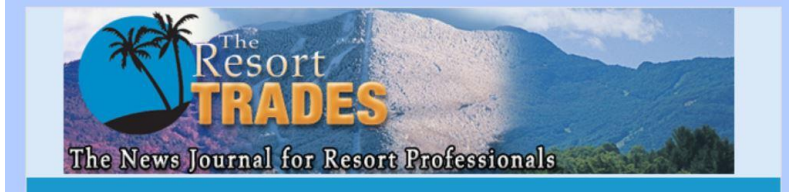


Are You Sustainable?

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In ecology, “sustainability” refers to how biological systems remain diverse and productive. As a social and business concept, sustainability relates to efforts to incorporate environmentally-friendly processes within homes, businesses, and communities. The premise is that conservation of environmental resources will help to sustain the livability of our planet. Over time, the term has been applied to more than just green initiatives; organizations have adopted the term to encompass policies and processes that are intended to produce positive environmental, economic, and even political, technological or interpersonal results over the long term. Timeshare resorts, in striving to meet their mandate to deliver a long-term vacation ownership experience that remains enjoyable and valuable, are great candidates for the adoption of the “sustainability” concept to guide and measure their efforts to fulfill those obligations.

The hotel industry was an early adopter of the sustainability challenge, embracing building and operating policies that saved money, were ecologically-friendly, and resonated with their customers who valued these initiatives. For timeshare resorts, the associations who govern them and the boards and managers charged with the responsibilities of fulfilling both the written and the unwritten promises of the vacation ownership experience, sustainability is also a valuable guiding principal.

To be sustainable, by definition the policy or practice must be long-term in application, efficient with physical, human and economic resources, and able to be consistently applied. A sustainable timeshare resort is one that can deliver an enjoyable and valuable ownership experience over the long term. It’s more than just being green, although that’s one of its many components. Resort sustainability involves financial, competitive, social, and legal considerations. And as with any metrics we employ to measure our progress toward achieving goals, such considerations have to be observable and measurable to be manageable and meaningful. Of course, all resulting policies and concepts must comply with legal and regulatory guidelines, and provide a healthy, safe and fulfilling environment for the resort’s employees, owners, and guests.

Financial sustainability is the ability to meet the resort’s physical and operational needs. Its measures include the ability to pay all of the current year’s financial obligations with the current year’s revenues – no borrowing from reserves or next year’s assessments – and fully-funded cash reserves for future maintenance and renovations. To meet the value test for its owners, these financial goals must be met with annual owner assessments that support the core value proposition of vacation ownership – better accommodations, delivered more efficiently than rental or whole-ownership options.

One measure now commonly employed to measure the relative financial value of vacation ownership among properties is the cost of ownership (the maintenance fees and taxes) per the number of RCI or II points (or trading power) for the interval. For the analytic, this is an objective and useful measure of where an investment in vacation ownership will yield the greatest bang for the buck. It has been fueled by the introduction of points as a vacation currency by the exchange companies and many developers and their growing acceptance by consumers, and by the transparency and immediacy of the Internet. This potent combination has given consumers a powerful tool to help guide their vacation investments more intelligently and predictably. The other side of that coin is that it stratifies many consumers into one of two groups – those viewing timeshare points as a commodity, and seeking to own the optimal amount at the lowest possible cost per point, and those looking for an ownership experience built around a particular destination, a place where the emotional value of ownership exceeds the financial value. For resorts, this means taking a long, hard look at how they're most likely to be perceived – as a highly-desirable destination or as a best-value-for-the-money destination. Clearly, the optimal goal is to be both, but for many resorts that just isn't an achievable result. If their maintenance fees per point are higher than others, and they aren't a high-demand destination, their option is to reduce their maintenance fees which will probably result in them failing to meet the other tests of sustainability.

Overall, this commoditization of timeshare interests isn't a bad thing; it's inevitable in the modern environment, and it is forcing boards and managers to consider their core value proposition in the marketplace – low cost, high demand or both. It's only dangerous if a resort's leadership assumes the resort is something that it really isn't, and they pursue an operating strategy that will ultimately deliver less long-term value to its owners, or if too many resorts begin competing to be the lowest-cost option, driving resort quality downward. If a resort's maintenance fees are relatively high, it has to be a high-demand, unique destination where owners and guests perceive that their investment is in more than just accommodations; there must be an air of exclusivity or an emotional bond that merits its higher cost. If it can keep its maintenance fees relatively low, it must be able to maintain its physical, financial, and environmental integrity while providing a safe and supportive environment for its staff and guests, without special assessments. These considerations are doubly hard for smaller resorts and those located in highly seasonal markets due to their smaller economic base and/or concentration of value within a smaller portion of the year.

