Original Article

Timeshare and vacation ownership executives' analysis of the industry and the future

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Betsy B. Stringam

is an assistant professor at the School of Hotel, Restaurant and Tourism Management for New Mexico State University, where she teaches courses primarily in Hotel and Resort Management. Dr Stringam obtained her BS from Cornell University, MS from Florida International University and EdD from Northern Arizona University. She is a member of the research committee for the International Foundation for the American Resort and Development Association.

ABSTRACT This study sought information from key executives involved in shaping the timeshare and vacation ownership industry in conducting a strengths, weaknesses, opportunities and threats analysis for the industry. The vacation ownership and timeshare industry has emerged as a sector of the travel industry with significant opportunities for growth and development. The findings of this study indicate that there are opportunities in many markets, segments and product offerings. The vacation ownership industry must overcome weaknesses in marketing processes, taxation concerns and amenities. It faces threats in the availability of human and capital resources, natural disasters and legal and taxation concerns.

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INTRODUCTION

Vacation ownership is the fastest growing segment of the travel industry, and has enjoyed significant growth for the past few decades (Scoviak, 2004; Hayward, 2005; Gilligan, 2006; Ragatz, 2007). The vacation ownership industry generates revenues of over US\$9.4 billion per annum, with 6.7 million owners in 270 countries worldwide (Organisation for Timeshare in Europe, 2007). The economic impact of the vacation ownership industry is significant, with the United States reporting a \$91.8 billion economic impact on the US economy for the year 2006, and Australia reporting a \$698 million economic impact on the Australian Economy (Australian Timeshare and Holiday Ownership Council, 2004; American Resort Development Association, 2007).

Vacation ownership product and processes are changing. The majority of the vacation ownership industry comprises independent or small companies. Recent years have seen the entry of multinational hotel companies. These new players in the vacation ownership arena have dramatically changed the face of the industry. The product offerings

Correspondence:

Betsy B. Stringam
School of Hotel, Restaurant and
Tourism, New Mexico State
University, MSC 3 HRTM,
PO Box 30003, Las Cruces
NM 88003-8003, USA

alone have changed from sales of converted condominium units to purpose-built vacation destinations with intricate point systems allowing for trade of many travel related products (Scoviak, 2003).

Strengths, weaknesses, opportunities and threats (SWOT) analysis

An organization or industry's performance is directed by the external and internal environments in which they exist. An analysis of that environment can reveal positive or negative influences, change forces or trends that can affect organizational performance (Coulter, 2005). The ability to anticipate, prepare and respond to these change forces or trends is vital to the success of an industry or company (De Kluyver and Pearce, 2006). Companies that adapt their strategies to leverage the momentum of change forces or trends strengthen their competitive positions. These elements, forces or trends that affect the organizational performance of an industry or business are classified into SWOT. A SWOT analysis allows organizations to be proactive in their planning and strategies to take advantage of the changes and trends (Coulter, 2005).

A SWOT analysis also identifies the industry's resources, capabilities and core competencies (Coulter, 2005). It brings to light forces that may threaten the industry's core assets or core activities. Examining the strengths and weaknesses of an industry helps to identify key issues within the industry that can contribute to or detract from profitability (Johnson *et al*, 2005). It is vital in the development of strategy to perform a SWOT analysis of the industry and the specific organization.

REVIEW OF THE LITERATURE

Given its infancy, research on this segment of the travel industry is sparse of this. The majority of the research has focused on consumer behavior, and the marketing aspects of the vacation ownership industry (Woodside *et al*, 1985; Weaver and Lawton, 1999; Crotts and Ragatz, 2002; Rezak, 2002; Woods and Clark, 2002; Crotts *et al*, 2005; Kaufman *et al*, 2005; McCain *et al*, 2005). Research has explored resort amenities and their utilization by owners (Kaufman *et al*, 2006; Stringam, 2008). Other studies have examined owner satisfaction, niche markets and finite geographic markets (Liu *et al*, 2001; Upchurch and Rompf, 2006; Upchurch *et al*, 2006). Studies on vacation ownership have also investigated employee training and the role of the board of directors in resort management (Hicks and Walker, 2006; Singh and Horwitz, 2006).

Research discussing strategy of the vacation ownership industry is even scarcer. In 1994, Terry provided a situation analysis of the vacation ownership industry. Pryce (2002) presented a very brief strategic analysis of the vacation ownership industry focusing on the consolidation and ownership of the industry. In 2001, Woods investigated the primary challenges facing the vacation ownership industry, and found the sales and marketing processes and the historically questionable image of the product to be of high concern (Woods, 2001). Upchurch and Gruber (2002) highlighted the evolution of the timeshare industry, and discussed gains in consumer acceptance.

