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Service delivery in private residence clubs: A study based on product attributes as varied by location with one brand

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ABSTRACT: The luxury timeshare segment of the larger lodging industry merits further investigation due to the customer/owner relationship. This study uses a quantitative case study, and supported the relationship between satisfaction, value and loyalty. The study revealed the need for significant improvement in the resolution of service problems. The study is limited in that it studies the units of one company and thus calls for additional satisfaction and loyalty studies for this unique niche.

Key Words: satisfaction, loyalty, service delivery, case study, fractional ownership, private residence clubs

INTRODUCTION

Timeshare, or vacation ownership, is a well-known form of second home ownership among vacation homebuyers. However, the concept of private residence clubs is fairly new even to the affluent target market. A report by the American Affluence Center showed that only 33% of their study respondents (average net-worth of approximately $3 million) were familiar with the more luxurious concept of private residence clubs (Schaefer, 2007). This exclusive and luxurious type of ownership is one of the rapidly evolving segments of the hospitality industry (Hobson, 2002) and appropriately; little research has been done surrounding the concept.

The market for private residence clubs is unique with different expectations than from traditional, transient lodging operations. Private residence club customers are not just guests but members who look forward to exceptional service that is more personal. Also, these members have an ownership stake in the private residence club, most likely in the form of deeded real estate (Lazar & Hobson, 2002).

The distinctive market and higher expectations create challenges for management in anticipating and satisfying members’ needs. For private residence clubs, as with any business, it is not good enough to have satisfied guests. Management should strive towards the creation of top box guest experience (i.e., at least 9 on a 1 to 10 scale). Research shows that a small increase in customer satisfaction can boost customer loyalty dramatically (Bowen & Chen, 2001). Customer delight, explained as a step beyond satisfaction due to its pleasant and unexpected nature, has been shown to have more positive effects on loyalty than guest satisfaction (Torres & Kline, 2006). Therefore, it is important for management to have a clear understanding of their service performance to see whether they are delivering on the expectations of guests. In addition to implementing satisfaction surveys, companies should examine the outcomes from these surveys carefully and act on the results obtained (Dutka, 1994). Although research on customer satisfaction and loyalty has been highly recognized in the hospitality and tourism literature (Bowen & Chen, 2001; Chen & Gursoy, 2001; Choi, 2004; Kaufmann, Severt & Upchurch, 2005; Kozak & Rimmington, 2000; Matzler, Füller, & Faullant, 2007; Upchurch & Rompf, 2006; Yang & Petersen, 2004), there is no apparent research published in the luxury fractional segment. This study attempts to provide more insight into this under-researched lodging segment of private residence clubs and to provide valuable information to management of private residence.
clubs by exploring the current satisfaction levels across various product attributes and the relationship overall satisfaction has to perceived value and loyalty.

**Customer Satisfaction & Loyalty Literature**

Customer satisfaction has been an issue of research, both in academia and industry, for many years. According to Churchill and Suprenant (1982), the importance of the topic and its connections between marketing efforts, consumption and post purchase events has resulted in the development and measurement of operational guidelines in order to bring more concrete meaning to the concept.

There are various topics and segments within the larger area of customer satisfaction. Early research focused on expectations and perceived product performance. Oliver (1997), among others, tested the disconfirmation theory against consumer and convenience goods in order to further explain satisfaction. Underlying Oliver’s thinking is that satisfaction is a result of a transaction. Related to the disconfirmation theory as well as the early findings on satisfaction and performance, Churchill and Suprenant (1982) found high correlations between the two variables suggesting that perhaps the theories did not hold for durable goods.

In 1990, Bitner pointed out that further, empirical evidence in service satisfaction has shown that the quality of interaction between the customer and the employee is an important factor in a customer’s overall assessment of satisfaction with the firm. Bitner incorporated the five dimensions of service quality of Parasuraman, Zeithaml, and Berry: tangibles, reliability, responsiveness, assurance, and empathy, pointing out that many of these five dimensions relate to the human exchange component.

Researchers have yet to close the debate on time or transactional measurements in terms of quality and satisfaction. Yet another approach to differentiate the two is via affective and cognitive measures. While quality and satisfaction contain both cognitive and affective elements, researchers have proposed that quality is generally more cognitive and satisfaction more affective (Dabholkar, 1993; Iacobucci, 1994; Oliver, 1997).

