



CENTER FOR COMMUNITY ECONOMIC DEVELOPMENT



LET'S TALK BUSINESS

IDEAS FOR COMMUNITY DEVELOPMENT PROFESSIONALS WORKING TO EXPAND LOCAL BUSINESS ACTIVITY

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Trends in the Resort Industry

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The word "resort" means different things to different people. Some think of a small cottage operation on a lake while others think of a large hotel with extensive dining, recreation, meeting and entertainment facilities. Regardless of the exact definition, resorts are all in the business of hospitality and the creation of pleasurable and memorable experiences for their guests.

Business is getting tougher for resorts. Customers have become more sophisticated and demanding. With the availability of low air fares, the local resort now faces stiff competition from operations throughout the country. This edition of Lets Talk Business describes a few of the market trends facing the industry and possible opportunities and challenges facing tourist lodging operators in your community.

Changing Market Segments

As demographic, lifestyle and economic characteristics of the population change, so do market segments available to resorts today. Some of the segments that have become more important to resorts in recent years include:

- *Family vacation* - travel is on the rise with kids helping decide where to go
- *Business travel with the family* - increasingly becoming a way to combine work and family time
- The *group meeting market* - perhaps the most important market segment in larger resort hotels. For most large resorts,

between 45% and 70% of business now comes from group business

- *Older Americans* - a key segment as they have more time and money. Even Disney has created packages for this segment.

The first three segments are influenced by the *Babyboomers*. They represent guests who are making more money than ever and are the most sophisticated travelers of any generation in history. They will be setting aside more time and money for travel in years to come.

According to a 1996 study commissioned by the Wisconsin Department of Tourism "The Economic Impact of Expenditures by Travelers on Wisconsin," business travel/meetings and conventions accounted for over half, (54%), of all *tourism-related* expenditures in the hotel/motel/resort lodging category. *Business related* travel is a significant portion of the overall travel industry market in Wisconsin.

Changing Consumer Preferences

Along with changing market segments come changing consumer behaviors and preferences. According to the 1997 "Yankelovich Monitor and Consumer Trend Information", consumers, particularly the babyboomers, are time starved, stressed and focusing on the family. As a response to these challenges, the goals and ambitions are defined as "Home and Leisure". Time is an increasingly precious commodity

where trust, simplicity, convenience, quality and service are demanded.

Resort guests today seek shorter but more frequent trips, travel closer to home, hassle-free arrangements, and all-inclusive pricing with lots of activities. Resorts are now offering more inclusive packages that offer perceived value to customers similar to that offered by the cruise industry. Some resorts are reintroducing meal plans while others are offering complete themed experiences such as golf or culinary packages.

This trend is also reflected in both quantitative and qualitative studies conducted on the Wisconsin vacationer. Focus group research indicates the increasing need for convenience. Consumers are far too busy in their general day-to-day lives. Packaged activities and quick access to user friendly information is vital to compete in this competitive environment.

How Consumers Make Vacation Decisions

- *The usual trigger for a vacation experience is driven by the need for change from routine or work-related pressures.*
- *The destination decision process, with the exception of certain circumstances, is driven by the activity or product mix.*
- *More often than not, vacations are engaged upon in groups (family, friends) with the need to satisfy diverse interests.*
- *The motivation to select a destination is chosen, after appealing exposure to options (awareness) and in many cases, the opinions of others.*
- *Many want a "Package" and want to know how much it will cost ahead of time.*
- *Planning for the next vacation often begins while the guest is enjoyably recreating.*

Watching the Competition

As market segment and consumer preferences change, so do the types of resort facilities available throughout the country. While the number of U.S. resort rooms have not increased as fast as the overall lodging industry, many resort properties have been sold to new investors, renovated and repositioned in the marketplace. Some of the resort concepts that have emerged in recent years include:

- *Mega or fantasy resorts* - Combine lodging, meeting space, and many amenities and activities, many with a fantasy theme.
- *Boutique resorts* - Cater to upscale individuals and business meetings with a focus on service, quality, and privacy.

- *Casino Resorts* - Large Las Vegas and Atlantic City properties as well as smaller, Native American/other gaming facilities
- *Cruise Lines* - Have become direct competition for resorts. Westin for example is launching a 2,800 room, \$1.2B cruise ship in 1999.
- *Timeshare Resorts* - Major Brand names like Marriott international, Walt Disney Co., Hilton hotels and Hyatt hotels are participating in the \$5B timeshare industry which has grown 900% since 1980.

In Wisconsin, new tourist lodging facilities are typically smaller in scale, but nevertheless threatening to the traditional motel or cottage resort. In Wisconsin Dells, three new year-round resort hotels are under construction that will feature indoor water parks. Throughout the state, new chain-affiliated, limited-service hotels are being developed. However, many note the charm of the older lodging facilities as part of their attraction to Wisconsin. Consideration should be given to providing modern amenities within the ambiance offered by these Bed & Breakfasts, Cabins and Cottages.

Resort guests no longer want to simply escape for rest and relaxation. They now want to be engaged in interactive activities, adventures and experiential learning. Examples include:

- *Fitness and Spa Programs* to respond to the concern for health and well-being.
- *Soft-Adventure* programs including off-site hiking, rafting or hunting excursions.
- *Eco-tourism* programs that offer an educational and participatory experience in an environmentally sensitive manner.
- *Special events* in the community building on local cultural or historic character.
- *Kids programs* including babysitting and organized activities.
- *Learning opportunities* for self improvement such as instruction on windsurfing, cooking or wine tasting
- *Shopping* and casino gaming excursions.

Wisconsin resort operators should continue to keep an eye on national trends that may impact the industry. It is especially important to be reminded of Wisconsin's large base of loyal and repeat guests. Resort operators should strive to maintain guest satisfaction with service, safety, natural beauty and friendly people, the most frequently mentioned reasons for their positive vacation experiences.