There has been very little research conducted in the field of strategic analysis on this industry. Yet, the vacation ownership industry is ripe for strategic change owing to rapid growth, and rapidly changing internal and external factors. Recent changes in legislation and marketing, such as 'Do-not-call' restrictions, have significantly affected the industry (Simon, 2004). Although many of the trends illuminated by this study are reported individually in the commercial or trade press, there has been no research conducted to date that verifies those items reported in the trade press, or synthesizes the trends with the industry as a whole. Similarly, there is no research to date that analyzes the individual data sets to produce a SWOT analysis.

STATEMENT OF THE PROBLEM

This study examines the strategic environment of the vacation ownership industry, asking the following questions: (1) What are the key factors that are shaping strategy in the vacation ownership industry? (2) What are the strengths and weaknesses of the vacation ownership industry? (3) What key opportunities are forecasted for the vacation ownership segment of the lodging industry? (4) What threats does the industry face? (5) What organizational, societal and environmental conditions have contributed to the continual growth of the vacation ownership industry during a time period when travel and lodging has seen fluctuating performance?

Methodology

Coulter (2005) posits that the best way to assess strong and weak areas in an industry or organization is to obtain the personal opinions of the strategic decision-makers or consultants (Coulter, 2005). Accordingly, this research study utilized a grounded theory method of inquiry focusing on 40-minute interviews with 21 key stakeholders in the vacation ownership industry, resulting in over 840 min, or 14 hours, of interview data. The executives chosen for the study were selected using a stratified sample to represent key components of the vacation ownership industry. These components included independent vacation ownership companies with at least six properties or resorts, vacation ownership enterprises owned by hotel corporations, vacation ownership management companies, vacation ownership exchange companies, and vacation ownership organizations or associations. Because independent vacation ownership companies with fewer than six properties generally operate in micro-environments often not representative of the industry as a whole, they were excluded from the study. The study examined executives at five of the seven major multinational hotel corporations with vacation ownership business units, 9 of 37 independent vacation ownership or management companies (with six or more resorts), and two of the three major vacation ownership exchange companies, achieving representative sample sizes of 71 per cent, 24.3 per cent and 67 per cent, respectively. Although the representative sample of the population was lower for independent vacation ownership and management companies, a stratified balanced sample was used to equally represent sectors of the industry. The validity for the study is given strength owing to the level or ranking of the executives participating in the study. Top- or senior-level

Table 1: Titles and organizations of executives participating in the study

<i>Title or position</i>	<i>Company type</i>
(2) CEO Vacation Ownership Division	Global Hotel Corporation
(2) Executive Vice President, Vacation Ownership SBU	Global Hotel Corporation
(4) CEO, President, Co-President or Chairman	Vacation Ownership Company
(2) CEO or President	Vacation Exchange Company
(2) Chief Operating Officer; or President	Vacation Ownership Management Company
Vice President of Project Management, Vacation ownership	Global Hotel Corporation
(2) Vice President Planning and Development	Vacation Ownership Company
(2) Vice President Property Management and Owner Services	Vacation Ownership Company
President and Chief Executive Officer	Vacation Ownership Association
Chairman	Vacation Ownership Association
General Counsel	Vacation Ownership Company
Vice President of State Affairs	American Resort Development Association

executives responsible for monitoring the industry environment and setting and determining corporate or company strategy were selected and interviewed. These stakeholders comprised senior-level executives in the vacation ownership industry: Chief Executive Officers (CEOs), Presidents, Senior Vice Presidents and Owners of both branded corporate vacation ownership and small independent vacation ownership companies; CEOs and senior executives of vacation ownership exchange companies; and the President and Chairman of a major vacation ownership association (see Table 1).

Interview guides were developed, and were piloted with two industry executives involved in strategic planning and business development for the vacation ownership industry. The data were coded and analyzed to assess the relevance of the initial model, and to identify additional constructs. Subsequent interviews incorporated the relevant issues from the previous data analysis (Patton, 1987; Seale *et al*, 2004).

Reliability requires the researcher to determine whether similar results could be expected were the study to be conducted using other samples, or, in this instance, other corporations or enterprises involved in the vacation ownership industry. Reliability in grounded theory requires the researcher to examine the literature to determine the existence of the finding, trend or theory (Silverman, 1997). Grounded theory seeks to verify trends reported individually or in trade literature with data collected from the industry leaders (Silverman, 1997; Coulter, 2005). Each finding for this study was checked against the literature to determine its relevance to other vacation ownership companies or business units not included in the study (Patton, 1987; Seale *et al*, 2004).

