

► With everything thrown in for one price — from food to activities — critics argue that all-inclusive packages damage the local economy as tourists never even venture out of the resort.

All-Inclusive: Out or In?

With holidaymakers still reigning in spending, demand for all-inclusive holidays has reached a peak in key source markets. But could bringing this concept to Dubai damage the destination forever?

All-inclusive holidays are a hot topic at the moment. First Choice Holidays, one of the UK's biggest travel operators announced last month that in 2012 it plans to offer only all-inclusive holiday options to customers. Packages will include all flights, transfers, accommodation, three daily meals and unlimited local drinks in one price. According to First Choice, popularity among British holidaymakers for all-inclusive holidays has rocketed since the recession (60% of First Choice holidays were all-inclusive in 2010). "All-inclusive is becoming the holiday of choice for many British consumers, offering them great value for money. People can leave their wallets at home and relax — they don't have to worry about spending money when they're abroad," said Johan Lundgren, UK and Ireland managing director of First Choice's parent company Tui.

The UK operator is now working with hotels and resorts to help them convert to an all-inclusive offering.

Industry divided

But while the demand from holidaymakers is clearly there — the UK is after all the number one market for tourists to Dubai — the Dubai market has



so far been resistant to adopting the all-inclusive model, due to fears that it will dent profit for hotels, damage the overall image of Dubai as an exclusive and luxury destination, not to mention hurt the local economy.

Some Dubai hotels are catering to customer demand and rolling with the concept. Mövenpick's Royal Amwaj on Palm Jumeirah — which is scheduled to open later this year has revealed it will be offering an all-inclusive option.

Director of sales and marketing for the resort Andrew Hughes said: "If the customer wants that then why fight the demand?"

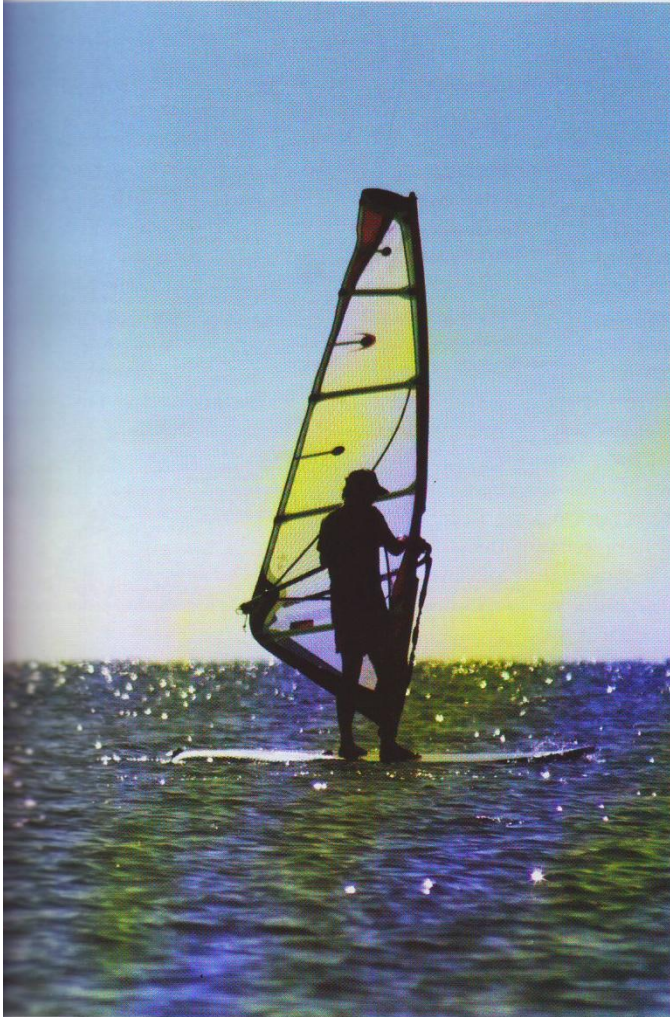
"I think there's absolutely room for the all-inclusive concept in

Dubai as long as you're giving customers choice and you're positioning it as a premium product — not an exclusion-based product. So if a customer buys that experience, if they want to eat lobster in the à la carte restaurant they can. If they want three drinks at the pool at lunchtime they can. It's about giv-

60%

of holidays sold by UK operator First Choice in 2010 were all-inclusive

for the chosen many.



▲ Demand from UK holidaymakers is so strong that First Choice will go entirely all-inclusive



▲ Mövenpick's Royal Amwaj on The Palm Jumeirah will offer an all-inclusive option.

ing that customer the choice and we intend to roll that out."

According to Hughes it is a "mismomer" that all-inclusive properties are not profitable.

"I think it hasn't happened here in Dubai because historically F&B has been such an important element in these resorts' budget lines, and the fear is that if we go all-inclusive would we lose all that rev-

enue. It's going to take a new hotel to come in to show the value to see how effective it is and then others will follow suit."

But Yigit Sezgin, global director of sales and marketing for Rezidor vehemently objects to the concept describing it as "dangerous".

"It's a big virus, once you plug it in you can't get it back. It's a big danger."

