

Impediments to Growth of Timeshares in India: Timeshares as Long-term Housing Investment a Comparative Study from USA and India



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Timeshare vacation ownership, a purchase of the right to occupy accommodation or facility over a given number of years or permanently for a defined period of time over a year, has experienced significant and sustained growth over the past 30 years to become one of the most sought after commodities in the hospitality industry. The timeshare market grew from 2010 to 2019, driving a substantial increase in the efficiency of the sector in India and USA. This paper ascertains time shares in the tourism industry in India versus the USA and why time shares have gained so much significance for hotel developers and whether consumers should invest in ownership of time sharing vacations.

Keywords: timeshare, tourism, housing investments, alternate investments

1. Introduction to the Current Study

1.1 Background

This study revolves around the time sharing industry in India versus time shares in the United States, and the economic impacts of time sharing resorts and time sharing tourists. The sector is wide-ranging and has many causes. Two major categories will be analyzed for the purposes of this study (Woods, 2001). One is spending on time-sharing tourists and the other is income from the taxes and maintenance fees paid by those time-share owners in India and the United States, which is returned to the community through the payroll of maintenance costs, utilities and employees. Knowing how the time sharing industry affects tourist spending patterns in India is important. The ancillary revenue generated in India and the USA by the time-share industry includes the products and services on which the holders of timeshare spend their money (Sparks et al., 2008). Tourists who come to India and the United States usually spend money on restaurants, shopping, touring, recreation, etc. This analysis will examine time-share owners' spending in these categories and seek to find trends among them in terms of what motivates them to spend money in India, what factors affect their spending patterns, and how much money is spent in each category, which in turn would mean how much time-share owners in India and the United States affect the economy (Sparks et al., 2007). From the point of view of retailers, it is important to know how much money tourists spend on time sharing and what are the demands of these types of tourists.

The study is based on primary data collected in terms of tourism about the economic effects and importance of time sharing in India and the USA (Pryce, 2002). The data was collected by surveying the holders of time shares from different resorts. This study aims to find not only the importance and expenditure of the time sharing industry in India and the USA, but also how greatly these expenditures impact the tourism industry, and ultimately the economy of India and the USA, and why it is important to know the demands of time sharing owners in India and the USA (Lawton et al., 1998). Furthermore, the economic impact analysis was conducted by collecting information from time sharing resorts on their maintenance fees, taxes and expenses. Since the economy of India and the United States is dependent on tourism, it is important to know how much of the money coming in from the tourists comes from those who own or stay in a time sharing in India and the United States. Because the time-sharing industry in the U.S. has expanded so much over the past few decades, understanding its economic impact on these countries and how it has evolved is extremely important (Stringam, 2010). The multiplier effect produced by the time sharing industry in India is due to the time sharing resorts' expenses. Studies show that room taxes produce around \$9,349,619 per year in timeshare resorts in India. This tax contribution is a significant source of revenue for the government. Maintenance fees cover a multitude of costs that are split differently between all time sharing resorts. Some of the costs to be evaluated in this analysis include the value of utilities such as electricity, water, gas, AZV, AOV, and land tax (Rivera et al., 2015). The amount of money invested in refurbishing by the time-share resorts also affects the economy, particularly through the import duties they pay. However, one extremely important way in which the time-share industry impacts India's economy is through the payroll expenses of employees. More than 2,000 people living in India work in a time-share resort and over \$30 million in payroll expenses. Studies show that room taxes generate about \$12,119,118 per year in timeshare resorts in the United States (Pandy and Rogerson 2013).

1.2 Business Situation

The time-sharing industry is known as one of the tourism industry's fastest growing segments. The U.S. timeshare industry has generated \$70 billion in economic output, including \$23 billion in revenue in 2011, according to the American Resort Development Association (ARDA). The time-sharing industry has shown remarkable stability even

through the financial crisis; where the average shared vacation ownership sales price was more stable, falling only around 9 percent, and the occupancy rate in 2010 was 76 percent (Hahm et al., 2007). Our analysis has also shown that the prices of the worldwide hotel industry are significantly lower than the assets of mutual vacation ownership. Even in India, time shares had a higher occupancy than hotels from 2006 to 2010. Indian timeshare ended 2010 with an average occupancy of 80.6%, while hotels occupied 73.5%. And in the US, revenues amounted to \$6.5 billion in 2011, a rise of 2.4 percent from 2010. As ARDA's president and CEO states, "Time sharing industry's contribution to local economies goes beyond the resort footprint... In addition to sales and corporate operations, the development of new resorts and renovation projects, it also includes the impact of vacationers' expenditure during time sharing stays (Upchurch et al., 2006)

