SLEEK AND STRONG: DATA IN ACTION

BY GERI BAIN
Survival is all about agility and being the first to capitalize on trends. For a business, pouncing on the latest in demographics, technology, and sociology can yield big benefits.

Industry research often serves as a key that unlocks new ways of looking at the vacation ownership business, says Howard Nusbaum, RRP, ARDA’s president and CEO.

For example, research into owners’ aspirations and how they wanted to use their vacation ownership contributed to the transformation of timeshare from fixed week to floating, to points and adventure travel.

But numbers and surveys don’t tell the whole story. Reality checks via focus groups and observing customer behaviors often shape the form a product takes. And, as the stories of these four innovators illustrate, the journey from idea to iteration often takes unexpected turns.

**TRENDS AND MARKET FORCES.** “At industry meetings, we kept hearing about consumers increasingly researching and transacting online and the opportunities of ‘big data,’” said Victor Hugo Charco, vice president, operations and strategic projects, Club Melia. Inspired by the ways powerful companies use big data from entities like Facebook and Google, Club Melia developed its own algorithms to more precisely target its tours and offers.

**TAPPING IN.** The process began two years ago with an effort to apply learnings from Melia Hotels International to the club side of the business, said Charco. The first step was to analyze club member demographics and big data characteristics. Having a large proportion of Melia hotel reservations come through melia.com is a huge advantage, offering more appended data than with OTA bookings and more opportunity to contact customers directly. “We cross-reference our profile with melia.com and hotel loyalty customers and focus our efforts on travelers who share the ‘DNA’ of a club member,” he said. Once customers enter Club Melia’s web channel, they share even more information, allowing Club Melia to tailor marketing and rewards to each individual based on their own preferences.

**THE BENEFITS.** The on-line invitation process is far easier and more cost-effective than capturing tours onsite, reducing lead generation resources needed on property, he noted. The discovery, much of which is filled in online, feels far less intrusive and softer. And since prospects usually have surfed the club’s website on their own and become familiar with club and its properties, the typical tour and sales process is about 90 minutes instead of the usual three hours. “Guest complaints about this experience have dropped significantly because the process is more transparent and efficient,” Charco said.

**THE LEARNINGS.** Careful preparation is essential, he stressed. Web pages must be 100% finished and fully functional before shifting the tour generation process. The changes are major and require adjustments throughout the organization in both business processes and potentially, staff, especially in sales and marketing, he said. “It was challenging, but once the teams saw the opportunity and how they could be a part of it, they were onboard.”

**BOTTOM LINE.** Online tour generation is a powerful tool. By touring a better screened and informed customer, closing percentages and efficiencies have increased significantly. Plus, reducing the in-house tour generation effort, which takes a lot of internal manpower, let Club Melia shift resources to online advertising and third party big data consumption. “It’s not about cutting costs; it’s about spending wisely and being innovative,” said Charco.
**STORY #2: AMERICAN RESORT COLLECTION/ARC RESORTS**

**Repurposing Legacy Inventory through Trusts**

**TRENDS AND MARKET FORCES.** This a challenging time for legacy resorts, said R. Scott MacGregor, president, ARC Resorts. With owners aging out, resorts face growing percentages of non-performing inventory. Since many are fixed weeks, even the most desirable can find resales challenging. Plus, hundreds are facing deadlines on the 40-year “sunset clauses” in their declarations forcing an owner vote on whether to continue as timeshare resorts. “Without a quorum—often impossible—they revert to being a tenancy in common with 100% agreement required for any decisions,” he said. “In a growing number of cases, setting up a trust is the most efficient answer.”

**TAPPING IN.** Trusts are a way to aggregate association-owned inventory—even with clouded title—into a vehicle that can operate under different rules, explained Douglas Carr, general counsel, FNTC America Ltd. “For example, fixed-week inventory might be repackaged as five- and ten-year points products.”

Trusts can be set up so that HOA boards retain voting control, noted MacGregor. “The trust pays assessments and dues for each unit, but within the trust, inventory can be repackaged to make it desirable for resale.”

**THE BENEFITS.** A trust allowed one Cape Cod resort to overcome its problematic initial structure in which each week paid the same maintenance. “Off-season owners were dropping out. Reassigning values to reflect seasonality made winter inventory viable,” MacGregor explained.

At Marina Bay Resort in Fort Walton Beach, FL, a trust structure is being set up to solve two problems. While a proactive board has kept the resort in great condition, growing numbers of weeks are reverting to the HOA. “In 2021, when their sunset clause deadline comes up, achieving a quorum would be nearly impossible without the trust, and their inventory requires restructuring for resales,” he said.

