

Learning the language

VRMA: Vacation Rental Managers Association

VRBO: Vacation Rental by Owner

VRPM: Vacation Rental Property Manager

HRPM: Holiday Rental Property Manager

PMS: Property Management Software

SEO: Search Engine Optimization

OS: Organic Search

The Stats of America

- 46% of active holiday travelers in the US have a Facebook page.
- Smartphone sales are set to increase by a factor of 3 by 2013 – from 70 million to 240 million.
- 89% of all holiday Home renters in the US quoted *privacy* as their main reason for choosing a holiday home over a hotel.
- 23% of holiday home rentals were to persons that were grandparents and, of these, 50% took their grandchildren

Industry Players Doing it for Themselves

To all Holiday Rental Property Managers, two questions.

The first: *What business are you in?*

It might come as a surprise to you when I suggest that you are not in the holiday rental market. Instead, you are in the business of Magical Moments. Your job is to help people create great memories for friends and family at the properties you manage. And according to Simon T Bailey, keynote speaker on the final day of the 2011 Vacation Rental Managers Association (VRMA) Conference, if we put a purpose ahead of profit as the priority, we will succeed.

The second question:

Can we as an industry learn from overseas?

It won't come as a shock (I hope) when I say, "We had better!" Again, the VRMA conference in October had much to say about where we are now as an industry in Australia and where we need to go. I travelled half-way around the world to hear our US colleagues say in their confident but not boastful way, "Yeh, yeh. We've been there." They were responding to my concerns about the stealthy take-over of rental enquiries by some of the larger channels. More on this later with five key bring-home messages.

Vacation Rental Managers Association

The VRMA knows how to run a great conference. Which is a good thing, considering the effort to get there. Between distance and flight changes and unwelcoming airports and more than unwelcoming US Immigration Officers, I sure wondered why I was putting myself through the

ordeal. But the high quality of the event in the very heart of “The Mouse House” at Disney World in Orlando, Florida, made me wonder how we could establish a similar association and conduct an equally professional annual conference in Australia.

The Vacation Rental Managers Association annual conference offers unmatched opportunities to keep up with the direction of Holiday Property Management through expert presentations and to meet with holiday rental managers from all over the United States and beyond. I was assured that the chance to hear knowledgeable and well-regarded industry leaders would be very useful. I was not let down.

I have been following the VRMA for many years and consider myself to be at the forefront of the Australian HRPM business with innovation and direction over many years. Driven by many factors, not in the least concerns over the state of Holiday Rental Property Management in Australia, the continuing acquisition of companies by major corporates, the ignorance of the matter by the local Real Estate Institutes and what seems to be an overall reduction of profitability in many areas, I decided I just had to go. Simon T Bailey again:

The future is for sale. Buy it. The future is created in the present. When you arrive into the future, you call it today, but everything you did yesterday meets you in the future and says, ‘Welcome. We’ve been waiting for you.’

On arrival, I was told that I was the first Australian to attend the conference. Ever. Perhaps they had been waiting for me. And, given the market in the States is a few years down the road of where we are, I was very keen to see where our property market is going in the future so I could be in a position to buy some of it!

The theme of the conference was *Winning a Changing Game*. Very appropriate and, my guess is, a theme that grew out of concerns expressed by the VRMA’s President in a blog from 2010:

As VRMA President, I want to bring to your attention a grave situation facing our industry and threatening our success as independent vacation property managers. The situation is this: If we do nothing and permit the current market forces to proceed, we will lose the ability to independently market our homes/condos directly to our prospective guests online. We will fall prey to Web portals that aggregate that demand. These portals will then be in a position to force us to pay exorbitantly high commissions--stripping us of our individual brands, significantly increasing our distribution costs and, consequently, squeezing our margins.

Many companies are already competing to provide online distribution for our homes. These sites employ well-designed Search Engine Optimization (SEO) strategies to dictate the placement of their listings on search engines.

SEO is based largely on healthy ‘content’ of the products they market-- in our case, vacation rentals. Ironically, these sites do not produce such content on their own. They must rely on us, the property managers, to give them the listings they need to create that content. Some of these companies come as wolves in sheep's clothing, offering free

listings or a low, reasonable, per-click or per-reservation fee to build their content-rich sites.

