Building a National Brand in the Vacation Rental Industry

ResortQuest: The rise, the fall and the lessons learned

VRMIntel

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Summary

ResortQuest International, Inc. was formed in 1998 through the acquisition of 13 companies, including 12 vacation rental management companies and one software company, representing approximately 10,000 vacation rental units and creating the first national brand in the U.S. vacation rental industry.

After going public in May of 1998, ResortQuest International grew quickly with 28 subsequent acquisitions adding approximately 10,000 vacation rental units between 1998 and 2001. The company's inventory peaked in mid-2001 with over 20,000 reported units before hitting its decline. In 2002, with falling stock prices, management discord and the aftermath of 9/11, ResortQuest International began to lose revenue and investor confidence.

In 2003, ResortQuest (15,784 units) sold to Gaylord Entertainment on hopes of bringing new management, more customers and necessary resources to the company. Unfortunately, the challenges also proved to be insurmountable for Gaylord. In the end of 2004, Gaylord sold First Resort Software to Instant Software. By 2007, Gaylord split ResortQuest International in two and sold the Hawaii property management (4,500 units) to Interval Leisure Group, Inc. (NASDAQ: IILG) and the remaining ResortQuest Mainland management to Leucadia National (NYSE: LUK) (9,300 units).

After Leucadia's attempts to change management, attract and retain owners, and reduce expenses, ResortQuest was still operating at a loss. Leucadia found a buyer for ResortQuest Mainland in Wyndham Worldwide Corp. (NYSE: WYN). In September 2010, Wyndham purchased ResortQuest Mainland, whose inventory had decreased to 6,000 units.

To further punctuate the decline of ResortQuest, Interval retired the ResortQuest name of the Hawaii properties and returned to the original Aston brand in 2009, and Wyndham began rebranding the ResortQuest trade name to the Wyndham Vacation Rentals brand in 2012.

All predictors pointed to success in building a national brand for the fast-growing vacation rental segment, so why did ResortQuest fail? And is the idea of building a national brand still achievable in the vacation rental industry?

The following examines the history of ResortQuest in the following sections:

1. May 1998-December 1999 (David Sullivan, CEO)
2. December 1999-October 2002 (David Levine, CEO)
3. October 2002-August 2003, (Jim Olin, CEO)
4. August 2003-July 2007, Gaylord Entertainment
5. July 2007-September 2010, Leucadia
6. September 2010-present, Wyndham Worldwide
7. What went wrong?
8. Is a national brand achievable?

The Beginning, May 1998-December 1999 (David Sullivan, CEO)

Founded in May of 1998, ResortQuest International, Inc. (NYE: RZT) was initially comprised of 12 founding vacation rental management companies and one property management software company. The acquisitions totaled $55.7 million (with an average acquisition cost per unit of approximately $5,000). In its IPO, the stock price opened at $11.00 per share creating a $63.8 million valuation.

Founding Companies	Units	Revenue	Founded	Purchase Price	Location
Aston	4,772	19,600,000	1948	$29,500,000	Hawaii
Maui Condos	432	1,400,000	1988	$1,375,000	Hawaii
Brindley and Brindley	446	4,000,000	1985	$2,000,000	Outer Banks
Coastal Resorts	549	3,600,000	1982	0 cash/816k share	Bethany Beach
Maury People	1,200	1,200,000	1969	$2,000,000	Nantucket
Priscilla Murphy	902	4,700,000	1955	$4,842,000 debt	Sanibel/Captiva
Trupp-Hodnett Enterprises	435	4,100,000	1987	$5,000,000	St Simons
Collection of Fine Properties	472	4,300,000	1985	$4,850,000/$252,000 debt	Breckenridge
Houston and O'Leary	127	1,600,000	1986	$2,470,000	Aspen
Resort Property Management	326	2,300,000	1978	$1,200,000	Park City
Telluride Resort Accommodations	447	4,300,000	1985	$3,014,000	Telluride
Whistler Chalets	444	2,100,000	1986	$800,000	Whistler
First Resort Software	650 customers	2,500,000	1985	2,854,800	Basalt

In 1998, according to David Sullivan, founding chairman and CEO, “Our mission is to create a new type of resource in the vacation rental market, by providing one-stop shopping for consumers who want high-quality homes or condominiums in the most desirable resort locations worldwide. Our partner companies represent the leading vacation rental and property management companies in their respective markets, and we plan to leverage their extensive expertise as we build the first brand name in this industry."

The management team of the new publicly-traded company consisted of:

David C. Sullivan
Chairman and CEO
Former executive VP and COO, Promus Hotel Corporation

David L. Levine
President and COO
Former president and COO, Equity Inns

Jeffrey M. Jarvis
Senior VP and CFO
Former VP, controller and principal accounting officer, Promus Hotel Corporation

W. Michael Murphy
Senior VP and Chief Development Officer
Former president, Footprints International

Jules S. Sowder
Senior VP and CMO,
Former VP of marketing, Promus Hotel Corporation

John K. Lines
Senior VP and General Counsel and Secretary,
Former general counsel and secretary, Insignia Financial Group

Frederick L. Farmer
Senior VP and CIO
Former VP for Internet and Desktop Services, Marriott International

The board of directors included executives/property managers from the founding vacation rental companies. Their goal was to add corporate hotel experience to vacation rental and local expertise to create a diverse team and a viable national brand. They were:

Luis Alonso
CEO and President, Collection of Fine Properties

Elan J. Blutinger
Co-founder and Managing Director, Alpine Consolidated , LLC

Park Brady
Founder and President, Telluride Resort Accommodations

Douglas R. Brindley
Co-founder, B&B On The Beach, Inc., and Brindley & Brindley Realty & Development

D. Fraser Bullock
Managing Director, Alpine Consolidated LLC
Director and Co-Founder, Travel Services International, Inc.
Founding Partner and manager, Bain Capital

Paul T. Dobson
Co-founder, Maui Condominium
President, Vacation Rental Managers Association

Joshua M. Freeman
President and CEO, Carl M. Freeman Associates, Inc.
President and Managing Member, Coastal Resorts Realty, L.L.C.

Evan H. Gull
Co-founder, First Resort Software

Heidi O'Leary Houston
Founder, Houston And O'Leary Company

Charles O. Howey
Chairman, Priscilla Murphy Realty

J. Patrick McCurdy
President, Whistler Chalets

Daniel L. Meehan
Co-founder, Resort Property Management

Leonard A. Potter
Co-Founder and Managing Director, Capstone Partners, LLC, a Venture Firm Specializing In Consolidation Transactions.

Michael D. Rose
Chairman of the Board, Promus Hotel Corporation
Ex-Chairman, Harrah's Entertainment, Inc.

Andre S. Tatibouet
President, Aston Hotels & Resorts

Hans F. Trupp
Chairman, Trupp-Hodnett Enterprises

Jospeh V. Vittoria
Chairman and DEO, Travel Services International

Theodore L. Weise
President and CEO, FedEx

According to the 1998 annual report to the shareholders, "The management teams at our founding companies have extensive experience in their respective resort markets, and we will operate ResortQuest International with a **decentralized management strategy** to allow them to utilize their local knowledge and expertise," said Sullivan. "Along with the marketing, management and financial support provided by ResortQuest International, we have a winning combination that is destined to assume a leadership position in this growing business segment."