Validity in qualitative study comes as the results or findings are tested against the data collection as a whole (Patton, 1987; Seale *et al*, 2004). For this project specifically, the trends and strategies mentioned by one executive were compared to and validated by those of other executives in the study. Industry, and corporate statistics, reports and information were also analyzed to correlate and confirm the interrelationships among environmental conditions, market conditions and the strategic environment.

THE RESULTS

Strengths

Strengths are resources that an industry or organization possesses, or capabilities that the industry or organization has developed that can lead to competitive advantage. The vacation ownership market is abundant in strength. It is an outstanding product with excellent people, in a valid and growing market (see Table 2).

Product

Overwhelmingly, the greatest strength of the vacation ownership industry expressed by the executives interviewed for the study is the flexibility of

Table 2: Strengths weaknesses, opportunities and threats (SWOT) analysis of the vacation ownership industry

<i>Factors expressed by executives</i>		<i>Factors expressed by executives</i>	
<i>Strengths</i>		<i>Weaknesses</i>	
Product	<ul style="list-style-type: none"> Flexibility of Product Unit size and structure Exchange process and product People like the product 	Economic or Financial	<ul style="list-style-type: none"> Difficult industry for independents to penetrate
Human capital	<ul style="list-style-type: none"> Creativity of industry 	Marketing	<ul style="list-style-type: none"> Cost Process or format
Brand loyalty	<ul style="list-style-type: none"> Credibility, increased revenue 	Product	<ul style="list-style-type: none"> In room electronics and entertainment
Legal	<ul style="list-style-type: none"> Proactive governmental self-regulation 	Legal	<ul style="list-style-type: none"> Regulated as real estate, taxed as real estate but in actuality a tourism product
<i>Opportunities</i>		<i>Threats</i>	
Market penetration	<ul style="list-style-type: none"> Market penetration very low 	Legal	<ul style="list-style-type: none"> Non equity clubs As industry becomes larger and more visible – more enticing to tax
Product	<ul style="list-style-type: none"> Flexibility of unit Exchange or trade products Fractional Mixed use Other travel products 	Financial	<ul style="list-style-type: none"> Cost of land Access to capital – both consumer and developer Oil prices for drive to markets Stability of financial markets
Services and amenities	<ul style="list-style-type: none"> Increased amenities <ul style="list-style-type: none"> recreational soft adventure product extended guest services multigenerational programs Food and beverage <ul style="list-style-type: none"> Take out or to-go meals 	Human resources	<ul style="list-style-type: none"> Deficit in skilled labor <ul style="list-style-type: none"> Entry level to Executive
Demographic markets	<ul style="list-style-type: none"> Young adults Seniors Families and multigenerational travel Diversity of consumer Frequent hotel guest 	Sales and marketing	<ul style="list-style-type: none"> Traditional marketing methods under threat Competition is increasing Some markets are reaching saturation Resale market
Geographic markets	<ul style="list-style-type: none"> Urban Asian Pacific Basin, Australia, North and Central America, and the Middle East Independents willing to do smaller properties in more unique markets 	Resort management or operational	<ul style="list-style-type: none"> Costs as pertains to maintenance fees Energy costs
Technology	<ul style="list-style-type: none"> Information Marketing Public Relations (PR) Owner services 	Other threats	<ul style="list-style-type: none"> Terrorism Natural disasters or weather catastrophes

the product. The vacation ownership industry has embraced product development and product extension strategies. The product has evolved from a fixed-week, fixed-unit real estate purchase to an evolving travel currency that can be used to enjoy many different travel products for varying lengths of time. Vacation ownership developers and players within the organizations have shown a great ability to ascertain consumer travel needs and wants, and to develop product to meet these travel preferences. One executive summarized this view: 'The flexibility of product, point systems, lock offs, exchanges or trade with point currency are just some examples of the creative product developed in recent years'. The executives highlighted several product adaptations and initiatives they considered primary strengths to the industry: changes to week structure or calendar, changes to units, and changes to exchange product or process.

Travel patterns of consumers have changed over the past 20 years, with fewer people taking an annual weeklong vacation and more taking more frequent, shorter vacations (Jacobs and Gerson, 2001). This led to a demand for a split week. Many vacation ownership exchanges now allow the week to be subdivided into several stays of several days each. In a similar division of product, vacation ownership units are being developed with lock-off units, which can be divided or locked off similarly to a connecting room in a hotel, allowing owners to use part of a unit for their stay and accruing or using the other portion for another time or stay.

