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Timesharing's Consolidation Climb Continues

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timeshare together
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Diamond Resorts, Cabo Azul Resort,
San José del Cabo, B.C.S., Mexico
(sunset, double pool, tiki bar & ocean)

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Timesharing's Consolidation Climb Continues

By Marge Lennon

Mergers, consolidations and acquisitions happen in all types of markets; today they are ubiquitous within in the timeshare industry. The flurry of recent unions is dizzying to most timeshare professionals, making it challenging to understand who owns what. It also tells us that timesharing has reached the most significant cycle of maturity as an industry.

According to the Harvard Business Review, once an industry is deregulated, it generally moves through four stages of consolidation, generally taking about 25 years to progress through all stages. (The timeshare industry is over 50 years old.) This is a normal transition as most industries that survive generally progress through opening, to aggressively building scale, to outgrowing competition, to the final stage of balance and alliance where the titans of each industry reign. When this happens, the top three companies can often claim as much as 70% to 90% of the market. It is entirely possible that, as an industry, we are almost there.

"Ultimately, a company's long-term success depends on how it progresses through these stages of industry consolidation," adds the publication. "Companies that evaluate each strategic move ¬¬– according to how it will advance them through the stages and move up the curve the fastest ¬– will be the most successful. Slower firms eventually become acquisition targets and will likely disappear."

Industry Growth. In tracking various stages of the timeshare industry's growth, during the first two decades of the industry many of the resorts were converted hotel projects that were unsuccessful as timeshare resorts. Thus, the timesharing concept in the U.S. had a difficult startup process due to initial failures, pressure sales practices and resultant negative press. All of that changed during the 1980s and 1990s as the entry of major lodging companies exerted a strong influence on increased consumer acceptance of the timeshare product and helped the industry grow. Few other hospitality and tourism industries can boast sustained double-digit percentage growth in a period when worldwide economic conditions have moved up and down.

By 2003, there were 75 companies operating timeshare operations on the open market, per Ragatz Associates. Today, there are less than a dozen major players as larger branded and public companies have continued to absorb smaller ones. This is not unlike other industries after they enter their maturity phase. Many of the world's largest corporations were formed by business consolidation. (ARDA currently shows 45 active developer members on their directory, but many of these are bundled multiple developers under one umbrella.)

Although the corporate names of the players may have changed, the timeshare industry itself has continued to thrive ... through economic recessions, inflation, political unrest and even pandemics. For the 10th consecutive year, timeshare sales in North America have increased, reaching $10.5 billion in 2019, according to ARDA. This was 3% over 2018 (latest available stats) as the industry remains strong and healthy. This is a good sign for independents and companies that provide services to the timeshare industry.

Marriott/ILG. Before 2021's huge consolidation stories unfolded, Marriott Vacations Worldwide purchased ILG Inc. for about $4.7 billion in 2018, creating one of the world's largest luxury brands for timeshare vacation rentals. With more than 400,000 owners at the time, the ILG acquisition added 250,000 owners to MVW as well as the Vistana, Sheraton, Westin and Hyatt timeshare networks, plus the huge Interval international exchange company and Trading Places International.

Wyndham Travel + Leisure Acquisition. In January of this year, Wyndham Destinations announced the acquisition of the iconic Travel + Leisure brand from publishing giant Meredith in a $100 million deal. On February 17, Travel + Leisure Co, the world's leading membership and leisure travel company, with a portfolio of nearly 20 resort, travel club and lifestyle travel brands, made its premiere on the New Your Stock exchange. Travel + Leisure Co. will maintain its current portfolio of brands and products, with Wyndham Destinations now serving as the umbrella brand for its vacation ownership resorts, which will continue to leverage the power of the Wyndham Rewards program; and Panorama operating the vacation exchange, membership travel, and travel technology businesses. Wyndham is now the world's largest vacation ownership program with a network of 230 properties, 25,000 individual units and over 880,000 owners who have access to more than 4,300 affiliated resorts in 110 countries through RCI, the world's largest exchange company. The newly created Travel + Leisure Group will offer consumer travel products, including online and subscription travel services and product licensing.

Marriott/Welk Acquisition. On April 1, 2021, Marriott Vacations Worldwide (MVW) an-

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Welk Resorts, Northstar Lodge, Lake Tahoe, NV (skating rink)

When this happens, the top three companies can often claim as much as 70% to 90% of the market.

