Next Generation Research

2015

BUILDING THE IDEAL TIMESHARE:
TIMESHARE FEATURE PREFERENCE REPORT

EXECUTIVE SUMMARY

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AIF

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NEXT GENERATION RESEARCH: BUILDING THE IDEAL TIMESHARE

EXECUTIVE SUMMARY

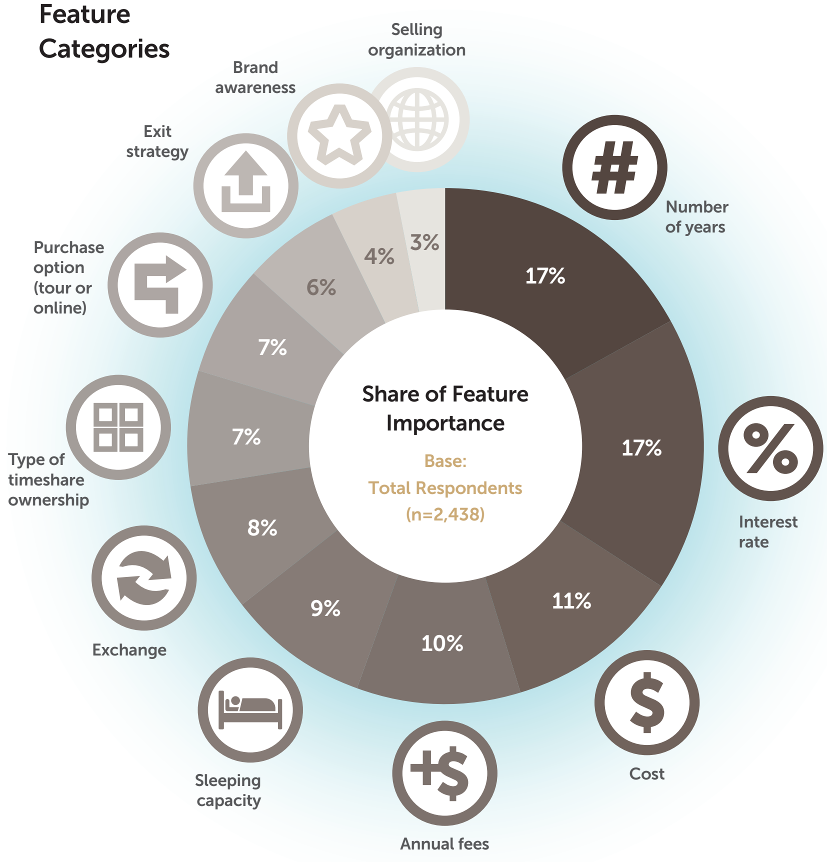
This report's focus is on the results provided by owners and non-owners, from both Millennials and Generation X age groups, who had the opportunity to construct an ideal timeshare/vacation club product as part of the larger Next Generation Study: Shared Vacation Ownership report that was released by the AIF earlier in 2015.

The analysis uncovered the pervasiveness to which the general features of timeshare product are important, for example the 'overall cost' or the 'interest rate charged', and within each of these key features, the extent to which the relative options or levels would drive interest or purchase intent.

For the industry as a whole, and in particular developers, this analysis may enable the product managers and sales/marketing teams to think about how they market and deliver the timeshare product to different segments of their potential buying universe.

Eleven overall features were evaluated by both owners and non-owners, and within each feature they saw a number of options or 'levels' that the respondents could choose from.

Feature Categories



Key Findings

1 The two most important features, accounting for 1/3 of all decisions, are related to commitment. Both current timeshare owners and non-owners alike mentioned that the 'length of contract' (the number of years they were willing to buy) and the 'interest rate' (a long term financial commitment) attached to this purchase, were the two most significant factors. The highest interest rate (24.99%) is twice as off-putting to non-owners than owners.

2 When these two factors are combined with 'cost' (the overall price) and 'annual fees', the four collectively accounted for 55% of the decision making process. Non-owners are more price sensitive than owners.

3 The importance of all four of these options was even more prevalent among non-owners, which may allow developers to adjust their marketing and sales prioritizations for potential owners, especially when they are on a tour.

4 After the key financial aspects, the size of the lodging is also an important factor, with 'sleeping capacity' the 5th most important feature. This has increased relevancy with the younger age groups, specifically Millennials, who want to vacation more with larger groups of friends, than any of the previous generations of vacationers. Owners value the larger sleeping capacity more than non-owners, which is probably down to their positive experience with the timeshare product.

5 Despite these Top 5 items representing a majority of the key decisions, there are four more features that should be included, starting with 'Exchange'. Again, the 'Exchange' option is driven slightly more from owners than non-owners, again due to their direct experience with the concept, and accounts for 8% of the decisions made, albeit half the level of both 'length of contract' and 'interest rate'.

6 Although a hot topic within timeshare right now, 'Exit Strategy' was only 6% of the overall importance rating. However, non-owners are definitely more intrigued by the potential for a buy-back option.

