Mega-renters: Who are they and how do they operate?

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MEGA-RENTERS:
WHO ARE THEY AND HOW DO THEY OPERATE

by

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A dissertation submitted in partial fulfillment
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ABSTRACT

Mega-renters: Who are they and how do they operate?

by

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This dissertation investigates individuals who have acquired an extraordinary number of vacation ownership (timeshare) points or weeks and utilize their ownership for the purposes of generating income by renting their room reservations to the third parties. Individuals who operate in this context have been referred to as mega-renters on blogs such as the Timeshare Users Group website (Tug2.net), commonly referred to as Tug, which is an online forum where owners of timeshare share information about their ownership.

The timeshare or vacation ownership product is a leisure product that provides consumers luxury accommodations and or vacation experiences. Academic opinion based on net present value (NPV) analyses on the value of the vacation ownership product in comparison to renting hotel accommodations is mixed. What is consistent in the academic research is that the vacation ownership product should be purchased for one’s personal enjoyment and not as an investment.
This study attempted to answer the research question of: Who are mega-renters and how do they operate? Identifying how mega-renters operate can assist other individuals considering developing a rental business to operate more effectively and pre-identify operating risks. Understanding how mega-renters operate can benefit vacation ownership companies in yield management of their resort properties and identifying opportunities in managing aspects of their owner program or policies.

Using an exploratory multi-case study approach, four in-depth interviews were conducted with participants solicited from Tug. A cross-case analysis was conducted applying the methodology suggested by Stake (2006) to develop assertions on how mega-renters operate. A conceptual model is presented based on the study’s findings illustrating the manner in which mega-renters may acquire and distribute their inventory.
ACKNOWLEDGMENTS

I first would like to thank my family. Without your support and encouragement over the past three years I could never have completed the program.

I would like to thank my dissertation committee chair, Dr. Robert Woods, not only for his guidance during the development of this work but for being a great mentor. I would also like to thank the other members of my committee for their effort and contributions: Dr. Carola Raab, William Werner, and Dr. Lori Olafson. Each of you strengthened this work by sharing your unique perspectives.

I would also like to thank Johnny, Maureen, Sydney, and Patrick who agreed to be part of the study and took the time to share their knowledge, insights, and experiences. Without their participation, this study could not have been conducted.

Lastly, I would like to thank Orie, Susan, and Brett. Thank you for your encouragement and support over the past three years.

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CHAPTER 1

INTRODUCTION

The vacation ownership industry has been one of the fastest growing segments within the hospitality industry (Upchurch & Gruber, 2002). According to the American Resort Development Association, vacation ownership industry sales peaked in 2007 with $10.6 billion in sales (ARDA International Foundation [AIF], 2011c). This sales figure is close to 10 times the number reported in 1990 and more than twice as large as the $4.2 billion in sales reported in 2000. More recently the industry reported $6.4 billion in sales in 2010 (AIF, 2011c).

Although the industry has expanded significantly in the past decades, there is relatively little research on the vacation ownership industry as a whole. Several academic articles have appraised the value of a vacation ownership interest (VOI) as an investment or compared the expenditure of purchasing VOI versus renting accommodations (Avis & Gibson, 1983; Avis & Gibson, 1984; Hart, 1980; Hovey, 2002; Larson & Larson, 2009; Powanga & Powanga, 2008; Ziobrowski & Ziobrowski, 1997). These articles drew similar conclusions that the purchase of VOI should be considered for one’s personal enjoyment and should not be purchased as an investment nor used as a rental asset.

The form VOI may take is in a fixed week, floating week, or points. For a fixed week the consumer has a deeded right to a weeklong stay at the same resort at the same time each year (Upchurch & Gruber, 2002). A floating week provides access to a weeklong stay over a specific timeframe or season. Points allow individuals to redeem the points they receive annually for nightly reservations at a resort property.
Evidence of individuals purchasing timeshare and developing rental entities exists on a web forum called Tug2.net. Tug2.net is an online forum where owners of timeshare can share their point of view on timeshare related topics. Individuals who register on the site create a username and have the option of listing the companies or resorts they own with. Several threads on the forum pertain to individuals who own a significant amount of points used for commercial renting. The term *megaowner* or more common term *mega-renter* is used to describe these individuals.

“Just two years ago, the easiest rental business on the planet was becoming a megarenter with Wyndham. All you needed to do was get a platinum VIP account and grab reservations at 50% discounts within the 60 day booking window and rent away” (BocaBum99, 2009). By purchasing enough vacation ownership points from Wyndham Vacation Resorts to reach a tier status within the VIP program, discounts off the amount of points required to make a reservation are received within 60 days of the check-in (Wyndham Vacation Resorts 2009). Toomanytimeshares01 (2009) describes how mega-renters operate in a post sharing that “Megarenters take in lots and lots of points. But then they gobble up inventory at 60 days for 50% of the price. They hang onto them until 14 days out, and then dump them until 14 days out when they can’t rent them.” According to Chriskre (2011) mega-renters are turned to by consumers for last minute reservations or rentals. Vacationhopeful (2011) shares that “One poster here on Tug who identified herself as a megarenter had 14 Million Wyndham points.” Rrlongwell (2011) shares insights into what legal form his operates under in his post of “I have one account with multiple owners on it. The LLC name, my name, my wife’s name and both of my sons name. I own 7 Wyndham contracts and a PIC contract for a total of a little under 1
million 100 points.” While most of the posts regarding mega-renters are related to Wyndham Vacation Resorts, several rental postings on the same website offer rentals from both corporate managed vacation ownership resorts and independent single site resorts.

**Purpose of the Study**

The purpose of this study is to explore the development and activity of mega-renters. Mega-renters are members of one or more vacation ownership company’s program who have acquired an extraordinary number of points or weeks for the purposes of generating income by renting their room reservations to the general public or third parties.

**Research Questions**

To that end the research questions for this study are the following;

1. Who are mega-renters?
2. How do mega-renters operate?

For the purposes of studying individuals who operate in this context, a qualitative exploratory multi-case study is proposed (Stake, 2006). The case study method can be used to contribute knowledge of an individual, group, and related phenomenon (Yin, 2009). Yin (2009) shares that case studies are the preferred method when how and why questions are being posed.

**Importance of the Study**

The results of this study are intended to provide both consumers and the vacation ownership industry an in-depth understanding of how mega-renters may operate their rental business. Identifying how mega-renters operate can assist other consumers
considering developing a rental business to operate more effectively and pre-identify operating risks. Understanding how mega-renters operate can benefit vacation ownership companies in managing yield management of their resort properties and identifying opportunities in managing aspects of their owner program. The study is designed to lay the groundwork for future vacation ownership research related to vacation ownership company program management and yield management.

The inspiration for this study was from personal experience working for a vacation ownership company. I was tasked with using last minute developer resort inventory that would otherwise go unused to host mini-vacations. Mini-vacations are essentially marketing tours where consumers are sold a discounted vacation package that includes typically a two night stay and a gift with a requirement to attend a sales presentation. Hosting marketing packages within the resort itself lowered marketing costs by paying lower rates than contracted nearby hotels and typically yielded higher sales efficiencies.

In one situation a resort’s forecast was over 100% a few days out for a prime weekend night. The day after I discovered the occupancy of the resort for that night was roughly 90%. When I inquired of resort management why the forecast was off they responded with what they called super-renters or individuals who owned a significant amount of points which they used for rentals. At the time there was not a cancellation penalty where if an individual did not cancel prior or show up on day of check-in their points used to make the reservation would be returned to their account without penalty or restriction. It was not quantified at the time though what percentage of reservations that were eventually cancelled were from standard owners. When I had asked my corporate
contacts for information to understand how this group impacts resort yield management efforts or the potential size consumer rental entities my questions were left unanswered.

Organization of the Study

The remainder of this dissertation are structured is comprised of four chapters. A review of academic and trade literature is provided in Chapter 2 including a discussion on entrepreneurship, vacation ownership interest valuation, vacation ownership industry leaders, and vacation ownership program policies related to reservations and rental. Content shared in Chapter 2 provides background information on the illustrating the environment the participants of the study operate in and proposes a pre-study conceptual model of the operation flow of a mega-renters business. Chapter 3 defines and justifies the research methodology employed to answer the proposed research questions. Qualification criteria for the sample is defined and explained and the data collection method is presented along with a discussion of how the validity, reliability, and trustworthiness of the study is addressed. Cross-case data analysis techniques are discussed along with data requirements required for the proposed analytical procedures. Chapter 4 reports the results of study providing a narrative for each of the participants, with cross-case assertions used to answer the research questions, as well as a revised conceptual model. Chapter 5 discusses the study’s findings, implications, limitations, and suggestions for future research.
CHAPTER 2

REVIEW OF LITERATURE

This chapter begins with a top-line review of the vacation ownership industry, types of vacation ownership interest historically offered, and a comparison of vacation ownership room types and occupancy metrics versus traditional hotels. It is followed by a review of literature related to the valuation of the vacation ownership product, entrepreneurship, loyalty tier programs, and secondary market resales. The chapter continues with a review of vacation ownership company program policies related to making reservations and renting accommodations. Program policy documents of vacation ownership companies were acquired by soliciting individuals via Tug2.net who indicated they owned with a certain vacation ownership company as well as personal friends who own vacation ownership interest. This background information is provided to illustrate the setting or environment the participants of the study operate in. The chapter concludes with an explanation of a proposed conceptual model attempting to illustrate the general business flow of a mega-renter’s operation.

Vacation Ownership Industry Overview

The vacation ownership industry, also known as timeshare, first appeared in Europe in the 1960’s at a ski resort in France (Upchurch & Lashley, 2006). Kaufman, Lashley, and Schrier (2009) stated the timeshare industry evolved in the latter part of the twentieth century to provide a form of holiday resort ownership based on the purchase of time periods. This evolution started mostly with independent operators, and then included larger property developers and finally international hotel chains (Upchurch & Gruber, 2002). The entry of traditional lodging companies into the vacation ownership industry
added credibility of the vacation ownership product and industry as well as years of hospitality expertise (Upchurch & Gruber, 2002).

Vacation ownership companies derive revenue from several channels. Marriott’s vacation ownership business unit, Marriott Vacation Club, derives revenue from “selling fee simple interest or other forms of timeshare intervals, financing consumer purchases, and operating resorts” (Marriott International Inc., 2011, p. 5). Wyndham Worldwide’s vacation ownership business unit, Wyndham Vacation Ownership which operates two vacation ownership brands, derives “a majority of its revenue from the sales of vacation ownership interests and derives other revenues from consumer financing and property management” (Wyndham Worldwide Corporation, 2011, p. 19). Starwood Hotels & Resorts Worldwide vacation ownership business unit derives revenue from the “marketing and sales of vacation ownership interests (“VOIs”) in the resorts and providing financing” (Starwood Hotels & Resorts Worldwide, 2011, p. 20).

Unlike hotels whose core product is a night room rental, vacation ownership company’s product is commonly referred to as vacation ownership interest or VOI in annual reports for publicly traded companies (Marriott International Inc., 2011; Starwood Hotels and Resorts Worldwide, Inc, 2011; Wyndham Worldwide, 2011). In Wyndham Worldwide’s annual report, VOI or the product being sold has been described as “either a fee simple interest in a property, which gives the purchaser title to a fraction of a unit, or a right to use a property, which gives the purchaser the right to use a property for a specific period of time. Generally, a vacation ownership purchaser’s fee simple interest in or right to use a property is referred to as a ‘vacation ownership interest’” (Wyndham Worldwide Corporation, 2011, p. 18). Another term for VOI or the variety of products
being sold by a vacation ownership company is an interval. An interval has been defined as “A real-property concept that allows an owner of real property to convey intervals of time in a specific real estate project” (ARDA International Foundation [AIF], 2010c, p. 235).

According to the American Resort Development Association, vacation ownership industry sales in 2007 totaled $10.6 billion with nearly 329,200 time share intervals sold (AIF, 2011c). More recently the industry recorded $6.4 billion in sales in 2011 which is a $4.2 billion or 39.6% decrease from the sales peak of 2007 (AIF, 2011c). This sales decrease was prompted by the 2008 financial crisis that decreased the availability of credit forcing some vacation ownership companies to reduce sales plans and need to access asset backed securities markets (Wyndham Worldwide Corporation, 2011).

Traditional lodging companies account for the top five United States vacation ownership companies in terms of sales in 2010. Table 1 shares 2010 sales, number of owners, number of resorts, and number units/rooms managed by vacation ownership companies. Information for Table 1 was primarily compiled from vacation ownership company annual reports (Bluegreen Corporation, 2011a; Marriott International, Inc., 2011; Starwood Hotels & Resorts Worldwide, Inc., 2011; The Walt Disney Company, 2011). Supplemental data from a trade magazine publication (Burlingame, 2011) was incorporated for non-publicly traded companies such as Hilton Grand Vacations Club or where annual reports reviewed did not include information (Disney Vacation Club sales, Bluegreen Corporation owners). A non-traditional lodging company was included, Bluegreen Resorts, considering its ranking as the sixth largest vacation ownership company in terms of size and sales volume.
Table 1

*Largest United States Vacation Ownership Companies by 2010 Sales*

<table>
<thead>
<tr>
<th>VO Company</th>
<th>VOI sales revenue</th>
<th>Resorts</th>
<th>Units</th>
<th>Owners</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wyndham Vacation Ownership</td>
<td>1,464</td>
<td>160</td>
<td>20,500</td>
<td>817,000</td>
</tr>
<tr>
<td>Marriott Grand Vacation Club</td>
<td>685</td>
<td>71</td>
<td>12,963</td>
<td>403,000</td>
</tr>
<tr>
<td>Hilton Grand Vacations Club</td>
<td>620</td>
<td>37</td>
<td>4,693</td>
<td>150,000</td>
</tr>
<tr>
<td>Starwood Vacation Ownership</td>
<td>538</td>
<td>14</td>
<td>7,000</td>
<td>N/A</td>
</tr>
<tr>
<td>Disney Vacation Club</td>
<td>385</td>
<td>11</td>
<td>3,267</td>
<td>160,000</td>
</tr>
<tr>
<td>Bluegreen Resorts</td>
<td>298</td>
<td>56</td>
<td>4,850</td>
<td>N/A</td>
</tr>
</tbody>
</table>

*Note. VOI sales revenue in millions (US$)*

The VOI product sold by these companies is the points product. In the 1970s the VOI product primarily sold was a fixed week product where a consumer had deeded rights to use a unit the same time each year (Upchurch & Gruber, 2002). The product evolved to include a floating week product which provided the consumer the right to use their week over a specific time period or season rather than a specific week. More recently the timeshare product has evolved again to a point system where a consumer purchases enough points to satisfy their vacation needs. A point system provides the consumer more flexibility over fixed or floating week product options the industry has offered previously by allowing the consumer to reserve nightly stays at a resort within their developer’s program (Upchurch, 2008). Of the companies listed, Marriott Vacation Club was the last to transition to a points product announcing the availability of the new program in June of 2010 (Woelburn & Immerfall, 2010).
The Vacation Ownership Room Mix

The American Hotel and Lodging Associations 2010 lodging survey reported that between 12% and 43% of the lodging operators rooms were suites (AHLA, 2010). A weighted average of rooms that are suites considering the respondent pool surveyed was 25.8% with the remaining 74.2% being standard rooms. Rutes, Penner, and Adams (2001) share that the room mix of a hotel should reflect the estimated demand from the market segments. Suites are defined “simply as a living room connected to one or more bedrooms” (p. 273). Rutes et al. (2001) state that 5% of the room inventory are suites and state that “most hotels have no more than 2 to 5% of their keys allocated to suites” (p.273). While the room configuration of a standard guest room may vary based primarily on the type of bed the unit is furnished with, the average square feet of a standard hotel unit is 350 square feet (p.370).

Vacation ownership resorts offer several different room types that differ from the standard hotel including studio units and 1- to 3-bedroom units. On average, the standard hotel room is smaller than a studio, the lowest size in the vacation ownership industry. Table 2 shares the average unit size in square feet in 2010 for vacation ownership properties.
Table 2

*Average Vacation Ownership Unit Size in Square Feet*

<table>
<thead>
<tr>
<th>Unit Type</th>
<th>Sq. ft.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Studio</td>
<td>422</td>
</tr>
<tr>
<td>1 Bedroom</td>
<td>705</td>
</tr>
<tr>
<td>2 Bedroom</td>
<td>1,177</td>
</tr>
<tr>
<td>3 Bedroom</td>
<td>1,710</td>
</tr>
<tr>
<td>Weighted Average</td>
<td>1,063</td>
</tr>
</tbody>
</table>

*Note.* Adapted from “State of the vacation timeshare industry: United States study,” by ARDA International Foundation [AIF], 2011, Washington, DC: Ernst & Young.

Within the vacation ownership sales process, a VOI purchase is compared in financial and room amenity terms to standard hotel accommodations through rent versus own pitches (Bruegger, 2001). Vacation ownership salespersons propose in these sales pitches that in the long run it is cheaper to own VOI than renting hotel rooms (Lacy, 2011). The vacation ownership product has often been termed a home away from home offering amenities found in a home such as full kitchens and sleeper sofas, the mix of units at a vacation ownership resort are dissimilar from a hotel (Stringham, 2008). Table 3 displays the average mix of units at a vacation ownership resort.

Table 3

*Mix of Units by Number of Bedrooms*

<table>
<thead>
<tr>
<th>Unit Type</th>
<th>2009</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Studio</td>
<td>9,283</td>
<td>5.5%</td>
</tr>
<tr>
<td>1 Bedroom</td>
<td>38,907</td>
<td>22.9%</td>
</tr>
<tr>
<td>2 Bedroom</td>
<td>112,438</td>
<td>66.1%</td>
</tr>
<tr>
<td>3 Bedroom</td>
<td>9,604</td>
<td>5.6%</td>
</tr>
<tr>
<td>Total</td>
<td>170,232</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

*Note.* Adapted from “State of the vacation timeshare industry: United States study,” by ARDA International Foundation (AIF), 2011, Washington, DC: Ernst & Young.

Over 94% of the room types offered by vacation ownership companies are well above the standard room size of a traditional hotel. While 25.8% of hotel room inventory
are suites, the average vacation ownership resort has a quite different mix of room inventory.

**Yield Management: Hotel Versus Vacation Ownership**

Determining what segments of a business are making the most substantial contribution to the bottom line is important to yield management (Quain, 1992). As each segment has unique characteristics and behaviors there is a need to segment a hotel’s customer base into individual parts as each segment will have different demand characteristics for a hotel’s room inventory.