Early acquisitions

By the end of 1998, ResortQuest had completed five additional purchases for a total of $45.8 million, adding 2,956 vacation homes, villas and condos to its inventory:

- Goldpoint Lodging, Breckenridge, Colorado
- Plantation Resort, Gulf Shores, Alabama (384 units)
- Whistler Exclusive, Whistler, British Columbia
- Abbott Realty, Destin, Florida ($34 million, 2,291 units)
- Columbine Management, Dillon, Colorado (141 units)

The average acquisition cost per unit of the 1998 post-IPO transactions was $15,494.

In the first quarter of 1999, ResortQuest completed seven acquisitions for $24.2 million, adding 1,577 vacation rental condominiums and homes in six new markets including:

- RidgePine, Sunriver, Oregon (162 units)
- Ryan's Golden Eagle, Big Sky, Montana (207 units)
- Cove Management, Palm Desert, California (295 units)
- Worthy Rentals, Hilton Head, South Carolina (343 units)
- Scottsdale Resort Accommodations, Scottsdale, Arizona (165 units)
- High Country Resorts, Crested Butte, Colorado (130 units)
- Mountain High Management, Whistler, British Columbia (275 units)

The average acquisition cost per unit of the Q1 1999 transactions was $15,345 per unit.

The following table shows the inventory breakdown by destination as of March 31, 1999.

	Total Units
BEACH RESORTS	
Gulf Shores, Alabama	384
Bethany Beach, Delaware	626
The Beaches of South Walton,	3,139
Captiva Island, Destin, Ft. Myers,	
Okaloosa Island and Sanibel Island, Florida	
St. Simons Island, Georgia	404
Nantucket, Massachusetts	1,200
The Outer Banks, North Carolina	456
Hilton Head Island, South Carolina	343
DESERT RESORTS	
Scottsdale and Phoenix, Arizona	150
Palm Desert and Palm Springs, California	295
HAWAIIAN RESORTS	
Hawaii, Kauai, Maui and Oahu, Hawaii	5,124
MOUNTAIN RESORTS	
Whistler, British Columbia	740
Aspen, Breckenridge, Crested Butte, Dillon and Telluride, Colorado	1227
Big Sky, Montana	207
Sunriver, Oregon	162
The Canyons, Deer Valley and Park City, Utah	348
TOTAL	**14,805**

Initial Strategy

ResortQuest implemented a business strategy comprised of the following elements:

1. Develop a national brand in premier destination resort condominium and home rentals
2. Offer superior customer service
3. Enhance value for condominium and vacation home owners
4. Capitalize on the experience of senior management (from the hotel industry)
5. Maintain local relationships and expertise (through vacation rental leadership)
6. Implement strategic growth
    a. National marketing strategy
    b. Technology (online, centralized database, ERP)
    c. Increase use of additional marketing channels
    d. Expand market share in existing markets
    e. Expand profit margin through cost savings and ancillary revenue
    f. Continue acquisitions

Initially, the company ran under a decentralized model with each subsidiary operating business as usual. Among the board, there was excitement about the possibilities of beginning a national brand and what that would mean to the vacation rental industry.

With the involvement of First Resort Software, they set out to launch a centralized website with online booking, and there were frequent discussions about the possibilities that could arise from comprehensive centralized technology, normalized databases, online portal opportunities, and web-based connectivity between the companies.

In addition, the management team initiated a rating program designed to establish a basic set of criteria based on quality, appearance, and amenity standards in an attempt to categorize the ResortQuest rental homes and condominiums on five levels.

It wouldn't be long before there were numerous and heated disagreements among the board. According to Pedro Mandoki, founder of Plantation Resorts, "The management team tried to run it like a hotel, believing it was just another form of a hotel. The top management all tried to tell the operator companies what to do and how to run the show."

1998 -1999 Challenges

The leadership at ResortQuest faced several key challenges in 1998 and 1999.

1. **Projecting earnings and cash flow with multiple accounting platforms**

    The individual property management companies were running on separate, unconnected systems, and operators had not previously been disciplined in quarterly financial reporting in a NYSE environment. As a publicly traded company, ResortQuest needed to be able to accurately project earnings in order to secure funding and build confidence among shareholders and the investment community. The company's struggles to effectively project earnings resulted in quarterly adjustments which would prove to be a critical disadvantage.

2. **Expense of building a centralized reservation system and customer facing website**

   One of the first challenges ResortQuest faced was aggregating multiple destinations and varied inventory onto one customer-facing website. Despite the challenges, ResortQuest launched ResortQuest.com in 1999 with online booking and initiated plans via First Resort Software to build a centralized, web-based property management system (which would later be known as the V12.net software system).

3. **High acquisition costs**

   By the end of 1999, ResortQuest had completed 18 acquisitions in addition to the original 12 founding companies. Several of these acquisitions were accomplished much higher average cost per unit than in the initial roll-up. Integration of these companies into the ResortQuest matrix proved to be a difficult and expensive undertaking. In order to accomplish these transactions, ResortQuest was forced to incur substantial debt which would prove to be crippling stumbling block when long-term debt converted to current liabilities.

4. **Alignment between the hotel paradigm among senior management and the vacation rental paradigm among leaders of individual vacation rental companies**

   The senior management was made up of executives who had considerable experience in building hotel brands, and the corporate structure included the leaders of vacation rental management companies at the board level. In theory, the combination of expertise was thought to be a key contributing factor in ResortQuest's success. However, the authoritative, top-down management model in the hotel industry did not easily translate at the local level.

Failed secondary offering

In April 1999, ResortQuest filed a proposed secondary stock offering to sell four million shares, with two million shares to be held by its founding shareholders.

The table below reflects the high and low sales prices for Common Stock in 1998 and 1999.

	High	Low
Fiscal Year Ended December 31, 1998		
Q2, (from May 1998 IPO)	$ 17.7500	$ 14.0000
Q3	$ 17.1250	$ 8.8125
Q4	$ 14.7500	$ 6.5625
Fiscal Year Ending December 31, 1999		
Q1	$ 22.9375	$ 13.9375
Q2 (through April 9, 1999)	$ 16.2500	$ 14.8125

However in May 1999, CFO Jeffery Jarvis realized that quarterly projections were erroneous, and there would be a notable shortfall in earnings.

Consequently, ResortQuest was forced to withdraw the proposed secondary offering, and Sullivan alerted Wall Street that earnings would fall well short of analyst estimates, with new expectations of $0.10-$0.14 per share instead of the projected $0.18 per share.

Sullivan said, “Although we normally would not comment on consensus estimates for the second quarter and the remainder of the year at such an early time, we believe it is important to highlight two factors that are unique to our business and are expected to impact our earnings estimates for this year. First, our G&A (general and administrative) expenses were increased to absorb new acquisitions and to establish a national brand, which includes costs to develop our very successful website and our national advertising.”

Sullivan added, "Second, the timing, type (beach vs. mountain) and seasonality of acquisitions are expected to impact anticipated quarterly and annual results.”

The market reacted punitively as the stock price took a 42% free fall on the news.

Despite the turmoil on Wall Street, ResortQuest continued to purchase vacation rental companies. In the second half of 1999, they added six more operators for $15,1 million, adding 2,545 units to their inventory:

- Shoreline Properties, Port Clinton, OH (200 units)
- Fischer Villa Management, Tuscon, Arizona (60 units)
- Coates, Reid & Waldron, Aspen, Colorado (350 units)
- Shoreline Rentals, Inc. Hilton Head, South Carolina (300 units)
- Advantage Vacation Homes by Styles, Inc., Orlando, Florida (335 units)
- Bluebill Vacation Properties, Inc. Bonita Beach, Florida (1,300 units)

The average acquisition cost per unit dropped to $7,040.

