



2014 Fall Conference

The **ARDA Fall Conference** is an annual forum to address issues that are fundamental to the industry's health and growth, especially in the challenges of our current environment. This three-day conference focuses on pertinent information that will help you understand the priority issues facing our industry on both federal and state levels. It is more important than ever that ARDA provide you with the information and tools to make more educated, informed, and strategic decisions in your individual businesses.

November 12 – 14

The Fairmont
Washington, DC



Can't miss events:

Wednesday, Nov 12

- Welcome Reception
- Committee Meetings
- Trustee Foundation Dinner*

Thursday, Nov 13

- ARDA Board Meeting*
- Legislative Luncheon
- Dynamic Afternoon Programming
- Evening Reception

Friday, Nov 14

- Breakfast with Keynote Speaker
- Chairmen's Roundtables*

For detailed schedule and registration information, go to
www.arda.org/fallconference

**By invitation only*



Capitalizing on On-line Travel Agencies

BY ANDREW GRAZIANO

Over the past decade, the travel industry has had its very foundation shifted by the Internet. When you think about it, travel is the ideal commodity to purchase online—you can't try it on or test-drive it, it is inherently social, and the only shipping associated with it is you!

In the timeshare world, an active rental program can bring many benefits to an HOA. It gives owners an additional option for the use of their time, helps an association recoup funds lost to delinquency, and generates new foot traffic for the sales team.

Merging the two (Internet & rentals) you find on-line travel agencies (or OTAs) like Expedia and Booking.com, consumer review/reputation sites like TripAdvisor and Yelp, and the recent growth of metasearch engines like Kayak and Trivago. And it's important to operate efficiently in these spaces to stay competitive.

The increased revenue provided by an active rental program is important, but the true benefit of rentals to timeshare comes when it is coupled with customer retention and sales programs—turning commissioned guests into repeat visitors and then into owners.

Be visible on the sites with the most traffic.

The growth witnessed in the online travel space has been staggering. In May of 2014 alone, OTA mogul Booking.com (a member of the Priceline family of sites) reported more than 210 million unique visitors. Second was the TripAdvisor family of sites with more than 159 million unique visitors across its various language-specific pages, followed by the Expedia family with roughly 63.5 million.

The rate of growth of Booking.com is particularly impressive. In October 2013, the company reported total visits of approximately 105 million—more than double TripAdvisor and four times Expedia.com. Their dominance continued in February 2014, notching 166 million. Now, surely the approaching summer travel season impacts those numbers, but equally as impressive is the gap between themselves and rival Expedia. The presence of strong OTA brands serves as both a benefit and detriment to independent marketing efforts. Not only do they promote nationally for their own brand but they also both invest heavily in individual travel markets, making advertising an individual property less effective and often cost prohibitive.

For resorts with no advertising budgets or low collection ratios, placement with an OTA can provide a significant boost in availability on a commissioned-basis that does not require out-of-pocket spend.

Leverage the “billboard effect.”

Professor Chris Anderson of Cornell University has extensively studied the benefits of placement with an OTA. His research hypothesizes that a “billboard effect” exists—meaning that just being visible with an OTA will increase business through the property directly.

Partnering with JHM and Expedia, Anderson's team cycled several properties on and off Expedia's Web sites for seven to eleven days at a time—a total of 40 days (on and off) by the end of the study. Properties surveyed included independently-owned hotels along with properties flagged with major brands, and the number of reservations made through the property were tracked each day. The results showed increases in direct booking activity for each property. Branded hotels (which have stronger name recognition and loyalty) saw an average increase between 7.5-14 percent in

direct bookings. The independent property surveyed nearly doubled that — reporting a 26 percent increase in direct bookings as a result of their OTA placement.

Searchers find the resort on an OTA site and then do more research about the resort, which can result in travelers booking directly on the resort's Web site. This is good news for independent timeshare resorts, which can benefit from the OTA traffic and billboard effect without much expense. For example, the resorts in the SPM Resorts, Inc., vacation rental program have seen significant revenue growth in recent years, due to our relationships with OTAs and managing the listings properly with well-written descriptions and updated photography.

