

## TIMESHARE INTEGRATION IN RURAL TOURISM

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### *Abstract*

*The main purpose of the article is to reveal the type and level of timeshare integration in the rural tourism. In this connection the nature and specifics of hospitality timeshare are investigated and briefly explained. Special attention is paid to the main representatives of the timeshare industry in rural areas. The timeshare owner is researched and segmented, whereby the author suggests short customer profiles of them. The timeshare developer, on the other hand, is also explored and the typical timeshare businessman in rural areas is pointed out. In conclusion, the author comments the role and meaning of the timeshare industry for the development of rural areas.*

**Key words:** development, hotel accommodation, rural tourism, timeshare

### INTRODUCTION

**Rural tourism** plays substantial role for the favorable development of many small towns, villages and suburban areas, transforming them into significant destinations, complete with hotels, timeshare accommodation, car rentals, amusement parks, tour operators, banks and currency exchanges, and many other services that cater to the specific needs of tourists. Rural tourism is considered to be an adequate tool for regional development, contributing to minimization of the negative effects on natural and social environment caused by tourist travel. [1] The specific nature of rural tourism transforms the competition between different providers into cooperation between them, where the problems of small business are very much the problems of rural tourism. In this point of view, corporate and economic globalisation is having a major impact on rural communities around the world. Specific result from the mentioned process is the strongly fragmented tourist market, which leads to a demand for personalized products.[3] Moreover, the significant advances in communication and travel technologies have changed the way rural tourism is evolving and reshaping. The specific accommodation and lodging sector in rural tourism system makes no exception. One

of the most recent innovations in hotel product in rural areas is the adopting of the timeshare concept.[8]

The etymological origin of the term „timeshare“ is ‘shares of vacation time’ as mentioned in the English literature. Its meaning is "the process of sharing time" with other people in particular vacation unit. Specific is that each of the owners has the right to use the property in fixed time period during the year. The timeshare concept begins in the 60s and till the beginning of the new millennium it has developed significantly, especially regarding the number of the existing timeshare resorts, the sold vacation intervals and the number of the timeshare owners.

Essential result from this steady development is the appearance of variety types and forms of timeshare in tourist industry, from which an important role in hotel industry expansion plays also the rural timeshare accommodation. Despite all this, timeshare in rural areas seems to be poorly studied and studies doesn't explain how the timeshare product integrates in the studied area. Furthermore, timeshare is a modern hotel product, which entered the international hotel market in the last 60 years. On the modern stage of hotel industry timeshare exists in different forms such as modern varieties and mixed type of

properties, which complicates the current study even more.

## MATERIALS AND METHODS

The purpose of this research is to analyze the timeshare integration especially in rural tourism. The purpose of the study requires the following tasks to be performed:

- To explain the content and timeshare meaning and to point out the specific nature of hotel timeshare;
- To indicate the types of hotel timeshare due to different variations of owned vacation interval, holiday unit and period of the contract, and to highlight its specifics in rural tourism;
- To reveal the specifics and the attributes of the rural timeshare product and to mark some of its up-to-date changes;
- To research the timeshare owners and to investigate the profile of the different owner segments, pointing out who are the typical timeshare owners in rural areas;
- To investigate the timeshare developer and show which are the typical businessmen, that invest, manage and maintain timeshare resorts.

The information was further analysed with descriptive statistics such as summary and univariate analysis.

## RESULTS AND DISCUSSIONS

Generally, timeshare can be studied also in terms of the broader concept of 'shared ownership' which seems to be very popular over the past years and has developed dynamically. Object of the process of timesharing can be variety of things such as a car, a space of an office, a bicycle or a machine. However, in tourism, it is most often linked to the use of transport vehicles and vacation homes. Studies in the field of hotel timeshare offer plenty of definitions. Our previous studies comparatively analyzed the definitions of timeshare and we concluded that "timeshare is a type of modern hotel product." The most peculiar aspect of this product is the way it is commercialized. While at the classical hotel, the tourist hires a

room to stay, in case of timeshare, the tourist purchase and consequently has the right to use a property for vacation for a certain period of time in the future. This is a modern type of hotel accommodation, where the tourist is owner of vacation time. [6]

The purpose of this study is not to cover all aspects of timeshare. The intention is to focus on the most important aspects of timeshare and to present the specific nature and features of this modern hotel product, especially in rural areas.

Practically, in essence, the timeshare product has the form of a long-term contract, concluded "between the timeshare developer and the buyer of vacation time (the so-called 'timeshare owner'). Usually the time period of the agreement varies between 25 and 50 years and the subject of the contract is sharing of vacation time" between co-owners, whereby each of them is granted to use the vacation property for a certain time period each year. According to the type of the owned time interval, it can be summarized as follows:

- "Fixed-week ownership" – the owner has access to a certain vacation unit for a specified time period every year;
- "Floating week ownership"– the time periods are sold as a floating plan, where the time varies during the seasons or on yearly basis;
- "Flex-week ownership" – usually it relates to a specific timeshare unit and the vacation weeks rotate through the year. This type of timeshare interval, in most cases, floats during off-season and is fixed during high season.

