

Cabo San Viejo

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After reading the Harvard Business School case study "Cabo San Viejo Rewarding Loyalty" I feel that Cabo San Viejo has a number of marketing objectives it could focus on. The three main marketing objectives Cabo San Viejo should address are developing customer loyalty while increasing retention rates, and cross-marketing Cabo facilities at other Cabo locations.

Cabo San Viejo should focus on developing customer loyalty among its patrons. Building a loyal base of patrons will help Cabo San Viejo address a couple of its key problems: occupancy and the amount of money spent on advertising. Keeping the facility occupied all the time is a overwhelming task, as the article mentioned that, "an assortment of additional players have cropped up to compete with Cabo San Viejo, including day spas, beauty salons, high end health clubs, cruise ships and vacation resorts."¹ Now more than ever it is important for Cabo San Viejo to attract new clientele and retain them as customers for life. In the case study Cabo San Viejo cited that, "a full 32% of new guests returned to the resort within five to six years and 63% of those return visitors returned again within five to six years. Altogether, repeat guests comprised between 50% and 60% of all guest nights."² If Cabo San Viejo already has obtained 50% to 60% from repeat business³ it could benefit even more by creating additional exposure, customers and improving word of mouth advertising. It could look at creative ways to allocate its advertising budget to offer complimentary services to first time visitors like massages, low-cost / no cost golfing or private fitness lessons to entice vacationers to use additional services during their stay at the facility.

Another way Cabo San Viejo can tackle the problem of occupancy in the summer is to cater to specific segments like couples, mother and daughters, birthday celebrations and target untapped

¹ Harvard School of Business - Cabo San Viejo: Rewarding Loyalty

² Harvard School of Business - Cabo San Viejo: Rewarding Loyalty

³ Harvard School of Business - Cabo San Viejo: Rewarding Loyalty

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markets like the east coast.⁴ The article explained, "The clientele skewed even more female during the summer, with many women choosing to take mother-daughter trips or to come alone while their children were at summer camp... and that most guests live in California, west coast region."⁵ The new segments offer Cabo San Viejo an opportunity to expand their client-base and can open the door for exciting promotions targeted towards the various segments. For example spa getaways and discounted services for mother and daughters who book together and offer even deeper discounts when booking multiple mother daughter pairs or more than one daughter to drive towards full occupancy. The article supports the idea of targeting mothers and daughters based on the age range of Cabo San Viejo guests. In 2004 over 60% of guests were between the ages of 45-64.⁶ Also Cabo San Viejo's opportunities are to tap into the under 44 demographic which represent a little more than 21% of the total guests.⁷

Cabo San Viejo should also increase its efforts to cross-market other Cabo San Viejo facilities and highlight the distinct benefits of each location to improve the occupancy of all locations. Specifically Cabo San Viejo Palm Springs could market to its patrons a getaway at one of the smaller destinations to make an escape to Cabo San Viejo getaway more possible no matter if they are on the east or west coast.

Additionally, Cabo San Viejo can offer incentives to visit other destinations via specific discounted services to that would interest younger visitors like acupuncture and private fitness lessons. Another way to make a rewards program more viable is to base it off length of stay⁸ and the services used by its visitors, for example the more services you use the better rewards you obtain. The Borgata Hotel and Spa in Atlantic City, New Jersey uses a similar program where general visitors can earn a

⁴ Harvard School of Business - Cabo San Viejo: Rewarding Loyalty

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Borgata Red card, whereas frequent visitors and high rollers qualify for a Borgata Black Card which gets you additional services reserved for VIPs.

Cabo San Viejo has many great reasons to implement a rewards program. Two of the viable goals we discussed were increasing loyalty with drives at reducing advertising costs and improving word of mouth while addressing a key need maintain a steady level of occupancy. Next, we discussed opportunities for cross-marketing and the idea of looking at additional segments marketing to mothers and daughters and east coast prospects to name a few. Rewards programs give customers additional value because they choose to stay at Cabo San Viejo and are a powerful marketing concept to keep customers returning to the resort for life.