Club Med + Skift Present:

The Evolution of the All-Inclusive Resort

Spurred by economic factors and shifting guest expectations, the all-inclusive resort segment is rapidly expanding with more luxury product, local travel experiences, and age-delineated services targeting a wider range of international consumer demographics.

Skift Team + Club Med

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Club Med, the all-inclusive pioneer and market leader with over 65 premium resorts worldwide, has been welcoming guests since 1950 in stunning locations from the United States, Mexico, the Bahamas and the Caribbean to Asia, Africa, South America, Europe, the Indian Ocean and the Middle East. Creating moments of happiness is an integral part of the legendary brand’s vacation concept, which includes providing incredible experiences ranging from training at top sports academies in Florida and enjoying outstanding snorkeling in Cancun to cycling through rice fields in China and skiing with top instructors in the Alps.

Club Med is continually evolving and finding innovative ways to create memorable travel experiences for its guests around the globe. Most recently, stemming from its longstanding history of trapeze and acrobatic instruction, Club Med has partnered with the iconic Cirque du Soleil, which reinvented the circus arts, to create a completely new experience where guests will be able to learn many of the exciting acrobatic disciplines showcased in famed Cirque du Soleil productions at its resort in Punta Cana, Dominican Republic. The diversity of accommodation and activities, enriching children’s clubs and gourmet dining and drinks provided at Club Med resorts makes them perfect vacation destinations for families and couples of all ages with everything seamlessly included in one price.

For more information visit www.clubmed.us, call 1-800-ClubMed (1-800-258-2633) or contact a preferred travel professional. For an inside look at Club Med, follow Club Med on facebook.com/ClubMed, Twitter @ClubMedOfficial or Instagram.com/ClubMed or subscribe to YouTube.com/ClubMed.
Executive Summary

The all-inclusive resort experience throughout the Americas and a growing selection of resort destinations worldwide has evolved significantly over the last 15 years. Once considered primarily a hospitality segment catering mostly to budget travelers, the major all-inclusive resort brands today have developed a sophisticated guest experience and wide spectrum of resort amenities and services catering to multiple consumer types within a single property.

The one constant from the beginning is value. The all-in-one pricing model remains a powerful draw for all-inclusive travelers who appreciate knowing the entire cost upfront, save for ancillary charges for add-ons such as special F&B, spa, shopping, sporting and offsite experiences. With air, land transfers, lodging, all F&B, select activities, taxes and tips included in the rate, many travelers deposit their wallets in the room safe and never take it out until it’s time to depart.

The biggest shifts over the last five years include the growth of luxury resorts on par with many top-tier properties in their destination. The economic crisis from 2008-2011 created a new all-inclusive luxury seeker who wanted pampering service, quality dining, beautiful locales and trendy design, but to an unprecedented degree, they were also searching for the best bargains and overall value they could find.

In a related development, the focus on added value also helped drive the creation of more upscale family resorts, where the values inherent in the all-inclusive pricing model play an even more prominent role. Underpinning that, the exponential rise in multi-generational travel aligns well with the all-inclusive resort model due to the wide variety of amenities on-property within a secure and protected environment.

The one challenge for all-inclusive resorts in today’s market stems from the exponential rise in demand for authentic local travel experiences. Because the all-inclusive experience tends to keep most guests on-property for the bulk of their vacations, there’s a conscious effort among hotel brands to develop higher quality travel programs, both on-property and off, that immerse guests in the local culture.
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Introduction: Behind the Rise of All-Inclusive Travel in the Americas

A variety of travel industry and world economic disruptions over the last 15 years have helped drive the exponential success of the all-inclusive resort industry in the Americas and beyond, each of which helped produce a larger and more varied customer base.

When airlines began cutting their standard 10% commissions to travel agents in the late 1990s, the all-inclusive hotel companies continued to pay 10–12% commissions on their full package price, just like the cruise lines. At that time, all-inclusive companies began ramping up their marketing efforts toward agents promoting this fact, and agents quickly began shifting their attention to selling all-inclusive vacations for the more lucrative payouts.

Around the turn of the century, all-inclusive resorts catered mostly to European, Canadian and Latin American budget travelers. Seeing the rise of interest from the American market, the all-inclusive companies began catering more to the U.S. traveler. They introduced familiar U.S. food and beverage brands, more U.S. television channels, and in-room amenities demanded by American travelers such as coffee makers and irons/ironing boards.

Americans also tend to prefer larger guest rooms and poolside relaxation, whereas Europeans and Latin American are traditionally drawn to the beach. So hotel companies began to expand the size of their guest rooms, and they constructed lavish, multiple lagoon-pool layouts with large pool bars and poolside programming.

Over the ensuing years, the U.S grew into a primary source market for all-inclusive resorts in the Americas. The all-in-one pricing model and the inclusivity of integrated amenities within a secure environment also tapped into the needs for many travelers new to international travel. That was fueled by extremely low air/land travel packaging, in part due to the dramatic rise of the Dominican Republic all-inclusive market at the time, and robust hotel expansion in the Bahamas, Jamaica and Mexico’s east coast through the mid-2000s.
As more resort product opened and improved in overall quality, the all-inclusive sector also surged in global travel media exposure over the following years, while continuing to earn a better reputation among the American traveling public. The value of all this new media exposure as a marketing vehicle was significant.

