

REPOSITIONING FOR CONSOLIDATED TOURIST DESTINATIONS: THE CASE OF LOS CABOS, MEXICO

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Economy Department, Autonomous University of Baja California South, Mexico. The settlement of tourist models developed public policies in the touristic area in Mexico between 1974 and 1976. This resulted in the creation of the Integrally Planned Loreto Resorts (CIP) at Cancun and Ixtapa in 1975, Loreto and Los Cabos in 1976, this action is the origin of the principal touristic development in the State of Baja California South. This continues being the activity with the greatest impact in the economical structure, mostly in the southern region of the Peninsula. Nevertheless after around 20 years of prosperous growth, in 2007 the principal tourist indicators began showing certain weakness. (between 2007 and 2010 the total visitors flow decreased from 1.45 to 1.22 million, while in annual average of Hotel occupancy decreased from 70% to 59%); also decreased the growth rate of the tourism infrastructure of the estate megaprojects and timeshare which affected the construction and trade among others. Added to these factors we should mention the negative effect of the economical crisis of United States (mainly origin in tourism), and an increment in the national and international competition with other destinations of the same market.

The hypothesis of this investigation suggests that: the touristic model development applied in Los Cabos shows signs of the stage of maturity, which is exposed in the statistics indicators about the touristic activity and the decrement of its image. It is assumed that continuing the current model it risks the future viability of the destination; therefore this crisis causes the analysis and discussion of the design of a restructuration process in the touristic activity of the area. In order to address in a correct form, the competitive challenges and sustainability that an international destination require now a days. As a function of this hypothesis the goals are; to review and describe theoretical and conceptual contributions in respect of models of development and management of tourist destinations of sun and beach and to make a diagnosis that permits contextual analysis of the development, the problems it faces and the prospects of this activity in Los Cabos, -finally- check the application and validity of the theory of "Life Cycle Tourist Destinations" as a descriptive and predictive model.

The document consists of three parts: in the first one the conceptual aspects and empirical studies of the tourist destinations of sun and sand are shown. The second integrates the researched and contextualized documentary in which information is generated for the presentation of tourism development diagnosis of Los Cabos. Finally from the statistical data of the period of analysis (1980-2010), the empirical application is performed from the theory of life cycle of tourist destinations to the case of Los Cabos, Mexico.

1. CONCEPTUAL ELEMENTS OF TOURIST DESTINATIONS

Most of the researches about the touristic activity, coincide in pointing out that- together with the evolution and life cycle of tourist destinations-the current trend and the dynamics of international tourist market, is characterized by a remarkable growth in the supply and the number of sun and beach destinations (Butler, 1980 , Agarwal & Gareth, 2007) In the same sense they show that there is a great uncertainty in this kind of destinations according to their competitiveness and the ability to adapt to trends and changes that the global economy has been caught up in the tourist market (particularly in the last two decades) Therefore it is understood that some that some touristic destinations (DTSP) traditional or consolidated with sun and beach (like the case of Los Cabos) need restructuring processes or a renewal to be able to adapt to the requirements and/or vigorous adjustments imposed by the dynamics of global economy.

Having the touristic destinations of sun and beach into consideration, the principal market segment of international tourism in Mexico, for both job creation and foreign exchange earnings, and for its important contribution to development at local and regional market, and its competitiveness internationally. It is significant to address the issue of repositioning from a theoretical and empirical approach, which incorporates not only the concepts directly related to them, but their application to reality facing since as indicated (Agarwal S., 2002), signs of decay are the consequences and what we need to know the causes of the problem.

2. CONTEXTUAL FRAMEWORK OF ENDS AS TOURIST DESTINATION

Los Cabos as a tourist destination is located in the southern extreme of the peninsula of Baja California. Its geographical position makes it a hot and dry weather. Its highest temperatures can get to 47° (117° F) and an annual average of 23° (72° F). Its supply of water and forest resources are scarce, so as rainfall is. On the social point of view it is a municipality predominantly urban, in which the presence on the phenomenon of the underdevelopment is present. Above all, when you compare the great investment of property for tourism and the needs for the marginalized areas all together the same time between 1990 and 2010. The number of inhabitants increased 443% (INEGI, 2011) which is associated-directly-to the development and consolidation of the tourism area, economic growth and the multiplier effect of the investments.

