



COOPERATIVE ASSOCIATION OF RESORT EXCHANGERS, INC.

STRATEGIC PLAN

APPENDIX A

January 2018

This appendix includes supplemental data compiled during the review process of C.A.R.E.'s Strategic Plan. While the Board of Directors determined the information included herein may be helpful to the member companies of C.A.R.E. it was determined that it was not impactful or directly related to the strategic planning processes of C.A.R.E. as an organization.

GLOBAL ECONOMIC FACTORS

Having passed the 15-year anniversary of the 9/11 terrorist attacks in 2016, the tourism industry has witnessed multiple changes in identification requirements while traveling. There are a couple of things upon us that we need to be cognizant of when traveling or booking travel and that's changes to identification requirements and obstacles in the coming years.

As reported in October 2016 by (www.smartertravel.com) travel legislation enacted by the 9/11 Commission a decade ago, making passports necessary for all travel to and from Canada, Mexico and the Caribbean, required millions (approximately 49 million) of travelers to acquire passports that are nearing their ten (10) year expiration period. So as there was with that surge of new passports being issued, there will soon be a backlog of passport renewals in that same pipeline causing similar if not worse delays in processing. The best resource for passport information and requirements is <https://travel.state.gov>

The second identification concern in the next few years affecting domestic air travel is the REAL ID Act that was passed in 2005. 2016 was the original deadline to implement these new regulations, but with many non-compliant states and even more states requesting extension periods, the deadline has been pushed back and expanded in stages. For those travelers still using state issued identifications that are not REAL ID compliant, the TSA starting notifying them in July 2016 that they need to acquire an updated ID for future travel. On January 22, 2018 the REAL ID Act will be enforced. If you do not hold a compliant state issued ID after that date, you will be required to carry an alternate form of acceptable identification. However, if your state is compliant but has not been able to issue new licenses in time to meet this deadline, your regular license will still be accepted. October 1, 2020 every domestic air traveler will need a REAL ID-compliant license or another form of acceptable identification in order to fly domestically.

Be sure to check the expiration date of your passport and make sure that your state issued identification (i.e. driver's license) is REAL ID-compliant. Also, remind your customers to do the same so that you can hopefully prevent delays in the renewal process or security check points that could impede travel plans if not handled in a timely manner.

STATE OF THE INDUSTRY

Although the timeshare industry itself is becoming healthier overall at the new developer level, there are macro level trends manifesting themselves within the timeshare industry itself and the broader travel industry which are having a direct impact to C.A.R.E. Members and their guests. The extent to which these trends are impacting C.A.R.E. Members needs to be assessed over the course of the next year as data is not readily available to quantify more specifically its net effect.

1. **Consolidation of the timeshare industry.** The overall timeshare industry is in a consolidation phase of its evolution where hotel brands are spinning off timeshare divisions (Marriott, Starwood, and Hilton) and timeshare systems such as Wyndham Vacation Resorts and Diamond Resorts are acquiring smaller timeshare developments to create mega resort groups. Even the smaller timeshare resort groups such as Bluegreen are adding resorts into their systems by incorporating new properties into their programs.

There are no new mega developers or points systems coming into the market as the timeshare business model has proven to be extremely lucrative, but fraught with very high barriers to entry. As a result, the big players are getting bigger and the smaller players are fading away.

2. **Mega Resort Developer Rental Programs.** These new timeshare mega resort groups and the timeshare exchange companies have built and evolved very broadly advertised rental programs which are linked directly into Online Travel Agencies. This has resulted in a very efficient placement of guests into non-owner occupied units. This inventory, once plentiful immediately after the 2008 financial market crash, has been much less available to third party providers who were once a big source of new members to C.A.R.E.
3. **Commercial use restrictions by Resort Developers.** Resort developers are starting to implement much stricter and acceptable use policies to prevent owners from commercially renting their ownerships to the general public at the same time they increase their own rental programs. This has a direct impact to C.A.R.E. Members as it is becoming much more difficult to aggregate inventory to move through C.A.R.E.
4. **Increased number of Legacy Resorts.** Aging timeshare resorts are growing in number and dying on the vine. Most are too small and/or old to be acquired by consolidated efforts mentioned above. The best financial asset these properties have is their rental inventory. They just need to be educated on how to maximize their delinquent and unsold inventory. This can be a great opportunity for C.A.R.E. in that we have the perfect platform not only to educate them, but to be a part of a solution that keeps them from dying out.
5. **The Emergence and growth of Online Travel Agencies.** Airbnb, Vacation Home Rentals (by Trip Advisor) and the purchase of VRBO by Expedia is rapidly moving the Vacation Condo and Rental Home market to the masses. Timeshares and rental properties are being offered through these mainstream websites and linking these websites to the Online Travel Agencies is making the need for real time inventory available to book immediately online imperative. Many C.A.R.E. Members have been moving into the direction of real time inventory management. Real time inventory is becoming a key feature to play in the broader Travel Market which is experiencing much more explosive growth than the timeshare industry.
6. **Increased rates affecting value proposition of Travel Clubs.** The combination of reduced supply and more effective venues for renting inventory has led to the dramatic increase of the average rate of a timeshare week. This is putting pressure on the Travel Club value proposition which is sold on the basis of “discount” inventory. With less inventory that can be acquired at below market rates, Travel Clubs are having a difficult time expanding and/or renewing members.