Another major impact on the evolution of the all-inclusive industry, the global economic crisis beginning in the fall of 2008 accelerated bookings from a wider, more affluent audience. Suddenly, luxury travelers were looking for package travel bargains. A new influx of high-end consumers willing to try all-inclusive resorts for the first time spurred higher and higher levels of luxury product development and resort services based on heightened guest expectations.

Today, the all-inclusive resort industry in the Americas is now a fully mature hospitality vertical, targeting clearly delineated market segments including single and multi-generational families, couples of all ages, and luxury buyers. In fact, the model is so successful, it’s severely hampered large resort development outside the all-inclusive segment in Caribbean and Mexico beach destinations.

The future of the industry for the major hotel suppliers will revolve around more nuanced evolutions in the overall quality of the guest experience. Expect to see a rise in upscale family-centric resorts, more luxury and wellness resorts and services, and a continued push for more locally authentic cultural experiences.
From Couples to Kids: The Rise of All-Inclusive Family Travel

As the all-inclusive market has matured, so too have the demographics of travelers booking all-inclusive vacations. Singles and couples who first visited the hotels a decade or more ago are now returning with their children.

Founded by the former Belgian water polo champion Gérard Blitz, Paris-based Club Med pioneered the all-inclusive resort model back in 1950 in Mallorca, Spain. Club Med now operates over 65 “villages” around the world, and while the company was once well known for resorts that catered to singles and couples, over 90% of the properties today welcome families.

Club Med has always placed a priority on enjoying the outdoors, sport-centric vacations and other experiential activities, long before that came into vogue in global tourism. Over the last decade, the company has completely retooled its operations toward the family market with a wide range of diverse activities for kids from four-months-old to teenagers. While at the same time, Club Med is developing more dedicated product for parents seeking a little adult time while the kids enjoy structured activities.

“Our switch to focus on family clientele was very important for us, especially in North America, because there’s a lot of competition in the all-inclusive marketplace, and one way we’re different is our unique and enriching kids programs, offering specialized facilities with professional supervision,” says Xavier Mufraggi, CEO of Club Med North America. “Multi-generational travel is also getting bigger and bigger as Baby Boomers are retiring, because many of them were not able to spend time with their own kids, so they want to make sure they don’t miss time with their grandchildren.”

Employees at Club Med staff are called “GOs,” or gentil organisateurs (gracious organizers), and the resort manager is called the chef de village (village chief). At Club Med resorts today, the multicultural spectrum of GOs represents over 100 countries so there’s always a strong international flavor at all of the properties.

One unique feature about Club Med is how the GOs are encouraged to engage with the visitors, including dining during meals and sports activities during the days. This goes a long way to helping parents and children be more social and meet new friends, and it adds a certain spirit of bonhomie during meal time and scheduled activities that can be quite infectious, which is somewhat unique among all-inclusive hotel companies.

Every email featured imagery of the destination – giving prospective travelers a glimpse of their potential trip, reminding them visually why they need that vacation.

In addition to timely sending and visual stimulation, American deploys two types of content to its abandoned shoppers. According to analysis firm Brafton, some of American’s email content shows, “a single price point, while others feature two options. The first email sends flight information to searchers who looked up certain trips, but abandoned the transaction before checking out. The second email gives two prices – one for the exact date being searched and another for a cheaper option” – allowing flexibility for travelers who have a destination in mind but no firm travel dates.
Building on its trademark acrobatic trapeze experiences at many of its resorts, Club Med partnered with Montreal-based Cirque du Soleil to launch a new on-property experience called Club Med CREACTIVE by Cirque du Soleil. The goal is to teach guests of all ages a variety of circus acrobatic and artistic activities including: flying trapeze, acrobatic bungee, aerial silk acrobatics, tightrope, trampoline, juggling, percussion and more. CREACTIVE will launch at Club Med Punta Cana in the Dominican Republic in June 2015. The colorful, energetic and whimsical facilities signal the brand’s direction to differentiate itself in the family and experiential travel market.

“The goal is to have our guests learn the tricks that they have seen in Cirque du Soleil’s spectacular shows. They can learn over 25 different activities such as acrobatic bungee and more,” says Mufraggi. “The focus is really on creativity and educational experiences. We see the biggest travel trends around family travel, experiential travel, education, adventure and being able to experience something different. Dancing along a wall 25 feet up in air for the first time like a Cirque du Soleil acrobat is definitely quite an experience that you can’t do anywhere else.”

David Meyer, product director for Club Med North America, adds that children often require less coaching than adults to try the most daring activities. He explains that after three decades of experience with trapeze at many of the resorts, Club Med understands how to inspire youngsters to try new things and go beyond their preconceived limits.

“We have it down to a science to get the children up there and make them feel safe and comfortable the whole way, and of course, they’re harnessed to safety lines,” says Meyer. “Once they get better, the goal is to have them be able to do a knee-hang, where they actually hang their knees onto the bar while they’re swinging. It’s a pretty unbelievable experience. It’s something that really gets people out of their shell, and something they don’t try everyday.”