However, the investment community needed someone to blame for the loss in value, and David Sullivan took the fall.

In late 1999, David Sullivan, who had been the lead proponent of hotel and vacation rental leadership working together, stepped down.

With little time to find a replacement, COO David Levine was named CEO, and in early 2000, Colin Reed, CFO of Harrah’s Entertainment and future CEO of Gaylord Entertainment, was elected to the board of directors.

December 1999-October 2002 (David Levine, CEO)

David Levine took over as CEO in December 1999, and ResortQuest's appetite for purchasing new companies decelerated with zero acquisitions from October 1999 through May of 2000.

In 2000 ResortQuest purchased just three companies for $9.2 million, including:

- Langford Realty in Pensacola, Florida (100 units)
- Sand and Sea, Inc. in the Outer Banks of NC (200 units)
- Sun Valley's Base Mountain Properties (200 units)

The average acquisition cost per unit of the 2000 transactions was approximately $18,400.

Levine simultaneously shifted focus within the organization with plans to grow the company organically and diversify expansion into other verticals, such as real estate, technology and marketing.

Real Estate

First, Levine set out to expand real estate operations. "About half of the companies we acquired already had real estate sales divisions, which last year sold more than $1 billion in real estate and generated more than $17 million in net commissions," said Levine. "Based on the positive response we received to the new service, we plan to expand our real estate sales operations."

Technology and Marketing: A "Switch" for ResortQuest?

In addition, Levine was heavily focused on creating new technology which would integrate the systems and establish web-based connectivity to connect properties with consumers via a distribution channel. At first, with the need to integrate operators and centralize systems the focus on technology was justified.

However, soon the idea of creating a web-based portal, not just for ResortQuest inventory, but also globally to "become the front door for this resort rental management in North America."

In 2000, ResortQuest entered into a marketing agreement with AOL to distribute inventory to AOL and CompuServe subscribers in order to widen distribution reach and generate significant volumes of new traffic.

Levine articulated his plan for technology in comments in the 2000 Annual Report:

> "We view our alliances with major travel portals where we provide industry expertise and software as a breakthrough for ResortQuest and the vacation rentals industry, and as a catalyst for aggregating the entire industry. In addition to our own inventory in 42 U.S. and Canadian resort locations, we plan to reach out to other vacation rental companies where we don't have a presence. We will offer them the opportunity to join our system and gain access to the same widespread distribution. We will provide all the technical support and protocols and charge a fee for this service, creating an important new

revenue stream for ResortQuest. Our long-term goal is to provide the first comprehensive, one-stop shopping inventory of vacation rental properties."

"The decision was made to try to become the technology 'toll road' for the industry, the 'one-stop-shop' for companies to be able to access the online travel industry," said Jim Olin, who then served as COO. "This technology initiative ended up costing much more than anticipated and not having the desired effects."

2001: Another acquisition streak

With an increase in 2000 revenues, in the first half of 2001, ResortQuest went on another buying spree buying eight companies for $27.2 million which increased the number of properties under management to a milestone 20,000 units in 46 destinations.

- Florida Vacation Accommodations in Florida (1,200 units)
- Steamboat Premier Properties in Colorado (225 units)
- R&R Resort Rental Properties in the Outer Banks of North Carolina (1,200 units)
- Mountain Valley Properties in Tennessee (170 units)
- Universal Vacations, Inc. in Florida (190 units)

The average acquisition cost per unit for the 2001 transactions was $8,774.

"We are particularly pleased that purchase prices remain within our targeted range, and we expect to continue acquiring companies both in strategic new locations and in key existing markets," said Levine. "Our acquisition pipeline is full, and we have the capacity and the flexibility we need to act quickly and decisively. Where possible, we will continue to be sensitive to the timing of these acquisitions so that they coincide with each resort's high season."

As a result stock prices rallied to $13.30 per share based on revenue boosts resulting from acquisitions.

However, it wouldn't last.

According to Tom Leddy, co-founder of First Resort Software, "The primary objective of management was to increase the stock price short term. All acquisitions were seen from the accretive increase of EBITDA (Earnings Before Interest Taxes Depreciation and Amortization), as it was seen as easier to impact EBITDA through acquisition than by operations…except 48 hours before quarter-end when major pressure was put on local teams to bring the numbers in. Too much focus on acquisition, too little on integration, and a misguided focus on operations led to a runaway train."

And a runaway train it became. In July 2001, EPS were adjusted downward citing occupancy rate pressure, negative short-term booking patterns, and the weak real estate market.

Below is an August 31, 2001 snapshot of ResortQuest's trading activity.

Statistics at a Glance -- NYSE:RZT As of 31-Aug-2001

Price and Volume	
52-Week Low on 26-Oct-2000	$5.50
Recent Price	$7.80
52-Week High on 24-May-2001	$13.30
Beta	0.56
Daily Volume (3-month avg)	75.0K
Daily Volume (10-day avg)	29.0K
Stock Performance	

big chart [1d | 5d | 3m | 6m | 1y | 2y | 5y]

52-Week Change	+34.2%
52-Week Change relative to S&P500	+80.0%
Share-Related Items	
Market Capitalization	$150.1M
Shares Outstanding	19.2M
Float	12.7M
Dividends & Splits	
Annual Dividend	none
Last Split	none

Per-Share Data	
Book Value (mrq)	$7.57
Earnings (ttm)	$0.59
Earnings (mrq)	$0.16
Sales (ttm)	$8.42
Cash (mrq)	$2.07
Valuation Ratios	
Price/Book (mrq)	1.03
Price/Earnings (ttm)	13.29
Price/Sales (ttm)	0.93
Income Statements	
Sales (ttm)	$161.5M
EBITDA (ttm)	$33.7M
Income available to common (ttm)	$11.3M
Profitability	
Profit Margin (ttm)	7.0%
Operating Margin (ttm)	14.9%
Fiscal Year	
Fiscal Year Ends	Dec 31
Most recent quarter	30-June-2001

Management Effectiveness	
Return on Assets (ttm)	4.08%
Return on Equity (ttm)	8.10%
Financial Strength	
Current Ratio (mrq)	0.64
Debt/Equity (mrq)	0.48
Total Cash (mrq)	$39.8M
Short Interest As of 8-Aug-2001	
Shares Short	405.0K
Percent of Float	3.2%
Shares Short (Prior Month)	288.0K
Short Ratio	5.26
Daily Volume	77.0K

See Profile Help for a description of each item above; K = thousands; M = millions; mrq = most-recent quarter; ttm = trailing twelve months; (as of 30-June-2001)

Later, Colin Reed, CEO of Gaylord Entertainment and ResortQuest board member would say:

> "ResortQuest was formed about five years ago as a rollup of many small operators. Initially, the Board numbered more than 20 members and was extremely diverse. The initial intent was to build consistent systems that would have allowed the brand to emerge, but early reluctance to move local operating companies under the ResortQuest flag and the lack of coherent brand systems, and the constraints imposed by debt incurred to fund the acquisitions caused the brand to stall. Throughout the 2000 to 2002 period, the Company under previous management was too short-term focused, and the brand's evolution suffered. It must be said that the business today performs pretty well, and it certainly does a good job servicing the customer and providing value to the homeowner. But the real opportunity lies in the systemic brand development."