Bill Young, president and CEO of SPM Resorts, says: "Generating rental revenue has enabled many of the resorts we manage to recover funds lost to delinquent owner accounts, thus preventing the need to increase maintenance fees for dues-paying owners."

Anderson revisited the study, this time reviewing more than 1,700 reservations made through InterContinental Hotels branded properties. Taking the months of June, July, and August for the calendar years of 2008, 2009, and 2010, Anderson's research showed that between three and nine direct reservations were made for every one directly through Expedia.

Price accordingly.

Although these studies were conducted almost four years ago—eons when discussing the Internet—the billboard theory is still relevant. The core of this theory centers on the consumer's desire to shop and research before making a travel decision.

An Expedia report released in 2013 showed that the average consumer in the 45 days prior to their booking will make more than 38 Web site visits researching, shopping, and planning. Ad campaigns like Priceline.com's "Negotiator" have trained consumers for years to shop around looking for deals—even though parity agreements work to reduce such variances. Even the major price comparison websites, Kayak and Trivago, owned by Priceline and Expedia, were

created by the industry further supporting the consumer's desire to shop.

It should be noted that consumers are not only comparing prices across sites for the same property but also for the area. Pricing a resort relative to its market is an important and ever-changing process. Yielding rates—the practice of varying pricing relative to availability levels—is a labor-intensive process but necessary to maximizing revenues. Effectively managing to the market's trends in demand is a very effective way to maximize rental revenues.

Generally speaking, those consumers booking furthest in advance have the most options and are most price-sensitive, while those booking last minute have fewer options and are therefore less sensitive to variances in price. Successfully managing to this curve requires a staff with an extensive understanding of the market, the ability to distribute inventory to all partners in real time, and consideration of properties that would traditionally be outside the normal competitive set, as consumers will be faced with fewer choices. Ineffective yield management techniques can lead to overbookings or last minute price drops—a costly penalty considering the number of "best price guarantees" offered by many OTAs.

Take advantage of on-line visibility.

Travelers' research is not limited to just merely price shopping; travelers want unique content. Enter consumer review Web sites like TripAdvisor, Yelp, and TimeshareAdvisor.

These sites feature user-generated content (UGC) consisting of on-line comments, profiles, or photographs produced by consumers. A 2008 report by Vermeulen and Seegers indicate that 84 percent of travelers' decisions are influenced by reviews and estimates cite more than \$10 billion a year in online travel purchases being influenced by UGC reviews. Given the impact of a property's online reputation, it is necessary to actively monitor these sites as well.

A notable difference in Anderson's research was the spread between branded versus independent properties, forcing

consideration as to why that occurred. The study did not offer a conclusive explanation, but postulated that brand loyalty played a role. Consumers had already familiarized themselves with the particular hotel brand, perhaps accrued some kind of loyalty reward, and were in the habit of booking directly through the brand's website rather than an OTA.

An effective rental strategy should include efforts to generate that same feeling of loyalty at timeshare resorts. These guests have conducted their own research and decided that the property suits their needs.

Convert into long-term owners or repeat guests.

Providing guests with a positive experience and repeated engagement through e-mail and social media campaigns encourages them to return, increases their monetary value to the association, and off-sets any commissions paid to first acquire them. An effective rental program will also supplement the efforts of a sales team by providing a "pre-qualified" flow of guests, as they have already sold themselves on the property.

Although the business of on-line marketing and consumer trends continue to evolve, the on-line travel agency has remained constant and provides a cost-effective method of increasing a property's visibility. An effective revenue management program leverages such placement to promote not just the rental of unused time but the property and concept of timeshare ownership as a whole.

Young says: "Our vacation rental program has grown significantly over the past few years, in large part due to our relationships with the on-line travel agencies and making sure the resort profiles are updated on the various sites."

The OTA can serve as a springboard for timeshare resorts' on-line marketing efforts and convert the travelers that discover the resort into long-term owners or repeat guests. ■

Andrew Graziano is corporate director of revenue management for SPM Resorts. His e-mail is agraziano@spmresorts.com.