For Meyer, the most exciting thing about Club Med CREACTIVE by Cirque du Soleil is the opportunity for guests to interact with actual former Cirque du Soleil performers. The acrobats will be able to share many behind-the-scenes stories about the creativity, storytelling and technical wizardry that inspired the activities guests will have the opportunity to try firsthand.
The Rise of Sport & Wellness Tourism

In 2014, Club Med produced the research report, “Emerging Trends in Healthy Active Travel,” highlighting the increased demand for active vacations and wellness. The report reads:

“Within the past decade, worldwide wellness tourism has grown as the number of Americans striving to achieve healthier lifestyles has increased. Vacationers are looking for places that offer a more diverse selection of activities that are both physical and educational. The focus on promoting a healthy way of life has gone hand-in-hand with learning vacations, during which travelers engage with different cultures or practice new hobbies.”

Based on those trends, Club Med offers professionally-led sports academies aligned with active pursuits specific to each destination. For example, kids and adults of all ages can sign up for golf, tennis, triathlon and volleyball academies at Club Med Sandpiper Bay in South Florida. Pro athletes in each of those disciplines work at the resorts to share their expertise with kids and parents, integrating an extra layer of educational and fitness takeaways into the vacation experience.

For the tennis program, for example, Club Med’s tennis coaches developed eight number one and 26 top-ten players in the world, including Andre Agassi, Pete Sampras, Jim Courier and Monica Seles.

“What’s unique for the guests is that those same coaches that teach these exceptional players are offering the same lessons for the guests,” says Meyer. “So the level of instruction that you are receiving in these different sports is world-class. They are some of the best coaches in tennis. Sandpiper Bay also has an LPGA coach of the year in golf and former Olympic fitness coaches that are all offering all-inclusive classes to the guests.”

Other Club Med villages feature professional sports academies offering everything from kitesurfing and sailing in the Caribbean, to skiing and snowboarding in France.

“That is one of the ways we live up to our tagline: ‘And What’s Your Idea of Happiness?’” says Mufraggi. “People come back to Club Med because of their memories, so the idea behind the question is that people on vacation are not only looking for a bed and a beach. People are looking for personalized experiences of a lifetime. When you look at all of our resorts and everything we offer relating to things like sports and wellness activities, we’re able to give that to our guests. It’s really about feeling better when you leave than when you arrived.”

At Club Med Sandpiper Bay, the new Beach Volleyball Academy is now home to the National Volleyball League (NVL) in America, which relocated to Club Med from their previous facilities in California. That means guests of all skill levels can now play and interact with past Olympic beach volleyball players, as well as Albert Hannemann, CEO of the NVL. Junior camps and group programs are also available for an additional cost.

Also at Sandpiper Bay, the Peak Performance and Active Wellness Boost packages include daily group fitness instruction such as stretch-and-tone, power walking, running, swimming, water cardio, pilates, yoga and meditation. Experts are also on hand to teach nutrition and advanced sports psychology.

In terms of spa and wellness product and programming, Club Med Sandpiper Bay, Club Med Punta Cana and Club Med Columbus Isle on the island of San Salvador in the Bahamas feature a Club Med Spa by L’OCCITANE. In the Bahamas, the new 13,000-square-foot spa is part of a recent $8 million renovation.
The majority of Club Med resorts worldwide have other partnerships with luxury spa and wellness brands, such as the Carita Paris spa line at Club Med resorts throughout Europe. Aside from the menu of individual spa treatments at each resort, Club Med is expanding its roster of spa and wellness-themed spa packages. For example, the spas at Club Med Sandpiper, Punta Cana and Columbus Isle offer a range of 2- to 4-day Spa Escapes, designed to teach guests the value of making long-term wellness lifestyle choices.

Urban/Resort Combo Packages & the Global All-Inclusive Experience

Club Med’s global portfolio of all-inclusive resorts in first-tier vacation destinations in the Americas, Asia, Africa and Europe is a major differentiator in the all-inclusive segment, with one third of Club Med resorts located in upscale ski destinations. Especially for members of Club Med’s loyalty program—Club Med Great Members—the all-inclusive resorts beyond the Americas offer a consistent guest experience and value proposition for fans of the brand seeking new travel experiences.

Illustrating the evolution of dining at luxury all-inclusive resorts, two Michelin-star chef Edouard Loubet oversaw the menu development for Club Med Val Thorens’ signature Epicurious restaurant. Val Thorens also has a dedicated resort app for mobile check-in, destination and resort content, and interactive gaming and music functionality.

In January, as part of their efforts to introduce more luxury resort environments, Club Med opened Finolhu Villas on a private island in the Maldives. Part of Club Med’s Villas & Chalets category, the solar-powered property includes 52 gorgeous villas perched over the pristine teal blue sea. Each villa comes with its own private pool, in-room iPads and personal butlers. On-island, there’s a 3,000-foot white sand beach and pool located near the Club Med Spa by ILA. Dinner is served at the upscale Motu restaurant, or guests can order villa service.

For 2015, Club Med added to a unique twist to package inclusions with the launch of the Club Med City Stops Program. The hotel company is now packaging overnight urban destinations at major gateway cities on air routes to Club Med destinations, such as Paris, Dubai, New York and Miami. Participating hotels are available in different budget tiers, and at present, guests can book either through travel agents or the Club Med call center.

“It’s especially interesting for international travelers, for example, North American travelers love Paris so we have a range of 3- to 5-star hotels they will be able to add to the resort component,” says Mufraggi. “This is very new right now but it will add to the overall guest experience and provide more exciting and diverse options around the world.”
Higher Guest Expectations Drive a More Competitive Market

As the all-inclusive vacation segment continues to expand, the biggest challenge for the all-inclusive consumer today is the lack of any consistent rating mechanism to gauge the quality of the overall experience. The disparity among resort product, services and amenities is vast, and also, the consumer is often at a loss to understand the true brand differentiators that cater to their personal travel psychographics and behaviors.

