

Sales and Marketing TODAY:

A 50,000-Foot Perspective

By Christina Wells

The vacation ownership industry has evolved significantly since its inception 40 years ago. An array of use plans offers access to stunning resorts located in highly desired destinations. As the saying goes, it's not your parent's timeshare anymore. The product is impressive. So, what challenges face those who sell it?

Developments sat down with ten industry leaders, from companies large and small, public and private, and asked for their analysis of the current sales and marketing landscape. The result is a 50,000-foot perspective on what faces us now and what lies ahead.

Surveying the Scene

"The challenge hasn't changed in the 25 years that I have been in the business," said Sheldon Ginsburg, chairman and chief executive officer, Shell Vacations. "Timeshare is still not a sought commodity. It's an old saying, but nobody woke up anywhere in the world today and said, 'what a great day to buy a timeshare.' We still have to 'pull' people into our sales room by offering them a gift of some kind."

Getting potential purchasers in house to tour, and ensuring that the right individuals have been targeted, remains a significant issue. Impacting the ability to do this efficiently is the fact that the industry contends with a still present negative perception of the product as well as a general lack of understanding of it. Compounding this problem is the continued reality of some developers' overly aggressive sales practices.

The industry has been grappling with these issues for years. Cost-effective lead generation has always been a challenge. Why doesn't it get easier to keep the marketing pipeline filled?

"There is an ingrained mindset undermining change," noted

David Pontius, president and chief executive officer of RCI North America. "Developers figured out how to make money by marketing a certain way. It's all about financing projects and sales paced to pay back debt. The metrics don't change and this is an inherent structural problem. The larger companies and brands have moved away from this thought process to some extent, but the mentality has deep roots."

"For the 21 years I have been in this industry, I have listened to my peers complain about the rising costs of sales and marketing," stated Donald Clayton, chief executive officer of Festiva Resorts. "Yet we continue to outbid each other for an OPC location and then raise commissions to lure away the competitors' top performers. As long as we can make the numbers work to create a profitable margin, this will continue. Yet, if we spend a little more on the product and make it more appealing to the right market, we just may lower some sales and marketing costs. Which of us will make the next sales, marketing or product innovation breakthrough? Whoever it is will have the advantage.... for a short time."

Every individual interviewed for this article stressed that change in the way vacation ownership is marketed is required for the continued success of this industry. Most agreed that there wouldn't be one solution, but a combination of actions culminating in new outreach methodology.

"Research shows that there are 62 million adult leisure travelers interested in vacationing in condominium resorts during the next two years – this is the audience we should be targeting," said Craig M. Nash, chairman and chief executive officer of Interval International. "If we identify new marketing channels to reach these condo-centric travelers, we can reduce the cost of selling our product."

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“Once people experience our way of vacationing, they have escalated their vacation lifestyle and place tremendous economic and experiential value on their vacation ownership,” said Deborah Linden, chief executive officer of Island One Resorts. “The end result of outstanding vacation experiences must be translated and incorporated into our marketing process through the entire marketing and sales process. Not only must timeshare be fun, simple and straightforward, but so must be the shopping and purchasing.”

“Impact companies of the future will have solved the challenge of matching market knowledge with cost-effective sales distribution and timely product delivery,” said Raymond L. “Rip” Gellein, Jr., chairman of the board of ARDA and chief executive officer of Starwood Vacation Ownership. “These organizations must find or develop hands-on, value-driven management with the capacity to incrementally improve good sales operations and completely transform less productive sales and marketing operations. This management team will grow the business with core values that are employee and customer driven.”

As stated above, it takes people - the right ones - to provide the impetus for positive change.

“Success is always brought about by people,” said Clayton. “People create successful marketing programs and implement innovative breakthroughs. People execute the ideas that make

our programs successful. Give me the right people and through them I can solve any sales and marketing challenge.”

DNC Forces the Issue

At times, change is forced on you. Consider the impact of enacted regulatory restrictions, such as Do-Not-Call (DNC). This legislation limits unsolicited contact with consumers and made it necessary for developers to re-think marketing models. DNC has changed the new customer acquisition process and its impact has touched everyone in the business.

“The good news is, many of us are already ahead of the curve with highly evolved alternative marketing sources, like owner referrals, alliances and e-commerce,” said Franz S. Hanning, president and chief executive officer of Trendwest Resorts, Inc. “In many ways, DNC simply forced us to accelerate development of these channels.”

“I believe the DNC legislation actually created opportunities for the industry because it forced us to increase the efficiencies of our lead generation programs through database marketing and strategic alliances,” stated George F. Donovan, president and chief executive officer of Bluegreen Corporation. “The DNC legislation also allowed us to often become the vendor of choice with independent telemarketers because of our ability to generate quality leads.”

