CAR CLUB MEMBERSHIP – A PRODUCT EXTENSION OF INTERVAL OWNERSHIP

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ABSTRACT

The growth of the shared ownership industry, also known as the timeshare industry, has been noted to be one of the few tourist sectors which has experienced continual growth since its inception. The product lifecycle of the shared ownership industry has, however, not been without challenges due to worldwide economic woes, taxation issues, and changing consumer needs, wants, and expectations. The present study set in the island country of Aruba assessed owner interest in car club membership, an extension of the timeshare/shared ownership product.

Keywords: interval ownership, timeshare ownership, car club membership, product extension strategy

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The timeshare resort product, alias shared ownership, is a concept that originated in Europe and quickly spread to the United States during the 1960’s. Resorts that are positioned as shared ownership product offer consumers an option of purchasing, under a deeded or non-deeded agreement, a vacation stay at a resort using weekly increments with one week historically being the most common interval of purchase (Upchurch & Dipetro, 2010).

The American Resort Development Association (ARDA) serves as the shared ownership industry’s lobbying arm, tracks industry metrics associated with development of shared ownership products, and serves as a gateway for consumer information concerning a wide array of products and services. In 2013, ARDA noted that product development and expansion efforts were negatively impacted by world pressures were at a record time high and as a result the industry was at the point of retooling their business plans. These pressures noted by ARDA ranged from wars on foreign soil, the unpopularity of the United States in certain regions of the world, the collapse of the housing industry within the United States, Congress’ reaction to financial lending practices and the general propensity of state and local governments to tax consumers thus negatively impacting discretionary income of baby boomers reaching retirement. In light of those challenges, ARDA noted that the timeshare industry has stabilized and shows promise of expanding, albeit at a modest rate via product extensions in tourist destinations.
located throughout the world (ARDA, 2013). From a strategic planning standpoint, the business strategies which are evolving indicate that the interval (timeshare) ownership industry has adjusted product, price, promotion, and to some degree location offerings in an effort to address owner needs, product and service opportunities, and the worldwide challenges as previously noted.

A glance at a few of the global key metrics from ARDA note the presence of 5,325 resorts located in 106 countries, 774,369 intervals sold, a sales volume of $14 billion, average occupancy of 76%, rental income of $2.2 billion, and an overall estimated economic impact of $114 billion US dollars (ARDA, 2013b). Traditional share ownership sales volume totaled $6.9 billion in 2013 as representative of new sales as reported by shared ownership resort developers (ARDA, 2013b). However industry research noted that sales volume for new inventory sales declined 40% in the last quarter of 2008 and 2009, yet interval sales stabilized and in 2010 and 2011 some regions boasted modest growth. Overall, average sales price per interval declined during this period to $19,000 per interval and projections indicate an upward trend in consumer interest in product offerings via non-traditional intervals. It should be noted that throughout the economic downturn resort occupancy remained elevated at 76.9% for 2012. To fill the sustained consumer interest along with an occupancy gap, resort developers are leveraging new business strategies such as rental programs designed to open up access to unused inventory to leisure and recreational travelers (ARDA, 2012; ARDA 2013a).

During the 2011 Shared Ownership Investment Conference (SOIC), various strategies were discussed that have helped many developers remain solvent. Commonly, there are four factors that drive a business to deploy rejuvenation strategies: money, time, space, and technology. For instance, the reduction in discretionary household income, a state of “time impoverishment” (as expressed by vacationers), the desire to travel shorter distances and for less time, and a drastic reduction in lender funding for site development and consumer loans have all changed the way developers sell and market their products. In terms of technology, developers are leveraging data-mining and predictive consumer models to more effectively and efficiently position their resorts in ways that appeal to changing consumer preferences. One rejuvenation strategy designed to ameliorate revenues is for developers to make their sales and marketing services available to other companies that need assistance in selling and promoting their products and services. This strategy, known as “fee-for-service,” prevents staff reduction due to lowered developer sales and replenishes, or at least lessens, the drop in developer revenues. Another strategy that has been refined over time is the packaging of “shares” in such a way that fits the consumer’s wallet. For instance, in the fractional market, shares are now being sold in smaller increments to induce sales. The most defining rebound strategy is displayed by developer focus on existing consumer product and service satisfaction. The key here is the shift from a new-consumer focus to that of servicing existing owners, thereby enhancing their vacation experiences and increasing their future propensity to “reload,” refer, or simply share their positive experiences with others. The concept of reloading is not new to the industry—but what is new is the range and fervor associated with owner satisfaction.