Academic researchers take varied approaches to defining the market segments in a yield management matrix. Kimes (1989) detailed a segmentation approach with four rate classes shared in order of highest to lowest rate; Transient, Corporate, Government, and Group. The ability of a hotel to segment markets is essential to develop an effective yield management strategy. Demographics or knowledge of the behaviors of each of the segments can assist a yield manager in determining what amount of the fixed inventory a hotel should allocate or make available to each segment to maximize revenue. This information would help distinguish the groups between Orkin’s (1990) *price sensitive* and *price insensitive* buyers. Price sensitive buyers will change or cancel their travel plans rather than exceed their budgets. Price insensitive buyers may not be discouraged by higher rates.

Lee, Garrow, Higbie, Keskinocak, and Koushik (2011) proposed four demand segments in their study; group, negotiated, unrestricted retail; and restricted retail. The group segment refers to room blocks allocated to convention or meeting segments that book far in advance. Negotiated demand refers to rates generated from corporate or large
travel agency bookings where a room rate has been predefined. Retail demand is broken into two parts and consists of unrestricted and restricted demand. Restricted retail demand refers to bookings with advance purchase requirements or minimum length of stay, while unrestricted retail demand has no restrictions placed on the booking. Smith Travel Research, meanwhile, defines segments into three parts based on source of business: transient, group, or contract (Smith Travel Research, 2011b). While there could possibly be several more segments defined yield managers would need to consider that “splitting the forecast into many small segments will make forecasting accuracy more difficult to achieve” (American Hotel and Lodging Association [AHILA], 2006, p. 11).

Academic research on yield management efforts or practices of vacation ownership companies is non-existent. The vacation ownership industry relies on vastly different segments as sources for resort occupancy. Consumers of the vacation ownership product receive, as a benefit of their purchase, an annual allotment of points or predefined right to use a unit for a certain week. Thus, a majority of a resort’s occupancy are owners of a deed or members of the club’s program. As this right perishes or expires based on the week assigned or plan year if not used, usage rates of consumers for vacations they have already invested may contribute to vacation ownership resorts having a higher occupancy than hotels. The average occupancy for vacation ownership resorts in 2010 was 79% compared to 58% for U.S. hotels (AIF, 2011c). Four segments drove occupancy represented in the Table 4.
Table 4

2010 Vacation Ownership Resort Occupancy

<table>
<thead>
<tr>
<th>Type</th>
<th>% of time available</th>
</tr>
</thead>
<tbody>
<tr>
<td>Owner/owner guest</td>
<td>46</td>
</tr>
<tr>
<td>Exchange guest</td>
<td>19</td>
</tr>
<tr>
<td>Renter</td>
<td>10</td>
</tr>
<tr>
<td>Marketing guest</td>
<td>3</td>
</tr>
<tr>
<td>Vacant</td>
<td>21</td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
</tr>
</tbody>
</table>

Note. Adapted from “State of the vacation timeshare industry: United States study,” by ARDA International Foundation [AIF], 2011, Washington, DC: Ernst & Young.

Owners who have used their points for themselves or to hosts guests represent the largest portion of a resort’s occupancy at 46%. This includes reservations made by owners renting to individuals they may not know personally.

Exchange guests are owners of VOI who have exchanged their right to use accommodations at a resort within their vacation ownership company’s network to acquire a reservation at a property outside of their network. Opportunity to exchange has emerged in all previous research as the most frequent reason cited by consumers for purchasing timeshare (Ragatz & Crotts, 2000).

Depending on the type of VOI purchased consumers may have access to stay at a property within the developer’s network with no additional fees applied. Consumers interested in staying at a property outside their developer’s network would exchange or trade their right to use their VOI to an exchange company such as Interval International (II) or Resorts Condominium International (RCI) for the opportunity to make a reservation at a property outside of it. Exchange companies essentially serve as a trading company for consumers interested in staying at a variety of properties outside of the
resort options in their program. Exchange companies such as Interval International establish multi-year relationships with developers, which may include membership enrollment and access to developer inventory for exchange guest reservations (Interval Leisure Group, 2010).

Vacation ownership companies employ rental programs to fill gaps in occupancy as well as create additional revenue (Wyndham Worldwide, 2011). Even if a resort is considered to be sold out, that is, all VOI at property is owned by a consumer, a resort’s occupancy may still not be at 100% due exchange and banking options. One of the benefits offered to consumers in various vacation ownership programs is the ability to bank points awarded in a given year to use in the following year if the consumer decides not to vacation or chooses another leisure or vacation option (Wyndham Vacation Resorts, 2009).

For resorts that are not sold out, the right to use or sell room nights are owned by the vacation ownership company that built the property. Various methods are used to sell these room nights. Rental inventory may be allocated to marketing business units to use for mini-vacation packages, which represented 3% of occupancy in 2010 (AIF, 2011c). Room nights may be rented through programs offered to existing owners to rent rooms at discounted points rates or for cash closer into check in date. Additional rental room distribution channels include selling rooms online through links on the company’s website (see, for example Hiltongrandvacations.com & Marriotvacationclub.com), vacation ownership owned rental portals (see, for example, Extraholidays.com) or 3rd party websites such as Hotels.com, Expedia and Travelocity. Rental programs managed by vacation ownership companies may offer nightly, weekly, or monthly rates to
consumers and reportedly contributed $1.2 billion in rental revenue and 7.9 million room nights (AIF, 2011c). The average reported rental price was $156 per night.

Clues to how vacation ownership companies attempt to control member behavior are contained in the various documents a member may receive upon purchase specific to reservation policies. While the timeframes and restrictions may vary among vacation ownership companies, there are generally three reservation windows or periods from day of check-in during which an owner may use points. The first available booking period is where the bulk of vacation ownership company’s resort reservations from owners may be booked from as early as 13 to 12 months out from day of check-in. Owners are encouraged to book as early as possible to acquire their desired reservation when availability is the greatest (Wyndham Vacation Resorts, 2009) or obtain the best choice of vacation homes and dates (Disney Vacation Club, 2011). Owner access to the first available booking period is limited to those owners who have achieved a designated VIP status by owning a considerable number of VOI or owners whose VOI is deeded at a specific resort also known as their home resort. Minimum night length of stay restrictions are commonly placed on reservations made in the first available booking period which may be only three days (Wyndham Vacation Resorts, 2009) or a minimum of seven days (Disney Vacation Club, 2011; Hilton Grand Vacations Club, 2010; Marriott Vacation Club, 2011).

The second reservation period is when owners may book reservations at a non-home resort within the vacation ownership company’s network of resorts. This period has been named standard reservation period (Diamond Resorts International, 2010a; Wyndham Vacation Resorts, 2009) or Club reservation period (Hilton Grand Vacations...
Club, 2010; Marriott Vacation Club, 2011). This period may start nine to ten months from day of check-in.

The third reservation period may start ninety (Diamond Resorts International, 2010a; Marriott Vacation Club, 2011; Wyndham Vacation Resorts, 2009) to a little as thirty days (Hilton Grand Vacations Club, 2010) from day of check-in. This period has been referred to as the Open (Hilton Grand Vacations Club, 2010) or Express reservation period (Wyndham Vacation Resorts, 2009).

Several vacation ownership companies provide retain the right to book their own rental reservations in the open or express reservation period if the space is not reserved by owners. Marriott Vacation Club (2011) provides that during the open reservation period rooms may be booked for the purpose of customer relations, marketing, and rentals. Disney Vacation Club (2011) provides that within its 90-day breakage period that “Some or all of this inventory may be made available for rental reservations if it is anticipated that the Vacation Homes will not be utilized by Club Member” (p. 10). Hilton Grand Vacations Club that it “reserves the right to utilize accommodations for its own purposes including for exchange, inspection visits, promotions, rentals or any other purposes in Hilton Grand Vacations’ sole discretion” during the first day of its open season reservation period (2010, p.141). Starwood Vacation Resorts (Cancun Lagunamar Property Association, 2009b, p.8) provides that it “ha[s] the right to reserve Vacation Periods for its own use (such as rental) to offset the costs of operating the reservation system.”

Methods owners can use to make reservations vary. Wyndham Vacation Resorts (2009) allows owners to use points to make reservations within their express reservation
period. Club Wyndham owners who have achieved one of three VIP status levels receive 25%, 35% or 50% points discounts on reservations made during this period. During Hilton Grand Vacations Club’s “open season” owners can only make cash rental reservations based on the rental schedule provided in the programs club rules. Rates vary from $60 to $330 per night based on time of weekend, unit type, and season (Hilton Grand Vacations Club, 2010, p.151). Bluegreen, with in its 45 day Bonus Time period, allows owners the option of using points or paying a “$59 to $89 per night rate (if booked online) depending on the resort and unit type” (Bluegreen Corporation, 2011a, p.21). Bluegreen Bonus Time reservations also require a 2-night minimum length of stay where Hilton Grand Vacations Club’s “open season” reservations may have a “minimum night stay requirement” (Hilton Grand Vacations Club, 2010, p.137).

Table 5 details the reservation timeframes for vacation ownership companies. Data for the table was derived from various documents defining the specific vacation ownership company’s reservation policy (Bluegreen Corporation, 2011a; Cancun Lagunamar Property Association, 2009a; Diamond Resorts International, 2010a; Disney Vacation Club, 2011; Hilton Grand Vacations Club, 2010; Marriott Vacation Club, 2011; Wyndham Vacation Resorts, 2009).
Table 5

*Reservation Timeframes from Day of Check-in*

<table>
<thead>
<tr>
<th>VO Company</th>
<th>First available booking period</th>
<th>Standard Reservation Period</th>
<th>Express or open reservation period</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wyndham Vacation Ownership</td>
<td>13 months</td>
<td>10 months</td>
<td>90 days or less</td>
</tr>
<tr>
<td>Marriott Grand Vacation Club</td>
<td>13 months for VIP and 12 months for home resort</td>
<td>300 days</td>
<td>60 days.</td>
</tr>
<tr>
<td>Hilton Grand Vacations Club</td>
<td>12 months</td>
<td>276 days</td>
<td>30 days</td>
</tr>
<tr>
<td>Starwood Vacation Ownership</td>
<td>12 months</td>
<td>8 months</td>
<td>90 days</td>
</tr>
<tr>
<td>Disney Vacation Club</td>
<td>11 months</td>
<td>7 months</td>
<td>60 days</td>
</tr>
<tr>
<td>Bluegreen Resorts</td>
<td>13 months</td>
<td>11 months</td>
<td>45 days</td>
</tr>
<tr>
<td>Diamond Resorts International</td>
<td>13 months if member of collection and 12 months for home resort</td>
<td>10 months</td>
<td>60 days</td>
</tr>
</tbody>
</table>

**Vacation Ownership Interest as an Investment**

Several academic articles have appraised the value of a vacation ownership interest (VOI) as an investment or compared the cost of purchasing VOI versus renting traditional standard hotel accommodations by applying a Net Present Value analysis (NPV) (Avis & Gibson, 1983; Avis & Gibson, 1984; Hovey, 2002; Larson & Larson, 2009; Powanga & Powanga, 2008; Ziobrowski & Ziobrowski, 1997). These articles generally drew mixed results. The earliest publication (Hart, 1980) found that a purchase of VOI “can generate considerable vacation accommodation savings” in comparison to vacation rentals (p. 113). The progression of research on the topic became increasingly
sophisticated with each publication building upon previous efforts by adding additional variables or enhancing assumptions used in the analysis. Table 6 provides a summary of findings related to VOI valuation.

**Table 6**

*Studies Concerning Vacation Ownership Valuation*

<table>
<thead>
<tr>
<th>Authors(s), Year</th>
<th>Title</th>
<th>Focus</th>
<th>Summary</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hart, 1980</td>
<td>A method for valuing Time-share intervals</td>
<td>Compares VOI purchase vs. hotel rental costs.</td>
<td>Assumptions used allow author to conclude that product can generate considerable vacation accommodation savings. Assumes VOI appreciates in value 2.4% over a 20-year horizon.</td>
</tr>
<tr>
<td>Avis &amp; Gibson, 1983, 1984</td>
<td>Valuing Timeshare Interests: 1,2</td>
<td>Develops models to value VOI at resale considering two scenarios.</td>
<td>Applied two simulations for measuring value. Author recommends NPV simulation model as considering potential failure of timeshare resort as more accurate model. Author concluded that 65% chance that value of purchase is below asking price.</td>
</tr>
<tr>
<td>Ziobrowski &amp; Ziobrowski, 1997</td>
<td>Resort timeshares as an investment</td>
<td>Presents two models valuing timeshare purchase from perspective of a vacation buyer and investor</td>
<td>Authors consider VOI purchase an economically viable alternative in comparison to vacation room rental for personal enjoyment. Negative cash flows for model for investors and considered a poor use of capital. Use of financing to purchase decreases cash flow in both scenarios. Recommends resale purchase.</td>
</tr>
<tr>
<td>Hovey, 2002</td>
<td>Is timeshare ownership an investment product?</td>
<td>Tests assumption that timeshare purchase can lock in portion of</td>
<td>In multiple analyses author finds negative returns and suggests that alternative investments are sought.</td>
</tr>
<tr>
<td>Authors(s), Year</td>
<td>Title</td>
<td>Focus</td>
<td>Summary</td>
</tr>
<tr>
<td>---------------------------</td>
<td>----------------------------------------------------------------</td>
<td>----------------------------------------------------------------------</td>
<td>-------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Powanga &amp; Powanga, 2007</td>
<td>An economic analysis of timeshare ownership</td>
<td>Tests whether purchase of VOI is a suitable investment.</td>
<td>Analysis suggests that VOI is not a suitable investment property considering the expensive marketing and sales costs build into the price. Authors suggest purchasing VOI with equity versus renting hotel rooms and financing a VOI purchase.</td>
</tr>
<tr>
<td>Larson &amp; Larson, 2009</td>
<td>Purchase a time-share interval or rent hotel rooms</td>
<td>Evaluates purchase of VOI in comparison to vacation rentals in a financial planning context.</td>
<td>Suggests that vacation rental option is “better” than VOI purchase based on cash flow analysis.</td>
</tr>
</tbody>
</table>

Later articles found that a VOI purchase is not a suitable investment, or concluded that alternative investments should be sought (Hovey, 2002; Larson & Larson, 2009; Powanga & Powanga, 2008; Ziobrowski & Ziobrowski, 1997). Different than the analysis conducted by Hart (1980), the authors assumption that the value of the VOI at the end of the analysis horizon did not appreciate or remain static, but actually depreciated considering the retail price of the product included marketing and sales cost up to 35%.

The vacation ownership product was designed for an individual’s personal use. The Securities and Exchange Commission prohibits (AIF, 2010c) the vacation ownership product to be pitched during the sales process as an investment with no expectation of
appreciation or income. Vacation ownership companies explicitly state the purchase of VOI should be based on its value as a vacation experience, not investment. Starwood Vacation Resorts provides (Cancun Lagunamar Property Association, 2009b, p.12) that “the purchase of an Equity Membership should be based on its value as a vacation experience or for spending leisure time, and not considered for purposes of acquiring an appreciating investment or with an expectation that the Membership may be resold for a profit. The expectation of deriving any rental or other revenue or profit should not be a consideration in the decision to purchase a Membership.” Marriott Vacation Club (2010, p. 8) states “the purchase of interest in a vacation club should be based on its value as a vacation experience or for spending leisure time, and not considered for purposes of acquiring an appreciating investment or with an expectation or with an expectation that the interest may be rented or resold.” The documents continue (p.12) that “the expectation of deriving any profit or gain should not be a consideration in the decision to purchase an Interest in the Trust.” Bluegreen Corporation (2011b, p. 5) declares that “the purchase of an Interest in a Multi-Site Vacation Plan should be based upon its value as a vacation experience or for spending leisure time, and not considered for purposes of acquiring an appreciating investment or with an expectation that the Interest may be resold.”

It is unclear whether mega- renters developed rental entities as a primary source of income, as a method to subsidize their own vacation expenses, as a hobby, or for some other purpose. Also unclear is the legal form the mega-renters in which they operate which may be as an incorporated rental agency or in some other less than transparent form. The magnitude to which a mega-renter operates is dependent on the number of
points they have contractually acquired. Points are used in vacation ownership programs to make resort reservations. The number of points required for a reservation is based on point schedules the vacation ownership company has published for each resort, which varies based on time of week and year. The development of a secondary vacation ownership sales market may have enabled further growth in the number of mega-renters or the size of their operation. Several net present value analysis articles evaluating a VOI purchase failed to consider the ability of consumers to purchase VOI at significant discounts off the vacation ownership company’s retail price, a variable used in the analyses. The cost of obtaining VOI in this manner and the payment method (cash or financing) may impact the results of the analyses as well as the profitability of mega-renters.

**Entrepreneurship**

Mega-renters identified an income earning opportunity in developing a rental entity. Literature on entrepreneurship is explored to provide a basis for investigating motivations of these individuals in developing a rental entity.

Entrepreneurship has been defined as the “recognition or creation of an opportunity, coupled with action by an individual or group, to form a social, intrapreneurial, lifestyle, middle market or high liquid venture” (Zimmerman, 2008, p. 140). Stevenson and Gumpert (1985) share that entrepreneurship is a process involving opportunity recognition, defining methods to capitalize on the opportunity, acquiring needed resources, designing approaches to controlling resources, and developing a structure for managing control of the resources. Baron (2006) suggests that entrepreneurial opportunities “may be noticed by persons who are not actively pursuing
them” (p. 105) and that “active or passive search, and prior knowledge play a key role in opportunity recognition” (p.106). Vesper (1980) shares that crystallization of an idea and technological knowledge contributes to an individual’s entrepreneurial innovation. Ardichvili, Cardoza, and Ray (2000) proposed that prior knowledge is accumulated through the entrepreneur’s special interest and experience with the product or market.

**Loyalty Programs**

Loyalty programs are structured marketing efforts which reward and encourage loyal behavior. The objectives of loyalty programs as provided in their study are decreased switching to non-program brands, increased allocation of share, increased repeat-purchase rates, increased usage frequency, and greater propensity to be exclusively loyal (Sharp & Sharp, 1980). Loyalty programs may take two forms, including frequency reward programs, in which consumers receive a reward after performing a behavior, or customer tier programs, in which a consumer may receive special status and benefits after achieving a defined level within the program (Kopalle, Neslin, Sun, Sun, & Swaminathan, 2011).

