



Community Success Stories

Wolfe Springs Resort

www.wolfespringsresort.com

Westport, ON

March 2009

INTRODUCTION

This community success story case study is part of The Monieson Centre's Knowledge Impact in Society (KIS) Project, a three-year endeavour to connect academic knowledge with economic development needs in Eastern Ontario. This case study highlights best practices from a real business in Eastern Ontario. The KIS Project is funded by the Social Sciences and Humanities Research Council of Canada. For more information, visit www.easternontarioknowledge.ca.

Clermont Venture Corporation is a privately owned and operated real estate firm based in Kingston, Ontario. Clermont and its ventures include real estate development, construction management, and investment and consulting services which conducts business between Belleville and Cornwall. The company's latest endeavour is Wolfe Springs Resort, a golf and waterfront property offering two-bedroom luxury villas available for fractional ownership.

Fractional ownership, often mistaken for a time-share arrangement, is the shared ownership of a property. The key difference being that with fractional ownership the customer owns the underlying asset – the shared rights to the land, buildings, furnishings and shared amenities – in the form of a share. After the share is purchased, a management company runs and operates the property and each fractional owner contributes to an annual maintenance fund. Fractional ownership has seen exponential growth over the last three years in North America, giving Clermont the perfect opportunity to capitalize on this new market.

Wolfe Springs began construction in fall 2007 and has since been developed into a full-fledged resort with 11 cottages and 4 additional units to be completed in spring 2009. Cottages are divided into 10 shares of 5 weeks each. Wolfe Springs provides owners the comfort and luxury of cottage living without taking on the hassle of cottage maintenance.

Mission Statement

“Clermont's mission is to design, create and maintain exceptional working, living, and vacationing environments for our clients, tenants, and staff that reflect our high standards and commitment to excellence. We develop the highest possible value by being defined as 'Best in Class' in all our development, operating, and cultural endeavors by executing the following Guiding Principles: our clients, our company, our individuals, our department, and our community.”

Target Market

Wolfe Springs Resort currently has three target markets for its luxury villas: young professionals with family, young professionals without family, and adults over fifty-five years old. These are affluent segments in Eastern Ontario who seek worry-free time with family or a refuge from the hectic ordeals of everyday life in the city. Their vacation needs

must match what Wolfe Springs has to offer: they must be committed to the same summer vacation week each year, and accept that this is not a cottage where you can spontaneously go up on weekends. This is perfect for people who are looking for a luxurious 'resort-type' vacation.

Competitors

The main competitor of Wolfe Springs is Frontenac Shores, near Plevna, Ontario. Like Wolfe Springs, Frontenac Shores offers fractional ownership cottages; however, their location is incomparable to that of Wolfe Springs. For their target market, the average driving time to Frontenac Shores is almost double the time it takes to commute to Wolfe Springs. Although heavy on advertising, Frontenac Shores has struggled with sales primarily due to such location disadvantages.

A second competitor is a fractional ownership located on the Ottawa River, not too far from Wolfe Springs. Their target market is generally a bit younger with 30 years old being the maximum age of an owner. It is specifically catered to adventure-seekers who enjoy white-water rafting, mountain biking, and other outdoor sports.

KEY SUCCESS FACTORS

Vision – The management of Clermont has shown exceptional vision throughout the development process of Wolfe Springs Resort. Although they currently do not have the option of buying the golf course that is directly attached to the resort, Clermont has already purchased the land surrounding the golf course, hoping that one day they will acquire it.

Location – Wolfe Springs Golf & Waterfront Resort is located on spring-fed Wolfe Lake, a pristine headwater from the Rideau Waterway and one of the cleanest bodies of water in Ontario. It is within the town of Westport, a charming town with much to offer in terms of shops, activities, and festivals. It also caters to much of Eastern Ontario as it is a mere 45 minutes north of Kingston and 90 minutes southwest of Ottawa.

Affordable Pricing – A share of Wolfe Springs Resort is very affordable. Depending on the specific property location of the share, it will cost between \$69,000 and \$108,000 initial investment, with maintenance fees of \$2,500 per year. Comparable units would cost \$104,000 in Muskoka.

Uncompromised Quality – Each villa on the property is approximately 1,900 square feet and finished with hardwood floors, a fully-equipped gourmet kitchen, two plasma televisions, satellite television and wireless high speed internet, two luxury gas fireplaces, and a Jacuzzi. The villas were designed with comfort and luxury in mind. Only top quality furnishings were used in developing the property.

Owner Empowerment – The Owner's Association is comprised of the various owners who hold shares of the property and thereby own the land, villas, furniture, and all other assets on the property. All decisions regarding the property and villas are made by the association, which gives the owners the power and flexibility to make important property management decisions.

All-Inclusive Ownership – Wolfe Springs Resort allows its owners to enjoy cottage living without the headache of maintaining the property. There is a full time housekeeping and maintenance crew that ensures that the property and the villas are clean and ready for owner's use. Owners do not have the burdens that are associated with cottage maintenance such as dock repairs, grass cutting, winterization, etc. The housekeeping team visits each villa once a week, before and after each changeover, to ensure that the villa is ready for the next owner's stay.