Developers are highly focused on creating and implementing

new strategies for identifying and accessing potential customers.

"After the enactment of this legislation, developers turned inward," commented Pontius. "They marketed more heavily to their existing owners. But, how far can you go with your owner base using reloads and referrals? We need new marketing channels."

"Working within the guidelines of the DNC registry and becoming efficient at restoring displaced leads challenges all of us," stated Stephen P. Weisz, president of Marriott Vacation Club International (MVCI). "We must retain the leads we have and identify new methodology that will entice consumers to opt in and talk to us. For MVCI, affinity partners are becoming increasingly important."

Affinity marketing provides one possible answer to the sales and marketing puzzle. Larger companies have demonstrated the benefit of having a starting point that makes sense to the customer. If a relationship is in place, credibility is already established.

"The 'known' aspect of the relationship gets the customer's attention," said Pontius. "In addition, you have permission to talk to the consumer. This is huge."

The Internet offers another potential success story. It continues to change the way the industry communicates to people and sells its products. Consumers increasingly comparison shop with online tools including resort virtual tours, sales presentations, statistical data and consumer reviews.

"We will continue to have new marketing and sales challenges with each advance in technological capability," said Linden. "We will have to build and maintain the interfaces necessary for this consumer contact. We will also have to enhance our systems to back up the product, such as online, real-time reservations. This becomes even more complex with points-based systems. But with every challenge, new doors are opened to us with new avenues to present our product to an increasingly receptive audience, with younger generations oftentimes having grown up with timeshare in their family."

The Internet allows consumers to do their homework and this research makes them more knowledgeable. There are concerns related to this.

"The Internet can be viewed as a great distribution channel because it gives consumers access to condominium vacation

alternatives, including low cost resales and rentals," said Nash. "But in providing these low-cost alternatives, the Internet tends to commoditize the product. This transparency creates a challenge in maintaining and communicating the value proposition of timesharing."

Ultimately, most industry leaders agree that the Internet will play a major role in the marketing and sale of vacation ownership in the future.

"If people can go online and book a cruise for \$10,000, why can't they go online and buy a lifetime of vacations for \$15,000?" asked Nash.

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The Challenge of Getting the Good Word Out

Restrictions imposed on advertising have hugely impacted the industry's ability to be efficient with its sales and marketing efforts. Registration requirements prohibit most timeshare developers from marketing in all 50 states. In some states, a real estate license is required for referring names. In others, you can't incentivize for providing a referral.

"I am in favor of regulation," stated Clayton. "Every industry needs it and ours is no exception. I am also in favor of licensing but I think it would be an improvement if a prospective salesperson spent more time learning about the timeshare industry of the 21st century rather than being required to learn some of the more complex aspects of real estate law based on concepts that have very little to do with our products."

The time and expense of first completing, and then continually renewing, 50 state registrations, coupled with the time and expense of complying with potentially 50 different sets of laws regulating advertising,

telemarketing and solicitation, are restrictive for the industry. National or uniform laws would be optimum to ensure industry standards and consumer protections.

"The ability to advertise on a broader scale and be competitive with other consumer products remains a challenge," stated John Burlingame, executive vice president, Hyatt Vacation Ownership, Inc. "There is no doubt that an abbreviated registration process in key market states would boost our ability to sell and market efficiently."

"Like everyone in the industry, we are impacted by various regulations in marketing and sales but what we really struggle with is that regulations differ from state to state," noted Hanning. "Developers with operations in multiple states

would benefit from more uniform guidelines, and this should be our focus as an industry.”

“The requirements that make national advertising so cost prohibitive do place competitive restraints on our industry,” agreed Nash. “While we need a constructive regulatory environment to protect consumers, the industry must be more proactive in spending money in support of legislation and the cost should be borne by a broader base of industry participants. This initiative is clearly the most important endeavor that ARDA undertakes on behalf of its members.”

Development Costs Today: What Gives Pause?

Timeshare developers are managing the costs associated with acquisition and development as well as sales and marketing. For some, sales and marketing is the greatest concern.

“In the big picture, product cost is a small percentage,” noted Linden. “Sales and marketing costs are almost twice the product cost, and all of the risk. As I have told developers, when you invest dollars in brick and mortar, you have brick and mortar when it’s done. When you invest twice as much in sales and marketing, you may end up with nothing.”

“Sales and marketing is always going to be the unknown,” said Ginsburg. “Product costs can be easily defined by acquisition or development. If you build it or buy it, you will know what the cost is relative to a prescribed sales price. What we never know, and have not known for 20-some years, is at what number we can bring in sales and marketing because it is dependent on the number of people we see; how many buy; and of those that buy, how many cancel. This changes day by day and hour by hour.”

