herbal medicine and traditional treatment. (iv) Thailand has a reputation as a prime tourism destination.

[204] Directory of Medical School in Thailand <www.iime.org/database/asia/thailand.htm>
[205] Thailand in Brief <www.prd.go.th/ebook/inbrief/society/society_05.html>
[206] Medical Holiday: Thailand Hotdeal.com <www.thailandhotdeal.com/index.cmf?menuid=275>
[207] National Statistical Office (2017). Foreign tourist's arrival in Thailand

Figure 41: Trend of foreign tourists in Thailand during 2008 – 2017



Source: Kenan Foundation Asia (2019)

4) Related and Supporting Industries

Well-developed tourism clusters include related and supporting industries. After medical treatment, often surgery, patients usually are arranged to stay in 5-star hotels or villas, go shopping and tour during the recovery period. However, there is not yet an institution for collaboration between hospitals and tourism.

5) Context for Firm's Strategy, Structure and Rivalry

There is intense competition among domestic and international medical and tourism providers. In Asia, Malaysia, Singapore and India are the major competitors. If Thailand's value proposition is limited to a pure cost advantage without any unique strength or value added, those three countries will capture Thailand's market share in the near future.

Table 18: Porter's framework for health tourism in Vietnam

Porter's Determinants	Score	Remark and Status
Factor Conditions		
Natural Resources and climate	5	Thailand is well known in the enrichment of natural resources and good climate.
Human resources	4	People have limitation in terms of English competency. However, in terms of development manpower to serve health tourism, the study found out that Thailand has high capability in terms of human resources development, especially medical practitioners. In addition, Thailand has hospitality and friendly.
Infrastructure	4	Thailand is located in the middle of Southeast Asia. It can connect with all transportation system. In Competitiveness Index 2018, the country was at 60th rank of 140 countries.
Financial resources	3	Finance is still the limitation for small and medium enterprises in Thailand.
Average Score	***4.00***	
Demand Conditions		
Increasing of international migrants (especially expatriates) in Thailand	4	The economic development and the investment promotion policy causes the increase of expatriates in Thailand. It causes the increase of demand for medical treatment and health care services.
Global trend	4	The global trend and megatrend, which points to aging society, cause people in search of healthcare service. There is a greater demand for medical treatment in order to help them healthy.
Increase of middle class populations	4	The increase of middle class effecting the capability in buying services and products.
Average Score	***4.00***	

Porter's Determinants	Score	Remark and Status
Firms Strategy and Structure		
Intensifying competition	5	Our main competitors comprise of Singapore, Malaysia, Indonesia, and Philippines.
Global marketing relying on cost effectiveness	2	Sometimes it will be difficult when the businesses need to do the marketing with high-end market.
Average Score	***3.50***	
Related Supporting Industry		
Well-developed tourism cluster	5	There is the government policy focusing on the development of health tourism. This policy is 10 years' policy. In addition, the government also have an implementation to development the standard to apply with the wellness business in Thailand.
Collaboration among stakeholders	3	There is still limited collaboration among the stakeholders.
Average Score	***4.00***	

Remark: Code: (1 – highly unfavorable, 2—unfavorable, 3—neutral, 4—favorable, 5 – highly favorable)
Source: Kenan Foundation Asia (2019)

4.7 Problems Identified

The World Bank paper mentioned four major impediments hindering future growth of health tourism.[208] First, the insurers' concern about the quality of overseas providers and malpractice law, which may lead to an increased cost to the insurers if the treatment worsens the patient's health problems rather than correcting them. Second, insurers may face high costs of monitoring care received overseas. Third, public health care schemes, such as Medicare and Medicaid, do not usually allow patients to undergo medical procedures abroad under the Social Security Act. Finally, there is no strong incentive to cover services abroad in a highly oligopolistic insurance market. These issues will be hurdles hindering the future expansion of the medical tourism market. Specifically, for Thailand, the country is facing several key challenges:

[208] Mattoo, A. & Rathindran, R. (2005). Does Health Insurance Impede Trade in Health Care Services?

1) Sustainability Issues

Can the medical tourism cluster have sustainable growth? It depends on the medical resources that individual nation has available. Table 23 shows medical resource distribution in different Asian countries. The Philippines, India, and Thailand all have a serious shortage of medical professionals, compared to Japan, Singapore, and Taiwan. If these countries fail to meet the demand of their populations for quality healthcare services, they will face serious social and political challenges. Their citizens will question why the best doctors, best medical devices, and best services are given to foreigners instead of nationals. To increase the supply of medical professionals and narrow the gap between supply and demand, these countries have to lift nationalistic bans that prevent foreign practitioners from obtaining licenses to practice. They need to attract more people to work there, especially with competition intensifying among domestic and international medical and tourism providers.

Table 19: Ratio of medical care resources to population in 2017

Country	Population	No. of Doctor	No. of Nurse	No. of Hospital	Per Doctor	Per Nurse	Per Hospital
China	1,397,028,553	2,508,408	3,241,469	31,056	557	431	44,984
Taiwan	23,485,755	51,234	130,785	485	458	180	48,424
Japan	127,974,958	217,752	806,884	8,442	588	159	15,159
India	1,309,053,980	819,475	630,406	23,582	1,597	2,077	55,511
Malaysia	30,723,155	50,087	102,564	331	613	300	92,819
Philippines	101,716,359	2,838	4,576	721	35,841	22,228	141,077
Singapore	5,535,262	13,386	41,440	27	414	134	205,010
Thailand	68,657,600	50,000	158,000	1,323	1,373	435	51,895

Source: 1. United Nations (2017) World Population Prospects 2017
2. http://www.stats.gov.cn/tjsj/ndsj/2017/html/EN2202.jpg
3. https://www.statista.com/statistics/279322/number-of-hospitals-in-china/
4. https://www.pwc.tw/en/publications/assets/taiwan-health-industries.pdf
5. https://www.who.int/hrh/resources/16058health_workforce_India.pdf
6. http://www.moh.gov.my/images/gallery/publications/HEALTH%20FACTS%202017.pdf
7. https://www.doh.gov.ph/sites/default/files/basic-page/chapter-one.pdf
8. https://www.moh.gov.sg/resources-statistics/singapore-health-facts/health-manpower
9. https://www.moh.gov.sg/resources-statistics/singapore-health-facts/health-facilities
10. https://www.mhlw.go.jp/english/database/db-hh/2-2.html
11. https://www.nurse.or.jp/home/statistics/pdf/toukei02.pdf
12. Data by Medical Institution Management Support Division, Health Policy Bureau, MHLW
13. National Statistical Office (2017) Private Hospital Survey
14. Thai Health Coding Center (2016)

2) *Operational Issues*

There is still little attention paid by the hospitals to this cluster. At the moment, almost all hospitals use their marketing division to handle medical tourism requests and don't have a dedicated division to handle its medical tourism business. Not having a dedicated contact person to coordinate and an executive to make pricing decisions on medical costs makes it difficult for potential patients, who do not speak Thai and live in different countries, to establish contact and perform follow up inquiries. Long turnaround times to respond to inquiries, a lack of transparency to the patients, difficulty in communication and inefficient processing of administrative tasks are problems that stifle the growth of this cluster.

3) *Insurance Package Issue*

Medical services carry high risk, as they may impact life and wellbeing. When this service is provided by a foreign practitioner in a foreign country, usually the perceived risk is even greater. This is one concern that could negatively impact the growth of medical tourism because there aren't any sophisticated cross-county insurance packages available, which could protect the interests of both patients and doctors.

4) *Lack of Connection between Health Care Providers and Tourism Operators*

Thai medical tourism lacks connections between health care providers and tourism operators and faces a shortage of healthcare providers in some areas. The analysis of business gaps reveals that entrepreneurs in all regions of Thailand have the potential to support today's wellness tourism. However, some health service such as Eco-Spa, Ashrams and Healthy Hotel are not available in all regions. Healthcare providers in the central region have less potential for mental and spiritual care.

4.8 Summary

1) Thailand' s health industry can be categorized into medical tourism and wellness tourism, which include spa, massage, and other alternative medicine.

2) Thailand health segmentation can classified into tourists, expatriates, and medical tourists. Medical tourists come primarily for their health and to receive treatment.

3) Thailand has been acknowledged as a medical hub of ASEAN since 1997. The government has initiated the first five-year development plan on health hub in 2004. At the present, the government has developed a 10-year development plan on health tourism.

4) Compared to other countries, Thailand has many advantages, including location. In addition, the natural resources and climate are also suitable for tourism. Thailand also has capable human resources, especially medical practitioners. Traditional medicine, especially Thai massages and traditional herbal medicine, is also one of the advantages of Thailand to development its health tourism industry.

5) In terms of quality standards, Thailand has the highest number of JCI-accredited hospitals of ASEAN countries. In wellness tourism, the Ministry of Public Health develops their own quality standards to be the guidelines for the industry.

6) Thailand lacks collaboration among stakeholders, especially the government and private sector. To enhance the capability of Thai business in the health industry, the government and all stakeholders need to establish collaboration among. In addition, there must be a mechanism to help drive the development of this industry.

7) The intensifying competition within the regional market and international market is one of the key challenges factor. Thailand should consider the enhancement of business through high technology, innovation in health tourism sector, and improving the quality standards of businesses.

4.9 A Case Study from Thailand: Divana Spa

In 2001, the Divana Spa was established in Bangkok by Khun Tee and Khun Tong. They were indecisive about the type of business that wanted to run. They did a research on the consumption behavior of foreign tourists in Thailand. Their research showed that food, beach, shopping, and massage are the most popular type of businesses for foreigner vsiiting Thailand. They decided to open a spa in the center area of Bangkok.

Divana is the name of Brunei's princess and also name after the Goddess of Love, which represent service with love to the customers. Divana offers various types of spa treatments from different branches in Bangkok and Phuket. The services include massage therapy, spa treatment, and facial treatments. Furthermore, Divana provides medical service and skincare products for anti-aging under the brand of Divana Clinic and Dii Wellness Spa. The medical service includes homeopathy, bio cellular therapy, anti-aging, supplements and oriental medicine.

Today, Divana has six branches of spa, two medical spas, and four tea shops in the outlet and department store in Bangkok. Ninety percent of the customers are foreigner, with the various type of customer including public figures from Hollywood. Divana has earned spa awards nationally and internationally.

1) Challenge & Initiative

Divana is considered a leading spa business in Thailand with a five-star-service and positive feedback from customers. However, as Thailand ages, Divana's founder is focusing more attention to serve pre-seniors and seniors in Thailand as a part of the company's strategic plan. Divana's founder stated that *"In the future, as the medical technology will be improved rapidly, people will have a longevity life and there will be less sickness."* The company, therefore, need to keep pace with wellness trends by developing innovative ideas to serve the market. Thailand has strong traditions of oriental medicine and Divana applies Thai oriental medicine practices in its spa treatment programs. Divana always focuses on innovation and new ideas when developing products.

2) Interview Findings

In the interview, the Divana founders provided several keys points and reasons for success: including a repeat business model, applying Swiss standards of service, and change employee perceptions.

Repeat business model – Although the program at Divana might be costly in comparison with other spas in Bangkok, the customers still choose Divana as their first choice of service. The founder explained that Divana always listens to customer complaints or evaluations after the service and make immediate adjustments. This builds trust with the customer and encourages repeat visits.

Swiss Standard Service – Divana's founders lived and worked in Switzerland, where they were inspired. They have use a mindset of a high "Swiss Standard" from the famous Swiss wristwatches, which combines the ideas of high quality, royalty, and luxury. They adopted his idea in the business. The first-class-service is the strength of Divana and produces satisfied customers. This brings in more customers through word of mouth advertising.

