Developing successful resorts

As tourism and leisure markets become ever more congested, and consumers ever more sophisticated, how can developers ensure a solid return on their resort investment?

We explore this critical question and set out the most important ingredients for a successful resort.

It will come as no surprise to report that the international tourism market is buoyant. Between 2005 and 2006, total arrivals increased by 4.6% to 842 million and it is estimated by the World Tourism Organisation that this growth will continue at an average of 4.1% per annum until 2020. What is perhaps more striking however is the realignment of industry focus away from the established destinations of Europe and the Americas - where annual growth in arrivals is expected to be below average towards emerging locations in the Middle East, Africa, East Asia and the Pacific, and South Asia, where average annual growth rates are forecast to rise more sharply. These trends have been facilitated by a series of favourable socio-economic conditions and a vigorous thirst for new experiences amongst consumers. Emerging outbound markets, notably Russia, India and China – which has the fastest growing outbound tourism market in the world (see page 70) – are also altering patterns of consumer behaviour.

Developments within the international resort industry have both contributed to, and been shaped by, these trends. The market has grown exponentially over the past few years, far beyond the traditional boundaries of the American mountains and Spanish beaches to encompass swathes of new development along the Caribbean and Central American coast, and continued expansion in Eastern Europe. The Far East is also beginning to make its mark, notably in Thailand, the Philippines, Malaysia - even around the China-Tibet foothills, where ongoing political sensitivities have failed to assuage either the ambitions of the modern resort developer or the radar of the adventurous consumer.

“The demise of traditional resorts

The past few years have also seen big changes to the traditional resort model. It all used to be fairly straightforward - resorts tended to serve a singular purpose, offering one type of recreation or one form of property ownership to a single market. Ski resorts were for skiing, sailing resorts were for sailing and Mediterranean beach resorts were for sunburn, ill-fitting swimwear and water aerobics performed by middle-aged ladies to Black Lace songs. Today, of course, consumer expectations have moved on dramatically, thanks to huge advances in technology, economic growth, lifestyle choices and, in some cases, political integration.

Increasingly, modern conceptions of luxury, value for money and convenience fall well beyond the parameters of the traditional resort model. The once-a-year, two-week holiday is becoming a thing of the past, making way for more contemporary concepts such as eco-tourism, spa breaks (see page 44), weekend breaks and fractional ownership (see page 48). The baby boomer generation is at the forefront of this phenomenon. Now entering an age where they have more money to enjoy than ever before and more time in which to spend it, these consumers have harnessed a more developed picture of what they can reasonably expect from a resort experience.

Resorts that want to succeed within the context of heightened competition and demand will need to respond to evolving consumer expectations by providing activities and experiences that span seasons and generations, and creating an environment capable of marrying village charm with big brands, business tourism with family ambience, and environmental sustainability with modern luxuries. The good news for developers is that these new multi-use resorts are of higher value than their single-use predecessors because they create more revenue streams. More uses means more markets and higher visitor levels year-round, and contemporary property schemes such as ‘fractionals’, condo-hotels and lease backs can generate higher income levels by creating both a greater incentive to invest and a greater volume of potential investors.

“Multi-use resorts are of higher value because they create more revenue streams.”
Creating a multi-use resort
The planning of any development should bring together multiple layers of strategic thinking from the perspective of the purchaser, the visitor and the management, with the objective of creating an environment that is attractive, profitable and sustainable. While there is no fixed blueprint for resorts of the future, certain features are establishing themselves as integral components of successful delivery.

1 Integrated Design & Operation
It’s an obvious point perhaps, but resorts are more likely to deliver a return on investment if development takes place within the context of a logical layout. Increasingly, and illustrating the welcome ascendancy of tasteful design, contained villages that marry ambience with natural assets are becoming the physical and operative heart of mixed-use centres. In most cases the village should incorporate an attractive, pedestrian-only core that creates a natural flow of human traffic and draws attention to facilities attached to the periphery. Delivering this vision requires preparation to the smallest detail at the masterplan stage – from the way that the sun strikes spaces in the afternoon to the positioning of buildings to frame landscapes. In contrast to single-use destinations, mixed-use developments also need to ensure that the various uses are mutually supportive on a physical, operational and financial level.

