

# Hilton Worldwide Should be Wary of Apollo's Timeshare Pitch

By UNITE HERE Local 5

A New York Post article ("*Hilton Fears Bad Rep Over Timeshare Deal*", January 30, 2020<sup>1</sup>) revealed Hilton Worldwide (HWW) was concerned about how its Hilton brand would be impacted by a potential acquisition of Hilton Grand Vacations (HGV). According to the article,

***"Hilton Worldwide appears worried that a sale of the timeshare resort company could tarnish the brand of its own swanky chain, according to sources close to the situation."***

The New York Post reported that HGV, which spun off into a publicly traded company in 2017, still recruits most of its customers from the Hilton Worldwide Honors customer loyalty program.

The fact that Apollo Global Management reportedly made a bid for Hilton Grand Vacations lends credibility to the claim HWW is worried for its brand. An Apollo acquisition of HGV sets up a scenario where Apollo could merge HGV with its other timeshare affiliate, Diamond Resorts.

Diamond Resorts has a history of making headlines. For example, there was a 2019 article by Consumer Affairs titled, "*Diamond Resorts still can't explain why it sold \$250,000 worth of timeshare points to an 88-year-old*". HWW should worry if future negative news articles about timeshares reference "Hilton" in the headline.

This report looks at reputational risk if HGV were to be acquired by Apollo and merged with Diamond Resorts. HWW should exercise its licensing agreement rights to prevent deterioration of its Hilton brand name.

## Leadership Sets the Tone



Notably, Diamond CEO Michael Flaskey was promoted in 2017, after Apollo acquired the company. Flaskey was an executive in Diamond's sales and marketing departments since 2010 and the timeline of his tenure in sales and marketing roles overlap some of the issues described below (such as the Arizona attorney general settlement that covers a period between 2011 and 2017 discussed below).

## Arizona Attorney General Settlement with Diamond Resorts

On December 23, 2016, the state of Arizona's attorney general announced an \$800,000 settlement with Diamond Resorts Corporation to resolve allegations of Consumer Fraud Act violations.<sup>2</sup>

## Arizona Attorney General Settlement with Diamond Resorts (continued)

The state of Arizona received hundreds of complaints against Diamond Resorts. The Arizona attorney general reported that those complaints were about claimed deceptive sales practices, oral misrepresentations and false statements during timeshare sales presentations. According to the attorney general, these allegations of misrepresentation were related to:

- Annual increases in maintenance fees;
- Membership resale and buy-back programs;
- Timeshare membership resale market;
- Ability to rent timeshare vacations; and
- Discounts on other travel needs

Under the court-confirmed settlement, Diamond did not admit to any wrongdoing, but did agree to change its business practices and allow qualifying timeshare owners to return their timeshare interests to Diamond with no further obligations. Consumers eligible for the relinquishment program in the Arizona settlement were defined as those who purchased their Diamond timeshare between 2011 and Jan 22, 2017.

### Diamond Resorts in the Headlines

Diamond Resorts has been the focus of unfavorable headlines in recent years. The New York Post mentioned a 2016 New York Times exposé on timeshares that featured Diamond Resorts and shed light on the company's business practices.



#### **“The Timeshare Hard Sell Comes Roaring Back”**

New York Times, January 22, 2016<sup>3</sup>

The New York Times investigation interviewed Diamond timeshare owners and industry insiders to show how Diamond employees utilized the timeshare “hard sell”.

The article tells the story of seventy-seven year old Mary Ann Gutierrez. Diamond representatives are said to have pushed Ms. Gutierrez in a *five hours* long timeshare presentation to upgrade her existing timeshare interest to Diamond's point systems. Over the five hours, she was told it would only cost \$30,000 upfront, her maintenance fees might rise and she could ask her children to help her pay. She was quoted,

*“They weren't going to let me out that door, I was shaking, I was so nervous.”*

Ms. Gutierrez's account didn't end when she was finally allowed to leave. According to the Times, a Diamond representative handed Ms. Gutierrez a voided credit card transaction for \$4,840. Apparently, they had already charged her the down payment even though she hadn't given her approval.

Jeff Weir, who was an actual Diamond timeshare owner himself and industry journalist, was quoted saying,

*“Diamond is much more ambitious, aggressive and downright nasty in their sales presentations compared to Marriott and Westin. Diamond just has an amazing reputation of being tough on people.”*

## Diamond Resorts in the Headlines (continued)

In addition to the New York Times' attention, just last year there were two articles about how Diamond Resorts sold hundreds of thousands of dollars' worth of timeshares to senior citizens in their late 80s:

### **“Diamond Resorts still can't explain why it sold \$250,000 worth of timeshare points to an 88-year-old”**

Consumer Affairs, March 29, 2019<sup>4</sup>

Consumer Affairs reported about Diane Burkhart, a woman who complained to the FBI about how her father was sold \$250,000 worth of timeshare points from 2016 to 2017. Her father was 87 when the purchases began. By 2018 he was diagnosed with dementia and was living in a nursing home.