1.3 Challenge

Knowing the segments of the tourism market is important because of the size and impact of tourism in India and the USA. In India and the USA, especially with hotel visitors, a fair amount of research has been conducted on tourism. Despite the fact that it has grown so rapidly over the past few years, however, there has been very little academic research on the time sharing industry. However, as stated earlier, the average occupancy of time sharing or holiday properties was higher than that of the hotel industry worldwide and in India and the USA, which is why these types of tourists and their financial contribution in the economy are extremely important for India and the USA (Upchurch and Lashley, 2006). It is important not only to know how much money tourists spend time in India, but also where and why they spend. By gaining this information, a great deal more can be done to promote and develop strategies to increase the time-share industry's economic returns on these countries. Furthermore, it is also important to know the expenditures timeshare owners make on maintenance fees and other taxes. ARDA notes that "The time-sharing industry produces substantial amounts of federal income tax and job tax and contributes to property tax, sales tax and occupancy tax revenue for state and local governments (Pandy and Rogerson 2013).

2. Research Objective

This study's aim is to evaluate. U.S. time shares vs. India. Measures of expenditure, employment, payroll, and tax revenue generated by traveler expenditure represent economic impact. These include retail spending, maintenance fees, and taxes that they are paying. This study not only analyzes how much money time sharing tourists spend, but also why they spend and what factors play a role in their patterns of spending when studying retail spending. The explanation for this is that there is nothing that can be done with the spending data to boost it if these important variables remain unknown. When figuring out what affects their purchasing conduct, it is important to know the consumers, their habits, their motivations, even their demographics. Knowing tourist spending behavior may help create policies to increase tourist spending per person. In addition, tourist destinations that can recognize events that contribute to the style of tourism can provide souvenir products in retail environments that will improve the tourist experience.

2.1 Research Questions

What is the time-sharing industry's economic contribution to India and the United States?

Clear-What is the average time-share holders' expenditure?

Where do owners spend their money on time-sharing?

What factors affect where owners of time shares spend their money?

Indirect-How much money is going on in the economy?

3. Review of Literature

Timeshare, or vacation property, is an annual lease of the right to occupy an apartment or facility over a certain number of years for a specified period of time. In the 1960s, in a ski resort in France, the time-sharing industry first appeared in Europe (Cesaret et al., 2019). The skiers wanted to provide guaranteed ski accommodation. The property owners found that throughout the year they could sell their rights to access the same accommodation. Shortly after, various resorts in the US started selling weeks of time sharing in their hotels. The affluent years after World War II at that time gave millions of people in the U.S. and other industrialized nations the time and money to spend on traveling and recreational activities, leading to an expanding economy and a desire to travel within the states (Lamprecht, 2019). In popular tourist destinations, it led to the rapid development of holiday homes and condominiums. The holiday ownership industry was developed as a permanent part of the hospitality and leisure industry during the 1970s. Time sharing has grown since the 1970s across various international resort locations and types of resorts, number of resorts, number of owners, and changes in the essence of the time sharing deal (Penela et al., 2019). In the early stages of time sharing, the time sharing owners purchased a fixed week in a fixed property. This could be a luxury apartment, villa, cottage or suite that is fully equipped. Over the years, however, more flexibility has been incorporated into the consumer offer (Redditt et al., 2019). These include various combinations of seasons fixed or float, and units fixed or float. These vary between the possibilities of buying a timeshare in a fixed period of time each year, or a float time in a season of the year, and a fixed unit that is the same exact unit each time, or a float unit that means that they are not bound to the same resort (Sun and Fu, 2018). There is also the point system, which offers the greatest versatility, allowing the user to buy enough "points" based on their projected vacation needs (unit size, length of stay, location, seasonality). Legally, there are several

examples of strategies used to manage time-share transactions (Ristova et al., 2018). The three most popular forms are deeded rights, right of use, and agreement on leasehold. The deeded interest approach is similar to a real estate acquisition, where the buyer receives a title from the time-share developer for the real estate being bought, and the owner of the unit purchases the right to use that unit in perpetuity, and the right to sell, rent, or move it in a will (Butler, 2018). The right-to-use method of conveyance is different; the customer has contractual rights to use the time-share facilities for a specified period of time, usually one week, but for time-limited periods, such as 25 years, in the agreements. And a method of leasehold agreement is similar to a right-to-use contract in that the buyer holds less than a full leasehold interest (Vella, 2017).