SOCIAL TRENDS

Social trends continue to drive the vacation industry. They impact the leisure industry in the method by which households spend their leisure time. The challenge lies in that while many trends remain, there are often new ones that we must be prepared for, and embrace. For the purpose of this plan, social travel trends should be considered for the focus of C.A.R.E. and the

success of its members. This is more true now than then as social media is only growing and mobile activity is everywhere on the rise. Hotels and resorts that do not have a social presence and websites that are optimized for all phones, iPads and computers and free high-speed Wi-Fi are out of touch with guest expectations. Individual hotel apps, while popular at one time are now considered “so 2015!”

The year 2018 presents new trends to consider. The way travelers use social media, the tools they use, and the areas they wish to travel to, all contribute to the trends we must consider. Those that adapt to these trends will likely have the greatest success as we move forward.

Using Social Media

There is a great struggle among social travel sites to gain attention of would be travelers. In fact, there is much data that supports that travel-specific social media just isn't doing much to drive bottom line revenues for travel companies. In fact, despite research showing that over 80% of online travelers use social media, the net result is less than a measurable 4 % increase in actual bookings.

Further analysis shows that more than half of these online travelers access the internet with some kind of mobile device when they are travelling. However, they are far more likely to post something about their trip while they are on their trip, rather than when they return.

The 5 biggest social media sites that online travelers frequent are Facebook, Twitter, Airbnb and TripAdvisor with growing numbers on Pinterest and Instagram. Specific apps are less and less frequently used in favor of direct internet access.

Things to Look for in 2018

- The price of a gallon of self-serve regular gasoline will average \$2.57 nationally in 2018, according to GasBuddy.com forecast provided to USA Today. That would mark an 18-cent jump from 2017's average of \$2.39 and a 45-cent jump from 2016's decade low of \$2.12. Airports will be more crowded; fuller flights unless prices continue to rise.
- More revenue generating “options” like seat selection, carry-on bags and a new basic economy fare offered on most airlines which is cost efficient for most travelers but only allows one (1) personal item that must fit underneath the seat as opposed to one (1) personal item and one (1) carry on.
- While TSA continues to innovate new ways to make travel easier and safer, terror incidents in both Europe and the U.S. in recent years have set back some streamlining and in fact they are installing more full-body scanners. “TSA PreCheck” usage is spreading. Look for passport kiosks, more advanced online pre-check initiatives. Experts indicate the possibility of TSA Precheck and Global Entry processes being streamlined.

- **Entering a New Reality:** Studies show that once a person holds something, they're more likely to buy it. Therefore, salespeople always try to have prospects hold an item when in the middle of a sale; because it's a useful tactic to close a sale. And now, this sales tactic has been seeping into the travel industry as well, in the form of virtual reality (VR). When leveraged the correct way, VR will help tour operators and developers sell more tours and activities, as it helps prospective travelers get a better feel for what it would be like to travel to their destination.
- **Traveling like a local:** as Airbnb and HomeAway made moves in 2017 and continue to do so in 2018, travelers feel less like tourists and more like locals. As tourists, people are only able to see what is available as common knowledge, which puts them at a disadvantage by not being able to travel and experience a new location as a local would. Introducing experiences and excursions enables travelers to have a more authentic experience in a new location, and likely triggers a fond feeling of traveling, which will incentivize them to travel more in the future.

Among the leading travel trends to continue to watch for in 2018 are:

- **Digital Nomads** – Just in the last decade, a whole slew of people known as Digital Nomads have been rising. Digital Nomads are entrepreneurs who can support their lifestyle and make enough money simply from their computer and backpack. Due to this, there is a giant movement of Digital Nomads who are traveling across the world in masses and this movement is only going to increase. With the rise of Digital Nomads, comes the trend of influences on social media. Networking and maintaining a good relationship with these Digital Nomad influences can benefit leisure providers in many ways.
- **Seniors are unstoppable** and are estimated to comprise 1.3 billion - 1.6 billion people worldwide. Customer service is crucial to this group, and they show higher levels of frustration that result in zero tolerance for poor service.

By 2030, those 55 and older will control 70% of the disposable income in the U.S. likely making seniors not only the world's wealthiest group, but also the most demanding of travelers.