Inspired by the plethora of travel offerings of hotel and airline frequent traveler programs, vacation owners sought to exchange the vacation ownership product for additional travel products. This led to the introduction of cruises, rental cars and many other travel products that can be exchanged for the vacation ownership week.

Another strength of vacation ownership is the physical product itself. One executive recounted, 'What sustained the timeshare industry through its earlier, "seedy" years is that consumers like the physical product'. Several executives affirmed this opinion: 'Even when the sales process did not ring true, people still purchased vacation ownership because they like the product'. Leisure travelers enjoy and appreciate the larger condo- or villa-style accommodation with kitchens, laundry facilities and separate bedrooms. Today's vacation owner owns an average of 1.4 weeks (American Resort Development Association, 2008a). This indicates overall satisfaction with the product and that owners are purchasing additional weeks or units.

Human capital

A discussion of the changing product in vacation ownership would not be complete without the inclusion of human capital. As one industry executive expressed it, 'Indeed perhaps our greatest strength is the people, their ability to anticipate the changing needs of the consumer and their tremendous creativity in developing product and exchange to meet those needs'.

Brand loyalty

One of vacation ownerships' greatest problems in its infancy in the 1970s and 1980s was the lack of credibility of the industry. Scams and gross

misrepresentation were rampant. Trusted brands bring reliability and quality to an industry, and to the product offerings therein (De Kluyver and Pearce, 2006). The entrance of major hotel corporations brought both credibility and stability to the industry. This contributed significantly to the explosive growth of the vacation ownership industry throughout the 1990s and into this century. All of the major multinational hotel corporations now have a vacation ownership business unit.

When hotel companies first entered the vacation ownership market, there was a fear that hotels would see a decrease in hotel revenue or a loss of the vacation owner as a hotel guest. Conversely, executives from all of the companies owning both hotel and vacation ownership asserted that just the opposite has proven true. Vacation owners become a 'customer for life'. The feeling of ownership 'transfers from the unit to the brand'. Another senior executive for the vacation ownership standard business unit of a hotel corporation attested that, overall, his hotel corporation was 'enjoying a much greater share of the travel wallet' from their vacation owners.

Legal

The majority of the executives indicated that a significant strength of the industry has been the increase in regulation within the industry itself and its allying governments. The Australian Timeshare and Holiday Ownership Council, the Organisation for Timeshare in Europe, La Asociación Mexicana de Desarrolladores Turísticos, La Federación Latinoamericana de Desarrolladores Turísticos, The Timeshare Institute of Southern Africa, the Canadian Resort Development Association and the American Resort Development Association (ARDA) play proactive governmental roles, advocating for the appropriate regulation of the industry. This regulatory maturation has changed the face of the industry to one of credibility and acceptance by consumers and lenders alike.

Overall, the executives expressed an appreciation for the regulation of the industry. Executives from smaller, independent vacation ownership companies, in particular, considered the regulatory environment helpful. However, a few of the executives from the larger corporate branded vacation ownership companies expressed their desire for a better balance among regulation, consumer protection and vacation ownership development.

Weaknesses

Weaknesses are those resources or capabilities that are lacking in an industry or organization that prevent the industry or organization from developing a sustainable competitive edge (Coulter, 2005). The executives interviewed for this study all indicated very few weaknesses in the vacation ownership industry as a whole, despite the level of candidness and frank discussion throughout the interviews (See Table 2).

Financial

The vacation ownership industry faces some challenges in the financial lending community. The executives expressed that some lenders are not

familiar with the product or model, and are reluctant to finance vacation ownership projects. Several of the executives expressed concern over the availability of capital, and limited marketing resources faced by independent developers. As one executive stated, 'It is more difficult for independents to penetrate the sources of capital than in the hotel industry'.

Marketing

The marketing model used to sell most vacation ownership units is a considerable weakness. The sales process is in need of significant reengineering. The current sales models incur high costs, and strong consumer dislike of the sales process. The executives interviewed in the study indicated that the marketing models employed consisted of transactional and relationship sales. They indicated that the vacation ownership industry had not embraced target selling or the process of selling to an individual in the manner that the individual desires. Current sales processes include tour schedules that are typically arranged according to the needs and convenience of the resort and not the customer. One executive indicated that his company was examining the tour schedule process: 'Instead of a static schedule with two hour tours at set times throughout the day, the selling and touring process needs to accommodate a client who indicates their availability of 45 minutes time at per se 1:30 this afternoon'.