Employee perception – the founder believes that *"the happiness of the employee will lead to the happiness of customers."* Divana therefore treats employee with high standards. They push the perception of all employees from employee to owner to create a sense of ownership in the work and inspire high levels of performance.

5. Vietnam

5.1 Introduction: Overall Scenario

Vietnam is one of the fastest growing tourism destinations in Southeast Asia with its outstanding geographical location, rich cultural heritage, and abundant natural resources (Vietnam Tourism, 2019[209]). In 2018, international arrivals to Vietnam reached 15.5 million, increased by 2.7 million from 2017 (Vietnam Briefing, 2019[210]). As reported by UNWTO, Vietnam has recorded the strongest growth in international tourist arrivals in 2017 compared to other countries in South-East Asia owing to the improvement of air travel and visa exemption programs (UNWTO, 2018[211]).

The Global Wellness Institute (2017) identified that the demand for health tourism products and services in Vietnam is showing a robust growth.[212] The ATF report (2017) stated that there are more hotels, spa centres, medical centres and wellness establishments as a consequence of strong tourism development and the improvement of regional economic stability in ASEAN.[213] The International Medical Travel Journal (IMTJ) reported that Vietnam received around 80,000 international medical tourism travellers in 2017 with around US$2 billion spending in health check and treatment.[214] In 2018, the Ho Chi Minh City's Tourism Department and Health Department began cooperation to advance medical tourism services. This included promoting its medical and health tourism services as offering high quality standards at reasonable prices. Vietnam has gained an increasing number of international medical travellers who use medical services at international healthcare centres and top hospitals. It is reported that there are 11 hospitals in Ho Chi Minh City alone that have registered to provide medical tourism services in 2018.[215]

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[209] Vietnam Tourism. (2019). *Vietnam Tourism.* Retrieved from http://www.vietnamtourism.com/en/index.php/tourism

[210] Vietnam Briefing. (2019). Vietnam's tourism industry continues its growth in 2018. Retrieved from https://www.vietnam-briefing.com/news/vietnams-tourism-industry-continues-growth-2018.html/

[211] UNWTO. (2018). *Tourism Highlights 2018 Edition.* Retrieved from https://www.e-unwto.org/doi/pdf/10.18111/9789284419876

[212] Global Wellness Institute. (2017). *Global Wellness Economy Monitor.* Retrieved from https://static1.squarespace.com/static/54306a8ee4b07ea66ea32cc0/t/58862a472994ca37b8416c61/1485187660666/GWI_WellnessEconomyMonitor2017_FINALweb.pdf

[213] ATF. (2017). *Potential opportunities in wellness tourism*. Retrieved from http://www.atf-2015.com/potential-opportunities-in-wellness-tourism/

[214] IMTJ. (2018). *80,000 Tourists come to Vietnam for health checks and treatment*. Retrieved from https://www.imtj.com/news/80000-tourists-come-vietnam-health-checks-and-treatment/

[215] Dung, T. (2018). *Ho Chi Minh City develops medical tourism*. Retrieved from http://vovworld.vn/en-US/saturday-report/ho-chi-minh-city-develops-medical-tourism-638236.vov

In the spa and wellness tourism sector, Vietnam has grown in popularity amongst international visitors for professional massage services, herbal and wellness therapies, mindfulness and holistic health, as well as rejuvenation and relaxation services in recent years. Although the health and wellness tourism industry in Vietnam is considered fairly new and still emerging progressively comparing to other industry leaders in the ASEAN region such as Thailand, Singapore, Philippines and Malaysia, Vietnam has various types of spa offerings ranging from day spa, massage centres, destination spas, traditional health centres, and luxury wellness resorts/hotels. The cities where health and wellness tourism can be identified include Da Nang, Nha Trang, Ho Chi Minh City, Hanoi, Hoi An, Da Lat, and Ha Long Bay in Quang Ninh province.[216]

Even though Vietnam is at an early stage of health and wellness tourism growth, the country shows a fast growth in terms of development. In 2017, Global Wellness Economy Monitor stated that there were 2.3 million (17% of foreign tourists) visiting Vietnam for health and wellness purposes. The average growth rate of this sector accounted for 25.3%.[217] In addition, Vietnam was ranked 9th in wellness tourism markets in the Asia-Pacific region.[218]

As the tourism law is being reviewed for amendment, the tourism industry received confirmed interest and support from the country's highest political level to realize the country's Tourism Strategy to 2020 with a vision to 2030. According to the Strategy, the tourism sector will spearhead the economic sector and have good professionalism and a relatively synchronous and modern infrastructure system; tourist products will achieve high quality and diversification, obtain good brand and distinctive national cultural identity as well as good competitiveness in comparison with the world and the region by 2020.[219] The Strategy also affirms that Vietnam will strive to become a tourism developed country by 2030 with key focuses on infrastructure improvements and the diversification of tourism products.

Taking into account these tourism developments, the Ministry of Health in Vietnam sees substantial growth opportunities in the Vietnamese medical tourism sector and has reported that foreign currency earnings in relation to medical tourism in 2014 accounted for approximately US$1 billion with Cho Ray Hospital recording almost 1,200 foreign medical travelers and the HCM City Medical University

216 Vietnam Travel. (2019). *Wellness.* Retrieved from https://vietnam.travel/things-to-do/wellness
217 Global Wellness Institute (2017). Global Wellness Economy Monitor - January 2017
218 Regional level, herein, means the Asia and Pacific region
219 Mekong Tourism. (2016). *Vietnam Tourism 10-Year Plan to 2030 By 2020.* Retrieved from https://www.mekongtourism.org/vietnam-tourism-10-year-plan-2030/

Hospital receiving around 19,000 foreign medical travelers. The majority of medical tourism visitors came from the USA, Australia, the Republic of Korea, Russia and Japan (Vietnam Tourism, 2015).[220]

5.2 Definition of Cluster

5.2.1 Defining the Service

1) Medical Tourism

In defining services of health and wellness tourism, the study found that over the past few years, medical tourism has brought about economic benefit to Vietnam. Even though most local people seek medical treatment in foreign countries, such as Thailand or Singapore, the medical tourism sector brought in US$ 2 billion from foreign patients.[221] The most concentrated area of medical tourism in Vietnam is Ho Chi Minh City. Major medical tourism hospital providers are Cho Ray hospital, Nhan Dan (People) 115 hospital, Ho Chi Minh City University Medical Centre and FV hospital. In 2016, Cho Ray hospital treated almost 1,200 foreign patients, including those from countries with developed medicine such as the US, Australia, the Republic of Korea and Japan.[222] The University Medical Centre serves around 1,000 patients from Europe and the US and around 18,000 from Cambodia per year; meanwhile, the FV hospital welcomes over 20,000 patients from Laos, Myanmar, Cambodia, the US and Africa per year. Vietnam is famous for two key strengths: infertility treatment by artificial insemination with high success rates and high quality, cheap cosmetic and dental services. The Department of Tourism and Department of Health in Ho Chi Minh City have released bilingual medical tourism guidebooks which outline core medical tourism services and advance treatments including organ transplant, robotic surgery, cardiovascular surgery, obstetric, and dentistry.[223]

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[220] Vietnam Tourism. (2015). *More foreigners come for medical tourism.* Retrieved from http://vietnamtourism.gov.vn/english/index.php/items/8172

[221] IMTJ. (2018). *80,000 Tourists come to Vietnam for health checks and treatment*. Retrieved from https://www.imtj.com/news/80000-tourists-come-vietnam-health-checks-and-treatment/

[222] http://en.nhandan.com.vn/society/health/item/7155602-hcm-city-hospital-carries-out-first-robotically-assisted-brain-surgery.html?PageSpeed=noscript

[223] Vietnam Tourism. (2018). *HCM City medical tourism guide released*. Retrieved from http://vietnamtourism.gov.vn/english/index.php/items/12834

2) Alternative Medicine

Vietnam is also well-known for traditional medicine, acupuncture in particular. The National Hospital of Acupuncture can inexpensively cure 53 pathologies. As many as 135 countries around the world apply acupuncture techniques for medical treatment and Vietnam stands in second position among the five countries with the highest achievements in acupuncture. In recent years, there have been many tours for medical examination and treatment by acupuncture and qi gong.[224] Vietnam's competitiveness in health tourism can be distinguished by its unique medicinal plants, with an estimate of 12,000 high-value plants and about 3,780 plants that have medicinal properties, accounting for around 11 percent of the world's medicinal plants (International Trade Centre, 2016).[225]

3) Spa and Wellness Tourism

For wellness tourism, Vietnam is famous for thermal and mineral springs. Global Wellness Institute (2017) reported that Vietnam was ranked at 9th in the top ten of the wellness tourism markets in Asia-Pacific generating US$2,887.3 million in 2015 and earning US$12.7 million in revenues in the thermal/mineral springs sector.[226] The report pointed out that there were 18 establishments based around thermal and mineral springs in Vietnam. The concentration areas of thermal and mineral springs are Tam Dao, Kim Boi, Ba Na, Da Lat and Sapa.

Despite the fact that spa tourism is still a relatively small market, it is one of the fastest growing sectors. According to the Vietnamese Chamber of Commerce Institute (VCCI), it is one of six key sectors of Vietnam's economy. According to Gordon and Chitakasem (2011)[227], hotel and resort spas are completed at multiple coastal and cultural destinations, particularly in Nha Trang and Hue such as the Sheraton Nha Trang Hotel and Spa[228] and Alba Wellness Valley[229]. The growing trend in the health and wellness sector is a result of the current global trend in

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[224] http://en.nhandan.com.vn/society/health/item/7155602-hcm-city-hospital-carries-out-first-robotically-assisted-brain-surgery.html?PageSpeed=noscript

[225] International Trade Centre. (2016). *3,780 Vietnamese medicinal plant species.* Retrieved from http://www.intracen.org/blog/3780-Vietnamese-medicinal-plant-species/

[226] Global Wellness Institute. (2017). *Global Wellness Economy Monitor.* Retrieved from https://static1.squarespace.com/static/54306a8ee4b07ea66ea32cc0/t/58862a472994ca37b8416c61/1485187660666/GWI_WellnessEconomyMonitor2017_FINALweb.pdf

[227] Gordon, L. & Chitakasem, P. (2011). *Spa Tourism is big business in Asia Pacific. Retrieved* from https://blog.euromonitor.com/spa-tourism-is-big-business-in-asia-pacific/

[228] Marriott. (2019). *Shine Spa for Sheraton.* Retrieved from https://www.marriott.com/hotels/hotel-information/fitness-spa-services/details/nhasi-sheraton-nha-trang-hotel-and-spa/6034284/

[229] Alba Wellness Valley. (2019). *About us.* Retrieved from https://albawellnessvalley.com/about-us-2/

awareness about healthy and alternative treatment. In addition, there has been an increase of foreign tourist arrivals for health tours.

Figure 42: Top ten wellness tourism markets in Asia Pacific, 2015

	Number of Trips (millions)	Receipts/Expenditures (US$ millions)
China	48.2	$29,465.4
Japan	37.8	$19,837.4
India	38.6	$11,782.4
Thailand	9.7	$9,417.2
Australia	8.5	$8,159.2
South Korea	18.0	$6,831.9
Indonesia	5.6	$5,334.3
Malaysia	5.0	$3,118.9
Vietnam	6.4	$2,887.3
Hong Kong	1.8	$2,309.0

Source: Global Wellness Institute (2017)

Figure 43: Top thermal/ mineral spring markets in Asia Pacific, 2015

	Number of Establishments	Revenues (US$ millions)
China	2,200	$15,721.6
Japan	17,328	$12,493.4
South Korea	96	$293.2
Taiwan	125	$291.3
New Zealand	117	$261.9
Australia	23	$54.2
Philippines	58	$41.0
Thailand	47	$15.3
Vietnam	24	$12.7
Malaysia	25	$11.9

Source: Global Wellness Institute (2017) [230]

[230] Global Wellness Institute. (2017). *Global Wellness Economy Monitor.* Retrieved from https://static1.squarespace.com/static/54306a8ee4b07ea66ea32cc0/t/58862a472994ca37b8416c61/1485187660666/GWI_WellnessEconomyMonitor2017_FINALweb.pdf

5.2.2 Geographical Location

Ranked as the 16th most biodiversity-rich country in the world, Vietnam has over 42,900 species including indigenous plants, medicinal plants, and herbs coupled with a wealth of traditional knowledge in oriental medicine and treatments (United Nations, 2016).[231] The emerging health tourism establishments in Vietnam are located primarily in Ho Chi Minh City, Hanoi, Danang, Dalat, Nga Trang, and the coastal areas[232]. The map below shows the concentration area of health and wellness service providers. Table 10 shows the destination of health and wellness tourism in Vietnam.

