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## Changing Guest Preferences and Marketing Challenges In the Resort Industry

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# Changing Guest Preferences and Marketing Challenges In the Resort Industry

## **Abstract**

Resorts in the future will be feeling the effect of a number of changes in the industry. Changing demographics, economic conditions and the changing priorities of resort guests will play major roles in the future success of resort properties. The authors stress that future resort marketing should emphasize the expansion of current market segments, the creation of new market segments, and the expansion of quality services.

## **Keywords**

Kye-Sung Chon, William P. Whelihan III, Changing Guest Preferences and Marketing Challenges in the Resort Industry, Baby Boomer, Convention/Conference

# Changing Guest Preferences and Marketing Challenges in the Resort Industry

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*Resorts in the future will be feeling the effect of a number of changes in the industry. Changing demographics, economic conditions, and the changing priorities of resort guests will play major roles in the future success of resort properties. The authors stress that future resort marketing should emphasize the expansion of current market segments, the creation of new market segments, and the expansion of quality services.*

Tourism is the backbone of the hospitality industry. According to the World Tourism Organization, tourism generates over \$2 trillion a year and is the number one growth industry in the world. It annually accounts for an estimated 12 percent of the planet's gross national product.<sup>1</sup> Often seen as the glamorous side of tourism, resorts are becoming increasingly accessible to a wide range of customers. Unlike traditional hotels that deal with a transient clientele, resorts are viewed as a destination and are designed to cater to the vacation and pleasure traveler.<sup>2</sup> The exotic aura surrounding resort vacations has made resorts the fastest-growing sector of the lodging industry.

However, this growth has created somewhat of an over supply, forcing resorts to become more aggressive in their marketing strategies. Changing demographics, economic conditions, and priorities of guests are challenging the resort industry so much so that the success of a resort in the '90s will depend mainly upon the expansion of valued services and the creation of new markets, while maintaining the traditional market.

The resort industry has a long-established dominance in the hospitality world when it comes to revenue-producing capabilities. This dominance has proved to be very influential as an increasing number of chains are entering the lucrative, and traditionally independent, resort segment.<sup>3</sup> The average daily room rate for a resort in 1989 was \$91.93, nearly \$11 more than the average for hotels, and nearly \$20 more than the industry average.<sup>4</sup> Despite the increasing influx of resort properties from both chains and independents, resorts continued to command the highest daily

occupancy rate. At the same time, according to Pannell Kerr Forster, resort properties showed a 70.5 percent daily occupancy rate compared to the industry average of 66.3 percent; motels were at the low end with 62.4 percent and hotels the second highest at 67.2 percent. This in turn generates for resort properties an average revenue per room of \$38,440, almost 40 percent higher than the industry average of \$25,731. Motor inns were at the low end with \$9,996 and hotels once again the second highest with \$29,782. Overall, resorts are at the upper end of the scale in terms of both revenue and profit.

However, their position at the top is not at all stable. As the 1980s drew to a close, an increasing number of properties were being classified as resorts and were competing for the limited recreational dollar. According to Laventhol & Horwath, 17 percent of the 23,900 lodging properties in the U.S. could be classified as resorts, up from 13 percent in 1985.<sup>5</sup>

### **Resort Image Changes**

The two images that resorts held in the 1980s were on different sides of the spectrum and neither was particularly desirable. In 1988, one of the world's biggest resort operators, the Marriott Corporation, conducted a survey to determine attitudes toward resorts. They found that people believed resorts were for the upper class, the unadventurous, and the elderly. The report stated that "people who do not vacation at resorts have an outdated vision of resort vacations, seeing resorts as mildly stuffy, offering restrictive experiences with limited alternatives and catering to honeymooners and older people."<sup>6</sup>

On the other side of the spectrum is the image with which many of the Caribbean resorts, led by industry leader Club Med, are dealing. For over 25 years, these resorts have thrived on the image of sun, surf, singles, and sex. Now they are launching major marketing campaigns geared toward attracting families and elderly couples, while at the same time seeking to dispel the myth that resorts are for "beautiful people only." Club Med has already set in motion a \$25 million ad campaign to change its "hot-and-heavy, endless partying, global singles bar" image and restore its dominance in the beach resort market.<sup>7</sup>

