

Does Generation Y Want to Inherit Their Parents' Timeshare?

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Introduction

The timeshare industry is a significant sector of the travel industry as it generated \$79 billion in economic output in 2014. The double-digit compound annual growth rates of the 1980s and 1990s were the direct result of Baby Boomers buying the product during strong economic times and has resulted in more than 5,300 timeshare resorts in 106 countries worldwide (ARDA, 2014). This attractive growth enticed many large lodging brands, i.e., Wyndham, Marriott, Hilton, Starwood, and even the entertainment icon, Disney, to enter the sector. Because the timeshare product is fully owned by the consumer, either through a legal interest/ownership in real estate, a pre-paid membership in a club, or a right to use/lease agreement, these large companies were attracted by the reduced liability created by a transfer of the developed asset to the consumers, as well as the recurring revenue streams that on-going management of the properties provides in perpetuity (Gregory, Parsa, Nusair, Kwun, & Petruvu, 2015).

The timeshare product involves a one-time purchase of approximately \$20,000 and annual maintenance fees of \$880, on average (ARDA, 2014). The owner of the timeshare product then has the ability to use this timeshare vacation at the resort location where they purchased, at other timeshare resorts, in exchange for other types of vacation experiences, i.e., cruises, safaris, shopping excursions, sporting events, etc., and within nightly increments according to what they purchased, in perpetuity (Gregory & Weinland, 2016). Intentionally designed as a vacation product that provided the benefits of vacation home ownership for the term that vacation homes are actually used, i.e., one or two weeks a year for most families with children at home. It has been the expectation that the product would be transferred or willed to the heirs of the original owners as the generations continued (ARDA, 2014). However, as Baby Boomers are aging and looking to divest themselves of their timeshare, not all are transferring ownership to their younger generation children or heirs (Sikes, 2012).

While some inventory is re-purchased from the original developer or current management company, other inventory populates the resale market or is defaulted on and ultimately goes into foreclosure. Each of these scenarios can be costly to the consumer-owner, who is responsible for the on-going maintenance fees associated with time-

share ownership. It can also be costly to the developer whose value proposition is challenged by declining prices on the resale market, or the management company facing an increase in legal fees, as well as a decline in operational budget dollars because of delinquent owners in various states of foreclosure (Gregory, 2015).

The purpose of the case study is to discuss the critical issue of whether Generation Y wants to inherit timeshares and what the timeshare industry can do to address the issue of timeshares not being transferred to younger generations as expected. In particular, this case study aims to answer the following questions:

- Having grown up with timeshare vacations, does Gen Y find value in the timeshare program?
- What are Gen Y's thoughts on the pre-paid vacation concept and the yearly maintenance fees?
- Would certain timeshare marketing and education encourage them to keep their parent's timeshares?

Conceptual Background

Generational Theory

Practitioners often seek to categorize their guests in a manner that groups them by demographic, geographic, and psychographic segments to predict their behavioral patterns (Parment, 2013). One such segment is a generational cohort, based on generational theory, which provides general characteristics, attitudes, behaviors, and intentions determined by their generational location in history. Such prevailing use of generational cohort analysis to understand the behavior of consumers and tourists by both academia and the mainstream business press indicates the acceptance of this segmentation method that was first introduced by Mannheim in the 1920's (Benckendorff, Moscardo, & Murphy, 2012; Gardiner, King, & Grace, 2013).

Strauss and Howe (1997) define a generation as "an aggregate of all people born over roughly the same span of a phase of life who share a common location in history, and hence a common collective persona" (Pennington-Gray & Blair, 2010, p. 73). Research findings reveal that these common themes and life experiences individuals share as a group may predict consumer behavior that is correlated to their shared generation (Pennington-Gray & Blair, 2010). Major events in society that occur to an age group between 17 and 23 often shape that generation's values that are birthed from this "defining moment" in history (Parment, 2013, p. 189). These defining moments by a genera-

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tion are captured in Mannheim’s idea that each generation has its own shared perspective (Bolton et al., 2013). Comparing the generational differences provides insight into their consumer behavior and vacation preferences. As Baby Boomers are current owners of timeshares and their Generation Y children are the apparent heirs, it is critical for timeshares developers to understand these differences.