The two and a half day conference featured three keynote speakers and more than 50 presentations that were held concurrently over nine sessions. Subject content leaned very heavily upon giving everyone the tools to build their businesses, use SEO strategies, understand the impact of Social Media, and other skills in order to 'win' in a changing environment. The conference provided useful tools for developing your business, unlike the Stayz seminar held in Sydney in July or the REINSW in August that seemed to simply promote a medium with no vision, totally compromised and one that will ensure a slow death of the participants' businesses.

The concurrent sessions catered for every employee of a property management organisation. It provided opportunities for the *whole business*, from Managing Director to Property Manager to housekeeping manager. Topics covered:

- Accounting Finance
- Business Strategy
- Human Resources
- Legal
- Operations
- Industry Happenings
- Sales & Marketing.

All sessions were ranked for their level of expertise and depth so participants could choose one appropriate to their needs. Truly a structure built to meet the diverse needs of the VRMA members.

One of the highlights of the conference was the showcase exhibition. The conference gave exhibitors great value for their investment in attending the conference by holding breakfast, coffee breaks and drinks in amongst the showcase area. Too many times, I have seen high-paying exhibitors left hung out to dry by being allocated spaces away from where people congregate – the NSW Real Estate Conference at Darling Harbour 2010 is an example of this.

There were over 50 exhibitors. Of these, approximately 10% were property management software providers; the remainder were marketing type SEOs, web development companies specializing in holiday rental management, credit card processing companies, hospitality suppliers (it seems bed bugs are a hassle in the US), holiday insurance, KABA digital locking solutions and a couple of "quirky" type vendors such as "Mouse on House" filling a niche.

The Property Management Software providers were of most interest to me, and it was the products they were marketing that truly showed up just how the large chasm between how Holiday Rental Property is managed in Australia and how it is managed in the USA. In the States, gone are the days of Booking Button / Reservation type software for professional property management. Four of the five software products being demonstrated had integrated trust accounting with online accounts for owners; all had email and SMS marketing, integrated insurance sales, and each was the sole software for driving the whole business.

The main point from all the software providers was that an all-in-one solution is the only way to properly manage your business, mainly because they streamline operations and save money through reduced expenditure, increased efficiencies, fewer mistakes, transparency for property owners and minimized labour costs. All adds up to increased profitability. It is surprising that in Australia GENKAN PMS is the only locally available product that does this.

Surprising also was the fact that the channel providers and aggregators were not as visible or part of the mix at VRMA 2011 as I thought they would be. It turns out that the need for such products has been partly removed by the greediness of the channels themselves. Homeaway, the company that acquired www.realholidays.com.au earlier this year, was on show as was Flipkey, but it was evident from the VRPMs I spoke with that it has definitely lost its 'flavour of the month' tag. In the USA, Homeaway has invested in its www.vrbo.com website to bring together property owners who do their own management. Homeaway seems to encourage them to join up in competition to the VRPMs. I smiled, noting that this situation seems to have a familiar Australian ring to it.

When we think search engines and 'domination', we tend to think, Google, Yahoo, Bing or MSN. Google is of course the largest search engine. But none on this list above makes it into second place. YouTube comes in second with 22% of all searches being done via this search engine. In third place is Facebook. The general consensus amongst speakers and participants was that Facebook is going to change the way we find clients from now on. The emphasis through many of the exhibitors and presentations was to get your own organic website doing the work for you. Up to five companies were present and extolling the virtues of their SEO and marketing capabilities. This leads me to;

Bring-home Message 1:

Get your organic lead generation operation in order or prepare for the slow death.

The OnSell

In the USA, property managers have learnt to on-sell more products to their clients. One of the great incomes for VRPMs is the sale of insurance, with many making increased revenues through the automation of the insurance sale by their PMS. Countless times, I heard VRPMs say, "If you're not charging a minimum of 18% management fee, you are heading out the door." And they were speaking from experience, and I couldn't agree more.

Bring-home Message 2:

Set up your systems to on-sell additional products and services.

There were many eye-opening opportunities but none more so than the businesses that were hospitality suppliers. In the States, these businesses supply everything – not just chemicals, kitchen and bathroom consumables. They supply everything for pools and spas, garden fertilizers, lighting, linen and towels, globes, textiles, curtains...

Bring-home Message 3:

Continue to encourage suppliers in Australia to be one-stop shops for my property management needs.

