

DEFINING THE TIMESHARING HOTEL INDUSTRY

Abstract: The timesharing industry is one of the least developed aspects of hotel accommodation and at the same time a novelty in the tourism market. The conception and its features greatly influence the fact that it represents a serious competitor to some of the forms of the classic hotel facilities and business. By the term timesharing we mean the time to use a hotel facility divided into so called units – interval for timesharing. Timesharing was created as a result of adapting the offer to the demands of tourists who departed from the classical and traditional hotel accommodation.

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Keywords:

quality of education, students research, faculty of education

1. Introduction

The system of timesharing represents one of the most important mega trends in the hospitality industry and in the tourism market as well as international tourism. It can be said that timesharing is a relatively new phenomenon in the hospitality industry. Timesharing is a concept with numerous features and specificities. The timesharing denotes the ownership of shares for certain accommodation, where the shares have a form of buying time – one or more weeks, for a predetermined number of years (25, 30, 50, 80, 100 and more) in the special units of accommodation facilities.

Typically, the timesharing usually means one or more weeks, which are reserved for spending leisure time in the tourist area, either permanently or for a certain number of years.

2. Defining the term timesharing

Holiday is the time to get rid of the demands of work, enjoy family and rejuvenate. (Bowen, 2007). Within the hospitality industry, the timesharing sector is a highly pre-eminent segment. Upchurch &

Lashley (2006) argue that timesharing ownership is a relatively recent phenomenon of leisure and its complementing the various forms of hotel accommodation. Although the definition of that timesharing is essentially a practice of sharing hotel accommodation facilities in (usually) weekly sales intervals for consumers is disputing. According to Bakic et al. (2010: 18) *“the main feature of this product is to provide guests with different hotel facilities that, under regular conditions, according to their income, will not be able to afford them”*.

The concept of timesharing was created as a result of adapting the supply to those demands of tourist demand that moved away from classical and traditional hotel accommodation. According to Holloway (2006), timesharing is when a house or apartment is sold to several co-owners where each of them acquires the right to use that house or apartment during the year, one to several weeks, by determining the total period with a contract that can be 5, 10, 20, 30 or more years. The basic price of the accommodation depends on the length of time (the number of years) on which it is purchased, but also from time to year, for example: in July and August is significantly more expensive than in other months.

The concept of timesharing is rapidly developing and now it is present in all major tourist destinations in the world. A special contribution to the development of this concept led to the formation of international organizations that allowed the owners to exchange their own timely purchases and thus to round the world and to visit many tourist destinations without new investments. Two such organizations, RCI (Resort Condominiums International) and II (Interval International), today in the hotel industry cover the majority of the market for accommodation. For a certain fee these companies, i.e. international organizations, work as clean brokers, specializing in the exchange of hotel accommodation facilities throughout the world.

Unlike hotel rooms or rental vacation homes, which means payment for every use with prices that are usually higher year on year, ownership of timesharing allows tourists from year to year to enjoy an annual holiday at a paid price only once, with annual maintenance fee. The ability of timesharing allows users the opportunity to save long-term differences in constantly increasing prices for annual vacations and at the same time enjoy the pleasant ambience of the resort center in which they feel just like at home.

Unlike hotels, most of the timesharing facilities are fully equipped with a kitchen along with dining room, a washing machine, drying machine and many other advantages. The content in many timesharing facilities does not lag behind the best hotels, meaning some of the facilities also include swimming pools, tennis courts, golf courses, Jacuzzi, bike rental and fitness centers. Some timesharing facilities also have their own marinas, ski lifts, restaurants and personal drivers. Timesharing facilities have well-trained professional catering staff and many offer guided tours with professional tour guides through local attractions.

The concept of timesharing is considered one of the fastest growing components of the global hospitality industry. Regardless of the increase in importance, the timesharing hotel accommodation did not attract the scientific attention, that for example it is posted on other forms of hotel accommodation, such as hotels, motels and other forms.

Attempts to set timesharing accommodation in the wider area of tourism and accommodation literature were made, because the concept of timesharing is not only a recognizable and established product that is at one level within the hotel accommodation sector and other accommodation forms (Ladki *et al.*, 2011), but also it is a basic strategy or concept that is absorbed and adapted by a number of other types of accommodations located through the spectrum of accommodation (Bacon, 2010).

3. Timesharing agreement

The agreements were created as an expression of the will and interest of the parties that themselves determine the elements and the form of the contract. The formal agreements, the code of conduct, the general conditions of operation as well as the rights and obligations of the parties form an integral part of the contract. By signing the agreement, the user of the timesharing facility accepts the specified general operating conditions.

The agreement must include:

1. Name and address of the legal entity, that is, the owner who issues the real estate and the name and address of the consumer,
2. Exact description of the real estate (location, categorization, communal equipment and other data related to its use),
3. The rights of consumers with regard to the conditions, manner and time of use of the property,
4. Data on the degree of construction of real estate and for the period of completion of construction, if at the moment of concluding the real estate contract is not completed,
5. Price for use of the real estate,
6. Conditions for replacement or sale of the rights to the fixed time of use of the real estate, as well as costs in case of replacement or sale of that right, carried out by the trader, that is, the person who authorizes and
7. Condition and manner of termination of the contract.

The price includes the price of the use of real estate and all expenses that the user should pay for using this property (fees, maintenance, use of common premises, devices, etc.). The consumer has the right to terminate the contract in writing, if the other contracting party does not fulfill its obligations under the contract. The contract for the right to use the timesharing facility should be different from:

1. Contract for the purchase of a hotel facility - an agreement between travel agencies and the hotel operator, where the agency buys the whole hotel.
2. Contract for long-term lease of apartment buildings with one apartment - locked between the client and foreign person for a period of 5 to 30 years.