Customer satisfaction has been researched in the vacation ownership industry, albeit not widely. Industry-specific customer satisfaction research has been explored in relation to gender effects (Kaufmann & Upchurch, 2007), market segmentation (Upchurch & Rompf, 2006), and in relation to product knowledge at the attribute level (Kaufmann, Severt, & Upchurch, 2005). In each case, significant results were found between the various elements and customer satisfaction.

More recently, satisfaction research has turned to the attribute level with researchers analyzing the key attributes that drive overall satisfaction and their relationships to other behaviors, attitudes, demographic profiles, or company profitability. In so doing, traditional statistical analyses of variance on relationships are tested, as well as applied theory, allowing researchers to isolate cognitive and affective elements based upon specific attributes being measured (Orsingher & Marzocchi, 2003; Poon & Yong, 2005; Ryan & Huimin, 2007).

**Loyalty**

The concept of loyalty has generated increased attention over the last decade as researchers and practitioners shift their focus from satisfaction to profitability (Oliver, 1997). A change from the prototypical measures is becoming more prominent as academics and professionals become more aware of the weak points in satisfaction measurements (Dick & Basu, 1994; Oliver, 1997; Shoemaker & Lewis, 1999). Various studies have pointed out the shortcomings of satisfaction measurement alone, and the fallacy that satisfaction and loyalty are positively correlated (Jones & Sasser, 1995; Reichheld, 1996).

Historically, there are two perspectives from which the concept of loyalty has been examined in academic literature: the behavioral approach and the attitudinal approach. The former inspects consumer actions, or behaviors, related to brands and products and generally measures loyalty from the perspective of repeat purchase, willingness to recommend and resistance to counter persuasion (Chen & Gursoy, 2001; Lobo, Maritz, & Mehta, 2007; Matzler, Füller & Faullant, 2007; Petrick & Brackman, 2002).
A third approach that combines the behavioral and attitudinal approaches has become popular (Petrick, 2005). According to Backman and Crompton (1991), defining loyalty solely based on behavioral factors created inconsistencies wherein a consumer could appear loyal in one study, but not in another. This was explained by the focus on overt behaviors and the lack of consistency in identifying relationships within the behaviors. Opperman (2000) has taken a stand with regard to loyalty research within the travel and tourism industry. He stated that research within the industry should adopt the behavioral approach due to a myriad of industry characteristics that potentially impact the results of combining the two approaches.

**Satisfaction and Loyalty**

The relationships between satisfaction and loyalty, as well as the consequences, have been well studied and can be explored from behavioral or attitudinal perspectives. Oliver (1980) and Bitner (1990) suggested that satisfaction is an antecedent to loyalty and measured this through behavior. Later, Dick & Basu (1993) referred to loyalty as a complex phenomenon that was worthy of further in-depth study beyond the behavioral dimensions previously explored; introducing the component of relative attitudes and the potential impact on predictive ability of loyalty models.

Anderson and Sullivan (1993) investigated the antecedents and consequences of customer satisfaction and developed a model that tested hypotheses from satisfaction literature using consumer products and services in Sweden. One finding of interest in their study was the relationships of elasticity of repurchase intentions to satisfaction levels. The results of their model showed that higher satisfaction results in greater intentions to repurchase and that the results were additive over time. On the contrary, other studies have revealed potential deficiencies of satisfaction measurement and the possible erroneous belief that satisfaction and loyalty are positively correlated and further that the studies are limited to studying the gestalt attitude and not specific attribute of the service delivery (Jones & Sasser, 1995; Reichheld, 1996).

Along those lines, Mittal, Kumar, and Tsiros (1999) cautioned against ignoring the relationship between attribute level evaluations and overall satisfaction. They pointed out that this relationship is dynamic and it changes over time as shown in their study within the automotive industry. Further, they distinguished between product satisfaction and service satisfaction, noting that these relationships are asymmetrical and do cross over in time when a service subsystem is in place. However with the limitations, the research on customer satisfaction always gives an indication of the consumer’s mind at a certain place in time.

**Shared Ownership Real Estate Industry**

According to Ragatz Associates (2008), the shared-ownership resort real estate industry is comprised of three components: fractional interests, private residence clubs, and destination clubs. This industry accounted for $2.3 billion in sales revenues in 2007 of which 21% ($485 million) was in fractional sales, 52.3% ($1.2 billion) in private residence club sales, and 26.6% ($610 million) in destination club sales. This study focuses only on the private residence clubs.

