Evolution of Timesharing: Four Decades of Amazing Growth

BY MARGE LENNON

Forty years ago, in 1978, timesharing was a mere blip on the real estate and hospitality horizons. It was also the year I started my career as a publicist for the timeshare industry. A fortuitous moment with the beginning of *Developments* magazine!

In the four decades that have followed, I became an owner myself, visited scores of resorts around the world, interviewed hundreds of timeshare owners, and chronicled almost every aspect of this business while witnessing the industry's dramatic growth and strong consumer acceptance.

In the early timeshare years, the current buzzword "disrupter" (think Amazon, Uber) had yet to become popular. But timesharing clearly *was* a disrupter to the vacation home and hotel industry. It made the dream of owning a vacation home financially possible—albeit for only a week—without the hassles of maintenance. After families began vacationing in two-bedroom luxury condominiums, the "plain-Jane" hotel room lost its luster, thus impacting the hotel industry as well.

Initially, the hotel industry had considered timesharing a fad that would soon pass, but the "fad" soon morphed into a transforming trend. In less than two decades, the timeshare industry sustained double-digit growth—unparalleled by other industry sectors for this period of time, bringing together the real estate, travel and hospitality industries in a combination that ultimately revolutionized American's vacation habits.

In 1975, there were 45 U.S. timeshare resorts with the majority of them in Florida. Many were conversions from motels with less than 50 units, developed by small entrepreneurial companies. While most Americans had barely even heard of timesharing, developers were intrigued by the new timeshare concept as an alternative way to sell condominiums, which were then dotting the Florida landscape like herds of white elephants. There were several names for the new product, including right-to-use, interval ownership, resort ownership, and ultimately vacation ownership, often used synonymously with timesharing.

By the 1990s, public timeshare companies were trading on the stock market and by 2003, timeshares were located in 47 states and 95 countries, reflecting the growing timeshare phenomenon. High consumer satisfaction also helped generate credibility for the band-new product.

Like any new industry, there were hiccups along the way. By the early 1980s, the practices of many unscrupulous developers were out of control. The words "aggressive sales tactics" and "used-car salesmen" were then synonymous, with "timesharing." With assistance from ARDA, Florida passed the state's first timeshare law in 1983 that helped to limit unethical selling practices. This legislation imposed restrictions on timeshare developers and ultimately put some of the bad apples out of business. These initial regulatory actions may have saved the industry from an early demise.

After the introduction of the exchange companies in the mid-1970's and the entrance of many major hotel companies and their marketing expertise during the next decade—including Disney, Marriott, Hilton, and Hyatt—this helped perpetuate the extraordinary industry growth and encouraged consumer acceptance, who now viewed it as a credible and legitimate vacation alternative.

40 Years: What's Changed?

Some of the trends fueling the industry's growth relate to the product itself and its evolving use options and flexibility. Instead of a 50-unit resort from the early years, it is not unusual for a branded hotel developer to build resorts with 800 units. Today's units now feature more luxurious appointments, most with flat-screen televisions in every bedroom. Adjacent two-bedroom lock offs – which function as separate units – were introduced in the 1990s, adding revenue to developers and the option of more vacation space for consumers.

Actual usage has evolved from a single fixed week to floating weeks to today's more popular point-based vacation clubs, allowing for shorter, more frequent stays and requiring robust inventory management systems. Many points-based vacation clubs have created VIP programs for major buyers and developed even larger units and benefit programs for their use.

Exchange networks now offer vacations on cruise ships, to exotic locations and other unique vacation experiences. Today's timeshare owners are demanding new destinations outside of traditional "vacation" markets, including urban destinations. In emerging markets like Brazil and Asia, consumers are more actively traveling in their own countries and internationally than they had in the past.

Today's consumers are more educated and better understand the timeshare product. They no longer run when they hear the word timeshare. And while it is still *not* a "sought-after" product, the tales told to friends about their own positive timeshare experiences have surely influenced future buyers in a good way. More than half of all timeshare sales are made to existing owners, a true testament to their satisfaction about the product itself.

From a revenue standpoint, the top 12 companies now control about 90% of the market. Like many industries, as timesharing has grown, consolidation has all but eliminated the smaller independents, many of whom were the catalyst for the industry in the first place.

Challenges for the Future

As we enter the fifth decade of timesharing, however, the challenges are very real once again. We have a great industry but must be diligent to preserve and expand it with valuable products and features. There is still a desperate need for a secondary market for seniors and others to dispose of their unused timeshares. This missing link has opened the door to the growth of timeshare "rescue" companies, creating the same kind of negative PR that existed in the 80s and 90s as the result of aggressive sales practices. Aging owners at legacy resorts are voicing their chagrin via social media about their inability to sell the timeshare they no longer use.

Timeshare's prime competition today is from a rental industry that has become more and more efficient and ubiquitous. Their online rental distribution systems are driving down the cost of travel and will require today's developer to constantly enhance the owner experience to sustain a credible value proposition at the sales table. The industry's challenge is to create new products that match changing lifestyles and vacationing habits of a younger generation. Some developers have launched short term, travel club type products to offer "pay as you go" (think rentals) occupancy/use rights to encourage the Gen X-Y consumers into traditional ownership options. The jury is still out on this option, but other new ideas are surely just around the corner.

Timeless Demand

The dream of being able to afford a vacation home still exists. Now, through the magic of timesharing, they can. And while a family may own just a one-week portion of their resort, they feel a genuine sense of pride about that ownership and treat it with respect. This results in occupancy rates that are around 80%, significantly higher than hotels at 64%.

At many older, fixed-week legacy resorts, the children – and now the grandchildren of the original owners – are bringing *their* children. I have personally interviewed many fourth-generation families whose grandparents initially vacationed at their resorts in the early 1980s and have now returned with their children, following in this 40-year tradition of vacation ownership.

Today, they are among the over 9 million U.S. households that own timeshare, who have turned to vacation ownership resorts as their preferred travel destination with resorts now located in 110 countries and new development occurring in emerging markets outside the United States. Back in 1978, we couldn't even *dream* that far ahead!

Marge Lennon is principal of Lennon Communications and is a regular contributor to Developments magazine. Her email is ***marge@lennoncommunications.com***. ■