Disaster Hits: 9/11

Regardless of Levine's shifts in strategy and attempts to diversify at ResortQuest, no one could have predicted the negative impact of an event like the terrorist attack on the U.S. on Sep. 11, 2001. With already low levels of investor confidence plus a lack of internal buy-in for the directional changes under Levine, stock prices continued to fall.

At the end of September, ResortQuest implemented a hiring and wage freeze and 100 layoffs. "As a result of the downturn in the vacation and travel market, and in response to the severe decline in national travel due to the tragic terrorist attack of September 11th, the company plans additional measures to address the changing business climate," said a statement from ResortQuest.

The stock price nosedived to $3.95 per share.

2002: Looking for a buyer

In the first quarter of 2002, the board began to discuss the possible sale of ResortQuest, but David Levine was adamantly opposed to a potential sale. As a member of ResortQuest's board of directors at the time, Gaylord Entertainment CEO Colin Reed was aware that ResortQuest was looking for a buyer, and the management at Gaylord began to consider the possibility of acquiring the company.

From late May through September 2002, Gaylord and ResortQuest conducted extensive due diligence but ended talks primarily because of the inability to agree on the exchange ratio at which shares of common stock would be acquired.

In June 2002, ResortQuest reported EBITDA of $6.5 million in the second quarter, down 42 percent from $9.2 million in the second quarter 2001.

Despite internal disagreement with the direction, David Levine continued his persistent focus on technology and building a switch/portal for the vacation rental industry.

"This has once again been a tough quarter for the travel industry," says David Levine, chairman and CEO, "but our continued investment in the company through marketing and technology initiatives, along with the consolidation and streamlining of our infrastructure and our effective cost control measures, has put ResortQuest in position to maintain our industry leadership."

2000-2002 Challenges

1. **Drain on available cash from acquisitions with high multiples**

   "In the company's efforts to grow in this manner quickly, there were several acquisitions that were purchased at rather high multiples, causing an enhanced drain on available cash than what was first targeted," said Olin.

2. **High costs of transitioning acquisitions into a centralized system and lessened ability to clearly project both cash flow and growth metrics**

   Olin added, "The transition of these acquired companies was much more extensive and complicated than what was first thought, causing a great deal more time and expenses and lessening the ability to clearly project both cash flow and growth metrics."

3. **Diversion in technology focus toward a technology "toll road" for the industry**

   The vacation rental industry has seen many organizations distracted by the temptation to invest significant resources into a global distribution system (GDS). Even the Vacation Rental Managers Association (VRMA), trying to replicate the perceived success of the

National Association of Realtors' MLS technology, began committing resources to developing a distribution system for professional managed rentals in the association. Levine allocated significant resources towards the technological pursuit, and insiders say it was his number one focus in spite of the lack of support from the board.

G&A expenses increased 41% to $57.7 million in 2001 as a result of costs associated with onboarding new acquisitions and developing marketing technology.

	1998	1999	2000	2001	2002
Total Revenue	$80,660,000	$157,114,000	$183,261,000	$192,955,000	$190,241,000
Net income (loss)	$3,465,000	$4,429,000	$9,606,000	$1,601,000	($13,484,000)
EPS	$0.44	$0.24	$0.51	$0.08	($0.70)

4. **Increased regulation which put a drain on resources**

   From 2000-2002, a series of corporate fraud events triggered increased regulation and accounting rules for publicly traded companies. As a relatively small publicly traded company struggling with cash flow and plagued with decentralized operations and reporting, ResortQuest was faced with crippling related expenses.

5. **September 11**

   The events following 9/11 dealt a debilitating blow to ResortQuest, as leisure travel dropped drastically. With all the problems ResortQuest was already experiencing, there wasn't enough capital, confidence or consensus to recover.

The discord and dissatisfaction with leadership among the board of directors reached a breaking point in 2002. Gaylord's Colin Reed resigned as a member of the ResortQuest board of directors, later saying to shareholders:

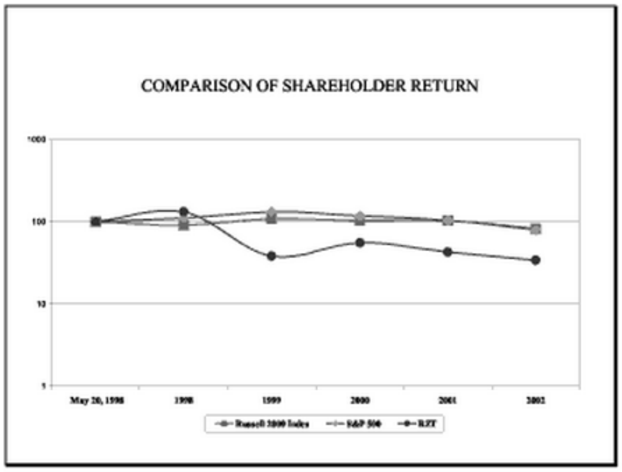
> "I got onto the Board because, obviously, I was solicited to get on the Board by several members. And Mike (Rose, ResortQuest founding board member and Gaylord Chairman of the Board) spoke to me very glowingly about the industry and about the opportunity this business has had at that particular point in time. But frankly, I found it a struggle because the leadership (under Levine), the executive leadership at that time was extraordinarily short-term in their thinking. And I sort of came out of most Board meetings feeling, you know, highly frustrated."

In October 2002, David Levine stepped down from ResortQuest International Inc. "to pursue other opportunities" effective immediately, and James S. Olin was promoted to CEO.

October 2002 –August 2003, (Jim Olin, CEO)

Jim Olin took on an enormous challenge by stepping into the role as CEO. “I think Olin’s directive was to sell the company,” said Pedro Mandoki. “At that point, I don’t know what else he could have done.”

The following graph depicts the period from the date of ResortQuest’s IPO (May 1998 to December 31, 2002). The graph assumes that $100 was invested in ResortQuest stock at its closing price on May 20, 1998 and in each index on May 20, 1998.



		December 31,				
	May 20, 1998	1998	1999	2000	2001	2002
Russell 2000 Index	$100	$ 90	$108	$103	$104	$82
S&P 500 Index	$100	$110	$131	$118	$103	$79
ResortQuest International	$100	$133	$ 38	$ 56	$ 43	$34

ResortQuest International Proxy Statement, April 29, 2002

One source commented on Olin’s directive as CEO saying, “Olin had to get us back to being a vacation rental company, regain investor confidence, re-establish the many relationships which had been hurt under Levine, and refinance.”

In late 2002, Olin led the decision to relocate the ResortQuest corporate headquarters to Destin.

"This is a strategic move to bring our key executives closer to the properties we manage, and we expect it to increase efficiency and create synergies for the Company," said Olin. "ResortQuest is built on quality service and it is critical that our executive team be able to interact on a daily basis with our operational teams and our guests."

"This is a strategic move that will place key management at one of our largest operating companies and will further streamline our infrastructure," said Mitch Collins, executive vice president and chief financial officer. "By consolidating our corporate office into the already existing infrastructure in Destin, coupled with the consolidation of our Colorado accounting operation into our accounting center in Destin, the Company expects to realize annual savings of over $1 million. This move makes clear economic sense to our shareholders over the long-term."

The following table displays inventory across regions as of December 31, 2002.

