



State of the Industry

The Resort Industry in 2015

by Sharon B. Drechsler, RRP

What will the timeshare industry look like in 2015? If the boom-bust magic number for economic cycles is seven and the recession began in 2008, then might we be expecting to be high on the hog again by 2015?

I'm no economist and have only recently learned about the Saltwater versus Freshwater theorists. (To synopsise, Freshwater economists are more prone to favor a hands-off approach to recession with the belief that the situation is correcting itself and one should let nature take its course; whereas those on the Saltwater side of the scale feel that intercession is necessary.) That, at least, is my rudimentary understanding of the difference. While I hope the Saltwaters are correct and that something can be done to correct things, I rather more suspect it's like fighting off a cold. If you stay at home and take care of yourself, you'll be sick a week. Get some help from the doctor and you'll be back on your feet in seven days.

National Public Radio (NPR) recently interviewed Lakshman Achuthan, the managing director of the Economic Cycles Research Institute (www.businesscycle.com) – a group that has consistently been spot-on in its predictions. Achuthan told NPR's reporter, Guy Raz, that leading indicators show that the recession is nearing an end. I'll take his word for it.

As we are constantly being warned, however, the end of the recession will not necessarily mean the end of the pain. Particularly, for those of us in the timeshare industry – a business that is very much reliant on the masses having confidence in their own, personal, economic stability – the pain will not be over, instantaneously.

With the bankruptcy of Consolidated Resorts earlier this summer, the line of dominoes is trembling. None of my contacts cared to be

quoted on this point, but many told me to look for further failures among non-diversified developers. If this occurs, our industry stands to lose many of its brightest young people over the next few years as they seek opportunities with a greater upside for long-term growth. Theoretically, the fallout from the industry's brightest and best fleeing to other disciplines could mean a reduced standard of product and service.

What will you do for the next seven years (if we use my theoretical seven-year economic cycle model)? In my opinion, here are the best opportunities for individuals in the timeshare industry right now:

Technology

Resort developers and managers are working on enhancing their current systems to be more efficient. For example, Systems Products International (SPI) reports they have found a strong interest in several of their new products. One is a 'curbside check-in' feature that resorts can use to reduce staffing hours at the front desk. Using the module, security guards or other employees can check in guests using online connections to a remote location for late arrivals. Another feature they've added is their new Orange Documents Manager, a feature that enables resorts to store files and documents pertaining to owners electronically. The message behind all of this development? Technology is still a hot item in the timeshare industry.

Resort Management

Another growth area is management. Developers and HOAs cannot reduce their services or allow their properties to fall behind in maintenance, refurbishment or amenities. Already established management companies are gaining an even stronger foothold in this economy.

Particularly, timeshare management companies with a track record are positioned to help lenders and investors take up the slack on workouts. For

example, in 1989 Hurricane Hugo swept through Myrtle Beach, creating substantial damage to one resort. The developer was unable to cover loans from three lenders and while they awaited payment from insurance, the court appointed the Myrtle Beach and Orlando-based management company SPM Resorts receiver for the project. SPM took over not only the management of the company, but assessed the damage, took over bidding out the construction work, overseeing the entire rebuild and reporting back to the lenders. They found there was more trouble internally in the resort. The recordkeeping for the project had been mismanaged to the point that SPM had to organize the database to figure out who the owners were. In some cases, owners hadn't even received deeds. The company pulled out the stops to track down the owners, help them to clear up their titles and get the back office records into shape, while working on the resort itself, at the same time. This early success led to many other similar workout assignments, which included hotels, marinas and condo-hotels.

Today, the company remains positioned to assist with workouts and is hiring for various positions. "We're looking for college graduates with good grades who are interested in long-term opportunities, have a customer service attitude and the aptitude to learn while performing different roles within the resort. We're also looking for other management professionals who have been in the business and who are seeking a new environment in which to work," says Chairman Michael Schraibman.

Finance

With Textron Financial having exited from the lending scene, Liberty Bank has moved forward in a major way. Wellington Financial President Ron Goldberg, a member of ARDA's Board of Directors, a sought-after public speaker and published writer, says, "As the exclusive resort finance lending correspondent for Liberty Bank, Wellington Financial (www.wellington-financial.com)

com) has been assisting in the financing of receivables, as well as the provision of acquisition and development financing, since the vacation ownership industry took root. We can safely say that this past year has been one of the most challenging for everyone in the timeshare industry, but at this point we can also say that the survivors have risen to these challenges by modifying their business plans and successfully navigating these untested waters. A year from now I expect we will all look back and see this summer as the peak of unemployment, and the end of the 'official' recession, but it will likely take that 12 months for the economy and employment to begin to pick up in a meaningful way."