Why this sudden concern about image? Changing demographics and shrinking markets have made the fight for the tourist dollar very intense. No longer can a resort sit back on the laurels of its beachfront location and expect repeat business. According to a study done by the Western Media Corporation, "the maturing baby-boomer generation has very little brand loyalty."<sup>8</sup> This stark realism, coupled with new options in the way of recreational vacations, is challenging the resort industry. The best example of this is the cruise industry, led by the fast-growing Carnival Cruise Line. "Carnival has done everything right," said Robert Schu, marketing

vice president at Club Med. In fact, Club Med is feeling such pressure from the cruise lines that they have entered into the lucrative business themselves with the purchase of a luxurious 610-foot sailboat.<sup>9</sup>

Along with a major image problem and emerging competition from other industries, the resort industry is also facing other challenges to its establishment. Understanding the changing demographics, economic conditions, and priorities of clientele is going to be critical for planning effective marketing campaigns for the future.

### **Changing Demographics Pose a Challenge**

The people who made up a majority of the swinging singles scene at resorts like Club Med in the early '80s have since matured and begun families of their own. Their priorities have changed, as have their vacation requirements. The Marriott report on resorts determined that there were basically two types of couples who vacation at resorts. The first is a middle-income group that travels with children. Middle-income couples are looking for an action resort that can suit a wide variety of needs. The other resort vacationer is traveling without children and is looking for an experience that is relaxing and offers variety, but is not a circus atmosphere.<sup>10</sup> Both of these groups are in conflict with the two images that resorts currently hold. It is essential for resorts to realize that changing demographics mean changing tastes. The once 25-year-old Club Med beachgoer is now 35, with a wife and children. Now, family services and quality food are more important than constant beer guzzling and water-skiing.

In 1996, the first of the baby-boomers will turn 50. Between 1990 and the turn of the century, the 50 and older age group will grow by 19 percent to over 76 million people.<sup>11</sup> This is a significant demographic change that cannot be ignored by the resort industry. Providing services and marketing to the needs of this growing group will be key to the future success of the resort industry.

### **Economics and Priorities Influence Choice of Resorts**

One thing that is increasing along with the baby-boomers' ages is their affluence in society. According to the U.S. Census Bureau, the median family income has increased by an average of 4 percent a year since 1982, when it reached an all time low.<sup>12</sup> However, even with the increased income, fewer families are able to afford a home due to skyrocketing prices. This leaves families with a large amount of discretionary income and an increasing number are pampering themselves with resort vacations that at one time would have been out of the question.

In the past, resorts offered packages that would run from Saturday-to-Saturday or Sunday-to-Sunday. Now, with more two income families and greater responsibilities at home as well as work, most couples can only get away for a few days at a time. This has

led to a marked increase in the number of "short-term" resort goers. By taking more vacations for a shorter period of time, resort consumers feel as if they are getting more for their money. Resorts must realize this trend and develop packages geared to this market.

In 1987, the Hyatt Corporation conducted a study to determine how its new push into the resort market would succeed. The study concluded that a vast majority of the baby-boomer generation considers "enriched leisure time a key to a full life."<sup>13</sup> Baby-boomers now have greater affluence, families, and less time to spend their recreational dollar. These factors are crucial to the formation of baby-boomers' priorities when searching for a suitable resort.

Baby-boomers' priorities have changed on many different levels. Their self-centered desires have now turned to family-centered desires, requiring facilities for the kids as well as the romantic couple. Baby-boomers generally feel younger than they are. Instead of sitting by the pool sipping cocktails, they are looking for well-rounded exercise and self-improvement opportunities. They are looking for educational experiences that will increase their knowledge and understanding of a subject such as fine wine, gourmet food, or astronomy. Most of all, baby-boomers are looking for a flexible resort that gives them opportunities rather than leads them down a predetermined course.

It is clear that a new image and direction are needed for the industry. How each individual resort or corporation goes about determining a strategy for the '90s will be crucial to their individual success. When considering a plan for their future, resorts should keep in mind three basic trends in expanding market share in the industry: expanding current markets, creating new markets, and expanding services.