Currently there is no viable market or process for resale of the vacation ownership product. The current resale market does not reflect marketing costs or the costs of developing product that are incurred in the sale of new product. This poses an additional threat to the sales model as the availability of resale units increases over time.

Product

Hotels and vacation ownership alike have fallen behind consumer trends in electronics and in-room entertainment (Stone, 2005). As stated by one executive, 'It used to be that you went to the hotel because it was nicer than home, but now, I have better electronics and entertainment choices at home'. All of the executives indicated that they are involved in an effort to 'catch up' with the offerings of high-speed Internet, flat panel and high-definition televisions, and other high-end in-room entertainment amenities. The executives conceded that 'in general consumers' homes are still ahead of vacation ownership' in these amenities.

Taxation/legal

Vacation ownership presents a complicated model for taxation and legislation. One executive warned that 'as vacation ownership products are exchanged for points or other travel products, it becomes currency or a transparent product, which is then taxed'. This concern was further enumerated by another executive: 'timeshare is regulated as real estate, taxed as real estate but it is really a tourism product'. Several communities have already faced legislation that sought to tax the vacation

ownership product as hotel rooms (Madsen, 2006). Executives involved in legislative arenas anticipate further attempts at taxation as the product evolves.

Opportunities

Opportunities are positive trends or changes to the environment upon which organizations can capitalize to achieve competitive strength (Coulter, 2005). The executives participating in this study heralded the good news that the vacation ownership industry presents many opportunities for development as well as increased profit. They indicated ample opportunities in market development, product development, market extension and product extensions. The executives predicted markets ripe for development and product offerings that are attracting new markets, and are also influential in the sales process or in the profitability of the operations (see Table 2).

Market penetration

All of the executives interviewed exuberantly proclaimed the lack of market penetration as the strongest opportunity presented by the vacation ownership industry. The vacation ownership industry has estimated that the market penetration is approximately 5 per cent of potential buyers, as determined by travel patterns and demographics of age and income, presenting a tremendous opportunity for expansion and development (American Resort Development Association, 2004).

Product

The traditional product or vacation ownership unit itself is evolving and changing to meet the varied demands of the leisure consumer. The executives forecasted continued opportunities to evolve the product to capture underserved markets. The sharing of ownership in travel and leisure is not limited to the traditional condo-style resort unit. Vacation ownership is experiencing positive growth in other travel and leisure products: houseboats, cruise lines, cabins and so on.

Fractionals, or vacation ownership intervals greater than 2 weeks, present a market with opportunity, although several of the executives cautioned that 'fractionals only work in high real estate value markets'. The fractional market may be more appealing to the independent developer. One executive projected that 'because a fractional in the right market is simpler and easier to execute, it is a market in which an independent could be highly successful'.

Mixed-use properties offer another opportunity. The executives touted the advantages for the hotel to include increased sales in many amenities and outlets with a more level demand cycle. Vacation owners benefit from the increased services available from the hotel, and the developer and community benefit from a more balanced portfolio. Mixed-use development minimizes developer or owner capital investment, while affording the amenities of a hotel. It is predicted that high-end resort development in the future will be a combination of hotel, vacation ownership, condominium and/or single-family real estate (Baumann, 2004; Walsh, 2004).

Services and amenities

The product is more than just the physical unit. One executive avowed that 'Leisure travel is as much about the experience as it is the accommodation'. The executives indicated that 'Organizations that can offer travel experiences and other products in the shared-ownership model' will have additional opportunity for growth. Increased recreational product has become standard for the vacation ownership property. Although many purpose-built vacation ownership properties have extensive resort-like recreation facilities, recent years have seen an expansion of these to include water parks, spas and spa services (Hotel Waterpark Research and Consulting, 2003). Several of the executives interviewed considered these amenities to contribute significantly to the success of their vacation ownership offerings. While location dictates the types and extent of recreational offerings, these high-profile recreational facilities enhance sales of the vacation ownership unit.

Several vacation ownership companies offer an advance concierge service, differentiating them from their competitors. Recognizing that 'time may be the most precious thing an owner has, [they offer] a resort stay equipped to help better manage the time of the owner'. An added benefit of this service is the increased revenue the property receives as a result of the guest engaging in more activities (Serlen, 2005).