Baby Boomers and Generation Y Overview

Generations are defined by age groups: Baby Boomers (born 1946 – 1964), Generation X (born 1965 - 1976), and then Generation Y (born 1977 - 1994) (Gardiner, King, & Grace, 2013). Generation Y is approximately 60 million and is regarded as the older segment of the Millennial generation (born 1981 – 1999) consisting of 80 million Americans (Ahmed, Scott-Young, Ahmed, & Fein, 2013; Newborne & Kerwin, 1999). These generations represent the two largest generations in the U.S and are compared in Table 1.

Developed from the following sources: Howe and Strauss, 2000; Huang and Petrick, 2010; Kim, Xiang, & Fesenmaier, 2015; Moscardo and Benckendorff, 2010; Parment, 2013; Pendergast, 2010; PhoCus-Wright, 2014; U.S. Travel Association, 2015; Yesawich, 2014.

Characteristics of Generation Y

In order to make assumptions about Generation Y’s decision making process on inheriting their parents’ timeshares, it is important to understand the characteristics of Generation Y and what drives them. To fully capture the essence of Generation Y and the Millennials, Howe and Strauss (2000) comprehensively describe Millennials with seven core characteristics: “special”, “sheltered”, “confident”, “team-oriented”, “achieving”, “pressured”, and “conventional” (pp. 43-44). “Special” has been described as their parents giving the Millennials “the sense that they are, collectively, vital to the nation and to their parents’ sense of purpose” (p. 43). “Sheltered” refers to the Millennials being “the focus of the most sweeping youth safety movement in American history” as a result of Columbine and the increase in child-abuse reports (p. 43).

Millennials are described as “confident” resulting from their “high levels of trust and optimism” and “often boast about their generation’s power and potential” (p. 44). Due to team sports, such as soccer, and a new teaching focus on “group learning”, Millennials have developed a strong “team-oriented” instinct (p. 44). Millennials are considered “achieving” due to the focus on higher school standards enabling

Table 1

Baby Boomers and Generation Y Comparison

Characteristics	Baby Boomers (1946-1964)	Generation Y (1977-1994)
Population Size	76 Million	60 Million
Education (Four year college attendance)	33%	64%-71%
Shopping Preference	Loyal to Store Brand	Price Shop
Financial Perspective	Own	Rent
Travel Behaviors		
Incidence of Leisure Travel 2013	60%	73%
Accommodation Preferences	Hotel/Motel	Resort/Campground/ Vacation Rental
Rented Vacation Condominium	6%	16%
Vacation Activities	Museums, Sightseeing, Hunting, Fishing, Historical Sites	Nightclubs, Shopping, Golf, Tennis, Theme Parks
Travel 20 or More Nights for Leisure	26%	19%
Length of Stay in Accommodations	Travel further and stay longer than other generations	Shorter trips
Information Source for Trip Planning	Previous travel experience, Automotive Club, Tourist Office	TV, Magazines, Movies
Web Sites Used for Trip Planning	Tourist Office/Visitors Bureau and Destination Sites	Online Travel Agencies and Social Media Sites
Information Searched in Trip Planning	Hotel Prices and Driving Directions	Travel Packages, Potential Destinations, and Shopping
Online Trip Planning Activities	Request Printed Materials	Read Travel Blogs and Watch/Download Videos

them to be the “best educated and best behaved adults in the nation’s history” (p. 44). Millennials often feel “pressured” as a result of their parents pushing them to excel (p. 44). Lastly, Millennials are considered “conventional” as they support “the idea that social rules can help” (p. 44). Given these unique qualities of Generation Y, their views on vacationing may also be distinct from previous generations.

Spending Behavior and Travel Preferences of Baby Boomers and Generation

Adding further to the characteristics of Generation Y is their differences in spending behavior from their Baby Boomer parents who purchased timeshares. Parment (2013) compared the shopping behavior of Baby Boomer and Generation Y related to the retail industry. The approach taken to purchasing products by Baby Boomers and Generation Y was found to be completely different. Baby Boomers place a high degree of importance on the in-store experience and the retailer they trust, but not so with Generation Y. The research findings suggest that the manufacturing brand was more important for Generation Y as they could purchase it anywhere at the best price, where the store brand was found to be more important for Baby Boomers (Parment, 2013). As a result, Generation Y has been found to be less loyal to retailers, unless they provide a better price or other benefits like convenience. Generation Y is highly conscious of their image and how their peers perceive their purchases. This ‘social risk’ has been found to influence their buying behavior (Parment, 2013).