### **Current Markets Should Be Expanded**

The first, and most basic, step in increasing market share in the resort industry is to keep and expand the current customer base. It is important for resorts to keep in touch with the needs of their current guests and be sure to meet them. Resorts must provide services that their guests value and use, rather than frivolous services that only look good on paper. No one will care if complete secretarial services are offered if they are at the resort to get away from the business world in the first place.

Repeat business should be encouraged by the individual resorts. If a resort can meet a guest's needs once, the guest will have no reason to assume that the future will be different. It is a good practice for resorts to keep in contact with past customers through direct mail that lets the customer know of upcoming special events and available discounts.

With the increasing costs of every type of advertising, word-of-mouth is becoming an extremely effective and inexpensive way of letting others know of resort facilities and services. By pleasing

current guests, the guests' positive experience could bring in many of their friends and relatives.

### **New Market Segments Can Be Created**

The key to growth in the resort industry is to constantly search out new markets for services. As the industry enters the 1990s, it is discovering many markets that were previously overlooked.

The local market can sometimes provide the extra occupancy needed during slow periods. Colony Hotels and Resorts of Hawaii is pioneering the exploitation of the local market in Hawaii. "There is a tendency to overlook the market here in Hawaii for Hawaii," says John Fitts, CEO. "There are a lot of government and military people" who take weekend trips.<sup>14</sup> Special weekend packages and discounts to locals are two key tools in attracting the local market that not only build occupancy, but goodwill as well.

The concept of resort/conference centers will also play a big role in the '90s. Don Ciandella of the National Real Estate Investor says that the combination of first class amenities and meeting space is going to become a popular hotel product. The benefits of expanding one's facilities to include meeting space is obvious. As Geoff Kirkland of Laventhol & Horwath stated, "The resort business and small group business meetings are very compatible. Both the resort business and the meeting business are seasonal. When conference activity is not strong, resort business is active."<sup>15</sup> The combination of resort/conference centers has been called the "next generation of segmentation" and may be key to increasing average yearly occupancy.

Another major hurdle facing most resorts is seasonality. The best example of this is ski resorts. One difficulty that ski resort operators have is that their prime season has a definite beginning and end. However, when the ski season is over, by no means do the expenses stop accumulating. In an effort to produce summer revenue, many ski resorts offer a wide variety of activities to draw off-season crowds. Off-peak prices on lodging, food, and activities help many resorts reduce the off-season crunch. Horseback riding, whitewater rafting, gondola rides, hot air ballooning, golf, tennis, hiking, and shopping are just a few of the many activities that are promoted by ski resort towns. In fact, many ski resort towns create special marketing budgets and promotions specifically for the summer season. For example, Vail Valley, one of the biggest and most successful ski resorts in North America, hired a Denver agency to create a summer marketing program valued at over \$650,000. In 1988-89, Breckenridge, Colorado, spent more than \$350,000 to promote the area's golf courses, dining, and shopping. David Reece of Vail Valley says, "We have to bridge the perception that the resorts aren't open for business in the summer. In fact, there's more to do up in the mountains in the summer than in the winter."<sup>16</sup> The marketing seems to be paying off, since Vail Valley has just completed its second successful summer marketing campaign.

The only way resorts can create new market segments is to expose potential guests to their product. An increasingly popular method of doing this is by hosting special events which can cover a broad range of subjects and usually come with a good amount of positive publicity for the resort. Special events usually draw people, not because they are interested in the resort, but because they are interested in the event. The guests' exposure to the resort is just one of the benefits. Special events include music festivals, wine festivals, and sporting events. Many times, the company promoting the special event is given discounted rooms and special services by the resort in exchange for exposure. This is especially true in sporting events where resort names have sometimes become synonymous with the event, such as the Pebble Beach Golf Classic. Sporting event exposure such as this is priceless, since televised sporting events can show a national television audience a resort's facilities. In some cases, the resorts themselves may devise and promote an event in an effort to draw guests. For example, the Aston Kaanapali Shores Hotel in Hawaii is famous for its sandcastle building contest, which helps the resort boost occupancy.<sup>17</sup>

### **Services Will Have to Be Expanded**

The basic solution to maintaining and increasing market share in the '90s will be to increase available services. However, in order to be a determinant in a potential guest's decision, the services must be valued.

