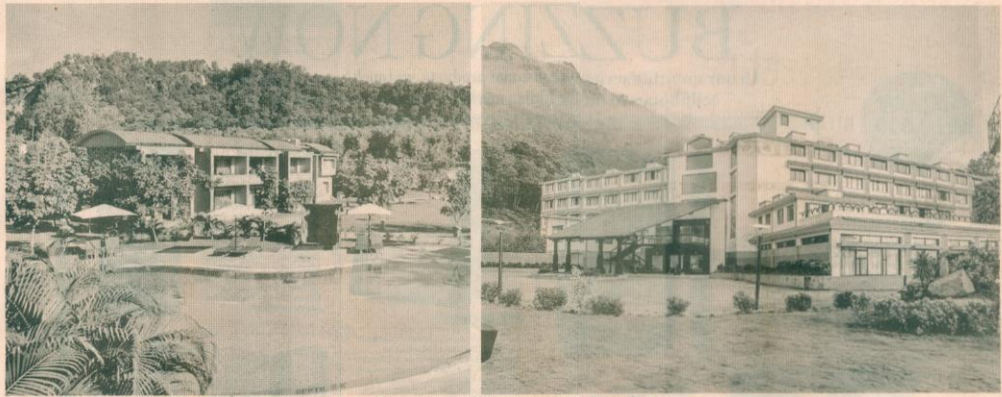


Publication:	FINANCIAL EXPRESS
Date:	August 2014



(Left) Club Mahindra's resort map includes Corbett Park, among others; and Sterling Holiday's resort in Munnar, the popular hill station in Kerala located in the Western Ghats

TIME FOR TIMESHARE

With a sudden burst of activity, vacation ownership in India is starting to eye a bigger slice of the tourism pie

Anirudh Vohra

AFTER A spell of relative obscurity, the timeshare market in India is witnessing a burst of activity. Club Mahindra, the leading player, has just announced the acquisition of Finnish holiday company while the other major player, Sterling Holidays, had earlier announced a strategic merger with Thomas Cook. The twin deals would suggest that the timeshare industry is starting to eye a bigger slice of the tourism pie.

The Mahindra Holidays & Resorts India (MHRI) agreement with the shareholders of Finland-based Holiday Club Resorts Oy allows the company to acquire 18.8% of its stake, with a right to increase its ownership over the next two years. Holiday Club Resorts Oy has 22 resorts, 24 located in Finland, two in Sweden and six in Spain. Seven of these resorts have spa hotels with indoor water parks, three have golf courses and five offer indoor theme parks for children.

For existing MHRI members, it means an expanded horizon. Says Arun Nanda, chairman, MHRI: "The merger will give our existing and future members an opportunity to visit a different country. It is for the kind of tourist who has either already shopped in Milan, seen the Eiffel Tower, been to Disneyland or doesn't care about it. It's geared more towards a family experience, as the properties have golf courses and theme parks too."

As of now, existing Club Mahindra members will be permitted to use the new properties owned by Holiday Club just as they use the Club Mahindra properties, depending upon the availability of rooms. Other details are to be worked out after the acquisition is completed. Meanwhile, the company is looking to expand its domestic footprint by adding 600 rooms in the country within the next 18 months, with an investment of ₹200-600 crore. The company, part of the Mahindra Group, has around 17,000 members and operates 43 properties across India and abroad, totalling more than 5,000 units.

Club Mahindra's rival, Sterling Holidays, also took a giant stride by merging with travel giant Thomas Cook earlier this year. "The proposed merger with Thomas Cook and the resultant fresh injection of capital will take us to a new level of Sterling's market position and allow us to accelerate the pace of expansion into new holiday destinations," says Ramesh Ramamathan, managing director, Sterling Holidays. The timing is significant.



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ARUN NANDA, Chairman, Mahindra Holidays & Resorts India

The vacation ownership industry was growing at an average of 15% per annum, as per reports. However, the major players were adversely impacted by the economic slowdown. As per a report by Edelweiss Securities, the slow pace in inventory addition and customer dissatisfaction led to a drop in membership addition and increased cancellations. Member addition fell from 26,620 in 2009 to 17,400 in 2013. The timeshare players have been confused by the new government's focus on building the tourism industry in India, and with economic sentiment on the upswing, the industry is expecting a boost in the growth of vacation ownership sales. "The membership acquisition has been disappointing, as we sold less than 25,000 memberships in the last quarter, but the turnover has increased significantly," says Nanda of MHRI.

What is vacation ownership?