The private residence club real estate product is defined as the sale of deeded interests in shares of upscale, vacation homes. As Lazar and Hobson (2002) pointed out, the legal and practical structure of private residence clubs is much like a typical timeshare product. However, private residence clubs are differentiated by the size of the interest (the length of time that is purchased), the amenities and services, and the affluent target consumer. Timeshare products generally represent a single week (1/52) of annual use while private residence club shares can range from a 1/20 share representing two weeks of annual use to ¼ share (i.e. 3 months).

The private residence club concept is based upon exclusivity and a sense of belonging that caters to the refined buyer at the top tier of social and economic levels. Private residence clubs are fashioned after private social clubs wherein the buyers or members can enjoy proscribed, chic, boutique environments and a setting that allows them to mingle with affluent individuals such as themselves (Lazar & Hobson, 2002).

Ragatz Associates 2007 Shared Ownership Industry Report, detailed approximately 70 private residence club projects in active sales in 2007, with a small percentage of those represented by upscale luxury lodging brands.
Currently, Fairmont, Four Seasons, Ritz-Carlton, and St. Regis are involved in the private residence club categorization. Additionally, since the users of these businesses are extremely unusual in their income, preferences, make up and longevity, studying the unique facets of their service delivery is imperative to more well developed research models.

METHODOLOGY

A two-part online survey was used to collect satisfaction data from members of a private destination club brand. The survey was developed by the corporate research team and is comparable to the survey used to measure guest satisfaction in the hotel industry but modified slightly to reflect unique aspects of the private residence clubs, such as overall satisfaction with and pride of ownership. The survey consists of both structured (scale format) and unstructured questions (open-ended). The levels of satisfaction on 26 club performance attributes were measured along a 10-point Likert scale, ranging from 1 (Not at all satisfied) to 10 (Very satisfied). In addition, perceived value (experience received represents a good value) and two attributes related to loyalty (intention to recommend membership and pride of ownership) were measured on a 10-point Likert scale, ranging from 1 (Strongly disagree) to 10 (Strongly agree).

Sampling

As part of an ongoing investigation with the company regarding various issues for study, access to the database was provided and anonymity was assured. The survey data was collected electronically three to ten days after a member’s stay. An email invitation to complete the online satisfaction survey is sent within days of the guests’ return from their visit. All members were invited to respond to the survey over a four-year period. The surveys collected resulted in a data set consisting of approximately 20% of the global membership of the private residence club brand from multiple destinations.

In 2007, two-thirds of the existing portfolio of the resorts was fully constructed and available for occupancy. Based on this stabilization, as well as the large number of cases included in 2007 and 2008 (68.5%), data from these years, specifically, were used for this particular study, resulting in 3,252 cases.

The data in this study were analyzed using Statistical Package of Social Sciences (SPSS). First, factor analysis was conducted to reduce the 26 satisfaction attributes to a smaller number and to group them. Then, regression analysis was performed to explore the relationship of the satisfaction attributes to overall satisfaction and to perceived value, and finally to loyalty. After this, the findings of both outputs were considered in viewing customer satisfaction and loyalty inherent in this private residence club brand. Though loyalty is a given because a contract is signed, it is more important than ever that the output is measured and that any issues are responded to in a timely manner given the nature of the product.

RESULTS

The demographic profile of the respondents, on average, is comprised of married individuals, age 45-64 with children in the household, disposable income in excess of $200,000 and an approximate net worth of at least $500,000. According to household-level segmentation system descriptions used by the company, these individuals can be described as established, wealthy families, living in the lap of suburban luxury, who as married executives and professionals earning high incomes, focus on their investments, and indulge in an expensive array of activities.

Factor analysis was used to examine the patterns for the 26 attributes and to determine whether the attributes could be condensed in a smaller set of factors. Factor analysis can provide a better understanding of which variables may act together and how many variables may have an impact in the subsequent analysis (Hair, Black, Babin, Anderson, & Tatham, 2006). The results of the factor analysis are summarized in Table 1. Prior to performing the principal components analysis (PCA), the suitability of data for factor analysis was assessed. The correlation matrix revealed majority of the coefficients of 0.3 and above. The Kaiser-Meyer-Olkin value was 0.92 and the Bartlett’s Test of Sphericity reached statistical significance ($p < .01$), indicating appropriateness to proceed with factor analysis (Pallant, 2003).
Service Delivery in Private Residence Clubs

