



## CORPORATE TRANSFORMATION SERVICES

# Staying Power – Evolving Vacation Ownership To Delight the Modern Vacationer

The vacation ownership industry, with its proven business model, thrives even in challenging socio-economic times. The industry has been successful in creating an owner base that is enthusiastic about travel and consumes the product in good times and bad. A recent study by the American Resort Development Association (ARDA) showed that 63 percent of timeshare owners strongly believe that nothing is going to stop them from taking a vacation, compared to 43 percent of total travelers who said the same.<sup>1</sup>

***Vacation owners will travel no matter the economy – 63% of timeshare owners believe nothing will stop them from vacationing.***

The industry is not without its challenges, however. From a consumer-facing standpoint, challenges typically center on perception and trust issues associated with aggressive sales processes, product inflexibility, contractual complexities and the need to stay ahead of constantly evolving travel patterns and customer expectations. Furthermore, from a business-facing standpoint, the industry has seen significant consolidation over the last several years resulting in vacation ownership companies needing to differentiate themselves to compete better against larger, more formidable competitors.

The average vacation ownership consumer is 39 years old.<sup>2</sup> As vacation ownership companies look to tap into the next generation of owner base, the most successful companies will be the ones that are positioned to deliver best-in-class products and experiences that appeal to the next generation of tech-savvy, and tech-dependent, vacation owners.

Skift Research states in its 2024 Travel Outlook, “We expect that overall travel industry revenue growth will decelerate from eye-watering double digits... toward a more modest high-single-digit growth rate.”<sup>3</sup> While this sustained, but more measured, growth bodes well for the industry as whole, it means greater competition within the sector to maintain and grow market share. As such, vacation ownership companies must be highly in tune with the wants and desires of today’s traveler and must proactively understand and address the trends that will influence their buying behaviors.

***Consolidation in the industry requires that vacation ownership companies differentiate themselves in order to compete.***

1. American Resort Development Association, AIF Vacation Ownership Sentiment Index, March 2024. <https://www.linkedin.com/feed/update/urn:li:activity:7191528996784717824/>.

2. American Resort Development Association, <https://www.arda.org/news-communications/timeshare-industry-basics/us-timeshare-industry-numbers>.

3. Skift Research, Skift Research Global Travel Outlook 2024. <https://research.skift.com/report/skift-research-global-travel-outlook-2024/>.



## Trends in Vacation Ownership

A&M believes there are three key trends that will shape the vacation ownership industry in the immediate future. To gain competitive advantage and drive growth, vacation ownership companies must develop and implement effective strategies and capabilities to take advantage of these trends.



### Changing the Value Proposition: Creating Memorable Experiences

Owners and guests are looking to maximize their vacation time and create long-lasting memories. Leading companies will immerse themselves in the owner experience to provide tailored experiences, activities, and amenities to build stronger brand loyalty and convert owners and guests into brand advocates, helping to attract the next generation of owners.



### Product Evolution: Moving From “Bricks and Sticks”

Leading companies will evolve the vacation ownership product from one centered on the physical property to one emphasizing the comprehensive vacation experience. This will include expanding amenities, activities and utilizing ecosystem partnerships to offer access to unique experiences (cultural, adventure, wellness, culinary, sport events, etc.), creating affinity between vacationers and the brand to capture a greater share of wallet and larger, more consistent revenue streams beyond the initial purchase and maintenance fees. An example of this is Hilton Grand Vacation’s Ultimate Access program, which offers access to unique events in exchange for attendance at a membership review or timeshare sales program.<sup>4</sup>



### Sales Transformation: Meeting Evolving Owner Needs

Vacation ownership companies must constantly evaluate and evolve the initial sales process — both to attract new and younger owners as well as to battle the negative perceptions associated with the sales process. Additionally, owners’ needs evolve over time and can vary greatly from when they made their initial purchase. A recent study by ARDA showed that 71 percent of timeshare owners plan to upgrade their current timeshare or purchase additional timeshare product in the next two years.<sup>5</sup> To stay attuned to their evolving needs and expectations, vacation ownership companies must create regular, low-pressure post-sale connections with owners, across multiple channels. Companies must offer a variety of products and formats, including subscription models, exclusive offerings, etc., that can adapt to their owners’ changing needs and generate new, profitable revenue streams.

4. Hilton Grand Vacations, The Vacationeer, Oct. 23, 2023, <https://www.hiltongrandvacations.com/en/plan-your-vacation/benefits-of-timeshare/hgv-ultimate-access-feels-like-next-level-timeshare>.

