

Timeshare Industry Leadership and Human Resource Implications of Employee and Guest Satisfaction

By Thomas A. Maier and Dogan Gursoy

Introduction

Human resource initiatives and critical decision-making is an essential component of effective leadership practice in today's hospitality industry. This case study presents a dilemma for hospitality industry leaders in the Timeshare/Vacation ownership field who are faced with key strategic decisions surrounding resource allocation and the impact on employee morale, guest satisfaction and facility maintenance. Xavier is the CEO of Kalalau Inc. Timeshare/Vacation Resorts and he is faced with critical strategic decisions pertaining to the ongoing success of the company. His challenge is to identify key strategic formulations for the company in the near term (3-5 years) related to managing rising costs associated with facility improvements while top-line revenues are stagnant. This leadership case study aims to generate discussions and raise questions surrounding hospitality industry leaders approach to strategic formulation and decision-making processes.

History and Evolution of Timeshare/Vacation Ownership Industry

Timeshare companies began as a niche market product offering, however, more recently big hotel brands in the hospitality industry have established Timeshare programs and have become fierce competitors (Wyndam, Starwood, Marriott, Hilton and Disney). Timeshare companies target a variety of different customer segments, much like hotels they offer varying unit types and resort configurations.

It all began in the 1960's when a German hotel manager who wanted to buy an apartment in the French Alps, but could not afford it. He and his friends bought the apartment together and shared it in weekly intervals (Woods, 2001). The Timeshare/Vacation Ownership product type typically offers consumers the opportunity to purchase time slots in a resort to be used during a pre-determined time period (holiday), rented to another consumer on holiday, or exchanged with other buyers in participating Timeshare/Vacation Ownership marketing platforms. The two primary forms of Timeshare/Vacation Ownership are; titled or trust, which are consumed in week long intervals, and point based, in which participants purchase points that can apply to the use of Timeshare units.

Currently, weekly intervals are still the primary purchase units of Timeshares, whereby the owner of the week owns that segment of time forever. However, more flexible options of purchase also exist. Alternative Timeshare purchase units include split weeks, exchanges, and points. Split weeks allow an owner to split their time in the unit instead of having one whole week. Exchanges allow owners to trade their time at one property for time at another property in a different location. Points allow owners to purchase points and redeem them at any of the company's properties for varying costs depending on season or location (Crotts & Ragatz, 2000; Rezak, 2002; Sparks et al., 2007; Woods, 2001).

From a demographic context, Timeshare owners are generally older than 35, have secure jobs and significant discretionary income. Additionally, couples are more likely to own Timeshares, representing 87% of Timeshare owners (Crotts & Ragatz, 2000).

The key differentiator in Timeshare resort management and traditional hotel resort management is the guest ownership interest and subsequent nature of the Timeshare guest experience. Atypical in the Timeshare Industry resort experience is the length of stay pattern and type of service product offered. The Timeshare resort experience differs from a typical Hotel resort in various ways. Most Timeshare units contain full kitchens, laundry facilities and multiple bedroom unit configurations. Since the Timeshare owner stays in weekly intervals or longer, facilities and services are geared towards longer stays. However, since some Timeshare products are conversions from existing hotels they may have more traditional overnight room configurations with a bed/double bed, living space, and bathroom floor plan. In contrast to the Timeshare owner/guest, the Resort-leisure guest stays at the facility for a shorter length of stay and rents the unit for daily use as a secondary rental of the ownership unit.