Rise of conspicuous leisure - another key trend is what has been called "conspicuous leisure", which is defined as the signaling of social status through consumption of experience rather than through consumer goods. Unique experiences are social currency. The preponderance of social media and the widespread sharing of vacation photos with friends, families and colleagues have fostered the trend.

Top Travel Interests for 2018

1. Canada
2. Cruises—still big and getting more expansive, inclusive, connected and luxurious.

3. Cuba
4. Caribbean
5. South America

Charmed Adventure shared a *Fortune* released an article revealing four travel trends to watch. The article, written by Brian Havig, listed findings from a travel industry session where marketing experts from TripAdvisor, Hawaiian Air and Celebrity Cruises shared their projections. It revealed some interesting points.

- **The rise of “Bleisure” travel:** Mixing business and pleasure has never been more popular. Technological advances have provided a vehicle for people looking to attain a better work-life balance; because what’s the point in typing on a laptop in an office when you could be doing it on a beach?
- **Travel is getting more mobile:** Although there are instances when travelers want nothing more than to escape technology, for the most part staying connected is imperative to keeping travelers happy. Everything from flight details and city maps to Uber access and social media sharing requires some form of internet connection. To avoid leaving your clients in the lurch it’s wise to thoroughly research destinations so you can inform your clients about spots with patchy signals.
- **Experiential travel marketing is exploding:** Marketers are realizing that to entice their target market they need to give travelers a taste of an experience that they want (or hadn’t yet realized they wanted). Experiential Travel, also referred to as Immersion Travel, is a form of tourism in which people focus on experiencing a country, city or place by connecting to its history, people and culture. Experiential Travel can also emphasize different areas of local life such as culinary, shopping, nature or holistic sites.
- **It’s all seamless:** The entire travel experience can be planned in advance. Each stage of the journey can be immaculately organized – flights, cars, restaurants, shows, meetings with locals, unmissable viewing points, unique experiences – so people who feel like ‘time is money’ won’t waste one moment on mediocrity.”

SOURCES OF INVENTORY

Resorts, club-type structures, points-based systems and exchange companies will always have excess or non-reserved inventory which will go dark (burn) unless some action is taken to utilize it. Also consider the amount of timeshare, fractional and wholly-owned condominium inventory available for use by individuals and property/home owner associations and what is apparent is both an unsatisfied need and an opportunity.

In addition to normal resort channels, there is a largely increasing rental pool of inventory being made available for public rental through many timeshare resale platforms. Resale companies have started to seek new ways of maximizing their revenue and seller satisfaction by offering rentals of timeshare weeks while the interval is being listed for sale across the globe. These models allow owners to offset the cost of ownership until sold. Any resale company, that possesses rights to rent inventory on behalf of the owner, is invited and encouraged to become members of C.A.R.E. so long as they agree to uphold the C.A.R.E. Code of Standards and Ethics.

The other side of the equation of resale is the trade-in/resale model. This platform typically sells a club type product as an option to timeshare owners who want an “exit” strategy. Regardless of how a timeshare owner receives relief from their timeshare; whether by rental, resale or trade in...what matters is that the inventory being rented has been “cleaned and pressed” meaning that when a guest is sold a weekly rental it has been paid for and the reservation will be honored by the resort upon check in. Again, so long as the company agrees to comply with C.A.R.E.’s Code of Standards and Ethics, C.A.R.E. will welcome and encourage them to become members.

C.A.R.E. fully supports the ARDA Resale Guidelines that are posted to the C.A.R.E. website. C.A.R.E. members are encouraged to also abide by and follow the same ARDA Resale Guidelines. (ARDA: American Resort Development Association)

Although forecasts for 2018 continue to be optimistic for the travel industry in general than in previous years, no longer does the consumer have to belong to a club or own a product to experience travel opportunities to resorts. No longer is it necessary to belong to a trade association to locate inventory for fulfillment or to locate those companies or clubs in need of inventory. All types of lodging, (i.e. hotels, condominiums, cruises, RV’s, etc.), are available online or through affinity and boutique groups. Even the resorts themselves now offer discounted rates with minimal or no membership fees, and timeshare ownership is available online at an extremely low cost.

Profitable utilization of excess timeshare and wholly-owned condominium inventory by way of exchange, wholesale or rental should be viewed as positive. Without such utilization of excess inventory, marketing and operating costs increase and a surplus of unused timeshare inventory will emerge impacting consumer value, maintenance costs, and consumer satisfaction.

These factors may be seen as potential growth opportunities for the vacation industry. Buying, selling and exchanging even more available inventory through a forum such as C.A.R.E. and networking opportunities at conferences could be a benefit to more and more companies who find that they have available inventory, unpaid or past due owner maintenance fees and lower occupancy rates.