Other important measures of financial sustainability include rental and resale values. Rental rates that, on average, exceed the maintenance fee are an obvious indicator of strong ownership value. Strong rentals are critical as the resort's second most important source of revenues, and one of its primary channels for attracting potential new owners. Resale values reflect demand for the product and are the key indicator that an owner has exit options when they want or need to end their ownership. From the resort's perspective, it must have a sustainable outlet for the resale of the intervals it inevitably recovers. If it does, it can also implement policies to take deedbacks when appropriate and support its owners' resale efforts. Resorts that offer their intervals for \$0 or at giveaway prices are broadcasting that ownership there has little or no value, and are failing thereby to meet one of the core promises of the timeshare concept. That certainly isn't a sustainable course. Here's a hint: advertise the intervals at a higher price, indicate that prices are heading up, not down, and acknowledge that "reasonable offers will be considered."

Competitive sustainability is an extension of the rental and resale values and the overall value proposition of the resort. The resort must be among the more desirable destinations within its community to assure that those incoming revenues and new owners will continue into the future. Resorts that are actively monitoring and improving their standing in the many online peer-review and rating sites like TimeshareAdvisor and TripAdvisor and within other social media are those whose long-term sustainability is most assured.

Traditional communication channels have always been important to a destination's social sustainability. A great reputation built by great "word of mouth" recommendations and written reviews in credible print and broadcast media are still important marketing tools. The marvels of modern communications have made social sustainability both easier to access and more important to the resort's identity. Managing the resort's online reputation, promoting its visibility in online rental channels, communicating with current and potential customers, and posting current, engaging content are some of the hallmarks of online social sustainability. But society's traditional marketing communication methods can't be forsaken. An engaged dialogue with our owners through electronic, written, spoken (remember what telephones are for?) and in-person communications support the social contract we have with our owners. When they bought a timeshare, they joined a community, and being a member of a strong community is one of those non-financial values that enhance the overall ownership experience.

The resort is also part of the community in which it is located; if it actively participates and contributes to that community, its social sustainability is enhanced. Resort managers should interact with the other resort and hotel managers in the community – and they'll probably be surprised at how supportive that group can be. Attendance at Chamber of Commerce functions and city planning meetings, and participation in service organizations like Rotary, increase the resort's visibility and win friends and allies. For resorts that have the space or facilities, hosting meetings of the local innkeepers' or Realtors group, or even festivals, craft fairs or youth groups are valuable social and marketing opportunities.

Complying with local ordinances and with the association's governing documents, and potentially changing them to meet the changing times are examples of legal sustainability. At the municipal level, this involves being engaged in local zoning and planning initiatives. Some resorts have sunset provisions in their declarations, or business charters that require renewal. Many resorts are now considering trust and points regimes to modernize and add flexibility to their use plans. Keeping abreast of changes and keeping the resort legally compliant and updated add to the likelihood that it will remain relevant as a valued vacation destination.

The ecological principles from which the sustainability concept grew remain a core component of the resort's strategy. There is ample guidance available in public media on environmentally-friendly "green" initiatives that resorts can employ to reduce costs, protect the environment, and appeal to modern consumer expectations.

Virtually every major task or program can be viewed through the lens of sustainability. In risk management, insurance policies must keep pace with the times. Imagining catastrophic events, which could be a legal event or failure of a major system as well as an act of God, is a form of

visualizing sustainability Consider that cyber-liability and employment practices coverages were, until recently, thought of as esoteric, and are now all but mandatory. Design is more than fashion; functional aspects like the support of wireless devices and gadgets, and comfortable public meeting spaces are at the top of consumer expectations. Is the resort's team – its board, management, staff, and suppliers -- going to be around forever, or are replacements being cultivated?

When thinking about their future, enlightened boards and managers use capital reserve plans and five or ten-year strategic plans to plot their course forward and anticipate challenges and opportunities. As resorts age, the needs and desires of their owners change, and their environments evolve, resort leaders must ask themselves: "Is this property sustainable? If so how do we keep it that way and if not, what are our alternatives?" As in an ecological system, all the elements of sustainability are inter-connected, and a strategic plan must probe all of these elements. Short-term decisions yield only short-term results, and can often limit more valuable long term options. If a resort can't make decisions for the long-term, it may be that its long-term options are very limited. Adding the concept of sustainability into the planning process is a great tool for ensuring that the resort won't merely continue to exist, but that it is likely to thrive for years to come.

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