Factors that Influence Experiential Value of Timeshare Owners toward Timeshare Purchasing in Malaysia

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Abstract: This study was conducted to investigate factors that influencing experiential value of timeshareowners in purchasing timeshare in Malaysia. The research framework was constructed based on the extensive literature review to establish the hypothesis. The researcher used questionnaire and the respondents is among the timeshare owners from Malaysia. Quantitative methods were applied in the research for validity. The analysis of the findings of this research reveals that whether involvement of infrastructure, security, risk, cost and price would have bring significant experiential value to the timeshare owners.

Keywords: Timeshare owner, experiential value, infrastructure, security, risk, cost and price

1. Introduction

Timeshare concept was initiated in 1960s by Alexander Nette in the French Alps. The idea is to purchase the apartment jointly and to share using it based on weekly basis. This model initiated the foundation of the timeshare industry (Madrid, 1996). The same timeshare concept was later entered to America and was adopted in Florida (Woods, 2001). In the mid-1980s, timeshare was later introduced to Malaysia. 

Timesharing is a concept which provides for the maximization of the use of a capital asset, by sharing its ownership amongst a number of people, which each of them owning just the time they will use and sharing the costs of ownership in proportion to the amount of time which they own. The rationale of purchasing timesharing is to provide the opportunity buying a holiday home without having burden of the responsibilities of the ownership and maintenance. In Malaysia, the tourism industry has extended greatly in line with the growth of the economy and changing lifestyles of the people. Timesharing is a natural extension of the tourism industry and a number of companies, including subsidiaries of listed companies and hotel chains have ventured into this industry to tap the growth of this industry. However, during recession in 2008, the statistics of the timeshare industry was affected and shrink causing the timeshare industry facing severe challenges for future development. Finding shows that owners are more interested in selling their timeshare than in buying additional new ones (ADRA International Foundation, 2010b; ADRA International Foundation, 2011b). Apart from the internal challenges, timeshare industry also faces competitions on other services competitors in the hospitality industry such as cruise travel, tourism packages and luxury hotels. Therefore, it is crucial to evaluate what factors that can influence the experiential value of timeshare owners’ to purchase timeshare.

2. Literature Review

Infrastructure: Infrastructure is referred to the resort unit which is the accommodation that provided to the consumers during their stay. The unit can have a number of physical factors that separate it from other units such as view, square footage, floor plan, and number of bedrooms provided. Resort units usually contain many of the items associated with hotel rooms with the addition of some of the same comforts as an individual’s home (washer, dryer, kitchen equipment) (ARDA, 2005). Some resorts will have additional luxuries that go beyond the traditional comforts of home, such as Roman-style whirlpools, lush arrangements of silk greenery, and spacious vanity areas (ARDA, 2005). The furniture, fixtures and equipment associated with the resort unit are what make it appealing to a consumer and are shown to the prospective buyer during a sales tour by a sales person (ARDA, 2005). According to research by Wilkins et al. (2007), some of the more important items regarding unit experience are its cleanliness, the comfort, and the quality of the items contained within the rooms.
**Timeshare Purchasing – Cost and Price:** Woods (2001), discussed the major challenges facing the timeshare industry and generated a laundry list that includes ethics, capitalization costs, regulations, marketing costs, sales practices, and timeshare resale issues. Timeshare costs are quite expensive because consumers are required to purchase their stays in advanced together with the maintenance fees. Apart from that, there will also be additional fees for certain exchanged resorts. Hovey (2002) highlighted three aspects which are the cost of sales, maintenance costs, and exit costs that will contribute to the costs of ownership of timeshare that are considered as factors that could be addressed to make timeshare ownership more feasible. If the industry were able to take up the challenge of reducing these, there costs in, it is likely that investment in timeshare would be more viable and attract a wider market.

**Security:** Every hospitality customer is concerned about physical safety, financial security, and confidentiality. The service provider should make sure that the customer is made comfortable during the stay (Kumar, 2010). Timeshare resorts are very similar in operations to a traditional hotel or resort, giving them the same types of factors to focus on in the design and implementation of services. They would have the same concerns associated with cleanliness and quality along with the additional concerns of landscaping and safety and security (ARDA, 2005). Landscaping can enhance the theme of the resorts and add to the curb appeal from a sales perspective. The safety and security measures of a resort are represented by the presence of safety/security officers, signs throughout the property, fencing around the perimeter, and key-lock entry into guest areas. These enhance the product by giving a sense of exclusivity to the resort while further enhancing the tangible timeshare resort experience.