Total Units		
	3/31/1999	12/31/2002
BEACH RESORTS		
Alabama	384	315
Bethany Beach, Delaware	626	640
Florida	3,139	6,296
St. Simons Island, Georgia	404	504
Nantucket, Massachusetts	1,200	1,200
The Outer Banks, North Carolina	456	991
Hilton Head Island, South Carolina	343	611
DESERT RESORTS		
Scottsdale and Phoenix, Arizona	150	251
Palm Desert and Palm Springs, California	295	174
HAWAIIAN RESORTS		
Hawaii, Kauai, Maui and Oahu, Hawaii	5,124	5,468
MOUNTAIN RESORTS		
Whistler, British Columbia	740	601
Aspen, Breckenridge, Crested Butte, Dillon and Telluride, Colorado	1227	1,900
Big Sky, Montana	207	212
Sunriver, Oregon	162	143
The Canyons, Deer Valley and Park City, Utah	348	368
Sun Valley, ID	0	238
TOTAL	14,805	20,092

Senior notes converted to current liabilities

In March 2003, the bulk of ResortQuest's long-term notes became classified as current liabilities which significantly affected the company's balance sheet. The debt included $50.0 million in 10.06% senior notes, $26.2 million in borrowings under the Credit Facility set to, and other debt assumed in connection with acquisitions, which had varying maturities throughout 2004.

On May 13, 2003, the ResortQuest board reviewed the first quarter results of operations and senior management's business model and forecasts for ResortQuest, including the need to refinance.

Consequently on May 14, 2003, Olin contacted Colin Reed to discuss alternatives with Gaylord and met with another company to discuss a joint venture with First Resort Software. Each of the talks fell through.

Olin negotiates with Gaylord Entertainment

Jim Olin and ResortQuest CFO Mitch Collins spent May through July exploring strategic alternatives with Gaylord. These conversations are outlined in detail in Gaylord's Merger Proposal Filing.

ResortQuest senior management discussed each option, including the need for additional funding by September 30, 2003, due to reduced reservation lead times ResortQuest had recently experienced and the expectation that ResortQuest's credit card processor might require a reserve account be established.

The ResortQuest board concluded that ResortQuest should pursue the convertible debt offering and continue its discussions with Gaylord regarding a potential business combination transaction.

On July 25, 2003, at a special meeting of the board of directors of ResortQuest, Olin presented the Gaylord proposal.

After what one insider called a "robust" discussion of ResortQuest's present and future financial state and the pros and cons of each of the alternatives, the board determined that the acquisition by Gaylord was the best alternative for ResortQuest and its stockholders at that time.

The board nominated ex-CEO David Sullivan as the lead director and authorized Sullivan to proceed with negotiations with Gaylord. After extensive negotiations, the ResortQuest board convened a special board meeting on August 4, and agreed to execute the merger agreement with Gaylord Entertainment.

On August 5, 2003, the news hit the street that Gaylord had acquired ResortQuest and its inventory of 15,784 units for $177 million.

Gaylord agreed to pay 0.275 of a share for each ResortQuest share, valuing the ResortQuest stock at $5.53.

August 2003-July 2007, Gaylord Entertainment

Gaylord had several valid reasons for purchasing ResortQuest. In an August 2003 call with shareholders, Olin cited the following:

1. First, the Gaylord management team has extensive experience in creating well-known brands in the hospitality industry. We will be able to leverage their experience to help solidify and build on the ResortQuest brand. By doing so, we will be able to attract additional units to our management program, and at the same time generate incremental occupancy and revenues for the Company and our individual unit owners.

2. Second, under the Gaylord Entertainment umbrella, we will have a new level of access to millions of Gaylord conventioneers as well as fans of the Grand Ole Opry and other entertainment offerings. From this group, we will be able to recruit new vacation homeowners to ResortQuest's management program, as well as new vacationers to its properties.

3. Third, this combination will give ResortQuest favorable access to the capital necessary to more efficiently manage its operations and take advantage of growth opportunities. With these points in mind, I see a strong future for the combined company, and I will look forward to working with the Gaylord Entertainment management team.

“Country Lifestyle” Demographic

In 2004, Gaylord was hoping to leverage its “Country Lifestyle” clientele synergy with its existing Grand Ole Opry brand and its 19% interest in Bass Pro Shops. Through their research Gaylord found that 30% of these targeted Country Lifestyle consumers had stayed in a vacation rental more than once in the last two years.

According to Reed, “As part of the significant research we undertook over the last year and through our work in building the Grand Ole Opry brand, we gained a fundamental understanding of the customer who listens to or watches the Grand Ole Opry. What we discovered was that there is a consumer group in the United States composed of approximately 70 million adults aged 16 to 64 that have a lifestyle described as country...Now, the important fact that we have learned through this research is that these customer groups have a disproportionately high propensity to rent homes or condominiums for vacations at the beach or in the mountains. In fact, approximately 30-percent of this consumer group or 21 million people when asked told us they have stayed in rented vacation homes or condominiums at least once every two years.”

“Country Lifestyle” consumers who rented vacation properties in the past two years

	Total	1 trip	2 trips	3-5 trips	6-10 trips	11+ trips
Beach	23%	11%	8%	3%	1%	0
Mountains	18%	10%	4%	3%	1%	1%
Other	11%	5%	3%	2%	1%	0

- Because of cross-overs, approximately 30 percent of "Country Lifestyle" consumers indicate they have stayed in rental accommodations more than once in the past 2 years

Shift in Leadership and Move Away from Technology

1. **New CEO: Mark Fiorvanti**

   In March 2004, Olin stepped down as president and was replaced by Mark Fiorvanti who had previously served as senior vice president of marketing and had been focused on building the Gaylord brand in its hotel and Grand Ole Opry divisions.

   “ResortQuest has struggled the last few years to develop into the powerhouse brand we believe it should be." Reed said in a press release. "We have a good management team in place at the operating level, but ResortQuest has lacked the experience necessary to build the brand. We expect to rapidly transform ResortQuest’s collection of 18,000 vacation property rental units into a world-class brand. Mark has a proven track record of delivering results over the many years I have known him and I’m confident that he is the right leader for ResortQuest."

2. **Gaylord spins off First Resort Software**

   At the end of 2004, Gaylord sold First Resort Software to Instant Software.

   "We have made a strategic decision to focus on our growing and developing vacation property management, rental and brokerage business," said Fiorvanti. This sale paves the way for us to preserve excellent support and maintenance for First Resort Software customers and to provide them with continued access to existing products and new product development."

   Note: Instant Software sold to HomeAway in October 2010 for approximately $27 million.

Key Gaylord Acquisitions

In January 2005, ResortQuest Gaylord acquired:

- East West Resorts (2,000 units, $28.5 million)
- Whistler Lodging Company (600 units, $5 million)

The average acquisition cost per unit of the ResortQuest Gaylord purchases was $12,884.

2004-2006 Challenges

With all of the hopes of leveraging management expertise and creating synergy in the brand, Gaylord faced both existing and new challenges.

1. **Ongoing struggles to transition operators under centralized management**

   When Gaylord purchased ResortQuest, they were confident the ResortQuest struggles with management were solely the result of not having the right people in place saying, " "ResortQuest has lacked the experience necessary to build the brand."

   However, they soon discovered that the difficulties had less to do with the people than the challenges inherent to the industry.

   Under Gaylord's management, even with their acquisition of 2,600 properties (+16% percent), ResortQuest would see a net loss of inventory of over 30 percent before deciding to sell.

