

"A Comprehensive Review Of The Timeshare Industry"

VACATION Ownership

ICD Publications

Experts Say Sales, Marketing Are An Essential Part Of Timeshare Growth

The recently released *State of the Vacation Ownership Industry 2005 United States Study* documents an impressive performance by the timeshare industry: a 5% growth rate in the number of vacation ownership resorts; a 14% increase in the number of owners; and a 21% increase in industry sales volume. Ask developers to analyze the formula for success and many will state that at its core is sales and marketing efficiency. And, like many industries, one historical challenge has been the escalating costs associated with the sales and marketing of its product. Why is this the case for vacation ownership?

"Sixty-two million adult leisure travelers are interested in vacationing in condominium resorts during the next two years," said David Gilbert, executive vp, resort sales and marketing for Interval International. "We need to reach out to this audience with creative marketing channels since they don't often place 'buy a timeshare interval today' on their to-do lists."

The fact is that if timeshare developers can't cost effectively secure qualified leads to tour and, ultimately purchase, industry growth may not reach its full potential.

"Product and sales distribution innovation is a major challenge for competing sales organizations," said Raymond L. "Rip" Gellein, Jr., chairman of the board of the American Resort Development Association and CEO of Starwood Vacation Ownership. "Innovative companies with a bias for action that foster a sales culture which clearly interacts with its customers will be market leaders," he said.

There are other challenges. Vacation ownership must at times combat misconceptions about the industry. There is also a general lack of understanding of the timeshare product itself. Yet, current owners enjoy their timeshares.

More than three-quarters of study respondents indicated they were satisfied with the timeshare they owned. Additionally, 95% said that owning their U.S. timeshare had positively impacted their household's quality of life.

"As an industry, we must get the word out about the advantages of owning vacation time. We need to employ a variety of industry-wide public relations initiatives to do this," said Gilbert. "These include media familiarization trips, conferences, and editorial materials that educate consumers about timeshares. These efforts will all contribute to creating a more positive environment in which to market to consumers."

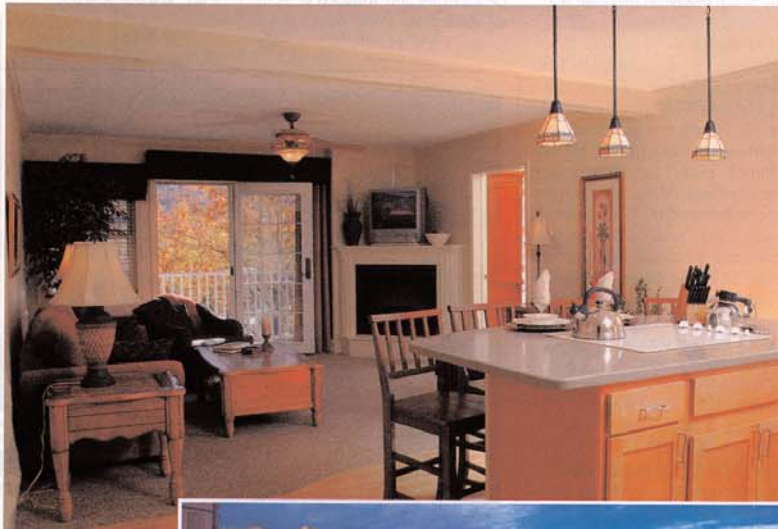
Another issue has been the regulatory environment, which has also impacted vacation ownership sales and marketing. Recently implemented Do Not Call (DNC) regulations limit unsolicited contact with consumers and made it necessary to re-think marketing models for many developers.

"We were spoiled before the implementation of DNC legislation," said Billy Curran, CEO, InnSeason Resorts. "Now, just like other businesses, we must excel at relationship marketing and customer service. We need our existing owners to bring us new customers. To do this, we must emulate the brands and establish strong loyalty pro-

grams. It is a case of taking a few steps back for 20 steps forward. DNC may have hurt some developers temporarily but it will help the industry in the long term by ensuring that we do the job right."

What's more, today's developers must consider the cost of the product itself, in addition to the costs of sales and marketing.

"The time and expense associated with developing resorts in high-barrier-to-entry markets is expanding dramatically," said Gellein Jr. "These challenges exist for new markets and for sequel projects in existing successful markets."



Above: InnSeason Resorts South Mountain, Lincoln, NH. Right: Harborside Resort at Atlantis, Paradise Island, Bahamas is part of Starwood Vacation Ownership's collection.



Developers considering product in marquee or high-demand markets are facing escalating product costs far greater than those seen in other parts of the country.

"We have successfully pursued a regional branding strat-

able to be very efficient with our marketing efforts. I feel there is great opportunity for regional branding in this industry."

Vacation ownership is also establishing itself as a viable alternative to owning a vacation or second home.

"The cost of a second home is becoming prohibitive and that further enhances the value proposition of the timeshare and fractional products," said Gilbert.

The growth numbers demonstrate that vacation ownership is a healthy industry with a bright future. Those

who own continue to spread the word. And an educated consumer bodes well for industry growth.

"In the next five to 10 years, most great companies will become more sales and marketing driven," added Gellein. "That said, their actions would

be very tailored and based upon extensive customer knowledge. We will be producing products that are designed by and for designated customer segments. These multiple segments will be targeted with marketing campaigns implemented to a wide variety of consumer leisure segments."

"Timeshare will eventually become a sought good if we continue to market correctly," concluded Curran. "This industry is doing things right and the positive impact is being felt. People are shopping for vacation ownership on the Web. We now have people coming into our offices and expressing an interest in buying interval time. Developers need to continue to focus on making consumers happy and giving them what they want. That's how we will continue to grow."



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Interval
International



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