

State of the Industry



For the vacation ownership industry, tough economic times are a challenge. But unlike most industries involved in travel and tourism, there appear to be more remedies available to help us survive and thrive.

**The Resort Industry from 30,000 feet...
A commentary on people and events in
the vacation ownership industry**

Economic Outlook: First Quarter 2008

by Sharon B. Drechsler, RRP

Winter weather may be the season for more than just a drop in thermometer readings, unfortunately. There are more than a few rumors these days that tour flow and closing rates have dipped, correlated to consumer concern about the strength of the U.S. economy and the high price of fuel. The tip of the iceberg indicating a chill in leisure spending was a dramatic decrease in the sale of luxury RVs, according to one recent network newscast. A glance at stock market values and the housing market are enough to cool the most ardent enthusiast. With the Feds taking avid steps to heat things up, particularly in the housing market, the first quarter of 2008 may remain stable, however. So, take heart. Plus, the resilience of the vacation ownership industry is legendary.

According to my friend Stephen Cloobek, owner and president of Diamond Resorts International, my gloomy outlook may be way off-base. In Diamond's case, at least, Stephen says sales are up 120 percent over last year. (Of course, I wonder if you can't attribute a lot of that up-tick to the fact that there's more high-quality attention being paid to marketing and sales in the previously Sunterra-operated resorts.) Nevertheless, Stephen adds there's been no increase in the default rate and he's had no trouble finding capital, having recently secured a \$325 million conduit with multiple Wall Street bankers. Diamond has a lot to be excited about these days with the industry's top talent they're signing up. The latest conga line on their way to Diamond's H.R. office includes top marketing whiz-kid Jim Danz, management's big daddy Steve Hicks and the pied piper of sales Steven Crawford-Welch. Not only that, but they've lured Marty Kandel to come aboard on behalf of their European operation.

But for the rest of us, if the economy hiccups, there's no sense crying the blues. Perhaps it's a call for developers and operators to work smarter.

Marketers can take a closer look at their analytics to tighten up where they place their marketing dollars. For

example, if in-house tours provide the greatest ROI, start looking for ways to increase rentals from previously untapped sources. In the sales room, this is the time to hire an outside consultant, such as The Levitan Group. You are almost guaranteed to recoup the expense within a short time as a result of less burned tours and greater volume-per-guest.

Most managers and resort operators can only benefit from hiring an outside consultant, as well. For example, Grand Timber Lodge, a well-managed, mountainside resort in Breckenridge, recently hired 6 Dimensions Consulting. Although there was nothing really 'broken' about this 5-star luxury project, long-time vacation ownership industry pro Dora Edmonson and her husband, Jay, were still able to give a few pointers that helped them improve their customer communications strategy and improve their usage and rental inventory management.

Run the numbers and often you will find that there are some processes you may currently be performing in-house, which you can outsource more efficiently, such as mortgage or loan receivables servicing. On the other hand, there may be some services that you can bring in-house, or co-perform with a vendor. For example, most resort managers will work on collecting delinquent maintenance fee amounts in-house for a predetermined number of months, or even, years. After a time, hiring a bill collector to come in with their "outsider" approach will reap surprising rewards.

Accounts you had considered uncollectible will often respond more readily to the more authoritative voice of an agency.

For the vacation ownership industry, tough economic times are a challenge. But unlike most industries involved in travel and tourism, there appear to be more remedies available to help us survive and thrive. The organizations most likely to suffer in a tough climate are charitable organizations.

Timeshare resorts have their own, special causes, such as Christel House and Vacations for Vets. The urge to share and give to those less fortunate seems to be an inherent, nobler calling to Americans. Most religions concur. And, as the Bible puts it, "Cast your bread upon the water, for after many days you will find it again." Or, as we say in the more profane, "What goes around, comes around." True, with the holiday season over and the bills coming due with the beginning of the first quarter of 2008, often charitable giving is the first thing we are tempted to cut. But, like many of us and like many organizations, January and February are when an extra little boost is most likely to make a difference. Plus, somehow it always seems that in giving, the giver receives back a hundred-fold.

The Christel House's Web site explains, "Providing food, shelter and medical care are fundamental components of poverty alleviation. The holistic and transformational approach of Christel House expands beyond basic survival needs and addresses the problem through long-term, systemic interventions and human transformation. The cycle of poverty is vicious and repetitive. Transforming a life destined to poverty into a life of self-sufficiency can only be achieved by combating the causes of poverty: lack of education, lack of opportunity, lack of dignity, lack of good health and lack of positive role models." Christel DeHaan selflessly established and continues to maintain this charitable foundation which seeks to break the cycle of poverty. This writer has visited one of Christel House International's five learning centers, this one located in downtown Mexico City, and can wholeheartedly commend the work their dedicated staff performs and the difference they are making, one child at a time. If you are not already contributing, please visit their Web site at www.christelhouse.org.

Vacations for Vets, a program sponsored by the American Resort Development Association (ARDA) and spearheaded by Col. R. John Cully, USA, Retired, is seeking donated vacations for veterans returning from Afghanistan and Iraq. For more information about how you and your resort can become involved, email vacations4vets@arda.org.

The Management & Operations Online Community

Work on the interactive, video-intensive, resort management-oriented askMANDO.com is nearing completion. The web 2.0 community addresses management-oriented material. Inspired by such entities as You Tube and others, askMANDO.com, a brainchild of Resort Trades publisher James "Tim" Wilson – will broadcast home video-like productions addressed to the resort industry. His multi-media publishing empire includes www.resorttrades.com, Resort Trades, and the glossy, four-color magazine for resort managers – *Management & Operations*. Other titles in his stable include *Golf Course Trades*, *Park & Recreation Trades* and *Landscape Architect Trades*.

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