3.1 Timeshare Tourism in USA

Tourism has a major economic impact in any community. Tourism expenditure can be described as total consumption expenditure for and during a visitor's trip and stay at the destination made by a visitor or on behalf of a visitor. Tourists spend about one-third of their overall tourism spending on retail purchases, according to previous studies. According to the Tourism Satellite Account (TSA), tourism expenditure is the starting point for any analysis of tourism's economic impact. The TSA is a theoretical model developed by international organizations such as the United Nations World Tourism Organization, which calculates the tourism industry's scale and economic importance, including the time-sharing market (Gregory and Weinland, 2016). Instead, there are "maintenance costs" paid by the owners to the tourists who own time shares. All of these costs / expenses are very important from an economic point of view when evaluating the effects of time shares. The TSA suggested two types of holiday homes tourism spending. The first is the normal expenses that visitors create during their stay in a holiday home (time sharing) such as transportation expenses, outside meals (e.g. restaurants), cultural and sporting events, car rental, etc. The second category includes the current expenses of its owner (developer) as a manufacturer of accommodation services related to a vacation home. Each class covers time sharing maintenance costs; each includes charges for the use of time sharing facilities (for linen service, washing, etc.) included in tourism expenses (Klateva, 2016). These also compensate for day-to-day running costs such as property management services, as well as spending on major improvements that prolong the physical property's life. In 2010, the time-sharing or shared holiday ownership industry supported nearly 1.1 million jobs worldwide, of which industry operations, off-resort holiday spending and capital spending generated over 498,000 direct jobs. It demonstrates the critical economic impact on economies worldwide that the time-sharing industry has. In the U.S., spending by time-share owners and guests during stays was estimated at \$9.2 billion in 2011; of which \$1.5 billion was spent on-site in resorts, while \$7.8 billion was spent off-site in communities where time-share resorts are located, based on ARDA's study of the economic impact of the time-share industry on the U.S. economy (Bilgihan et al., 2015). Each traveling party spends an average of \$1,509 per holiday. This was based on an average size of 3.45 people travel party, with an average total expenditure per person of \$437. Restaurant, bar, and drinking place activities are the category on which most money is spent, with an average total spending per party of \$265. For categories such as clothing and accessories, grocery stores, amusement parks, arcades, and gambling, ground transit, and gas stations, total average spending per party typically ranges from \$100-\$150. Timeshare owners are repeat visitors, and repeat visitors may be the backbone of a local tourist economy. Timeshare owners inject new expenditure into local economies, which in turn creates additional income and jobs through the economy. Furthermore, although owners of time shares have paid most of their cost of accommodation (Rivera and Cobos, 2015).

3.2 Timeshare Tourism in India

Since the Indian entrepreneur Raymond Maduro founded India Beach Club in 1977, Timeshare has been around in India for more than 30 years. Not only does the time-sharing industry attract tourists to India, it also creates a steady flow, as for years most people are returning to India. Besides the revenue brought to India by the time-share holders, they also help to create jobs on the island. According to a report by student Marieke Heijdeman and Jan van Nes, general manager at the Playa Linda Beach Resort India, nearly 15 percent of the workers in India were in the hotel and restaurant sector in 2006. This figure has now risen to 24.8%. India's time sharing members are considered to be very loyal and usually return to India, providing the island with a steady income base, even in low season. In 2008, Dr. Ryan R. Peterson published another report on the time sharing industry in India. More than 1,500 surveys were collected and analyzed from all time-share properties on the island. The findings were benchmarked and significant results and conclusions were produced by Dr. Peterson. U.S. residents were over 90 percent of the respondents, 80 percent of whom are considered baby boomers. Over \$90,000 is received by about 50 percent of respondents (Sharma et al., 2012). The study also found that 70.2 percent of timeshare tourists in India bought their first timeshare before the year 2000; and after 2001, 29.8 percent bought their first timeshare. This indicates that over ten years ago a large percentage of timeshare holders in India purchased their timeshare and most of them are between 50 and 69 years of age. Of these, 57 percent of respondents purchased time shares through new purchases, but 37 percent purchased on resale. More than 50 percent of respondents have purchased more time shares on the same property, and about 40 percent have purchased time shares on another property. In 2011, 28.8 percent of the total tourists arriving in India are time-sharing visitors. Over the years, this number has varied greatly. Time-share holders made up 29.5 percent of all tourist tourists in India in the year 2000. We accounted for 32.9% by 2005, and by 2007 we had risen to 40.1%. Recession hit the US in 2008, however, and since