It is fair to admit that all of the mentioned types of the owned interval are present in the timeshare market in rural areas, but in our opinion "the floating week ownership" system is prevailing. This type of ownership gives fair possibility to each of the owners to spend vacation time in the timeshare unit through the different seasons of the year, when countryside and nature have different advantages.

Regarding to the timeshare unit, it can also vary from fixed to floating one. The first type is usually met in single timeshare properties. In this case the owner has access to the same vacation unit for the period in the contract. This case corresponds largely with the feeling

of having a “second home”. The second timeshare system, on the other hand, indicates only the type of the timeshare property. Here from essential importance are the size, location and amenities of the timeshare unit. Timeshare in rural tourism represents only the fixed type of the timeshare unit. It can be explained with the motives for the rural timeshare purchase. It is meant to be more like a second home for the purchaser, than just a guaranteed holiday time. The chosen rural area is very often connected emotionally with the timeshare owner – areas near hometown, relatives and friends or it has specific atmosphere, which guarantees individual comfort and experience.

The timeshare price has to be paid upfront, but as it covers a certain amount of future vacations for the timeshare owner, it is higher than a holiday package price. Considering the fact that prices are influenced annually by inflationary processes, it can be concluded, that timeshare protects the timeshare owner from inflation. For comparison, in classic hotels there are different reasons for price deviation, which can affect the tourist in a positive or negative way, but the inflation rate has always strong influence.[9] It is important to mention, that also many macroeconomic factors affect this price, such as expected inflation, personal disposable income, economic growth, etc. [12]

The highest timeshare price at the beginning of the century was indicated in the USA – USD 9,500. In the same time, in Europe the highest prices were recorded in France and Italy (respectively USD 8,700 and USD 8,900). Nowadays, the average timeshare purchase price is USD 19,000,[4] which shows three times rising. It is important to highlight that the timeshare blanket price has a specific nature. There is also an additional component to the purchase price. This is the annual maintenance fee, that the owners must pay usually at the end of the year. This additional tax should cover the timeshare property maintenance and in most cases it varies between USD 200 and USD 1,000 for a vacation week. The average price of a rural timeshare interval is around USD 16,000 per week and it differs due to different seasons,

timeshare resort amenities and the type and size of the timeshare unit. In rural timeshares the rate of the annual fee is usually between USD 600 and USD 800, because of the larger common parts in the rural timeshare resort and is always on annual not on bed nights basis, which can be explained with the fact, that the owned intervals are very often 3 weeks and longer.

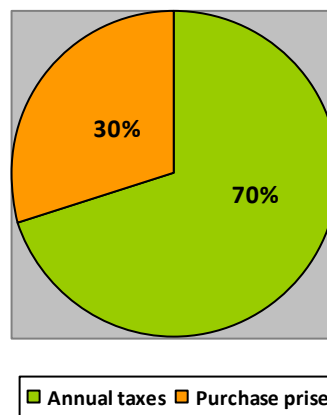


Fig. 1. Structure of the blanket timeshare price in rural areas (period of 50 years in the timeshare contract).  
Source: Adapted to WTO, Timeshare – The new force in tourism, own calculation [13]

The timeshare product profile has also developed significantly worldwide. From basically recreational, nowadays the timeshare product is more based on different specific activities. For example, we can identify golf timeshare, ski timeshare, cruise timeshare, caravan timeshare (*Resort Parks International*), rural and eco timeshare etc. In the field of rural timeshare, it can be concluded that this is one of the factors, including theme parks, second home buildings and others, which plays significant role for the awakening interest towards rural areas and rural tourism trough last years. Rural timeshares diversify the rural hotel and lodging product and guarantee the attendance of the rural area, because of the supposed annual holidays of the timeshare owner at the same place every year.

Considerable change in the timeshare product is also indicated connected with the form of existence. Increasingly widespread are the mixed and hybrid forms of timeshare. In this

field the most common are condominium hotels and partial ownership timeshares. The most common type of hybrid timeshare product in rural areas is the “partial ownership”. As a form of accommodation it developed during the 90s XX in USA and became popular in 1994. Compared to the timeshare concept, which developed during the 60s, XX, this information gives us grounds to believe that the partial ownership is type of the modern or hybrid timeshare products. With this type of timeshare, the accommodation is for longer period of time – usually 3-4 weeks to 3 months per year. The type of ownership is always “deeded/fee simple” and the use of the timeshare unit is on rotational principle among the co-owners. The basic motive for the timeshare purchaser is the possession of a vacation home in rural area, but combined with the advantages of sharing the responsibility for the home maintenance with other people.[7] Big hotel chains are also interested in participating in the timeshare market - Four Seasons, St. Regis and Ritz Carlton are representing the mentioned hotel companies. In rural areas some of the representatives are Marriott (Marriott's Village d'Ile-de-France), Ritz Carlton (Carlton Destination Club) and Hilton (Hilton Grand Vacation Club). According to a study in 2006, the partial ownership sales generated 1.6 billion \$ sales revenue. The prices are usually between \$200,000 and \$1 million, which defines this type of product as up-scaled priced.[5]

The timeshare owner is seen as an individual or a household, which possesses interests in owning holiday property, but due to objective and subjective reasons, prefers to share it with other co-owners. The general profile of the typical timeshare owner is presented in Table 1.