Tourism development is concentrated on the coast beach between San Jose del Cabo and Cabo San Lucas and along the tourist corridor between the two towns. At its late 90's, when this destination was establishing itself (Grand Vision Los Cabos 2025, 2005)

which was translated as a great sustained growth- almost exclusively- in activities related to tourism. In market terms , at Los Cabos an North American touristic model named “Resorts” was adopted, in which besides hotels and beach, they also included tie share apartments, condominiums, houses, villas and all kind of related services, all in enclosed area. This has as a characteristic the close and/or beach spot. (It is important to mention that 56% of the recreational areas are private (IMPLAN 2011) there are only five accesses to public beaches in more than 30 kilometers of the tourist corridor).

This factor has been used as an axis of location for touristic investments and speculation for the owners of the land, with the consequent deterioration of the landscape that is affected as a result of the concentration of buildings, developments and subdivisions in the coastal zone. The bases of its attractive destination: beaches, scenery, golf, sport fishing, the quality of the hotels and timeshares and the proximity of the west coast of USA.

Considering the generation of foreign exchange, the supply of rooms and time-share units (UTC), as well the quality of the infrastructure, in the last 20 years, Los Cabos had become one successful destination of high quality and of an international level. It is one of the three principal tourist destinations with sun and beach in the country, and according to studies made before, this destination was number one (In Mexico) as a beach place and was categorized according to the type of preferred destinations as “Very dynamic foreign tourism preference” (Propin F. & Sanchez, 2007) However, tourism and economic indicators clearly show that despite the generally good results, the tourist activity was not present until 2007, the destination begins to face a number of circumstances that can affect positive behavior that the visitor flows and the investment of the infrastructure for the tourism.

Until some years ago (specifically before the economical crisis of US in 2009), besides the hotels, the most important, the dominant economic orientation was focused on the destination: the supply of real estate and timeshare developments for high-income foreign market, a notorious force of activities related to the construction and marketing of major tour operators and “charter flights”.

The economy of Los Cabos consists of being specialized in international tourism, its main markets being the United States and Canada, countries that contributed which 84.5% of total tourist inflow in 2010 (SECTUR, 2011).

Tourist spending is distributed directly associated activities such as hospitality, transportation, and recreation, commercial and sport fishing.

Whereas the economic impact of this sector is divided between many sectors and multiplier effect is, it is difficult to quantify their contribution to economic growth in the local economy, but also when it lacks specific official data, and disaggregated for the municipality of the region as Los Cabos. For reference, the BCS state government, estimated that the economic impact from tourism in BCS hotel occupancy was around 451.8 million dollars in 2009¹ (BCS State Government, 2010), assuming that about 80% tourist activity is concentrated in Los Cabos, then it is estimated that the economic impact in 2009 was about 361.5 dollars.

1 In 2009, the economic impact of tourism in BCS accounted for 4.9% of foreign exchange earnings from international tourism spending in Mexico (SECTUR, 2011).

Regarding the infrastructure for the tourist market in Los Cabos hotels offer, timeshare developments and luxury residential areas for foreigners, and the fast growth ranks it among the most exclusive and quality of the country between 1990 and 2010, number of hotels increased from 22 to 82 establishments and supply all kinds of hotel rooms and units of time share (UTC). For the period mentioned before there was an increment from 2,531 to 13,390 rooms.

At this time, 73% of the hotels are located in the three categories of greater value (“Special Class”, “Grand Tourism” and “Five Star”), which cover 85% of the total supply of rooms. These figures place Los Cabos as one of the destinations with more high-quality facilities for guests with elevated incomes in Mexico. Now, 63.2% of the offer is for hotel rooms, and rooms in the category “All Inclusive”, 34.4% left are UTC (DATATUR, 2009).

As from the foundation as CIP in 1976, Los Cabos registered positive numbers of tourist flow (mostly foreigners) getting to an annual growth rate of 21% between 1990 and 2000, the flow increases to 33% for the period of 2000-2005 (percentage that reflects the highest development among the indicators of the tourist activity of the place); on the other hand, between 2005 and 2010 the flow of foreign and national visitors changes. Nevertheless in the last four years the effects of the economical crisis national and international negatively impacted the growth trend that recorded the main tourism indicators. As from 2007, the total touristic flow decreased from 1.45 million of visitors to 1.23 million in 2010. According to the statistics Indicators from the Tourist Secretary (SECTUR 2011), the occupancy percentage between 2000 and 2010 reached the highest of 70% in 2005, for then reduce to 59% registered in 2010, lower figure compared to the other beach destinations that Los Cabos compete with.

It is necessary to mention that the tourists with higher purchasing power and average spending is a foreigner and they travel by air, the estimate is that their average expenses in 2010 was \$ 1.336 U.S. dollars (it is significantly superior than the national average), with an common stay of 3.5 days at the destination (SECTUR, 2010), these data show that foreign tourists is the basis of economic development of the destination, hence the importance attributed to this market segment.