“Since the beginning there has been a problem for consumers dealing with the all-inclusives, because of the fact that while the concept is fairly simple, the hotels themselves do not provide the same ingredients in their all-inclusive packages,” says Richard Kahn, a longstanding board member of the Caribbean Hotel & Travel Association (CHTA).

“The consumer buys an all-inclusive package, and then gets down there and the expectations are often not met. We continue to hear complaints about that every year.”

Kahn asserts that to alleviate this, hotels need to be more transparent when describing inclusions and restrictions, especially in the fine print.

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Kahn continues, explaining that the rise of guest expectations and the competitiveness of the marketplace, with so many different destination and resort options, is driving the level of service quality to levels on par with the better European Plan (EP) resorts in the region. Kahn says companies like Sandals Resorts was one of the first all-inclusive brands to create benchmarks for luxury service standards, while at the same time introducing butler service and fine-dining restaurants.

Adam Stewart, CEO of Sandals Resorts, says, “Especially within the last three years, we’re pushing the all-inclusive envelope to higher levels of service because the expectations are wildly ahead of where they were before. Some of this is created by us and out of the drive and belief that an all-inclusive can very much be a 5-star experience. We want to be on the upper end of middle America and lower upper America. We are the most expensive in our category but there’s a value proposition above and beyond service.”
Another shift in guest expectations in the all-inclusive segment is due to the rise in number of American travelers since the early part of the century. In 2003, for example, the Mexico-based AMResorts all-inclusive chain launched Secrets Capri in the then emerging destination of Playa del Carmen south of Cancun.

From the beginning, AMResorts aggressively targeted the U.S. market by promoting its American F&B brands in its restaurants and U.S. television channels in the guest rooms. Just 12 years later, AMResorts now operates 36 resorts in the Americas with another seven under development, and North Americans represent the largest ratio of guests.

“AMResorts was created with the North American traveler in mind,” says Alex Zozaya, CEO of Apple Leisure Group, the parent company of AMResorts. “As part of our effort to cater to this travel segment, we made a conscious effort to utilize recognizable brands, like Heinz for example, which helps to create a sense of familiarity among travelers. It is one of our key differentiators, and it has helped us become extremely successful in targeting North American travelers.”

According to Zozaya, through AMResorts and its five sister companies, Apple Leisure Group is responsible for bringing every two in ten American travelers to the Caribbean.
Kristina D’Amico, a senior analyst, hospitality consultant and hotel appraiser at the HVS hotel consultancy company, confirms that the biggest shift in the all-inclusive industry is the rise of quality across all different budget segments. Prices are remaining “very reasonable and often lower than you would expect,” and she says there’s a shift to building new resort product to American standards with fast Wi-Fi, 5-fixture bathrooms, restaurants with dedicated kitchens, more luxurious bedding and furnishings, and upscale electronics.

Another trend she sees is the frequency of more add-on purchase options at restaurants, bars, spas and other outlets because hotels are attempting to build incremental sales, and consumers are more and more willing to splurge outside the initial all-inclusive vacation package purchase.

“General managers are saying that people want to spend an extra $50 to get a truly great wine or a private dinner setting outside with personal service,” says D’Amico. “People still want to make spontaneous travel purchase decisions, and because it’s an all-inclusive resort, they know there won’t be that sticker shock at the end of the stay, so why not spend a little extra here and there.”

D’Amico says it all boils down to the value proposition, and hotels should leverage that guest demand for add-on values by offering truly customized and/or high-end products and services for bespoke experiences aligned with their particular guest profiles.

In terms of future growth, D’Amico says, “There’s still somewhat of a stigma attached to all-inclusive hotels for many American travelers who still imagine things like just okay food. When in fact, many resorts have five or six restaurants now where men wear slacks, women dress up, and it’s a real dining experience. Changing that perception is still the industry’s biggest challenge.”
The next shift in the continuing evolution of quality throughout the all-inclusive resort sector relates to personalizing the guest experience for both couples and families. Because there is now a growing influx of family bookings, there are a lot more children on-property, so companies like Club Med are diversifying product offerings to create more age-specific areas at each resort.

“We have more and more dedicated areas for couples and areas for children,” says Mufraggi. “Because what we’re realizing is parents still like to have a nice restaurant where there are no kids, or a pool or a whole area that’s designed just for parents or couples who want some adult time without bumping into babies.”

For parents and couples, Club Med is creating peaceful new Zen Oasis areas at resorts like Club Med Punta Cana and Bali. These private adults-only areas feature dedicated facilities such as a “zen pool” with in-water lounge chairs, a lap pool, yoga palapa and wellness bar serving healthy F&B.

The Zen Oasis initiative is expanding into the room product as well. Club Med Punta Cana is developing 78 guest rooms with spa-inspired bathrooms including rainfall showers, soaking tubs, chromatherapy lighting and L’Occitane spa products.

