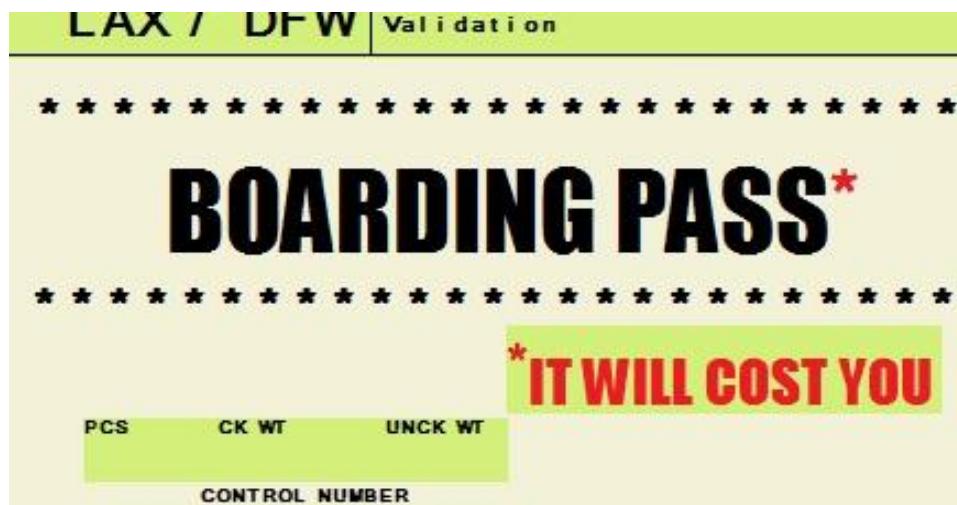


# Travel Club Schemes:

Inside The Promotion Commotion



## INVESTIGATIVE SUMMARY

April 2013

## **Introduction**

In 2012, BBB received over 200,000 inquiries nationwide regarding companies in the travel club industry. In addition, BBB received over 2,000 consumer complaints in that same time period. Many of those complaints provide a glimpse into a complex network of evolving and widespread travel club schemes that deceptively operate throughout the country. This dark side of the travel club industry has increasingly produced criticism by marketplace advocates and law enforcement alike. However, as recent marketing campaigns suggest, this scheme is as popular as ever.

## **Definitions**

Travel clubs, in general, are defined as paid-membership organizations that offer its members discount travel services. However, the business models that function within the industry can vary greatly. Some are legitimate while others are deceptive in nature.

This summary will specifically address one business model which has historically demonstrated deceptive and problematic marketplace behavior. This business model will be referred to as the **vacation club scheme**.

There are 5 major stages/actors in the vacation club scheme. These stages evolve and the actors vary over time. However, each stage plays a significant role in, what is believed to be, an intentionally complex network of legal entities.

The first stage of the scheme is operated by a **travel club marketer**. Their primary intent is to bait consumers into inquiring about what ever offer they have used to elicit a response. Typically, consumers are led to believe they have won a free gift, often a cruise or airline tickets. Terms like "congratulations" and "awards notification" are often used.

The second stage is operated by a **travel club scheduler**. A scheduler has the task of providing consumers with very vague details regarding the offer, qualifying the lead, and convincing qualified consumers to attend in person what is described as a 90 minute sales presentation. In some cases, the scheduler and marketer are the same entity, but in others, schedulers deny any legal affiliation with the marketer.

If a scheduler is successful and the consumer agrees to attend the presentation, the consumer will be provided a time, date, and location to meet with the **travel club distributor**. Distributors are the only scheme participants that will interact with consumer face-to-face, and they are tasked with selling the travel club membership.

When a consumer buys a membership, the actual travel club services will be handled by a separate entity that we'll call the **travel club administrator**. If a member attempts to purchase discount travel using their membership, they will be dealing directly with the administrator.

For those that make it through the sales presentation and request the originally promised gift, they will be given a voucher to claim their gift from a third-party **gift fulfillment company**.

So, in short, a consumer receives a solicitation from a **marketer**, contacts the **scheduler** to receive a presentation from the **distributor** that is selling memberships of the **administrator** in hopes that they will receive a the originally promised gift from the **gift fulfillment company**.

Confused yet? You're not alone. BBB records show that there are plenty of consumers who get lost in the complexity.

### **Travel Club Marketer**

A simple online search of the term "travel club airline promotion" produces countless websites warning consumers about active travel club schemes.

Many of those warnings are produced based on the perceived deceptive nature of solicitations received from travel club marketers.