Table 1: Satisfaction attributes factor matrix

<table>
<thead>
<tr>
<th>Subscales</th>
<th>Factor loading</th>
<th>Eigen value</th>
<th>Variance explained</th>
</tr>
</thead>
<tbody>
<tr>
<td>Factor 1: On-site services</td>
<td>10.86</td>
<td>26.96</td>
<td></td>
</tr>
<tr>
<td>Cleanliness of indoor club areas</td>
<td>0.76</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cleanliness of club grounds</td>
<td>0.75</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Club amenities</td>
<td>0.73</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Children’s program</td>
<td>0.72</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cleanliness of pool area</td>
<td>0.70</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fitness facility</td>
<td>0.66</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Spa services</td>
<td>0.66</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Room service</td>
<td>0.61</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Engineering response time</td>
<td>0.57</td>
<td></td>
<td></td>
</tr>
<tr>
<td>The valet</td>
<td>0.56</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cleanliness of residence</td>
<td>0.55</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bell services</td>
<td>0.53</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Everything in working order</td>
<td>0.52</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Member storage</td>
<td>0.51</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total % of variance explained</strong></td>
<td><strong>52.22</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Factor 2: Concierge services</td>
<td>2.19</td>
<td>25.26</td>
<td></td>
</tr>
<tr>
<td>Concierge during visit</td>
<td>0.81</td>
<td></td>
<td></td>
</tr>
<tr>
<td>The concierge</td>
<td>0.81</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Local activities</td>
<td>0.78</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Special events</td>
<td>0.77</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dinner reservations</td>
<td>0.75</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Concierge before arrival</td>
<td>0.74</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Local transportation</td>
<td>0.71</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pre-stocking groceries</td>
<td>0.64</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fond farewell</td>
<td>0.59</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Warm welcome</td>
<td>0.52</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total % of variance explained</strong></td>
<td><strong>52.22</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The factor analysis yielded five components with Eigen values exceeding 1. An inspection of the screeplot showed a clear break after the second component. Two components were extracted using Varimax rotation for further examination given that the unrotated factor matrix did not show a completely clean set of factor loadings. Factors consisting of a value greater than 0.50 were chosen, resulting in a total of 24 attributes (Table 1). The two-factor solution explained a total of 52.22% of the variance.

A key issue in interpreting the data in multiple regression analysis is the correlation among the independent variables (Hair et al., 2006). Therefore, multi-collinearity was assessed by examining the correlation matrix for the independent variables. The high tolerance values and low variance inflation factor (VIF) values suggested no multicollinearity (Hair et al., 2006; Pallant, 2003).

Stepwise regression analysis was conducted in an attempt to examine the contribution of each attribute and to select the best predictor of overall satisfaction (Table 2). As a result, nine independent variables from Factor 1 were eliminated and the remaining five attributes were included in the equation. Among the five variables, “Bell services ($\beta = 0.26, p < .01$)” had the greatest influence on members’ overall satisfaction. From Factor 2, six variables were eliminated with four remaining in the equation. Among the four variables, “Club concierge during visit ($\beta = 0.33, p < .01$)” had the greatest influence on overall satisfaction and was the best predictor of overall satisfaction. The relationship between the independent variables and the dependent variable was significant ($p < .01$) with strong correlations ($R^2 = 0.63$ (Factor 1) and $R^2 = 0.65$ (Factor 2)) indicating 63% and 65%, respectively, of the variance explained by the five and four predictor variables.
Table 2: Satisfaction attributes contributing to overall satisfaction

<table>
<thead>
<tr>
<th>Independent variable</th>
<th>Dependent variable</th>
<th>$R^2$</th>
<th>$F$</th>
<th>Standardized regression coefficients ($t$-values)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overall satisfaction</td>
<td>Club concierge during visit (Factor 2)</td>
<td>0.65</td>
<td>347.05**</td>
<td>0.33 (10.50)**</td>
</tr>
<tr>
<td></td>
<td>Bell services (Factor 1)</td>
<td>0.63</td>
<td>108.00**</td>
<td>0.26 (6.35)**</td>
</tr>
</tbody>
</table>

Note: * $p < .05$. ** $p < .01$

In addition, multiple regression was used to determine the relative importance of overall satisfaction in the prediction of loyalty. Previous literature suggests that customer satisfaction is a determinant of customer loyalty (Bearden & Teel, 1983; Kozak & Rimmington, 2000; Oh & Jeong, 1996). However, reports on the relationship between satisfaction and loyalty are not consistent (Choi, 2004) and since this is the shared ownership industry, the information is critical for a different reason - owners own and are not just guests; they have a more natural long-term service relationship. Because many researchers found that it is possible to have satisfaction without loyalty (Shoemaker & Lewis, 1999), perceived value was added into the analysis as an intervening variable between the two constructs. In addition, the direct relationship between overall satisfaction and loyalty is tested. Loyalty is measured by intention to recommend membership to others and pride of ownership.