2. **Hurricanes**

   2004 and 2005 brought Hurricanes Ivan, Dennis, Katrina and Rita, and along with them, cancellations and loss of revenue. In 2005, Reed commented on the hurricanes, "During the year, ResortQuest bore the brunt of another year of severe weather conditions."

As a result, resources were devoted to initiatives such as modifications to their advance deposit policy and the introduction of a new travel insurance program.

3. **Owner Retention**

   "Traveling customers are only one side of the vacation rental equation," said Olin. "You must also have a deep plan to retain your homeowners on your program. It always helps to provide a good revenue stream to your homeowners through increased occupancy, but there is also the local flavor and 'partnership' feel that a vacation rental company must have, whether it is a national brand, or a small Mom and Pop."

4. **Self-Management Trend**

   The entire professionally managed vacation rental industry began to shift in 2004 as vacation rental homeowners began to learn how to manage and market their rentals without a professional agent. In 2006, HomeAway purchased VRBO.com, and with easy, online marketing, the self-managed trend in vacation rentals went into high-gear.

   "Gaylord acquired ResortQuest at about the same time there was a groundswell of the 'self-managed' movement with the establishment of Homeaway and VRBO.com, said Olin. "Management companies nationwide saw an immediate decline in their inventory as they then adjusted to this new phenomenon."

By 2006, Gaylord was exploring alternatives for ResortQuest.

"Since our acquisition of ResortQuest in November 2003, we have invested substantial capital and management efforts in integrating and realigning ResortQuest's operations, including advancing its technology, making strategic acquisitions and divestitures to focus our property management on key markets, and terminating unprofitable management contracts," said Reed. "We are currently considering certain strategic alternatives for our ResortQuest business, including but not limited to a possible divestiture of all or a portion of the business."

"Gaylord was, and still is, a leader in the hotel industry. They acquired ResortQuest, and worked very hard on instituting the processes and strategies that worked so successfully in their hotel environment," Olin said in a recent interview. "Unfortunately, sometimes hotel-type initiatives don't always jive perfectly with the vacation rental industry. Gaylord did nothing wrong in instituting their strategy, and I do believe they would have ended up being very successful if given more time to adjust to the industry changes and dynamics at the time."

Gaylord splits ResortQuest and sells to Interval International and Leucadia

In the spring of 2007, Interval International, then an operating subsidiary of IAC/InterActiveCorp., run by Barry Diller, agreed to purchase ResortQuest's Hawaii operations (4,500 units) for $109 million.

Having sold ResortQuest Hawaii, Gaylord sold the Mainland portion of ResortQuest (9,300 units) to a subsidiary of Leucadia National Corp. for $35 million in May 2007.

Reed said, "While I could spend considerable time talking about ResortQuest and why it failed to live up to expectations, the fact is, in hindsight, *the acquisition was a mistake*."

Reed continued, "Very early in 2007, we announced that we were looking at alternatives for the ResortQuest business purchased back in 2003. The sale took place in two parts –first our Hawaii properties and then our U.S. mainland properties. Both transactions closed by the end of May 2007. Fortunately we recognized this and jettisoned the business before the real estate meltdown took hold across the high end vacation home marketplace and the real estate brokerage business."

Gaylord also sold its interest in Bass Pro Shops for $222 million and abandoned the "country lifestyle" target market.

Reed took heat from investors for his handling of the ResortQuest business. In a letter written by Texas billionaire and shareholder Robert Rowling encouraging the removal of Reed and his team, Rowling asserted that the ResortQuest sale at a loss was tantamount to an admission of failure and questioned Gaylord management's belief that a vacation home rental business somehow could augment the hotel business.

June 2007 –September 2010, Leucadia

It was initially reported that Leucadia purchased ResortQuest from Gaylord with 9,300 units for $35 million, but in their 2007 Annual Report Leucadia indicated that ResortQuest had 7,766 units and that it had “completed the acquisition of ResortQuest International, Inc. (“ResortQuest”) for a purchase price of $11,900,000, including expenses and working capital adjustments.”

Like Gaylord, Leucadia blamed mismanagement for ResortQuest’s decline.

“When we purchased ResortQuest the company was disheveled and almost bedridden,” according to comments in the annual report. “To repair the damage we brought back as CEO, Park Brady, one of the original founders of the company. Since our acquisition we have invested heavily in keeping and attracting owners, in expanding our internet presence and reducing unnecessary corporate expenses.”

By the end of 2008, Leucadia had injected $16 million in ResortQuest, but still saw declines in ADR, occupancy, inventory and advance reservations.

“Since acquisition the company has lost $6.5 million, but seems back on track to a successful turnaround. The task at hand is to satisfy our owners and guests and to regain units lost to competitors during the course of the previous ownership. We think the current oversupply of condos in Florida will provide us with opportunities to increase our managed inventory of desirable units in attractive locations.”

Leucadia’s confidence in being able to turn around ResortQuest was short-lived.

In early 2009, while Interval-owned ResortQuest Hawaii was rebranding itself back to Aston Hotels & Resorts, a name under which it formerly operated, Leucadia began selling its ResortQuest operations in pieces, including several transactions selling back to the original owners (e.g. Brindley Beach Vacations and Plantation Resorts).

“Poor general economic conditions have caused a decrease in ResortQuest’s advance reservations, as its customers reduce amounts spent on discretionary items. ResortQuest has had to provide discounts to customers and has exited certain unprofitable locations.”

By the end of 2009, ResortQuest’s inventory dropped another 30% to 6,000 units, and Leucadia management cited the recession as the root cause.

“In the face of an extended recession, ResortQuest sold unprofitable locations, retreated to its strongholds in Northwest Florida and a few other locales and slashed corporate expenses,” stated the 2009 Annual Report.

“We appreciate Park Brady, Eileen Ernstad and their team for capably managing ResortQuest.”

Wyndham purchases ResortQuest Mainland from Leucadia

On September 30, 2010, Wyndham Worldwide Corp. announced its acquisition of ResortQuest (6,000 units) from Leucadia for $54.4 million at a cost per unit of $9,066.

“We have the largest vacation rental product in Europe but have wanted to break into the $10 billion U.S. market,” Stephen Holmes, chairman and CEO of Parsippany-based Wyndham said. “There’s no big player in managed-service rentals here in the U.S.”

In the second half of 2012, Wyndham purchased:

- Smoky Mountain Property Management ($30 million, 400 units)
- Oceana Resorts ($35 million, 1,000 units)
- Kaiser Realty (Purchase price undisclosed, 475 units)

By late 2012, Wyndham made the decision to slowly rebrand all of its vacation rental properties to the Wyndham Vacation Rentals brand, initiating a full transition of the remaining ResortQuest brand under the Wyndham Worldwide umbrella.

Mirroring the ResortQuest vision, Wyndham is actively looking to create a worldwide recognizable vacation rental brand which attracts both new guests and new homeowners.

In late 2013, Wyndham announced its purchase of Hatteras Realty in North Carolina’s Outer Banks, and insiders predict the announcement of more acquisitions of traditional vacation rental operators by the end of 2014.

Although Wyndham works quickly following an acquisition to centralize online booking and human resources, in their recent acquisitions they have maintained the individual operation’s upper level management, local reservation agents, and marketing and accounting personnel.

In addition, the operators’ disjointed software systems are beginning to be consolidated utilizing a team made up of several First Resort Software alumni who worked with ResortQuest prior to the sale to Gaylord.