The figures show that from 2005 began to take shape a number of negative factors for the economy of Los Cabos, whose spectacular influence impeded to keep the spectacular of the destination that it had had, among these factors stands out : an oversupply of tourism products and services, with very little difference and high prices relative to other sun and beach destinations; an excessive supply of property development and UTC, the diminishment of one of the main attractions, such as sport fishing, the U.S. economic crisis (principal demanding market), it sharpens itself from the crisis in the real estate markets in the country, and a strong and growing competition from other destinations.

3. EMPIRICAL APPLICATION OF THE THEORY LIFE CYCLE THEORY OF TOURIST DESTINATIONS OF LOS CABOS

Studies such as “Los Cabos Grand Vision 2025” illustrate that tourism development model of Los Cabos began recording crisis signals since 2002, in that study it is mentioned

(considering only projects in progress and planned in 2004) that Los Cabos would grow in the short and medium term to twice the supply at the time.

Based on this assumption, a tendency scenario was made, this assumes that tourism would continue with the same patterns of growth, maintaining the dynamic patterns similar to the ones made in 1993-2003. This scenery, in which (as stated in that document) the destination would be directed into an uncontrolled growth with high costs for the population and for the environment.

In the particular case of this research, the application of the theory of life cycle of tourist destinations CVDT to the case of Los Cabos, serves the purpose of evaluating their performance and trend as a tourist destination. Although several authors question the applicability of the theory of CVDT (Vera Rebollo & Bathrooms Castañeira, 2010), in this case generates results that allow the deduction that the destination is located in an alert situation, coinciding, precisely, with the problem that concerns CVDT theory (Butler, 1980) when the tourist areas are located at the beginning of the stage of maturity. The first indicator that this theory considers to locate to Los Cabos in the maturity stage is the 126% growth in the number of inhabitants between 2005 and 2010, while the influx of foreign tourists increased by only 81% for the same period. At the same time, the share of tourism as an economic activity in the PIB state, decreased by 22% between 2005 and 2010 also recorded negative rates for this period: the economic impact, the average occupancy rate and average room rates of hotel.

In applying the model of CVDT to Los Cabos, we see that the phase of “exploration” or destination start is between 1970 and 1990, to reach their full height and development between 1990 and 2004; from 2005 curve tourist flow begins to show an inflection with polynomial trend. Using the setting of linear regression method to calculate the polynomial trend, there are two periods: the first, corresponding to the growth phase and the second destination deceleration since the analysis yields a coefficient of the quadratic term negative, parable indicates that the setting is a maximum in 2004 (with 1.45 million foreign tourists), from which the parable begins to slow adjustment, demonstrating a decrease or moderate drop, same as (in projection to 2013) is becomes negative.

When one contrasts this empiric application with alarm signals that are given in the maturity phase of CVDT, the model then requires that decision makers of the tourist destination (agents or local actors) could visage three options: to continue with the same development model and its policies, to decide on the stabilization (by doing the necessary actions to keep the segments in the existing markets), or reposition or rejuvenate, in this option the agents and actors of the tourist system of the destination should generate synergies and make changes that can attract new markets, and strengthen its current segment.

CONCLUSIONS

The development model applied is strongly concentrated in the tourist area giving a limited economical integration of that activity with other productive sectors (with the exception with the ones connected with tourism like commerce, and construction commerce) to which a high dependency of North American tourism.

Whereas this case CVDT is questionable the theory generates results that allow its use as a diagnostic instrument-preventive, from which it is possible to analyze the viability of designing strategies for repositioning of Los Cabos as an international destination, having as the axis endogenous factors and the local development in existing in the area.

From the results gotten, the hypothesis is proved because Los Cabos requires the application of intervention processes (subject to agreement and commitment among local stakeholders of tourism in the area) to carry out a restructuring that may direct to repositioning of the destination for this purpose suggests some lines of action: first, the design and implementation of public policies with the tendency of planning, to promote and regulate the management of the tourist destination within a framework of sustainability, properly regulated with long-term vision; second, perform a reengineering process of fate, in which prioritize the diversification of tourism products, to broaden the range of complementary and foster administration synergies among local economic actors; third, integrated administration strategies and the expansion of the destination that may generate this activity to the local population through identification and integration of value chains around inbound receptive tourism, thus strengthening the position of local actors; and finally, and because it is proved that the development model at Los Cabos doesn't correspond accordingly with the actual dynamic of the DTSP at an international level. It is suggested and an alternative the implementation of a model of local development same that implies involvement and active participation of all actors or entities that participate for all sectors, public, private or social.