Table 3: The relationship between overall satisfaction, value, and loyalty

<table>
<thead>
<tr>
<th>Independent variable</th>
<th>Dependent variable</th>
<th>$R^2$</th>
<th>$F$</th>
<th>Sig.</th>
<th>Standardized regression coefficients ($t$-values)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overall satisfaction</td>
<td>Loyalty</td>
<td>0.52</td>
<td>2641.98</td>
<td>0.00**</td>
<td>0.72 (51.40)**</td>
</tr>
<tr>
<td>Overall satisfaction</td>
<td>Value</td>
<td>0.55</td>
<td>3124.00</td>
<td>0.00**</td>
<td>0.74 (55.89)**</td>
</tr>
<tr>
<td>Value</td>
<td>Loyalty</td>
<td>0.69</td>
<td>5400.01</td>
<td>0.00**</td>
<td>0.83 (73.49)**</td>
</tr>
</tbody>
</table>

Note: * $p < .05$. ** $p < .01$

According to the results presented in Table 3, overall satisfaction has a direct influence on loyalty ($R^2 = 0.52, \beta = 0.72, p < .01$). However, the variance of 52% is smaller than the variance in overall satisfaction explaining perceived value ($R^2 = 0.55, \beta = 0.74, p < .01$) and even smaller than the variance in perceived value explaining loyalty ($R^2 = 0.69, \beta = 0.83, p < .01$). Although overall satisfaction has a significant influence on loyalty, perceived value seems to have a stronger direct influence.

DISCUSSION AND IMPLICATIONS

This study attempted to provide more insight into this under-researched lodging segment of private residence clubs due to the unique long term relationship, the ownership dynamic, and the possible confusion that occurs between comparing satisfaction from a hotel chain and a long term luxury property, as well as the relationships among satisfaction, loyalty and attributes.

The results tested relationships between overall satisfaction, perceived value (experience received represents good value), and intention to recommend. The results suggested that overall satisfaction was positively related to perceived value and intention to recommend, and perceived value was positively related to intention to
recommend. The positive associations between overall satisfaction and perceived value as well as perceived value and intention to recommend empirically supported previous literature consistent with the findings of Oppermann and Oliver. While the direct influence of overall satisfaction on loyalty has had conflicting opinions in academic research, the results of this study empirically support the existence of a positive and direct link between overall satisfaction and loyalty. However, it was found that the influence of perceived value on loyalty is stronger than the direct influence of overall satisfaction on loyalty.

The findings of this study have implications for the firm and for researchers. The survey instrument is purely based on cognitive measures and results, as well as direction for management actions. It is likely to be enhanced and better directed with the incorporation of affective measures (Petrick & Backman, 2002). As mentioned above, this study supports previous research that there is a strong link between overall satisfaction, perceived value, and in the end, loyalty. Therefore, if management seeks to create loyal members that would recommend the membership to family and friends, a better service delivery system should be implemented that would improve satisfaction levels. In this unique situation, it is likely that problem resolution is more critical given the semi-permanent level of the relationship. Additionally, the top box desire of this company indicates that all areas must be scrutinized, as the performance indicators must be relevant to the goals of management.

For academic researchers, this study contributes to the hospitality and tourism literature on private residence clubs, and more generally luxury shared ownership real estate. This study combines an under-researched field and an extensively explored area of customer satisfaction and loyalty. Finally, this study adds to existing research supporting the direct link between overall satisfaction and loyalty, as well as cognitive and affective research theories.

Limitations and suggestions for future research

There are limitations of this study that should be addressed. First, since the current study involves confidential data, there were aspects that were inaccessible to the authors. Based on previous research, there are some questions that could be added to the survey instrument in order to provide better support to the findings of this study such as specifics on the low resolution of the problem scores. Thus, modifying the survey instrument and then collecting data through it should strengthen the results of the study. Second, the profile of respondents is unique from the traditional transient lodging operations and potentially to the particular brand. Therefore, the study results may not be generalized to other segments of the lodging industry but should be generalizable to the luxury shared ownership industry. Comparing the results of this study with another segment with a comparable target market or a different private residence club brand would enrich the results of the research. Finally, continuing to analyze the trend in the output over a certain time period would provide more stable results of the performance of staff related to service delivery.
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