There was a consensus among the participants in the study that food and beverage offerings need to be examined further, or, in the words of one participant, 'reinvented'. The executives cautioned that in many markets the abundance of outstanding food and beverage offerings in the immediate community preclude the need for food and beverage service on property. Yet, executives indicated profit in offerings of branded quick service, take-out and pizza. The executives indicated that many of the meals eaten within the unit are not prepared in the unit. They expressed an opportunity for take-out or home meal replacement markets.

Demographic markets

Changing demographics are providing opportunities for new markets and potential customers (Coulter, 2005). Although most of the vacation ownership executives considered 30–40-year-old consumers to be the most frequent and coveted prospect, there were other segments of the market that they forecasted would present opportunity.

The average age of the new vacation owner is 52.6-years (American Resort Development Association, 2008b). This represents an increase in ownership in recent years by the older or senior segment, creating a demand for a softer adventure travel product. The older segment of the market still wants to experience the outdoors and recreation, but at a slower, safer pace than their younger counterparts. One executive expressed the opportunity in this market as, 'An older owner may still want to enjoy the ski lodge and outdoor winter community while forgoing the slopes'. Still other executives told of changing the physical product to include higher numbers of 'accessible units and zero edge pools' in their offerings.

As populations become more diverse, the demand for multigenerational and family group travel has increased. The larger unit provided in most vacation ownership properties more readily accommodates this increase in the number of persons traveling together. Multigenerational travel has led to opportunities in amenities and services. One executive described these opportunities, noting that 'there is also an increased demand for recreational activities that can be enjoyed by parents and children together'.

Geographic markets

The executives interviewed in the study indicated that the vacation ownership market is rich in opportunity at many locations and in many markets. However, they did conversely caution that several destinations are becoming saturated and that 'the amount of beach front property is a finite obstacle'.

While the majority of the vacation ownership product is located in resort destinations, several successful urban vacation ownership properties have been developed. One executive noted that 'urban timeshare is only successful in a very few select markets with high real estate values and limited real estate and hotel availability'. The executives cautioned that a constant 'retail, shopping or entertainment demand base' or a constant business travel base providing a foundation of owners and exchange is necessary for the urban model to succeed.

The executives were enthusiastic about the significant opportunities for expansion in international markets. Their exuberance was dampened by concern over lack of regulation in some countries and markets. Overall, the consensus was that countries and regions with appropriate regulation and consumer protection legislation were being pursued aggressively. For markets in which such consumer protection was not yet consistent, if at all existent, development was cautious, with emphasis on governmental persuasion for regulatory changes. The executives projected 'abundant opportunity in many international destinations, given the correct economic and political models'. They warranted that 'because timeshare and vacation ownership present a more stable occupancy model, the resources in emerging countries can better support the demands of tourism by vacation ownership than the traditional hotel product'.

The executives unanimously projected that the growth of vacation ownership in the Asian Pacific basin is expected to be explosive in the coming years. They foresee this growth being supported both from local nationals and from internationals buying in these markets. They forecasted this region to hold significant promise for both the resort and urban model of vacation ownership. The executives indicated a more cautionary approach to those countries still lacking adequate consumer protection regulation.

The executives predicted Australia to continue to show strong growth as a result of the consumer growth in Southeast Asia. They reported that the Middle East had also proven to be a growing market with mostly regional national ownership. All of the executives in the study indicated that Africa had not yet shown itself to be a consistently profitable market.

Most development in Africa is local, non-branded vacation ownership. The executives indicated that fluctuating political and economic stability are expected to outweigh any demand for African adventure travel. However, South Africa is a very highly penetrated and very mature vacation ownership market. Accordingly, the saturation of this market does not encourage new development or increased demand.

The executives forecasted Europe to hold mixed opportunity. While the creation and expansion of the European Union (EU) and the increasing developments in Eastern Europe have been providing new opportunity for vacation ownership development, Western Europe is not expected to be a strong growth market. One executive indicated that 'Enfolding additional countries into the EU has brought more financing opportunities to these previously shunned countries'. This increase in available capital, combined with new prosperity experienced by some in capitalism markets, has created a demand from both the consumer and the developer side of vacation ownership for Europe. However, the executives did caution that landownership disputes and problems with clear title are significant impediments to deeded vacation ownership in some areas of Europe. Those executives with significant holdings throughout Europe indicated that most of the projects have been related to acquisition. Most of the executives indicated that they have a separate development strategy for Spain. They reported that the vacation ownership product in Spain was more mature and stable than for most of Europe.

Central and South America have mixed reviews for opportunity. The executives confided that the political and economic instability of most Central and South American countries resulted in a feast or famine model of development. One executive made a prediction of favorable growth in the Central American market, concluding with the observation that 'warm beach always sells'. Other executives expressed concern that the economic models throughout most of Central America 'favor condominium development over vacation ownership'.