To gage performance for shareholders within their Vacation Rentals segment, Wyndham measures operating performance using the following key operating statistics:

1. **Vacation rental transactions**
   Represents the number of standard one-week rental transactions that are generated in connection with customers booking their vacation rental stays through Wyndham.

2. **Average net price per vacation rental**
   Represents the net rental price generated from renting vacation properties to customers and other related rental servicing fees divided by the number of vacation rental transactions.

The following chart depicts these vacation rental metrics from 2009-2013.

	2009	2010	2011	2012	2013
Total Vacation Rental Units		93,000	95,000	100,000	103,000
Europe: Vacation Rental Units		87,000	88,000	90,000	94,000
U.S. Vacation Rental Units		6,000	7,000	9,000	9,000
Vacation Rental Transactions (in 000s)[1,2]	964	1,163	1,347	1,392	1,483
Average net price per vacation rental[2,3]	$ 477.38	$ 425.38	$ 530.78	$ 504.55	$ 532.11
Average annual net price per property		$5,320	$ 7,526	$ 7,153	$ 7,661
Average number of transactions per property		12.5	14.2	13.9	14.4

Wyndham Worldwide SEC Filing 10-k, 2009-2013

[1] Represents the number of transactions that are generated in connection with customers booking their vacation rental stays through us. One rental transaction is recorded for each standard one-week rental.

[2] Includes the impact from acquisitions from the acquisition dates forward, therefore, the operating statistics for 2013 are not presented on a comparable basis to the 2012 operating statistics.

[3] Represents the net rental price generated from renting vacation properties to customers and other related rental servicing fees divided by the number of vacation rental transactions.

Wyndham Vacation Rentals Research

As of December 31, 2013, Wyndham published the following approximations in their annual report:

- The global vacation rental industry represents over $80 billion.
- Global demand per year for vacation rentals is approximately 76 million vacation weeks, 57 million of which are rented by leisure travelers from Europe.
- There are 1.3 million vacation rental properties available in the U.S.
- There are 4.2 million vacation rental properties available in Europe.
- The overall demand for vacation rentals has been growing for the following reasons:

  1. Increased desire by existing owners of second homes to gain an earnings stream evidenced by homes not previously offered for rent appearing on the market.
  2. The consumer value of renting a unit for an entire family
  3. The increased use of the Internet as a tool for facilitating vacation rental transactions
  4. Increased consumer awareness of vacation rental options
  5. Many leisure travelers rent properties within driving distance of their home.

Wyndham vision moving forward

In a July 2014 Steven Holmes, CEO at Wyndham Worldwide commented on 2014's second quarter results and about their North American rental strategy:

> "We will continue to look at deals in North America. We think there is an opportunity to roll it up and basically do what we've been doing, but also, very importantly, is to expand in the markets where we already have a presence. Because just doing acquisitions, in my

opinion, is not enough. We have to do acquisitions; by doing that, plant a flag in a market with a Wyndham branding on it and then grow within that market. I feel that we should be able to, basically, go into markets, plant a flag and then get a lot of market share, because I don't think anybody else can do what we can do in a marketplace. So that's our -- the direction that we're headed in. A lot has to get in place in order to make that happen. And we're working on systems. We're working on bringing on the right people to make that all happen right now.

Why ResortQuest Failed

Throughout the history of ResortQuest and its varied management, ten identifiable key factors contributed to the ongoing struggles.

1. **Hotel-based executive leadership**

   Both the founding leadership of ResortQuest and the management team at Gaylord approached building the company with a hotel-based archetype.

   “The main paradigm difference was that successful hotel industry managers are more authoritarian and ‘take ownership’ of their properties,” said Olin. “It works for that industry. Hotel managers control the interior, the marketing, and the overall operations. Vacation rental operators have to persuade, convince and work with homeowner associations, homeowners, and others to get everything accomplished. Many of the initial marketing efforts, interior unit grading and other initiatives were from a ‘top down’ approach, where corporate dictated what the field was doing.”

   The friction between the hotel leadership and the vacation rental operators led to crippling discord at the board level. Tom Leddy, co-founder at First Resort Software said, “This attitude led to a sometimes subtle, sometimes not subtle, pushing out of the founders of each acquired company and did not encourage any kind of ‘best practice’ concept across some really sharp people.”

   Balancing hotel-like standardization and local-operator relational needs was a challenge the hotel leadership inevitably could not overcome.

2. **Financial and reporting requirements associated with being a publicly traded company**

   As a new publicly traded company, ResortQuest had a critical need to accurately forecast earnings and provide transparent reporting, and in its infancy, the company was hit with additional corporate accounting regulations and requirements.

   “ResortQuest was a relatively small public company in the midst of the nation’s reactions to the Enron debacle,” said Olin. “All of the new laws, Sarbanes Oxley for example, caused our ‘little’ company to have to comply with very difficult and expensive new accounting procedures. Additional expensive resources were required, which shifted much of our top-tier management focus inward instead of outward.”

The investment community had been historically uncomfortable with seasonal revenues, but the lack of being able to accurately project earnings was notably detrimental when earnings were erroneously calculated in 1999, resulting in ResortQuest's failed secondary offering, a stock price free-fall, and an unconstructive shift in management.

"The transition of these acquired companies was much more extensive and complicated than what was first thought, causing a great deal more time and expense and lessening the ability to clearly project both cash flow and growth metrics," said Olin.

3. High acquisition costs and the need to accumulate and restructure debt

Pressures from Wall Street drove ResortQuest to close many acquisitions at high multiples in order to boost short term earnings. The excessive cost of acquisitions coupled with the increasing costs of integrating new companies into the ResortQuest system proved to be a contributing factor in its downfall.

"It was seen as easier to impact EBITDA through acquisition than by operations, except 48 hours before quarter-end when major pressure was put on local teams to bring the numbers in," said Leddy. "New companies were left to their own devices until the quarter-end financial crunch hit."

The high costs of acquisition resulted in the need to assume substantial debt which further increased the net cost per unit, in some cases significantly.

4. Difficult centralization of vacation rental management operations

With the initial roll-up of 12 vacation rental companies along with the addition of 18 companies within 18 months, ResortQuest had a pressing need to quickly and efficiently integrate these companies under centralized management, which proved to be more difficult and expensive than expected.

Each company had its own marketing initiatives, housekeeping and maintenance operations (both local and outsourced), accounting systems, government regulations, owner-based communications, and commission structures. The centralization of operations across destinations was a complex undertaking which was alien to a hotel-based leadership team.

5. Distracted with attempts to be a marketing technology company

The initial purchase of First Resort Software along with the urgent need to centralize operations, accounting and marketing led to an unbalanced focus on technology and a subsequent desire to be the number one online marketing portal for vacation rentals in the world, especially under Levine's leadership.

The need to utilize centralized technology was crucial in accurately projecting earnings, onboarding new operators under the ResortQuest umbrella and creating a one-stop marketing website with real-time online booking and remarketing tools.

However, once the idea took hold Levine became fixated on building a global web portal for vacation rentals, partnering with AOL and CompuServe who proved to be unfortunate allies.

6. **Insufficient management experience**

   Although the founding management team had meaningful experience in the hotel space, most of the leaders had never previously held the positions to which they named themselves.

   David C. Sullivan had not served as a CEO, CFO Jeff Jarvis had previously been a controller, CIO Fred Farmer had never been a CIO, and so forth.

   The lack of management skills at the top was compounded by extremely difficult and complex management challenges, along with the unprecedented attempt to bring vacation rental operators under one umbrella.