Table 20: Destination of health tourism in Vietnam

Destinations	Medical Tourism	Wellness Tourism	Spa Tourism	Alternative Health Services
Ho Chi Mihn City	✓	✓	✓	✓
Hanoi		✓	✓	✓
Dalat			✓	
Nha Trang		✓	✓	
Hue			✓	
Tam Dao		✓	✓	
Kim Boi		✓	✓	
Ba Na		✓	✓	
Sapa			✓	
Quang Nihn				✓
Hoi An			✓	

Remark: Spa Tourism refers to spa, massage, thermal and hot springs
Medical tourism refers to medical check- ups and medical treatment
Alternative health refers to acupuncture, traditional herbal medical treatment

Source: Kenan Foundation Asia (2019)

Ho Chi Minh City primarily focuses on both medical tourism and wellness tourism. For the government, the city has strong potential in the health tourism sector as investment from foreign countries is concentrated there. In addition, the

[231] United Nations. (2016). *The interface between access and benefit-sharing rules and biotrade in Vietnam.* United Nations Conference On Trade and Development. Retrieved from https://unctad.org/en/PublicationsLibrary/webditcted2016d9_en.pdf
[232] Vietnam Travel. (2019). *Wellness.* Retrieved from https://vietnam.travel/things-to-do/wellness

city is quickly developing, especially in terms of infrastructure improvement. Recently, there is an official collaboration between the city and an investor from South Korea to establish a plastic surgery hospital. In addition, there is an influx of foreigners who come to the country as foreign tourists and expats to work in the city. Coastal areas, such as Da Nang, Dalat, Quang Ngai, and Nga Trang, will focus on wellness tourism, especially spa, and thermal and hot springs.

Figure 44: Geographical map of medical tourism in Vietnam

Remarks: Yellow represents Medical Tourism, Green represents Wellness Tourism

Source: Kenan Foundation Asia (2019)

5.2.3 Market Size, Employment, Segmentation

1) Market Size

Vietnam is currently ranked as the 5th of the top 25 growth nations in wellness tourism with an annual percentage growth rate of 22.8 percent.[233] In addition, Vietnam's national development in medical tourism shows strong growth in 2018. Although there is no detailed market size data in medical and wellness tourism in Vietnam, factors stimulating the overall market growth of medical tourism can be identified as the following:

- New interests and trends on medical tourism investment with 11 hospitals that have registered to provide medical tourism services[234]
- Enhanced government policies and marketing supports specific to medical tourism including a recently-released medical tourism guide for Ho Chi Minh City[235]
- Increased medical tourism by international visitors with around 30,000 to 40,000 foreigners recorded as visiting Ho Chi Minh City for medical treatments. A s a result, public-private partnership (PPP) are urging multiple experimental investments to expand medical facilities, equipment, and the quality of healthcare.[236]
- Dominant foreign investors are setting up healthcare operations in Vietnam to compete in healthcare tourism, including key industry players from Thailand, Indonesia, Malaysia, Singapore, India and Canada.[237]

Despite the fact that a recent report by Mordor Intelligence indicates a low growth rate within the region, the overall market size of health tourism in Vietnam is moderately competitive (Mordor Intelligence, 2018).[238]

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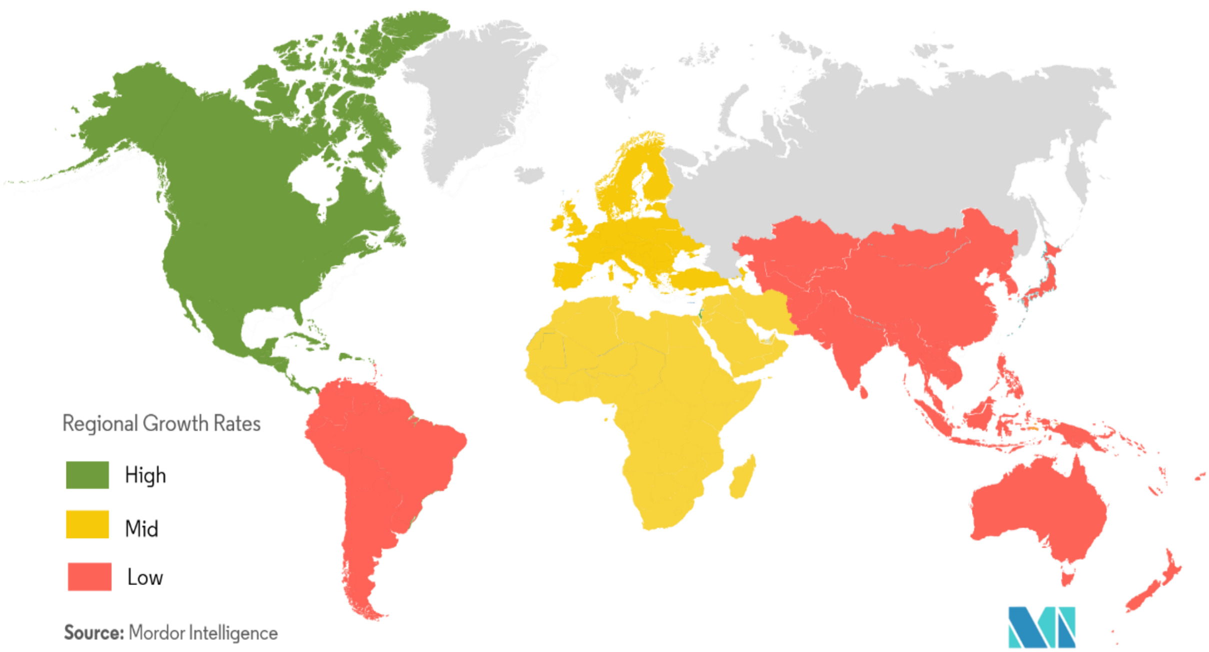
233 HR Trends. (2018). *Wellness Tourism sees super-healthy growth – Now a $639 billion market*. Retrieved from https://www.htrends.com/trends-detail-sid-102514.html
234 Dung, T. (2018). *Ho Chi Minh City develops medical tourism*. Retrieved from http://vovworld.vn/en-US/saturday-report/ho-chi-minh-city-develops-medical-tourism-638236.vov
235 Vietnam Tourism. (2018). *HCM City medical tourism guide released*. Retrieved from http://vietnamtourism.gov.vn/english/index.php/items/12834
236 Vietnam Investment Review. (2018). *Ho Chi Minh City calls for investment to 14 PPP medical projects*. Retrieved from https://www.vir.com.vn/ho-chi-minh-city-calls-for-investment-to-14-ppp-medical-projects-60509.html
237 Austrade. (2019). *Healthcare to Vietnam.* Retrieved from https://www.austrade.gov.au/Australian/Export/Export-markets/Countries/Vietnam/Industries/healthcare
238 Mordor Intelligence. (2018). *Medical Tourism Market – Growth, Trends, and Forecast (2019-2024).* Retrieved from https://www.mordorintelligence.com/industry-reports/medical-tourism-market

The development of medical and wellness tourism markets has resulted in the enhancement of healthcare quality standards nationally, and Vietnam outperforms most of its South-East Asian counterparts on indicators like life expectancy or adult mortality and infant mortality. Vietnam's overall performance on these indicators is comparable to Thailand and superior to Indonesia, despite these countries having respectively almost three and two times higher levels of disposable income per capita.

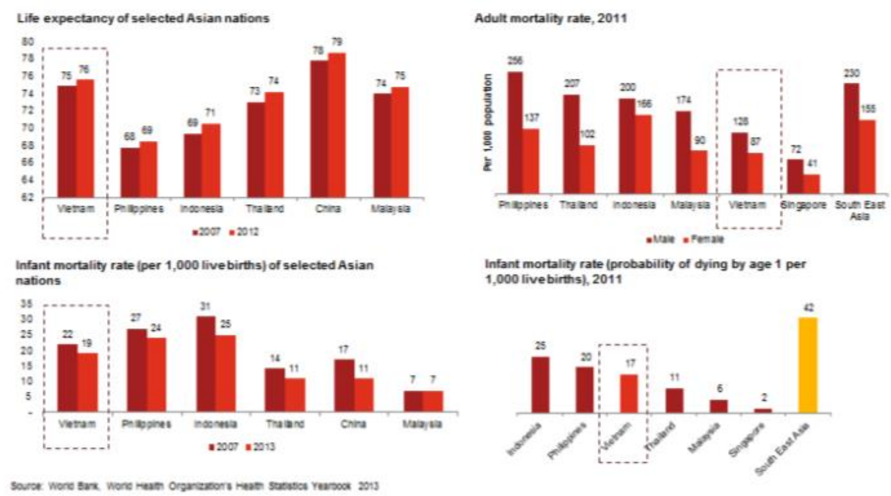
Figure 45: Medical tourism market growth rate by region (2018)



Source: Mordor Intelligence, 2018[239]

[239] Mordor Intelligence. (2018). *Medical Tourism Market – Growth, Trends, and Forecast (2019-2024).* Retrieved from https://www.mordorintelligence.com/industry-reports/medical-tourism-market

Figure 46: Demographic change



Source: World Bank (2013). World Health Organization Statistical Yearbook 2013[240]

Such statistics are partially explained by a historically dense hospital network with over 1,100 public hospitals (75% of which were built before 1995) and 130 private hospitals, representing over 200,000 beds in total with a ratio of 22 beds per 10,000 inhabitants. As a point of comparison, Singapore – which ranks first in Bloomberg's 2014 international ranking of healthcare systems – has 27 beds per 10,000 inhabitants. In terms of medical tourism, the statistics collected by IMTJ215[241] indicate that Vietnam attracted around 80,000 foreign tourists who came for health checks and treatment and spent US$ 2 billion. In Ho Chi Minh City, almost 40,000 foreign tourists received medical services, totally a cost of US$1 billion.

The Vietnamese Health Ministry stated that only 7 percent of the private health sector's facilities are used by Vietnamese. Deputy Health Minister Nguyen Thanh Long stipulates that Vietnam welcomes investments from international hospitals to enhance its healthcare facilities and the country does not place any restrictions on overseas medical practitioners practicing in Vietnam (Nguyen,

[240] WHO. (2013). *World Health Statistics 2013*. Retrieved from https://www.who.int/gho/publications/world_health_statistics/EN_WHS2013_Full.pdf
[241] Dung, T. (2018). *Ho Chi Minh City develops medical tourism*. Retrieved from http://vovworld.vn/en-US/saturday-report/ho-chi-minh-city-develops-medical-tourism-638236.vov

2014).[242] Australian Trade and Investment Commission (2019) reported that foreign hospitals have shown interest in expanding market access to Vietnam to compete in healthcare tourism, including hospitals from Thailand (Bumrungrad Hospital), Indonesia (Lippo Group), Malaysia (IHH Healthcare and KPJ Healthcare), Singapore (Chandler Corporation), India (Fortis Healthcare) and Canada (Triple Eye Infrastructure)[243].