Additional differences have been found in their travel preferences. Huang and Petrick (2010) conducted a study comparing the travel behaviors of Generation Y and Baby Boomers and found there were significant differences between the age groups. Generation Y preferred urban destinations with nightlife and shopping, as well as theme park vacations more than the Baby Boomer segment. Baby Boomers are more likely to visit historical sites and go sightseeing than Generation Y. Baby Boomers preferred museums and hunting/fishing, while Generation Y preferred sporting activities like golf and tennis.

Differences in online travel preferences were also noted. In the study conducted by Kim et al. (2015) comparing online trip planning activities of Baby Boomers with Generation Y a significant difference was found in the sources of information they sought. Baby Boomers preferred to use automobile clubs, their previous travel experience, and tourist offices while Generation Y preferred TV programming, movies, and magazines. Their study also revealed that Generation Y was more likely to watch an online video and read a travel blog when planning their trip than Baby Boomers who preferred to request printed materials. Additionally, Generation Y was more likely to use social networking sites and online travel agencies than Baby Boomers who preferred to visit tourist office and destination web sites (Kim et al., 2015).

The economy has impacted travel expenditures of both genera-

tions. According to the PhoCusWright (2014) study, Baby Boomers have struggled since 2009 with their travel budgets due to the economic downturn and managing care for dependents. Although, there has been a 7% increase in Baby Boomers travelling from 2012 to 2013, encompassing 60% of all Baby Boomers, the economic situation also affected Generation Y with a weak job market. However, their segment has also seen a 7% increase in travelling from 2012 to 2013. This shows the highest percentage of travelling compared to the other generations at 73% (PhoCusWright, 2014).

Generation Y Travel Behavior

The increase in Generation Y travel warrants further exploration in their travel behavior. Pendergast (2010) associated the achieving characteristic with a desire to explore and experience a variety of cultures around the world, and in the planning process utilize a wide array of information sources to get the most out of their trips. A study conducted by Harris (2011) revealed the generation’s propensity to habitually research products and services online and seek their peers’ and other consumers’ opinions. Glover’s (2010) study revealed that Generation Y searches online for the best vacation deals that provide the best quality and value. Moscardo and Benckendorff’s (2010) study also confirmed that an essential component of an outstanding trip experience is social exchange. They build new relationships and maintain friendships with like-minded people through frequent use of social media (Nusair et al., 2013). Jennings et al. (2010) summed up connectivity of the entire vacation experience, “quality tourism experiences begin prior to the initial point of contact through to, and inclusive of, the point of departure and beyond. This interconnectivity is directly related to generating lasting memories of a quality adventure experience” (p.67).

Critical Issue

Does Generation Y Want to Inherit Timeshare?

Inheriting a timeshare can be seamless through the timeshare contract or as a beneficiary, or through a will. However, the data from ARDA International Foundation (AIF) and The Research Intelligence Group published in the “Shared Vacation Ownership Resale Report 2013 Edition” revealed intending sellers aged 55-64 increased from 14% in 2010 to 26% in 2013 and from 7% in 2010 to 21% in 2013 for owners aged 65+. Some reasons Baby Boomer owners may want to sell is due to a lifestyle change such as illness, retirement, death of a spouse, and change in residence. Some owners may have had a change in their finances and are no longer able to afford maintenance and assessment fees. An additional reason for the increase in Baby Boomer sellers could be the lack of interest from their children to inherit the timeshare. However, the literature is divergent in this area. While some report positive changes in opinion, ownership and career possibilities after education and exposure (Gregory & Kaufmann, 2014), others suggest that the current timeshare product may not fit

Table 2**Generation Y Sample Scenarios**

Name	Gender	Age	Marital Status	Children	Household Income	Education
Paolo	Male	26	Married	3	\$75,000	Associate Degree
Aidan	Male	32	Single	N/A	\$105,000	MBA
Payton	Female	35	Married	2	\$85,000	Bachelor's Degree
Sarah	Female	28	Single	N/A	\$55,000	High School

the younger generations needs or desires (Kaplan-Sherman, 2014).