7. **Vacation rental guests did not associate with a national brand**

   Throughout the ResortQuest history, management believed consumers would eventually associate positively with the brand, which would lead to profitable synergy between destinations. In the vacation rental industry, critical mass was both necessary and unachievable based on the cost of acquiring inventory under the existing model.

   Also, Gaylord had performed extensive marketing research and was quantifiably convinced that, with their Country Lifestyle demographic along with synergy from the brand equity in Grand Ole Opry and Bass Pro Shops, they could be successful in creating a viable national brand.

   The complete abandonment of their focus on this target market demonstrated their failure to capitalize on brand identification.

8. **Organic growth in inventory**

   Building successful, ongoing relationships with homeowners is a key component in any vacation rental business, and ResortQuest's hotel-based leadership struggled to successfully manage this piece.

   Being a part of a corporate entity did not hold perceived value or appeal for homeowners, who base their choices about property management on trust, accountability, relationships and ethics, as much as the stability of rental income. Owners were not properly incentivized to connect with the ResortQuest culture. Increased corporate attention to standardization and multi-destination marketing, along with decreased owner buy-in, created a lack of loyalty to the ResortQuest brand.

9. **Rent-by-owner movement**

Before online marketing channels became common, vacation rental owners relied on professional property managers to reach consumers through signage, brick and mortar locations, direct mail, and rental catalogs. The emergence of online marketing channels, in addition to increased self-management education, precipitated a movement towards owner management.

By 2006, HomeAway bought VRBO.com making it possible to easily access renters, and within two years a recession made it necessary for owners to look for ways to cut costs. The self-management trend spread quickly, and many property managers experienced debilitating losses in inventory as a result. ResortQuest was no exception.

10. **External Factors**

In each stage of ownership, external forces contributed to ResortQuest's demise.

- **2001: September 11**

  The events associated with the 9/11 attacks negatively affected the entire travel industry. In mid-2001 ResortQuest was already suffering with yet another adjustment to earnings resulting from decentralized accounting, and with the events of 9/11, the stock price fell to an all-time low of $3.95 per share resulting in wage freezes and layoffs.

- **2003-2006: Disease and weather and related incidents**

  In 2003, the SARS outbreak stalled international air travel which damaged the Hawaii operation, one of the two "bookends" of the company. For Florida, the other "bookend," from 2004-2006, a series of hurricanes resulted in decreased occupancy, cancellations and the need to adjust advance deposit and travel insurance policies.

- **2007-2012: Real estate market meltdown and recession**

  While Gaylord's shareholders were relieved to have unloaded the ResortQuest division before the real estate market collapsed, new owner Leucadia and ResortQuest President Park Brady were left to experience the fallout.

Building a National Brand

Is the idea of building a national brand viable in the U.S.? Industry insiders unanimously say "yes."

With advancement in technology, the ability to mass market, improved abilities to centralize operations, and a more thorough understanding of the vacation rental industry, several innovative business models have recently sprouted with the goal of being a leading national multi-destination vacation rental provider.

By examining the lessons learned from ResortQuest's history, there are key strategic considerations for achieving a successful national brand in the vacation rental management industry.

1. **Pitfalls of a publicly traded environment**

   The need to accurately project earnings, successfully manage debt and effectively communicate seasonal volatility makes working in a publicly traded environment challenging.

   A company looking to build a profitable national brand will likely find it beneficial to:

   1. Avoid being publicly traded until all systems and operations are fully centralized, accounting procedures are accurate and seasonal gains and losses are properly communicated, or

   2. Be a part of a publicly traded company who can bury volatility within divisions which are less likely to cause alarm among the investment community.

2. **Demonstrated organic growth**

   In several cases, companies which were acquired at high multiples also had a recent, relevant history of losing inventory and market share.

   With all of the existing challenges involved in rolling up vacation rental operators under one umbrella, attempting to roll up and grow companies which are already underperforming exponentially increases the difficulty and burden on the company.

   Demonstrated organic growth is a factor to consider in expanding in new markets..

3. **Owner buy-in**

   Communicating the value proposition to homeowners while simultaneously preserving personalized, consistent relationships at the local level helps to ensure success in developing a national multi-destination presence.

   This includes incentivizing owners in a post-acquisition environment, demonstrating the advantages of being a part of a larger company in acquiring new homeowners, having consistent local on-the-ground relationships, setting clear expectations, and over-delivering on services.

4. **Effective marketing to new and past guests**

   A competitive advantage a national company has is the ability to utilize customer data on a large scale to more effectively attract, retain and intelligently cross-promote to guests.

   Lifecycle analysis, customer relationship management, behavioral marketing and a centralized database structure allow a national company to better target and incentivize guests than local competitors.

   Wyndham's recent appointed of Marriott's Mary Lynn Clark, who has substantial experience in points programs with Marriott Vacation Club, as president of North American Vacation Rentals indicates a strong strategic focus towards creating guest rewards programs to support cross-destination marketing efforts.

5. **Centralization of operations and technology**

   Not all departments in a vacation rental business can be fully scaled immediately, but reservations, accounting, marketing, IT and human resources are areas of methodical consideration.

   A solid strategy in how to merge these functions without losing the quality of owner relations and guest services provides exponential dividends from economies of scale in a multi-destination company.

6. **Standardization**

   ResortQuest leadership aptly recognized early the need to create standardization to manage brand-related customer expectations. By establishing a rating system, they intended to create more consistency in inventory.

   However, they failed to implement and communicate this effectively at the local level. A national company in today's consumer environment has the opportunity to manage standardization through regulating laundry and linens, certifying housekeepers and inspectors and conforming to recognized, non-prohibitive lodging standards.

7. **Management who focuses on a relational, service-based culture**

   The vacation rental industry is built on personal relationships with both homeowners and guests, and consequently a successful national company's management team will be laser focused on providing the best relationships and service in the market.

   Building a company culture with a high-quality service mindset, a national brand can build solid brand equity and circumvent objections at the local level.

8. **Cost of acquisition and onboarding operators**

   ResortQuest accomplished many acquisitions at high multiples and incurred excessive debt in the process.

   Strategic determination of an acquisition model will include cost of acquisition, cost of debt, inventory analysis, varied commission structures, the competitive landscape, the onboarding/transition process, communications, and a clear vision on how an acquired company fits into the overall structure.

9. **External Factors**

   In each stage of ResortQuest management, external factors negatively influenced their ability to grow.

   Whether it is weather-related, political, economic or disease-related, the vacation rental industry is characterized by volatility. Managing and planning for inevitable downturns are necessary in building a stable national company.

Conclusion

In its history, ResortQuest operated under very different strategic paradigms, all of which proved to be ineffective in accomplishing their ultimate goal.

Based on these case studies, the building of a successful national brand will continue to be out of reach for entrants who do not understand and overcome the unique obstacles inherent in the vacation rental industry.

New business models entering into the vacation rental space will find it beneficial to look to the lessons of the past while setting their course for the future.

By Amy Hinote

Amy Hinote is the founder of VRM Intel, which provides news, research and education for the rapidly expanding professionally managed vacation rental industry, along with sales, communications and marketing consulting services in the hospitality industry. With a background in finance and marketing and over 10 years in the vacation rental industry, Hinote has worked with property management companies, suppliers, and intermediaries and provides insider information about the growing vacation rental industry. Hinote resides just north of Chicago in Evanston, IL.

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