**Risk:** There are various risks that related to owning a time-share interval (Hovey, 2002 and Larson & Larson, 2009). Consumers should carefully review the risks of owning a timeshare. Risks from owning a timeshare is reflected in the discount rate based on the study by Stephen (2012). According to Stephen (2012), there are nine (9) risks that timeshare owners need to consider which are:
- if the resorts end up being unsold
- timeshare owners may be need to pay for the extra charges due to unexpected events such as losses that are not fully covered by insurance
- Agency problem which is quite possible especially if the resort’s managers are not among the ownership stake in the timeshare resort, this will cause underperform and poor maintenance.
- economic recession – other owner would increase management costs
- the exchange program for alternate location could be default resulting additional fees need to paid for the exchange program
- increase owner’s level of financial risk by adding commitment or fixed costs to the household expenses
- the resorts location and its resale value
- political risk if the resort is located in another country
- Exchange rate risk which can impact the cash flows where appreciating currency will have higher management fees dominated by the foreign currency and vice versa for the depreciating currency.

**Experiential Value:** According to Sparks, Butcher and Pan (2007) regarding the perceived value of a timeshare purchase, customer value was normally considered to be an antecedent of customer satisfaction. From their study, it shows that ownership and pride, new experience, flexibility, luxury and reward were some of the components of owning a timeshare that provided value for them, thus enhancing their satisfaction with the product. This study delivered a new focus that organizations could use when marketing to approaching timeshare owners, as well as a method to promote the value and increase the overall satisfaction of the owners. Sparks et al. (2007) measured timeshare owners to discover where value is derived from. They found out that as owners are aware about additional options for using their timeshare units such as renting out, exchange for different resort locations or convert it into points that could be used to purchase services like vacations at other hotels or airline tickets, the timeshare value increased.

**Problem Formulation:** This study is mainly to measures the gap between factors that timeshare owners consider during purchasing and value gained by them. The investigation part will be more on answering the following research questions: (1) what are the factors that associates with the purchasing timeshare program in Malaysia? (2) The researcher is interested to understand why owners would buy the products even though it is costly.
Objectives: The objectives of this research are to measure the pre-factors affecting customer experiential value. It is to examine the associations between factors elements and experiential value. An overall concept and framework were proposed to examine these relationships.

Hypothesis: The following five hypotheses are constructed to identify the factors affecting experiential value of timeshare owners. They are:

\[ H_0 = \text{Null hypothesis} \quad \quad H_1 = \text{Alternative hypothesis} \]

Hypothesis No.1:

H1.0: There is no significant relationship between infrastructures with experiential value
H1.1: Infrastructure is positively related to experiential value

Timeshare owners often look forward for a quality and comfortable vacation. Therefore the infrastructure of the resort or hotel is important. According to a study by Wilkins et al. (2007) as mentioned in the literature review above, some of the important items regarding unit experience are mainly on the cleanliness, the comfort, and the quality of the items contained within the rooms or units of the hotel.

Hypothesis No.2:

H2.0: There is no significant relationship between securities with experiential value
H2.1: Security is positively related to experiential value

According to Kumar (2010) every hospitality customer is concerned about physical safety, financial security, and confidentiality. The hotel management should ensure that the customer is comfortable during the stay.

Hypothesis No.3:

H3.0: There is no significant relationship between risks with experiential value
H3.1: Risk is positively related to experiential value

The risks associated with any buyingmust be considered, mainly when comparing investment opportunities. Ideally an inventor should be compensated for the risk borne. There is also the question related with valuing timeshare as to whether the risk-free discount rate is appropriate. Accordingly, from the timeshare perspective, it is the risk associated with the capacity of a consumer to sell a timeshare investment quickly and at a fair price. If an owner is required to reduce the price below market value or fair value, or takes extensive time to divest the investment, then it is considered illiquid (Hovey, 2002).

Hypothesis No.4:

H4.0: There is no significant relationship between cost and price with experiential value
H4.1: Cost and price is positively related to experiential value

There is ample literature that emphasizes the relationship between cost and price with experiential value.

Conceptual and Operational Detentions: The purpose of this study is to determine the four factors that influence experiential value of timeshare owners during purchasing of timeshare. All 25 items are divided into five dimensions which are infrastructure, security, risk, cost and price, and experiential value. The research framework is shown in Figure 1.

