



## **Towards a new local sustainable development model for a consolidated tourist destination:**

### **The Case of Los Cabos, Mexico**

When a tourism destination reaches maturity and a distinguished position on the international markets, it is necessary to reconsider its development model to maintain the competitiveness in the long term. This is the case of Los Cabos, Mexico, where negative impacts are noticed due to the implementation of the same model of development for more than three decades. Severe damages were caused both in the city and on the environment, added to social problems, inequity and infrastructure deficit.

The objective of this paper is to analyse and assess the problems in tourism management and planning of the site through a predictive-descriptive model of Los Cabos' life cycle, and to raise some proposals for a redesigning of the actual model with the participation of all actors involved in the local development.

This research is based on the methodology for key strategies of action for local development and the multivariate analysis applied to local development with sustainable tourism approach. The empirical part of the study consists of questionnaires to businesses and other main actors of tourism development in Los Cabos.

The results of the research show that the variables: technological innovation, competitiveness and business cooperation are directly related to the new development model design for this tourism site. To mainstream them into the processes of planning and management will foster the long-term competitiveness and the sustainable local development in Los Cabos.

## Introduction

In the last 30 years, Los Cabos, as a tourist destination, has successfully positioned on international level, supporting its development with advantages as: geographical location, natural attractions and high-quality touristic infrastructure, in addition to a growing flow of foreign visitors and, as a consequence, a good revenue of foreign currency. However, the explosive growth, based on hotel and state development projects, has led to a serious deterioration of the destination in urban and environmental matters, which tends to affect its competitiveness. The analysis in this research is based on the methodology and approach of local sustainable development [1], with an empirical application to tourism. Los Cabos is selected as a case study on the premise that it is consolidated tourist destination and thus requires modification of the development model implemented. The document integrates three sections: in the first one, the contextual analysis of the study area is made; subsequently, the empirical testing of the theory of "Life Cycles of Tourist Destinations" as descriptive-predictive model is made. The third section presents the results of the research, which refer that, the variables: technology innovation, competitiveness and business-institutional cooperation are directly correlated with the strategy of rethinking Los Cabos' tourism development model.

## Contextual Analysis Of Tourism In Los Lobos

The development of Los Cabos is characterized by a rapid growth in economic activity led by tourism, since the region has natural resources put in value and touristic attractions of high international recognition. Other element that benefit the tourism are the proximity to the world's largest issuing market see Figure 1 and 2 and the vision of authorities and entrepreneurs to promote the development of modern and high-quality tourist infrastructure (e.g. the international airport).

The growth of tourist activity, trade and related services, has favored a strong immigration process in search of employment and a better quality of life. Given the tourist specialization of the municipality, 78% of the employed population is concentrated in the tertiary sector, mainly trade, services and communications [2]. Tourism development and population growth have caused an explosive demand for housing, creating pressure for urban land, public services and infrastructure, which has led to social imbalances as well as a noticeable lag in social and community infrastructure. An additional imbalance is the existing between sectors linked to tourism, as well as the increase of the informal economy and underemployment [3, 4].

### 2.1 Tourist inflow

Since its creation as Integrally Planned Center in 1976, Los Cabos recorded positive indicators in tourist inflow; however, it is from 1990 when the arrival of foreign tourists notoriously increases. Between 1990 and 2000, the inflow recorded an average annual growth of 21.0%, and 33% for the period of 2000–2005. However, during the period 2005–2013 foreign tourism (by air) showed a slight decline of 2%, but the largest decrease occurs in 2014 (it is assumed, due to the effects of hurricane Odile), as the tourist flow decreased to 985.189 tourists (18.8% with reference to 2013). The hotel occupancy rate that in 2005 hovered around 70% for 2014 decreased to 59%.

The consolidation of Los Cabos as a tourist destination occurs between 2000 and 2010, period in which the supply of hotel rooms increased 117%; it is noteworthy that most of these

corresponded to five-star hotels and above. At the close of 2014, there was a lodging offer (including hotels and timeshares) of 13,003 rooms (Table 1).

## 2.2 Touristic infrastructure

Concerning infrastructure and businesses, in 2013 Los Cabos was characterized by:

- Concentrating 78% of five-star hotels of the whole state of Baja California Sur (B.C.S).
- 40% of enterprises registered in B.C.S. in the field of food and beverage preparation are located in this area.
- It has the highest number of businesses per thousand inhabitants in B.C.S. with 32% of the total.
- Since its main market segment is foreign tourism, the range of hotels, time-share developments and luxury residential areas place the destiny among the most exclusive and of quality of the country.
- 73% of the hotels are located in the three categories of greater value to market effects

("Special Class", "Gran Tourism" and "Five Star"), which account for 85% of the total

supply of rooms.