Welk Resorts, The Ranahan, Breckenridge, Colorado (interior with round seating & fireplace)

Welk Resorts. SirenaDelMar, Cabo SanLucas, Mexico (round waterway with palm trees and ocean in background)

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Diamond Resorts, Cabo Azul Resort, San José del Cabo, B.C.S., Mexico (sunset, double pool, tiki bar & ocean)

Diamond Resorts, The Modern Honolulu, Honolulu, HI. One-bedroom interior with white sofa. The Modern Honolulu, Honolulu, HI. (round purple pool w/chairs inside)

Diamond Resorts. The Modern Honolulu, Honolulu, HI (round purple pool w/white chairs inside)

nounced that it had completed the previously announced acquisition of Welk Resorts, one of the largest independent timeshare companies in North America, for approximately $485 million, including approximately 1.4 million MVW common shares of stock. Welk opened its first vacation ownership resort in 1984 and operates a portfolio of eight upscale vacation ownership resorts located primarily in highly sought-after West Coast U.S. vacation markets, with nearly 1,400 keys, 55,000 Owners and over three years of built inventory. MVW intends to rebrand all Welk resorts as Hyatt Residence Club resorts, dramatically increasing Hyatt Residence Club's footprint while providing MVW with substantial future growth opportunities. Once combined and the Welk resorts are rebranded Hyatt Residence Club will offer Owners, Members and guests 24 vacation ownership properties with nearly 3,0000 keys. This will expand the number of Hyatt Residence Club resorts by 50% and increase the total number of owners from approximately 33,000 currently to nearly 90,000.

MVW now has nearly 120 resorts and over 700,000 Owners and Members in a diverse portfolio that includes seven vacation ownership brands. It includes exchange networks, and membership programs comprised of nearly 3,200 resorts in over 80 nations and more than 1.7 million members as well as management of more than 160 other resorts and lodging properties.

Hilton Grand Vacations/Diamond Resorts. On March 10, Hilton Grand Vacations Inc. announced an agreement to acquire Diamond Resorts International, Inc. The acquisition will combine the strength of HGV's internationally recognized brand and culture with Diamond, the largest independent timeshare operator. Diamond's 92 leisure resorts and nearly 400,000 owners uniquely complement HGV's 62 upscale and luxury properties. The Company also manages and operates two innovative club membership programs: Hilton Grand Vacations Club® and The Hilton Club®, providing exclusive exchange, leisure travel and reservation services for its over 325,000 club members. The stock-based transaction has an equity value of approximately $1.4 billion. The deal will expand and diversifying HGV's resort portfolio into over 20 new markets. Upon transaction close, existing Hilton Grand Vacations shareholders will own about 72 percent of the combined company and funds managed by affiliates of Apollo Global Management and other Diamond shareholders will own approximately 28%. The transaction is expected to close in the summer of 2021, subject to customary closing conditions and regulatory approvals

Collateral Damage. While all this is great news for the buyers and sellers, as in any consolidation, the newly combined company may not need 42 senior VPs, another publicist, software company or interior design firm. Frequently, the small timeshare vendors who were serving the purchased firms become collateral damage after the acquisition and some vendors and suppliers may be forced to close as a result of the merger of clients they once served. How can they remain profitable, when their largest client no longer needs their services? The jury is still out on that question and innovative answers to this question are requested from Resort Trades readers, c/o this editor.

What remains is the continued escalation of consolidation. Big outfits are getting richer, while smaller resorts struggle to adapt to the changing economic environment. It's the Pac-Man or "survival of the fittest" theory as applied to timeshare. When the dust settles on these major consolidations, Wyndham, Marriott and Hilton Grand Vacations appear set to dominate the US timeshare landscape while other companies, including Bluegreen, Capital Vacations and Westgate, pursue their own expansion plans.

Because of the continued growth and popularity of the timeshare product, even for independents, the future looks bright. Says Travis Bary, COO of Capital Vacations, "While there has been significant consolidation in the industry, we see tremendous opportunity for Capital Vacations' continued growth. We are focused on a large segment of the market that is currently underserved, the traditional timeshare owner and HOA that does not belong to one of the larger clubs. Capital has developed tools and products to further engage and benefit our existing and perspective clients. We are doing so with price and value in mind. Where the industry is experiencing ever-increasing prices that are passed on to the consumer, we are delivering a great product at a price that creates a profound value proposition."

Regarding the post-pandemic future, vacation travel is poised to bounce back first. Many experts predict that vaccinated Americans will get out of the house long before corporations get comfortable with resuming business travel as average timeshare occupancy will continue to outpace hotel occupancy by over 20%. With longer booking windows than traditional lodging, timeshare companies have already indicated travel demand for the second half of this year is well ahead of the pace pre-pandemic. As more consolidations emerge, the one thing that has remained constant is the genuine popularity of the timeshare concept itself.

Marge Lennon has been writing about the timeshare industry and its resorts since forever. She can be reached at Marge@Lennon-Communications.com.