**THE LEARNINGS.** Improperly structured trusts can trigger serious tax and legal consequences. Changing something deemed fundamental such as duration of stay might jeopardize a resort’s not-for-profit status and have the HOA reclassified as developer. Even for an informed management company, setting up a trust requires a lot of expertise, MacGregor said.

Nor is a trust a magic bullet. You need to start with a useable product, stressed Carr. “That means having a well-managed resort, quality inventory with clear use rights to convey into the trust, and a professional sales and marketing organization with critical mass volumes.”

**THE BOTTOM LINE.** The New England resort saw significant increases in maintenance and income by monetizing inventory that had reverted to the association, said MacGregor. At the Marina Bay property, the trust will facilitate resales and the ability to produce a quorum by the sunset clause deadline.

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**STORY #3: WYNDHAM VACATION OWNERSHIP**

**Exit Programs That Celebrate Vacation Ownership**

**TRENDS AND MARKET FORCES.** Unscrupulous third-party exit and resale companies reflect badly on the entire timeshare industry. “Our owners had been looking to us for answers. We had nothing credible to point them to, so we decided we needed to serve this last step in the timeshare lifecycle with the same level of support and service that we provide throughout their ownership,” said Kim Thompson, senior vice president, legal services, Wyndham Vacation Ownership (WVO).

**TAPPING IN.** In 2014, WVO, in conjunction with ARDA, began holding focus groups and surveying longtime, and now
less engaged, owners. Based on those learnings, in 2015 WVO launched Ovation by Wyndham, an evolving portfolio of customized exit options. Each WVO resort offers different options, but all allow owners to walk away with no upfront fees or further obligations. “Our goal is to make the exit experience as positive as the day they signed and rang the bell,” she said.

TRIBUTE by Wyndham hand-holds qualified owners through the steps needed to transfer contracts to an immediate family member, absorbing all costs and fees, including recording the deed. “We celebrate by packaging the paperwork with a Kindle, welcome letter and confetti in a gift box,” she said.

Owners who want to sell their intervals are referred to specific independent resellers for each club, none of whom charge upfront fees. And for its managed resorts, WVO accepts inventory—completing the process within 60 to 90 days—and handles the documentation at no cost to the owner.

THE BENEFITS. Owners who need to exit have somewhere to turn for legitimate help, which also sends a positive signal about the entire industry. Plus, resorts, clubs, and HOAs have benefitted by replacing inactive owners with engaged owners. “Surprisingly, many owners call us just to confirm they really will be able to exit if they ever need to,” she said. “Knowing we have a program puts their minds at ease.”

THE LEARNINGS. It requires a mindset change at all levels for a developer to be able to provide the respectful service, transparent communication and responsible follow-through needed for a successful exit program. “Having a dedicated team is a must, and be prepared for pent-up demand,” she said. Anticipating this, WVO staggered the roll-out.

THE BOTTOM LINE. WVO has received more than 85,000 inquiries and helped over 60,000 owners exit their ownerships since 2015. “Our best measure of success is the owners’ response—80% positive—based on post-transaction surveys,” said Thompson.

“Many think the development of the initial app will be the hardest part, but the bigger challenges come with using and maintaining it, which requires a business process change and to some degree, a culture change,” he said. “Setting expectations early and having buy-in from all teams is crucial because it takes a strong process to generate and publish content that keeps members engaged and using the app.”

“Our goal is to arm our members to make the right decisions so they can be happy, successful homesteaders.”

THE BOTTOM LINE. Introduced in August 2016, the app is now actively used by over one-third of HGV members. This has helped shift members toward self-service through digital channels, contributing to double-digit growth in transactions year-over-year, said Bongo. It’s also helped reduce traffic at the front desks, and from a servicing standpoint, guest feedback during their stays allows resort teams to respond quickly, resulting in higher post-stay satisfaction survey ratings.

PIONEERS IN A CHANGING WORLD

The saying “pioneers take all the arrows” is often true, so for many, it’s better to be a settler, says Nusbaum.

“But you can’t have one without the other, and being first in the marketplace can brand you. Think about Apple or Microsoft. Over time, other companies move into your space, so you can never rest on your laurels.”

“Survival is truly about being agile,” Nusbaum emphasizes. “The AIF knows that, so we are pioneering new research for the industry with both quantitative and open-ended focus group frames. Our goal is to arm our members to make the right decisions so they can be happy, successful homesteaders.”

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