2) *Employment*

In 2013, the medical sector employed 424,233 workers. This accounted for 15% of the total workforce in the tourism and service sector or 0.8% of total workforce. The statistics reported by World Health Organization (2016) pointed out that number of workers in the medical sector has been increased continuously between 2009 and 2013. Until 2013, the average annual growth rate for workers in the medical sector was 2.80%. In terms of medical doctors, the average annual growth rate is 3.45%. Bachelor public health and higher and nurse have growth rates of 13.89% and 13.14%, respectively.

Table 21: Workforce in medical sector during 2009 - 2013

Health professional categories	2009	2010	2011	2012	2013	Average Annual Growth Rate (%)
Pharmacist and higher	15,176	15,150	16,875	17,360	19,083	4.09
Bachelor public health and higher	461	650	925	1,065	1,510	13.89
Assistant doctor	51,062	52,455	54,487	54,564	55,999	1.76
College and university nurse	2,736	3,748	5,008	6,114	7,981	13.14
Medical technician	13,850	14,221	15,185	15,711	17,043	3.75
College and second degree pharmacist	38,136	43,090	48,598	43,090	44,328	2.79
Second degree nurse	64,901	70,359	76,787	80,312	83,365	4.43
University and second degree midwife	23,569	25,289	26,495	27,089	27,837	3.07

[242] Nguyen, M. (2014*). Vietnam preps for medical makeover to recoup lost billions in healthcare*. Retrieved from https://www.reuters.com/article/us-vietnam-healthcare/vietnam-preps-for-medical-makeover-to-recoup-lost-billions-in-healthcare-idUSKCN0I32MI20141014
[243] Austrade. (2019). *Healthcare to Vietnam.* Retrieved from https://www.austrade.gov.au/Australian/Export/Export-markets/Countries/Vietnam/Industries/healthcare

Health professional categories	2009	2010	2011	2012	2013	Average Annual Growth Rate (%)
Elementary nurse	8,254	7,141	6,224	5,775	5,339	-10.92
Elementary midwife	1,429	1,249	1,034	930	799	-15.77
Traditional medical practitioner	269	264	219	237	229	-3.49
Elementary pharmacist	29,353	22,805	21,329	22,805	22,561	-6.02
Other bachelor degree and higher	15,551	16,544	18,206	19,816	21,752	5.70
Other second degree level	9,766	11,785	12,844	13,414	14,294	6.34
Others	33,702	35,108	34,258	33,731	33,647	-0.03
Total	**364,876**	**382,404**	**402,916**	**407,148**	**424,233**	**2.80**

Source: World Health Organization (2016)

Although the number of workers in the medical sector of Vietnam has continuously increased, there are considerable challenges, especially concerning a shortage of workers in this sector. According to Takashima et al., (2017), Vietnam is now faced with an imbalanced distribution of human resources and a shortage of manpower, especially of highly specialized physicians in fields such as cancer, palliative care, and mental health.[244]

In the traditional medicine sector, there are about 1,000 traditional medicine practitioners, 5,000 traditional medical doctors, 2,000 assistant traditional medical doctors, and 209 traditional medicine pharmacists. Additionally, there are approximately 8,000 private practitioners of traditional medicine. Of this number, about 1,400 are acupuncturists (WHO, 2001).[245]

According to the statistical data, the Vietnam Association of Traditional Medicine Practitioners has 24,000 members. Of this number, 461 work in public hospitals. The Vietnam National Association of Acupuncture has 18,000 members, 4,500 of whom work in public hospitals. According to the World Health Organization, treatment is provided by traditional medicine practitioners (who have

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[244] Kyoko Takashima, Koji Wada, Ton Thanh Tray, and Derek R. Smith. (2017) A review of Vietdoi: 10.1186/s12199-017-0682-znam's healthcare reform through the Direction of Healthcare Activities (DOHA). Environ Health Prev Med.

[245] World Health Organization (2001). Legal Status of Traditional Medicine and Complementary/Alternative Medicine: A Worldwide Review

not received any formal education) and by traditional medical doctors (who have graduated from a department of traditional medicine at one of the medical universities in Hanoi, Ho Chi Minh City, or Haiphong).[246]

A Traditional Medicine Hospital of the Ministry of Interior Affairs was inaugurated at the end of 1996. Additionally, there are 286 departments of traditional medicine in general hospitals, 45 provincial hospitals of traditional medicine, and four institutes of traditional medicine in Vietnam. There are three medical colleges that have a faculty of traditional medicine, two pharmaceutical colleges, two secondary schools of traditional medicine, two State pharmaceutical companies, two State pharmaceutical manufacturers of herbal medicine, and three national research institutes for traditional medicine. Furthermore, an Army Institute of Traditional Medicine was established in 1978, with a staff of 100 doctors and pharmacists. The tasks of the Institute include clinical work, research, training, and the manufacture of herbal products. It serves about 20,000 outpatients and 2,500 inpatients each year.

3) Segmentation

For Vietnam, the segments of health tourism can be identified as (1) domestic tourist, (2) foreign tourists in search of wellness services and alternative medicine, and (3) foreign tourists in search of medical treatment and medical check-ups. Interestingly, taking into account the market segment, most medical travelers who visited Vietnam for medical tourism purposes are from developed countries and most seek the Vietnamese healthcare services due to lower cost of treatments comparing to their own countries. For example, the cost of a kidney transplant in Vietnam is around one-fourth of the average cost of international hospitals.[247]

There is no official statistical data, but the in-depth interview with VACHE (2019) indicated that health foreign tourists are mostly from European countries who visit Vietnam for leisure. Beach and city vacations are the most common. The most important factors looked for when selecting a particular destination are interesting towns, good weather, value and cuisine. According to the study done

[246] World Health Organization (2001). Legal Status of Traditional Medicine and Complementary/Alternative Medicine: A Worldwide Review

[247] Vietnam Tourism. (2015). *More foreigners come for medical tourism.* Retrieved from http://vietnamtourism.gov.vn/english/index.php/items/8172

by Pham Kim Anh (2012)[248], there are two main types of travelers for the aforementioned group: independent travelers and packaged travelers.

Furthermore, IMTJ reported that most foreign patients who visited Vietnam for medical tourism purposes, including the dental care tourism sector, are from the USA, Australia, Japan, the Republic of Korea, Laos, Cambodia and Africa. There has been an increase in dental care services to 500 international patients in 2017 compared to 300 in 2014.[249] Additionally, VACHE (2019) states that there is an increase of tourists from neighboring countries, such as Cambodia, in search of medical treatment and check-ups. In addition, there is an increase of tourists from China, Taiwan, South Korea, and Thailand.

5.2.4 Quality Standards

1) Wellness Tourism

At present, there is no specific standard for wellness tourism. In term of development, the low human resource quality has been discussed under the constraints in the value chain and the supporting functions. Standards are another concern. The Vietnam Tourism Occupational Standards (VTOS) – developed by two different EU projects over the last 10 years - would improve hospitality training material and curricula considerably. Although supported by VNAT and large parts of the tourism business community (except some large hotel chains running their own standards), VTOS is not formally acknowledged as national tourism training standard. Without recognition by the responsible ministry certification from Ministry of Labour - Invalids and Social Affairs (MOLISA) cannot be granted, which is important for rolling out the approach. The situation is sensitive as MOLISA has its own vocational standard for tourism, developed over years, and does not want to abandon it. Currently, VTOS is only used as a reference in some schools and colleges, but not formally integrated into curricula. As VTOS is adjusted to ASEAN training standards, VTOS certification would increase the employability of Vietnamese tourism workers in other ASEAN countries significantly. The new law on vocational training (enacted 2015) has moved all vocational training to MOLISA. This includes the tourism training for which MCST was previously in charge. According to the new law, 80% of training content must be practical, although the

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[248] Pham Kim Anh (2012). Identifying and Improving the Images of Vietnam as A Tourism Destination among Finnish Tourists.
[249] IMTJ. (2017). *Medical Tourism Centre opens in Ho Chi Minh City*. Retrieved from https://www.imtj.com/news/medical-tourism-centre-opens-ho-chi-minh-city/

practical elements can happen at the schools - in partly poorly equipped facilities – and not necessarily in real tourism enterprises.

2) Medical Tourism

For medical tourism, Vietnam has only 4 hospitals that are accredited by the Joint Commission International (JCI)—three hospitals in Ho Chi Minh City and one hospital in Hanoi.[250] Of these, two private hospitals received accreditation from JCI, which are Vinmec International Hospital- Times City and Vinmec International Hospital- Central Park. The proportion of JCI hospitals accounted for 0.3% of total hospitals established in Vietnam[251]. Only one hospital, Cao Thang Eye Hospital, has been accredited for over 10 years. Three other JCI accredited hospitals only obtained accreditations within the past five years. The list of JCI accredited hospitals are listed below:

Table 22: Lists of JCI hospitals in Vietnam

Hospital	Province	Accredited Since
Cao Thang Eye Hospital	Ho Chi Minh City	04 July 2009
FV Hospital	Ho Chi Minh City	05 March 2016
Vinmec International Hospital - Times City	Hanoi	25 April 2015
Vinmec International Hospital-Central Park	Ho Chi Minh City	28 April 2017

Source: Joint Commission International (2019)

3) Alternative Medicine

For the alternative medicine sector, the Traditional Vietnamese Medicine (TVM) and Vietnamese healing techniques are influenced by Eastern and Western Standards. A recent study on Traditional Vietnamese Medicine by Nguyen, Kaptchuk, Davis, Nguyen, Pham, Tringale, Loh & Gardiner (2016)[252] classified the TVM techniques as the following:

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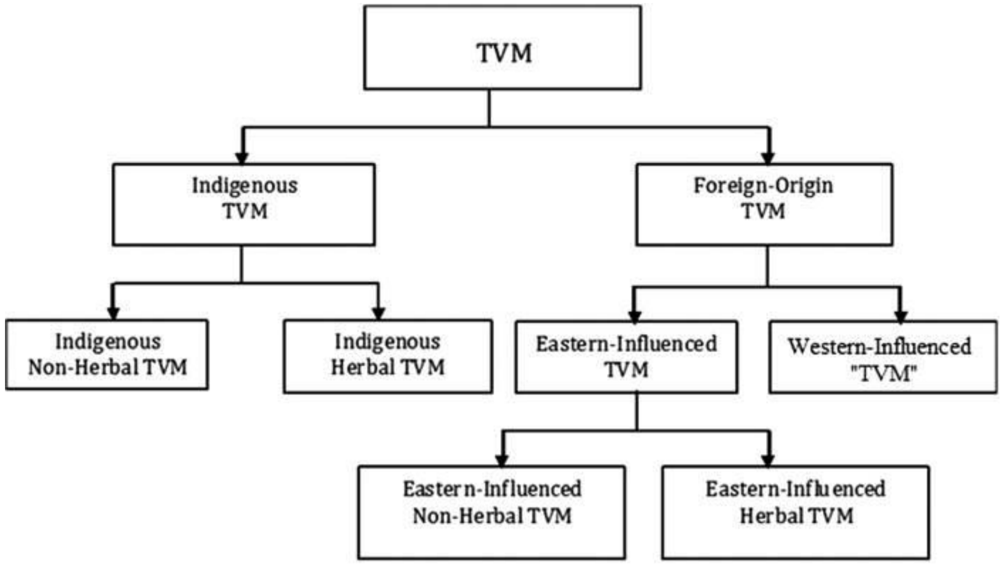
[250] Joint Commission International. (2019). *JCI-Accredited Organizations in Vietnam.* Retrieved from https://www.jointcommissioninternational.org/about-jci/jci-accredited-organizations/?c=Vietnam
[251] According to KPMG (2018), there were 1,346 hospitals in Vietnam, which included 1,161 public hospitals and 185 private hospitals
[252] Nguyen, L. T., Kaptchuk. T. J., Davis, R. B., Nguyen, G., Pham, V., Tringale, S. M., Loh, Y. L. & Gardiner, P. (2016). The use of traditional Vietnamese medicine among Vietnamese immigrants attending an urban community health center in the United States, *Journal of Alternative and Complementary Medicine*, 22(2), p. 145-153.