2 Second Home Ownership
The soaring popularity and breadth of choice in contemporary property ownership schemes over the past few years is one of the more striking embodiments of an industry in the midst of change. Fractional ownership options, be they residences, hotels or clubs, have revolutionised the market, affording consumers the opportunity to enjoy a luxury, serviced holiday home without the enormous costs incurred by outright purchase. Developers, meanwhile, have embraced the fractional market as a means of securing a greater total return than if the property were sold to a single purchaser outright. The other benefit of creating residences that are occupied throughout the year is that you create a busier resort year-round. (We’ll explore four season resorts in more detail below.)

The popularity of these contemporary ownership schemes has also roused from slumber more conventional options such as condo-hotels and timeshares. These have benefited from the trend towards condominium style living, the prominence of luxury hotel groups in new development and the heightened spending power of the baby boomers.

3 BIG Brands
The emergence of the mixed-use resort model has been driven and cemented by the industry’s key players with brand association now being an integral component of most resort developments. That is not to say that resorts have become canvases for brash corporate omnipresence – that would be at odds with the essence of the discerning consumer – but a level of brand presence helps both to enhance the image of the resort, regardless of whether the consumer is familiar with the destination, and to legitimise property options by making them ‘safe’. Major brands are alert to this disposition, and to the multiple revenue streams created by mixed resort communities.

4 Spanning Generations
The baby boomers may be at the heart of industry growth, but there is far more to the modern resort environment than polyester slacks and slip-on shoes. Development and operation should be undertaken with the full scope of the extended family in mind, acknowledging the appeal of resorts as destinations where relatives and friends can assemble. With this in mind, mixed-use centres have encouraged the confluence of seemingly unnatural bedfellows – skiing and snowboarding, wake-boarding and sailing, spa treatments and kids’ clubs, and so on.

5 Entertainment & Cultural Programming
The sense of sophistication penetrating the consumer market will naturally translate to expectations of resort entertainment. This does not, sadly, mean an end to cabaret and karaoke, but increasingly, (particularly for larger resorts), requires genuine diversity and a range of cultural, artistic and educational programmes in addition to the more standard bars, restaurants and clubs. Events such as musical and cultural festivals, performances, visual arts and celebrations of local history can help to provide unique visitor experiences and encourage repeat visitation.
Business and Pleasure

Business tourism is a growing industry and a lucrative venture for resorts that are able to offer state-of-the-art facilities within the context of a unique physical environment. Crucially, business tourism is relatively unaffected by seasonality and represents a valuable way of maintaining turnover in a resort during the quieter times of year (usually May and September to November).

A Sense of Community

Multi-use resort destinations can benefit greatly from having a prominent village centre, which helps to engender a genuine sense of community and place, encouraging interaction between visitors and residents. This can be augmented by local events and celebrations and is an important mechanism for nurturing shared, positive experiences.

Sustainability

As consumer consciousness of climate change and related environmental issues continues to grow, it is imperative for all resort destinations to protect their natural surroundings and demonstrate a genuine commitment to sustainable operational practices. For more information on why it pays to be green, see the next article.

Good examples of potential emerging benchmarks in sustainable resort development include Mata de Sesimbre in Portugal, Suncadia in Washington and the Santa Civilia apartments in Milan, and the environmental policy of Gleneagles.

Access and Mobility

Whilst people are prepared to go to great lengths in pursuit of the ultimate resort experience, ease, or at least, comfort of travel, is a paramount concern for the consumer with more money but less time. For the operator, this may necessitate investment in physical infrastructure to ensure quick and convenient access to the resort - usually the first component of a positive visitor experience.

