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IN CONVERSATION

WITH D GOVARDAN

Cooking up vacations

Talk of the timeshare industry, and the name Sterling Holidays will automatically come to mind. Arriving on the Indian corporate horizon in the late 1980s, the company was not only the pioneer of this industry, now more popularly known as vacation ownership, but also went on to become a phenomenal brand that graduates aspired to work for. However, too much ambition and a few mistimed ventures brought the juggernaut to the ground, from where it took several years to revive itself. Sterling Holidays is now in the process of being merged with travel company Thomas Cook. Its managing director **Ramesh Ramanathan** took time off to recall the past and way forward to *Financial Chronicle*. Edited excerpts from the interview:

■ **Sterling Holiday Resorts once created a benchmark for the hospitality industry in terms of executive salaries and travel packages in the late 1980s and the mid-1990s. What was it like in those heady days?**

R Subramanian or RS as he is popularly known, is a visionary. He dared to go where others would hesitate to tread! On a vacation trip to my hometown Coimbatore, RS encouraged me to visit the newly set up Sterling resort at Kodai. It was after this visit that I joined Sterling to head marketing & sales. I experienced firsthand the potential of the timeshare industry when I saw how a holiday in a well-planned leisure resort could create cherished memories and bring families together.

The potential was there but the challenges were immense, goading us to set benchmarks in delivering Great Holidays. Remember, we are talking of times when Indian families would only holiday once a year visiting friends and relatives (VFR). Sterling believed that holiday patterns could be changed by making timeshare vacations affordable. Variety in food and holiday activities were made part of holidays for the first time. No challenge was seen as impossible but instead greeted with a 'we can' attitude. This involved educating the market about timeshare (now called vacation ownership) whilst simultaneously investing in infrastructure and human resource skills to deliver memorable holidays.

One of the challenges we took up was the opening of hitherto unknown holiday locales. Sterling was the first to open a major resort in Munnar in the 1990s, at a time when Munnar was not on the tourist radar. Today, Munnar is rated as one of the top three holiday destinations in Asia!

There was fun at work. And no Sterling who was there in those years has forgotten it. There is a very active group of ex-Sterlingers on Facebook today. In fact, last year when Sterling's first ever resort in Kodaikanal celebrated 25 years since inception, a group of ex-Sterling employees wrote to me and asked for permission to organise a celebration at the resort. They came from all over the world! That should tell you what it was like that was visionary and had a great people culture.

■ **Despite all those achievements and phenomenal growth, where did the company go wrong so that it was away from the industry limelight for a long time?**

The rapid success Sterling tasted in vacation ownership sales led to kingsize ambitions. Sterling started investing in land across the country, including a project in Greater Noida to develop two championship golf courses, an integrated sports complex and golf villas. No less than the famous golfer, Greg Norman, was appointed for the design of the golf course. Sterling sunk in substantial funds for a project that was



perhaps ahead of its time, when the economy began to tank. Timeshare sales declined and Sterling began to struggle with cash flows and mounting debt. Things went steadily downhill from there for a good 12 years before Sidharth Subramanian & Sid Mehta started the rescue act. It was a difficult era for the company but one thing that must be highlighted is that Sterling's commitment to its members never waned. Right through this difficult time, Sterling continued to deliv-

er holidays to its members with whatever resources it had.

■ **What was the key factor that made you to take a fresh look at Sterling and return to your base?**

I had already left Club Mahindra and was enjoying a sabbatical when Sid Mehta, Sterling's chairman, approached me and said, "Ramesh, you have an incomplete job to finish. Come back and finish it." Like all ex-Sterlingers, I had an emotional attachment to the company. I also knew that the vacation ownership industry had yet to realise its potential and that Sterling had some great assets. I joined Sterling in July 2011 and as I look back over the last two-and-a-half years, I do so with a sense of satisfaction. In that period, we have opened eight new resorts and have progressed well in renovating existing resorts and enhancing the service standards. As a result of these efforts, five Sterling resorts have been awarded the coveted RCI Crown.

■ **What are the benefits in the merger with Thomas Cook?**

The merger has created a travel and holiday behemoth of Rs 3,000 crore.

With Thomas Cook, we now have a partner who can help us increase our occupancy levels and expand quickly to new destinations and markets.

The decision that post the merger, Sterling and Thomas Cook will continue to operate independently is in line with the Fairfax philosophy. The important evaluative criteria that Fairfax looks at when acquiring companies is the potential for cash flow generation, the competency of the management team and the opportunities available in the segment.

■ **What is the way forward for vacation ownership or timeshare industry in India? Not many are keen to be tied down with one network.**

The way forward promises to be very exciting now that Indians have discovered the joy of travel. Gone are the annual vacations and VFR's, replaced by multiple holidays, both domestic and abroad. The network offered by Sterling is large and growing. Plus, there is always the possibility of holidaying in over 4,000-plus overseas destinations through Resort Condominium International (RCI), opening up resorts around the world. A timeshare membership makes sense not just financially and emotionally but also in terms of comfort and safety.

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