In a tiered loyalty program, consumers may receive enhanced benefits for achieving each level defined in the loyalty program. The benefits consumers may receive may be hard benefits which may be perks such as upgrades or discounts and soft benefits such as recognition through special check in lines (Gaughan & Ferguson, 2005). Nunes and Dreze (2006) found that consumers will increase their purchase frequency as they get closer in earning a frequency award. Lacey, Suh, & Morgan (2011) found that higher levels of preferential treatment positively influenced relationship commitment, increased purchases, and share of customer spend.
The defining or naming of tiers often is associated with precious metals and levels may be ordered in their scarcity such as bronze, silver, gold and platinum. Rank in a status program is usually conveyed by using labels that are recognized as corresponding to increasingly selective standards (Dreze & Nunes, 2009).

Starwood Hotels preferred guest program uses preferred, gold and platinum tiers and the Hilton Honors hotel program uses blue, silver, gold, and diamond to delineate tiers. Both programs define a minimum of stays or nights that a consumer must reach to achieve status at each level.

Similar to hotels, vacation ownership companies employ tiered loyalty programs to encourage repeat purchases. Rather than the counting of stays or nights a consumer purchase, vacation ownership companies consider the total number of points that a consumer may own. Benefits, depending on the company, may include priority reservations, discounted points reservations, expanded timeframes for benefit points redemption, decreased fees for services and soft benefits such as a VIP card or special check-in line at resorts (Bluegreen Corporation, 2011b; Diamond Resorts International, 2010c; Hilton Grand Vacations Club, 2010; Marriott Vacation Club, 2011, Starwood Vacation Network, 2012; Wyndham Vacation Resorts, 2009). Table 7 below illustrates the various tier structures and labels employed by vacation ownership companies.
Table 7

*Vacation Ownership Tier Structures*

<table>
<thead>
<tr>
<th>Diamond Resorts International</th>
<th>Bluegreen Resorts</th>
<th>Hilton Grand Vacations Club</th>
<th>Marriott Vacation Club</th>
<th>Starwood Vacation Club</th>
<th>Wyndham Vacation Resorts</th>
</tr>
</thead>
<tbody>
<tr>
<td>Standard</td>
<td>Standard</td>
<td>Standard</td>
<td>Standard</td>
<td>Standard</td>
<td>Member</td>
</tr>
<tr>
<td>Silver</td>
<td>Bronze</td>
<td>Elite</td>
<td>Premier Premier Plus</td>
<td>3 Star member</td>
<td>VIP</td>
</tr>
<tr>
<td>Gold</td>
<td>Silver</td>
<td>Elite Plus</td>
<td>Premier Plus Member</td>
<td>4 Star member</td>
<td>Gold VIP</td>
</tr>
<tr>
<td>Platinum</td>
<td>Gold</td>
<td>Elite Premier</td>
<td></td>
<td>5 Star member</td>
<td>Platinum VIP</td>
</tr>
</tbody>
</table>

The lifetime value an owner may represent to a vacation ownership company or revenue streams they can generate was categorized in Marriott Vacations Worldwide 2011 security analyst meeting presentation (Marriott Vacations Worldwide, 2011). The lifecycle of a customer diagram illustrated revenues sources from the initial and additional sales, financing income, additional rentals of units outside of points usage, potential sales referrals, club dues, management fees, and on site spending. Over 59% of vacation ownership companies’ sales in 2010 were to existing owners (AIF, 2011b). Sales pitches to existing owners may commonly be done through the In-house sales line responsible for sales presentations given to guests staying at the resort (Bruegger, 2001). Benefits of achieving a higher tier loyalty status by making an additional VOI purchase may be the sales tool that turns a no on the sales table to a yes.

*Vacation Ownership Resales*

The average price for a points-based interval in 2010 was $19,921 (ARDA International Foundation [AIF], 2011b). The average purchase price in a resale market...
study in 2010 was $9,000 with 20% of the sample reporting that their purchase was made for under $1,000 (AIF, 2010b). In consumer guides to timeshares entire chapters are dedicated to the resale topic advising consumers of the pros and cons of making a purchase on the secondary resale market (Kavin, 2006; Schrier, 2005). Highlighted as a benefit of purchasing on the resale market is the ability to find bargains for sometimes 50% or less that what you may pay a vacation ownership company (Kavin, 2006). The average price of a VOI purchase may be inflated by the marketing and sales included in the retail price which be as high as 43% (Powanga & Powanga, 2008). Over 50% of the dollar value of VOI purchases made in 2010 were financed at an average interest rate of 13.9% for 97.5 months (AIF, 2011b).

Schrier (2005) listed several reasons as to why owners would sell their timeshare including death, divorce, inability to make payments, not using enough, or needs have changed. Some of the core reasons in the resale study an owner may sell (AIF, 2010b) include other timeshares owned meet their needs, can rent other timeshares more readily, and the maintenance fee is higher for this timeshare.

Popular methods used to buy resale VOI included using a licensed real estate broker, buying from another timeshare owner, or online through either a licensed real estate broker or service that advertises timeshare for sale (AIF, 2010b). Lacy (2011) compared sources for a resale purchase, including the resort, a broker, or directly from another owner. Resale buyers researched specific vacation ownership companies, obtained feedback from current owners, and obtained advice on how to find information about a potential purchase. In determining the value of VOI on the resale market, Lacy
(2011) shares that recent comparable sales should be considered as well as consideration of whether it is cheaper to rent than paying the maintenance fee.

Several threads on Tug2.net share advice on how to sell and purchase a resale or discuss metrics considered on how to value a resale. To develop a baseline idea of what VOI is selling for Brucecz (2012) shares that “I have checked and tracked the completed eBay auctions sold prices, not the asking prices for the Timeshares I have taken an interest in.” In valuing a resale purchase some suggestions are made to calculate the price per point or price per thousand points. Timeos2 (2009) shares “At resale prices (which are around $.01-.02 per point) the Wyndham system is hard to beat for value.” In monitoring the maintenance fee or annual cost of ownership Culli (2009) suggest that “if you can keep it at $5 per 1k or less you are doing pretty good.” Bnoble (2007) shares insights on how he values a purchase in his post “my metric for a potential purchase compares opportunity cost plus annual costs (MF+taxes), per thousand points. The deed I own has a carrying cost by this computation of about $4.75/K/year. I would not purchase one over $5/K given my current vacation needs.”

Several vacation ownership companies list restrictions on VOI purchased on the resale market related to benefits an owner would receive if the VOI was purchased directly from them. In these legal documents the vacation ownership refers to itself as the developer. Bluegreen Resorts states “Owner beneficiaries who do not acquire their owner beneficiary rights from the developer or from an entity authorized to act on behalf of the developer will not receive the basic benefits of membership” (Bluegreen Corporation, 2011b, p. 21). As a clause in Wyndham’s VIP program, any points acquired from resale do not count towards VIP status (Wyndham 2009). Starwood Vacation Ownership
recognizes only VOI purchases made by them or their affiliates as a prerequisite to owner eligibility in becoming part of the Starwood Vacation Network of resorts. This restriction limits the owner in making reservations at a resort other than their home resort (Cancun Lagunamar Property Association, 2009a).

**Vacation Ownership Policies Specific to Owner Rentals**

Upon purchase of the timeshare product from a developer, consumers receive governing documents of the club or program in which they have bought into. The governing documents define the legal establishment of the trust or program and commonly program rules, member eligibility and obligations in relation to annual maintenance fees, annual member point allocations, and reservation policies. Depending on the developer this may be communicated in club or program member directories or collateral that may be more rule-specific.

While the vacation ownership product was developed primarily for the owner’s personal enjoyment owners have the ability to rent their accommodations. Rentals have been cited as a method for owners to generate income to offset mortgage or annual maintenance fees (Trowbridge, 1971). Components of chapters in *Timeshare Vacations for Dummies* (Schreier, 2005) and *The Everything Family Guide to Timeshares* (Kavin, 2006) include tips on how owners can market their timeshare and set rental prices. Timeshare owners rent their VOI by the week or night on websites such as craigslist, resortime.com, evrentals.com, and condodirect.com (Chen, A., 2011).

As it relates to renting accommodations to third parties, vacation ownership program rules vary. Some assess fees on third party rentals for commercial purposes, while others outright prohibit such activity. Table 8 outlines commercial rental policies.
for various vacation ownership companies. Program documents were obtained by soliciting those on Tug that indicated they owned with a specific vacation ownership company. Diamond Resorts International, Inc., a private midsized vacation ownership company in terms of number of owners, was included as the company communicated to its prohibition of renting commercially to members.

Table 8

*Vacation Ownership Company Prohibiting Commercial Rentals*

<table>
<thead>
<tr>
<th>VO Company</th>
<th>Renting Commercially Prohibited?</th>
<th>Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wyndham Vacation Ownership</td>
<td>No</td>
<td>Wyndham Vacation Resorts, (2009)</td>
</tr>
<tr>
<td>Marriott Grand Vacation Club</td>
<td>Yes</td>
<td>Marriott Vacation Club, (2011)</td>
</tr>
<tr>
<td>Starwood Vacation Ownership</td>
<td>No</td>
<td>Cancun Lagunamar Property Association, (2009b)</td>
</tr>
<tr>
<td>Disney Vacation Club</td>
<td>No</td>
<td>Disney Vacation Club, (2011)</td>
</tr>
<tr>
<td>Bluegreen Resorts</td>
<td>No</td>
<td>Bluegreen Corporation, (2011a)</td>
</tr>
<tr>
<td>Diamond Resorts International</td>
<td>Yes</td>
<td>Diamond Resorts International, (2010b)</td>
</tr>
</tbody>
</table>

Diamond Resorts International prohibits use of points to reserve accommodations for commercial purposes or any other purpose than the personal use of the member or member’s family and guest (Diamond Resorts International, 2010a). Verbiage included in additional collateral provided to members state specifically that members are not allowed to rent reservations for “commercial gain or rent to individuals not known to them”
(Diamond Resorts International, 2010b, p. 30). Consequences for members who rent reservations for commercial gain include having the reservations made be canceled and membership suspension.

Similar to Diamond Resorts International, Hilton Grand Vacations Club rules strictly forbids the use of club reservations for commercial purposes for any rental, resale or any other commercial use (Hilton Grand Vacations Club, 2010). Consequences for violations of club rules for members are suspension or restriction of privileges which may include not being able to retain current or make new reservations. Starwood Vacation Ownership warns members that any owner attempting rent a reserved vacation unit “will have to compete with the Seller for both the sale and rental, at a substantial disadvantage” (Cancun Lagunamar Property Association, 2009b, p. 12).

Wyndham Vacation Resorts does not state any policies against renting to third parties in its member directory or online in the Club Wyndham member portal created for their members. Information related to reservations where the member themselves will not be checking in is found online in the guest confirmations section of the Club Wyndham member portal that details fees related to the guest confirmation letters (Wyndham Vacation Resorts, 2011).

Vacation ownership companies may assess various fees for guest confirmation letters. Fees amounts vary based on the rules established in the member’s specific program and the frequency the member makes guest reservations. Hilton Grand Vacation Club assesses a $39 fee for reservations made on behalf of guests (Hilton Grand Vacations Club, 2010). Diamond Resorts International does not assess a fee but requests the member notifies Club reservations in advance of the change in name on the
reservation to ensure a smooth check in. Wyndham Vacation Resorts requires a guest confirmation letter for a guest to check in. Wyndham members receive a number of complimentary guest confirmations based on their level of ownership. Otherwise, the member must pay a fee for each guest confirmation letter required above their annual allotment. The fee is $99 if a guest confirmation letter is made online or $129 if the request is called into Wyndham’s reservation center (Wyndham Vacation Resorts, 2011).

**Vacation Ownership Cancellation Policies**

Yield management of a property relies on accurate demand forecasts. Cancellations can negatively impact a hotel’s revenues in cases where there is not enough time to sell the unsold inventory to other consumers (Koide & Ishii, 2005).

Two strategic reasons a hotel may implement a cancellation policy are to increase revenue and affect traveler’s booking behavior (Chen, Schwartz, & Vargas, 2011). Gould, Ramsey, and Sherry (1980) shared “in most commercial markets, no-shows constitute from 5-15% of all hotel reservations on any given night” (p. 70) which may represent a sizeable portion of revenue for a hotel. Mandelbaum (2008) reported that 8% of the surveyed hotels revenue in 2007 was generated through cancellation fees.

According to the 2010 AHLA lodging survey, the percentage hotels charging cancellation fees by chain scale varies from 57% to 94% based on whether the chain was defined as luxury property to an economy class hotel (American Hotel Lodging Association, 2010). The weighted average based on the number of respondents in the survey was that roughly 77% of the hotels imposed a late cancellation fee. There appears no standard cancellation policy applied across the hotel industry. Timeframes vary on fees being imposed if cancelled within 24 to 72 hours from day of check-in. These
generally may include paying for one night plus tax or nonrefundable in cases where the consumer received a discounted nightly rate with a non-refundable restriction included the cancellation policy for the room.

Vacation ownership cancellation policies are determined by the directors of the home owners association or administrators of the club program. The timeframes for when a reservation is within the cancellation period varies between vacation ownership programs. The currency for making reservations for owners of a program in the vacation ownership realm are the symbolic points they redeem to make the reservation. The penalties for late cancellation are not specifically monetary but may include restrictions or forfeiture of points depending on the rules established by the club.

Wyndham Vacation Resorts owners forfeit points if cancelled within 15 days of check-in (Wyndham Vacation Resorts, 2009). Reservations cancelled above 15 days or more are returned to the owner as “cancelled reservation points” with restrictions on how the points are used. Hilton Grand Vacations Club provides its members with a graduated chart starting 30 days from day of check-in. Within 30, 15, or 5 days, if an owner cancels their reservation they forfeit the fee required for the reservation and 25%, 50%, or 100% respectively of their points used to make the reservation (Hilton Grand Vacations Club, 2010). Diamond Vacation Resorts provides its members a similar graduated cancellation scale where within 90, 60, or 13 days from check in, 25%, 50% , or 100% of the respectively of their points used to make the reservation (Diamond Resorts International, 2010a). Table 9 displays cancellation policies by vacation ownership company. Data for the table was derived from various documents defining the specific vacation ownership company’s reservation policy (Bluegreen Corporation, 2011a; Cancun Lagunamar
Both hotels and vacation ownership programs employ cancellation policies and penalties to manage occupancy and revenue metrics. The differences in policies may lie in the competitive landscape they operate in. As hotels compete with other lodging

<table>
<thead>
<tr>
<th>VO Company</th>
<th>Cancellations with no penalty</th>
<th>Restrictions placed on points</th>
<th>Points forfeited</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wyndham Vacation Ownership</td>
<td>None</td>
<td>15 days or more can only use points within 60 days of check in</td>
<td>14 days or less</td>
</tr>
<tr>
<td>Marriott Grand Vacation Club</td>
<td>61 days or more</td>
<td>Can only use cancelled points for reservations within 60 days of check-in</td>
<td>Day of check-in</td>
</tr>
<tr>
<td>Hilton Grand Vacations Club</td>
<td>31 days or more</td>
<td>Tiered % loss of points penalty. 25% - 30 to 15 days, 50% - 15 to 5 days</td>
<td>5 days or less</td>
</tr>
<tr>
<td>Starwood Vacation Ownership</td>
<td>60 days or more</td>
<td>Can only use cancelled points for reservations within 60 days of check-in</td>
<td>Day of check-in</td>
</tr>
<tr>
<td>Disney Vacation Club</td>
<td>30 days or more</td>
<td>Can only use cancelled points for reservations within 60 days of check-in</td>
<td>Day of check-in</td>
</tr>
<tr>
<td>Bluegreen Resorts</td>
<td>10 days or more</td>
<td>Not applicable</td>
<td>9 days or less</td>
</tr>
<tr>
<td>Diamond Resorts International</td>
<td>91 days or more</td>
<td>Tiered % loss of points penalty. 25% - 90 to 61 days, 50% - 60 to 14 days</td>
<td>13 days or less</td>
</tr>
</tbody>
</table>
operators in their specific location, employing cancellation policies to the degree that vacation ownership companies do may hinder new reservations. Vacation ownership companies, on the other hand, are fulfilling obligations to a group of owners who cannot spend points they receive outside the company’s program. Therefore placing tighter controls in the form of the numbers of days the cancellation policy starts may provide vacation ownership yield managers greater ability to forecast demand at their resort and decrease no show reservations.

**Mega-renter Operating Risks**

The risks likely to impact a mega-renter are operating a commercial rental business under a developer that prohibits such behavior. Consequences may include cancelled reservations and suspension if the mega-renters’ activities are discovered. The feasibility of a mega-renter’s business is also impacted by potential changes in club or program policy or fees structures that made be modified by the vacation ownership such as a guest confirmation letter fee or outright prohibition of operating a rental business for commercial gain.

A recent change in Wyndham Vacations Resorts guest confirmation fee resulted in a complaint being filed (Sirmon v. Wyndham Vacation Resorts, 2010). The plaintiffs as a family identify themselves as one of the largest holders of Wyndham points in the world with approximately 22 million points. This amount the family owns represents over 146 weeks in a 2-bedroom unit in prime season at Wyndham’s Grand Desert property in Las Vegas, Nevada, which only requires a 154,000 point reservation during “Prime Season” (Wyndham Vacation Resorts, 2009). The plaintiffs contend that Wyndham has made an array of self-serving changes to the program that have
significantly diluted and devalued the property interests of the plaintiffs as benefits represented at point of sale were altered. Rather than receiving an unlimited number of guest certificates as a VIP member, for example, they only receive 15 free certificates per million points owned annually. This would require the Sirmons to pay either $99 or $129 for each guest certificate over their annual allotment. A second change limits owners transferring points among each other’s accounts.

To understand the potential challenges a mega-renter may encounter as they relate to rules changes one must understand the rights or entitlements a consumer has in ownership product they have purchased. This is may be illustrated by reviewing homeowner association (HOA) bylaws and club trust documents as it relates to the initial development of the property the consumer has purchased. Although this study will be focusing on mega-renters operating in a points environment as a member of a club program, review of legal forms of ownership and governing bodies that oversee vacation ownership resorts is necessary to set the groundwork for the study.

The vacation ownership product or interest is primarily sold in two legal forms, deeded interest or right to use interest. Close to 90% of the United States vacation ownership properties at one time sold deeded interest at one point in time (AIF, 2010a). Deeds were chosen as the instrument to convey real property interests as it represented absolute title and ownership of a property. The popularity of this form of interest sold may be attributed to the young age of the industry and relative lack of consumer awareness about the timeshare product. Deeded interest may most be associated with the first iteration of the timeshare product, a fixed week interval (AIF, 2010a), whereby a consumer has usage rights of a specific unit for a specific week every year.
A purchaser of vacation ownership interest such as a fixed week becomes a member in the home owner association of the property along with other consumers who have purchased. A HOA or Owner’s Association is defined as a body of owners, created by statute or by filing of articles of non-profit corporation that administers the rules and regulations of a project and own the common areas and elements jointly. Membership in the owners association generally is mandatory in most projects where multiple interests are involved. Such an association also is sometimes called a Homeowners’ Association (HOA), a Condominium Owners’ Association (COA), a Property Owners’ Association (POA), or a Common-Interest Realty Association (CIRA) (AIF, 2010c, p.231).