The prevalence of the Timeshare Industry to the overall US economy is notable. According to the latest AIF research, the 2010 economic impact of the Timeshare Industry on the U.S. Economy contributed approximately \$8.4 billion in tax revenues. Federal taxes accounted for \$4.9 billion (59%), state taxes were \$1.8 billion (21%) and local taxes were \$1.7 billion (20%). Resorts generated \$2.9 billion in total taxes, corporate operations generated nearly \$1.4 billion, sales and marketing nearly \$1.8 billion, vacation expenditures \$2.0 billion and capital spending related to new construction and renovation resulted in a

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Table 1

Hotel Resort/Timeshare Comparative

Attribute	Resort Hotel	Timeshare/Vacation Resort
Unit of Sale	Room night	Time interval/points
Length of Stay	Daily-1.5 nights	Weekly-7-14 days
Exchanges	Note available	Participation in resort exchange clubs and affiliates around the world
Reward Programs	Accumulation of user benefits and service amenities, points redemption for stays	Accumulation of user benefits and service amenities, points redemption for stays and other vacation products
Ownership Interest in Unit	none	Deeded sale
Maintenance Fees	none	Required monthly payment
Dining	Multiple outlets	Usually no outlets or leased outlets to third parties
Sales Process	Individual/Internet, central reservations	On site-Aggressive selling (comp services, tours)
Check-in	Front desk-guest services	Front desk-guest Services
Housekeeping Services	Daily	Mostly weekly; in some cases daily depending on the Brand.

Source: Shell Vacations LLC.

total of \$269 million in taxes (ARDA, 2011).

The typical Timeshare resort operation and corresponding guest utilization offers hospitality leaders multiple revenue generating opportunities. Given the heightened competition within the Timeshare/Vacation ownership industry and economic stagnancy with the global economy, strategic panning and decision-making takes on greater importance for hospitality industry leaders.

Background of Kalalau Timeshare/Vacation Ownership Inc.

Kalalau Timeshare/Vacation Ownership Inc. was founded in 2001 and currently owns, operates and manages 30 resorts across 8 states in the US, employing close to 2,991 employees belonging to 16 departments. Their annual revenues exceed \$45 million dollars from resort operations alone. In addition to resort revenues, Kalalau Inc. receives income from real estate unit sales, homeowner association fees, customer loyalty programming fees and reward points redemption in excess of \$100 million.

The management structure at Kalalau Inc. consists of two primary divisions; (1) Timeshare Sales and Marketing and (2) Resort Operations. Each of the divisions has a President reporting to the CEO and founder Xavier. While the Timeshare real estate sales (ownership) units and points based purchases generate close to \$100 million in revenue, ongoing fees and subsequent "reloads" to existing Timeshare customers are a secondary source of revenues. Additionally, a prime driver of revenues at Kalalau Inc. are resort operations which generate close to

\$45 million dollars a year in gross sales from secondary unit rentals offered in the open market to transient resort customers. Unique to the Timeshare/Vacation Ownership industry, owners are able to rent their unoccupied units to the traveling public.

In this case study both divisions of Kalalau Inc. are working towards the same goal: maximizing revenues and delivering quality services. The real estate division is focused on finding new buyers for deeded units while also re-loading or selling additional points based consumption to existing Timeshare owners. The Resort operations division is focused on delivering quality services and maintaining facilities, administering homeowner association requirements to Timeshare unit owners and providing hospitality services to secondary rental unit-transient customers utilizing those facilities.

At the heart of this case is the short-term strategic direction and decision-making process facing the leaders of Kalalau Inc. Senior leaders and key managerial personnel are gathering for their annual strategic planning exercises in anticipation of the forthcoming budgeting and three-year strategic outlook exercises. Xavier, the CEO, is faced with key leadership decisions and wants a closer examination of a few key factors associated with company performance; employee satisfaction, customer satisfaction and facilities maintenance. In order to do so he has commissioned a few third-party survey studies to examine these factors more closely.

Figure 1

Kalalau Inc.-Employee satisfaction factors (unit of analysis based on 1-5 point likert scale).