Figure 1: Research framework

3. Methodology

A questionnaire was adopted and modified to fit this study on timeshare industry. It was distributed using a convenience sampling technique to the timeshare owners in Malaysia to determine their perceptions of purchasing the timeshare. In this research, the relationship between factors and consumers' experiential value is investigated. The consumers' perceptions of different aspects attributes
are evaluated. The data used in this research is primary data by close-end questionnaire, regarding owners’ perception and aspects, with 25 different elements and items. The first section of the questionnaire is aimed at gathering information on the respondents’ demographic. In the second section of the questionnaire, the respondents were asked to rate their perceptions on what factors that influencing them in converting the timeshare purchasing into experiential value.

Table 1: Profile of survey respondents

| Characteristics | Descriptions | Statistics | (%) |
|-----------------|--------------|------------|-----|
| 1. Gender       | Male         | 61         | (44.5) |
|                 | Female       | 76         | (55.5) |
| 2. Age          | 17 – 24      | 36         | (26.3) |
| 25 – 34         | 76           | (55.5)     |     |
| 35 – 44         | 15           | (10.9)     |     |
| 45 and above    | 9            | (6.6)      |     |

A total of 137 questionnaires were received and analyzed. Table 1 shows the profile of survey respondents. The largest group of respondents is female with 76 respondents (55.5%) and male are 61 respondents (44.5%). As for age group, the highest group of respondents are age 25 to 34 with the percentage of 55.5%, and the least group are from age 45 and above with the percentage of 6.6%.

4. Result and Discussion

The research analyze on the data reliability using Cronbach’s Alpha coefficient. A reliability coefficient of 0.6 and above is considered acceptable in most social science research. To test the reliability, the Cronbach’s alpha was estimated for each of the five factors in this research. Table 2 shows the reliability results of the five factors.

Table 2: Reliability statistics

| Factor             | Cronbach’s Alpha | N of items |
|--------------------|------------------|------------|
| 1. Infrastructure  | 0.819            | 3          |
| 2. Security        | 0.883            | 3          |
| 3. Risk            | 0.862            | 3          |
| 4. Cost and Price  | 0.784            | 3          |
| 5. Experiential Value | 0.923       | 5          |

Table 3: Factor analysis (Rotated Component Matrixa)

| Component | 1    | 2    | 3    | 4    | 5    |
|-----------|------|------|------|------|------|
| SEC1      | .863 |      |      |      |      |
| SEC2      |      | .846 |      |      |      |
| SEC3      |      |      | .840 |      |      |
| RIS1      | .857 |      |      |      |      |
| RIS2      |      | .826 |      |      |      |
| RIS3      |      |      | .873 |      |      |
| INF1      |      |      |      | .834 |      |
| INF2      |      |      |      | .725 |      |
| INF3      |      |      |      |      | .871 |
| COS1      |      |      |      |      | .829 |
| COS2      |      |      |      |      | .748 |
| COS3      |      |      |      |      | .798 |
| VAL1      | .840 |      |      |      |      |
| VAL2      | .899 |      |      |      |      |
| VAL3      | .855 |      |      |      |      |
| VAL4      | .782 |      |      |      |      |
| VAL5      | .879 |      |      |      |      |

Extraction Method: Principal Component Analysis.
Rotation Method: Varimax with Kaiser Normalization.
a. Rotation converged in 6 iterations.
Based on Table 2, Cronbach’s Alpha results show that the alpha coefficients ranged from 0.784 to 0.923 for the five factors. The results are considered reliable, since 0.60 is the minimum value for accepting the reliability test. Factor analysis is usually run for data reduction and is implemented by reviewing the pattern of correlations between the observed measures which are highly correlated, either positively or negatively. They are expected to influence by the same factors, while those that are relatively uncorrelated are expected to be influenced by different factors (DeCoster, 1998). Table 3 shows the factor loadings for each item in relation to the various factors. Based on Table 3, these values show the weight and correlation of each item has a factor or component. It can be realized that items from same dimension are regrouped under the same factor. This factor analysis proves that the questionnaire adopted is a good measure of factors in the timeshare experiential value because we expect to see similar items categorized under the same factor showing that they measure the same thing.

Table 4: KMO and Bartlett’s Test

| Kaiser-Meyer-Olkin Measure of Sampling Adequacy. | 0.797 |
| Bartlett’s Test of Sphericity | Approx. Chi-Square | 1361.709 |
| df | 136 |
| Sig. | 0.000 |

Table 4 show the KMO’s test ranged between 0 and 1. According to Field (2005), a value of 0 indicates that the sum of partial correlations is large relative to the sum of correlations meaning factor analysis is expecting to be irrelevant while a value close to 1, shows that patterns of correlations are fairly compact and factor analysis yield distinct and reliable factors. For this data, the value is 0.797, which shows that the factor analysis is relevant for this research. The correlations compute the linear of the relationship between the two variables and also showing the direction of the relationship. The correlation coefficient r, measures the strength of the linear relationship. R value is between +1 and -1. If R near to +1 or -1 indicates a strong linear relation. If r close to 0 represents the linear association is very weak. Table 5 shows the correlations of each factor.