Governance of the HOA is guided by the documents such as the articles of incorporation and the home owners association bylaws (Singh, 2006). Singh (2006, p. 190) defined primary responsibilities of the Board of Directors elected to serve on a HOA as:

- general oversight of resort operations
- selection, review and termination of the upper management of the resort
- financial oversight of the resort
- review and approval of operations and capital expenditure budget
- review of resort working capital
- review of guest services and satisfaction levels
- review of timeshare re-sales.

Prior to any vacation interest being sold, a managing association board is established by the vacation ownership company which usually is comprised of officers or
employees of the company that developing or building the property, commonly referred to as the Developer. The developer has been defined as “the party, parties or corporate entity that builds and establishes a particular condominium, resort, or land development—the initial seller of the property, unit/weeks, or club memberships” (AIF, 2010b, p. 224). The rules established on how long the term of service is for officers or directors of the initial board and how many directors will be on the boards are defined in the articles of incorporation and bylaws of the home owners association. One metric offered as a common trigger when management of the resort is turned over to member is when the 80 to 90 percent of the resort inventory has been sold (Upchurch & Lashley, 2006). Terms of service for the initial board may vary by developer as well as the relative voting power members or consumers have versus inventory still owned by the developer.

At a property associated with Starwood Vacation Ownership, the property owner’s association board appointed by the developer retains significant voting power until the earlier of 90% of the units at the property are sold or five years from the properties adoption of the bylaws (Cancun Lagunamar Property Association, 2009a). The bylaws for the properties owners association also segments voting power into two classes; Class A members, and Class B Members. A Class A member are consumers who have two votes for each vacation ownership interest they own. A Class B member is the developer who receives 6 votes for each vacation ownership interest it owns. The inventory the developer owns is inventory it has yet to sell to consumers. The bylaws of the property association in this case provides the developer with a controlling stake to oversee the affairs of the property while it continues to operate sales operations.
Although it may appear that developers may design articles of incorporation or bylaw as they relate to the initial election of officers or voting power to forward their personal interests, it also may be because the developer and its officers may be most familiar with operations of the property and can manage the property most effectively. Singh (2006) suggests “most new board members know very little, if anything, about the operations and finances of the resort” (p.190). It is for this reason a developer may include in its bylaws that one seat on the board is designated for the developer or property management entity responsible for ongoing operations of the resort. Although a developer may have sold out a resort and may no longer have an active sales presence at the resort, the developer’s company may be the property management entity managing the day-to-day operation of the resort earning revenue for the company. A developer’s interest in the property also extends to the ability of including inventory at the location for internal network resort exchange, whereby members at the property can exchange their rights to their fixed week unit for a reservation at another property that the developer has built and manages. As the resort is also branded in the name of the developer, the developer has a vested interest in ensuring the resort is operated and managed to the brand’s standards.

In the example provided above it is stated for purchasers “to increase your vacation opportunities, the Seller and Board have affiliated the Plan with the Starwood Vacation Network” (Cancun Lagunamar Property Association, 2009b, p.6). While members of the property have usage rights to the unit or week they have purchased, rules related to reservation procedures are in essence owned and controlled by the developer or owners of the network the home owners association has been aligned with. Home Owners...
Association’s sphere of influence and that of its members does not extend beyond the management of the individual property.

The latest iteration of the product has been the development of the Club program or Trust that oversees the reservation program and rules for the program. The manner in which the club or trust is legally formed and presented to owners takes various forms. The club or trust provides members with the ability to exchange their VOI, which may be in the form of a fixed week or deeded points at a specific resort for points that may be used across the network of the resorts affiliated with the program.

Diamond Resorts International (2010a) defines ”The Club” as “a reservation system and membership program which provides vacation, travel, exchange, and other leisure benefits to its members” (p. 6). Members who choose to join the club pay an initial membership fee and convey their usage rights in their VOI to the club in exchange for an annual allotment of points. The member will be obliged to pay for annual club fees in addition to annual maintenance fees depending on the manner the member has chosen to convey their VOI to the club. The member has the right to withdraw or terminate their membership in the club and retain the original usage rights of the VOI it previously conveyed to the club.

The Club is wholly owned by Diamond Resorts Corporation and is governed by officers and employees of Diamond Resorts International, Inc (Diamond Resorts International, 2010a). Provisions within the governing documents of the club provide that the “The Club may appoint a Club Advisory Board comprised of members chosen by it (who shall serve at the pleasure of the Club” (p. 12). This advisory board, however, has no governing power, as it can only provide non-binding advice related to the club.
Bluegreen Corporation employs a trust as a legal form. This trust consists of “all the accommodations and facilities, including occupancy rights and resort interests, conveyed, transferred, leased, or otherwise transferred to the trustee” (Bluegreen Corporation, 2011, p.3). Similar to the club product offered by Diamond Resorts International, owners may convey their resort interest to the trustee managed by Bluegreen Vacation Club in exchanged for an annual allotment of points to use within the network of resorts affiliated with the trust.

Mega-renters in cases where they own VOI at a fixed week property or points within a vacation ownership company managed by a club or trust have extremely limited influence in controlling changes in reservation or club program rules. Mega-renters’ rights extend only to the ability to use accommodations in the structure defined by the reservation network the home owners association has aligned with or the Club rules the mega-renter has conveyed their interest to. In cases where a rules change impacts the mega-renter business, the mega-renter has no recourse in addressing or overturning the change.

**Maintenance Fee Increases**

Maintenance fees, property owner’s association fees or club assessment fees are the annual fees or assessment paid to the timeshare property owner’s association or club for the operational of the resort (Wyndham Vacation Resorts, 2009). Maintenance fees or potential increases in fees have been listed as cores sources for hesitancy in consumer purchases (AIF, 2010b). The average maintenance fee in 2010 was $734 (AIF, 2011c). One of the key responsibilities of vacation ownership resort managers is to keep annual maintenance fees low (AIF, 2010c).
On occasions where operating expenses have increased over income of the property association or club, club or program managers may increase maintenance fees for the following year. A study analyzing over 100 timeshare associations in Florida over the 2003 to 2009 period, found that associations have had to increase assessments by over 40% as associations expenses has increased (Durkee & Combs, 2011). On special occasions special assessments may be levied on members to offset costs of major maintenance overhauls (Schreier, 2005).

As the individual owner is not a decision maker in the management of a club’s or property association’s finances unless they sit on the association’s board, risks are present with the potential levying of unforeseen maintenance fee increases or special assessments. If the fees for owning particular interest surpass the income generated through rental income, the mega-renter is faced with the option of operating at loss or divesting their timeshare interest through resales channels.

**Federal Income Taxes**

Income from rental properties of a vacation home are taxable. IRS Publication 527 of the Internal Revenue Service outlines tax implications for individuals owning residential rental property and vacation homes (U.S. Department of the Treasury, 2011). It defines rental income as any payment received for the use or occupancy of property. The manner it is reported varies on whether the taxpayer is operating rental activities as a formal business entity such as a limited liability corporation or LLC or as an individual. Chapter 5 of Publication 527 addresses tax implications for owners of vacation homes that are rented out. The tax treatment of rental income for a dwelling unit that you also use for personal purposes depends on whether you use it as a home. It is considered a
home if you use it for personal purposes more than 14 days or 10% of the time it is rented out. If an individual rents their home less than 15 days it is not considered rental activity for tax purposes.

Although the tax code specifically does not address taxation of timeshare rentals, authors of a trade article generally considered rental income as taxable (McClintock & Czerwonka, 2001). What is uncertain is whether to consider timeshare interest as a vacation home.

Risks to mega-renter who have not incorporated is considering that income from the rental of their timeshare interest is not taxable when it may be taxable. IRS fines for an individual not paying taxes if found to be conflicting with the tax code may significant depending on the volume of rental business they have conducted.

**Renter Accountability and Cancellations**

Although guests staying at vacation ownership properties provide a credit card at check in for incidentals just like a traditional hotel, members booking the room are accountable for any property damage for the stay they have arranged. This accountability is listed in club or program rules documents. In Diamond Resorts Internationals governing documents provisions define that any damage will be billed to the member as other charges (Diamond Resorts International, 2010a).

For mega-renters renting properties to third parties unknown to them creates a potential liability as the member will be billed for damage in the unit. As vacation ownership units include amenities such as a fully equipped kitchen with dishes, utensils as well as DVD players there is increased risk present for the mega-renter in renting a timeshare room. (AIF, 2010c; Stringham, 2008)
**Point Schedule Increases**

In a point system, various point packages are created for sales representatives to offer on the sales floor. These vary in point amounts that sales representatives translate into timeframes such as number of nights or weeks at a resort the consumer likes so they can understand the purchasing power of the timeshare interest that they may purchase.

Points required for reservations are defined and published by the developer in member directories or points charts that are distributed on an annual or biennial basis depending on the developer. Wyndham Vacation Resorts provides member directories every two years that members can receive a hard copy of or download as a PDF through their member portal. For each resort a points chart is defined that lists points required for a room night by week, by day of week, and by room type (Wyndham Vacation Resorts, 2009).

The developer retains the right to modify point schedules if specifically defined in the club rules or program enrollment documents. In Wyndham’s trust agreement (Wyndham Vacation Resorts, 2010) that defines rules of the program, it is specifically stated that “the Plan Manager, on behalf of the Trustee, may adjust the number of points required to reserve an accommodation available through a property interest in order to respond to actual use patterns and changes in use demand” (pg. 5). In the Hilton Grand Vacation Club Membership Guide it is listed that nightly point values are subject to change (Hilton Grand Vacations Club, 2010). The number of points required to reserve any specific particular night may change based on seasonal demand for owners of Disney’s Vacation Club (Disney Vacation Club, 2011).
The risk created for mega-renters as it relates to point increases is that the number of nights that a mega-renter can reserve may be negatively impacted by point increases. Nights in the highest demand would cost an owner or mega-renter more points if it was their strategy to rent nights on high demand. While the number of points a consumer receives annually remains constant, if no additional purchase is made, the number of nights a consumer would be reserve would decrease. This would decrease the amount of revenue that can be earned from room rentals to third parties as the mega-renter would not be able to reserve as many nights and list them for sale.

**Conceptual Model**

The operation of a rental business has many dynamic facets and moving parts. A conceptual model of the mega-renter business is illustrated in Figure 1. Through the research collected in this study the model will be further enhanced to integrate processes as defined by the participants. The proposed model’s construction was derived from several sources cited in this chapter and additional citations that are applied in each section of the model’s explanation.

Conceptual models developed in academic literature were reviewed to enhance development of the proposed model. Frank, Friedemann, and Schroder (2008) share a design of a revenue management simulation containing components included in the mega-renter model such as inventory control and pricing. Jones (1999) developed a conceptual model of a hotel yield management system which included a decision-making system and decision-support system applied for price and operational target setting. LaForge and Cravens (1982) developed a conceptual model illustrating the basic factors and relationships impacting market response in different selling situations. Chu and Liao
(2008) developed a conceptual model illustrating antecedents and factors that affect a consumer’s online resales behavior and strategy. Yin (2009) suggests the use of logic models to illustrate or stipulate a complex chain of events which these models reviewed contributed to the development of the conceptual model defined in Figure 1.

Figure 1. Pre study conceptual model of mega-renter operations flow.
Inventory Acquisition

The manner in which VOI inventory is acquired by mega-renters will likely vary and may fluctuate on an annual basis. A mega-renter initially may have purchased directly from the company. Considering prior analyses (Hovey, 2002; Larson & Larson, 2009; Powanga & Powanga, 2008; Ziobrowski & Ziobrowski, 1997) not recommending vacation ownership as an investment product, secondary market resales are expected to be the majority of a mega-renter’s holdings. Depending on the club or program the mega-renter is a member of, inventory may also be acquired through; developer point rentals for a fee, fellow member point rentals, and account assumption. Wyndham Vacation Resorts allows members to rent points by the 1,000 for a fee which allows the member to use the points one time (Wyndham Vacation Resorts, 2009). Member’s may also acquire points through rental of points from other members as curbyplace (2012) has offered on the vacationpointexchange.com website. A mega-renter may also acquire inventory for rental purposes by becoming linked to a fellow members account. Within Disney Vacation Club an associate may be named by the owner of record who is authorized to make reservations on the account (Disney Vacation Club, 2011). Additional inventory may also be acquired through acting as a rental intermediary between a member not planning to use points and a consumer looking to rent a vacation ownership unit.

Advertisement

Schreier (2005) suggests posting advertisements for timeshare rentals on web sites such as eBay, craigslist, and Timesharing today (tstoday.com). Kavin (2006) suggests also using sites like Tug2.net and provides sample listings of ads placed there. At one
point in 2005 that there were 1,265 timeshare rental ads posted on the site (Kavin, 2006). The basic information in an advertisement Kavin (2006) outlines includes; city state where timeshare is located, resort name, number of bedrooms, number of people unit can sleep, the timeframe unit is available; and the price. Lacy (2011) suggests to advertise rentals on websites that specialize in timeshare rentals and also to consider web sites such as Redweek. Lacy also encourages renters to advertise the unit as a condo or villa rather than referring to the rental as a timeshare unit which may turn off some renters.

Dave M (2006) lists timeshare rental websites that include vacationtimesharerentals.com, cyberrentals.com, homeaway.com, vrbo.com, greatrentals.com, condoworldonline.com, choice1.com, skyauction.com, timesharegateway.com. The costs associated with listing rental ads on these sites vary in cost and from. While some of the sites, like vacationtimesharerentals.com, offer free listings or the opportunity to pay for featured listings, sites such as vrbo.com offers an annual subscription membership that provides additional services such as an availability calendar.

**Yield Management**

The price a renter can charge is dependent on variables such as location, level demand, season, resort quality, on site amenities, and unit size (Schreier, 2005). In determining the price for a rental Schreier (2005) uses a sample price generated from calculating the cost of ownership for the given year that includes monthly payment the consumer may be paying and the maintenance fee. Steed & Gu (2004) share that cost based pricing could result in under- or over-pricing, as it does not consider market conditions. Kavin (2006) suggests benchmarking what others are asking for in rental
advertisements on Tug2.net, tstoday.com, and eBay to determine the market value and competitively set a price.

In an administrative post on Tug2.net titled “how to rent your timeshare”, Dave M (2008) suggests benchmarking prices on the timeshare rental websites, checking classified ads in newspapers, a Google search, and calling the resort itself to see what rates are for rentals if available. The resort itself or the corporate entity renting units for all resorts in the network may be the biggest competitor as it attempts to generate revenue by renting unsold developer inventory.

The type of ownership a mega- renter holds naturally impacts factors such as location, season, resort, and unit type that impact a rental advertisement’s attractiveness. A fixed week rental is bound to a specific week, resort, and unit type each year preventing a mega-renter to increase the rentals attractiveness. An advertisement posted on vacationtimesharerentals.com markets a fixed week rental during New Year’s Eve in Las Vegas at Polo Towers for $1,200. The rental’s restrictions for this 2 bedroom unit requires a Saturday day check-in (Vacation Timeshare Rentals, 2012b).

On the same website (Vacation Timeshare Rentals, 2012a) a 2 bedroom unit floating week at Grandview at Las Vegas for $1,999 is listed. As it is a floating week the renter lists availability as almost anytime but list restrictions as a Friday, Saturday, or Sunday check-in for the week long stay.

A third rental on the website offers what likely is a rental from usage of points at the Wyndham Grand Desert in Las Vegas. Her advertisement lists a 1 bedroom unit for $100 per night that is available almost of anytime not requiring a week-long stay (Vacation Timeshare Rentals, 2012c). All ads on the vacationtimesharerentals.com
provide a link to send the owner an email or to make an offer from where the date and length of stay could be negotiated.

The use of point systems may provide mega-renters more flexibility in renting accommodations that are more attractive in terms of location, timeframe, and length of stay. In attempting to make a rental sale a mega-renter may balance making reservations for what may be highly desired timeframes that command a higher price and leaving it to negotiations with an interested party and making reservations upon request. Lacy (2011) suggests securing a highly desirable week to increase the odds of a receiving high rent for the unit prior to finding a renter.

**Inventory Distribution**

Inventory distribution in the proposed conceptual model consists of the rental agreement and the reservation process. Kavin (2006) and Dave M (2008) suggest purchasing a rental document kit from tstoday.com that provides fill in the blank rental agreements and detailed instructions. Lacy (2011) incorporates the rental agreement step in a process he has outlined that includes securing the week, find a tenant, document agreement, tenant pays and uses week, tenant and resort follow up, and pay taxes. Schreier (2005), Kavin (2006), Lacy (2011), and Dave M (2008) all suggest collecting the agreed rental price prior to check in. Dave M (2008) includes additional advice of obtaining a security deposit of 10% and receiving payment via Paypal.

The basic components of the rental agreement within the document kit sold by tstoday.com include owners and renters contact information, resort name and location, unit type, date and time of check-in and check-out, total rent required, deposit amount, balance due amount and date, verbiage related to renter responsibility of incidental
charges or for unit dames during stay, and signature lines. The kit includes sample letters related to informing resort of rental and renters name as well as a default notice if the renter failed to pay the balance of the rental. In a rental agreement shared by cp73 (2012) the tenant is required to be of a certain age, and it prohibits the unit from being subleased without consent. A Google search for “rental agreements” reveals several similar examples of rental agreements.

The use of a rental agreement by renters appears to be common practice. Cp73 (2012) shares in his post on Tug that the rental agreement “makes them (the renter) aware of their responsibility and just so there is no confusion.” Robert D (2012) shares that “I rent quite a few timeshares each year and always use a rental agreement and get a 50% deposit with the balance due 60 days from check in, and none of it is refundable.” Normab (2012) shares “I use a rental agreement that stipulates the responsibilities of both parties and the payment terms (50% non-refundable deposit and 50% upon receipt of the reservation number). I send the prospective renter the agreement to make sure they agree with the terms prior to moving forward.”

