MARKET REPORT

HVS Monday Musings: All-inclusive Resorts are Regaining Popularity

JULY 3, 2022

With leisure demand driving the recovery in the hotel industry, all-inclusive resorts are in high demand around the world, especially now that travel costs are rising, and travelers are looking for vacations that provide the best value for their money. Read on to know more.

All-inclusive resorts, as the name suggests, typically provide guests with bundled services and amenities ranging from accommodation, multiple dining options with unlimited meals and beverages in most cases, to spas and various sports, entertainment, and cultural activities as part of the pre-paid resort rate. The packages may differ from one property to the next, but one thing is certain travelers can completely relax and enjoy the vacation, knowing that there won't be any surprise payments when they check out.

The all-inclusive resorts segment has evolved significantly since its humble beginnings in the 1950s when Club Med launched its first straw-hut villages catering to budget adult travelers. Today there are approximately 1,500 all-inclusive properties worldwide, with Mexico and the Caribbean Islands being the most significant markets. Previously dominated by mid-segment, independent properties, many traditional hotel brands have also entered this segment, particularly in the upscale and luxury segments, over the last decade. As a result, guest profiles have evolved over time, from budget-conscious travelers and families with children to multigenerational families and even millennials. The popularity of cruises as an all-inclusive, hassle-free vacation option has also increased over the years.

Convenience and cost-effectiveness have been the primary reasons for this segment's growth. However, as demand for authentic, experiential local travel gained ground, all-inclusive resorts began to lose their allure, primarily because guests who ventured off the property to explore the local cuisine and tourist hotspots began to feel as if they were foregoing services that they had already paid for at an all-inclusive resort.

All-inclusive is regaining popularity post-COVID

These resorts have regained popularity following the pandemic and are recovering at a much faster rate than expected due to a shift in traveler preferences in the last two years. Moreover, to meet the changing traveler demand for authentic local experiences, resorts have revamped their offerings by creating higher-quality packages that include activities encouraging guests to leave the resort and explore the local culture. According to a recent study, all-inclusive resort bookings in the US accounted for 21% of travel advisor revenue in 2020, up from 13% in 2018, as travelers preferred to

stay in one location to avoid the spread of COVID and the majority of the cruises were not operational.



The trend has continued into 2021, as the pandemic has increased people's desire for a stress-free holiday with minimal planning. All-inclusive resorts are seeing an increase in interest, especially from multi-generational families, as it reduces planning and gives guests more time to enjoy experiences with their families. As per a Wyndham Hotels & Resorts-commissioned study, 77% percent of travelers believe that booking an all-inclusive trip is the least stressful way to travel. Meanwhile, Club Med, which operates 70 resorts globally, witnessed a 17% increase in family bookings for the 2021-22 holiday season compared to 2019. With leisure demand continuing to drive the recovery in the hotel industry, all-inclusive vacations are in high demand, especially now that travel costs have been rising globally, and many travelers are looking for options that allow them to get the best value for their money.

It is no surprise, then, that the majority of the major international hotel brands are expanding or plan to expand in this segment in order to capitalize on this growth trajectory. Marriott, for example, has expanded its all-inclusive footprint by adding 20 properties under a new brand, All-Inclusive by Marriott Bonvoy, focusing on upper-upscale and luxury segments and catering to a variety of customer segments such as families, adults-only, wellness, solo travelers, honeymooners, and so on. Accor also announced plans to accelerate its all-inclusive market expansion with the launch of its multi-branded 'All-Inclusive Collection.' Meanwhile, Wyndham Hotels & Resorts has partnered with Playa Hotels & Resorts which owns, operates, and develops all-inclusive resorts in Mexico and the Caribbean. Hyatt's acquisition of Apple Leisure Group (ALG) in November 2021 made it one of the world's largest owners of luxury all-inclusive resorts, doubling its global resorts footprint by adding around 33,000 rooms across 100 hotels in ten countries. As per the company's preliminary results, ALG Resorts' net package RevPAR in May 2022 in the Americas is 17-20% higher compared to May 2019, corroborating the rationale for the investment.

All-inclusive properties have been active in India as well, along with some traditional resorts providing all-inclusive packages to guests, typically including meals, drinks, and some additional activities. With several of the large hotel chains expanding into this segment on a global scale, it is only a matter of time before India sees accelerated growth in this segment. Moreover, amã Stays & Trails is pioneering the all-inclusive concept for the homestay business. There is a significant development opportunity for all-inclusive properties, especially in the upscale and luxury segments in India's underserved leisure destinations in remote locations which lack tourism facilities. As part of the package, hoteliers can

collaborate with local service providers to provide additional services such as local tours, watersports, hiking, skiing, wine tasting, local cooking workshops with the resort's chef, heritage walks, etc. depending on the location, which will not only provide the traveler with a hassle-free, high-quality, one-of-a-kind local travel experience but will also help promote the local economy and employment. Additionally, all-inclusive resorts with entertainment facilities such as waterparks, amusement parks, or special theme parks on the outskirts of cities can attract guests looking for short breaks or staycations.