Table 5: Correlations

| Factor | SEC | RIS | INF | COS |
|--------|-----|-----|-----|-----|
| Pearson Correlation | 0.484 | -0.151 | -0.161 | -0.148 |
| Sig. (2-tailed) | 0.000 | 0.089 | 0.068 | 0.094 |
| N | 137 | 137 | 137 | 137 |

Based on Table 5, the results shows there is a significant and positive relation between security (SEC) and experiential value, r = 0.484 at 0.05 significant level. However, risk (RIS), infrastructure (INF) and cost and price (COS) present a negative relation, r = -0.151, -0.161 and -0.148, respectively and has a non-significant correlation with experiential value at the 0.05 significant level. Based on the correlations results, hypothesis H21 will be accepted. It means security is positively correlates with experiential value. Higher security leads to more experiential value to the timeshare owners. On the other hand, hypothesis H10 will be accepted and H11 will be rejected which means there is no significant relationship (p-value is more than 0.05) between infrastructure and experiential value. This may due to some of the timeshare owners have no preference on luxury resort with fully equipped facilities such as having kitchen in the unit, swimming pool and gymnasium. They are more emphasizing on the location or different country and places of the availability of the timeshare resorts such as in Europe, U.S, Australia and etc. Hypothesis H30 will be accepted and H31 is rejected, because the results shows there is no significance relationship (p-value is more than 0.05) and risk is negatively correlated with experiential value. This shows that higher the risk will give lower experiential value to timeshare owners.

Table 6: R2 Model Summary

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
|-------|---|----------|------------------|---------------------------|
| 1 | 0.562 | 0.316 | 0.293 | 3.29625 |

Lastly, H40 will be accepted and H41 will be rejected. It shows there is no significant relationship (p-value is more than 0.05) between cost and price with experiential value. Cost and price is negatively correlated with experiential value. This shows that higher the cost and price will leads to lower experiential value to timeshare owners. Based on Table 6, R is the correlation coefficient measuring the strength of the linear


relationship R=0.562 shows moderate relationship. R square is the coefficient of determination, it tells us that this model can predict 31.6% of the variables correctly.

**Research Findings:** Nowadays, the Malaysia Government has set a high priority on the tourism industry. Sustainable growth of tourism industry depends on a good plan for related services and facilities. The importance of experiential value makes it necessary to influence the purchasing of timeshare. Measurement of influencing factors toward experiential value of timeshare purchasing help the timeshare organizations to understand the motivations and behaviors of timeshare owners and use it to increase industry performance. From the four hypotheses, security influencing factor shows positive relationship with experiential value. This shows that every timeshare owners are concern about their physical safety, financial safety and confidentiality during the stay. The higher the security, the more comfortable feelings felt by the timeshare owners during the stay. According to Shahrivar (2012), there are security and safety problems in the tourism industry. Therefore in order to motivate timeshare purchasing, timeshare organizations needs to enhance the security system of their resort to give a sense of exclusiveness experiences to the timeshare owners. The safety and security of a resort are like the presence of safety/security officers, camera closed-circuit television, signs throughout the property, fencing around the perimeter, and key-lock entry into guest areas. Other results like infrastructure, cost and price, and risk do not show a significant experiential value influence toward timeshare purchasing. It could be no association at all or the relationship in non-linear. In addition, this may due to there are other factors that are influencing the experiential value toward timeshare purchasing and have not identified out.

5. **Conclusion**

In conclusion, the timeshare players can benefit from this study after knowing the most important influence factor that lead to timeshare purchasing. As this can help the timeshare company in Malaysia to provide a better service quality to their timeshare owners. For example, better security quality by Palace Vacation Clubs a timeshare resorts. Future research can be conducted using more influencing factors and sample size.

**Recommendations:** There is a limitation in this study is the survey done was distributed by using social media to timeshare owners in Malaysia, and was collected using e-form. There is a probability that the questionnaire is not evenly distributed among the age group due to technological exposure constraints. The researcher recommended that for future research should be involved the participation of the timeshare organizations for wider data collection.

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