Figure 47: Traditional Vietnamese medicine



Source: Angelino, Khanh, Ha & Pham (2017)

The Ministry of Health confirmed that around 30 per cent of the Vietnamese healthcare sector combines the practice of conventional medicine with traditional medicines, which have grown in resurgence over the past 50 years for both domestic users and international medical tourists.[253] At a national level, there is presently no specific national policy on the management of herbal medicine, however, the government requires manufacturers to follow the Good Pharmacy Practice (GPP) .[254] Due to the lack of effective quality control for traditional herbal medicine, the National Strategy for Development of the Vietnamese Pharmaceutical Industry to 2020 reported that the new law is being considered to address the manufacturing practices and quality standards of herbal and traditional medicines that are developed using domestic herbal ingredients (Angelino, Khanh, Ha, & Pham, 2017).[255]

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[253] United Nations. (2016). *The interface between access and benefit-sharing rules and biotrade in Vietnam*. United Nations Conference On Trade and Development. Retrieved from https://unctad.org/en/PublicationsLibrary/webditcted2016d9_en.pdf
[254] Austrade. (2019). *Healthcare to Vietnam.* Retrieved from https://www.austrade.gov.au/Australian/Export/Export-markets/Countries/Vietnam/Industries/healthcare
[255] Angelino, A., Khanh, D. T., Ha, N. A., Pham, T. (2017). Pharmaceutical Industry in Vietnam: Sluggish Sector in a Growing Market. *International Journal of Environmental Research and Public Health*, 14(9), 1-18. Doi:10.3390/ijerph14090976

5.3 Cluster Map

In Vietnam, health and wellness tourism can be divided in to three main groups;

1. Medical tourism, which refers to medical check-ups and treatment
2. Alternative medicine and herbal medicine-based tourism
3. Spa and Wellness tourism

According to VACHE and VCCI (2019),[256] the majority of micro, small, and medium enterprises of this sector will be concentrated in alternative medicine. This is consistent with the statistical data collected by the Vietnam Association of Traditional Medicine Practitioners. Based on the statistical data, it estimated that 75% of 24,000 traditional practitioners are micro, small, and medium enterprises.

In term of spas, most of investors in premium spas are foreign direct investment. The premium spas are mostly established in luxury hotels, which located in tourist destination areas, namely Ho Chi Minh City, Danang, and Hoi An. The average annual growth rate in wellness tourism in Vietnam is exceptionally high at 25.3 percent, compared to 8.5 percent in Thailand and 17 percent in Malaysia (Global Wellness Institute, 2017).[257]

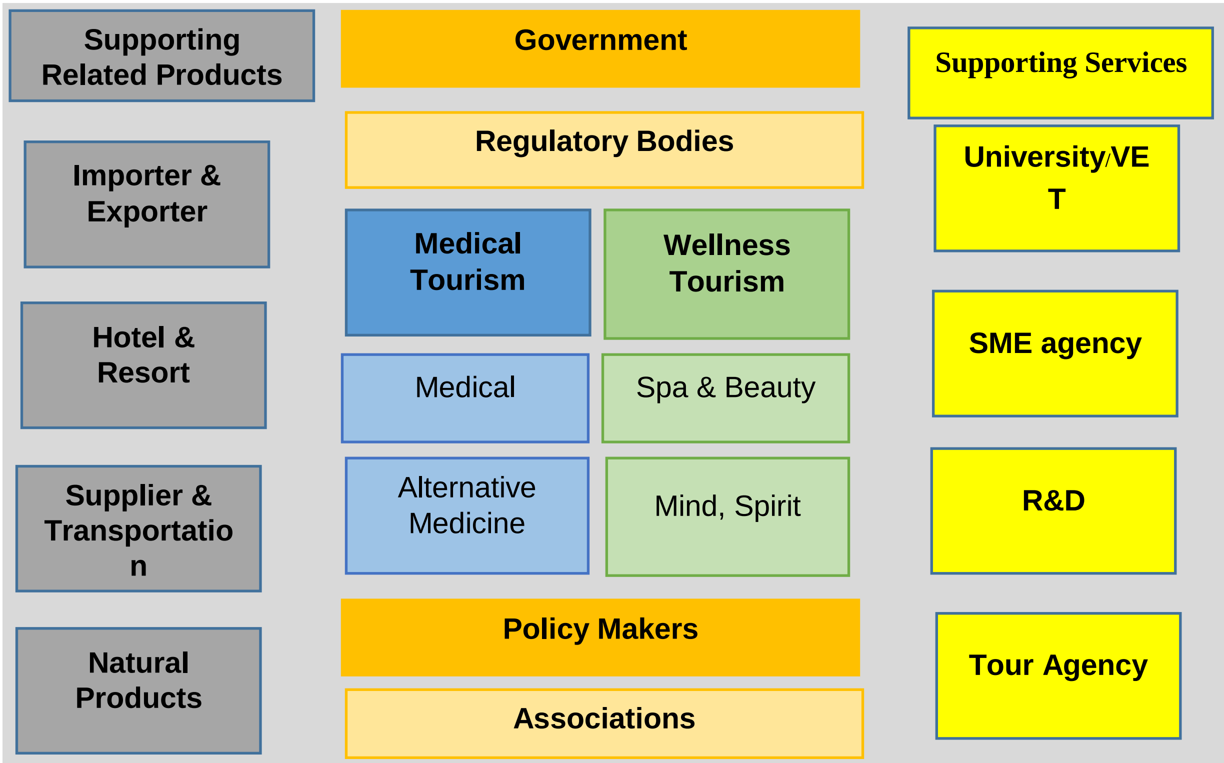
Industry Key Players:

1) Medical Tourism Key Players

1. Cho Ray hospital
2. Nhan Dan (People) 115 hospital
3. Ho Chi Minh City University Medical Centre and FV
4. The University Medical Centre Ho Chi Minh city
5. Columbia Asia International Hospital
6. Happy International Hospital
7. Vinmec International Hospital
8. Japan International Eye Hospital
9. Ho Chi Minh City Institute of Hygiene and Public Health

[256] In-depth interview with VACHE and VCCI
[257] Global Wellness Institute. (2017). *Global Wellness Economy Monitor.* Retrieved from https://static1.squarespace.com/static/54306a8ee4b07ea66ea32cc0/t/58862a472994ca37b8416c61/1485187660666/GWI_WellnessEconomyMonitor2017_FINALweb.pdf

Figure 48: Cluster map of core and other related actors



Source: Kenan Foundation Asia (2019)

2) Alternative Medicine Key Players

1. Vietnam's National Hospital of Acupuncture
2. Fito Museum (Museums of Traditional Vietnamese Medicine & Pharmacy)
3. Franco-Vietnamese Hospital

3) Spa and Wellness Tourism Key Players

1. Maia Spa, Da Nang
2. HARNN Heritage Spa, Da Nang
3. A Luminary Life, Hoi An
4. Alba Wellness Valley, Hue
5. Nomad Yoga, Hoi An
6. Heart of the Earth Spa, Hoi An
7. Citrus Spa, Hoi An
8. Akoya Spa
9. I-Resort Mud Baths
10. Amanoi

11. Amiana Resort
12. Six Senses Ninh Van Bay
13. Wow Wellness at THE SPA (Reverie Saigon)
14. Boutique Vietnamese Inspired at XUAN SPA (Park Hyatt Saigon)
15. Urban Nature at THANN SANCTUARY (Pullman Saigon)
16. Art Meets Spa at EXPLORE SPA (Le Meridien)
17. Beauty and Relaxation at KARA SPA (Caravelle Hotel)

4) Association

1. Vietnam National Association of Acupuncture
2. Vietnam Association for Community Health Education (VACHE)
3. Vietnam Spa and Wellness Association (VSWA)

5.4 Value Chain/ Global Value Chain

The size of the tourism value chain in Vietnam is small but it has been growing continuously. Tourism accounted for 9.4% of national GDP.[258] In Vietnam, the value chain is currently about 60% domestic and 40% international, even though foreigners spend about 2.5 times as much money each day as domestic tourists (Mitchell, J. & Phuc, L. C., 2007).[259] In Vietnam, medical tourism attracts medical tourists from Cambodia (TMMC, 2014).[260] Medical tourists from Cambodia reach Ho Chi Minh City from Phnom Penh in three hours. Vietnamese people usually get medical treatment and check-up abroad. It is normally for the middle class to receive medical treatment in Thailand and Malaysia. The well-off generally have medical treatment and check-ups in Singapore or Europe. The majority of wellness tourists are from Europe, China, Taiwan, and South Korea.

[258] WTTC (2019) Travel and Tourism Impact in Vietnam. Retrieved February 2019 from https://www.wttc.org/-/media/files/reports/economic-impact-research/countries-2018/vietnam2018.pdf
[259] Mitchell, J. & Phuc, L. C. (2007). *Final Report on Participatory Tourism Value Chain Analysis in Da Nang, Central Vietnam.* Retrieved from https://www.odi.org/sites/odi.org.uk/files/odi-assets/publications-opinion-files/883.pdf
[260] TMMC Healthcare. (2014). *Medical tourism in Da Nang: An unexplored industry*. Retrieved from https://issuu.com/tmmchealthcare/docs/medical_tourism_in_da_nang_en.pptx

- ***Factors encouraging tourists going to search for health and wellness tourism***

New developments in information technology have facilitated access to information about foreign health providers. Globalization has lowered transportation costs and reduced language barriers. Trade liberalization efforts in services are another driving force of enhanced medical travel. Patients explore options beyond borders due to dissatisfaction with their domestic health system, such as the unavailability of appropriate treatments, relatively low quality of care, absence of modern technology and/or shortage of healthcare providers.

Many well-funded health and wellness tourists travel to countries with a long tradition of receiving foreign tourists, while others might decide to seek care in countries that have recently upgraded their health sector through new and better equipped hospitals and well-trained professionals. Some tourists looking for more affordable health care might also travel to neighboring countries that offer health services of similar quality but at a significantly lower price. Such tourists' movements are often facilitated by health systems that are becoming more and more integrated. Jagyasi gave five major "factors" involved in decision making: affordable, accessible, available, acceptable and additional.[261]

1) Affordable is probably the primary factor, particularly for tourists from the well-off, developed countries like America and UK, where private health care is expensive, and some treatment are not covered by their insurance.

2) Available is often because the health and wellness services patients need are not available in their local areas or are not trusted by the patients, as is often the case with Omani patients.

3) Accessible applies more particularly to tourist from countries where the waiting list is long, particularly to National Health Service patients in the UK and in Canada. In the UK, private health care may be available locally, but is expensive.

