

Northern Illinois University Consumer Behavior

Hanna-Wozniak

Chapter 11 Case

Club Med Woos Families

On a sunny, warm day, around the middle of April 2008, the airport at the Pacific resort of Ixtapa, Mexico, seemed exceptionally busy. A number of newspaper reporters and photographers, and French as well as Mexican TV crews, were gathering in the main airport lobby. The reason for the assembly was the expected arrival of Mr. Henri Giscard D'Estaing, the CEO and Chairman of the Board of Club Méditerranée, and members of his board, as well as dignitaries and guests from around the world. The purpose was the celebration of the Grand Opening of the new Club Med Premium Resort in Ixtapa, which was one of the first resorts to receive part of the \$530 million renovation project spent by Club Med. Other upgraded properties included Sandpiper, Punta Cana, Cancun, Yucatan, Columbus Isle, Turkoise, and Bora Bora.

Upon arrival, Mr. D'Estaing spoke to reporters about the new strategy that Club Med has adopted. The present focus of the firm, Mr. D'Estaing explained, has shifted from the old strategy of appealing to single adults—the main market segment the company catered to in the past—to families and their children.

Originally, the company's vacations had been designed to relieve singles from everyday cares and preoccupations and to give them a memorable vacation full of fun, as well as a chance to meet other singles. Club Med vacations included airfares, ground transfers, accommodations in straw huts or in hotel or bungalow-style rooms, exotic meals served in romantic atmospheres, sports and activities that included swimming, scuba diving, horseback riding, skiing, tennis, and golf, as well as nightly entertainment.

The company had done very well for many years. In the 1960s and 1970s, for example, when Club Med was at its height, thousands of singles flocked to camps on Greek islands, in the Pacific Ocean, and on the Mexican shores to have fun and to meet other singles. However, as the years went by, Club Med's followers began to trail off into more responsible lives. The majority settled down, got married, formed families, and became parents. In 2007, for example, the company found out that the average age of clients had climbed to over 48 years. Many had already deserted Club Med and had started to frequent "family-friendly" competitive resorts run by companies such as Apple Vacations, a top four wholesaler in the Caribbean and Mexico that converted 51 of its resorts into family-style accommodations. Similarly, cruise ships such as Disney Magic as well as Carnival Cruises started to steer a great many families their way. Moreover, hotels such as the Westin, Marriott, and Hyatt had started to appeal to families through programs such as kids' clubs, menus, activities, day care, game rooms, and free accommodations and meals.

These changes took their toll on Club Med's business. In 1997, the company ran up losses in excess of \$235 million. As a result, the company's board of directors fired Serge Trigano, the firm's founder, and replaced him with Philippe Bourguignon, the French industrialist who put Disneyland Park in France on the road to profitability.

One of the first strategic moves Bourguignon made was the recognition of the need to change the emphasis of Club Med vacations from singles to families. Out of the company's 114 villages, he designated only 11 for grown-ups. The rest were targeted to families. Providing vacations to the middle-aged, he believed, would turn around the negative financial picture of the company.

Leaning toward adopting the strategy of his predecessor, Mr. D'Estaing decided to continue this emphasis on families, but with increased quality in hotel services and upgraded accommodations. Special emphasis was placed on family vacations. Activities would be offered for children 4 months to 17 years of age, ranging from hip-hop dance to mini-chef cooking classes. Children, based on their age, can also enjoy one of four facilities in each resort such as Baby Club Med, Petit Club Med, Mini Club Med, and Junior Club Med.

When Mr. D'Estaing undertook the transformation of Club Méditerranée, he had a number of goals in mind that included improving the entire village portfolio and upgrading 98 percent of its properties to three Tridents or higher. He worked on shifting the vacation trend toward more frequent but briefer vacations, and organized them around four themes—exploration, well-being, golf, and first snowfall. He also continued to focus the company's emphasis on families, as well as expand the market the company wishes to target. The identified target market was set at 60 million individuals, with particular attention directed to families in the United States, Asia, and Europe. To reach members of this target market, Club Med used innovative techniques that included, among other media, the Internet.

Recently, the company launched a multicultural, worldwide advertising campaign called "Where Happiness Means the World." The campaign, the company hoped, would emphasize the moments when families, couples, and friends create their own meaningful experiences, free from difficulties of worldly pressures.

The main emphasis of the new campaign is markedly different than that of previous years. The new campaign is designed to downplay the exotic and erotic fun vacations, once the trademark of Club Med, which were peddled to swinging singles. The updated emphasis, instead, is the family—vacations for couples or singles who like to take their children along everywhere.

The concern, however, with this campaign is that after years of trying to lure singles to Club Med resorts, the switch to families may have the negative effect of confusing customers and blurring one of the premier brand names in the singles vacation world. The fact that Club Med was once the unchallenged leader in the all-inclusive vacations for young singles might make the new family emphasis backfire. The campaign may alienate singles, which would then avoid kid-crowded resorts and, at the same time, may disinterest families who still believe that Club Med is a place for swinging singles only.

Chapter 11 Case Questions

1. Considering the firm reputation that Club Med had established over the years in serving singles, do you think the new strategy of targeting families will meet with the desired success? Explain.
2. Some observers feel that the new emphasis on families by Club Med may cause confusion among young single guests. In your opinion, what possible negative effects might this repositioning campaign precipitate? During the transitional period, what is the expected reaction of both singles as well as families when they find out that they share the same resort? What can Club Med do to minimize such reactions?
3. Knowing that Club Med has targeted the market segment consisting of families at full force, what policies or attractions might the company employ to raise families' interest and enhance the demand for the firm's vacations?

WebCOM™ 2.0 is a trademark of Great River Technologies. All rights reserved. © 2002-2014.