The trends cited above bring attention to three major factors that have impacted consumer acceptance and therefore the life cycle of shared ownership products. First, there is a reduction in available discretionary household dollars; secondly, those consumers who do have discretionary...
dollars remain mindful of purchasing a shared ownership product that matches or exceeds their price-value expectations; and lastly, for those consumers and developers who need loans, the reality of unavailable financing is negatively impacting the industry (whether on the resort development or consumer loan side). This has led to a general stagnation on both fronts.

Overall, the growth of the shared ownership industry has remained strong over the years with the exception being the recent downturn of the world economy. Relative to Aruba, the timeshare industry has remained a significant source of resort accommodations for that country.

THE ARUBA CASE STUDY

The aforementioned growth indicators associated with shared ownership products attests to the fact that this vacation stay alternative is one of the fastest growing segments of the tourism industry (ARDA, 2013b; Powers & Barrows, 2006). Timeshare resorts are a preferred travel accommodation for many tourists throughout the world as noted by the fact that shared ownership resorts are located in more than 120 countries (ARDA, 2013b). Aruba is no exception to this trend in that Walker (2006) noted the Caribbean region is one of the most popular regions for timeshare owners to buy a timeshare. In fact, Aruba dominated the timeshare market in 2003 with about one third of all the sales in the Caribbean (Ham, Lasten, Upchurch & Peterson, 2007). However, previous research about the timeshare industry in the Caribbean and especially Aruba is limited. Ham, et al. (2007) have proposed a call for research about the timeshare industry in the Caribbean, and especially in Aruba, in order to better understand the concept and to better understand its impact on the island. According to Upchurch and Lashley (2006), the timeshare industry is in its early phases of the development stage of Butler’s product life cycle. Since this time, and as noted previously, world conditions and consumer preferences are driving changes to how the shared ownership product is packaged. One such new product extension that may be appealing to the shared ownership consumer is car club membership.

The car club membership concept originated in Switzerland, in 1987, and over ensuing years this membership idea spread throughout Germany and the rest of Europe. Specific to Aruba, an Aruban car dealer offers timeshare owners automobile usage as an add-on package to their timeshare interval (Where can…, 2012). Under this type of agreement, consumers “lease” the same car during the time they have contracted to use their timeshare interval while on the island of Aruba. Specifically, shared ownership owners have exclusive access to this automobile while they are on the island, without full ownership or need to enter into car rental contracts as offered by car rental companies. Since this concept is new, it is important first to assess consumer interest in this project enhancement in terms of consumer acceptance. The main question of this research study refers to: ‘If there is significant interest in car club membership in order to implement the concept in Aruba?’

METHODOLOGY

A purposive data collection procedure layered with a clustered sampling process of shared ownership (e.g., timeshare) owners was deployed using a tourist database collected by the government of Aruba. The Tourist Database in Aruba provided the researchers access to a
comprehensive list of timeshare owners collected by Aruba’s Timeshare Association, the only recognized body of shared ownership properties in operation on the island.

The population of timeshare owners completed an online, and confidential, survey on a private website, www.fhtms.net. All timeshare owners were contacted via their officially recorded email address. The population of respondents therefore encompassed all timeshare owners within this database. An email invitation requested the owner complete a survey designed to assess their propensity to purchase a car club membership for the explicit purpose of evaluating interest in an exclusive car club for repeat visitors to Aruba. The invitation noted that the proposed program offered the consumer a hassle free, unparalleled experience, of owning a private car during the period of their annual island stay. The survey was conducted during the month of July which only captured those owners who were using their interval during that month. This process yielded an estimated response rate of fifteen percent. There were a total of 348 total respondents of which 224 timeshare owners completed the online survey in entirety while 124 were classified as incomplete submissions. Unfortunately those 124 surveys contained less than one-fourth of the information completed which rendered them meaningless for this study. The survey consisted of twelve questions, including both quantitative and qualitative questions. In general, the researchers sought timeshare owner opinions regarding their car rental experiences while staying in Aruba, followed with an assessment of interest in an exclusive car club membership. There were email reminders submitted during week one, two, and three of this period but only to those who had not responded previously.