Keynotes

Google Online Marketing Specialist, Haley Knowlton, delivered a keynote presentation on 'Matching Media to Today's Traveler'. It was full of useful analysis. My fellow participants lapped up the data around how research into holiday travel and accommodation is intensifying, and how people are using a mix of social and on-line research methods. One of her key messages was 'Be Relevant. Be Found.' Oh to have such specific data in Australia *about* Australia!

The second day's keynote speaker, Chris Davidson, Chief Client Officer of Y Partnership, spoke of emerging trends in the vacation rental industry. One of the most telling trends has been the impact of the Y Generation and the projection of grandchildren being taken on holidays by their grandparents. Over the past year, 23% of vacation home rentals were to grandparents; of these, 50% took their grandchildren.

Bring-home Message 4:

Understand and come to grips with the effect and impact of Generation Y on our holiday industry. Be prepared!

The final keynote presentation was delivered by the *Oh, brilliant one*, Mr. Simon T Bailey. His 90mins presentation, 'Releasing your Brilliance', was a powerful, uplifting and very inspiring way to conclude the conference. It motivated a very personal response to *Winning a Changing Game*. He challenged the audience to begin *seeing* things differently, as this, he said, is the first step to *doing* things differently and to winning in times of change. Here, he especially emphasized the importance of purpose, and encouraged all of us to re-conceptualize our work. We are in the business of creating memories and helping clients make magic moments to remember and talk about. He urged us – "Don't just sell space!"

As an industry, we need high quality research in Australia. We also need opportunities to hear these speakers.

Bring-home Message 5:

Consider how to make high quality research and a members-focused conference happen in Australia.

Australia's future from the " Mouse House" Disney World Florida

The target markets and the culture of holidaying may differ between the USA and Australia, but the history of rentals is very similar. For example, in the USA, holidays in Holiday Rental Homes are not the preferred holidays for the American Family. Instead, they prefer hotels and resorts – the opposite to how the majority of us approach our holidays. However, the rental grab by the larger marketing channels (e.g. Stayz, Wotif, Last Minute, Flip Key, Take-a-Break, Rentahome...) is the same. The VRPMs have been down a tough road. We must learn from the bumps and setbacks of their journey.

Over the past couple of years in the USA, companies like Stayz, Wotif, Last Minute, Flip Key, Take-a-Break, Rentahome and others have cleverly manipulated rental listings in organic search in competition to the detriment of VRPMs. The channels began to organize and dictate the

industry, just as Stayz is trying to do here in Australia. This brings me back to the earlier comment above by the Association's President about wolves in sheep's clothing.

Reliance by the VRPMs upon these channels placed the success of their own businesses with another. When the rise in commissions overtook earnings and the channels dictated search results, everyone became a loser, including the property owners whose incomes were being halved. Mortgages couldn't be paid, properties were lost. Vacation Rental Property Managers in the US have learnt from their mistakes and reliance on the channels for bookings, and with the aid of their association, the VRMA, have developed strategies that will limit the effect that the channels can have on the business.

For example, with assistance from sponsors, the VRMA has produced a television series called, 'Getting Away Together', to promote the advantages of staying in Holiday Homes rather than hotels. The first of these mini-series is due to be shown early in the New Year. Also, VRMA has developed its own channel for members. Called Switch, it is in essence a vehicle through which all members can work together to build a stronger community that they own and manage, unlike the community they built that belonged to someone else.

VRMA members are now rebuilding their businesses in an environment Australian property managers should be well aware of. The issues that VRPMs faced are rapidly approaching our shores; indeed, many have landed and the sharks are circling. We don't have to wait and experience other people's mistakes for ourselves. We must take the opportunity to learn from our counterparts in the USA and re-shape our businesses. We need to act today or the large corporate aggregators will buy the future from under our noses.

I would like to thank V Australia for getting me to LA. A huge thanks to Jill Curtis and Steve Ingram at VRMA and the members of this wonderful organisation who shared their wonderful experiences and made me ever so welcome.

VRMA currently is gauging the interest of Holiday Rental Managers in Australasia for a possible 2012 event. For more information they welcome your interest at www.vrma.com/australia2012

Glenn Smith

Glenn Smith is the Managing Director of Thredbonet Marketing, recognised by many as one of the most innovative property management organisations in Australia and the developer of GENKAN Property Management Software.