4) Acceptable applies to services, which may be affordable, available, and accessible, but they are not acceptable in the health and wellness

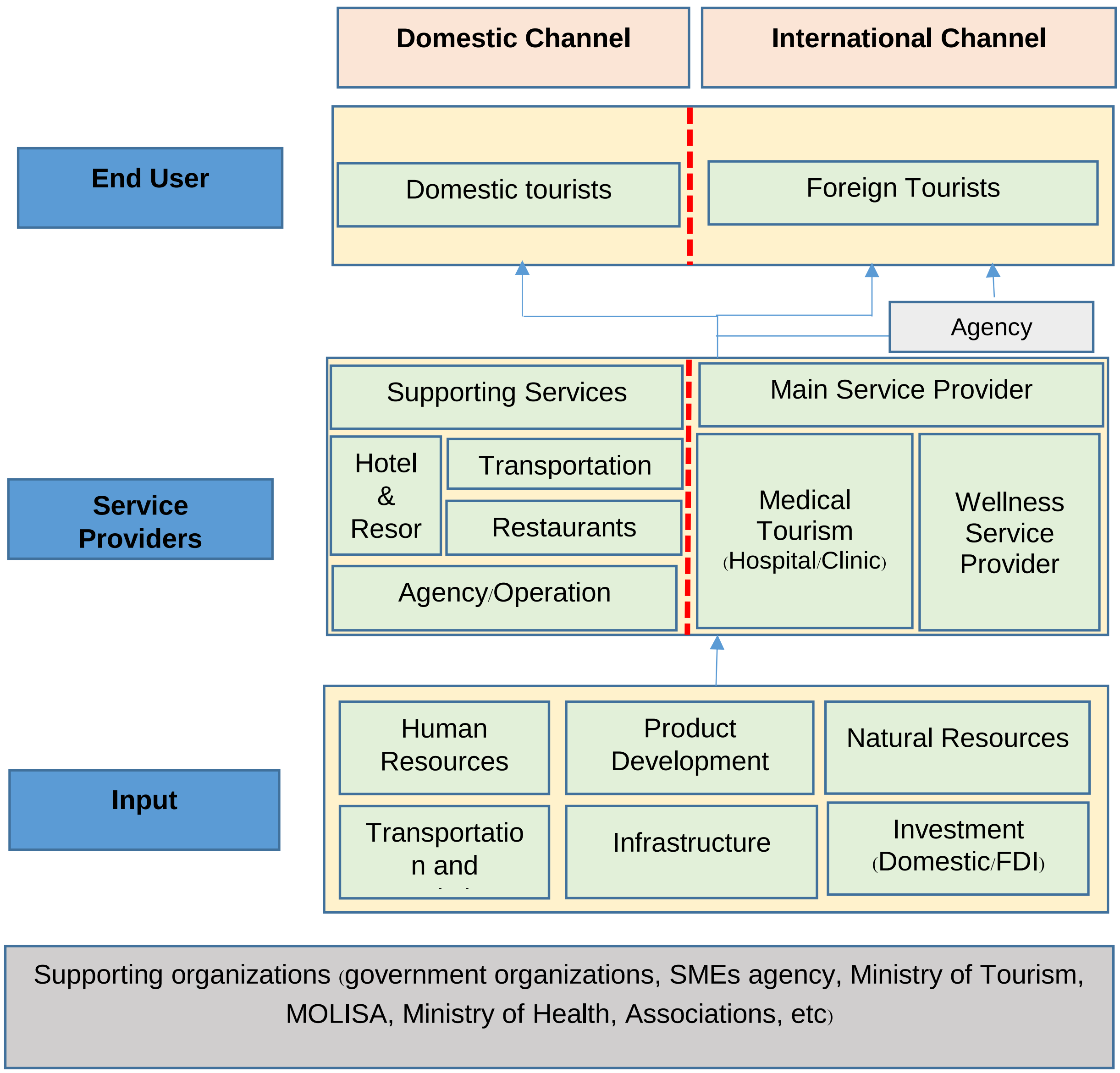
[261] Marady H, Huaifu X. Why people prefer seeking care from one country to other countries: a case study from Cambodia. MOJ Public Health. 2017;6(4):373–376. DOI: 10.15406/mojph.2017.06.00178

tourist's own country for religious reasons, political reasons or other social reasons.

5) Additional refers to the availability of better care, perhaps better technology, or a better specialist, or simply better service and personalized care abroad compared to care in the home country.

Regarding to five factors as mentioned above, Vietnam has potential in term of health and wellness tourism development. However, in order to increase the competitiveness of the health and wellness tourism market, Vietnam needs to prioritize infrastructure development (especially innovation and technology), improving quality standards both for medical tourism and wellness tourism, and developing skills of workers involved in this sectors, especially in medical tourism sector. Product developments is also a key development focus.

Figure 49: Value chain of health tourism in Vietnam



Source: Kenan Foundation Asia (2019)

5.5 SWOT Analysis

The analysis of strengths, weaknesses, opportunities, and threats is the prerequisite for evaluating current conditions of operating the tourism industry in Vietnam due to a strict and competitive business environment. The government and private sectors could clearly define challenges, before putting forward targets for the upcoming time. Those aspects need evaluating from customers' perspective, which ensures realistic insights. The following table illustrates SWOT analysis.

Table 23: SWOT Analysis

Strength	Weakness
1. The enrichment of natural resources, especially herbal, coastal area, mountain, etc. 2. Mild climate 3. Diverse eco-tourism 4. Hospitality, friendliness of local people 5. Internal political and social stability 6. Vietnam's healthcare sector is highly appreciated in infertility treatment with high success rates[262] 7. Cheap cosmetic and dental aesthetics services[263]. 8. Vietnamese Traditional Medicine are well known and is being considered by the Ministry of Health, Vietnam to incorporate its usage into conventional medicine[264]	1. Unclear government policy 2. Access into financial assistances 3. SMEs normally are small and not professional companies in terms of business opertaions 4. Capabilities of workers 5. Infrastructure and innovation development 6. Lack of market & product development, even though the country has diverse eco-tourism[265][266] 7. Standard adaptation is limited for small and medium enterprises 8. Research and development for natural products, such as spa products, herbal medicine 9. Management and role of government in supporting SMEs in this sector

[262] *VietNamNet Bridge* (2017) Developing medical tourism: better late than never. Retrieved February 18, 2019 from https://english.vietnamnet.vn/fms/business/180496/developing-medical-tourism--better-late-than-never.html

[263] *VietNamNet Bridge* (2017) Developing medical tourism: better late than never. Retrieved February 18, 2019 from https://english.vietnamnet.vn/fms/business/180496/developing-medical-tourism--better-late-than-never.html

[264] Nguyen, L. T., Kaptchuk. T. J., Davis, R. B., Nguyen, G., Pham, V., Tringale, S. M., Loh, Y. L. & Gardiner, P. (2016). The use of traditional Vietnamese medicine among Vietnamese immigrants attending an urban community health center in the United States, *Journal of Alternative and Complementary Medicine*, 22(2), p. 145-153.

[265] VACHE (2019). In-depth Interview on January 15, 2019

[266] Ms.Bui Thu Thuy (2019). In-depth interview on January 15, 2019

Opportunity	Threats
1. Increasing of foreign tourists 2. Increasing of Foreign Direct Investment, such as South Korea, Thailand, and Singapore 3. Increasing of demand for alternative medicine treatment 4. Increasing middle class population 5. Growing demand for health services 6. Increasing of foreign tourists 7. Increasing of Foreign Direct Investment, such as South Korea, Thailand, and Singapore 8. Increasing of demand for alternative medicine treatment 9. Increasing middle class population 10. Growing demand for health services 11. Continued growth and aggressive promotion to access the lucrative health tourism market 12. Ability to increase knowledge sharing between ASEAN members particularly in areas of expertise exchange, skills transfer of labor, and utilization of resources	1. Economic recession 2. Competitive pressure 3. Dynamic and changeable demand from customer 4. Political change 5. Natural disaster 6. Demand for traditional medicines could pose a threat to biodiversity due to poor agricultural practices and over-harvesting of genetic resources for herbal medicines[267]

Source: Kenan Foundation Asia (2019)

[267] United Nations. (2016). *The interface between access and benefit-sharing rules and biotrade in Vietnam.* United Nations Conference On Trade and Development. Retrieved from https://unctad.org/en/PublicationsLibrary/webditcted2016d9_en.pdf

1) Strength

The tourism industry in Vietnam takes advantage of the rich natural resources, including coastal areas and mountains. Vietnam has diverse eco-system, and the beautiful locations and landscapes create appealing trips for tourists. Vietnam also boasts many heritage sites and friendly local people.

Vietnam is politically and socially stable, which positively affects country development. Economic growth has led to infrastructure development. Vietnamese healthcare has seen improvement and specialization, especially in infertility treatments. The country also has a pricing advantage, especially when compared to neighbouring countries such as Thailand, Singapore, Malaysia, etc.

2) Weakness

Unclear government policy affects the development of industry. Even though the government initiated the tourism strategic plan, the plan for developing the health and wellness sector is not clear. Financial support is still limited for small and medium enterprises. In Vietnam, SMEs in health and wellness tourism are small and they are not professional enterprises. The mission at the moment is to overcome weaknesses as best as possible and exploit all strengths to enact sustainable development. Businesses in the industry must be conscious of competition due to development in neighboring countries,

3) Opportunity

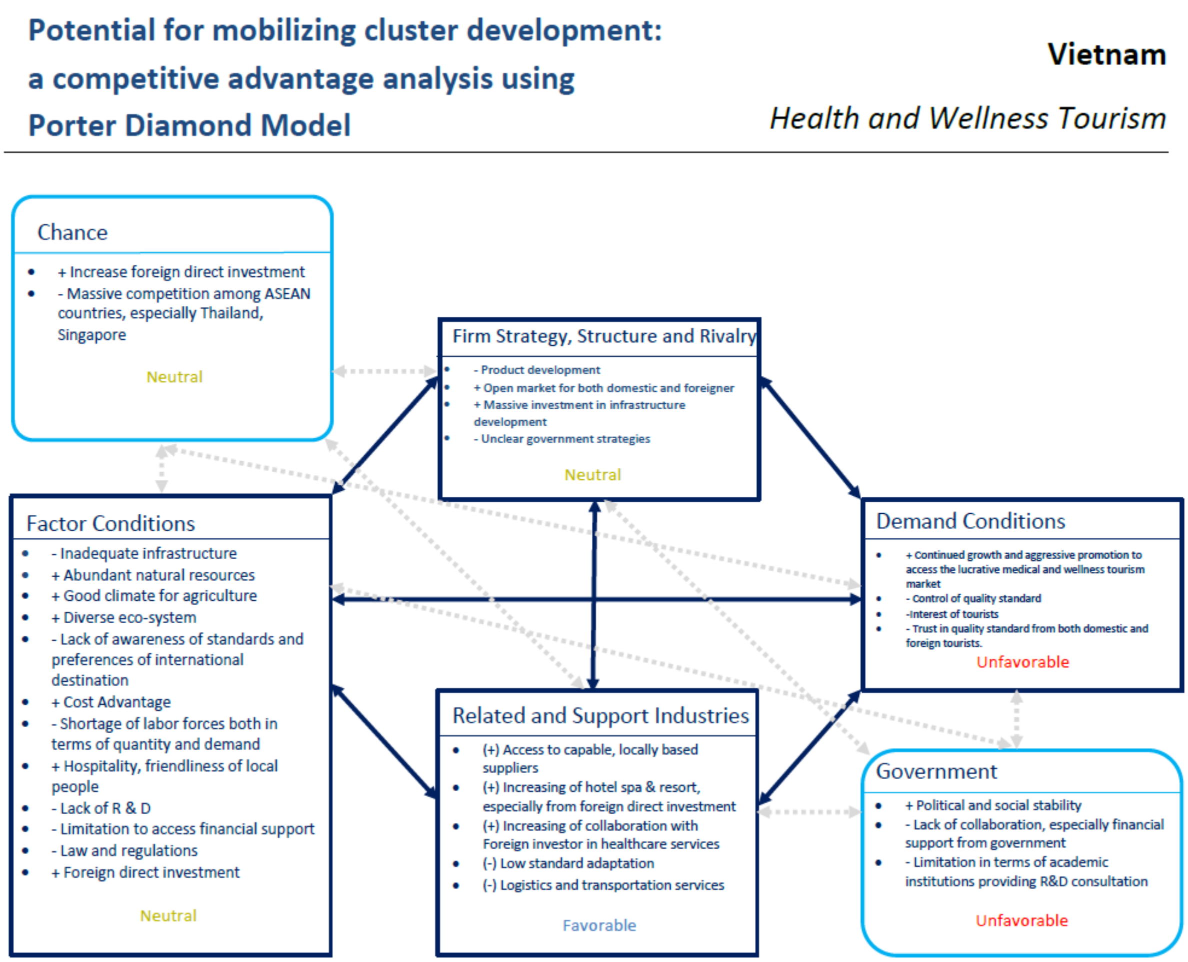
The global trends, especially in terms of interest in health, are key to the industry. People now seek health services both in terms of medical treatment and wellness. The increasing middle class population ensures more people can afford treatment. The decrease of travelling cost, especially airfare, is also a factor attracting people to travel abroad for health and wellness tourism purposes. Moreover, the increasing cost of medical treatment in the developed western world remains high, which provides the medical tourism sector with a unique opportunity. Patients from third world countries, where comparable quality medical care is not available, seek treatment outside their home countries.