Limited Supply – A unique selling point of the resort is the fact that only 15 villas can be built on the existing site. Having no room for future expansion may at first appear to be a disadvantage to the company; however, this assures buyers

that the property will not be overbuilt, which will allow it to maintain pristine surroundings and a natural environment. Unlike other fractional ownership resorts, Wolfe Springs has a capacity and will not overdevelop the property, which offers each owner an uncompromised experience. Moreover, since supply is limited and demand is constant, the investment is expected to increase in value.

Strong Business Network – Through various real estate ventures, Clermont Venture Corporation has developed a strong network of business relationships from which they have benefited and leveraged to drive value for the new Wolfe Springs Resort. Although the Wolfe Springs Resort is a digression from Clermont’s usual line of business, the Wolfe Spring’s project has been able to capitalize Clermont’s own expertise in real estate development and construction as well as other business relationships developed through Clermont Venture. For example, most of the unit furnishings have been acquired from businesses with which Clermont has strong relationships, such as Canadian Tire, or Lazy-Boy. This ability to develop and maintain strong business relationships stems from the management team’s friendly, down-to-earth, and cooperative disposition. The management team’s ability to leverage strong relationships has contributed to Wolfe Springs achieving the highest standard of cottage luxury at a low cost through friendly discounts. Clermont’s relationship-building ability, and its knack for mutual cooperation, has contributed significantly to the success of the new Wolfe Springs development.

CURRENT STRATEGIC INITIATIVES AND RECOMMENDATIONS

Wolfe Springs has a number of strategic initiatives that it is currently using to build the value of its property, as well as to drive profitability for Clermont.

Initiative	Description
Building Facilities	Four fully accessible units are currently under construction and are expected to be completed by February 2009. The basement of these four units will contain a home theatre and game room available to all tenants. There is some concern that potential buyers may be weary of the noise that could permeate the ceilings, even though this will not be the case due to quality construction and insulation. It will therefore be very import to reassure prospective buyers that they will not be affected by noise.
Ongoing Maintenance	Currently, the changeover costs for cleaning each room are \$250. Although it is important that the units remain spotless for the entering owners, we believe that these costs are quite high and could be reduced. By simply decreasing the amount spent to \$200 per changeover, this would save Wolfe Springs \$40,000 per year with a hardly noticeable difference in quality.
Online Presence	Wolfe Springs has a new website. This site now reflects the luxury that its property offers and provides information on differences between timeshares and fractional ownership and on the company’s commitment to the environment. We recommend that Wolfe Springs Resort use this site as a tool to generate feedback. Once feedback is received, it can then be used to improve owners’ experiences and marketing and sales tactics. Moreover, we suggest that they develop a login page where owners will receive a user name. These owners can then upload and share their pictures amongst the other tenants, furthering the sense of community that Wolfe Springs offers.
Sense of Community	Besides the games room, there is also a beautiful waterfront with canoes and kayaks, a community boat house, a fire-pit, and a Welcome Center. This creates a sense of community amongst the owners. By providing these facilities, we believe that Wolfe Springs allows owners and their family to be as secluded or community-oriented as they want. Wolfe Springs should further leverage this with activities planned by the Project Manager such as relay races, sugar bush outings, and barbecues.

Initiative	Description
Marketing & Sales	<p>The main benchmark that Wolfe Springs Resort currently uses and will use as it goes forward is its own sales numbers. They have currently sold 68 out of 110 shares; a figure which remained relatively constant in Oct-Nov 2008. With consumers less inclined to purchase property, it will be important for Wolfe Springs to position its resort as a less expensive alternative to luxurious cottage living, and an investment that will only improve in value.</p> <p>Wolfe Springs also currently targets Ottawa and other small cities in Eastern Ontario. We recommend they further expand their marketing efforts to Montreal and Toronto. Although located approximately 3 hours away from both major cities, if one is spending a week at a time at Wolfe Springs, many owners would be willing to make that drive.</p> <p>Furthermore, Wolfe Springs doesn't engage in many advertising activities, compared to their main competitor Frontenac Shores for example. Currently, they have four main avenues of advertisement: trade shows; advertising in newspapers, magazines, and direct mail outs; personal selling (referrals); and signage in both Kingston and Westport. Out of the four, personal selling has proven to be the most successful and trade shows the least profitable for the company. Wolfe Springs plans to veer away from trade shows and to continue to push direct selling by using a viral marketing campaign and implementing a 'Choose Your Neighbours' event, which will encourage current satisfied owners to spread the word amongst their family and friends.</p> <p>The current market conditions are a concern when gearing up for spring sales. We propose that Wolfe Springs Resort be used as a term project for the Sales class at Queen's School of Business. One team of business students could be responsible for selling a certain number of shares. This project could benefit both the students and the company in providing additional exposure at no cost to the company. This could be an opportunity to push sales throughout the winter and early spring, getting a jump start to the spring sales season.</p>

When examining the long-term prospects of Clermont, we observed that the company demonstrates exceptional vision in terms of future development. It has created a contingency plan in case the units do not sell as quickly as desired; it plans to operate the unsold units as a resort to generate revenues until each unit is taken. They have also identified two other sites within eastern Ontario that are potential locations for growth of their fractional ownership business. Claremont's investment into shares of the family cottage at Wolfe Springs is reassuring for fractional owners, demonstrating that the management of Claremont is personally invested in the long term success of this venture.

CONCLUSION

Through the Wolfe Springs initiative, Clermont has displayed exceptional vision, innovative approach to real estate development, and the importance of cultivating strong business relationships. These qualities make Wolfe Springs Resort a benchmark case for other local businesses.