- Between 1990 and 2013 the number of hotels increased from 22 to 118 establishments, period in which the supply of all kinds of hotel rooms and time-share units raised by 413%.

## 2.3 Diagnosis and main problems

The development of tourism has made Los Cabos one of the internationally most recognized destinations in Mexico; however, the existing urban and environmental problems show that the model of tourism development has made Los Cabos a mature or consolidated destination, without making an efficient evaluation of the long-term effects on natural assets of the area. This has caused a serious deterioration in urban and environmental matters; therefore, it is important to create alternatives (economic and environmental) that favor a repositioning of the destination under a new paradigm of development.

- The weaknesses that tend to affect the economy of Los Cabos and reduce the competitiveness

of the existing or future companies, are:

- The increase in the number of inhabitants and the rapid flow of immigrants and their effect

on urban growth (which is higher than the national average), that has accentuated

the lag in the delivery of public services and urban infrastructure.

- Due to the above, rates of social and urban marginality have increased.
- Given the economic and population growth, the number of common crimes and crimes against health increases; as well as the public demand for more security.
- The presence of meteorological phenomena that regularly affect the destination, cause economic instability, crisis in the infrastructure and social risks.
- Water scarcity is increasing, situation that is linked to the raising demand and the lack of culture for its proper use, development and conservation.
- A high dependence on the interior of the country or the United States for the provision of goods and supplies of all kinds, which generates market prices significantly higher than in the rest of the country.
  - Economic activity is highly concentrated in tourism, with no economic integration with other local productive sectors.
- This sector has as weakness its dependence on US tourism and, in consequence, on the fluctuations of the American economy.
- The tourist activity exerts an effective pressure on the environment.
- The local identity is poorly defined, with increasing problems of social disintegration.

Table 1: Basic indicators of tourism in Los Cabos.

Concept/Year	1990	2000	2010	2013	2014
Total Population	43,920	105,469	238,487	282,551	294,452
EAP of the tourism sector	3,348	7,821	24,320	26,666	36,824
Foreign Tourism	228,000	464,200	842,606	1,213,774	985,189
Rooms	2,531	6167	13,390	12,460	13,003
% Occupation	49,00%	61,00%	59,00%	65.80%	59%

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## **Cycle Of Tourist Destinations The Case OF Los Cabos Mexico**

In general, the set of exposed indicators confirms the concentration that Los Cabos registers on development and tourism infrastructure.

The analysis of tourism as an economic activity in Los Cabos evidences that tourism development in Baja California Sur is concentrated in this area, having an important role in the economic structure of the state in general and in the development of enterprises that depend on this sector.

From the analysis and interpretation of tourism indicators, as well as from the adjustment of the linear regression method to calculate the polynomial trend and its application to the model "Life Cycle of Tourism Destinations" [5], we see that in Los Cabos the exploration phase or beginning of the destination is presented between 1980 and 1990, and reaches its full swing and development between 1990 and 2004. Since 2005, the curve of the inflow of international tourism begins to show an inflection with a tendency to decrease, the analysis presents a coefficient of negative quadratic term, indicating that the parable of adjustment is in its maximum value in 2004, and since then begins to slow, corresponding to moderate decline in

projecting the number of international tourists. This situation becomes more pronounced since the crisis of 2008 and confirms that the destination is in the stage of maturity and consolidation; therefore, the model of development begins to show signs of stagnation [6].

In this context, it is considered as important to explore some alternatives that foster a rethinking of the model of tourism development applied. In this research, it is proposed to focus the tourist activity through the model of local sustainable development, which is based on the compatibility of land conservation and tourism development through sustainable use of potential and existing resources [7, 8], so that the maintenance of the principles of sustainability must be the essential requirement [9]. One of the most important issues arising in this scenario is to know the ability that mature tourist areas have to react to the specified changes and to keep their competitiveness. Territories such as Los Cabos are key parts of the international tourism network, so that they must face a constant restructuring to adapt to new scenarios posed by markets, particularly taking into account the negative effects that would result in the loss of economic and social profitability of the destination, as well as the possible consequences at the territorial and environmental level. In this context, Los Cabos (as consolidated tourist destination) faces the challenges that international tourism currently presents, which are: an economic impact that is below its potential; a limited distributive impact of the benefits of local tourism; and the unsustainability of the benefits of tourism due to the degradation of natural and cultural resources. Taking as a starting point the theories of local development and innovation [10–12], this study assumes that local sustainable development is a process based on the interaction of all local actors, for the progressive transformation of the territory. The use of endogenous and exogenous resources will lead to improve the quality of life of citizens in the local community, within the context of balance of the social, economic and environmental dimensions of development.