Diamond Resorts reportedly agreed to forgive the \$116,000 loan on a timeshare contract her father bought in 2017. The company's offer reportedly included “non-disparagement” conditions and required the family to waive rights to pursue the other timeshare contracts.

### **“Company convinces Arizona couple, nearly 90 years old, to buy \$150,000 timeshare”**

Arizona Republic, March 28, 2019<sup>5</sup>

In another story, the Arizona Republic reported that a Mr. and Mrs. Lusk, aged 89 and 88, were convinced to buy \$150,000 worth of Diamond Resorts timeshares in September 2018 and the elderly couple called it “the dumbest thing we ever did”. Mrs. Lusk said she had insomnia and fainting spells from stress, and went to the hospital several times.

## How Will Hilton Loyalty Members Be Impacted?

How will dissatisfied Hilton Grand Vacation timeshare customers impact the Hilton brand?

The New York Post claimed that HGV relies heavily on Hilton Honors loyalty members to find customers. If Diamond's sales tactics or policies are implemented at HGV properties, how will Hilton Honors members react?

The legal distinction between Hilton Grand Vacation timeshares and Hilton branded hotels may be lost upon Hilton Honors members who experience off-putting timeshare sales practices. Any hotel guest—not just Hilton Honors members—that leaves a Hilton Grand Vacations timeshare property unhappy is a brand image issue for HWW.

# “It Takes Many Good Deeds to Build a Good Reputation...”

As shown below, there is some evidence that HGV currently enjoys a more favorable online reputation than Diamond Resorts.

## State Regulatory Complaints

Some states have accessible online databases to search for consumer complaints filed against companies. A search for “Hilton Grand” and “Diamond Resorts” in four such state databases (Florida, Hawaii, Virginia and Oregon) show that Diamond Resorts entities have received far more complaints than Hilton Grand Vacations entities. The status and legal outcome of those complaints vary and case details were not examined here.<sup>6</sup>

	Diamond Resorts Complaints	Hilton Grand Vacations Complaints
Virginia	109	2
Hawaii	57	4
Florida	34	23
Oregon	14	10

## Online Reviews

PissedConsumer.com is an online review forum where consumers can share their personal experience with a company’s product or service. A search of the website for the term “Hilton Grand Vacations” resulted in 13 total reviews and a 2.6 star rating. In contrast, a search for “Diamond Resorts International” resulted in 267 total reviews and 1.6 star rating.<sup>7</sup>

Diamond Resorts had over *twenty* times the number of reviews on PissedConsumer.com as Hilton Grand Vacations.

## Hilton Worldwide Is Right to Be Concerned

Diamond Resorts has a history of making headlines. Any stakeholder in the Hilton brand image should be wary of an Apollo acquisition of Hilton Grand Vacations. Hilton Worldwide should exercise all its rights in its brand licensing agreement with Hilton Grand Vacations to protect the Hilton trademark value.

## Endnotes

1. "Hilton Fears Bad Rep Over Timeshare Deal", New York Post. January 30, 2020. <https://nypost.com/2020/01/30/hilton-fears-bad-rep-over-timeshare-deal/>
2. "Attorney General Brnovich Announces \$800,000 Settlement with Diamond Resorts", Attorney General Office of Arizona. <https://www.azag.gov/press-release/attorney-general-brnovich-announces-800000-settlement-diamond-resorts>
3. "The Timeshare Hard Sell Comes Roaring Back", New York Times. January 22, 2016. <https://www.nytimes.com/2016/01/24/business/diamond-resorts-accused-of-using-hard-sell-to-push-time-shares.html#:~:text=>
4. "Diamond Resorts still can't explain why it sold \$250,000 worth of timeshare points to an 88-year-old", Consumer Affairs, March 29, 2019. <https://www.consumeraffairs.com/news/diamond-resorts-still-cant-explain-why-it-sold-250000-worth-of-timeshare-points-to-an-88-year-old-032919.html>
5. "Company convinces Arizona couple, nearly 90 years old, to buy \$150,000 timeshare", Arizona Republic. March 28, 2019. <https://www.azcentral.com/story/money/business/consumers/2019/03/28/diamond-resorts-convinces-elderly-arizona-couple-buy-timeshare-frank-betty-lusk/3282776002/>
6. Florida Department of Agriculture and Consumer Services <https://csapp.800helpfla.com/cspublicapp/businesssearch/businesssearch.aspx>  
State of Hawaii's Department of Commerce and Consumer Affairs (DCCA) <https://web2.dcca.hawaii.gov/ocp/#/search>  
Virginia Office of Attorney General <https://www.oag.state.va.us/consumer-protection/complaint/search/6009164765>  
Oregon Department of Justice <https://justice.oregon.gov/complaints/>
7. PissedConsumer.com. <https://www.pissedconsumer.com/>