For the purpose of the study the timeshare owners are segmented by their “reason for the purchase”, which is closely related with their perception of the timeshare product meaning and with their personal needs, that are satisfied with the purchase.[10]

Generally, segmentation is marketing process, which allows the businessman to form target consumers groups.[2]

Table 1. General profile of the timeshare owner

Demographic characteristics			
Socio-economic		Life cycle	
Age	45-55	Marital status	Married
Incomes	\$35,000-\$90,000	Education	Highly educated
Gender	Predominantly male	Career	Wide range
Geographic		Socio-psychological	
Place of permanent residence	USA and Europe	Satisfaction	80%
		Motives	Quality and flexibility
Location of timeshare ownership	North America, Europe, Latin America	Needs	Recreation, Experiences, shopping

Source: Adapted to RCI, Resort Timesharing Worldwide [11]

From this point of view, there are four key segments of owners:

- “*Second home owners*” – the timeshare unit is seen as a second home for the purchaser. They visit it regularly and they don't want to exchange it with other timeshare owners. Usually, the timeshare unit is located near to the place of permanent residence, the hometown or near to the place of residence of relatives. This is the most common representative of the rural timeshare owner.

- “*Exchange peace*” – timeshare unit is seen as an “exchange coin”, which gives the timeshare owner the opportunity to visit different holiday homes in a profitable way. Relevant connections with exchange organizations, such as RCI or II, are very important for the purchaser.

- “*Hobby tourism*” – the timeshare unit ownership gives the opportunity for practicing specific activity, which is commonly connected with a hobby of the owner (golf, fishing, surfing etc.). This type of timeshare owners is also widespread in rural areas, because rural places very often give the opportunity for practicing different type of hobby – the presence of a lake suggests the possibility for fishing, the wide green areas – for a golf game, the calm atmosphere of rural areas – for different type of exercises outdoors etc.

- „*Family holiday*” – timeshare purchase aims quality time, spent together with the family. This owner segment is distinguished with the so-called “cluster of motives”, connected with the different needs of the family members due to their age, life cycle etc. They are also very common in rural timeshares, mostly because of the calm atmosphere, which gives the basis for recreational time, spent together with the family. The vacation period is tightly connected with the annual family holiday time.

The timeshare developer is a businessman or a company, which invests in the timeshare construction and maintains and manages the timeshare building/resort. The timeshare developer is one of the main players in the timeshare systems, along with the timeshare owner and the timeshare exchange organization, and usually practically owns the timeshare resort (except deeded/fee sample format of ownership). Generally, we can identify four basic representatives of the timeshare developer:

-Specialized timeshare developer - owns and runs only timeshare projects;

-Developer in the area of hotel and lodging industry – the timeshare business stimulates the cash streams, expands the product list, diversify the hotel supply;

-Company with business outside the tourism industry - aims diversification of the investment risk trough investing in different business areas;

-Company with business activity in the field of tourism, but outside hotel and lodging industry - aims development of the tourist product portfolio and guarantee of the company`s standards.

The majority of timeshare developers in rural tourism are represented by the first two groups. The specialized timeshare developer in rural areas is very often small businessman, who had reorganized the village house into timeshare building with reduced number of units and vacation intervals. This is more like a family business to him, which makes him personally connected with the timeshare owners and their needs.

The timeshare developer with business in hotel and lodging industry are mostly

represented by the international hotel chains, which we already mentioned. Specific to their timeshare product is that it is part from their wide hotel product portfolio. Usually this large hotel corporations have the so-called “destination clubs”, where they integrate the timeshare resorts, including rural timeshares (very often called “timeshares in countryside”).

## CONCLUSIONS

As a conclusion we can assert that timeshare in rural areas is relatively well developed. It has its own specific characteristics and the main distinctive features are as it follows:

-Timeshare in rural tourism is a modern type of hotel product that practically exists as a long-term contract between a timeshare developer and a timeshare owner.

-The most common interval of vacation time is “the floating vacation week” type of ownership.

-The timeshare unit, where the purchaser has the right to spend vacation each year, is fixed due to specific motives and needs of the timeshare owner.

-The average price of a rural timeshare interval is around USD 16,000 per week and it differs due to different seasons, timeshare resort amenities and the type and size of the timeshare unit.

-As additional component of the blanket timeshare price, the annual fee in rural timeshare resorts covers around 70% of it and on average costs USD 600 to USD 800 per year.

-The profile of the timeshare product has developed significantly and nowadays it is more based on different specific activities.

-The form of existence of rural timeshare is most commonly “the partial ownership” type, where accommodation is for longer period of time – usually 3-4 weeks to 3 months per year.

-The main timeshare owner segments in rural tourism are the so called “second home owners”, “the hobby tourism” seekers and “the family tourism” owners, where the motives and need differ.

-The timeshare developer in rural tourism can be split in two groups - specialized timeshare developers and timeshare developers with business, connected with the hotel and lodging industry (predominantly represented by the international hotel chains).

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