For the kids, Club Med is continuing to develop and expand venues and activities designed for toddlers and children at different age levels. According to Mufraggi, parents sometimes feel guilty about “abandoning” their children, but if the venues and activities are compelling enough, that then drives the attraction for youngsters. In turn, when parents see that their children are engaged and excited about their time away from them, that attaches an emotional value to a brand that’s absolutely gold for hotel companies. “Parents love it because they aren’t forcing their kids to do something, and the kids don’t want to go,” says Mufraggi. “Last time when I was with my family in Cancun, my daughter loved the evening shows, and she loved being together with her friends, so we were convincing her to stay with us. She was like, “Okay papa, okay mommy, I will have dinner with you tomorrow night, okay?”

Part of Melia Hotels International, the Paradisus Resorts all-inclusive brand operates in the Dominican Republic and the Cancun/Riviera Maya corridor. The company has helped set the bar for luxury service and more modern upscale design in the all-inclusive segment.
In the Dominican Republic, Paradisus Punta Cana and Paradisus Palma Real Golf & Spa Resort both have a separate, self-enclosed luxury communities called The Reserve. The all-suite accommodations wrap around a pool area exclusive to guests of The Reserve next to the comprehensive resort spas. Guests at The Reserve also enjoy a wide range of added amenities from free golf to family concierges, and there are on-demand complimentary shuttles to the main resort.

“When you have such a major economic adjustment that recently took place globally, I think you started to get a very different type of customer that was suddenly willing to experience what an all-inclusive had to offer,” says Tony Cortizas, VP of global brand strategy at Melia Hotels International. “There were many factors conspiring to drive a Ritz-Carlton type customer to an all-inclusive experience for the first time, which has raised demand for a product like The Reserve.”

Cortizas says contemporary architecture and interior design represent one of Paradisus’ brand differentiators. The old days where rooms featured a lot of dark heavy woods, clay pottery and other pseudo-ethnic embellishments have been supplanted with modern art and furnishings. Cortizas explains that the next generation of all-inclusive consumers have grown up with innovative design based on the populist modern appeal of companies like IKEA and Target, and they now expect that in hospitality and tourism.
THE EVOLUTION OF CLUB MED

1950
CLUB MED PIONEERS THE ALL-INCLUSIVE CONCEPT WITH ITS FIRST VILLAGE
In the Balearic islands with a purpose to develop appreciation for the outdoors and the practice of physical education and sports. The Club Med “spirit” of fitness, freedom and fun has begun.

1956
CLUB MED HITS THE SLOPES
And successfully launches its first ski resort in Switzerland.

1957
CLUB MED BEGINS OFFERING SCUBA DIVING, WATER SKI AND SAILING LESSONS,
Which were sports that were previously reserved for only a handful of athletes, building its reputation as the world’s largest sports school.

1967
CLUB MED PIONEERS THE CHILDREN’S CLUB CONCEPT
Club Med’s first guests have grown up and become parents, thus its villages begin implementing “Mini Clubs.”

1976
CLUB MED OPENS A VILLAGE IN CANCUN
And pioneers yet another destination.

1978
TRAPEZE AND CIRCUS LAUNCHES AT CLUB MED

1989
CLUB MED LAUNCHES CLUB MED 1
The largest passenger sailing ship to date at that time, allowing for a floating Club Med village.

2004
CLUB MED STRENGTHENS ITS FOCUS ON CREATING MORE UPScale RESORTS

2006
CLUB MED OPENS ITS FIRST 5-T LUXURY SPACE
With Le Riad – housed within the 4-Trident Club Med Marrakech La Palmeraie.

2014

2010
CLUB MED ARRIVES IN CHINA
Opening the country’s first all-inclusive ski resort and expanding the brand’s growing Asian portfolio.

2014
CLUB MED OPENS ITS FIRST CROWDSOURCED RESORT
With Club Med Val Thorens in France – selecting key elements of the ski resort based on feedback from its social media followers.

2015
CLUB MED OPENS ITS FIRST 100% SOLAR POWERED LUXURY RESORT
With Finolhu Villas in the Maldives.

CLUB MED TAKES ITS DECADES OF TRAPEZE AND ACROBATIC INSTRUCTION TO NEW HEIGHTS
With a partnership with Cirque du Soleil and the launch of Club Med CREACTIVE by Cirque du Soleil.

2015
WHAT WAS THE KEY CONSIDERATION IN CHOOSING AN ALL-INCLUSIVE RESORT?

WHAT AMENITIES/ACTIVITIES WOULD NEED TO BE INCLUDED FOR YOU TO PURCHASE AN ALL-INCLUSIVE TRIP?

*Skift and Club Med surveyed 1,087 all-inclusive travelers.
The Rise of the Millennial All-Inclusive Traveler

With so much competition in iconic tourist destinations from Rio de Janeiro to Mexico’s Riviera Maya, there’s a powerful drive among the major all-inclusive resort chains to deliver more high-impact experiences on-property. However, there’s growing uncertainty about how to cater to millennials today.

Hard Rock Hotels is a newcomer to the all-inclusive scene with four hotels in Mexico and one in Punta Cana in the Dominican Republic. Another in Los Cabos is presently under development. The focus on music memorabilia, outdoor live musical events, and a general counter-culture attitude is resonating with younger customers today, as well as parents looking to sync up with the brand’s edgy spirit.

“We started the Hard Rock all-inclusive brand four years ago to turn the all-inclusive industry upside down on its head,” says Frank Maduro, VP of marketing for Hard Rock Hotels All-Inclusive Collection. “We wanted something that was going to disrupt the marketplace so we looked at what would be unexpected. First, it’s a brand you wouldn’t relate to all-inclusives for starters. It’s a quality brand, it’s a world renowned brand. Two, we have elements that aren’t typically found with an all-inclusive brand, like the music and the music memorabilia and the attitude, which are all a little bit different.”