For some, product costs are a greater concern because of land acquisition expenses and escalating real estate values. Consumer experiential demands have also driven more elaborate and varied accommodations and on-site amenities. Developers considering projects in marquee or high-demand markets may be facing cost escalations even greater than those seen in other parts of the country.

“We take more things into consideration now when we look at a piece of property,” stated Weisz. “We analyze what impacts the price point and how we can be more competitive. For example, should the project combine mixed-use, fractional or whole ownership models? Our goal is to yield the best value from an opportunity.”

“Product cost is by far our greatest concern,” states Hanning. “The more it costs us to build, the higher the cost to the consumer. We run the risk of eroding our value proposition. There’s little we can do to control the rising cost of land and materials, and the highly competitive market for prime real estate is likely here for good. Sales and marketing on the other hand is more within our control. If there’s a better, more efficient way to distribute this product, we will find it.”

Some express concern about both product and sales and marketing costs.

“I am concerned about short-term product costs because of today’s unique environment,” stated Pontius. “The highest and best use of resort property may not be timeshare. Perhaps it is condominiums, condo hotels or a combination of models.”

“In the long term, real estate pricing will sort itself out,” continued Pontius. “Then, as always, marketing costs will drive the process and continue to do so. Again, companies must simplify the sales process and find new marketing methods. At that point, everything improves.”

“We remain concerned about and focused on both product and sales and marketing costs,” said Burlingame. “It is expensive to sell and market vacation ownership. In addition, finding good sites in sought after destinations is increasingly difficult. And we are building better product which costs more money. Expenses in general are a constant battle. We need to find ways to sell more efficiently.”

Timeshare: A Sales and Marketing Driven Business?

Vacation ownership has historically been a sales- and marketing-driven

business. Will that hold true?

“This is still the case today and will remain so for the next five years,” commented Burlingame. “If vacation ownership becomes more sought after, we will have a more receptive customer. I have seen positive trends in this direction but we need even more progress. If you have a great product you still have to sell and market it. This fact never changes.”

“In the next five to 10 years, most great companies will become more sales and marketing driven,” stated Gellein. “We will be producing products that are designed by and for designated customer segments. These groups will be targeted with marketing campaigns implemented to a wide variety of

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consumer leisure segments. The capital and technology necessary to compete at the highest level will be significant. The sales efficiencies derived from this investment will also be significant.”

Consumers are becoming more educated on timesharing, but it's still not a sought-after good. The task of finding qualified prospects that can be converted into happy long-term customers remains a demanding job.

“I believe consumers will continue to develop knowledge and experience with timeshare products, and the educated consumer will tend to drive our product more into a commodity than it is today,” commented Donovan. “As a result, I think the consumer will look for better deals and will easily know how to do it. We have to focus on delivering quality and service; being competitive; and delivering a better product at the right price.”

Change in what people think about the product has resulted in opportunity. Consumer perception has improved over the course of time and that is having a positive effect. Ongoing industry-wide public relations initiatives including media familiarization trips and educational conferences, have contributed to creating a more positive environment in which to market to consumers.

“More people are receptive to vacation ownership” said Burlingame. “Now, when consumers see a product in a location they like, they are more open to looking at it. As people understand the concept better, they will be even more receptive and increasingly view it as a very viable alternative to second-home ownership. The more we continue to build great projects, the more the good news will be spread.”

“Our industry was historically a sales-driven business, but it is now truly a marketing-driven business,” commented Ginsburg. “I firmly believe that our product, when presented properly to the right customer, can be sold. The question is getting in front of that consumer – and that's marketing. So where marketing used to be an afterthought, and sales were the main driver, today the opposite is true. Sales are the afterthought because we know we need to get the consumer in the door.”

Others suggest that vacation ownership is now a consumer-experience business. Timeshare is about meeting and exceeding consumer expectations.

“Any amount of money you spend to get the consumer to

purchase would be undermined if you can't back up what you sell,” stated Weisz. “You must enhance your products and services to meet and then exceed the expectations of your consumer. This is the most important thing.”

“Sales and marketing will always be important in our business, but the companies leading our industry today have always paid just as much attention to service,” said Hanning. “Our best and most profitable clients are those that already own our product or those who know someone who owns our product. The lifetime value of a customer far exceeds the revenues from any one transaction. In five to 10 years, there likely won't be

a single developer in business who doesn't share in that philosophy. If we deliver on our promise to each of our customers, we reap the lifetime value of those customers.”

“The idea of owning a piece of something is as American as apple pie and while the dynamics of delivering the product to consumers will evolve over time, the appeal of the fundamental concept bodes well for the vacation ownership industry,” concluded Nash.

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