At Club Med, rose petals line road to survival - Business - International Herald Tribune

By DOREEN CARVAJAL AUG. 25, 2006

MARRAKESH, Morocco — Beside a massive wooden door crossed with bolts stand two somber men in flowing white Moroccan robes ordinarily reserved for traditional weddings.

They are the princely guardians of Le Riad, a walled compound at Club Med's La Palmeraie resort, where first- class suites are sprinkled daily with fresh rose petals and solicitous spa attendants are on call nearby at a jasmine- scented pool to offer bubbling papaya baths.

For Club Méditerranée - the pioneering resort giant and avid developer of a new high-end holiday strategy - this road to Morocco is part of a long and arduous journey to survive.

A half-century ago, Club Med started as an idealistic village of canvas army tents on a secluded Spanish beach, with egalitarian principles like "down with class, down with castes." Now, after 56 years, the company, based in Paris, is moving aggressively up-market after recently confronting a series of calamities from Asian cyclones and the tsunami that destroyed five of the company's most profitable villages in 2004, to wars and mass, cut-rate vacation imitators.

The competition for leisure euros and dollars is fierce. Club Med and many of its competitors are chasing a demanding tribe of free-spending tourists in a global industry that is worth an annual $2.8 trillion, according to the latest data from the World Travel and Tourism Council. It is increasingly polarized between wealthy voyagers and middle-income travelers who are cutting or scrimping on their holiday budgets.

"We have been through the effects of Afghanistan and Iraqi wars, the effects of SARS and the tsunami. So we have probably been through everything that nature and human beings can create," said Henri Giscard d'Estaing, Club Med's chairman since 2002. "What's important to understand is that what we are doing now is not a gimmick or marketing. It's a deep change in the company."

Founded by Gérard Blitz, the son of an Antwerp diamond cutter, the resort started as a nonprofit initiative and evolved into a publicly-traded company that promoted a sunny singles culture of buffets, bead-necklace drink tokens and unlocked rooms. Eventually, Club Med started focusing on families, but its class system remained divided between the clients, known as the "gentils membres," or GMs; and the staff, known as "gentils organisateurs," or GOs, who approached their clients with an egalitarian spirit, sharing dinners, cocktails and occasionally beds.

But that culture, which has been spoofed endlessly in French movies like "Les Bronzés," is also undergoing refinement as part of the up-market shift of Club Med, which is spending €100 million, or $128 million, annually through 2008 to upgrade its villages. It has renovated 70 villages from Mexico to Turkey, created 20 new ones like the Riad in Marrakesh and closed more than 50 sites, selling properties to reinvest in remodeling.

Within its new most luxurious villages, which are rated "four-trident," it has established walled, first-class preserves of privileges for customers nicknamed "pashas," or pampered tourist royalty, who pay all-inclusive, individual rates up to €2,435 per week. That pays for expanded suites with living rooms, private gardens, room service, Internet connections and daily tea.

The makeover also applies to Club Med's culture. More than 27,000 employees on five continents are being groomed with lessons in ambiance.

GOs do not tug clients from the first- class sections of the new Club Med into the pool for a spirited game of water gymnastics. The exclusive pashas' pool is designated a quiet zone.

"There was a time when guests were cooking and washing dishes together in the Baleares," said Jean-Louis Dromas, a Club Med employee for 34 years who handles public relations for the company in Marrakesh, referring to the club's original outpost on the Balearic Islands of Spain. "The club has evolved like the clientele and you won't find any guests washing dishes anymore."

Club Med's shift from a high-volume approach to a "value strategy" as it calls it, was inspired by simple necessity. With international tourism experiencing a wave of consolidation from 2001 to 2004, it steadily lost GMs - numbers plummeted 23 percent from 2001, to 1.37 million last year. Twenty of its villages closed following the terrorist attacks of Sept. 11, 2001.

Various studies, including an Ipsos survey commissioned by Club Med, indicate that wealthy travelers are more resilient than travelers at the lower end, increasing their spending on holidays even during economic and political crisis.

"Club Med is going to bring new customers by moving upscale," said Gilles Raffort, an equity analyst with Fortis in Paris, "but it will take time."

He cautioned that the company's financial resources would remain vulnerable to tourist cycles and natural disasters and noted that one of its major shareholders, the hotel chain Accor, recently reduced its stake in the company to 6 percent from 28.9 percent.

The competition for the luxury market is also intensifying, Raffort added, as a range of rivals is emerging.

For example, Starwood Capital, the U.S. investment fund, recently announced plans for a new international brand, "Le Crillon," a chain of luxury, five-star hotels named after the historic Hôtel de Crillon in Paris that it purchased in 2005.

Steve Case, former chairman of Time Warner, is also investing in high-end vacations with the creation this year of Revolution Resorts, which runs Miraval spa, a southern Arizona resort where rooms cost $735 a night, and Exclusive Resorts, a luxury vacation club.

The vice chairman of Revolution Resorts is none other than a former Club Med chief executive, Philippe Bourguignon, who left the company in December 2002 after also promising a cultural revolution. He opted for a mass strategy to reduce prices to make the club more accessible to a broader group of vacationers. But that foundered in the fallout after Sept. 11, as the company suffered from a steep and lingering downturn, losing €94 million in 2003 before finally swinging to a profit last year of €4 million on revenue of €1.6 billion.

In its latest financial report in June, Club Med had some better news to deliver: French tourists were starting to return after a stepped-up advertising campaign. The vast majority matched the desired profile of a high-spending tourist drawn from the top 20 percent income bracket. For the "chefs de village," who preside over Club Med's newly renovated resorts, the orders from the Paris headquarters are simple: Emphasize refinement without losing the club's historic spirit of conviviality.

Gone are the Elvis Presley impersonators who serenaded guests at lower-scale Club Med resorts. In their place are gowned women in glittering Venetian masks who welcome guests for Italian soirées. Tennis and golf are still standard club activities. But the GOs, which Club Med now calls "maîtresses de maison," are also offering singing lessons, make-up classes and Moroccan cooking tips.

Salverio Friselli, the chef de village for Club Med in Marrakesh, plays host to a weekly event that encapsulates the club's new discreet style: a starlight garden party with guests dressed totally in white. The tranquil approach is something people are yearning for, he said. "We're completely booked," Friselli boasted, while sitting near the Riad's officially designated quiet pool.

Largely through word of mouth, he said, the 60-suite first-class section was completely occupied through most of the year.

The personal reviews have been excellent, despite some wistful yearning for the old free-wheeling Club Med style, according to employees.

Piet Jan Slot, a Dutch tourist who stayed at the Riad in August for the first time with his son, said that in some ways he considered the new Club Med system better than a five-star palace. "The rooms are spacious," he said, "and if you ask for anything they never make a face like they do at some hotels. They always help."

Marilyn Carruthers, a Belgian guest, stayed in Club Med's lower-priced outer ring of smaller rooms beyond the walled Riad.

"The quality of this Club Med is so much better and the people are really nice," she said, reserving one mild complaint that probably reflects more about the transformation of the club's once vaunted, nonstop party culture.

"They should have more bottled water available for everybody," she said. "Not everyone drinks wine or beer."