most tourists come from the US, it greatly affected India's time-sharing industry. In India, the rate of time-sharing tourists dropped in the years after 2007 until it hit 28.8 million in 2011. 62.1 percent are owners, 3.3 percent are transient, and 34.6 percent are exchange and other non-owners from the tourists staying in a timetable share. Indian timeshare tourism has grown substantially over the past decades; however, all tourism sectors have eventually been affected by the recession (Kaufman et al., 2011).

India's time sharing resorts have also increased in number of rooms. In 2000, there were 6,730 total rooms in India, including both hotels and timeshare, and 37 percent of these were timeshare rooms. Through 2005, India's time-share had 41.2% of rooms. Time sharing had a high for 49.2% of all 7,500 rooms in 2009. This number decreased, and by 2010, India had a total of 7,314 rooms, and 46 percent of those rooms had timeshare. India has about 3,100 timeshare units in total, which has the potential to generate 1,376,796 room nights, according to the India Timeshare Association. The average annual occupancy, which produces 911,989 room nights, is 80.6 percent. Based on the average occupancy, the night taxes paid by the time-share holders raise around \$11,379,799 for the city. Utilities costs have increased significantly since 2007-2011 (Stringam, 2010).

4. Research Methodology

This analysis includes the indirect and direct economic contribution of Indian and U.S. time sharing tourists. Analysis of indirect participation was achieved by seeking market averages of maintenance fees, room levy, utility costs, investment refurbishment, and payroll costs. This data was collected and analyzed from different timeshare resorts in India. The direct contribution analysis was done by identifying average daily time sharing tourist expenses and estimating about how much time sharing tourists are spending annually in India and the USA. This data was acquired through surveys on Indian time-sharing visitors.

The data was collected from March 15 to April 12, 2019, for approximately one month. The sample size was 400 surveys filled out by randomly asked time-sharing tourists. The goal was to perform surveys on India and the United States as many timeshare resorts as possible. Around 60 surveys have been conducted.

The survey first measures the type of time sharing tourist visiting India and the United States, beginning with whether or not the respondent is a time sharing owner in India and the United States. If they are a time-share owner, they ask what form of time-share ownership they have (use rights, deeded interests, etc.). And if they're not a time-share owner, it asks how they're associated with time-sharing (rent, trade, etc.). The questionnaire also tests the length of stay and the weeks that they own. Second, while on India and the United States, the survey tests the desires of time sharing visitors to find out what motivates them to spend. These include concerns about the importance of operations and key interests in India and the United States. Expenses are measured in the third part of the survey. These include travel expenses and expenses incurred while on India, in the different expenditure classes, and complete. Finally, the survey measures the time-share tourist demographics, such as age, income, and education.

4.1 Results

Nearly 70% of the respondents to the survey who stay in a time-share are an owner. This means that the vast majority of India's time-share tourists are owners in the timeshare resorts of India. Those who do not own a timetable in India, rent one, swap their timetable with one in India, receive it as a gift, or are a guest of a time sharing holder.

Nearly 55% of the respondents to the survey who stay in a time-share are an owner in USA.

