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Understanding the Decline of Sales of Destination Club Products

by

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Part One

Introduction

From a humble beginning in France, to a world-wide power controlling billions of dollars and millions of vacations each year, the evolution of timeshare is extensive. The first account of a timeshare resort is of Paul Doumier and The Societe des Grandes Travaux de Marseille, a development company in 1960 (Prideaux, 2009). Mr. Doumier created the concept for SuperDevoluy, a ski resort located in the French Alps designed to provide owners a guaranteed opportunity to ski in the Alps every year. Mr. Doumier is credited with coming up with the timeshare selling pitch that says there is no need to rent the room as it is cheaper to buy the hotel (Brandt, 2009).

Initially, timeshares were typically sold as either a fixed week or a floating week with restrictions limiting their use. In the 1990s, timeshare began to change as people were looking for more flexibility. A new points-based type of timeshare product was introduced which allowed owners with more flexibility they had been seeking. Now able to redeem their points at a different value determined by season dates, unit sizes, and resort locations, buyers flocked to the timeshare industry (Lashley &Upchurch, 2006).

Furthering the evolution of the timeshare industry, in 1998, Private Retreats introduced destination clubs. They were targeting more affluent families that wanted the benefits of owning a second home, but with more flexibility in where they vacation every year. Since then, over 30 companies have entered the market, with Marriott International launching The Ritz-Carlton Destination Club in April 2009 (Stringam, 2010).

As one of the most recognizable travel names in the world, The Ritz-Carlton's entry into the timeshare industry was significant. Combining innovative membership

options for luxury travel around the world with the legendary services of The Ritz-Carlton Hotel Company, The Ritz-Carlton Destination Club offers personalized vacation lifestyles tailored to each member's needs and expectations (Ritz-Carlton Hotel Company, 2011, Destination Club). The Ritz-Carlton's unwavering commitment to service is foundational due to their most important resource – their Ladies and Gentlemen (Ritz-Carlton Hotel Company, 2011, Gold Standards).

Since the inception of timeshare, the industry had enjoyed a steady increase in sales. From 1974 to 2007, sales volume grew significantly (Ernst & Young, 2011). Since 2007 however, the industry (like many others) has experienced negative annualized growth (Kaufman, Lashley, & Schreier, 2009).

There are many changing circumstances in today's environment that influence people's travel needs and lifestyle decisions. Recognizing today's unique environment, The Ritz-Carlton Destination Club seeks to modify their "Signature Experience Program" to ensure the most effective processes are in place to continue to allow new members the opportunity to enjoy life as a member of The Ritz-Carlton Destination Club. However, in spite of the company's great efforts of continually focusing on service, sales are lagging.

Purpose

The purpose of this paper is to identify and confirm factors leading to the decline of sales of Ritz-Carlton Destination Club products.

Statement of problem

There are several methods that The Ritz-Carlton Destination Club (RCDC) employs to attract new members to the club: direct sales, ecommerce, referrals, selective

print media, direct marketing, strategic partnerships and signature experiences. A signature experience is an opportunity for a prospective member to visit one of the club locations as a preview of what life as a member of The Ritz-Carlton Destination Club will be like. This paper will concentrate on signature experiences and the impact they have on overall conversion rates for products offered by The Ritz-Carlton Destination Club.

The paper will look at how the overall conversion percentages have decreased in recent history, after a significant period of increasing percentages. Information obtained from a survey of prospective members will give insight into the decline of closings on the products offered by The Ritz-Carlton Destination Club. With such a high emphasis on employee significance that The Ritz-Carlton provides, this paper will focus on the outlook of the very ladies and gentlemen involved in the signature experience program.

Justification

This paper intends to provide the reader with information and research to enhance their knowledge of the explanation as to why there has been a decrease in the percentage of closings after a stay at one of the Clubs offered by The Ritz-Carlton Destination Club has been experienced. This example may be extended to other companies in the industry to explain similar problems they have contended with since the decline of sales began in 2007.