The executives in the study expected Mexico and the United States to have steady, strong growth. They stated that a combination of favorable changes to real estate ownership laws, increasing real estate values, development and travel from the United States and Canada, as well as demand from Mexican nationals, has fostered abundant vacation ownership development.

The executives predicted the most growth in the United States to occur in California and Hawaii. They also revealed that recent expansion into secondary tourism markets such as Sedona, Arizona and the Blue Ridge Mountains was proving successful overall.

Many executives indicated a sentiment or psychographic driving some of the growth in regional United States and Western European markets: 'People have an interest in returning each year to locations of childhood vacations'. While this is also a contributing factor to growth in many international markets, 'it has abundant opportunity in the United States and Europe, where travel has been a more political, economic and societal afforded opportunity'.

Technology

The executives all expressed a hope that improvements in technology and technological communication would help to decrease the cost of sales and to increase sales opportunities. The executives reported that the majority of consumers touring a sales office have used the Internet to view the product, and competing products, before the tour. As related by one executive, 'the consumer is more educated now when they come to tour than in years past'. The executives interviewed in the study indicated that regulations restrict the sales process over the Internet. Several of the executives predicted that as the Internet becomes more woven into the travel and purchasing patterns of consumers, more vacation product will be purchased over the Internet. One executive contended, 'You gotta sell where they want to shop'. The executives all shared sales and marketing education strategies that they were developing for distribution over the Internet.

Threats

Threats in strategic analysis are those negative changes, trends or forces that have the potential to adversely affect an industry's performance. Identification and analysis of threats is important because it allows an organization to hedge or buffer against potential negative forces (Coulter, 2005). The vacation ownership industry faces several threats to development and profitability (see Table 2).

Legal

Non-equity clubs raise a significant concern for the vacation ownership industry. Non-equity clubs neither sell or deed real estate, nor protect the consumer investment through bonds or equity. This model is ripe for scandal and financial disaster. Non-equity clubs resurrect the scams and potential for fraud rampant in the early days of vacation ownership.

Vacation ownership faces a taxation threat. The executives in this study told of several counties or cities that in the past few years have sought to tax the exchange of vacation ownership, for example hotel rooms. Although they expressed appreciation that ARDA was instrumental in helping to fight these legislative propositions, they were concerned that this may be a growing problem. One executive cautioned that 'as the industry becomes larger and more visible it becomes more enticing to tax'.

Financial

Consumer and developer access to capital is a major financial concern for the industry. The current turmoil in the credit and financial markets was forecasted as a growing concern by many of the participants of this study. Although the markets had not yet reached crisis points at the time of the interviews, the executives were already expressing concerns over the threats that problems in the credit and financial markets would pose.

The executives reported that compounding this concern is that the availability of capital and construction money was limited: 'only a relatively small pool of lenders have gotten to know the product'.

Independents expressed concern that the financing was ‘being sucked up by the big players’. The executives in this study reported that the majority of vacation owners are considered a ‘drive-to’ market and that the rising cost of oil is a concern. An additional financial concern is the increasingly prohibitive cost of land in high-value markets.

The executives cautioned that the low inventory and high real estate cost of the fractional unit has resulted in some fractional products facing economic difficulty. This threat has been compounded by the recent decreasing values in real estate.

Human resources

With the explosive growth in vacation ownership properties has come a scarcity of human resources. One executive lamented that ‘finding skilled labor at all levels, from housekeepers to executives is becoming more difficult’.

Sales and marketing

Some traditional marketing methods are under threat. ‘Do not call’ and do not e-mail regulations have caused significant changes in the marketing methods for some resorts. While many companies indicated that they had already moved away from these marketing models, the independent developers indicated that they are facing challenges in reaching the consumer.

The executives expressed concern that some markets are reaching saturation. In other markets, vacation ownership developers are finding themselves faced with increased competition.

Resort management or resort operations

Keeping maintenance fees down is vital to the success of the vacation ownership model. Several of the executives reported that the primary reason for resale of a vacation ownership unit is the lack of owner ability or interest in paying the annual maintenance fee. Recent concerns over the cost and availability of energy worldwide has several resorts exploring alternative energy sources, such as solar panels, and hydraulic and wind-driven energy generation.