Table 1 Average Total Daily Expenditure

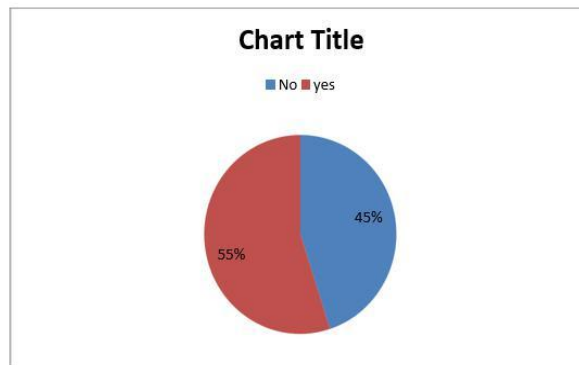
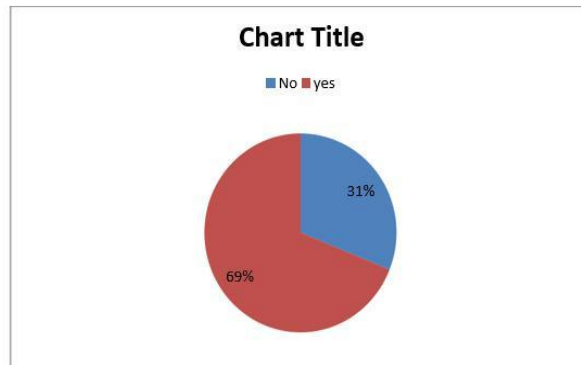
	Per Party	\$506
	Per Person	\$199

The average total daily expenditures per party is \$506. The average total daily expenditures per person is \$199 in India.

Table 2 Average Total Daily Expenditure

	Per Party	\$799
	Per Person	\$250

The average total daily expenditures per party is \$799. The average total daily expenditures per person is \$250 in USA.



In India in 2010, the average length of stay in India was 11.5 days, and the average length of stay in this current study was 11.8 days. This means that the average length of stay has stayed almost the same over the past 5 years. The average size of the travel party in both studies was 2.7 participants. The total expenditure per group was estimated at approximately \$4,419 in the 2010 report. The average total expenditures per day (\$506) compounded by the average number of days (11.8) in this study was calculated at \$6,476 in total spending per faction. It shows a significant increase in total average spending.

Comparison between 2010 and 2019	2010	2019
Average Length of Stay	11.5 days	11.8 days
Average Travel Party Size	2.7 people	2.7 people
Average Expenditures Per Day Per Person	\$126.00	\$199.00
Average Total Expenditures Per Party	\$4,419.00	\$6,476.00

In USA in 2010, the average length of stay in India was 18.5 days, and the average length of stay in this current study was 18.8 days. This means that the average length of stay has stayed almost the same over the past 5 years. The average size of the travel party in both studies was 10 participants. The total expenditure per group was estimated at approximately \$5,419 in the 2010 report. The average total expenditures per day (\$799) compounded by the average number of days (16.8) in this study was calculated at \$7,476 in total spending per faction. It shows a significant increase in total average spending.

Comparison between 2010 and 2019 in USA	2010	2019
Average Length of Stay	16.5 days	18.8 days
Average Travel Party Size	10 people	10 people
Average Expenditures Per Day Per Person	\$126.00	\$199.00
Average Total Expenditures Per Party	\$5,419.00	\$7,476.00

There are also several improvements to the overall total amount of money spent in each class per travel group. The types of expenditure are different in each study; therefore it is not possible to compare all the averages. As can be seen,

the majority of spending increased with the biggest growth in the category of food and beverage and the category of grocery and sundries. There is a significant increase in the expenditure in India as well as in USA.

Expenditure Categories in India	(2010)	(2019)
Accommodation	\$710.00	\$2,424.00
Food and Beverage	\$900.00	\$1000.00
Groceries and Sundries	\$270.00	\$450.00
Car Rental	\$330.00	\$500.00
Other Transportation	\$111.00	\$240.00
Gambling	\$784.00	\$980.00
Shopping	\$607.00	\$800.00
Recreation/Tours/Activities	\$707.00	\$1100.00
Local Souvenirs and Crafts		124.00\$
Jewelry and Luxury Brands		1077.00\$
Other Purchases		171.00\$

Expenditure Categories in USA	(2010)	(2019)
Accommodation	\$810.00	\$4,424.00
Food and Beverage	\$1100.00	\$1500.00
Groceries and Sundries	\$170.00	\$200.00
Car Rental	\$2200.00	\$300.00
Other Transportation	\$400.00	\$600.00
Gambling	\$500.00	\$700.00
Shopping	\$507.00	\$600.00
Recreation/Tours/Activities	\$407.00	\$600.00
Local Souvenirs and Crafts		224.00\$
Jewelry and Luxury Brands		977.00\$
Other Purchases		71.00\$

5. Conclusion

The results of this study show that spending on time-sharing tourists is growing, especially on restaurants and grocery stores in India as well as in the United States. This ensures that restaurants and grocery stores not only need to sustain but also increasing their value, service and accessibility in order to keep the expenditure rising.

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