Study Intent and Research Questions

The intent of this study was threefold; first, to acquire an assessment of timeshare owner car rental experiences in Aruba; second, to determine timeshare owner interest in an automobile club membership program as comprised of eight features; and third to determine owner interest in purchasing a car club membership.

R_1. To determine timeshare owner impressions of car rental services in Aruba as segmented by a) an assessment of the car rental process, b) condition of car, and c) an assessment of car rental services with impact upon decision to purchase a car club membership.

R_2. To determine timeshare owner interest in car club membership features. The rated features are:

- a. exclusive availability to new cars
- b. free pickup and drop off by shuttle bus
- c. hassle free check-in and checkout
- d. insurance included as part of membership fee
- e. free use of exclusive VIP lounge upon check-in and checkout
- f. complimentary beverages at VIP lounge
- g. free wifi at business center/VIP lounge
- h. long term storage space at VIP lounge for personal items
R₃. To determine the relationship between previous car rental experience with interest in the proposed car club program.

**STUDY FINDINGS**

**Participant Profile**

All participants who responded were residents of the United States. The majority of the respondents (48%) lived in the South Eastern part of the United States, in New York (15%) and New Jersey (13.5%). When asked for the number of visits to Aruba, the majority responded that they had visited Aruba for 10 years (49%), and many (49%) considered the island as their second home. Moreover, timeshare owners spent on average one week (31%) to two weeks (47%) in Aruba. About seven out of ten respondents replied that they always (52%) or sometimes (23%) rented a car on the island. The types of cars respondents typically rented and preferred were classified as a compact car (40%) or a midsize car (26%). The overall quality rating of their car rental company experience/service was rated as good (40%) and fair (40%), thus indicating a need for an alternative provider for high quality and consistent car services.

Based on the expressed need for high quality and consistent car services, the respondents were asked to evaluate eight possible car membership features. The car membership features which were of the greatest appeal were 1) hassle free check in and check out of your car with limited paperwork (69.5%); 2) free pick up and drop off by shuttle bus from the airport and back, access to a VIP lounge (67.4%); and 3) bundled insurance included as part of the car membership (57.1%).

**Car Rental Service Findings (R₁)**

The respondents were asked three questions concerning their previous car rental experiences using a three points scale where 1=Poor, 2=Fair, and 3=Good. When asked ‘how simple was the car rental process’ the Mean response was 2.47 with a standard deviation of .613. When asked ‘what was the general condition of the rental car’ the Mean profile was 2.23 with a standard deviation of .634. When asked ‘how would you rate your overall car rental experience’ the Mean rating was 2.42 with a standard deviation of .585. Therefore it would appear that there is room for improvement in car rental services as provided in Aruba which implies the introduction of higher quality car services via a membership shows great promise for this group of consumers.

**Car Club Membership Feature Preference (R₂)**

In an effort to determine if consumer interest existed for the car club membership concept, the researchers posed eight car membership program features deemed to be of value to consumers. In Mean score rank order, the respondents indicated that ‘hassle free check-in and check-out services were of highest value’ (Mean=4.71; s.d.=.812); followed by ‘free pick up and drop off shuttle bus services’ (Mean=4.61; s.d.=1.013); ‘all insurance is included in membership fee’ (Mean=4.31; s.d.=1.305); ‘exclusive access to new vehicles’ (Mean=3.81; s.d.=1.327); ‘free use of exclusive VIP lounge’ (Mean=3.15; s.d.=1.652); ‘availability of storage space at VIP
lounge’ (Mean=2.87; s.d.=1.73); ‘free wifi at VIP lounge’ (Mean=2.68; s.d.=1.69; and ‘free complimentary coffee, tea and drinks at VIP lounge’ (Mean=2.45; s.d.=1.68). In order of highest mean score were most attracted to convenience.