The agreement for timesharing also contains elements of certain tourist agreements, such as:

1. Hotel Service Agreement (which is concluded through a reservation, where the hotel is obliged to provide accommodation and other accommodation related services for the agreed time of that year, while the other party is obliged to pay a certain price) and
2. Allocation agreement (when the hotel is obliged to leave the agency certain available number of beds in a given facility in a given period of time, to provide hospitality services to the persons who agencies sends, after they pay a commission. With this, the agency is obliged to try to book the beds and pay the price of the services if she has used the engaged accommodation facilities or otherwise if she finds that she will not be able book them, to inform the hotel that it is not possible to book the beds in the specified deadline).

4. Timesharing product

The timesharing product is a modern hotel product whose features are systematized on the basis of its elements. The main subjects for the realization of the product are:

- An entrepreneur who offers a timesharing product,
- The owner who buys the timeshare product and
- An intermediary for exchanging a timeshare product.

Regarding the available space for timesharing, the product can be manifested in three main variants: fixed, free and mixed products (a combination of the previous two). Regarding the term of ownership, although traditionally they are long-term contracts, other types of timesharing have emerged in response to rising consumer demands for greater agreement freedom. This distinguishes long-term, medium-term and short-term contracts. In terms of timesharing, the object can be fixed (precisely defined specific location) and not fixed (indicates the type of property in terms of size, type and benefits and other).

The cutting edge and flexible form of timesharing, where the time for a holiday and timesharing are not fixed, are through the system of points. They do not limit according to the time of rest and the points are those that represent the exchange currency. With the development of the timesharing industry, the diversification of the offered services is also allowed to turn points into other products and services that accompany timesharing such as excursions, rent-a-car, cruises and other.

Another important aspect of the timesharing product is the shape of possession, which is stated in the agreement itself. In this direction, we distinguish five variants of the timesharing product:

Table 1. Forms of ownership of the timesharing product

<i>Form of ownership</i>	<i>Characteristics</i>	<i>Advantages</i>	<i>Disadvantages</i>
Deeded / Fee sample	Unit ownership, Use of the principle of rotation.	Materialization of property, A wide range of rights.	Lack of flexibility.
Right to use	Within 10 to 50 years, Property is coming back.	Flexibility of the interval - fragmentation and exchange.	Restricted Rights, Danger to insolvency.
Lease / Leasehold	The right to use long-term rent, Term up to 25 years.	Shorter term contract.	Restricted property rights.
Company share	Shares or bonds, Access to the company.	Flexibility of space and unit, Opportunity for long-term profit.	Risk of bankruptcy, Possibility of unsatisfactory choice of unit.
Point-based club membership	System with points, Vacation Club, Term of 25 to 30 years.	Flexibility for everyone, Converting various products and services.	Danger to insolvency, Possibility of unsatisfactory choice of unit.

Source: Savage J., The Assessment of fractional interests – timeshares, Journal of property tax assessment & administration, Vol. 5, 2008, p. 41-45

The price of the timesharing product is paid once and in advance, and its size depends on both the characteristics of the main elements of the product, as well as the quality of the service, the volume of additional facilities and services, the characteristics of the owner, and so on.

5. Timesharing industry

According to a report by the American Resort Development Association (ARDA), the “*Worldwide Shared Vacation Ownership Report*” in 2016 announced that the global timesharing industry has continued its rapid growth in key markets around the world. Sales and the rate of utilization of timesharing has increased, and more and more tourists seem interested in this model of a vacation in the property. The latest available statistics published by this association gives us insights on how the industry looked in 2015.

With several years of steady growth, the industry saw a sales jump of \$ 17.7 billion in 2014 to \$ 19.7 billion in 2015, an increase of 11.5%. Capacity utilization rates have also increased. In 2014, 76.4% of the time units were occupied, and in 2015 there was a short increase of 79.4%. Combined with 5,400 timesharing resorts with 527,000 units in more than 121 countries, increasing sales of timesharing accommodation facilities is accompanied by the growth of diverse products and experiences.

Another key area of growth lies in the labor market. The timesharing industry has supported nearly 1.3 million jobs in 2015, and the industry as a whole has generated \$ 57 billion in economic output, contributing to global economies around the world.

Leading hotel chains in the timesharing industry, according to the American Resort Development Association (ARDA) are:

- Wyndham Worldwide Corporation,
- Marriott International, Inc.,
- Diamond Resorts International, Inc. and
- Hilton Grand Vacation Company, LLC.

Conclusion

Timesharing industry, mainly emphasize higher utilization rates because they are regularly visited by the guests in order to get rest in the resort. Satisfaction rates with the product are higher, because the image for the timesharing facility is built on a higher level of quality accommodation. Timesharing guests are expected to become repetitive visitors to the destination. And, with the constant flow of

arrivals and the longer stay of guests, the timesharing facility is capable of making a bigger profit. If guests are satisfied with the services of the products, they become loyal guests. Often, timesharing guests have more disposable income for spending in the resort, which for the investor means a complete outcome of the return on investment. Additionally, with the fees for maintenance costs from the guests, the financing of the upgrade and the renovation of the property becomes more efficient.

In general, the timesharing industry has evolved over the years and today offers more choices than ever before in its brief history. However, the number of choices can complicate the acquisition of the timesharing unit for consumers, while at the same time representing opportunities for unscrupulous vendors and third parties in the industry's abuse of the system. The best defense of the consumer is his or her common sense and knowledge.

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