Hard Rock’s mantra is “All Day, All Night, All-Inclusive” with a high-energy vibe that appeals to many millennials. For example, the Hard Rock Hotel Riviera Maya near Playa del Carmen in Mexico has a purpose built concert theater inside the property. The venue hosts the nightly “See The Show” event featuring live bands and dinner, with one show for families earlier in the evening and a later show for adults.

See The Show concert halls are being developed for the rest of the Hard Rock all-inclusive properties beginning next year.

There are also purpose-built outdoor concert stages called Woodstock Terraces with audience capacity for up to 5,000 people, along with full lighting and sound equipment for special events and name musical acts ranging from Flo-Rida to rock and roll icon Jon Bon Jovi.

“We’ve seen tremendous success by offering an experience that rocks, and that’s what we’re looking for,” says Maduro. “I think it helps attract the younger guest because the brand is perceived as a cool and hip brand, versus just a hotel brand, so it definitely opens up the market to a younger clientele. It’s also an aspirational brand for older clientele because they also want to be cool and hip, and remember how they felt during their music days.”

The wealth of music memorabilia from different eras at Hard Rock Hotels helps bring the different age groups together, which is very attractive for multi-generational families and groups. For example, Madonna’s limousine at Hard Rock Hotels Punta Cana provides a great topic of discussion for all generations, based on common interests in global music, fashion and lifestyle trends.
The Evolution of All-Inclusive Food & Wine

Since guests at all-inclusive resorts purchase the majority of their food and beverage on-property, the quality and variety of meals plays a major role in determining the success of a resort’s operations. On travel review sites such as TripAdvisor, the subject of food is often the most discussed subject in the all-inclusive category.

A few years ago, Paradisus Resorts partnered with Chef Martin Berasategui, who’s earned seven Michelin stars over the course of his career. Berasategui consults on the development of new Paradisus menus and he helped develop the series of Passion by Martin Berasategui restaurants at various Paradisus properties, which require a surcharge. The Passion restaurant at Paradisus Palma Real is consistently ranked #1 out of 172 restaurants in Punta Cana.

“When I was there it was so busy I wasn’t able to get a reservation on any night, so that really shows how people are willing to pay extra for a great meal at an all-inclusive resort,” says Sarah Greaves-Gabbadon, a long-standing Caribbean travel journalist. “There’s a $70 supplement charge for a 7-course dinner, and the restaurant is very dressy and elegant.” Cortizas adds, “Food and beverage still has tremendous potential for the evolution of all-inclusive brands, and that’s why we partnered with Chef Berasategui. That evolution includes the beverage side too. Plastic cups and straws and a slice of pineapple are no longer enough, which is honestly what still goes on in the majority of the segment, but that’s not really what customers expect anymore.”

New to the all-inclusive industry, Hyatt Hotels launched the Ziva and couples-only Zilara brands in 2014. Speaking with Alexandre de Brouwer, general manager for Hyatt Ziva Puerto Vallarta, he says the two brands place a priority on discovery and spontaneity in their programming. For example, there are numerous street vendor-style carts placed at different parts of the hotel during different times of day. The food is similar to what you can find in the local markets because customers are drawn to that authentic taste and delivery.

“Our guests look for those street carts everyday because they like to be surprised about what we prepared for that day,” says de Brouwer. “We have a lot of different things like tortillas and mangos, and it’s always changing. That’s very popular with our guests because it’s fun and unexpected.”

Hyatt Ziva Puerto Vallarta has its own secluded private beach that connects to a river running through the property that begins high up in the Sierra Madre Mountains. Every morning one of the staff members guides a group of 15-20 guests up the river
to learn about the local ingredients used in the resort kitchens. Likewise, the resort offers kayak fishing lessons where guests are taught how to fish like the locals.

“Sometimes they will catch a large red snapper and they will bring it back to the resort for our chefs to prepare for a meal,” says de Brouwer. He adds that Hyatt Ziva has 24-hour room service and each of the four restaurants has its own kitchen and culinary teams.

Another innovative F&B program at Hyatt Ziva, the resort offers tequila tastings hosted by a tequila sommelier who teaches diners about the finer points of tequila making and how to pair the liquor with different types of food. For a surcharge, guests can also try premium tequilas such as Jose Cuervo Reserva de la Familia Extra Anejo, which retails in the U.S. for $145 a bottle.

According to de Brouwer, mezcal has become very trendy lately so his staff is now incorporating that into tastings and meal pairing education. This type of F&B programming adds an experiential element to the vacation experience, and more and more resorts are starting to blend those interactive and educational components into their F&B offerings.
The Rise of Voluntourism & Community Integration

An emerging challenge for the all-inclusive industry over the last five years is the surging demand for authentic travel experiences that immerse the traveler in the local community. Because the business and operational model of all-inclusive resorts tends to keep guests within the resort environment for most of their guests’ vacation, that can remove the guest from the local destination to varying degrees. All-inclusive resorts have always had tour desks on-property offering packaged itineraries but many of these in the past have been very touristy and overly contrived.