Travel club marketers primarily contact consumers through the use of direct mail or telemarketing solicitations, and they are often paid by the travel club distributor for each qualified consumer that attends the presentation.

Both types of solicitations function to entice consumers with claims such as "you have been selected to receive 2 round-trip airfares" or a "7 day cruise."

Although the telemarketing practices have been criticized for being extremely vague in their intent to solicit, consumers have voiced far more disdain for the mailings.

The mailed solicitations are criticized for several reasons.

First, the mailings typically lead consumers to believe they have won a free gift, often a cruise or airline tickets. They use terms like "congratulations" and "awards notification."

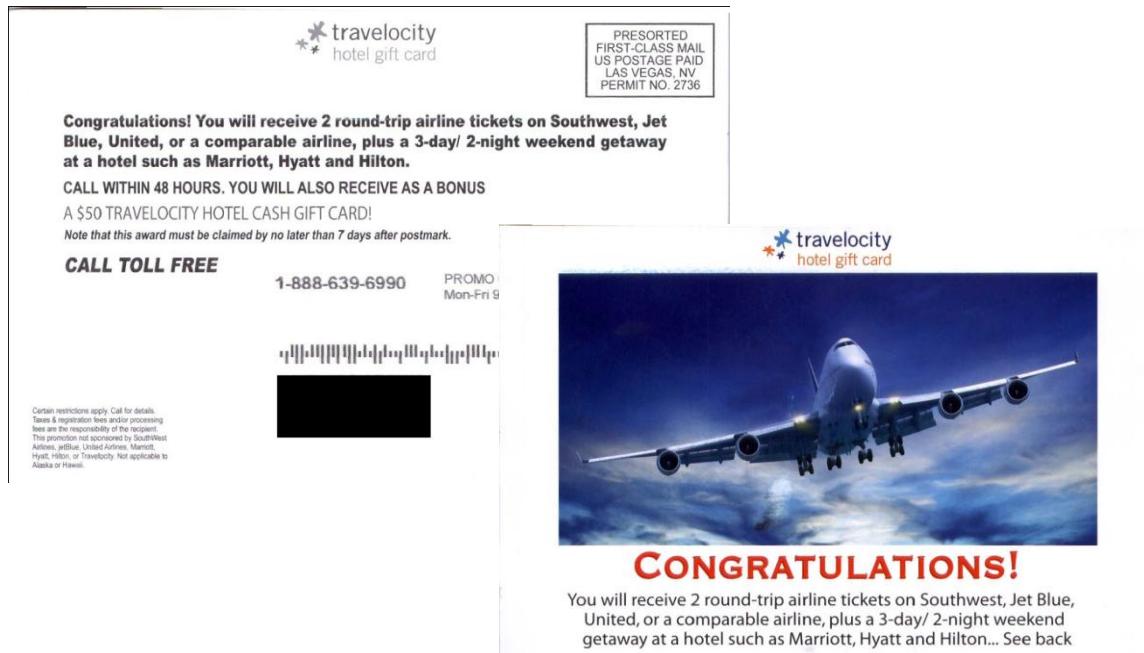
Also, all of the mailings reviewed by BBB fail to provide the name of the soliciting company, and some have gone as far as to infringe well-known trademarks in what appears to be an attempt to gain legitimacy in the consumer's eyes.

However, the most glaring omission from the mailing tends to be the requirement to attend a travel club sales presentation. Callers are usually instead asked to "call for details."

In one case, the marketing company even takes steps to separate itself from those industries that have received criticism for similar marketing practices by stating "This is not a timeshare or land sales offer." Notably, it takes less ink to state "This is a travel club sales offer."

Below are a few examples of recent mailings which have been seen all over the country:

#### SB Global Marketing (Las Vegas, NV)



## Southwest Direct Mail aka Travel Union (Phoenix, AZ)

<b>US Airlines</b>	<b>AWARD NOTIFICATION</b>	Nº: 1008
RE: FINAL NOTICE FOR: [REDACTED] CHECK NUMBER: UV-49811		
Enclosed is your Travel Check Voucher. This Travel Check Voucher can be redeemed for a certificate for 2 round trip airline tickets to anywhere in the continental US from any major international US airport. Certain restrictions may apply. Vacation Getaways and Cruises are available for a limited time.		
We have attempted contacting you on several occasions. This will be your last chance to respond.		
Note that this check voucher must be redeemed by January 10th, 2013. If you do not claim your award, it will be transferred to the alternate. This is a limited time offer and may be withdrawn at any time. Flights fill quickly.		
Please reference your check voucher number UV-49811. This travel check must be certified to be valid.		
Call 1-866-955-9039	This is not a timeshare or land sales offer.	
THIS DOCUMENT HAS A BLUE BACKGROUND		
<b>US Airlines</b> 866-955-9039	Travel Union Phoenix, AZ 85008 28-187568/941481	UV-49811
December 24th, 2012		
PAY TO THE ORDER OF: US Airlines on behalf of [REDACTED]	\$ 1,298.00	DOLLARS
One Thousand Two Hundred Ninety Eight and 00/00	VOID AFTER 30 DAYS	
Jane Lyn AUTHORIZED SIGNATURE		
MEMO Must Be Redeemed for travel certificate		
#109498# 0429964347510# 85229338171?#*		