This paper will allow the reader to better understand the effect that signature experiences have on Destination Club closings after a preview stay has been experienced. This paper seeks to provide detailed information that can assist Membership Executives (a position at The Ritz-Carlton Destination Club roughly the equivalent of a real estate

agent for the timeshare industry) and other corporate leaders in restructuring the signature experience program with the intention of increasing the number of memberships with the Ritz-Carlton Destination Club.

Constraints

Due to limited access to other companies' data, only The Ritz-Carlton Destination Club was studied. Therefore, the conclusions presented may only be relevant to The Ritz-Carlton Destination Club or other destination clubs of a similar status and market position.

This paper seeks to provide a holistic representation of the outlook of the ladies and gentlemen of The Ritz-Carlton Destination Club on the signature experience program. Unfortunately, representatives from two club locations were not available to be interviewed for this purpose, thus only eight of the ten club locations are represented in the results.

Part Two

Introduction

There has been a considerable evolution of the timeshare industry to get it where it is today. Through a review of available literature, this section will highlight the evolution of the timeshare industry, including conception/early stages, through the current state. In addition, the various marketing methods used to help promote the timeshare industry will be presented.

Glossary

Throughout this paper, specific terms which are distinctive to the timeshare/ Destination Club industry are used. They, along with their definitions, are included below.

ARDA: The American Resort Development Association is the trade association representing the vacation ownership and resort development industries. ARDA promotes the growth and development of the timeshare industry through a variety of capacities (American Resort Development Association, 2011).

Conversion: The process of changing from a prospective member to a member.

Destination Club: Destination clubs own a portfolio of luxury homes and provide access to all the properties within the Club. Members in Destination Clubs have a variety of locations to choose from each time they go on vacation. Destination clubs offer their members a flexible alternative to luxury hotels, second homes and vacation home rentals (SherpaReport, 2011).

IPSM: Inventory and Product Supply Management department of The Ritz-Carlton Destination Club. Similar to a Revenue Management department at a hotel.

Ladies and Gentlemen: The employees of The Ritz-Carlton brands including Hotels, Clubs, and Residences.

Membership Advisors: As part of the MRC team, these Ladies and Gentlemen are the first line of communication for Prospective Members who respond to a marketing campaign or make inquiries into becoming a Member of The Ritz-Carlton Destination Club.

Membership Executive: An integral part of the sales process, these ladies and gentlemen are the licensed associates who sell the products offered by The Ritz-Carlton Destination Club.

MRC: Membership Response Center. This department is responsible for answering initial inquiries from prospective members of The Ritz-Carlton Destination Club.

Mystique: A CRM database used by The Ritz-Carlton brands including Hotels, Clubs, and Residences.

Preview Guest: A prospective member of The Ritz-Carlton Destination Club who visits one of the club locations on a signature experience.

Prospective Member: A potential future member of The Ritz-Carlton Destination Club.

Signature Experience: An opportunity to experience life as a member of The Ritz-Carlton Destination Club through a provisional vacation. Only one signature experience is available per person's lifetime.

Evolution of the Timeshare Industry

Early

Throughout the years, the timeshare industry has experienced tremendous growth and change. The early beginning of timeshare was Europe in the 1960's where people wanted a way of vacationing more affordably. Each of the timeshare owners had rights

to a fixed week in a specific unit at their resort where they vacationed every year. The costs associated with operating a timeshare were distributed amongst each of the owners.

1970s/ 1980s

In the 1970s and 1980s, customers began wanting more flexibility in how they were able to use their acquisition. To answer this desire, the timeshare industry created a float week product. A float week owner does not own a specific week or unit; they own a season and unit size. A float week means that the customer has access rights to the resort within a specified series of weeks as detailed within their contract (Lashley, Upchurch, 2006).

1990s/ 2000's

In 1992, customers were given an additional timeshare option with Disney's introduction of a points-based timeshare product within Disney's vacation club. Under this format, customers purchase points instead of weekly increments. The points format offers customers more flexibility as they can purchase the amount of points needed for the unit size and number of days of their choice (Stringam, 2010). This format allows owners to book the unit size they need for the night (or longer) depending on how many points they have available to use.