Specific Feature Category Performance

Within each feature category, owners and non-owners evaluated multiple levels (choices available) to determine the levels that would drive (or deter) interest/purchase intent for the ideal timeshare.

Number of years/Length of contract

This is the most important feature overall, and both owners and non-owners show the highest interest in the 5 year option. Lower year options such as 2 or 3 years are not as attractive. On the other hand, when we look at longer length contracts specifically for 10 and 20 year terms, interest starts to wane a little, particularly among non-owners. Interestingly an option for a timeshare product that would be 'forever' still garners a positive impression, which indicates interest for ownership in perpetuity still exists. It should be noted, however, this is more notable among owners than non-owners.

Interest rate

The second most important feature, interest rates, follows a typical price pattern, where the highest scores for purchase intent were associated with the lowest interest rates; In fact, the highest overall driver of a single attribute for purchasing a timeshare came from an interest rate of 4.99%, with the opposite effect for the highest interest rate of 24.99%, which is the item most likely to put off a potential purchaser.

Cost

This feature is definitely more of a barrier to non-owners than owners, but the bottom line is, higher cost products are always going to struggle in a price sensitive market. A timeshare product that has a lower overall cost is always going to garner a more favorable purchase intent, although with the products tested at under $10,000, there was not a great deal of opposition to the higher price level of $7,500. In fact, only when the price got above $15,000 did the timeshare proposition really start to have a definitive effect on potential to buy.

Annual fees

The 'no annual fee' option is definitely the most attractive option, with diminishing levels of interest in buying a timeshare as annual fees rose within the research. 'No annual fee' is almost twice as important to non-buyers, perhaps due to the fact that owners are already familiar with the concept.

Sleeping capacity

The optimal sleeping accommodation is for 5-8 people, with both Millennials and Gen X'ers, as well as the split between owners and non-owners, agreeing that extra space is better; a factor which can help set timeshare apart from its competitive set. The trend towards greater numbers of people (whether it be families or groups of friends) seems to be driving this need. However, an option for a room that holds 1-4 people is definitely seen as more favorable than a 9-12 person option.

Ability to exchange

As the 6th most important category, enabling both internal and external exchanges seems to be the dominant driver, and even having only one of the two options appears to be seen as a limiting factor by both Millennials and Gen X'ers.

Ownership type

There is more favorable interest around this feature for 'right to use' and 'vacation club' options than a deeded option. Owners were less turned off by the idea of a deeded ownership when compared to non-owners, which makes sense given that some owners continue to be interested in a forever, ownership-in-perpetuity option.

Purchase option

As long as there is a physical tour, options to purchase directly after a tour or online from home garnered similar positive opinions from both owners and non-owners. The option to purchase online without a tour, was largely dismissed. With this in mind, it is important for developers to note that for those pondering the purchase of a timeshare/vacation club, a tour of the resort is still an important factor before potential owners agree to buy.

Exit strategy

An exit strategy option is definitely a secondary feature in terms of importance for future purchases, but it is interesting to note that it is twice as important to have an 'exit-strategy' for non-owners than owners, which could become a selling point to new buyers.

Brand experience

Potential timeshare owners are slightly more favorable for the option to acquire a product with a brand they have prior experience with, and this importance skews slightly higher among current owners who like the familiarity of the brand names.

Selling organization

Owners and non-owners have opposite views on this feature: non-owners had a more positive opinion for developers as the selling organization, while owners had more negative opinions. This situation was vice-versa for resale organizations, with owners having a slight preference for resale over non-owners. However, the selling organization as a whole has very little effect on purchase intent, certainly compared to the other ten features.

It should be noted that non-owners tend to be more sensitive to price than owners. This makes sense given that owners are more experienced with the timeshare/vacation club product and therefore recognize the value of the additional features associated with the cost (at least more so than non-owners), who are not yet fully familiar with the product.

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Methodology

The analysis contained in the report are based on interviews that were conducted online with 2,438 respondents between February 27 and March 11, 2015 by marketing research company Leger for the AIF, with a median length of 32 minutes, among the following groups of respondents:

	Owners	Non-Owners
Millennials (23–33 years of age)	n= 302	n= 607
Younger Generation X (34–44 years of age)	n= 251	n= 512
Older Generation X (45–54 years of age)	n= 256	n= 510

The focus of this report is based on conjoint analysis, which is a statistical technique that assigns part worth values to the individual attributes that make up a complete product. A product has various attributes (features) and those attributes may have varying levels (for example, one attribute of the timeshare product is the accommodation, but an accommodation may have different levels due to varying sizes of unit configuration). For purposes of this study, the features considered as well as the levels within each feature category, were decided based on results from prior research and input from the AIF team.

Finally, it is important to distinguish the fact that there are inherent limitations with the conjoint exercise, as the model could not take into account every possible option offered by every company. The value in the exercise is to **understand what features drive overall purchase interest/intent,** as well as understanding the trade-offs owners and non-owners are willing to make when crafting an ideal timeshare/vacation club product that they would be most interested in.

MEMBER $25 | NON-MEMBER $50