#### 4 Research And Results

##### 4.1 Methodological aspects

The research methodology involved an initial stage of documentation, various sources were consulted to contextualize the objective of study and make the diagnosis of the problem that is reflected in the analysis of tourism in Los Cabos. Subsequently, a phase of empirical research of deductive-explanatory type was performed [13] to assess whether it is feasible (based on the main variables of local development) analyse potential pathways to modify the model of tourism development applied in Los Cabos during the last thirty years, thus achieving better impact of the benefits of tourism in the local economy, as well as in protecting the environment and natural resources of the area. The former fosters sustainable tourism development based on agreement and cooperation between local actors, allowing the development of new productive and business activities, not only from the local development approach, but also from a more comprehensive and inclusive perspective, as it is a "local sustainable development".

The empirical research was conducted by applying a questionnaire to employers in the area, with the aim of identifying, analysing and evaluating their opinions and perspectives with reference to the variables considered in local sustainable development, and how these affect the performance of their business activity. The population that was the subject of study (as unit of analysis) corresponded to the universe of companies registered by INEGI [14] in Los Cabos;

the sample size was obtained with the technique of stratified sampling, considering as stratification factor the economic sector where the company is located. The total sample consists of 68 companies, of which 63% are lodging establishments and food preparation facilities, 24% are located in the commercial sector, 10% correspond to tourist transport companies, and the remaining 6% to agriculture and livestock industry. The reliability analysis was performed using the Cronbach's Alpha coefficient, and the validity of the constructs was tested using the confirmatory factorial analysis. The questionnaire used a Likert scale of affirmative and positive type, with a scale from 5 to 1 of the analysed perception.

#### 4.2 Result of the empirical research

The information from companies was obtained by a questionnaire of perception around the variables of sustainable local development that considers the basic aspects to detect the potential for success of a local development model for sustainable tourism. The research for determining the feasibility of implementing this type of model in Los Cabos was completed by an assessment and diagnosis of strengths and weaknesses of Los Cabos as a tourist destination and its viability for a local model for sustainable tourism.

The information obtained from the questionnaire is summarized in Table 2, where the points marked in red represent weaknesses; oranges reflect a warning signal and greens are the strengths. The analysis values the opinion of employers regarding the variables related to sustainable local development, specifically their appreciation of main factors that foster or inhibit competitiveness of their businesses; access, generation and application of technological innovation; and coordination among actors through cooperation projects between companies.

The results provide a basis for the initial premise of this research regarding the validity of a proposal for a modification of the tourism development model; the data presented with the traffic lights indicate that most of the variables analysed are in warning signal (or preventive). Some already record a weakness, confirming that there is a reduced or limited coordination among companies of Los Cabos, and that competitiveness only comes from the use of the typical and traditional comparative advantages, such as geographic location and the existence of natural resources. However, there is a big gap in matters of policies to encourage or facilitate access of local enterprises to technological innovation; the actions that companies have applied in this area are very limited, also being insufficient the coordination and cooperation between actors in the business community. Nevertheless, cooperation and associative practices are factors that impact the competitiveness of companies; therefore, they are opportunity areas that must be considered. Although it is recognized that cooperation in the field of production is a condition of difficult assimilation, the results from the exercise of successful local development practices show that cooperation can be an important factor to achieve positive results for local economies.

#### **Final Considerations**

When a destination reaches a prominent position in the international market and maturity in tourism (as shown by the life cycle for tourist destinations in Los Cabos), it is necessary to ensure long-term success through the conservation of its attractions and initial resources and, for this, a consensus on the models of tourism development has to be generated. It is also important to

establish agreements between the main actors of the destination: tourism business sector, representatives of public administration, social partners, and institutions of research and higher education.

The problems observed in Los Cabos can be grouped into two broad categories. The first one refers to the deterioration caused to the environment as a result of rapid economic and population growth and the lack of regulation and updating on urban development and land use. The impact and the consequences have to date not been measured, since in the planning and management of touristic resorts a short-term vision has prevailed, as well as economic interests over social and environmental. The second category corresponds to the development model applied without considering territorial dynamics, emphasizing infrastructure and urban development linked to tourism industry and property market with touristic purposes. This development highly concentrated in the hotel and residential offering, led to a limited economic integration with other local productive sectors, except those directly related to tourism, such as trade, services, transport and construction.

The tourism development model should adopt policies and strategies that differentiate, integrate and make compatible the key dimensions of sustainable development: economic, social, cultural and environmental. The new model also involves the harmonization of the instruments of planning, management and regulation of resources generated by tourism, developing innovative and inclusive initiatives for sustainable development. The results of this research indicate that the variables of innovation and technological development, business competitiveness, as well as the coordination and cooperation of agents of the local, regional and national development, favor the implementation of sustainable tourism development.

In general, the economic future of Los Cabos largely depends on the ability, experience and acceptance of structural changes in the present model of tourism development. In this context, local development agents have a crucial role to overcome these weaknesses and turn them into favorable elements for a future development based on sustainability.

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