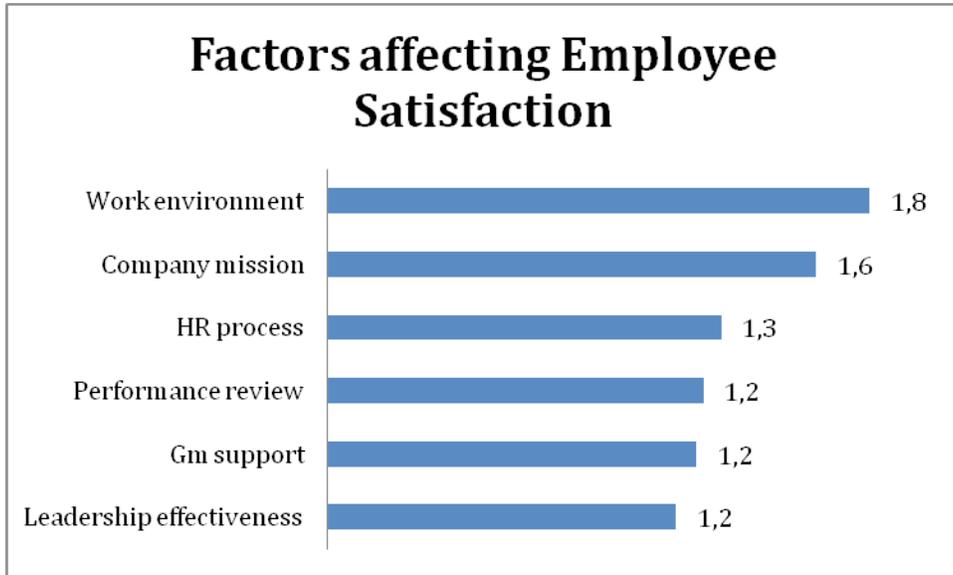


Figure 2

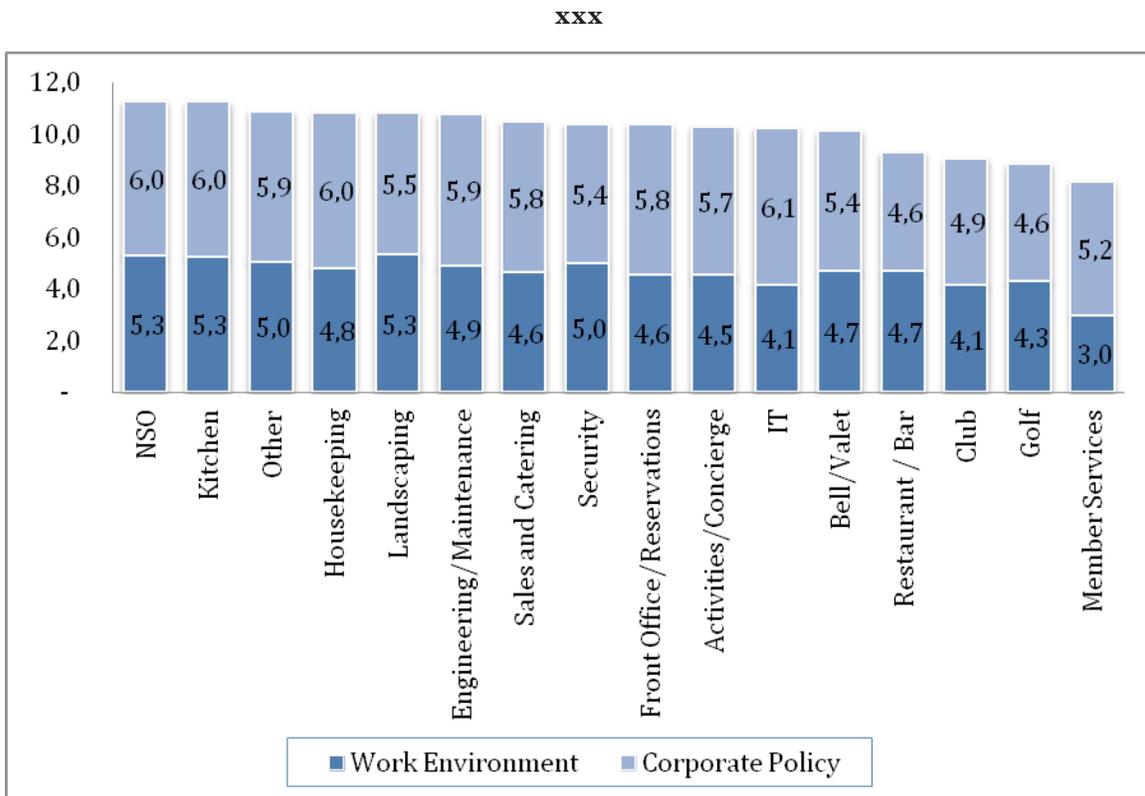
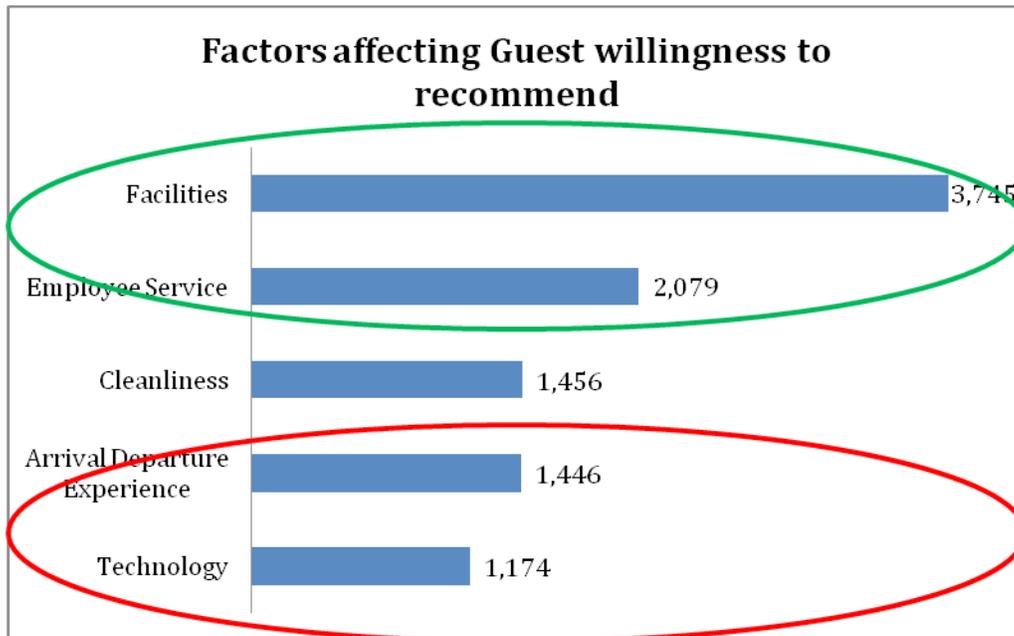


Figure 3

Kalalau Inc. Guest satisfaction factor ratings



Employee Satisfaction at Kalalau Inc.

Based on the request of the CEO at Kalalau Inc., the research department conducted an internal analysis through a third party survey company on current employee satisfaction perceptions. The survey consisted of 5-point likert scale questions with results indicating there exist several factors impacting employee perceptions of satisfaction with the company. Their internal factor analysis indicated 6 principle components that explained employee's satisfaction with working for the company:

- Company mission-defined as: excited about the future of company, commitment to service, senior management cares about employees
- Work environment-defined as: learn new skills to develop my talent, good systems and job tools, physical conditions, receive adequate training
- Human resource (HR) processes-defined as: employees treated fairly, improved work practices, concern for employees, training support, informed of company policies, compensated fairly
- Performance review-defined as: annual process, two-way exchange, tied to merit based compensation
- Leadership effectiveness-defined as: attentive to employees and guests, keeps employees well informed, provides value to guests, maintains facilities
- General Manager (Gm) support-defined as: trusts my decisions, cares about my views, committed to company success

Kalalau Inc.'s research department turned over the results of the employee satisfaction survey and factor analysis to the CEO-Xavier and the executive team of the company. The summation indicated that the work environment was the most important factor for their employees. This factor essentially captured employees' satisfaction with the infrastructure they have to do their day-to-day job, their work life balance, the training they receive, their pay and job security. The second most important factor was corporate policy capturing the employees' satisfaction with the mission, their belief in the future of the company and their conviction that the corporate office cares about them. It is interesting to note that team interaction was not a significant factor in explaining an employee's satisfaction level with the company. The HR process, annual performance review, ongoing GM support and leadership effectiveness were less important factors.