Public trading of timeshare companies also began in the 1990s. As of 2003, 75 companies were operating timeshare operations (Vacation Ownership World, 2003).

Future

Over the past 50 years, the timeshare industry has evolved tremendously in order to meet everyone's needs. One can anticipate that with the changing demographic of travelers, changes will continue to emerge. As of December 31, 2010, there were 1,548

timeshare resorts in the United States (Ernst & Young, 2011). Respondents to the ARDA survey expected little in the way of new construction, with only six new resorts planned for construction in 2011, and another three for 2012 and beyond (American Resort Development Association, 2010).

Timeshare Marketing

There is a great distinction between marketing methods used by vacation ownership resorts compared to other products. Timeshare marketing is multi-channelled, often employing multiple methods to reach a single sale.

Referrals

Referral marketing programs reward existing timeshare owners for referring their friends and family in hopes that the new customer will also purchase. Referrals are a popular marketing channel for timeshare resorts, typically offering the highest conversion percentage of any marketing method (Sparks, Bradley, & Jennings, 2011).

Off property consultants (OPC)

Off property consultants are typically located in a high traffic tourist location, such as a hotel lobby, a casino floor, a theme park, or a shopping mall. These OPCs offer discounted or complimentary show tickets, discounted meals at restaurants, or other relevant enticements to get people to commit to go on a tour of the timeshare (Prideaux, 2009).

Drawing Drop Boxes

Drawing drop boxes are found in shopping malls, restaurants and convention centers. They advertise a drawing for a free prize or a way for people to submit their names to see if they are eligible for a discount vacation. The form includes a spot for the

person to enter their email address, phone number and a mailing address so the resort can follow up with them. The forms must also include a notice that this opportunity will include a timeshare presentation (Kaufman, Lashley & Schreier, 2009).

Internet

Timeshare resorts use the internet as a way to introduce customers to their product. Descriptions of the products' benefits, along with virtual tours of the locations and residences are a way to entice the customer to want to see more. They typically provide a phone number which the customer can call to learn additional details.

Telemarketing

Timeshare marketing via telephone occurs in the form of the telemarketer inviting the customer to the timeshare resort to experience a mini vacation. The mini vacation is typically three days, two nights, and is offered at a discounted rate. In return, the customer must attend a timeshare presentation.

Direct Mail

Many timeshare resorts send brochures or another form of direct mail to customers informing them that they have won or qualified for a discounted or free mini vacation. The mail piece, along with most other types of timeshare advertisements, must include a disclaimer with the reason for the offer. The disclaimer varies based on location, but is similar to this advertising material is being used for the purpose of soliciting the sale of timeshare (Vacation Ownership World, 2008).

Print Advertisements

Print advertisements are often found in the travel section of a magazine or newspaper. They are appealing to timeshare marketers because they contain a

picturesque view of the resort, along with an invitation to contact a phone number to find out more information (Kaufman et al., 2009).

Conclusion

The overall success of the timeshare industry has resulted in the expansion of the vacation ownership concept in numerous areas. It is unknown what will be the next evolution change of the timeshare industry (Ypartnership, 2008).

Timeshare industry marketing is multi-faceted; however, the primary goal of each venue is a timeshare tour. As product costs continue to rise, it will be essential to cut marketing costs. The primary marketing focus of the next decade will be targeting the consumer that is most likely to purchase (Kaufman et al., 2009).

Part Three

Introduction

The Ritz-Carlton Destination Club would like to have a higher conversion percentage for preview guests. To assist in achieving this, several industry experts and former preview guests were surveyed in hopes of better understanding the decline of sales on products offered by The Ritz-Carlton Destination Club. Based on the results of this survey, several changes to the program have been suggested.

The results of the survey and employee interviews are company specific. As they are confidential and proprietary information, they will not be released to the public.

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