

# Forecasting 2008: Six Fractional Luxury Trends To Watch

By Susan Kime



Fueled by the growing desire for luxury access, the luxury fractional industry has grown four-fold in three years, grossing 513M in 2003 to nearly 2.5B in 2006 (stats from Ragatz Associates, Executive Summary 2006). According to Bloomberg News luxury goods purchases dropped 21% for each affluent consumer in the third quarter of 2007, however; according to Unity Marketing spending on buying and renting experiences gained 11% in the same time period. What does this mean? Are handbags becoming less sought after than a mountain trek to Bhutan? A diamond necklace less attractive than a family excursion to Antarctica? At the moment, yes!

The trend towards the purchase of the experience rather than a distinct product is defined as *transumerism*. This trend, discussed in Travel Connoisseur Fall 2007, is a natural outgrowth of experiential marketing strategies, where what you feel when using the product transcends the possession and price of the product itself. Detailed below are a few other trends that may become increasingly relevant as this new year reveals the realities of the luxury fractional industry.

## **Democratizing Luxury**

Luxury consumers are an indefinable, almost nebulous population. It is rumored they annually invest abundant resources maintaining their anonymity. Except for the occasional, visible symbols: the car, the home, the Black Card, the symbols of luxury without the essential high net worth, can be democratized to the many, from the few. Going fractional used to mean buying into a fractional residence or joining a Destination Club where access to multi-million dollar residences would allow for greater high end vacation options. At the end of the day both millionaires and billionaires enjoy the large homes, the concierges, the private chefs, the NetJet cards. The symbol and the reality are becoming enmeshed. From the outside, it

looks as if everyone is having a good time. From the inside, it is hard to tell who is more high net worthy. At Bag Borrow or Steal, a online fractional handbag and jewelry enterprise, a vintage ostrich Kelly bag from Hermes costs \$816.00 a week, while ad new one, which is wait-listed as of this writing, costs \$11,000. Democracy in action.

## **One Of A Kind Experiences**

While this oddly democratizing, limited time luxury access trend is taking shape, another trend is moving in a different direction. Mature affluents are moving toward "one of a kind" experiences. These people seek products, interests and style experiences that are unique and significantly deluxe. One example found in the destination club industry is Exclusive Resorts' Once In A Lifetime Travel Experiences. These escapes are designed for families and couples seeking adventure travel. A few options include biking through the Loire valley, skiing in Patagonia, or mountain trekking in the Himalayan kingdom of Bhutan. (link) Similarly, Solstice, within the coming year, is opening a residence in the luxury eco-resort of Warapuru, in the Amazon rainforest.

## **Growing Green Awareness**

Joining Solstice in the emerging economy for eco-sustainable living practices is BelleHavens. In 2007 BelleHavens authored the GreenHome Initiative for all the residences in the their club. This initiative aims to consume less energy and to help offset areas in the BelleHavens residences that cannot be reduced. The ideas of recycling, using Compact florescent light blubs, and lowering carbon emissions is an idea that emerged with the members, and was soon adopted by BelleHavens itself. Quintess, The Leading Residences of The World, has also put sustainable practices in place by joining the Leading Green initiative, with the help of the eco-tourism non-profit organization, Sustainable Travel International. In addition, to promote carbon-neutral travel, Quintess offsets members' energy consumption costs in 60+ global locations by making contributions to renewable energy programs that prevent an equal amount of carbon emissions worldwide.

More than any other luxury travel practice, a journey on a private jet can bring on guilt and remorse by those concerned about polluting our planet, but there is a ray of hope. According to The Helium Report, in 2007 one fractional ownership jet provider, NetJets Europe, announced a major eco-travel initiative requiring all new and existing private jet clients to pay some €4,000 per year to offset their carbon footprints. NetJets also donates a portion of its proceeds to fund Princeton University's Carbon Mitigation Initiative, an organization which investigates sustainable jet fuel technologies for commercial air and private jet use.