“There are many advantages of all-inclusive resorts, because people want the security of an all-inclusive hotel on their vacation, they want the sense of calm, and they don’t want to worry everyday how much they’re racking up their hotel bill,” says Lelei LeLauLu, chairman of the leadership council in the Department of Tourism & Hospitality Management at George Washington University. “On the other side of the coin, the guests are often not leaving the resort and visiting the small local restaurants and shops. They may leave once or twice during their entire vacation, but they want to be back in time for lunch or dinner because it’s already paid for.”

Two of the larger all-inclusive companies operate their own standalone tour operators and destination management companies. Sandals owns Island Routes, which offers a diverse selection of activities at all of the islands where the company operates, and the tours are available for guests staying at any other branded property. It’s the same situation at AMResorts, which is integrated with its sister company Amstar Destination Management under the Apple Leisure Group flag.

Having that tour operator platform within the company adds a layer of trust and seamless quality management. The resort companies continue to refine and expand these tour operations because they offer incremental revenue streams, and the more that guests are outside of the resort, the less food and beverage they’re consuming.

“We actively encourage guests to live the local culture, as it promotes travelers having a longer and a happier stay,” says Zozaya at AMResorts. “We are invested in the destinations where we are located, and we strive to be true community partners and help the local areas reap the benefits of having tourists visit their destination. Each resort engages in community social responsibility programs in their respective markets, and we also extend the opportunity to get involved to our guests while they’re at the hotel.”

For example, Zoëtry Paraiso de la Bonita Riviera Maya in Mexico invites both guests and employees to work together with Save the Children and the not-for-profit Lazos Foundation. These organizations advocate for more than 4,000 distressed children and teens, and they offer training and education for staff on related issues.

Cortizas at Paradisus Resorts adds, “One really interesting trend which I feel really strong about is this whole voluntourism movement. I think that this is a really interesting way that you can actually take the guest out of the property, because you’re giving them a really compelling reason to get involved in what’s going on in the destination, and you’re giving them a really great guest experience.”

At Sandals, CEO Adam Stewart says many travelers still assume that people stay within the all-inclusive resorts the whole time, but that is not necessarily the case for many travelers.
“This is about understanding the reality of the situation,” explains Stewart. “That is a perception that very much exists out there, but with our organization, we interact with the community on many levels. Sandals has about a million customers a year, and last year we took 600,000 guests outside of our resorts on local tours and excursions with Island Routes.”

For voluntourism opportunities, the Sandals Foundation launched in 2009 with the mission “to fulfill the promise of the Caribbean community through investment in sustainable projects in education, environment and community, which improve people’s lives and preserves our natural surroundings.” Since its inception, Sandals Foundation has hosted over 12,000 volunteers who have impacted the lives of over 200,000 Caribbean nationals.

“One hundred percent of what we collect goes into the communities, and that’s growing at about 100% per year since we started in 2009,” explains Stewart.

LeLauLu says voluntourism is an excellent way of generating interest and support for community development in the developing world, but its value is often questioned when operations are not highly organized. “There’s no denying the fact that voluntourism, if done well and it’s aligned with the tourism strategies of the destination, can do an awful lot of good things,” he says. “Unfortunately, too much of it is ad hoc, but I think the power of voluntourism has yet to be fully harbored, and it has huge potential for local communities.”
The Evolution of the All-Inclusive Resort

The Future of Social Media & Content Marketing

Speaking with representatives from all of the major all-inclusive brands in this report, they all say that digital brand communications, social media and the rise of digital bookings are impacting the industry at a rising rate year over year. Here are some of their comments regarding that below.

Alex Zozaya, CEO, AMResorts: “AMResorts consistently uses social media marketing and digital mediums for brand awareness and as a customer service tool for our guests. It allows us to connect with the right people and develop a database of clientele to deploy strategic marketing campaigns. Leveraging these platforms has become an integral part of our campaigns, and we are always looking for new ways to integrate them more. For example, increasing our video presence is a priority for this year, as we have seen how our clients like to utilize this method to connect with AMResorts.”

Adam Stewart, CEO, Sandals Resorts: “The reason we believe in social media is because we recognized years ago that you’re only as good as your customers say you are. So even though we’re a big marketing company and we want to promote our hotels for people to see from all over the world, we literally believe it’s far more important that our customers speak on our behalf as to what they’re seeing. Social media has been a game changer for the company in the most positive way. It’s taught us to be better, it’s taught us what the customers want, and it’s become a tool for our management. By 7 o’clock in all of our hotels, our executive team will have read all of the commentary on TripAdvisor from the previous day, so it’s something we manage very, very closely.”

Tony Cortizas, VP of global brand strategy, Melia Hotels International: “Mobile is through the roof for us. For the first couple of months in 2015 compared to 2014, we’re up about 180% on direct channel bookings across the Melia brands. Mobile is obviously where it’s at. We’re launching an all new, fully responsive melia.com site in the last half of the year, because what was branding 10 years ago is entirely different today. It’s all about content generation these days. Content that lives and moves from the website to social to the guest experience on-property. So how we’re looking at branding is really about convergence. It’s no longer just a picture and description. It’s about real time social interaction and integration of all sorts of different elements, so the customer is not only getting a real feel for the hotel but also the public experience that they’re going to get pre, during and post. It’s incredibly complicated and all of that is going to be integrated into the new website.”
Xavier Mufraggi, CEO, Club Med North America: “The move to digital has been enormous, and the shift from desktop to mobile and tablet has been immense. We have recently redesigned our website homepage to have a mobile and tablet-first approach, and we have seen a significant increase in bookings on mobiles and tablets. We are fortunate to have many loyal clients, and therefore we have a large fan base on social media. We have 1.5 million on Facebook, for example, which for the number of resorts we have is pretty impressive.