During the reservation process, a mega-renter may reserve the unit agreed upon through their owner account and then change the name on the reservation to the renter’s when monies have been exchanged. As described by Docklander (2012) in his post, “once the first payment has cleared I put the reservation in the name of their choice, let them know that it's been done and that's usually the end of that until time comes for the balance to be paid.” Smooth air (2012) explains “Every time, 100% payment has been upfront. Upon receipt of payment, the resort is called and the Renter's name is added to the reservation. The confirmation number is provided to the renter.” Lacy (2011)
suggests having a confirmation sent to the person renting to enhance the tenants comfort level in renting from you. LuvourMarriotts (2012) contributes “I also add their name, but keep my name on the reservation and point that out to them, so they know that I could easily pull their name if they don't pay me the balance when it is due. But there name being there seems to give them some warm fuzzy feeling that its their vacation.”

**Summary**

The chapter summarized academic and trade literature, as well as blog postings, related to environment that mega-renters operate in. The conceptual model provided illustrates how a mega-renter may operate their business. The methodology proposed in chapter 3 leverages the literature reviewed or compiled in developing the focus of the study.
CHAPTER 3

METHODOLOGY

In this chapter the methodology for the study is presented. Justification for the research design and details specific to the study’s unit of analysis, sampling procedures, data analysis, data collection, and procedures to address the trustworthiness and credibility of the study are addressed.

Research Design

For the purposes of studying individuals who operate as a mega-renter, a qualitative exploratory multi-case study was conducted. A qualitative approach was chosen as this study attempted to explore how individuals who operate in the mega-renter context made decisions in developing their own business and whether to acquire more vacation ownership interest. Merriam (2009) defines the overall purpose of qualitative research as “achieving an understanding of how people make sense out of their lives, delineate the process of meaning making, and describe how people interpret what they experience” (p. 14). A qualitative approach was appropriate in this circumstance as it seeks to understand and explore the motivations and behaviors of mega-renters.

In a review of academic and trade literature, no published articles related to individual consumers operating in this context were found. Marshall and Rossman (2006) state that one of the purposes of an exploratory study is to “investigate little-understood phenomenon” (p.34).

The case study method can be used to contribute to knowledge of individual, group, and related phenomenon (Yin, 2009). Merriam (2009) defines a case study as “an in-depth description and analysis of a bounded system (p.43). Yin (2009) states that “case
studies are the preferred method when (a) how and why questions are being posed, (b) the investigator has little control over events and (c) the focus is on a contemporary phenomenon with in a real life context’ (p.2). The case study approach lends to studying mega-renters as the output of this approach provides rich in-depth description of how a mega-renter operates in their individual setting.

Studying one case may not lead to providing a rich description of the mega-renter phenomenon. For this reason a multi-case method study was selected. The individual cases within a multi-case study share a common characteristic or condition (Stake, 2006). Merriam (2009) suggests that the inclusion of multiple cases is a common strategy for enhancing the external validity or generalizability of your findings. From Yin’s (2009) perspective having two or more cases may provide substantial analytical benefits. In contrast Stake (2006) posits that 2 or 3 cases does not show enough interactivity between their situations and offers four cases as a minimum. It was the intent of this study to have four cases.

Unit of Analysis

Creswell considers a case study a good approach when the inquirer has clearly identifiable cases with boundaries” (Creswell, 2007). The unit of analysis for this study is mega-renter who may be an individual, a couple, or family managing a portfolio of VOI. In situations where a portfolio may be owned by multiple individuals, the principal or individual managing the portfolio on behalf of the group is considered the primary unit of analysis. Characteristics or criteria for participant included:

- Own at least 10 weeks of VOI or points equivalent within their VOI portfolio that equates to 10 weeks.
70% of the inventory owned is with one or more of the major vacation ownership developers bounded by this study (Bluegreen Corporation; Diamond Resorts International; Disney Vacation Club; Marriott Vacation Club; Starwood Vacation Ownership; or Wyndham Vacation Resorts)

In a given year, 50% of the VOI is not used by the mega-renter or their immediate family and is rented to 3rd parties.

The rationale for using at least 10 weeks of ownership as a selection criterion is that the employees receive, on average, between 9 and 21 vacation days per year for those that have 15 years of service with the same company (Yang, 2011). The preference of having a majority of the mega-renters VOI from a major developer’s program is so that data collected on the mega-renters behavior can be compared and analyzed to the club documents and rules of the program that have been collected by the researcher. The rationale for the 50% of inventory rented is so that the study can focus on individuals who may manage their portfolio for generating income versus their personal enjoyment.

**Sampling**

Yin’s (2009) case study sampling logic proposes that cases are carefully selected so that they either predict similar results or predicts contrasting results but for reasons that are anticipatable. Creswell (2007) prefers selecting unusual cases to fully describe multiple perspectives about the cases. As this study was exploratory the cases selected were diverse in regards to how many points are owned and diverse as far as the portfolio of brands VOI is owned by a mega-renter in a single case.

Purposeful sampling was employed where the cases were selected based on a judgment about some appropriate characteristics required (Zikmund, Babin, Carr, &
Griffin, 2010). Creswell (2007) contributes that the researchers selects the cases “so they can purposefully inform an understanding of the research problem and central phenomenon” (p.125). As the population of mega-renters are unknown a purposeful sampling strategy is appropriate as the individuals selected for the study will have insights related to the purpose of the study. If required, a snowball or chain approach may be used in which participants are asked provide referrals of others who may fit the criteria for case selection.

Yin (2009) suggests that cases should be screened prior to formal data collection to ensure that cases are viable and fit the intent of the purpose of the study. Screening questions beyond the criteria defined as the unit of analysis included questions that measured the depth of the participant’s willingness to divulge information related to the VOI portfolio they have acquired and factors affecting the participant’s decision making process related to acquiring, divesting or renting their VOI.

Various online consumer forums and chat rooms exist related the timeshare industry such as Tug2.net. The mission listed for the site on its homepage is “providing an unbiased source of consumer oriented information and advice on timeshares and the timeshare concept” (Rogers, 2012). This site has been successfully used previously to solicit developer documents such as program documents and reservation rules from consumers identifying themselves as owning VOI with developers of interest. For this reason this website was selected to solicit participation in the study where a posting was published by the researcher outlining the purpose of the study, the criteria for participation, and the screening questions. Direction on how to volunteer or ask additional questions was listed in the solicitation.
Data Collection Methods

Of the six sources of case study evidence listed by Yin (2009) this study proposes using documents, interviews, and physical artifacts. Documents will consist primarily of developer program documents such as rules of the trust or program, bylaws of the governing body overseeing the program, and the reservation rules documents. Yin (2009) shares that “the most important use of documents is to corroborate and augment evidence from other sources” (p.103). For this study, the documents will be used by the researcher to understand the context in which the participant is operating in and how their behavior may be impacted by the processes and rules defined by the developer in making a reservation. Interviews will be in-depth interviews of the participants. Interviews may initially be conducted by phone and multiple interviews may be scheduled based on the level of renting volume performed by the participant. Interviews provide the participant the opportunity to share their opinion about events and share their “insights into certain occurrences” (Yin, 2009, p. 107). Physical artifacts may be the information provided by the participant, which may include a listing of their VOI portfolio or print out of their records of use of their VOI.

A case study protocol will be employed in this study. The protocol contains the instrument and the general procedures in carrying out data collection (Yin, 2009). Yin considers the protocol essential as it keeps the inquiry focused on the target and forces the researcher to anticipate potential problems.

Data Analysis Procedures

Cross-case analysis will be used as it treats each case as an individual study and allows for the summation of findings across the cases. Procedures and worksheets used
for the cross case analysis have been adapted from Stake (2006, p. 47) and include: (a) a case study protocol worksheet for each case, (b) individual case transcripts and narratives, (c) a matrix for generating theme-based assertions from case findings, (d) and multi-case assertions for the final report. The matrix for generating theme-based assertions will be used for the creation of themes from the individual case reports. The worksheet displays the level of utility each case to supports the cross-case assertions.

The first worksheet utilized was Analyst notes while reading the case report or narrative. After the transcription of the interviews the fields within the worksheets were populated that included synopsis of case, case findings, uniqueness of case. One section of the worksheet, relevance of cross-case for cross case themes was not populated as the study was exploratory and no propositions or themes were defined prior to the study. After all four Analyst note worksheets were completed, themes were developed from the case findings section of the worksheet. Themes developed were populated in a matrix for developing theme based assertions in which each interview transcript and case notes were reviewed to rate the utility of themes (high, medium, low) and prominence within each case. From this matrix themes with high utility ratings across cases were used to develop multi-case assertions for the final report.

A case study database was developed to support data collection and analysis of the data. Atlas Ti was used to hold the sources of evidence that include documents collected, case study protocol worksheets, interview transcriptions, and the worksheets adapted from Stake (2006).
Procedures to Address Trustworthiness and Credibility

One criticism of the case study method is that investigators may fail to develop a sufficient operational set of measures that meets the test of construct validity (Yin, 2009). Yin (2009) defines construct validity as “identifying correct operational measures for the concepts being studied” (p.40). Yin (2009) offers three tactics to increase construct validity of a case study; (1) use multiple sources of evidence; (2) establish a chain of evidence; (3) have the draft of the case study reviewed by participant.

Multiple sources of evidence will be used in this study including documents, interviews, and physical artifacts discussed in the data collection section. These multiple sources of evidence are utilized to support or corroborate facts or events documented in the cases studied.

Yin (2009) provides four tactics for maintaining a chain of evidence or increasing reliability of a case; (1) citing specific documents or interviews; (2) use of a database and that holds the actual evidence and includes the manner it was collected; (3) circumstances in which data is collected is consistent with data collection procedures or the case study protocol (4) link between the content of the protocol and study questions should be apparent. These tactics will be employed in the writing of the case reports, development of a database, and execution of the case study protocols and data collection approach.

A common strategy for ensuring validity or credibility is member checks or respondent validation (Merriam, 2009). When the draft of an individual case is written it will be shared with the participant so to ensure that nothing is misinterpreted.

Yin (2009) defines reliability as “demonstrating that the operations of the study such as the data collection procedures can be repeated with the same results” (p.40). The
use of the case study protocol and planned documentation within the cases study database will allow another researcher to review the manner in which the data was collected, archived in the database, and hypothetically reproduced the same findings of the study.

**Participant Solicitation**

The Timeshare User Group employs forum moderators to monitor forums on the site as well as contribute to the postings or threads. A moderator was contacted via private message on Tug2.net and the intent and scope of the study was shared. The moderator requested to confirm that the study was legitimate and contact information for the dissertation’s chair committee member was provided. The moderator had shared in the past that several unscrupulous individuals had posed as researchers previously to collect email addresses of timeshare owners. Through a discussion with the moderator it was decided that the researcher would post an introduction of the study and the moderator would immediately reply with a response validating the study.

Approximately seventy comments were posted on the thread (Unlvsearcher, 2012) prior to the moderator closing the thread after two days. Several comments by Tug members warned others not to participate in the study as posted by robcrusoe (2012) “it would be in the Mega Renters interest to not publish all their 'knowledge' and 'know-how'.” Am1 (2012) posted “I would suggest others do not do this. It may be a great and interesting case study but there is no benefit.” Bocabum99 (2012) shared that “I don't think the OP (original poster) will not get many successful mega-renters to talk openly with him. At most, he will get second tier players who think there are no secrets.” Other members questioned if there were “secrets” as posted by Sainstfanfl (2012) who
commented that most of the information was public information referring to the purchase price, maintenance fee and advertisements for rentals.

Approximately 20 Tug members were solicited to participate in the study. The twenty that were solicited had multiple postings on the Tug site, indicated they had owned more than ten weeks, or were referred by participants who were already interviewed. Only 20 individuals were solicited to meet the desired number of participants defined for this study. Of the 20 individuals solicited, 12 did not respond to a private message, 3 did not qualify, 1 declined participation, and 4 agreed to participate.

Summary

The methodology chapter provided justification for the research design and details specific to the study’s unit of analysis, sampling procedures, data analysis, data collection, and procedures to address the trustworthiness and credibility of the study.
CHAPTER 4

RESULTS

In this chapter the results of the study are presented. The development of participant narratives is described and shared to describe the context of each case in the study and to discuss who mega-renters are. A description of the process used to develop multiple-case assertions derived from the cross case analysis procedure is presented to address how mega-renters operate. The chapter closes with a presentation of a revised conceptual model of how mega-renters operate.

Participant Narratives

The purpose of this study was to explore who mega-renters are and how they operate. The use of in-depth interviewing provided the participants the opportunity to express their motivations and goals for engaging in a timeshare rental business. Yin (2006) suggests using case narratives to describe each case singly in a multiple-case report. The interviews were transcribed by the researcher and used to develop the case narratives. Case narratives were developed by following the general outline and order of questions in the case study protocol, allowing a consistent storyline to be developed for each of the participants. Each of the narratives were written to convey; background information on who they are, what they own, when they first became an owner, where they acquired VOI and where they advertise their rentals, how they became aware of the VOI concept opportunities and acquired VOI, and why they chose to rent their ownership. The case narratives were member checked with the participants for accuracy.

Two males and two females participated in the study. Interviews lasted from 41 minutes to 74 minutes. The approximate amount of total weeks owned, gender of the
participant, ownership type, and number of years they have owned VOI are defined in Table 10.

Table 10

**Participant Interview Lengths & Approximate Amount of Weeks Owned**

<table>
<thead>
<tr>
<th>Participant Pseudonym</th>
<th>Gender</th>
<th>Amount of weeks owned (approximate)</th>
<th>VOI Type</th>
<th>Length of ownership</th>
</tr>
</thead>
<tbody>
<tr>
<td>Johnny</td>
<td>Male</td>
<td>20 weeks</td>
<td>Fixed, Float &amp; Points</td>
<td>2 years</td>
</tr>
<tr>
<td>Maureen</td>
<td>Female</td>
<td>42 weeks</td>
<td>Fixed</td>
<td>17 years</td>
</tr>
<tr>
<td>Sydney</td>
<td>Female</td>
<td>65 weeks</td>
<td>Fixed &amp; Points</td>
<td>12 years</td>
</tr>
<tr>
<td>Patrick</td>
<td>Male</td>
<td>30 weeks</td>
<td>Points</td>
<td>15 years</td>
</tr>
</tbody>
</table>

In several cases the participants owned a mix of vacation ownership products, which included fixed and floating weeks, points, and biennial or triennial products. A fixed or floating week was calculated as a week. A fixed week is where the owner has pre-assigned rights to a certain unit at a certain time every year for a weeklong stay. A floating week is where a week can be selected during a season or timeframe defined by the vacation ownership company. Unlike fixed weeks, points ownership allows an owner to make reservations for variable lengths of stays based on how many points are owned and point schedules defined by the vacation ownership company they own with. Points amount owned were translated into weeks by the participant in the manner in how they used them. The narratives below provide a rich contextual description of each of the participant’s timeshare rental experience.
Johnny

A current hobbyist

“It is a hobby out of control”

Johnny is a married older male who works in a similar industry to vacation ownership. He travels primarily with his wife and occasionally with a family friend or another couple. Johnny takes less than two full weeks of vacation a year. He has owned vacation ownership products for almost two years. His rental activity does not operate under a formal business entity.

Currently Johnny owns approximately twenty weeks primarily with one vacation ownership company. A majority of the ownership consists of floating weeks at one specific resort within the vacation ownership company’s network of resorts, located in a major tourist destination. The second largest component of his ownership consists of points ownership under the same vacation ownership company.

Johnny was first introduced to the concept of vacation ownership less than three years ago when he attended a sales presentation with a couple who already owned with the vacation ownership company. While Johnny did not buy on the sales tour, he was still “turned on” to vacation ownership. After attending the tour Johnny did research and went online “searching around for a way to buy into it cheaper than buying from the developer.” He acquired all of his ownership on the resale market and a majority through “mostly bidding on eBay auctions.” Other acquisition sources included responding to ads for sale online from individuals and brokers.

Johnny’s motivation for acquiring most of the contracts was to “an eye to can I rent it and turn it into a couple of bucks.” Johnny had assumed that his ownership could
be rented just like any real property. His first purchase of a week already had a reservation for a high demand week that he could not use himself. He was able to rent it overnight. Johnny considered three things in a potential acquisition, “the cost it would take to buy it”; “how high are the maintenance fees”, and “what I thought I can rent them for.” Johnny shared that ‘if I thought I could rent it for double the maintenance fees and I had I the money to buy it, that was almost a no brainer and I would do that.” Most of Johnny’s acquisitions to what he referred to as his “vacation rental portfolio” were in most cases “purchased outright” without any financing.

Johnny primarily manages his vacation rental portfolio on his own. Approximately 90% of his portfolio is rented and the remaining balance he uses for his own personal enjoyment. He summarized additional motivations to rent timeshare as “the first thing my wife said [after he made acquisitions] ‘is you better figure out a way to rent some of this.’” He had tested online classified ads on Redweek and Tug2.net but primarily advertises on craigslist as he shares that “nothing else makes my phone ring like craigslist.”

Even before having a renter Johnny makes reservations in high demand weeks where he can “get top dollar for them” or thinks he can. Primarily, he pays attention to “weekends that may be in high demand” or what he referred to as “special places at special times.” As a member of a points program where he has achieved a special status, Johnny also makes reservations during a period closer into check in date where he receives a discount off the points required to make a reservation. Other reasons Johnny makes reservations is upon specific requests of previously “satisfied customers” which comprises of 10 to 15% of the reservations Johnny makes.
Johnny defines rates he charges by benchmarking the competition. He sees “what other people are charging for something similar” and also calls local hotels in the area to “see what they are charging for a weekend and I try to undercut them by a couple bucks.” As Johnny stated previously, he targets renting it for “double the maintenance fee.”

Johnny has had several goals over time where his initial “game plan” plan was to “try to vacation for free I guess.” He has told others that “it is a hobby out of control” but defines his success as “as long as I have a good time with what I'm doing and I'm not losing money, I am happy.” His financial goals have evolved where he is looking to “see a $2,000 a month profit coming in.” Johnny did consider his rental activity a hobby at first but shares that he is “right on the cusp of either stopping what I am doing, by that I mean not buying any more, or jumping in with both feet and really making of a business. I'm on the fence right now.” While income or profit from renting was not the primary source of income for your household initially he shares “that it has become that.”

Johnny shared several risks as it relates to timeshare. The first being the ability to successfully rent out reservations, “the risk is getting stuck with something you can't rent, and you can’t sell, and you don't want to use, and you still have to pay off the maintenance fee.” Johnny shares that “it is a fair piece of mind, if you will, that I have never found myself in the use it or lose it sort of situation.”