## Consolidated Mailing Services LLC (Augusta, GA)

<b>FLY A US AIRLINE</b>		<b>Reservation Notification</b>
[REDACTED]		
Our Promotional Department has selected you to receive <b>TWO ROUND-TRIP AIRFARES THAT CAN BE USED FOR DOMESTIC OR INTERNATIONAL FLIGHTS!</b> Approximate retail value is up to <b>\$2400</b> .		
<b>To claim this special offer, please call 1-855-210-2502</b> Monday-Saturday 9:00am to 9:00pm		
<b>FLY A US AIRLINE</b> Reservation Check-in Name: [REDACTED] Frequent Flier Nbr: 642425 E-Ticket Nbr: 30-46851-50 Seat: 07-C Gate: A11 - Terminal may change, check monitors	<b>TICKET ID #941903592</b>	<b>BUSINESS MAIL - PENALTY FOR TAMPERING   FORM 2011</b> PRSR STD U S POSTAGE PAID AUGUSTA GA PERMIT #346 POSTMASTER PLEASE DELIVER 4/16 -4/16 0001117*T000002*****SCH 5-DIGIT 75115 <b>WARNING</b> THE PENALTY FOR OBSTRUCTING OR INTERFERING WITH THE DELIVERY OF THIS LETTER IS A FINE OF \$2000 AND UP TO 5 YEARS IMPRISONMENT

## **Travel Club Scheduler**

Schedulers can either function as a part of the telemarketing sales pitch or as a separate stage in the mailed marketing model.

In the mailed model, the scheduler is reached by calling the toll-free number provided in the mailing.

In either model, consumers accuse schedulers of being deceptive in their methods of booking the presentation as well as evasive in disclosing that the consumer will need to attend a sales presentation to receive their gift.

Aside from getting people in the door, schedulers are also responsible for qualifying the consumer by making sure the consumer is in the travel club's target audience. In most cases, travel clubs are looking for married couples that make enough discretionary income to spend on a travel club membership.

What if you're not in that target audience? Some consumers state that they were told they were not, in fact, qualified for the gift, a detail not disclosed in the original solicitation.

However, if a consumer does qualify, they will be provided a date, time, and location to attend a presentation that will be given by the travel club distributor.

## **Travel Club Distributor**

Travel club distributors live in a hard-sales world. Presenters are paid on commission and office managers live and die by their VPG (Value Per Guest), a simple calculation of the net of sales divided by the number of qualified presentations given. In short, the mission is to get as much money per guest that walks in the door. Admittedly, their mission is not much different than most company sales departments. Rather, it's *how* this industry achieves those sales which has been criticized.

Many consumers throughout the country accuse distributors of high-pressure sales tactics while often using dishonest and deceptive claims.

The sales process starts the moment consumers walk in the door of the short-term leased or executive suite which will be used until complaints start to grow.

Consumers will be greeted by a friendly face who will request that they provide a form of ID and often a major credit card. And, usually, the company will ask that the consumer surrender their invitation as proof that they've been invited.

After waiting in a waiting room for a period of time, consumers are then brought into another room where they will receive their "90 minute presentation."

Notably, many unsatisfied consumers report that the 90 minute presentation can turn into 3 hours or more if the consumer does not insist on stopping.

At this point consumers are promised huge, almost unbelievable, savings on travel if they were to join the travel club. All sorts of reasons are given, from "our wholesale position in the industry allows us to pass on the savings" to "our company has a large stake in condos and timeshares which allows us to provide housing accommodations at a steal!"

If the consumer shows enough interest, the company will finally disclose the \$7,000-8,000 price tag. However, before the consumer makes the decision, they are told that the membership is "inheritable." So, in theory, the consumer's children will benefit from the purchase as well.

To most consumers, even if they were interested, \$8,000 plus an annual fee is a lot more money than they anticipated spending when they walked in the door. However, it's often reported that after being switched between salesman and sales manager a few times, a consumer can half that price within 20 minutes. After all, any amount of money spent by the consumer will help the VPG.