“We have recently started utilizing our social platforms to crowdsource input for new projects, such as our recently opened ski resort, Club Med Val Thorens in France. We invited our Facebook fans to help us select everything from the decor to activities at the resort. It’s been a very, very positive initiative, and our guests are excited about this because they feel that they are part of the brand. They’re not just liking or commenting but many of them are providing a lot of details about what they want. The true potential of this platform is energizing your clients and best ambassadors to be part of the company.”

Frank Maduro, VP of marketing, Hard Rock Hotels All-Inclusive Collection: “We see a continuous rise in social media use, and the numbers of transactions being closed on mobile is now about 50% of online transactions, which is astonishing given the complexity of our product offerings. Social media and mobile have become a key integral part of our strategy moving forward, and the nice thing about social media with people consuming information is that it’s not necessarily sales driven, it’s brand driven. It’s nice to see that change and to see people in tune with the brand. We’re also seeing more engagement with the blog, but mostly the blog is used as a reference tool, and then our guests are engaging on the social channels.”
5 Key Strategies for All-inclusive Resorts

1. **Better explain what’s included and what’s not** – All-inclusive hotels differ widely about what’s inclusive in the all-inclusive price. While food and beverage is generally standard, many resorts add surcharges for some specific meals, cocktails and wine. There’s also often confusion about sports activities, kids club fees and room types. It’s been proven that customers are willing to pay surcharges for heightened experiences, but resorts need to be transparent.

2. **Build F&B programs that celebrate the local culture** – Most resorts these days promote farm-to-table dining, so that’s no longer a differentiator. However, hotels can create experiences around local food sourcing such as trips to markets, fishing with local fishermen, and meeting the local farmers and food purveyors. Anything that shows activity behind the scenes is growing in interest especially for millennial consumers.

3. **Develop official voluntourism programs and track success** – There’s huge opportunity here in developing countries where tourists are eager to lend a helping hand in the local communities. Traditional activities range from light building to assisting with cleanup projects, but there’s a need for more skilled knowledge in professional development and computer training. Partnering with companies such as Pack For A Purpose also provides a compelling level of customer and community engagement.

4. **Content marketing drives incremental business** – Some all-inclusive brands are actively developing blogs and other web-based content programs to illustrate the overall guest experience and drive exposure to interesting on- and off-property experiences. In the past, the all-inclusive distribution system was all about the numbers, but upcoming generations of guests expect brands they patronize to be active online and engage in two-way conversation. Online content also drives incremental sales for everything from spa treatments to private dinners.

5. **Always Be Testing** – With the rise of multi-generational travel and continued focus on millennial travel behavior, leading all-inclusive resorts are developing more age-specific experiences, especially with an experiential educational component. Teaching guests something new that will stay with them long after they return home builds memories and it drives loyalty among both parents and their kids. That is another area where hotels can deliver a better guest experience with online content marketing so guests can prepare for their vacations better.
Club Med pioneered the all-inclusive concept and has been a constant trendsetter, welcoming guests in beautiful destinations around the globe for 65 years with both couples and families being an integral part of the legendary brand’s vacation concept.

From stunning beaches in the Caribbean to the exotic surroundings of Bali and Guilin in Asia, Club Med allows its clientele to travel the world while still enjoying the convenience and comfort of an upscale all-inclusive vacation. From top sport instruction, including a volleyball academy powered by the National Volleyball League at Club Med Sandpiper Bay in Florida and ski and snowboarding lessons from nationally renowned ski instructors at over 20 mountain resorts in the Alps, to enriching childcare programs, delectable dining and a dynamic international staff, the Club Med all-inclusive experience is unlike any other.

Creating moments of happiness is a philosophy that has been in the legendary brand’s DNA since its conception and it has continued for over six decades by staying innovative and agile, as well as finding creative ways to create special memories for both families and couples. From Club Med’s exciting new partnership with Cirque du Soleil, which will launch a completely new and unique concept in experiential travel, Club Med CREATIVE by Cirque du Soleil, allowing guests of Club Med Punta Cana in the Dominican Republic to learn many of the exciting acrobatic disciplines showcased in famed Cirque du Soleil productions, to keeping a mindful balance between families and couples through special initiatives in its accommodation such as its Zen Oasis areas created for adults and couples seeking tranquility.
We also strive to continue introducing upscale new resorts from our digitally savvy ski resort in that opened in Val Thorens, France in December 2014 to the Finolhu Villas in the Maldives, which were ecologically designed with serenity in mind and the most recent addition to Club Med’s Villas & Chalets category, the most upscale accommodation selection within the brand’s portfolio.

With a range of land, water and snow activities, as well as endless options for travelers to personalize their vacations, Club Med continues to pioneer travel trends and spread “happiness” around the world as it rises to the challenge of staying at the forefront of the travel industry.

Xavier Mufraggi
CEO of Club Med North America
About Skift

Skift is a business information company focused on travel intelligence and offers news, data, and services to professionals in travel and professional travelers, to help them make smart decisions about travel.

Founded in 2012 by media entrepreneur Rafat Ali, Skift is based in New York City and backed by Lerer Ventures, Advancit Capital and other marquee media-tech investors

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