"From my narrow vantage point," he continues, "I would say that an individual with strong financial and accounting skills and the ability to extrapolate marketing or financial data into useful information, coupled with experience in the business, can still find opportunities in the resort industry." Ron also added that in this competitive environment it is a good time to bolster one's credentials where possible, noting that the ARDA International Foundation professional development program is one way to establish one's long-term commitment to the industry and perhaps stand out among applicants. (Visit www.ARDAFoundation.org for more information.)

Collectors are pulling out the stops to try to recover unpaid mortgage amounts and maintenance fee assessments that have gone in arrears. Paul Goodrich, who oversees the sales and marketing activities for SPM Resorts, as well as SPM's resales company Palmetto Marketing, also assists with special collections issues, deed in lieu and foreclosure programs. While individuals who have lost their jobs due to the current economic situation may not be willing to meet their monthly obligations or may have fallen in arrears, Goodrich explains that it is often more feasible to work out a payment plan that helps them to retain their ownership privileges.

"We've seen a little dip in the collections of annual maintenance fee amounts," he admits. "But we anticipated that there'd be some individuals who wouldn't be able to keep current and adjusted our budgets early enough to plan for it. For the most part, our resorts receivables are right on-target. Some are even better than anticipated."

Goodrich says that at times, it's necessary to just get the deed back to avoid the foreclosure expense, from the owner if possible, so the week can be resold to someone who will become an

active owner. "The goal of a resort's resales program is to find individuals who will use and enjoy their timeshare resort privileges and, therefore, be more likely to stay current with their annual assessments. At SPM, we will work with our owners as much as possible. But in the more difficult-to-collect cases, we'll work with an outside collection agency."

It would appear that the collections business represents a good job opportunity for an individual with good people skills who is knowledgeable about the industry."

Resales

SPM Resorts' sister company, Palmetto Marketing, performs resales for most of the resorts we manage," Goodrich says. "In many cases, we'll place sales people on-site at the resorts. That's made a big difference for us in our success rate. Plus, we are a small enough company that we are able to be flexible during difficult times. We can redirect our resources quickly if we meet with any resistance."

While resorts managed by the larger-scaled companies, such as SPM, benefit from their managers' broad reach, what about self-managed, single-site resorts? Most of them refer their owners to online resources such as RedWeek, which will provide Internet-driven advertising services.

Sell My Timeshare Now's Web site – www.SellMyTimeshareNow.com – announces that their company is avidly recruiting. "If you ever wanted to be an astronaut when you were a kid, come join us: We're going to the moon!" says CEO Jason Tremblay.

We were advised by several of our contacts that rentals in the normally robust summer vacation season were off, considerably. However, as more encouraging signs show an emerging economy, they have seen an increase in exchange and rental reservations.

Advice for the Jobseeker From the Guru – Keith Trowbridge

As one might imagine, Keith Trowbridge urges anyone looking for work to register with his company at www.execq.com. Executive Quest is the go-to search firm in the timeshare industry because of Trowbridge's investment in technology

and philosophy of developing strong relationships with prospective employers.

"Cutbacks in marketing that the industry recently saw will be reversed, going forward," says Trowbridge. He advises that we have a product that must be sold. "No one comes to our resorts and uses self checkout to buy our product."

From his experience, Trowbridge adds that resort management will be another field for growth. "The caring for and looking after of resorts and customers as more and more resorts become sold out and many of the properties turned over to homeowner associations, they'll need professional assistance to operate."

Thankfully, we have the American Resort Development Association (ARDA) to help us through what will surely be a rough transitional period for us all. ARDA will have its hands full and its staff will need our support. Anyone who attends an ARDA Fall Conference or Convention may sit in on any number of committee meetings to learn about what's going on in the industry and to help provide guidance and direction. (Visit www.arda.org for more information.)

We can be confident that timeshare professionals will do what we have always done well: We'll think creatively and stay one step ahead of the curve to ensure we deliver an affordable, quality vacation to families, everywhere. So, I'll see you at the next ARDA meeting and the next – through the year 2015 and hopefully, beyond!



*Resort Trades
Contributing Editor
Sharon Drechsler (a
registered resort
professional with ARDA)
owns and operates a PR,
copywriting and social
media marketing
company, Drechsler
Communications, and can
be reached by email
sharon@drechslercommunications.com or phone
602-370-2003. Sharon is also Director of Public Affairs
for the Sail Through Cancer Foundation
(www.sailthrucancer.org).*