Risks associated with renting to third parties not know to him include renting to individuals who behave like a “1960s rock band” and “destroy a room.” Johnny insists on taking to a potential renter over the phone to discuss the terms of the rental which includes “damage is [their] responsibility” and “no cancellation and no returns.” While a formal rental agreement is not used, terms such as these are included on the invoice.
which Johnny feels “that if they pay it, they agree to those terms.” Johnny considers that “people are generally good people and treat me and the place I rent to them with some respect. That’s the way I look at things in so far I’ve been proven right. So I don’t worry too much about renting to third parties.”

Johnny defines risks related to vacation ownership company reservation policy changes to include “if the developer drew a line and said that you cannot rent this stuff and this is for owners use only, I have got a lot of things that I can't pay for, that I can't use myself. And I would either have to sell them or just stop paying the maintenance fees. So the risk is of course that I am out of business.” Johnny has invested time to understand the consequences if he stops paying the maintenance fees but he does not really know “what the risks are.”

Maureen

An accidental renter

“I did not start out planning to rent anything”

Maureen is a retired married older female who previously worked within the court system of the state she resides in. She vacations primarily with her husband and mother in law and occasionally travels with one or both of her husband’s daughters. Maureen refers to herself as a snowbird who often vacations to destinations like Florida to escape the cold winter. She and her family members have taken vacations previously for extended periods of more than six weeks, but recently she decided in the future she plans on vacationing for only two.

Maureen has owned timeshare for over 17 years. Her first experience with a timeshare presentation occurred when she was visiting Orlando and was solicited at the
airport with “freebies and we signed up to get free tickets to Disney” not knowing it was a timeshare presentation. Maureen bought from the developer since “it sounded great”, but chose to rescind her contract later as she “did some research on the Internet.. I found out right away that, you know, that you can get things resale that a lot lower price than from the developer.” As Maureen liked the product she continued to do her own research and “found my way to the timeshares users group at that point and started reading and realizing that all weeks are not the same, some have much better trading power more than others.” Maureen’s first purchase of timeshare was on the resale market where she purchased two fixed weeks in Florida by responding to a classified ad in the Penny Saver circular.

Maureen kept doing research and found that “various websites where owners post their weeks” for sale. Maureen purchased everything from ads that people placed on Redweek.com, or the TUG website, and there's another one called myResortNetwork.com, and eBay. But that is how I've purchased everything we have.

Maureen currently owns about twenty timeshare weeks all of which were bought on the resale market. Eighteen weeks, or 90% of what she owns are fixed deeded weeks. A majority of the fixed deeded weeks are independent resorts not managed by a major developer but by a management company called VRI (Vacation Resorts International) that provides property management services. The locations of the independent resorts are located popular destinations in the Northeast, Florida, and Mexico. She owns two points weeks managed by a major developer.

Maureen’s motivations for purchasing timeshare were initially for personal enjoyment, “I bought in the areas where I knew we would vacation, but I bought them
expecting that I would be able to exchange them and trade for things we wanted.”
Maureen utilized exchange services such as RCI “to have weeks we can trade to go all
over the world, to go to different places all the time.” Her research on what weeks to buy
included vacationing at properties in areas she enjoyed through exchanges, “we got to
know that certain areas, that certain times of the year, certain resorts were considered
much more desirable than others.”

On one occasion Maureen did purchase the right to use weeks at a resort in
Mexico with the intent of making a profit. The terms of the right to use contract she
purchased on the resale market stipulated that she would receive the full amount the
original purchaser paid at the end of the right to use agreement. Maureen shares that this
offer was a consumer incentive to buy “as lot of people were just afraid there were a lot
of land scams going on.” As the amount Maureen paid was heavily discounted to the
original sales price, she may turn a profit in addition to the income generated from
renting the weeks until the contract ends.

This year, Maureen plans to rent approximately 80% of the timeshare she owns.
In prior years, she used approximately 50% of her ownership for her family’s personal
enjoyment, and shares the reason being that it is “hassle to travel” or it has become an
“ordeal” to travel for her and family members as they get older. Maureen’s travel appetite
has evolved over time and has impacted her own use of timeshare. She previously had
owned a fixed week in Hawaii that she had used personally when acquired. Considering
“the economy and down market” it was not feasible to travel from the northeast to
Hawaii every year so she sold the week to a couple who had previously from her.
Maureen refers to all of her ownership as “my timeshares” or as her “stable” of timeshares. She became aware of the ability to rent timeshare through reading posts on the “last minute rental board” on Tug2.net and it “became clear early on that there are ways to rent your weeks if you didn't need it.” She considers herself an “accidental renter” because she “did not start out planning to rent anything.” Her first rental of her ownership came about when she purchased fixed weeks that she could not use. She explains “I came aboard with six weeks of timeshare all of the sudden and four of them were going to expire in about six months…So we rented almost from the first time we bought one. It was almost like an emergency triage not to lose them.”

Maureen manages the rental of her ownership to third parties on her own, but occasionally uses a broker who purchases week long rentals for vacation clubs to rent weeks. On average she may spend two hours a week developing ads or reading content on Tug2.net as she shares “just to keep my knowledge up about all things going on in the industry.” As a majority of her ownership is fixed weeks, Maureen spends more time a few months prior to the check in date, “in November I start really advertising winter weeks we have in Florida.” Maureen advertises on sites such as Tug2.net, myresortnetwork.com or redweek.com. Before posting on the websites, Maureen contacts prior renters or on occasion prior renters contact her, “sometimes they contact me 6 to 9 months in advance and ask can you do it again.” Maureen shares that approximately 50% of her rentals are to individuals who have rented from her before, “somebody might be a renter for three or four years and then they drop out for one reason or another.”

To set rental prices Maureen benchmarks “what other people were asking on some of these rental websites” and may set the price lower “to get more attention.” As
most of her rental inventory is fixed weeks, the price defined may also be impacted by the unit’s location within the resort. As some of her units are on a higher floor and have an ocean view, she will highlight that and advertise a higher price. Maureen tries to “maximize the price” she gets, “sometimes I started at a higher price and somebody the next day wants it, so great. If there is not a great response to her advertisement she will continue to monitor what other people are asking and modify her price to so she is “not the highest one there.”

Maureen does not consider renting her timeshare a hobby but considers it more of “necessity.” She does not have a profit goal or profit margin defined but has goals of “covering maintenance fees” and being successful in renting what she cannot use. The maintenance fees Maureen pays annually on her fixed week vary and “are all over the board.” What she pays for maintenance fees “does not always correlate to the desirability of the property.” Occasionally she has to rent weeks below the annual maintenance fees as “it is better than nothing” but this is offset by the weeks she owns that are desirable and she makes “good profit on.”

Maureen defined special assessments, maintenance fee increases, and the declining desirability of the units she owns as risks to her rental business. Risks from developer policy changes on rentals and cancellations do not impact Maureen as a majority of her ownership is in fixed weeks. Maureen concerns about maintenance fees increases are tempered by the fact the HOA boards are made of members that owners have elected. She understands that “if the taxes go up or they need renovations there is a need to raise maintenance fees.” As some of her fixed week units age she is concerned that they may become “un-rentable” and she “may take a whole loss on the maintenance
fee.” She does own “some junk unfortunately.” Some of her weeks owned “were nice traders at the beginning but have gotten old and run down and nobody wants to go there for various reasons.”

Maureen believes that there are minimal risks in renting to third parties not known to her. She leveraged tips from other tug members that have made her handle agreements “more carefully.” She uses a rental agreement that she had purchased from tstoday.com and also relies on the resort to collect credit card information from the renter in case there are damages. During the rental transaction and communication where the rental agreement is shared, Maureen will convey to the renter that she is “private person trying to cover maintenance fees” to overcome any concerns by the renter that the transaction is a legitimate one. Over the 15 years she has been renting she “never had a problem from anyone” that she has rented to.

Sydney

The professional reseller

“My favorite thing to do is selling and renting”

Sydney is a married female who previously worked in the vacation ownership industry as a sales representative at a single site resort. She owns and operates an incorporated timeshare rental business that initially started as a timeshare resale business. She vacations approximately six weeks a year which she considers “a requirement of the job” and typically will travel with her husband and two children.

Sydney owns over 65 timeshare weeks. Forty-five of the weeks she owns are fixed weeks at a single site resort. The amount of weeks she owns at this resort fluctuates considering that they were purchased “strictly for resale.” The balance of her ownership
are points memberships with three major developers that convert into approximately 12 weeks depending on the timeframe the reservation is made.

Sydney’s business has been operating for over 11 years initially starting in timeshare resales in an office located “right outside the resort” where she previously sold timeshare at. Her familiarity with the vacation ownership products came from her experience as a sales representative. Other than purchasing weeks at this resort from “people who bring them to us”, Sydney “as a rule” will purchase weeks only from eBay auctions. While the fixed weeks were purchased, all of the points she has acquired were given to her “by distressed owners” who are giving it to her “because they can’t give it to anyone else” and “they cannot do the maintenance fees anymore.”

Sydney purchases the fixed weeks due to their “resaleability.” These weeks are purchased for roughly 10 to 20% of the retail price sold by the developer. Points were acquired at zero costs as the individual divesting the points pays for closing costs, Sydney acquired these points ownership “strictly for rentals.” The maintenance fee for each of these points acquisitions is considered by Sydney in whether she chooses to assume ownership, “if I can make money on what someone is trying to give me consistently I will take it.”

As her business initially began with the intent of acquiring weeks for resale, Sydney’s motivations to rent timeshare began with a thought she shared, “why don’t we take advantage of some of these things while we are waiting to sell them and I will do some research to see if I can rent them out.” When not using these weeks for herself and her family she will “put people in them” to generate income. Sydney operates a formal
business entity where she currently employs three individuals to support business operations while also contributing approximately 50 hours a week herself.

Sydney’s personal ownership represents less than 4% of her total rental transactions within the business. Sydney acquires additional weeks to rent from other owners and by purchasing weeks on the “wholesale market” or travel clubs. Sydney estimated that 50% of the weeks she has acquired not owned by her was from travel clubs with the balance being acquired from other owners.

Sydney advertises weeks she has to rent through various online rental sites including the one that her business operates from. Sydney shared her opinion on how each website works best for her. She considers craigslist as “fabulous for last minute cheap. Redweek is good for prime high-end inventory. Vacationtimeshare rentals is a little bit better for offseason but there really is no market for offseason as a rule. Myresortnetwork is the best overall now that I am thinking about it. Tug, I do not get a lot of rentals from Tug anything other than last minute.”

Approximately 90% of the reservations Sydney’s business makes is at the request of the renter and negotiated through email. One rental channel that represents a large part of her rental business is renting to vacation clubs. Sydney is in a group of about 400 travel clubs that rent from her. She considers what she does like a “matchmaking service.” Travel clubs are “contacting me directly telling me that I have somebody who wants Orlando for Thanksgiving, I have somebody who wants Virginia Beach for July. And at that point I am going out to find those weeks if I cannot access them through something I own.” For reservations not made at the request of the renter, Sydney relies on her years of experience to select the time and destination that may rent. She considers two
bedroom units as being “the most highly rentable.” She looks for prime inventory or inventory that is in high demand considering mostly seasonality and describes it as “basically it is what you would think. Florida beaches in winter, East coast beaches in the summer, mountains in the winter, that sort of thing.”

Sydney’s revenue goal is to make “approximately $300 per week but that is not always possible” on every transaction. Sydney shared she has two goals overall for her business, “make $180,000 per year” and “not to have burn weeks, in other words things I personally own that I purchased that sit empty.”

Sydney overall see does not any risks with operating a timeshare rental business “as somebody who is doing this for a full time job.” Mistakes she thinks someone may make along the way is to “purchase weeks with maintenance fees that are not feasible to recoup”, “not being educated on what may actually rent”, or have “unreasonable expectations” on rental income that may have come “from advice of a salesperson.”

Beyond reserving weeks that are not as popular as anticipated, Sydney shared some challenges in operating a rental business that were focused around the transaction where she was renting from an owner and reselling it. When purchasing a week from an owner Sydney will confirm with the resort that the owner’s fees are current. Roughly 48 hours prior to the check-in date of the week she has purchase her employees will reconfirm that the owner’s account is current. Four to five times a year Sydney encounters a situation where the owner may have neglected to pay fees such as a special assessment, sold the week after renting to her, and in one instance the owner checked-in to the week they already rented to Sydney. In situations where the reservation was
cancelled by the vacation ownership company due to unpaid fees or transfer of ownership
Sydney would be the “one that has to fix that if that were to occur.”

In terms of renting directly to the consumer Sydney employs a one page rental
agreement to cover any exposure which states “basically that we are not responsible if its
destroyed in any shape or form other than to either provide a refund or we can offer
alternative accommodations if such accommodations exist.” The renter when they “check
in” they are going to leave a deposit at the front desk. And they are ultimately responsible
for any damages that occur to the condo. I know some resorts say the owner is.” Sydney
shared that one time over the seven years she has been renting there was serious damage
to the unit and the other company or vacation club the week was sold to took care of the
damages.” On occasion Sydney has had to deal with “Chargebacks” from credit card
companies or Paypal where the renter is disputing a charge. Sydney does not consider it
worth a fight as “there is really no protection for a condo owner regarding chargebacks
with credit cards. The credit card company will always, always, side with the guest.
Paypal will always side with the guest” and return the funds to the consumer who rented
the unit.

Sydney shares that risks related to developer policy changes to her are fairly
“minimal” considering that the proportion of what she owns and rents is “minute”
compared to what rentals she purchases and resells. She feels she has the “luxury of as far
as renting weeks from other people. I have no risk. I am running this as a business where
I am using someone else’s timeshare. The risk is really not mine.” Related to her points
ownership, Sydney explains that one company is “constantly changing their policies to
make it more difficult to rent them” or cancelling part of a reservation “if you book two
units for the exact same dates and do not assign different names” which costs a fee. Sydney currently plans to continue developing a second website market her own rentals.

Patrick

The minnow renter

“I am a minnow in this whole pond”

Patrick is a single male who works in the hospitality industry. Eight years ago Patrick chose to sell his home and “go on the road.” His primary residence is a currently a timeshare unit at a resort in the mid-Atlantic area of the United States where he has stayed for the past six years. He has owned timeshare in the form of points for the last 15 years.

Currently Patrick owns about 1.1 million points with a single major developer. In the manner that Patrick uses the points, this translates into approximately 30 weeks.

Patrick has been familiar with the concept of timeshare from an early age. He grew up near a timeshare resort where his brother had worked one summer. He accompanied his father on a sales presentation and “always liked the idea of timeshares.” The idea of buying a “fixed week at a fixed location never appealed” to him though. Patrick made his first purchase from a developer he grew up near after the company “went to points” or offered a deeded points product.

Patrick’s was motivated to acquire more points from the developer came from when his children did not come back from college and he came to realization that “there is no reason for me to stay here anymore.” He decided to sell his house and start shopping timeshare companies for points he would need to stay in a timeshare unit year round. He determined that the original company he had purchased with had “by far the best
program” and chose to purchase more or upgrade his membership to reach the highest membership status. Patrick rationalized his decision to live out of the timeshare in that he could “live cheaper and better by staying in a property I really enjoy.” Other than the points acquired from the developer Patrick made one resale purchase to add to his points.

Patrick was very aware of the benefits he would receive in achieving a higher membership status by purchasing directly from the developer. Two benefits he uses to keep his “housing costs down” and “stretch” his ownership is “receiving a half price discount if you book within two months” and “a free upgrade to a bigger unit.” A consideration in selecting the resort he stays long term at is the points schedules for each resort. He settled in one of three areas he had identified with high numbers of timeshares to facilitate full year availability, including three different resorts in the timeshare company’s network of resorts. An added bonus of this location was that it had some of the resort network’s older properties that required less points per week versus newer properties the developer recently built.

Patrick’s intention early on was to use his ownership for his personal use, “it was never a money making type of thing.” He rented his first timeshare six years after his first purchase to family and friends. Patrick’s motivation to rent timeshare came from when he was “on the road” and asked himself “can I make income on the road when I do not have anything else to do other than have fun.” The intent of renting was “to defray his housing costs.”

Back when Patrick was “seriously doing rentals, 4, 5, 6, years ago” approximately 80% of his ownership was being rented. Patrick acquired additional points to use for rentals by renting them from the developer and also receiving point transfers from other
owners and timeshare resale companies “who had all this inventory of points and property they haven’t sold yet.” Additional sources of weeks to use came from exchange companies such as RCI and Interval International where he got “good weeks cheaply.” In one year Patrick acquired 6 times the amount of points he owned through point transfers.

Patrick manages his inventory on his own and spends about an hour a week 26 - 30 weeks out of the year or four to six hours a week for the remaining weeks as “summer and holidays are the only time I am trying to do the rentals.” He advertises his inventory for rent exclusively on Tug2.net. During the timeframe he was “seriously doing rentals” 4 to 8 years ago, he also employed email newsletters to market to past renters or individuals who previously made an inquiry. He tried ads on Redweek but felt that there “were too many mega-renters in that environment.”

Currently 80% of the rental reservations Patrick makes are at the specific request of a past renter. Factors that impact what reservations he makes without a renter lined-up include “how cheap I can get it” and “whether I think I can sell it.” Patrick’s original rental strategy was to be “the low price leader” in defining what price he charged. Rather than pursuing reservations in high demand such as “race week in Daytona” he would “troll for the best deals” or reservations with low points requirements and or the opportunity to receive unit type upgrades. One of Patrick's repeat renters evolved into a group organizer for families traveling to an annual convention during offseason at a resort which represented 25% of revenues prior to 2008 and over 50% following the post 2008 recession.

Patrick sets a specific transaction goal for his rental activity to make $100 per rental transaction, considering a transaction not to be worth his time otherwise. He does
not consider it a hobby but “kind of a fun game.” Patrick also shared that he needed a “50% return at a minimum” to make him feel like it was worthwhile. During timeframe of 2004-2007, he was aiming for a 100% to 150% return and did consider it a business.

Patrick does not consider there to be risks related to renting to third parties not known to him, as the renter “assumes the liability for whatever happens to the unit because they put down their credit card at check in.” Risks shared were related to developer policy changes and specifically in Patrick’s case were corporate changes to upper tier benefits that increased his costs, which negatively impacted his “low-price leader” strategy in 2008. Some of these changes included a reduction in complimentary guest certificates and limitation on the number of point transfers between owner accounts.

Since policy changes, Patrick shares he has done one fifth of the rentals he had done in the past. Return on investment that he has calculated over the years peaked in 2006 at over 150% but has steadily dropped to under 50% today. While he understands why some of the changes were made he believes the changes in policy have “made the method by which I was doing business impossible to do anymore.” He believes some of the changes were made by the company to specifically to enhance “its own position at the expense of the owners.” Uncertainty about future changes in program policy has prevented Patrick from considering any future point purchases, “I would like to buy more but no way, I do not trust these guys.”