FOUR SEASON RESORTS - Year-round Success

It is within the context of a more sophisticated model populated by consumers expecting more, and holidaying more often, that resorts must address this, their greatest challenge, and seek to recreate themselves as destinations for all seasons. How this all year product is created will, of course, vary according to the physical environment, seasonal patterns, catchment area and so on, but it is essential if resorts are to avoid being rendered obsolete by a burgeoning marketplace. For existing resorts, this may require an amount of repositioning on brand and functionality. Ski resorts, for example, should seek to be recognised as mountain resorts, where one can not only ski and board in the winter, but golf, hike, ride and fish in the summer. Just limited improvements to infrastructure can be highly effective in this sense – adapting ski lifts to accommodate mountain bikes, defining hiking trails, erecting mountain huts, offering guiding services and the like are all relatively simple procedures but can help to attract valuable new market segments. Spas, bespoke retail, and conferencing facilities should also feature in modern resort developments and are a particularly effective means of maintaining footfall outside of traditional peak periods.

Balancing the seasonality of a multi-use resort product is not an exact science and cannot be manipulated as such. Peaks and troughs occur naturally in resort operation and will continue to do so, following logically the popular weekends, holiday timetables and fine weather. Nonetheless, a level of consistency in visitation is crucial and operators should be concerned if there is an overt seasonal imbalance in visitor trends. Whilst a traditional ski resort may once have expected to receive perhaps 80% of its guests in the winter, for example, this is no longer viable in the context of shifting demand. A more effective balance would be 60–40, though in many cases it is even more closely aligned.
The majority of the world’s leading resorts have responded positively to the imperative of diversification. Year-round demand is an encouraging phenomenon for operators if it can be harnessed and many have succeeded in exceeding consumer expectations by providing a consistently fresh product.

Whistler Blackcomb in Canada is a fine example of this. The resort, still most famous for being ‘North America’s best ski area’, has been so successful in embracing the all-year market that it now receives more of its 2.1 million visitors in the summer than in the winter (on average 56% in the summer between 1997 and 2005). Whistler has consistently been at the cutting edge of resort operation, offering innovative solutions to changing consumer demand. This has been observed, for example, in its sustainability and home ownership policies and, of course, its approach to all-year recreation. It goes without saying that the skiing / boarding and hiking / golfing is exceptional, but we can add to this a breathtaking array of activities including ice-climbing, tubing, snowcat tours, dog-sledding, snowshoeing and heli-skiing in the winter and rap-jumping (whatever that may be), biking, scrambling, wildlife / ecology tours, rafting, glacier walking, jet boat tours, Hummer tours and waterskiing / wake-boarding in the summer. Traversing the seasons, Whistler offers 20 wellness centres, a museum, an extensive events programme and even its own brewery.

Closer to home, Kitzbuhel in Austria has also been successful in adopting a year-round approach, offering a range of facilities that span the seasons, from spas and wellness centres to events of international renown, such as the alpine rally and golf festivals in the summer and the Hahnenkamm Race and music festivals in the winter. Interestingly, Kitzbuhel has been identified by recent climate change reports as the most famous alpine resort whose traditional ski industry is imminently threatened by rising temperatures. Adapting its winter offer to account for this prospective eventuality is perhaps the greatest challenge this famous resort has ever faced.

The fact that leading resorts such as Whistler and Kitzbuhel are having to diversify leaves us in no doubt that the era of the single-activity, single-season resort is over. Their experience underlines the reality that resorts cannot rely on traditional business models. A new, more sophisticated approach, is required to match the expectations of their existing and would-be customers.

As the number and the geographical spread of resorts continues to grow, and other factors such as climate change come into play (particularly for ski and beach resorts), developers will have to be ever more creative in delivering integrated resort experiences with genuine year-round appeal. Just as tourism patterns have evolved, so too have the critical success factors of resort development.

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