4) Threats

Thailand, Singapore, Malaysia, and Philippines are the major destinations in the Asian medical tourism market. Thailand is more popular among Western European medical tourists for cosmetic surgery. Singapore and India specialize in complex procedures with India having a cost advantage and Singapore a technology advantage. One of the key factors affecting the success of health and wellness tourism is the global economy. The economic recession caused the slowdown of industrial development. The dynamic demand of tourists is also one of the key threats. In Vietnam, there are limited tourism products. In addition, Vietnam lacks the research and development capacity necessary to create new products and predict trends.

5.6 Diamond Analysis

Figure 50: Diamond Model



Source: Kenan Foundation Asia (2019)

The continuous growth in healthcare services and the open market policy of the government contributes the growth of health tourism in Vietnam. Foreign direct investment and the interest of foreigners are key factors driving the growth of the industry. In addition, the government has invested in infrastructure developments, which attract and create trust among the tourists. However, it is undeniable that Vietnam is also facing many challenges, notably unclear government policies and the product development. The collaboration among the stakeholders is weak, especially the collaboration from the government sector. Despite the fact that the country has many herbal and natural products to help support the health tourism industry, there are limitations in terms of research and development.

From Michael's Diamond model as mentioned above, Table 16 shows the capability assessment of the health and wellness tourism industry. The analysis is divided into four groups of determinants. According to the analysis, the average score of all determinants is 3.36. The highest score is shown in demand conditions, which comprised (1) an increase for healthcare services, and (2) promotion from the government. For firm strategy and structure, the average score is 3.67 with the highest in number of traditional medicine practitioners.

Table 24: Porter's framework for health tourism in Vietnam

Porter's Determinants	Score	Remark and Status
Factor Conditions		
Human resources	2	There is the shortage of labor in health and wellness tourism.
Quality and Regulation	3	Since the majority of the traditional medicine are micro enterprises (family business), they have less awareness on the quality standard.
Transportation & Logistics	3	The government is now investing from infrastructure development, especially transportation system and logistics system.
Market and Product Development (including R &D)	3	Despite the fact that Vietnam is enriched of natural resources and diverse eco-system, the country still lacks of tourism product development.

Porter's Determinants	Score	Remark and Status
Natural resource and eco-system	5	The country is enriched of natural resources and diverse eco-system. In addition, the country also has mild climate.
Average Score	***3.20***	
Demand Conditions		
Demand for healthcare service	5	There is the increase of demand for healthcare survey both domestic and international market. People are seeking for an opportunity to have quality service providers with affordable price.
Promotion from government	3	The government still have unclear policy on health and wellness tourism
Average Score	***4.00***	
Firms Strategy and Structure		
Number of SMEs	5	Most of traditional herbal medicine practitioners are micro, small, and medium enterprises.
Number of health and wellness service providers	3	Health and wellness sector is still small but it continuously increase, especially from foreign investor.
Investment	3	Most investors are foreign investors, especially from Taiwan, Korea, Malaysia, and Thailand
Lack of National Strategic Plan	2	
Average Score	***3.25***	
Related Supporting Industry		
Product development	2	Poor product development.
Hotel & Resort Spa	4	There is an increase in the establishment of hotel and resort spa.
Local suppliers	4	There are a lot of local suppliers, especially natural products, and cosmetics.

Porter’s Determinants	Score	Remark and Status
Standard adaptation	2	Most of the local suppliers are not aware in standard adaptation.
Average Score	***3.00***	

Remark: Code: (1 – highly unfavorable, 2—unfavorable, 3—neutral, 4—favorable, 5 – highly favorable)
Source: Kenan Foundation Asia (2019)

5.7 Problems Identified

1) Value Chain Management in Health Tourism

The challenges in value chain management in health tourism in Vietnam can be classified into three main challenges, including, Segmenting the health tourism market, collaboration among the stakeholders in health tourism value chain, and product diversity.

Segmenting the Health Tourism Market

It is undeniable that Vietnam’s health tourism deals with a variety of value chain depending on type of tourists. According to the study, it important to distinguish between health tourists from Vietnam’s neighboring countries, such as Cambodia and international tourists from Western Europe, Chinese, Taiwan, and South Korea. Both type of tourists has different expectation and demand in different kind of services—for the tourists from the neighboring countries, the purpose of the tourists who come to Vietnam is to search for medical services. For the international tourists, they normally come to Vietnam in search of wellness services, especially spa, and meditation. For the domestic tourist, they usually search for traditional herbal medicine services, and acupuncture. To increase competitiveness of health tourism needs develop the products in responding to the demand of tourists as mentioned above. However, the in-depth interview with VACHE and VCCI revealed it still has the limitation in segmenting market for health tourism. Segmenting the market into different types of tourists as above mentioned helps tailoring product designs, targeting promotion efforts, and interest in specific types of tourists[268].

Collaboration among Stakeholders in Value Chain

In addition, there is the lack of effective collaboration among the stakeholders and key players in health tourism value chain (as mentioned in Figure 29) as well as the involving of the supporting industries. The effective collaboration among the stakeholders and key players in the industry is crucial for uplifting the

[268] In-depth interview with VACHE and VCCI

competitiveness of health tourism, and it also involves in cluster development and development of quality standard. Moreover, it also involves in accessing into new markets.

Product Diversity

So far there is a lack of product diversity in health tourism in Vietnam. According to the in-depth interview with VCCI[269], the products of health tourism in Vietnam are rather scarce.

2) Supporting Functions

Public utilities and transport infrastructure can hardly keep up with the pace of tourism development (and economic development in general). Roads to mountainous areas, for instance to CBT villages or world heritage sites like My Son in Quang Nam province, are in poor conditions. Many larger airports, such as in Hanoi and Da Nang have been upgraded and extended or newly opened, while the expansion or relocation of other airports like in HCMC is delayed due to land disputes. Moreover, it is estimated that almost two-thirds of Vietnam's industrial wastewater flows into lakes and rivers, which negatively affects nature and thus tourism assets. Electricity tariffs for tourism enterprises are currently higher than for the manufacturing sector, a concern that some provincial governments like in Da Nang city or Quang Nam province try to address.

In addition, there is the lack of supporting from government in terms of innovation and technology investment for health industry. According to the in-depth interview with medical spa service provider, it reveals that there is no incentive from the government in terms of importing innovation and technology. In addition, there is no support from the government in terms of financial assistance.

The lack of public funds for health tourism development and promotion activities is striking, particularly in international comparison. The annual budget for tourism promotion provided to MCST was about US$2 million in 2015 and - according to VNAT - US$2.5 million in 2016. By comparison, the Ministry of Tourism in Thailand and the Ministry of Tourism and Culture in Malaysia each provided about US$80 million in 2015 for marketing purposes. The Department of Tourism in the Philippines still received around US$54 million in 2015. Although public tourism promotion budget in Vietnam is expected to rise to US$5.3 million in 2017, the

[269] In-depth interview with VCCI

private sector feels that it needs to compensate for this situation of underspending in promoting tourism in Vietnam[270].

The Tourism Advisory Board (TAB) decided to set up a tourism development fund and is currently lobbying for increased financial support from the public and private sectors to enhance tourism promotion and development. The private sector support is expected to ensure transparency and proper allocation of funds. The TAB driven tourism development fund might only be a temporary solution. In 2014, the Vietnamese government announced Resolution 92/NQ-CP, which proposed the initiation of a Tourism Development Fund, which has not been set up yet. Resolution No. 8 / 2017 of the Politburo declaring tourism a spearhead sector in Vietnam reemphasizes the creation of this official Tourism Development Fund, which will call for contributions from all beneficiaries of the tourism industry, such as enterprises, tax offices, and visa fee collectors. This is expected to be the financial source for marketing and address the problems of weak tourism promotion and marketing at national and sub-national levels. The state budget is expected to contribute a maximum of 30% to the fund while main beneficiaries of tourism activities and non-government sources will contribute the rest. However, the aim of the private sector is to achieve a 1:1 matching of public and private contributions.

In 2016, the TAB started an e-marketing campaign in cooperation with a professional marketing company and the marketing department of VNAT. For the time being, the campaign is focusing on digital marketing only (social media, website) and is limited to three years. The official website "Charm your senses" was launched at the World Travel Market in November 2016 in London. In the first quarter of 2017, after having raised additional funds among its members, the TAB intends to invest more into this campaign, particularly focusing on the preferred key markets of Europe and Australia (and less on Japan and Korea).

The combination of a significantly increased tourism promotion budget and the public-private capacities currently created through the ongoing e-marketing campaign offer interesting opportunities to promote responsible tourism in the future targeting domestic and foreign travelers. Future funding could contribute to not only promotional activities but also initiatives supporting the long-term objectives of a responsible tourism sector, such as cultural and environmental preservation and product development. Coordination is a key supporting function

[270] International Labour Organization (2017) Rapid Market Assessment of Responsible Tourism in Vietnam 2017

for markets as it establishes mechanisms such as associations that ensure the integration of SMEs into value chains and lobbying the public sector. In the support structures of Vietnam's tourism value chains a couple of coordination mechanisms are in place with relevance for responsible tourism, such as tourism associations at national and subnational level, the Tourism Advisory Board (TAB), the Responsible Tourism Club (RTC) under VITA, public-private DMOs at the regional level and a CBT net-work, which is currently in the design phase.

The establishment of the Tourism Advisory Board (TAB) through ESRT support (and "rubber stamping") is an effort to improve the institutional environment for tourism development and management. TAB is a public-private partnership in destination management established under the VNAT in 2012 with the participation of the government and tourism industry management.

The objective of TAB is to promote competitiveness of Vietnam as a tourism destination. Through TAB, the Vietnamese government can benefit from the expertise of industry representatives, leverage financial and human resources, and ensure that the government's administrative framework is aligned with the strategies and objectives of the industry at large (TAB 2017-2). TAB has about 25 members, which can be roughly grouped into government and non-government organizations, aviation and inbound partners, DMCs and tour operators, and hotel management and investment groups.

TAB is the only public-private, national-international PPD forum of its kind in Vietnam and could thus be a role model also for other industries. The TAB operations are limited to, and so far fully run and financed by, the private partners. With three working groups established, TAB focuses its work on (1) marketing, (2) policy and (3) human resource quality. In the future, there might be a fourth working group looking at the environmental footprint of tourism.

The biggest successes of TAB up to now are the online marketing campaign, for which TAB turned into a social enterprise, and the visa waiver for some selected European countries. However, TAB shows various constraints. Only large companies are engaged and hence it does not represent SMEs. Moreover, TAB gives advice to the chairman of VNAT only, who has limited power in the Government system compared to the Ministry of Culture, Sports and Tourism or the Prime Minister, under whom VNAT was located ten years ago.