Vacation ownership or timeshare is a property with a particular form of ownership or use rights. These properties are generally resort condominium units in which multiple parties hold the rights to use the property and each shareholder is allotted a period of time. This may be on a partial ownership, lease, or right to use basis, in which the shareholder holds no title to ownership of the property. While the vacation system became popular after World War II in Europe, in India, the concept was introduced only in the 1990s, with Sterling Holidays and Dalmia Resorts International being



(Top) Mahindra Holidays & Resorts India's property in Coorg, Karnataka; and Sterling Holiday's resort in Thekkady, Kerala



STERLING'S FOCUS IS ON TAPPING THE IMMENSE POTENTIAL IN THE INDIAN TIMESHARE MARKET. WE HAVE EXPANDED OUR INVENTORY FROM APPROX 1,750 ROOMS IN 2013. TO APPROX 1,750 ROOMS NOW, WE PLAN TO EXPAND TO NEIGHBOURING COUNTRIES TOO, BUT OUR PRIMARY FOCUS WILL BE ON INDIA

RAMESH RAMAMATHAN, managing director, Sterling Holidays

biggest players in the industry are Club Mahindra, Country Club and Sterling Holidays, there are several other smaller regional players.

Formula for success

One of the keys to timeshare resort success is location. Club Mahindra, one of the market leaders, started in 1998 with its first resort in Munnar, the popular hill station in Kerala located in the Western Ghats. Today, the resort map includes places in Goa, Binsar Valley, Mussoorie, Nainital, Kanatal, Silikhet, Corbett Park and Thekkady, while it also has resorts abroad in Bangkok and Dubai. "We have seen that from our portfolio, the resorts people pick the most are the ones we built ourselves and not the ones we acquired like Munnar, Coorg and Goa," says Nanda. Mahindra Holidays divides its memberships into four categories: purple season, for those who prefer to travel during festivals, national holidays and events like New Year's Eve, which are classified as exclusive for purple members; red season, if you prefer holidaying during the 'peak' season, that is, school or college vacations and the weeks around festivals; or who want the option of holidaying almost through the year; white season, which means weeks that aren't really peak season, but cannot be classified as off-season either—a time when most of the regular tourists have gone back to work and there is some measure of peace at most destinations; and blue season, for holidaymakers who just want to get away for some peace and quiet, or holiday during the monsoon.

Club Mahindra's current membership charge for the basic offering goes week every year at its studio apartment in the off-season for 25 years) is ₹1,20,000 and the annual subscription fee is around ₹12,500. For a similar package, Sterling Holidays charges ₹1,40,000 as membership and its annual subscription fee works out to be around ₹10,000. Both offer RM options. Sterling also has resorts in popular destinations like Munnar, Corbett Park, Mussoorie, Coorg, Binsar Valley, Mussoorie, Nainital, Kanatal, Silikhet, Corbett Park and Thekkady, while it also has resorts abroad in Bangkok and Dubai.

"Sterling's focus is on tapping the immense potential in the Indian timeshare market. We have already expanded our inventory from around 1,500 in 2013 to approximately 1,750 rooms now. We plan to continue expanding to neighbouring countries, but our primary focus will be on India," says Ramamathan. Sterling also has an exchange arrangement with the RC3—a leading global timeshare exchange network—for stays at its affiliated resorts in India or abroad.

Gearing up for more

As per industry sources, the timeshare industry is ripe for expansion, and now looking to tap NRIs. Mahindra is planning to expand its business by tapping the Indian diaspora in countries such as UAE, the UK and Africa, as per company officials. "Sri Lanka is a clear candidate. And as the market evolves, we would evaluate having a bigger presence in Malaysia and the west of Thailand...and if we find tens and thousands of people going to Europe, we will certainly evaluate it," a company spokesperson says.

Clearly, the timeshare market is at an evolving stage. As per HBI Capital Securities, the real challenge still remains customer satisfaction and retention. So far, that has not seen mixed signals. Says Anurag Chhabra, a Gurgaon resident, "I have been a part of Club Mahindra for the past few years and it continues, as my kids get to spend a week at a resort, indulging in fun activities other than visiting their grandparents annually."

Yogesh Senema, a Mumbai-based businessman, has a different take. "Taking a Club Mahindra membership was a waste for me, as it's a really hard time to find a room at the time and resort of my preference. Because I wish to go out for more than the free weeks covered in the package. I end up paying much more than I would have paid at a normal resort," he explains. The contrasting views suggest the timeshare model is not for everyone, but for those who know how to play the odds and pick the right type of membership and vacation time. It is an idea, whose time has come.

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