## **Together, Together**

The need for a more substantial, multigenerational community has been fueled by environmental, political and personal anxieties. For the first time since the Industrial Revolution, one can work and be positively reinforced and remunerated for being at work 24/7. And in inverse proportion, there is a growing need for time to be better spent than in the production and consumption. It is the pushmi-pullyu of contemporary life, for which the luxury fractional industry has a powerful antidote: time is the currency of life, and, as such, personal relevance is counted not in how much time it has cost us to produce, but in the time we spend connecting others we care about. Such connectedness can be well-fostered within the context of the family getaway, in picturesque destinations with large, child friendly residences, where families and their friends have gathering places and times and separate, more personal spaces also. A recent survey of American Express Travel Agents revealed a significant rise in luxury travel among families. 82% wanted high end hotels with kids programs and 56% traveled with Nannies (KWE Marketing Group, 2007). For these reasons, and others, Solstice, and Quintess have both witnessed a rise in multigenerational travel to their properties – where families with children, children's friends, nannies and grandparents all travel together, together. (private correspondence, Ben Addoms and Graham Kos with author)

## **Concierges, Personal Life Organizers**

The most significant Destination and Private Residence Clubs have always had Concierge service while in residence. Quintess/Leading Residences

Of the World, were among the first to take this a step further: they designed their OnQ services to follow their members outside the vacation realm. Upon becoming a member of Quintess, he/she receives OnQ Concierge services 24/7, whenever needed. Other clubs have intended to follow suit. These clubs both know that as wealth levels increase, personal service providers are even more needed, to make life planning - whether on or off vacation, easier than ever. The concierge industry has grown drastically within the past few years. As an example, Quintessentially (no relation to Quintess/Leading Residences of the World Destination Club) is a concierge company in the UK that started out a few years ago, and recently has grown to focus specific competencies on wine, art, and real estate consultancy. The more affluent the members become, the more these types of organizational services will be needed, wanted and provided by mid-level fractionals to the highest end Destination Clubs. More and more focused services will be acquired by many clubs in the coming years.

## **Health, Wellness, Age Management**

The statistics speak for themselves. There are 80M boomers in the US, someone turns fifty each seven seconds, Over 1/4 of the US population ( 26.8%) are Boomers and they have been 2-10 trillion in liquid assets (all AARP statistics). According to Ragatz Statistics Executive Summary 2006, the average age of the buyer of the shared residence asset is 51. It is no wonder then that the higher end private residence club and destination club residences have either a resort with spa closeby, or a spa on property. Their members expect, use and appreciate these services, and have come to view them more as a necessity than as an amenity. The hotel residence clubs often have their own branded spas; The Remede at St. Regis, the Willow Stream at the Fairmont Heritage Place, are prime examples. Exclusive Resorts is one of the few destination club that have residences at one of the premiere spas in the country. Miraval Life In Balance, in the Catalina Foothills outside of Tucson, Arizona, is also one of the most popular destinations in the whole coterie of Exclusive Resorts' options. It offers integrative services to enhance a kind of gestalt mindfulness of moment-to-moment living. Included are Ayurvedic treatments, Chi Nei Tsang, and Shiatsu Massage. These and others combine as part of the 100 treatment option schedule.

The new Capella Pedregal, a high end private residence club at Land's

End in Cabo San Lucas, Mexico has Auriga, a signature spa and wellness center that includes the tradition of Mexican folk healing. The treatment environment range from treatment pods within the resort area itself, to the Curandera's (the healer's) cottage on a hill above the resort. Often, these services are inspired by the phases of the moon, and encourage guests to attune their wellness routine to nature's ebb and flow.

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John Cage, a great American avant-garde composer once said, "The greatest luxuries are time and space." It was true in his time but with one difference: in his time, the lines of demarcation between the wealthy few and the mid-class many were very well defined. In our time, due to the rapid growth of the fractional interest industry, more can and will be able to access and experience the true meanings of luxury: better health, deeper connections with family, and time to enjoy all.