

Rethinking the

LIFETIME COMMITMENT

WILL VACATION OWNERSHIP COMPANIES ACHIEVE LONG TERM SUCCESS WITH SHORT-TERM PRODUCTS?

By JUDY KENNINGER

For the new generation now in their 20s and 30s, there's no shame in renting versus buying. According to EDMUNDS.COM, nearly one-third (31.1%) of new car buyers chose to lease their vehicles rather than buy in 2017. A recent startup, Fernish, offers furniture rental from brands such as Crate & Barrel, with sofas costing about \$50 a month.

And for those that always want to wear the latest fashion, Rent the Runway has the answer with a plan that allows members to check out four items and swap them out as often as they like. "It's genuinely so empowering to tell people that my clothes are rented," says Kara, a brand consultant in testimonial on the web site. "It shows that I am a conscious consumer who cares about my style, my bank account, and the planet." It's not just a few people who feel this way; founded in 2009, Rent the Runway was valued at US\$1 Billion in March.

So how does an industry with the word "ownership" in its name respond to this trend? Some are meeting potential clients where they are. "For our younger clients, the idea that we are selling a short-term product is a big thing," says Mike Vasey, president of Vacation Ownership Sales and general manager. "People in their 30s and maybe into their 40s, they're all about leasing versus ownership. That's just their mindset."

Global Outlook

In the U.S., the timeshare companies have usually only offered short term plans as Discovery or trial products with one-or-two-year terms. But in Mexico, 30-year plans have always been the norm, and now vacation clubs are offering even shorter terms, such as three-or-five-year memberships.

The difference can be attributed more to legal and accounting considerations in the two countries than to consumer demand. U.S. companies generally preferred the transfer of ownership found in the perpetual product, as that allows them to recognize the entire sale as revenue instead of accruing the revenue over the length of the ownership term. In Mexico, laws restricting where non-citizens can purchase real estate made the fiduciary trust the preferred product model.

Marriott Vacation Club (MVC) has more than a decade of experience with a similar product, its' Encore package program, which is offered to prospects who are not ready to make a full purchase. Although Encore was designed expressively to give nonbuyers a test-drive, "We look at this as a form of a short-term product," explains Ed Kinney, global vice president of corporate affairs and communications for Marriott Vacations Worldwide.

Customers pre-purchase a vacation that can be used within 18 to 24 months. "By keeping them in our system and engaged, the conversion rates to becoming owners are impressive." He says that the package may range from \$1800 to \$3000 depending on location and length of time.

We started Encore 13 years ago, so we've had a long span of time to evolve and tune the program and try new things to improve results," says Kinney. "It's hugely successful. Since 2006, more than 400,000 packages have been sold across our Marriott, Sheraton and Westin brands."

THE NEWEST PRODUCT OFFEREND BY SALT LAKE CITY, UTAH-BASED MULTI-RESORT OWNERSHIP PLAN INC. (MROP) ARE PRIMARILY SOLD IN 12-YEAR TERMS, WITH MOST BUYERS PURCHASING A PLAN FOR ABOUT \$12,000. THERE ARE OPTIONS FOR 6-YEAR AND PERPETUAL PRODUCTS, TOO.

"WE'RE OFFERING A SHORTER TERM BECAUSE MANY PEOPLE DON'T WANT TO OWN FOREVER," SAYS ANDY GENNUSO, PRESIDENT OF GREAT DESTINATIONS, WHICH HANDLES SALES FOR MROP. "WE HAVE ELIMINATED ONE OF THE BIGGEST OBJECTIONS AT THE SALES TABLE. ONCE AN OWNER HAS COMPLETED THE TERM, THEY CAN REMAIN A MEMBER SIMPLY BY CONTINUING TO PAY THEIR ANNUAL FEES."

"THEY HAVE THE SAME USE PRIVILEGES AS ALL OTHER OWNERS," SAYS LYN LARSEN, DIRECTOR OF RESORT OPERATIONS FOR VRI AMERICAS, WHICH MANAGES THE MROP PLAN. "IF IT'S WORKING RIGHT, THEY'RE JUST GOING TO WANT TO KEEP PAYING THEIR MAINTENANCE FEE AND VACATIONING WITH MROP. THEY CAN CANCEL AT ANY TIME AFTER THE 12 YEARS JUST BY NOTIFYING MROP IN WRITING SIX-MONTHS BEFORE THE MAINTENANCE FEE IS DUE."

"THE CLIENT HAS THE COMFORT OF KNOWING THEY CAN OPT OUT IF THEY ARE UNABLE TO TRAVEL," GENNUSO ADDS. OWNERS CAN CHOOSE A WEEKLONG STAY AT ANY OF MROP'S MORE THAN 50 PROPERTIES, WITH NO ADDED FEES. AND THEY ENJOY A CLUB INTERVAL GOLD (CIG) MEMBERSHIP, WHICH ALLOWS THEM TO CONVERT THEIR USE RIGHTS TO CIG POINTS FOR RESORT STAYS OF ONE TO SEVEN NIGHTS THROUGHOUT INTERVAL INTERNATIONAL'S NETWORK OF MORE THAN 3200 RESORTS, AS WELL AS CRUISES, HOTEL STAYS AND EXPERIENTIAL TRAVEL.