The respondents noted a preference for transportation and onsite services at the point of check-in and check-out along followed by the membership being bundled into their ownership fees. However, a word of caution is in order due to the fairly wide standard deviations, and therefore lack of agreement, on the rated items. This implies that these respondents were attracted to what could be considered convenience factors although they were not totally convinced of the overall merit of this membership as adding a personal or social status benefit to their present interval ownership.

**Interest in Car Club Membership (R3)**

Relative to determining if previous car rental experiences were associated with consumer (timeshare owner) interest, the researchers deployed a regression procedure with a particular focus on determining the influence of the respondent’s previous car rental experience, car condition, and overall car rental satisfaction upon their interest in the proposed car club membership concept. The resultant analysis indicates that two of the items were significant in their relationship with interest in the car club membership program. In particular, the general condition of the rented car along with the consumer evaluation of their overall car rental experience showed a significant relationship to interest in the proposed car club membership program. Granted the regression model has low correlation and an R-square factor; however the generalized trend is that a lowered consumer rental car experience rating increased the likelihood of the timeshare owner’s expressed interest in a car club membership program. This finding, therefore, implies that the provision of a more stable and higher quality car service is of interest to this group of timeshare owners.

Table 1. Relationship of car rental experiences upon interest in car club membership

<table>
<thead>
<tr>
<th>Regression Model</th>
<th>R</th>
<th>R-square</th>
<th>Adjusted R square</th>
<th>Std. Error of Estimate</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>.298</td>
<td>.089</td>
<td>.072</td>
<td>.419</td>
</tr>
<tr>
<td>Anova</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sum of Squares</td>
<td>2.85</td>
<td>3</td>
<td>.953</td>
<td>.001</td>
</tr>
<tr>
<td>Betas</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Was the car rental process simple?</td>
<td>-.005</td>
<td>-.045</td>
<td>.964</td>
<td></td>
</tr>
<tr>
<td>What was the general condition of the rental car?</td>
<td>.379</td>
<td>3.839</td>
<td>.000</td>
<td></td>
</tr>
<tr>
<td>How would you rate the overall service of the car rental company?</td>
<td>-.338</td>
<td>-2.65</td>
<td>.009</td>
<td></td>
</tr>
</tbody>
</table>
CONCLUSIONS AND IMPLICATIONS

Generally, the polled timeshare owners were interested in the concept of a car club membership program although their interest was guarded. In particular, the respondents expressed concern as to how a car club membership would ‘enhance the value’ of their existing interval ownership, and if so, how this membership could be bundled into their timeshare interval purchase either on the day of contract signing or, perhaps, as an add-on feature to their original interval purchase. This general sentiment of ‘cautious interest’ was also echoed by the varying range of standard deviations reported for the scaled car membership program features. Clearly the reported low R-square scores indicates a certain level of ambiguity concerning immediate adoption of the proposed car membership program.

From a theoretical modeling perspective, this profile of cautious interest is undoubtedly related to other car rental options which are available in Aruba. When reflecting upon Michael Porter’s Five Forces model there are five forces that impact an organization’s ability to be competitive in a given market. Those forces are supplier power, threat of new entrants, threat of substitutes, buying power, and degree of rivalry (Porter, 2008). Within the context of this study, the two specific elements of Porter’s model which come to mind are a) supplier power and b) buyer power. In terms of supplier power, the existing car rental companies (supplier power) is very well entrenched which implies that convincing the timeshare owner to convert to a car membership option is a daunting task. In terms of buyer power, there is however significant buyer power in that the island of Aruba has significant timeshare as well as resorts which draw travelers from across the globe. What this implies is that, relatively speaking, there is a broad base of consumer potential in a car club membership program (Porter, 2008; Kotler, Bowens & Makens, 2010) as long as the consumer views the pricing point to be a return on their personal investment.