Sezgin said that while the demand undoubtedly exists from key feeder markets — catering to it would be a huge mistake.

"First of all, in the market there's a big demand for it. You go into any leisure market, feeder markets, in Scandinavia, UK, Germany, there is a serious demand.

"But once you give that option you're never going to get it back.

People start to choose that and then tour operators start to threaten you and say: 'If you don't give me the option I can't sell you because this is the demand. I cannot sell only B&B or half board or even full board'.

"The way I see it is, there are very few resorts and destinations that I know today that are actually able to hold on to those margins and to the quality because the people who



"All-inclusive clients tend not to leave the hotel. The destination does not benefit. It would be a disaster." Ali Abu Monasser



"We have lost business to other destinations because of the non-availability of such offers from hotels." Richard Devadasen

book and spend money in Dubai properties, in the resort properties especially, would not like to be together with the ones that are coming for the all-inclusive option.”

Sezgin added that all-inclusive was damaging to the local economy too: “It’s very dangerous for the local economy because the people coming to all-inclusive, most of them will never leave the hotel. They don’t buy outside, they do not eat outside, they do not drink outside.”

The travel trade seem equally divided on the issue of all-inclusive.

SNTTA Emir Tours manager — MICE Richard Devadasan said he would be keen to sell all-inclusive packages: “I think to grow the business to our destination we must adapt to what clicks for our customer.

“We have lost business to other destinations because of the non-availability of such offers from the hotels here — so yes, we would certainly be able to sell this whenever asked, and otherwise, because it will indeed affect the bottom-line for the client in a positive sense.”

However, Ali Zaid Abu Monassar, chairman of the Vision Destination Management, takes a far more cautious view: “All-inclusive packages are demanded from destinations like Germany and the UK but if we start doing this in Dubai, we will never end it and it will become cheap.

“The UAE is famous for its luxury hotels and when it comes to luxury hotels you cannot offer all-inclusive. The only place where you can offer it are island destinations such as the Maldives where there are no other options available.

WOULD ALL-INCLUSIVE DAMAGE DUBAI?

SVEN GADE, DIRECTOR AND HEAD OF CONSULTING AT PKF THE CONSULTING HOUSE, GIVES HIS VIEWS ON THE TOPIC:

- A risk is that it can end up with a “cheap” image whereby all is inclusive but the F&B provided may not of the best quality. Also, guests are often subject to fine print “rules” such as: only house beverages are included — branded or premium goods require separate payment. This may not go well with an upmarket destination like Dubai — It can potentially erode the reputation

and attract the wrong target clientele. High quality all-inclusive offers tend to be good approaches but they are a bit like buffet offers: the operator will inevitably have to charge a bit more than à la carte and therefore guests may end up paying more (or consuming less) than they would otherwise have paid (but do not actually mind). - All-inclusive has a lot to do with the provision of alcohol and may lead to two issues: over-consumption (because it’s free) and from that undesirable behaviour as a result. This would

have to be managed carefully to avoid bad experiences and strict responses from the authorities, which may spoil the holidays and in turn the reputation of the destination. - One underlying idea of all-inclusive offers is to keep guests from spending their holiday money outside their resort. This in turn may prevent visitors from exploring and experiencing Dubai per se and miss out of its highly diverse range of destination experiences, the culture, the

multiplicity, etc. Even all-inclusive operators should have to link up with local guides and organisers to ensure that the destination is experienced. - Having said all that, all-inclusive does have distinct source markets and followers which to date may not really have discovered Destination Dubai.



“But in this city where you have so many options to dine in many places and you want to be entertained, you have to discover the city.

“All-inclusive clients tend not to leave the hotel. The destination does not benefit. It would be a disaster.”

Monassar conceded that there there could be limited times when hotels could offer all-inclusive packages — for example, during the hot summer months when beach hotels are not as full.

But this would have to be decided on a “case by case basis” as ultimately, “all-inclusive ends up being cheap”.

“It’s dangerous for the destination and for the hotels. They must calculate F&B prices; it’s not beneficial

for the hotel. For the destination, the restaurants, venues, pubs, clubs, discotheques, tours and excursions will suffer,” he added.

“The people that are coming to Dubai are not coming because they want to stay in a hotel and save money. They are coming for the destination — from the malls to the

fine dining to the tours — and they know they have to spend money.”

Of Royal Amwaj’s plans, Monassar concluded: “The Palm Jumeirah is the icon of Dubai; if we start to offer all inclusive hotels on the Palm what will happen to the other hotels?”

But despite the resistance, it seems all-inclusive package holidays to Dubai could be a far more common theme in the not-too-distant future.

“It is for sure an opportunity,” admitted Sezgin.

“There is a market segment there and it’s untouched. Somebody’s going to grab it and do it. But my personal opinion is — one thing that I would do if I could is to never allow all-inclusive — I would say, it’s never going to happen!”

\$844

Average saving for a family of four on a week long all-inclusive package (according to First Choice)



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“I think there’s absolutely room for the all-inclusive concept in Dubai as long as you’re positioning it as a premium product” Andrew Hughes