5. American Resort Development Association, AIF Vacation Ownership Sentiment Index, March 2024.

6. Skift Research, Exploring Gen Z and Millennial Travel Habits. <https://research.skift.com/report/exploring-gen-z-and-millennial-travel-habits/>.

## Five Steps Vacation Ownerships Companies Can Take Now

There are five practical steps vacation ownership companies can take now to jumpstart their efforts to evolve their offerings in order to delight the modern vacationer, improve EBITDA and gain market share.



**1. Repositioning the Brand To Drive Competitive Differentiation** – Customers want to interact and associate themselves with trusted, reputable brands. Additionally, according to Skift Research, 57 percent of Millennial and Gen Z travelers rely on social media channels for travel planning, emphasizing the significant influence of digital platforms. Successful vacation ownership companies will position their brands in a way that mitigates some of the negative experiences associated with the industry and evoke more positive messaging: as enablers of the enjoyable feelings associated with travel and vacation and as enablers of vacationers' desire to have experiences that create lasting memories. Leading companies will build comprehensive brand strategies that are communicated and reinforced across the full suite of traditional and digital channels.



**2. Rethinking the Product** – The industry has demonstrated an ability to evolve its product offerings, as evidenced by the shift from the purchase of fixed weeks to points that offer more flexible redemption options. The next major evolution must be centered around the concept that the vacation ownership product is not just the physical room and resort; it provides a comprehensive set of services that enables new travel behaviors, such as remote work, blended travel and digital nomads, and that effectively leverages an ecosystem of partnerships to enable an end-to-end vacation experience for owners and guests. An example of this ecosystem model is the partnership between Travel + Leisure and Allegiant. Leading companies will maximize the use of partnerships, their app and other digital channels to leverage data, analytics and artificial intelligence in order to enable personalized and targeted offerings before, during and after the owner and guest's vacation to create positive, lasting memories, drive greater brand affinity and capture a greater share of wallet from their owner base. Access to, and participating in, these experiences should be decoupled from any sales processes.



**3. Reimagining the Sales Model** – As vacation ownerships look to drive more meaningful connections between the brand and owners/guests across the lifecycle, there are opportunities to reimagine the sales model to both mitigate some of the negative perception of the industry and create additional revenue streams. Leading companies can achieve this through a combination of several mechanisms: 1) creating regular, low pressure connection points with owners to proactively understand any changing vacation needs and creating bespoke offers to meet their needs and 2) offering alternative purchase options, such as subscriptions, to create new and different revenue streams beyond the initial purchase and maintenance fees. Additionally, companies must rethink contract structures to combat the negative perceptions of “no way out” and create simple and clear exit options paired with a refocusing of efforts to use the product and brand loyalty to drive owner retention.



**4. Metrics That Matter** – New contract sales and volume per guest (VPG) have been the gold standard metrics on which the vacation ownership industry is measured by investors and how it measures itself. While these metrics are extremely important, they show an emphasis on front-end sales and marketing and less on the full owner experience. Leading companies must supplement these metrics with other relevant metrics such as customer lifetime value (to identify and nurture relationships with the most profitable owners), customer experience (to drive owner stickiness and build brand affinity and advocacy) and ancillary revenue penetration (to determine ability to drive greater, more profitable share of wallet and monetize ecosystem partnerships).



**5. Tech Modernization** – The ability to deliver enhanced capabilities around digital sales, inventory management, end user technology (owner, guest and associate), personalization, omnichannel enablement and predictive analytics are highly dependent on the ability to leverage modern platforms and emerging technologies such as artificial intelligence. There are typically two things that hinder a vacation ownership company's ability to build enhanced technology enabled capabilities: 1) tech debt resulting from high reliance on outdated, legacy systems and 2) inability to secure investment due to high investment costs and/or hesitation by senior leadership. Leading companies must have a well-defined technology strategy and modernization plan, supported by senior leadership, that clearly articulates the value case for new and ongoing investments.





## Start Here: Define Your Path Forward

While inflation and economic uncertainty create potential headwinds to consumers' willingness and ability to spend on travel in the immediate future, there is still significant demand and opportunity for vacation ownership companies to grow market share and establish deeper and more profitable relationships with their owners and guests.

Vacation ownership companies that focus their efforts beyond the initial sale on offering products and services that delight the modern vacationer are best positioned to create greater loyalty with their current owner bases while appealing to the next generation of owners.

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