Besides, apart from marketing, TAB does not have a large enough budget for other projects that would be important to drive. When ESRT was still active, TAB relied heavily on ESRT to act as its secretariat. Currently, TAB has six board directors and one executive secretary (a former ESRT component leader). The operational plan of TAB is structured into near-term initiatives (1 year), mid-term initiatives (1-3 years) and long-term goals (3 years and beyond) (TAB 2017- 2). During the current year, TAB focuses on the tourism law revision, tourism data collection to improve market intelligence, destination branding and marketing, regional DMOs, product development and human resources development. In the mid-term, TAB will look into tourism infrastructure (accommodation, transportation), product development and visa-on-arrival program. In the long-term (3 years and beyond), TAB will target streamlining tourism investment procedures, environmental sustainability and stewardship, and cultural preservation. Therefore, according to current plans TAB intends to contribute to a more responsible and sustainable tourism sector particularly in the long run, after a couple of current constraints have been addressed successfully[271].

The Vietnam Business Forum (VBF) is a good platform for awareness raising and policy advocacy, as it generally results in two meetings a year at a very high level, including attendance by the Prime Minister, and has participation from all of the major business associations, including tourism related associations like VITA. The VBF reports receive significant press coverage.

The Vietnam Tourism Association (VITA) was established by the government like many other large national level associations in Vietnam. Its sub-structures include sub-associations focusing on hotels, tour operators and training activities (VHA, VISTA, VITEA). VITA has 3,200 business members and is thus the largest association in the tourism sector in Vietnam. Among its members are many tourism SMEs, who however complain that they do not realize substantial benefits as members, since VITA would lack services to members and since policy dialogue would be dominated by large enterprises. VITA's work plan for the period 2017-2022 contains responsibility and sustainability principles and is setting targets to implement these principles[272].

3) Challenges in Regulation

The health tourism value chains in Vietnam are influenced by various formal and informal rules and regulations. However, one of rule and regulations, which obstruct the development of health tourism value chain in Vietnam is tax related regulation. According to the in-depth interview with VACHE and the study done by

[271] International Labour Organization (2017) Rapid Market Assessment of Responsible Tourism in Vietnam 2017
[272] The Vietnam Tourism Association (2017)

PWC in 2017[273], it shows that the tax rate for spa and massage businesses accounted for 30% of revenue. The tax rate is main obstacle to attract the investor in this industry, especially the small and medium enterprises.

4) Lack of Development Plan for Health Tourism

Despite the fact that health tourism in Vietnam has been acknowledged as a fast growing industry, there is no real plan for developing health tourism in professional way. In a case of the Central Institute of Acupuncture, which has been a pioneer in medical tourism. Although it attracts groups of tourists, especially from Western Europe and U.S.A to Vietnam for acupuncture and oriental medicine, this organization is restricted in what they can offer, and has limited budget to promote health tourism in their country. The problem as aforementioned reflected weakness in terms of support and collaboration among the key players and stakeholders in the industry.

Although Vietnam has potential for health tourism, the study done by Cooper et al., (2015) stated that health tourism in Vietnam is often no more than an add-on to a tour package, not a separate for medical or wellness tourism offering[274].

5.8 Summary

1) Diagnosis of situation and trend of health and wellness in Vietnam indicate that the country has high growth potential due to an increase of foreign direct investment in this sector.

2) The potentials also include the increase of foreign tourists arrival in the country. The open market policy and the promotion of tourism attracts many tourists from Korea, Taiwan, Europe, and from neighbouring countries to visit Vietnam.

3) The country faces limitations in terms of human resources, product development, and new market development.

4) The participation of SMEs in health and wellness tourism in Vietnam is quite low. The majority sector concentrated by SMEs is traditional medicine. It is found out that most of the practitioners in traditional medicine do not have certificates and they have low adaptation of quality standards.

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273 https://www.pwc.com/vn/en/publications/2017/pwc-vietnam-ptb-2017-en.pdf

274 Cooper, M.; Vafadari, K.; Hieda, Mayumi (2015) Current Issues and Emerging Trend in Medical Tourism

5) According to the analysis, the study found out that the collaboration among the stakeholders is still low, especially the collaboration from the government sector. The access to financial assistance for small and medium enterprises is still limited. Service providers in this sector have to the high tax due to regulation (around 30% of their revenue).

6) The government has an unclear policy on health and wellness tourism. Even though there is the national strategic plan to promote tourism, it does not mention health and wellness tourism specifically.

7) Vietnam is gaining foreign investment interest in the medical tourism industry. At the same time, the wellness tourism industry is expanding at a fast pace with new key industry players in the majority of tourism destinations offering high standards of luxury spa and wellness tourism establishments.

8) The Vietnamese government has increased its supports in marketing and promotion to market Vietnam as top health tourism destinations as a result of strong growth within the sector

5.9 A Case Study from Vietnam: Vietnam Association for Community Health Education (VACHE)

Vietnam Association for Community Health Education (VACHE)

Background

Founded in 2009, the Vietnam Association for Community Health Education (VACHE) has four research institutes, 22 centers and thousands of branches and clubs dedicated to the promotion of community health education in Vietnam with tens of thousands of memberships to date.[275] VACHE sees high market demand in the health and wellness tourism industry and is considering the development of a strategic plan to incorporate traditional herbal medicine in this sector.

[275] Nhan Dan. (2019). *Prime Minister emphasizes role of community health education*. Retrieved on 22 February 2019 from http://en.nhandan.com.vn/society/health/item/7024802-prime-minister-emphasises-role-of-community-health-education.html

Key Functions

VACHE currently works in partnership with the Vietnamese government, members and key public and private stakeholders to conduct a range of functional activities in three key areas:

1) Enhancing competitiveness of the Vietnamese public health sector to provide health benefits to its community and medical tourism visitors through high-quality medical services
2) Partnering with public and private sectors in improving the quality of Vietnamese health care standards, particularly the monitoring of medical service strategies and training and development
3) Developing access to health care and raising public awareness about activities relating to health and wellness as well as its service practices in tourism industry

Involvement in Health Tourism

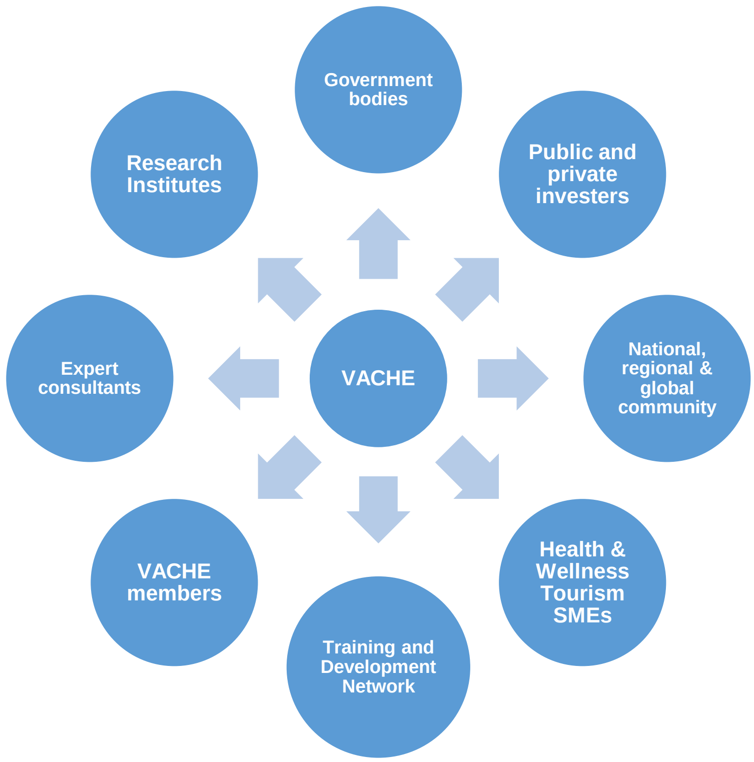
In an attempt to introduce more systematic and standardized Vietnamese health tourism development, the cooperation between the Vietnamese government and VACHE includes, but is not limited to, the promotion of health education, the advancement and commercialization of Vietnamese traditional herbal medicine, the strategic consultation between key stakeholders to attract private funding for community health education, and the development of community and SME networks across the country in raising public awareness of health education.

VACHE's Roles as a Cluster Development Agent

VACHE acts as a collaborator between the Vietnamese and the private sectors to promote traditional medicine sector in Vietnam. Its roles extend beyond enhancing general community health education to driving the growth of the traditional herbal medicine which is considered as the country's strongest differentiation component within the health and wellness tourism industry.

VACHE works with the public and private sectors as well as related government bodies in enhancing the effectiveness of the healthcare sector, particularly in promoting the development of traditional medicine and its usage in health treatments and therapies, which have been distinguished as complementary alternatives to modern medicine. Additionally, the association involves improving national medical education and development by encouraging the incorporation of traditional herbal medicine and its practice as part of the national public health programs.

Figure 51: Key stakeholders and networks



Source: Kenan Foundation Asia (2019)

Challenges in the Health Tourism Sector according to VACHE

The association has outlined the challenges in the health and wellness sector in the following areas:

- The requests for funding from local and international sources to improve primary health care services for elderly and children at grassroots level
- Training and licensing needs to enhance public planning requirements in relation to market demand for quality health care services
- The development of frameworks and quality standard in the health care industry

- Public planning to coordinate with other government bodies, administrative groups, organizations and private sectors, particularly in the areas of nursery housing development, herbal medicine advancement, and resources management
- The overall health and wellness development by which traditional medicine has gained more popularity amongst local and international users. However, the need for quality framework and licensing are considered two of the most important concerns to improve cluster development

Recommendations and Suggestions

The association provided the following recommendations and suggestions:

- Addressing the importance of obtaining funding from private sectors and overseas investors to enhance health care services in Vietnam
- Managing resources, particularly human resources, through training and skill advancement
- Improving industry standard and licensing program through partnership development and policy planning by working with the Ministry of health, the Ministry of Education and Training, and the Vietnamese National Administration of Tourism
- Enhancing collaboration with technical and administrative bodies in the sharing of information and coordination between government groups to provide a stronger level of support in improving activities relating to health and wellness tourism sectors as a key focus in long term development
- Raising public awareness on how people can benefit from the incorporation of traditional herbal medicine with modern medicine while working with related organizations and relevant agencies to establish quality standard and licensing of alternative and traditional medicine
- Working with the Ministry of Health and local enterprises to assist small agencies and members of the association in meeting market demand of health care services as well as developing the mechanisms on improving SMEs cluster development in relation to health and wellness tourism

Case Study Informants

Information in the country case study of Vietnam was obtained primarily from consultation with the following participants from VACHE and, where possible, was supplemented by an in-depth analysis in the health and wellness tourism industry.

Meeting Date: 15/01/2019

Time: 15:00-16:00

Location: VACHE premise, 130 Nguyen Duc Canh, Hanoi, Vietnam.

Table 25: List of informants

Agency	Title	Name
VACHE	Former Deputy Minister of Health Vice Chairman	Dr. Nguyen Thien Truong
VACHE	Head of International Department	Dr. Dinh Van Thai
VACHE	Assistant to Chairman	Dr. Do Thinh
VACHE	Member	Dr. Kim Nga

Source: Kenan Foundation Asia (2019)

Figure 52: Representatives of key stakeholders

Source: VNA (2019)

A photograph of representatives of the Vietnam Association for Community Health Education (VACHE) and Prime Minister Nguyen Xuan Phuc in Hanoi on January 4, 2019.[276]

[276] VNA. (2019). *Prime Minister emphasizes role of community health education*. Retrieved from https://en.vietnamplus.vn/prime-minister-emphasises-role-of-community-health-education/144623.vnp

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