

L O D G I S T I C A



hospitality sales consulting and management

June 19, 2007, www.hospitalitynet.org, Fractional Real Estate and a Luxury Resort: How to Develop a Sales & Marketing Program That Makes Both.

The rapid rise of **fractional real estate resorts** has generated an intense debate about sales and marketing priorities and approaches when there are seemingly two different products. While maximizing real estate revenue is the ultimate goal of this emergent model, the only way to successfully close high-end real estate sales is to appropriately market the resort. In the fractional / residential resort scenario (as opposed to the timeshare model with which many consumers still confuse it) what is being sold is more than a destination and more than a space, it is a lifestyle. Though real estate is the financial stronghold, the resort is the lifestyle—and the marketing of the resort is fundamental to the success of the whole project. Sadly, real estate marketing and **resort marketing** often don't work in concert with one another—believing that they have two different goals or that one is more important than the other—and without working together, a fractional sales & marketing program is wholly ineffective.

The real estate division and the resort require separate sales teams since real estate sales teams must meet legal requirements that are not required of hotels sales in order to transact business. However, the marketing teams must be in step with each other because the resort is responsible for providing the services and amenities that create the lifestyle real estate that sells. Developers must first determine what type of lifestyle they offer and hire the team that will pursue the appropriate guest/buyer. Both marketing teams are charged with positioning the property—telling the story of a lifestyle—and hotel operations delivers the experience.

While real estate sales generate more revenue, without resort occupancy with the right guests, the real estate efforts will be very challenging. This is a two-fold issue. The first is obvious—the more hotel occupants, the more real estate prospects there are to be converted. Second, in the fractional model, high resort occupancy is a selling point. Buyers want a demonstrated return from their unit's participation in the resort rental program.

Note, however, that these guests must be the right audience. The resort guest can be the potential buyer. When the resort and real estate marketing teams do not work together, a disconnect occurs—often the two teams will either not sell the same lifestyle or sell to different types of clients or both. For instance, if an elite client is the target market, we must know that discount promotions cheapen the product, and, further, that too many offers can make a property appear desperate. So if the hotel is offering discounted packages and real estate is selling to a high-end market, the messages don't match and will, therefore, attract two very different audiences.

Therefore, consistent branding is critical. For a luxury fractional resort this means expensive units must be expensive guest rooms and promotions should be value-added or life style focused rather than discounted. Since the positioning is tied to the lifestyle/hospitality element, the façade must reflect a resort rather than a traditional vacation home destination. Further, appropriate **resort branding**, such as luxury hotel affiliations and media accolades, gives the entire project credibility.

Add to this a certain demeanor in selling the property. Because consumers are still learning about the model, they have begun to fear being accosted upon arrival at residential resort or fractional ownership property. Be discrete about ownership, so as not to scare off the right potential guests, by focusing on the resort in advertising and public relations. Once they are on property, it is important to sell real estate; however, it should be handled with a residential feeling—with the sales person very present and acting as

a host, as opposed to offering up overt real estate pitches. Do have information, but really just let them fall in love with the experience. Then convert them softly with resort newsletters that discuss fractional ownership or special communications that give them gentle reminders that they can own the lifestyle they so enjoy. In fact, it's best to overlap some communication between guests and owners. Owners not only want to know what's available to them while they're on property, they also want to know that guests are being marketed to appropriately and actively.

Another important element in marketing the **fractional resort** is to have the hotel maintain ownership of a certain percentage of rooms at the beginning (two to three years) for sales and marketing purposes. In order to generate revenue and demonstrate return to owners, the hotel has their portion of occupancy to generate, and they have to maintain a rate that's consistent with branding. Keep a balance of small inventory so that the hotel can yield and sales and marketing can have a tool to sell the property by inviting media, potential high-end meeting planners, or qualified high-end travel agents. This also allows the hotel to consider group bookings to fill low seasons where a larger discount and upgrades are always required to compete. Ultimately, a fractional resort isn't appropriate for most corporate groups; however, family reunions and celebrations are valuable targets for low season. Once the majority of the units have been purchased, these resort rooms may be released to real estate for sale.

A final note about the fractional resort industry challenges and the importance of ensuring that marketing is handled correctly. This is a burgeoning model and one that hasn't been around long enough for the public to distinctly differentiate it from the timeshare industry. High-end, well-educated travelers tend to avoid the timeshare industry—often due to perceptions of aggressive or false marketing—and full-ownership clubs moved away from this but have been limited to a very elite clientele for some time now. Fractional is a hybrid version—one that makes the vacation home a bit more accessible, while still promoting to a luxury market, and offers true benefits. It is critical that we go in with new ideas for this new model. If we're not careful about how we handle differentiating and adequately marketing, the potential for failure is great. This starts at the individual properties, where every marketing team is charged with the success of the **fractional resort model** and this success starts with a dialogue.

About Lodgistica

With 25 years experience in four- and five-star **hotel management**, **Ling Riley** established Lodgistica in 2005. A boutique luxury hotel marketing and sales firm, Lodgistica differs from other industry firms by offering a hands-on, intimate approach for small hotels and resorts. Unlike other hotel management companies, Lodgistica's team acts as an in-house team offering a range of services: travel agent relationship development, marketing strategies, collateral development, and more. Lodgistica's clients have included The Whiteface Lodge in Lake Placid, New York; The Chanler at Cliff Walk in Newport, Rhode Island; The Inn of the Five Graces in Santa Fe, New Mexico; Oheka Castle on Long Island; Lake Placid Lodge in Lake Placid, New York; Home Hill Inn in Plainsfield, New Hampshire; and The Point in Saranac Lake, New York.

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