What about those consumers who say "no" to the offer throughout? Consumers often report being demeaned by the staff with the suggestion that they are there just for the free stuff.

In many instances, distributors exhibit fly-by-night practices. Once enough consumers become angry about their practices or the local investigative news team starts asking questions, they abandon ship and go on to a new location with a new generic name.

So what does \$8,000 buy? The product and services of a travel club administrator, a product that is highly criticized as being far over-valued.

## **Travel Club Administrators**

If a consumer makes the decision to put down thousands of dollars on a membership that will offer them amazing travel deals, the first inclination is to go right home to start comparing the deals available through their membership with deals they would usually find online.

Consumers are often dismayed that the deals they were promised during the presentation were highly inflated, and the deals they *can* receive through their new membership aren't significantly better than the deals that they can find online using many popular and free online travel deal websites.

Also, for those consumers that do find a travel deal they are interested in, administrators are also criticized for providing subpar customer service and are suspiciously unreachable.

### **Gift Fulfillment Company**

What about those consumers that showed enough patience to sit through the presentation long enough to receive the gift?

Vacation club distributors don't actually provide complementary tickets like their marketing suggests. They provide vouchers for a "gift" that you can claim from a third-party gift fulfillment company, a company that makes money by hoping consumers will give up long before they ever have to produce an actual ticket.

The tickets won't be free, there are many restrictions, and you'll have to work the system just right if you ever want to receive them.

Some fulfillment companies will require a deposit just to claim your tickets, and then the consumer will be held responsible for any taxes, administrative, and/or port fees. Those fees can add up quickly for a consumer who earlier that week thought they had won a free gift, such as a cruise or airline tickets.

### **The Blame Game**

With the introduction of so many entities into a single business model, consumers with a problem can quickly find that the handling of their complaint will turn into a series of the blame game.

Distributors and administrators tend to be the worst offenders in this model.

Do you have a problem with the deceptive nature of the mailing? Don't go to the salesperson for help. They will blame that deception on the marketing company.

Do you have a problem the exaggeration of claims made during the sales presentation? Don't complain to your travel club administrator. They will tell you that they weren't responsible for what the distributor said.

BBB experience shows that a consumer savvy enough to determine where their complaint should be expressed will probably be met with very little assistance or sympathy.

### **Law Enforcement**

Within the last 10 years, the Office of the Attorney General of Texas has sued multiple entities located throughout the country using various forms of the model described above.

Some examples include:

1. Texas Travel Partners, LLC d/b/a Sun Country Travel et al.

In 2006, a civil jury returned a \$64 million verdict against North Texas-based Sun Country Travel. The verdict came after the Office of the Attorney General was able to demonstrate the company used several misleading statements in their sales presentations, including false claims of endorsement by the Office of Attorney General and BBB.

2. National Vacations, Inc. d/b/a Horizon Travel et al.

Both the Office of the Attorney General of Texas and the Office of the Attorney General of Indiana sued North Texas-based Horizon travel for several consumer protection violations and deceptive practices. Notably, Horizon Travel had ownership ties to Sun Country Travel.

3. Royal Palms Travel d/b/a All Inclusive Excursions et al.

In 2010, the Office of the Attorney General of Texas sued North Texas-based Royal Palms Travel as well as other out-of-state participants in the complex scheme. The lawsuit noted that the company "falsely promised steep discounts as part of travel club memberships they offered through a 'shell' company, Sealand Travel Club. The memberships actually had little or no value."

### **BBB Tips**

While law enforcement organizations have made efforts to keep the worst in the industry from flourishing, marketplace inquiries and complaints show that the business model still strives.

To avoid the negative experiences of those consumers already taken by this scheme, the BBB offers the following tips to consumers:

- Check bbb.org prior to attending a travel club presentation;
- Be wary of offers that claim you've won a contest that you did not enter;
- Be wary of solicitations that fail to disclose the name of the soliciting company;
- Be wary of sales staff who use high pressure sales tactics or tell you that the offer is only good that day;
- Be wary of suspiciously high savings claims that you aren't able to verify prior to making a purchase;
- Research your right to cancel **prior** to going to a sales presentation;

- Only attend a presentation if you are actually interested in what the company is offering, not solely for the promise of a gift;
- Be wary of companies that don't use letterhead in formal communication. This could be a sign of a fly-by-night distributor; and
- Be wary of companies that use generic names or work out of what appears to be a short-lease office space. This could also be a sign of a fly-by-night distributor.

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