Other threats

The majority of the executives expressed concern that terrorism poses an unpredictable threat to travel as a whole. Likewise, the natural disasters over recent years have demonstrated the phenomenal weather threat that exists to the vacation ownership industry. Much of vacation ownership demand has been for beach property, where the affects of hurricanes and tsunamis on the industry have been horrific. One executive reported that 3 months after the end of a difficult hurricane season, ‘140 resorts were still out of commission’. The ensuing decrease in travel to an entire geographic region after a natural disaster also hurts the sale of vacation ownership product at locations adjacent to but not affected by the disaster.

CONCLUSIONS AND IMPLICATIONS FOR FUTURE DEVELOPMENT

The vacation ownership industry has strategic competitive strengths in human capital and product quality. One of the industry's greatest strengths has been the adaptation of the product to consumer needs and demands. Vacation ownership and timeshare companies should focus on these strengths, and continue to foster the adaptation of product to meet evolving consumer needs.

Vacation ownership must overcome weaknesses in sales processes and costs, taxation concerns, and amenities. Although the majority of vacation ownership units are independent, it is a difficult industry for independents to penetrate. The industry needs to continue to explore sales processes at lower costs, yet maintain sales. Advances in Internet technology and use may provide opportunities to reduce the costs of sales. Benchmarking and studying of best practices of other industries with high costs of sales, such as the automobile sales industry, should continue.

Room amenities continue to lag behind the hotel industry. Further study of owners' desired amenities balanced against the accompanying maintenance costs should be conducted.

The vacation ownership industry must maintain vigilance in taxation and legislation. Involvement in governmental and legislative affairs by local resort management can help to mitigate these concerns early in the process. The unsecured club model threatens the credibility of the industry. Vacation ownership executives should seek further consumer protection and governmental action with regard to this tenuous product. Continued involvement and funding for those associations and agencies that provide legislative assistance will be vital for the success of the industry in the future.

There is significant opportunity for development and profitability in many markets, segments and product offerings. These opportunities include the lack of market penetration worldwide, and expanded products and services. There are significant opportunities for global expansion and previously overlooked demographic segments.

Vacation ownership faces threats in the availability of resources, both human and capital. Vacation ownership management should invest additional capital and time in training and development of human resources to assist in 'getting the ordinary employee to perform in extra-ordinary ways' (O'Reilly and Pfeffer, 2000).

The location of many vacation ownership resorts poses an increased threat of weather and natural disasters. While it is not possible to predict or control these forces, the vacation ownership industry should further explore construction and design methods, materials, and models to provide further protection of both people and property in severe weather and other natural disasters. Further development of disaster relief teams and public relations programs to educate consumers on community and resort status will aid in recovery.

Limitations and recommendations for further study

A SWOT analysis can be a powerful tool in bringing to light key issues. However, SWOT analyses can overgeneralize (Johnson *et al*, 2005).

Organizations should engage in their own rigorous, insightful analysis. SWOT are all relative to specific markets, organizations and contexts. Not all vacation ownership components will encounter or be able to capitalize on all the issues identified in the SWOT analysis. Similarly, SWOT analysis forecasts trends and forces. These forecasts are neither guaranteed to occur nor applicable to all circumstances and organizations.

This research study utilized a qualitative method of analysis, allowing the executives' responses to drive the data. As with all qualitative analysis, it is prone to error in coding because of the bias of the researcher and the respondent.

Only those factors that were reported by the participants were included in the study. The data for this study were self-reported by executives. As such, the data may reflect their own personal opinions and biases (Woodside *et al*, 2004). The lack of reporting or mention of a condition or factor neither concludes nor suggests that the factor or condition is not present or is not of concern to the industry. For instance, some locations or markets are facing significant threats of cyclical demand that coincide with national holidays. Yet, none of the respondents in this study mentioned the threat of cyclical demand. The results of this study do not conclude nor suggest that such a threat does not exist, only that it was not important enough to the executives interviewed at the time of the study for them to so indicate.

Qualitative data are often threatened by sample size. Although the sample for this study included many markets and organizations in the vacation ownership industry, it was not inclusive of the entire industry. Seventy-one per cent of the hotel corporations with vacation ownership business units and exchange companies were included in the study. The representative sample of the independent vacation ownership companies was not as inclusive. Further study should be conducted on independent vacation ownership companies.

This study brought to light the need for further investigative study. Each of the factors or data points in the SWOT analysis warrants further in-depth study. For example, while the executives interviewed in the study indicated problems in the current sales process and the overall lack of target sales strategies, they did not identify the processes or procedures wherein consumers prefer to be sold vacation ownership product. Further study benchmarking other industries and investigating consumer preferences in sales processes should be conducted. The results of this study should also be further validated through quantitative analysis.

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