Patrick does not consider himself a large mega-renter but a “mini-mega-renter” and a “minnow in this large pond” comparing his ownership to that of others who own more than 6 million points. He considers what he does as not being “big-time” and all
profit motivated. Occasionally he will help out a family or non-profit organization “who would not be able to stay in these kind of places if I did not give them a condo” or donate condo space to campaign workers of one of the Presidential Candidates.

**Research Question 1 – Mega-renters - Who are they?**

This research question was posed to discover if there were common traits among the participants in the study leading them develop rental entities. Three out of four of the participants were introduced to the vacation ownership concept through sales presentations (Johnny, Maureen, & Patrick). Two of the participants worked in real estate related industries and had purchased VOI with the intent of producing income (Johnny & Sydney). All participants were above 40 years age. Household incomes for the participants ranged from 50,000 to over $400,000 with only Sydney renting VOI as a full time job and operating as a legal business entity. Two of the participants (Maureen & Patrick) purchased VOI for their personal enjoyment and discovered the opportunity to rent for income out of necessity or when the opportunity presented itself.

**Cross-Case Analysis**

A cross–case analysis procedure was adapted from Stake (2006) to examine the utility of the themes across cases. Specifically procedures and worksheets outlined in Track II which is focused on merging cases findings were utilized. Worksheet templates applied within the procedure prioritized the case findings and themes that were translated into assertions across cases.

The assertions below are common themes discovered about the quintain or the mega-renter phenomenon generated from the interview transcripts and the cross-case analysis. The assertions are followed by explanations using direct quotes from the
participants. Assertions or each assertion can be made to partially answer the research question in this case of how mega-renters operate.

**Description of Assertions**

*Assertion 1: VOI owned by a mega-renter is primarily under one developer’s program.*

Mega-renters VOI acquisitions were focused under one developer in points ownership or grouped under one or more resorts as fixed or floating weeks. There are two primary reasons for this. The first being the mega-renter’s familiarity or experience gained with the VOI product. Other than Sydney, who had an intimate familiarity with a resort property from prior work experience, the participants researched and evaluated the various programs or specific resorts they were interested in. Johnny researched online via Tug purchase options with one developer because he liked the concept. Patrick evaluated several developer programs and chose one he felt had the best program in every aspect. Maureen acquired multiple weeks at properties she wanted to stay and enjoy but also had great “trading power” where it could be traded into an exchange company for an alternative vacation experience she desired.

In Johnny’s case successful rental of his ownership at one property encouraged further acquisitions. Johnny shared that at one point in time at a specific resort where he acquired several weeks of ownership that “10% of the reservations were mine.”

A second reason is the special benefits received under a points program for achieving certain levels of point ownership. For Johnny and Patrick where points ownership were a considerable portion of their ownership, points discounts on reservations within 60 days and unit upgrades were shared as benefits leveraged to expand or “stretch” the number of rooms nights that could be reserved and rental revenue
that could be collected. Although not pertaining to her personal ownership Maureen shared that individuals with a high tier status “could reserve earlier than anyone else so that they can get the prime, reserve prime weeks for rent”.

**Assertion 2: A mega-renter owns at least 20 weeks of VOI**

As this study is exploratory, the initial participation qualifications defined in the study of owning ten weeks was essentially a shot in the dark to ensure that participants were experienced and familiar with rental processes. Twenty weeks was the minimum amount of weeks owned defined by the participants themselves. Sydney was the only participant in the study selling and renting VOI as a full time job and owned the largest amount of weeks. Both Johnny and Patrick referred to themselves as a “small enough player” or “a minnow in this whole pond.” These participants acknowledged the existence of fellow renters with considerably more VOI ownership renting as a full time job and as their primary source of income.

**Assertion 3: Considerations in acquiring rental inventory included cost to acquire, annual maintenance fee, and perceived rental value.**

Other than satisfaction gained from personal use of property, participants considered the cost to acquire the “contract” which was in most cases purchased at significant discounts off the developer retail price. Maureen shared that she had acquired VOI for “at least 50% off on some of the things we bought in the early days” but more recently for “literally 99% below the developers price.” The annual fee assessed for maintenance fees was considered in conjunction with what the participants estimated they could receive in rental income. Johnny shared that if they could rent it for “double the maintenance fees” and if they had the money it would be a “no brainer” purchase. Sydney
would accept VOI contracts for free if she could make money “consistently” or later divest it “at whatever point in time they raise the maintenance fee or it’s not working” for her.

**Assertion 4:** Beyond specific profit goals, the underlying motivation to rent VOI owned is primarily to recoup annual maintenance fees.

In several of the cases, the initial rental motivation was not lose money or to “recoup” the annual fee assessed for the resale acquisition recently made. Both Johnny and Maureen acquired VOI contracts with existing reservations that they could not use themselves. Maureen shared it was like “an emergency triage” to rent it quickly and “to cover at least our maintenance fees.” Johnny shared that he would rent “about half to 75%” of what he owned to cover maintenance fees for all of his VOI. Sydney as one of her specific goals shared that she would did not want to have any “burn weeks” or weeks she personally owns to “sit empty.” For Johnny, Maureen, and Sydney the motivation for renting was owning VOI that would otherwise be considered a loss if they did not rent it.

**Assertion 5:** VOI inventory enlargement was enabled by heavily discounted resale acquisitions primarily through eBay.

The average sales price reported by developers in 2010 for a points interval was $19,921 and $14,744 for a weeks interval (ARDA International Foundation, 2011b). Participants shared that resale VOI they acquired were for 50% to 99% off the original sales price. Johnny, Maureen, and Sydney have only acquired VOI through resale. Sydney was given VOI to a by “distressed” owners” for free and Maureen share she has acquired for a $1.
EBay auctions were cited as a primary or exclusive channel where VOI was purchased. Johnny acquired his ownership by “mostly bidding on eBay auctions” where Sydney purchases VOI on “eBay as a rule.” Other resale acquisition channels Maureen used included Redweek.com, myresortnetwork.com, and tug2.net.

Several of the participants shared that through Tug they encourage individuals through their posts to buy resale and not necessarily through the developer. While they may have been introduced to the timeshare concept through sales presentations, participants cited Tug as a resource where they learned more about the timeshare product.

**Assertion 6: Considerations in pricing of rental inventory are maintenance fees, competitive benchmarking, seasonality, and targeted profit per transaction.**

The annual maintenance fee the mega-renter pays for the week or points used to make the reservation was the baseline for pricing a rental. Competitive benchmarking of what hotels in the area charged, what others were charging on sites they were advertising on, or what specific entities such as RCI and Wyndham’s rental division were charging was considered in the pricing. Several of the participants commented on how they would monitor rates and “try to be the lowest” or change their rental price to “undercut” competition.

The participants also relied on their experience or understanding of what they could get for a prime week they own or even the how the unit type, view from room, and seasonality impacts the price they select. Seasonality including holidays and special events were considered to be high demand weeks or the most desirable weeks to rent. Examples of popular timeframes and locations included Florida beaches in winter, East coast beaches during summer, mountains in winter, race week in Daytona, and Mardi
Gras. Maureen tries to maximize the price on weeks she owns during Presidents week in Florida. Johnny looks to deliver what he referred to as “special times in special places” that may revolve around special events or holidays.

Two participants defined a profit per transaction requirement of $100 on each rental they make. One hundred dollars was chosen as a minimum as participants felt it was not worth their time or would not do paperwork required for a rental transaction.

**Assertion 7: Mega-renters utilize email to market rentals to prior renters or inquirers prior to placing public ads.**

Several of the participants use “email campaigns” to market rentals they have available. Individuals contained within this list they have “made” may include both “prior renters” and prior “inquirers.” Content of the email may communicate broadly what rentals are available or be specific to an individual and week. Maureen will email prior renters and ask if they “interested renting again” the same week before she will “run ads.”

Patrick had sent out sends “out six or seven newsletters a year” when he had “great deals.” Sydney shared that 90% of her rental transactions are generated through email.

**Assertion 8: Craigslist and Tug advertisements are utilized for last minute or cheap rentals.**

Johnny “almost exclusively” uses Craigslist to market rentals and shared “that nothing makes my phone ring like Craigslist” and that the individuals there are “last minute kind of folks.” Sydney shared that “Craigslist is fabulous for last minute cheap” reservations and uses Tug in a similar manner. Patrick has only used Tug for placing ads as it had fit his pricing strategy for his rentals.
The Tug website offers two different rental boards or forums for members to post rental ads. Rules for the “Last Minute Rental” board where participants found success in renting provides that a rental posting must be within the 45 day check-in window and may not be offered for more than $100 a night or $700 per week.

Assertion 9: Perceived risks in operating a rental business are related to loss of utility of VOI and developer policy changes.

Participants identified a risk in owning VOI that would become “useable” or lose its appeal in terms of not using it themselves or becoming un-rentable, as a risk. Factors shared as to why an asset would become un-rentable that are more associated with a fixed week were that the property was poorly maintained, suffered considerable damage due to a hurricane closing the property, or has lost popularity to other lodging options. The risk associated that was shared by several participants was having to pay an annual maintenance fees on an asset that cannot provide any return or a return less than the amount of maintenance fees assessed annually. Patrick shared that he divested one asset like this by defaulting on the annual maintenance fees and returning ownership to the developer through deed in lieu where the developer took ownership and forgave any monetary obligation.

Although not specifically impacting all participants, developer policy changes were cited by all as a risk to a mega-renters business model. One recent developer’s policy changes significantly impacted operations of one participant. While several of the changes were aligned with existing standard policies of other developers, an additional policy change of assessing a fee for a guest certificate increased operating expenses requiring a redevelopment of their approach or strategy. These changes were perceived as
negatively impacting owner value and self-serving as the developer operates their own rental business unit.

Assertion 10: There is little or no perceived risk in renting to third parties not known to them.

Two common themes shared by the participants for protecting their interest in the rental process were related to use of a rental agreement or invoice and resort check-in practices of obtaining a credit card for deposits or incidentals. Beyond sharing the name of resort, dates of check-in, the terms defined within a rental agreement or invoice disclosed verbiage including “damage accidental or otherwise is your responsibility”, or “we are not responsible if it is destroyed in any shape or form.” Maureen uses a form rental agreement purchased from tstoday.com that included terms such as “The Tenant will pay for all repairs, replacements and damages caused by the act or neglect of the Tenant” (TimeSharing Today, Inc., 2012).

Risks are also tempered by the standard resort practice of taking a credit card upon check-in. All participants shared that liability is on the individual checking into the unit for any damage and that they assume the liability for whatever happens to unit because they put down their credit card. While some program documents hold the owner of the unit accountable the impression of the mega-renters is that the resort will take a credit card imprint when people come in so they have recourse if there is any damage to the unit.

Prior to renting to third parties both Maureen and Johnny insist on speaking with the potential renter on the phone not only to discuss terms of the renter but Johnny shared to “get a gut feeling that these people are OK.” Maureen discusses with renters during the
call that she is “just a private person trying to cover maintenance fees” and “were seniors and we just can't use it this year” that to calm any concern about the transaction itself.

The participants shared that they have not a problem to date with their renters or as one shared a “big problem yet.” For a participant who resold inventory to a vacation club, there was once an instance in which a unit was damaged where the vacation club company that it was sold to assumed responsibility for the guest.

*Assertion 11: RCI and Extra Holidays are the biggest rental competitors.*

While the participants evaluated fellow consumers ads in pricing their rental inventory on the various websites, RCI and Extra Holidays (subsidiaries of Wyndham Worldwide) were considered major competitors. Johnny shares that “Wyndham maintains their own rental activity so they are out there looking for tenants the same time I am out there looking for tenants. So they are great big company with a really sophisticated rental operation that I am competing with or competing with me.” Patrick considers Wyndham “the biggest mega-renter out there.”

Sydney considers RCI the biggest competitors’ as the do “not have any costs involved. They are given the weeks by resorts and owners. So they can be extremely competitive. They actually compete against owners.” Maureen adds that she trades weeks into RCI as “sometimes when we run ads you just don't get a renter then we'll give it to RCI rather than lose it all together. She keeps her “fingers crossed and maybe getting nothing” in return for what was traded.
Unique Case Differences

*Vacation clubs or Travel clubs are a rental distribution channel.*

Two of the participants sold rental inventory to vacation clubs seeking to fulfill reservations for their members. Maureen works with a single vacation club agent and rents weeks at a specific property they own. Sydney is part of a group of “400 travel clubs” and rents weeks to travel clubs. From this same group, the participant also purchases weeks wholesale to rent.

Different than the traditional timeshare company or a vacation ownership company that develops resort properties and sell deeds or right to use memberships, vacation clubs or travel clubs sell memberships providing access to steep discounts or “wholesale rates” on vacation products (Global Discovery Vacations, 2012). In some cases, travel clubs may own inventory at vacation ownership resorts to fulfill for members (ARDA International Foundation, 2011a).

*Unique triggers for each case drove expansion of rental operations.*

Each participant presented a unique contextual situation for how they initiated or expanded their rental activity. Johnny, from the outset, evaluated purchasing VOI as a potential rental income source by renting it like “any real property”. Maureen’s increase in her rental activity was “accidental” and was driven from the decline in the number of vacations she chose to take herself. Sydney’s interest and expansion into a legal business was derived from “making use” of the VOI assets she held until they were resold. Patrick venture was initiated to subsidize his housing costs of residing in vacation ownership properties.
Points acquisitions transfers from resellers, points transfers from owners, and renting points from the developer enhanced rental potential.

Patrick, at one point, had acquired six millions points to rent from sources other than his ownership. He acquired points from time-share resellers “who had all these inventories of points and property they haven't sold yet.” Points were transferred to Patrick’s account for a fee per thousand points. In a similar manner, Patrick received point transfers from owners who and did not use their points and “it was fairly easy to do transactions of 100,000 points here, 200,000 points there.” Prior to developer point rental rate increases Patrick acquired a large amount of rental points and shared that he did not buy additional points contracts when he could “rent to as many as you needed.”

**Research Question 2 - Mega-renters - How Do They operate?**

The case narratives, multi-case assertions as well as the unique case assertions contributed to answering the research question. Revisions to the proposed conceptual model were made based on these assertions. Items added to the model were based on data collected from participant interviews and are represented in bold face in the revised model. Items generated from the literature review that were not mentioned by participants but were generated from the literature review remained in the model but are bracketed. The revised model is presented in Figure 2.
Figure 2 - Post study conceptual model of mega-renter operations flow.
Summary

This chapter presented the findings of the study which included individual case narratives, multiple-case assertions, and findings discovered from individual case assertions. A revised conceptual model is presented based on the findings from the case. The final chapter explains the revised conceptual model, provides implications of the study, limitations, and recommendations for future research.
CHAPTER 5

STUDY FINDINGS

In this chapter the findings from the study will be reviewed and interpreted. The revised conceptual model of how a mega-renter may operate their business is discussed based on these findings. The implications of the study, limitations, and recommendations for future research will also be discussed.

Findings

The purpose of this study was to explore who mega-renters are and how mega-renters operate a rental entity. The revised conceptual model included the addition of several bolded items derived from the cross-case assertions. Some of these items are further discussed below.

Several secondary market timeshare resale companies such as buyatimeshare.com, sellmytimesharenow.com, redweek.com, timesharesonly.com, and myresortnetwork.com place fee-based resale listings. The use of as eBay for resale purchases was prominent among participants in the study as a source for resale bargains with one participant sharing that a purchase was made for a $1. In a review of eBay listings for one vacation ownership company’s points product several listings were for $1. In a search of completed listings on eBay for the same vacation ownership company, several listings of points worth a weeklong stay sold for less than $1,000 and included free closing costs. With the exception of Patrick, who enjoys additional benefits owning over a million points purchased from the vacation ownership company, all VOI assets owned were purchased on the resale market at a fraction of the cost.
The amount of inventory available for rental extended beyond the VOI the participant owned. Point transfers from resale companies who held ownership of VOI contracts are a potential inventory source for those interested in expanding their operation. Additional sources of inventory a mega-renter could acquire are from vacation clubs, travel clubs, and exchange companies who may hold excess inventory that could be purchased at wholesale rates to expand revenue generating opportunities as Sydney has that represented over 97% of her transactions. Expansion into this area, however, would require mega-renters primarily owning with one or a few resorts to increase their familiarity with the reservation policies of the various resorts they may not currently own with. This likely would require mega-renters to consider their rental business as a full time job as Sydney does.

All participants in the study leveraged email campaigns or newsletters to market their rentals to previous renters and inquirers. Ninety percent of Sydney’s transactions were conducted via email. While it may seem intuitive, this finding was not included in the original model as evidence was not discovered during the literature review.

Each participant generated an opinion of which online site was most effective to market their rentals based on their experience, their pricing strategy, and the desirability of the timeframe and resort being offered as a rental. Derived from the multi-case assertions it is apparent that both the Tug2.net site and craigslist are preferred channels to rent last minute or inexpensive rentals. Several online websites list VOI resales and rentals. The various for profit rental sites listed in the model are not inclusive of all channels a mega-renter may use. These channels were highlighted as one or more of the
participants in the study shared their opinion of the channels effectiveness and the type of rental they would choose to list on the site.

Rentals to small groups or commercial entities were found to be a distribution channel for mega-renters. Sydney expanded her opportunities to earn rental revenue by renting to vacation clubs or travel clubs seeking to fulfill reservations for their members. Both Sydney and Patrick also rented to small groups which in Patrick’s case at one point represented a sizeable portion of his business. Selling to small groups in Sydney’s case was more related to helping out her daughter’s sports team when traveling to another city.

**Implications**

The implications of this study related to vacation ownership company concerns yield management and program policy. The existence of individuals operating rental entities within a vacation ownership program can materially impact yield management efforts of the company and availability of reservations for its owners. Defining what market segments contribute to the bottom line is important in yield management (Quain, 1992). This study explored a market segment that vacation ownership companies that do not prohibit commercial renting may have to consider as one or more individual owners can influence reservation or cancellation forecasts. A major vacation ownership company, at one point, had no cancellation policy or penalty for late cancellations enabling owners or mega-renters to cancel at the last moment or not at all and have points returned to them with no restrictions. Several of the participants considered the vacation ownership company they own with themselves as the biggest competitor offering rental room rates lower than they could or willing to offer themselves. The addition of a mega-renter segment and understanding of how they operate illustrated in the model and multi-
case assertions can assist yield managers in effectively forecasting occupancy at a resort property or adjust booking thresholds of ancillary booking channels such as exchange reservations, rental and marketing operations. For new vacation ownership programs or programs that may not have many mega-renters operating within it is important to consider the impact of entry of mega-renters creating competition for rental sales.