Children will play an increasing role in a family's decision of which resort to visit. Therefore, it is imperative that resorts begin to offer comprehensive programs for children of all ages. It is not enough just to offer a supervised room for the parents to leave their children in all day. Rather, resorts should provide supervised interactive experiences in which the children, depending on age, are instructed in various sports and activities. This can include ski instruction, swimming lessons, snorkeling lessons, and sandcastle classes, just to name a few. Club Med has actually proven to be a leader in this area by developing a series of Baby Clubs, Kid Clubs, and Teen Clubs at their established resorts.<sup>18</sup> Each of these clubs is designed to offer all-day supervised experiences to children of guests. Depending on the age of the children, the programs have varying daily routines which begin at breakfast and end in the evening. The older the child, the more adventurous the activities. This way the entire family can benefit from the facilities of the resort.

Self-improvement and educational experience are other factors potential guests are considering when selecting a vacation resort. Seminars, classes and instruction in anything from windsurfing to cooking with wine are making many resorts resemble small community colleges. At the Cloister on Sea Island, one of Georgia's most famous resort hotels, a wide variety of classes and activities are available. Spokesman Sig Kaufmann says, "People want to learn.

We now have classes on manners, including one on dancing manners, which are very successful."<sup>19</sup>

One service that resorts are expanding in order to increase occupancy is the use of direct flights. In many cases, guests must change planes at least once, and then usually spend time in a cramped bus or car until they reach their exotic resort destination. To bypass this inconvenience, an increasing number of resorts are using direct flights from major hubs to small airfields near the destination. However, to get airlines to fly in, resorts must guarantee a profit on every flight. In 1988, Steamboat Ski resort launched a major campaign to promote its direct flights to the resort.<sup>20</sup> This enabled travelers to bypass crowded Stapleton Airport and greatly reduce travel time. Overall, Steamboat increased its sales by 6 percent, over twice the rate of other resorts in the state. However, Steamboat lost nearly \$200,000 on the program by having to pay for empty seats. Despite the potential for loss, resorts should consider the pros and cons of offering direct flights.

### **All Vacationers Like a Bargain**

No matter how beautiful the resort, or how exquisite its services, the basic fact is that all vacationers like a bargain when they find one. Now more than ever, resort properties are tying in package deals with rental cars and airline tickets. Resorts are offering discounts to special groups such as the American Association of Retired Persons (AARP) and members of the American Automobile Association (AAA). Government employees, military, children, seniors, singles, couples, families, businessmen, and students are just a few of the targets to whom discounts can be offered. In fact, a ski lift ticket in the Vail Valley can cost any one of 33 different prices.<sup>21</sup>

In the new decade, the resort industry will enter its most challenging period ever. By constantly having to redesign and reposition to meet the needs and demands of a dynamic consumer base, and having to deal with new competition and over supply, there is a danger that the traditional resort will soon be extinct. Judith Langer of Langer Associates says, "To be successful in the 1990s, managers will have to avoid thinking in stereotypes and develop flexible products and services that appeal to diverse populations."<sup>22</sup> As resorts attempt to broaden their appeal, it is important that they also maintain a clear focus on their selected markets. No longer will a mass media campaign achieve the goals of a growing resort. Rather, a variety of campaigns, each with a specific message for their target market, is more practical. "Your media buying has got to be terribly focused toward a very finite audience for your specific programs," advises Gary Hedges of Laventhol & Horwath.<sup>23</sup>

As the resort industry struggles with its image, attempts to broaden its appeal, and continues to grow, there is no doubt that resorts will continue to play a dominant role in the hospitality industry. As consumers are constantly demanding higher quality

recreational time, resorts are becoming more receptive to new ideas and new services. The 1990s will be a decade of change for the entire hospitality industry as international blockades come down and air travel becomes more accessible to the entire world.

Nowhere will this change be felt more than at resorts, where changes in the external environment have, and will, lead to large scale changes of their internal environment.

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