It is interesting to note that leadership effectiveness, which captures the employee's satisfaction with his/her supervisor, is the least important factor in determining their satisfaction with the company.

For leadership planning, decision-making purposes, Xavier thought it would be a good idea to dig deeper into the employee satisfaction factors and asked the research department if they could isolate the employee satisfaction by departmental category. Figure 2. Reflects the results of the employee satisfaction factors by departmental. The unit of analysis was based on a 1-5 point likert scale. Xavier –CEO of Kalalau inc. was informed that the National sales office, kitchen and housekeeping employees have higher combined satisfaction fac-

tor scores, while the club, golf and member services employees have the lowest combined satisfaction factor scores. This indicates there exist various levels of employee satisfaction based on the assigned department Kalalau Inc. employees work in. Armed with this information Xavier needs to consider how important employee satisfaction relates to guest satisfaction and what company resources and human resource process should be allocated to employee training.

Guest Satisfaction at Kalalau Inc.

Intrigued by the research departments findings related to employee satisfaction, Xavier believed it would be important to also understand the perception of Kalalau guest satisfaction levels. Since Xavier believed employee satisfaction played a key role in guest satisfaction he asked his research department to conduct a similar analysis of guest satisfaction factors. Following the same framework as the employee satisfaction analysis, the research department at Kalalau conducted an extensive guest survey and identified factors that summarized the guest satisfaction perceptions of Kalalau resort experiences. They reported to Xavier-the CEO, five significant factors that explained guest satisfaction with the company and their desire to recommend Kalalau to their friends:

- Facilities-defined as: up to date, good working order, exercise room, pool area, public space
- Employee Service-defined as: genuine friendliness, promptness, knowledgeable about the area, resolved issues in timely manner
- Cleanliness-defined as: bathroom, guest room, public areas, kitchenette, linens and soft goods in the room
- Arrival/Departure Experience-defined as: timely, recognized by name, efficient with billing, welcoming spirit
- Technology-defined as: up to date, complimentary internet access, good working order, ease of use

The research department conducted a company wide guest satisfaction survey of over 2,000 guests. They reported to Xavier that resort facilities and employee service were the most important factors related to guest satisfaction and their desire to recommend the Timeshare resort to their friends. The guest satisfaction results measured the overall condition of the resorts in the following areas: comfortable furniture and beds, employee services, cleanliness, and arrival/departure experiences. Further, results of the guest satisfaction surveys indicated employee service, friendliness of staff, cleanliness and arrival/departure experience were the next most important satisfaction factors. Interestingly enough, technology (speed of wifi etc.) was of least importance.

Faced with key strategic initiatives and short-term decision-making alternatives Xavier needs to consider his options and communicate his plan to senior leaders. If you were the CEO of Kalalau Inc. how would you balance the importance and or relevance of

employee satisfaction, improvement of guest service delivery and maintaining the resort facilities attractiveness/working order when faced with the following short-term leadership/ human resource decision-making alternatives?

- Further investment in employee training
- Wage freezes or merit increase levels for employees
- What investment levels in facilities should take place?
- With guests indicting technology as a low priority in their willingness to recommend the resort, should Xavier postpone plans to upgrade all systems technology for the company?

Discussion Questions

- What priority should Xavier give to the Timeshare Owner versus the Resort transient guest experience in terms of operating expenses in facilities maintenance? How should facility attractiveness and functionality be considered in leadership decision formulation?
- What internal-external human resource-leadership implications exist concerning internal employee satisfaction and the near term strategic decisions facing the company?
- What significance does the Resort facility customer satisfaction level and willingness to recommend Kalalau Inc. to friends have on the future leadership decision-making alternatives presented?