One of the marketing channels vacation ownership companies utilize to generate tours for its sales centers is through in-house marketing of guests staying at the resort. In 2010, 10% of the occupancy for U.S. timeshare resorts was renters (ARDA International Foundation [AIF], 2011). It would be in the best interest of vacation ownership companies to control pre-arrival communications to this potential tour source that could be used positively position the incoming guest to take a sales tour or offer incentives to pre-booked a tour prior to arrival.

It is important for vacation ownership companies to understand the amount of VOI mega-renters may hold within their program. Changes in program policy to support a revenue earning opportunity or address a behavior that may be negatively be impacting a key performance indicator of the company may have a profound impact on owners or mega-renters’ choice to pay maintenance fees. As Johnny had shared, if the vacation ownership company chooses to prohibit commercial renting, it may likely result in him defaulting on the maintenance fees assessed. His inventory in turn would be returned to the vacation ownership company for resale if he did not try to resell prior to defaulting. As the vacation ownership company pays the maintenance fee or club dues for unsold inventory the club, there would be increased pressure on the company to rent inventory that otherwise would be vacant to recoup costs. This scenario for an independent resort
without an active sales or effective resales or rental operation may result in an increase of maintenance fees for other owners of the property. In a study of Florida timeshare associations, Durkee & Combs (2011) observed that when an association has financial difficulties the burden falls upon the owners in the form of increased assessments.

Another implication of changes in policy may be negative buzz on consumer websites or legal expenses incurred to defend against lawsuits. Although several sales purchase and policy documents state that VOI should not be purchased as an investment or for the expectation of receiving rental income, the manner it is sold during the sales presentation may not effectively communicate to buyers that the reservation policy or benefits granted to owners are subject to change. In Sirmon v. Wyndham Vacation Resorts (2010) the complaint filed states that the “defendants made claims to the plaintiffs before each sale about the benefits plaintiffs could expect” referring to availability of unlimited guest certificates and point transfers (p. 7). Mega-renters in the study, even those that did not own with Wyndham Vacation Resorts were aware of the changes via user forums like Tug2.net and the negative impact it may have on owners. These changes were considered by the participants to be self-serving or anticompetitive as the vacation ownership company operates a large rental business of its own.

This study may also benefit individuals considering generating rental income from their VOI or expanding their current operations. The narratives defined in the results section provide insights into how each of the participants chose to engage in the renting of VOI and their considerations in operating a rental business including VOI acquisition and defining rental prices. Most revealing was the purchase of resale VOI at heavily
discounted prices off of what the developer may charge and that for three of the participants all of their ownership was purchased on the resale market.

Risks defined by the participants should also be considered as it relates to program policy changes. As employees of the vacation ownership company are board of the directors or trustees of the club or program overseeing program policy, mega-renters have little influence on changes in policy that may impact benefits for tier statused members such as points discounts or reservation rules changes they may rely on in operating their business strategy or model. Legal recourse for mega-renters would be costly. The Sirmon case filed in October of 2010 is still in its discovery phase as of October, 2012 where motions to compel and seal are being filed (see pacer.gov, case 7:10-cv-02717-LSC).

While this study does not attempt to generalize how mega-renters operate it does provide content on how mega-renters who did participate in the study operate a business through the conceptual model and multi-case assertions defined.

Limitations

As with most research, this study has limitations. Only four participants chose to participate in this study. Participation may have been impacted by the manner the study was announced on Tug. Respondents to the study solicitation post by members of the Tug forum in some cases discouraged participation. This may have negatively impacted the number of participants as well as the type of participant.

Three out of four participants shared that they did not operate on the scale as other larger mega-renters operated. The inclusion of larger players in the study could have illuminated additional practices employed in operating a successful rental operation.
Participants in the study shared that Tug was used primarily for last minute cheap rentals. As the protocol defined that tug private messages would be used to solicit participation, individuals operating rental entities may have been excluded from study considering that they may not use Tug and or may not have posted multiple listings at the time the researcher was soliciting participation.

The VOI ownership of the participants was primarily with one major developer or one or more independent resorts. Inclusion of participants with ownership with other major developers whose policy and or program documents were included literature review of the study may have enhanced the findings of the study. Also, the program documents were solicited from individuals other than the participants in the study and may not currently reflect or include the most recent program or any policy changes that have been made since the individual purchased with the vacation ownership company.

**Suggestions for Future Research**

This study introduced and discussed several aspects of the vacation ownership industry. While the future research suggestions below list suggestions related to this study itself it is important to note that there has been little academic research on the industry as a whole. Cosentino and Roe (2011) found that over the past 35 years only 66 articles on the timeshare industry have been published in peer reviewed hospitality journals. An additional intent of this qualitative study was to lay the groundwork for future studies specific to the vacation ownership industry. The literature review revealed aspects of the vacation ownership industry related to vacation ownership industry leaders, reservation and cancellation policies, tier status or loyalty programs, and rental programs and policy documents not discussed in existing academic publications or text books.
This study explored the mega-renter phenomenon, providing insights into how individuals developed rental entities. As this is the first study of its kind more research could be conducted on how large of a practice mega-renting is among consumers owning with the various vacation ownership companies. The financial value mega-renters may create by renting to individuals who may not otherwise have been marketed or had the opportunity to stay in a vacation ownership unit could also be investigated.

Academic research posited that VOI should not be considered as an investment and should be purchased for one’s own enjoyment. Additional research and or financial analyses considering the secondary resale market prices and VOI rental rates should be conducted to test the hypothesis that a VOI purchase should not be considered as an investment.

Related to the study proposed above a quantitative study of the secondary VOI resale market should be conducted. The study could measure resales channels used in the secondary market, size of the resale market at one point in time, and discounts off retail price by VOI type and by developer. A 2010 resale study conducted by ARDA investigated reasons for selling ownership but did not measure resale in comparison to retail prices. A quantitative analysis of resale prices could illuminate market rates not previously defined in studies (ARDA International Foundation [AIF], 2010b).

Through the literature review this study explored vacation ownership company reservation and cancelling policies in relation to mega-renter rental activities. Studies conducted measuring reservation bookings and cancellation rates of vacation ownership companies could offer insights into yield management practices of vacation ownership
companies and offer benefits in effectively managing vacation ownership companies own rental operations.
APPENDIX A: IRB APPROVAL

INFORMED CONSENT
Department of Hospitality Administration

TITLE OF STUDY: Megarenters – Who are they and how do they operate
INVESTIGATOR(S): Dr. Robert Woods, Stefan Cosentino
CONTACT PHONE NUMBER: 702-401-4402, 321-217-8000

Purpose of the Study
You are invited to participate in a research study. The purpose of this study is to investigate consumer commercial rental entities operating within the vacation ownership or timeshare industry. The intent of the study is to understand who these individuals are and how they operate.

Participants
You are being asked to participate in the study because you fit this criteria: Comments posted by you on Tug2.net indicated that you may own a sizeable amount of vacation ownership points or interest that you use for the purposes of commercially renting to generate income.
Other criteria considered:
• You own and rent vacation ownership interest or points with a developer that does not specifically prohibit commercial renting commercially to third parties. These developers include Bluegreen Resorts, Disney Vacation Club, Worldmark by Wyndham, and or Wyndham Vacation Resorts.
• You own at least 10 full weeks of vacation ownership interest or points.
• Seventy percent of the vacation ownership interest or points owned by you are rented to a 3rd party for income on an annual basis.

Procedures
If you volunteer to participate in this study, you will be asked to do the following:
• Participate in a 2 hour interview (via phone or in person).
• Provide documents you are comfortable sharing related to your rental business or entity.
• Review a case report written on your interview and provide comments to the researcher.

Benefits of Participation
There is direct benefit to you as a participant in this study. However, we hope to learn about the individuals who rent their vacation ownership points for income, the type of individuals that pursue developing rental entities, and how they operate their business.

Risks of Participation
There are risks involved in all research studies.
There are minimal risks in participating in this study. You may become bored or frustrated with the questions that are asked during the interview.

**Cost /Compensation**
There is no financial cost to you to participate in this study. The study will take 2 hours of your time. You will be compensated for your time in the form of a $50 Starbucks gift card.

**Contact Information**
If you have any questions or concerns about the study, you may contact Dr. Robert Woods (robert.woods@unlv.edu/702-401-4402) or Stefan Cosentino (cosenti3@unlv.nevada.edu/321-217-8000). For questions regarding the rights of research subjects, any complaints or comments regarding the manner in which the study is being conducted you may contact the UNLV Office of Research Integrity – Human Subjects at 702-895-2794 or toll free at 877-895-2794 or via email at IRB@unlv.edu.

**Voluntary Participation**
Your participation in this study is voluntary. You may refuse to participate in this study or in any part of this study. You may withdraw at any time without prejudice to your relations with the university. You are encouraged to ask questions about this study at the beginning or any time during the research study.

**Confidentiality**
All information gathered in this study will be kept completely confidential. No reference will be made in written or oral materials that could link you to this study. All records will be stored in a locked facility at UNLV for one year after completion of the study. After the storage time the information gathered will be destroyed.

**Participant Consent:**
I have read the above information and agree to participate in this study. I am at least 18 years of age. A copy of this form has been given to me.

Signature of Participant _______________________________ Date _______________________________

Participant Name (Please Print)
APPENDIX B: CASE STUDY PROTOCOL

Case Study Protocol

A. Protocol objectives

The purpose of this study is to explore the development and activity of “mega-renters.” These are individuals who have acquired an extraordinary amount of points with a vacation ownership developer and use their points to generate income from renting to third parties. Data sources for this study are documents related to governing and reservation rules of the club or program the megarenters owns points with, interviews, and direct observation in cases where the participant has allowed the researcher to observe how the portfolio is managed or rented. The unit of analysis are individuals operating in this context or the principal individual managing the vacation ownership portfolio if the portfolio is legally owned by a couple or family.

B. Unit of analysis

- Individuals who own and rent vacation ownership interest or points with a developer that does not specifically prohibit commercial renting commercially to third parties. These developers include Bluegreen Resorts, Disney Vacation Club, Worldmark by Wyndham, and or Wyndham Vacation Resorts.
- Individuals who own at least 10 full weeks of vacation ownership interest or points.
- Seventy percent of the vacation ownership interest or points owned by the individual are rented to a 3rd party for income on an annual basis.

C. Data collection procedures

Interviews:

It is expected that the participants will share the details of how they have acquired the vacation ownership interest (VOI) they currently owned and factors contributing to their decisions in purchasing VOI from their first purchase to where their current portfolio stands. This may include the participant’s description of resources they have
used to make their decision which may include advice or information supplied from other parties. The participants may be asked to share and describe artifacts that represent their ownership such as a listing of their ownership or portfolio and how they view each of the assets within the portfolio.

Documents pertaining to the developer’s program and reservation rules have been acquired prior to the collection of data from additional sources; interviews and or direct observation. Additional documents or artifacts may be collected from the participant if the participant identifies the document as impactful to their behavior or actions and volunteers to provide it. Through the study solicitation letter, the informed consent form, and responses to questions asked by the participant, the participant will have an understanding of the topics to be discussed prior to the phone interview or site visit.

Research Questions
- Who are mega-renters?
- How do mega-renters operate?

**Interview protocol:**

<table>
<thead>
<tr>
<th>Topic</th>
<th>Sub-topics</th>
<th>Measurement topics/questions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Demographic</td>
<td>Mega-renter characteristics</td>
<td>• What industry do you work in?</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• How large is your family</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• How large is the party you typically vacation with?</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• How many weeks of vacation do you take annually?</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• What is roughly is the range of your household income</td>
</tr>
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<td></td>
<td></td>
<td>• How long have you owned timeshare?</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Does your rental activity operate under a legal entity? If yes, in what form?</td>
</tr>
<tr>
<td>VOI Ownership Portfolio</td>
<td>Amount of VOI owned</td>
<td>• What timeshare interest do you own in terms of from which vacation ownership company and the number of weeks or points?</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Was each timeshare interest purchased from the vacation ownership company directly?</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• How did you become aware of the availability of each of the timeshare contracts you own to</td>
</tr>
</tbody>
</table>

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<table>
<thead>
<tr>
<th>Topic</th>
<th>Sub-topics</th>
<th>Measurement topics/questions</th>
</tr>
</thead>
</table>
| Motivations for purchase     | Motivations for acquiring each VOI owned | • What factors motivated you to acquire each of the timeshare interest or contracts?  
• What factors did you consider in evaluating each purchase?  
• Have you achieved any type of member status with the vacation ownership companies you own a large amount of interest in?  
• How does this member status benefit you?  
• Have you sold or divested any timeshare contracts? If so, why  
• Other than the usage rights of the timeshare interest you own, what other sources do you use to acquire points or weeks to rent? |
| Use Decisions                | VOI asset usage                    | • How do you use your timeshare?  
• On annual basis, how would you categorize your use of your timeshare interest among the various options available percentage wise? |
| Motivations to rent          | Motivations to rent VOI            | • How did you find out about the ability of timeshare owners to be able to rent their timeshare?  
• How many years did you own timeshare before you first rented it?  
• What factors motivated you to rent your first timeshare?  
• What percentage of your timeshare interest do you rent on an annual basis?  
• What do you call the sum of all the timeshare interest or assets you own?  
• What factors or events inspired you to use your timeshare to generate income through rentals?  
• How much time do you spend a week in managing your timeshare interest?  
• Other than yourself, are others involved in managing your timeshare interest? |
| Rental methods               | Rental process                     | • What process or steps do you employ in renting timeshare?  
• How do you find renters?  
• How do you advertise your inventory?  
• How do you set the price for a rental reservation?  
• What factors impact what reservations you choose to make?  
• What percentage of your reservations or |
<table>
<thead>
<tr>
<th>Topic</th>
<th>Sub-topics</th>
<th>Measurement topics/questions</th>
</tr>
</thead>
</table>
| Barriers to rent             | Impact of developer policy and or developer policy changes | - What percentage of inventory is from personally owned inventory versus point rental?
  - How does a vacation ownership company’s reservation policies impact your rental activity?
  - How does a vacation ownership company’s cancellation policies impact your rental activity?                                                                                                                                                                                                                           |
| Self-perception              | Goals and aspirations                            | - Do you consider renting your timeshare a hobby?
  - Is income or profit from renting the primary source of income for your household?
  - What goals have you defined related to the rental activity you partake in?
  - How do you measure your success in renting timeshare?                                                                                                                                                                                                                                                                                               |
| Risks                        | Perceived risks in operating a VOI rental entity | - What do you consider as risks in operating a timeshare rental business?
  - What risks are involved related to developer policy changes?
  - What risks do you consider when renting to third parties not known to you?
  - How do you protect your interests when renting to third parties not known to you?
  - Is revenue from rental of your timeshare interest taxable?                                                                                                                                                                                                                                                                                      |
APPENDIX C: SAMPLE RENTAL AGREEMENT

TIMESHARE RENTAL AGREEMENT

1. Owners of the unit (“Landlord”)

Name:
Address:
City, State, Zip
Phone
Bus Phone
Fax
Email:

2. Renters of the unit (“Tenant”):

Name:
Address:
City, State, Zip
Phone
Bus Phone
Fax
Email:

3. Unit being rented (“Unit”):

Resort Name:
Resort Address:
City, State, Zip
Resort Phone
Reservations No.
Number of Bedrooms: 1 Bedroom (Full Kitchen, living, dining, bedroom)
Number of Bathrooms: 1
Maximum occupancy: 4
Unit # To be assigned by the resort at check-in

4. Term:

Starts:
Check in time
Ends:
Check out Time

5. Rent for term: $XXX.XX
Total rent for week: $XXX.XX

Deposit to be paid upon signing: $XXX.XX
Balance due by February 28th: $XXX.XX

6. Additional charges:

There are additional fees and charges by the resort if you wish to have daily maid service or daily clean towel service. Clean towels and linens are provided on check-in in the unit. The unit does not have a washer/dryer, however they are available at the facility. Other services maybe available.

7. The Tenant agrees to rent the unit from the Landlord and the landlord agrees to lease the Unit to the Tenant. The Tenant’s name on this agreement must be at least 25 years old.

8. The term of this Lease is for the period designated in paragraph 4. The Tenant may use the Unit during the term without interference subject to the terms of this Lease. If the Unit is not habitable on the day that the term starts by reason of flood, fire, storm or any other reason, the Landlord shall refund the rent forthwith and will thereafter have no further liability to Tenant.

9. The Tenant agrees to pay the rent set forth in paragraph 5 at the times stated in that paragraph. If the rent is not received by Landlord on or before the date specified, the Landlord may declare the Tenant in default by written notice sent by email or by fax. If the default is not cured within 5 days after receipt of the notice, the Landlord may keep the initial rent payment as agreed damages and rent the Unit to others.

10. Your deposit or amounts paid is not refundable.

11. The Tenant may use the unit only in accordance with the rules and regulations of the resort in which the Unit is located. No pets are allowed.

12. The Landlord will pay maintenance fees and all utility charges for the Unit.

13. The Tenant will pay for telephone calls from the Unit (if available), any housekeeping services for which there is an additional charge, and any other extra charges (except utilities) imposed by the resort for services or for the use of its facilities. A credit card will be requested by the resort upon check-in.

14. The Tenant agrees to maintain the Unit in the same condition as it is at the start of the Lease term except for ordinary wear and tear. The Tenant will pay for all repairs, replacements and damages caused by the act or neglect of the Tenant, the Tenant’s household members or guests. At time of registration, Tenant will sign a credit card charge slip to secure payment for any such repairs, replacements or damages, or incidentals to the resort.
15. Immediately upon receipt to the full rent payment, the Landlord will notify the resort manager in writing that Tenant will be occupying the Unit during the stated term. A copy of the reservation in the tenants name will be provided to the tenant.

16. The landlord is not responsible for any inconvenience or interruption of services due to repairs, improvements or for any other reason beyond the Landlord’s control. If maintenance is needed in the Unit, Tenant should call the front desk and they will take care of the problem if possible.

17. The Tenant may not sublease the Unit or assign this lease without the Landlord’s prior written consent. All notices may be sent to the addresses and fax numbers set forth in paragraphs 1 and 2 of this Lease.

18. If there are any problems during your stay contact the resort front desk to help resolve them.

The parties have signed their names below on this ______ day of ________________, 201__, to evidence their agreement to the terms and conditions of this Lease.

_________________________________  _______________________
Tenant(s)                                Landlord(s)
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Presentations:


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Committee Member, Carola Raab, Ph.D.
Committee Member, William Werner, J. D.
Graduate Faculty Representative, Lori Olafson, Ph.D.