Consider the following scenarios in Table 2 of Generation Y children of Baby Boomer timeshare parents and determine who would want to inherit their parent's timeshares based on their demographics and the Generation Y characteristics previously mentioned.

Some Generation Y consumers may not want to inherit timeshares due to their financial situation of not being able to afford maintenance fees, being un-informed of the benefits or value of the timeshare, or an aversion to the process, company, or traditional vacation resorts given the rise of home stays in the sharing economy. If timeshare companies have not provided tools for Baby Boomers to educate their Generation Y children on the value of the timeshare interest, they may not be aware of the flexibility of timeshare points with the opportunity to use them for varying lengths of stay every year and the exchange possibilities of staying in locations around the world. Another option for Baby Boomers is to sell their timeshare on the resale market.

Timeshare Developers' Assistance with Resale

Several Timeshare Developers offer resale programs, while others simply provide recommended resale brokers as shown in Table 3. Marriott Vacation Club markets and sells the timeshare interests on behalf of their owners (<http://www.marriottvacationclub.com/resales/index.shtml>). Hilton Grand Vacation Club provides warnings to their owners about fraudulent rental programs and has a resale department (<http://www.hgvc.com/>). Disney Vacation Club membership differs from other timeshare products that extend to perpetuity by offering a product with a finite number of years. While their members may sell their deed prior to the end of the term, Disney Vacation Club promotes the value of purchasing timeshare directly from their company rather than a resale company by providing benefits only received by buying direct through them (<https://disneyvacationclub.disney.go.com/faq/reselling/resale-process/>). Wyndham Vacation Resorts offers a buy-back program, Ovation by Wyndham, which specifically targets Baby Boomer owners on their owner web site (myclubwyndham.com/ovation).

Table 3**Timeshare Developer Resale Approaches**

Timeshare Developers	Approach to Resale	Drawbacks
Disney Vacation Club	Promotes benefits of buying direct from Disney Vacation Club: access to other Disney travel products like Disney Cruise Line and Adventures by Disney, financing through Disney Vacation Club, Disney Vacation Club Guides create a customized Membership package.	Does not have a resale department. Recommends a broker and has right of first refusal once a buyer is identified.
Hilton Grand Vacation Club	Resale Department offers "Cancel Partial Refund" program. Provides consumer warnings about fraudulent programs of third parties offering to rent their points and requesting a credit card.	Resale program available only at select resorts.
Marriott Vacation Club	Marriott Vacation Club® Resales Operations department provides personalized sales service with no upfront fees, they market and sell the timeshare interest on behalf of the owner, the owner pays brokerage commission fees at closing.	Serves as a real estate broker for the timeshare resale, does not directly buy back.
Wyndham Vacation Resorts	Ovation by Wyndham targets Baby Boomer owners who are eligible and buys back their timeshare interests with no fees.	May not be eligible to all owners.

Sources: disneyvacationclub.com, hgvclub.com, marriottvacationclub.com, and myclubwyndham.com/ovation.

Concluding Thoughts

This case study endeavors to discuss the generational differences of Baby Boomers and Generation Y and their impact on Generation Y's interest in inheriting the timeshare. As Baby Boomers consider selling their timeshare they have a variety of resale options. Developers need to consider what their options are for creating their own resale programs and educating Generation Y about the advantages of timeshares. It is unlikely the younger generation is aware of the value of the timeshare interest if they were to purchase it themselves today and the flexibility to stay where they choose for as long as they choose. Perhaps if Generation Y was educated on the variety of vacation options available related to the unit size, length of stay, and time of year afforded through the payment of yearly maintenance fees comparable to a hotel stay, they may be more interested in inheriting based on their generation's travel preferences and characteristics discussed in the case. However, divergent views from literature on whether Generation Y would be amenable to inheriting their parent's timeshares prompts the following discussion questions.

Discussion Questions

- Does Generation Y want to inherit their parent's timeshare? Why/why not?
- Can Generation Y be persuaded to keep their parent's timeshare? If so, how?
- What Generation Y characteristics discussed in the case would make them inherit their parent's timeshare? Why?
- Does the current timeshare product fit Generation Y's needs or desires?
- Should timeshare developers or management companies be persuaded to educate Generation Y about the advantages of timeshare? If so, how?
- If your parents have a timeshare would you be interested in inheriting it? Why/Why not?

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