In closing, and within the context of Porter’s Five Forces model, there is no direct car club membership competition in Aruba thus indicating that the market potential is promising in terms of bundling a car club membership into the owners’ purchase experience. Still a significant threat does exist by the mere presence of existing car rental services which are therefore a cause of concern for the introduction of this car club membership concept. The bargaining power of car rental agencies is entrenched within this island economy and as such remains a competitive threat and barrier to entry into this car club membership concept. The differentiating factor which may tip the scale centers on the fact that the automobile dealer who is evaluating this car club membership program is strongly recognized as an industry leader who also has strong financial and political backing. Also, and as noted previously, this car club membership program is best positioned as an owner benefit if it is bundled with their timeshare purchase. As such, and if there is sufficient owner appeal, then the probability of switching from existing car rental services to car club program may indeed be a profitable venture.

LIMITATIONS AND RECOMMENDATIONS

The study has several limitations. First, the study was conducted during the month of July thus limiting the representative nature of owners that had purchased a resort interval in Aruba during other weeks throughout the year. This restricted sampling process skewed the results by
excluding shared ownership owners from other weeks not surveyed. Second, the research findings are exclusive to the island country of Aruba thus generalizing interest in car club membership to other island countries is limited in scope. It is therefore recommended by the researchers to conduct this study in other countries and with other owners to determine if the concept of car club membership is a viable product enhancement to the existing shared ownership experience. Relative to seeking timeshare owner input it is also important to reflect upon the benefits associated with wrapping a car membership into the purchase of their interval, if this concept is even feasible from a financial and practical standpoint for timeshare interval owners.

REFERENCES


## Appendix: Car Club membership survey questions

1. How many years over the past ten years have you visited Aruba?
2. How many weeks on average do you visit Aruba per year?
3. Where do you stay in Aruba?
4. During your stay, did you rent a car in Aruba?
5. What type of car did you rent in Aruba?
   - a. Compact
   - b. Midsize
   - c. Full size
   - d. other
6. Rate your car rental experience:
   - a. How simple was the car rental process?
   - b. What was the normal condition of the car you rented?
   - c. How would you rate the service offered by this car rental company?
7. How much did you pay for your rental car?
8. Which month did you visit Aruba?
9. Rate the importance of the following car club membership features:
   - a. Exclusive availability of new cars
   - b. Free pickup and drop off by shuttle bus
   - c. Hassle free check-in and checkout
   - d. All insurance included as part of your onetime membership fee
   - e. Free use of exclusive VIP lounge upon check-in and checkout
   - f. Complimentary beverages at VIP lounge
   - g. Free Wi-Fi at business center at VIP lounge
   - h. Long term storage space at VIP lounge for personal items
10. To what degree are you interested in becoming a car club member?
11. What is your home country and state?
12. If you are interested in car club membership, please provide your name and email address
<table>
<thead>
<tr>
<th>Car Membership Assessment</th>
<th>% approval</th>
</tr>
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<tbody>
<tr>
<td>Hassle free check in</td>
<td>69.5</td>
</tr>
<tr>
<td>Free pickup and drop off</td>
<td>67.4</td>
</tr>
<tr>
<td>VIP lounge access</td>
<td>67.4</td>
</tr>
<tr>
<td>Bundled insurance</td>
<td>57.1</td>
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<thead>
<tr>
<th></th>
<th>Mean</th>
<th>s.d.</th>
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<tbody>
<tr>
<td>How simple was the car rental process*</td>
<td>2.47</td>
<td>.613</td>
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* 1=Poor to 3=Good

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<tr>
<td>Bundled insurance</td>
<td>4.31</td>
<td>1.305</td>
</tr>
<tr>
<td>Exclusive access to new vehicles</td>
<td>3.81</td>
<td>1.327</td>
</tr>
<tr>
<td>VIP lounge access</td>
<td>3.15</td>
<td>1.652</td>
</tr>
<tr>
<td>VIP lounge storage</td>
<td>2.87</td>
<td>1.73</td>
</tr>
<tr>
<td>VIP lounge wifi</td>
<td>2.68</td>
<td>1.69</td>
</tr>
<tr>
<td>VIP lounge complimentary beverages</td>
<td>2.45</td>
<td>1.68</td>
</tr>
</tbody>
</table>

Scale: 1 lowest preference to 5 Highest preference