

## The True Impact of the Internet on Holiday Property Management

**“Every act of creation is the first act of destruction “ – Pablo Picasso**

As the balance of control and profits in the short-term holiday rental market continues to change for the players in this market: the owners, property managers, internet marketing channels and the clients, the response we make as property managers to the changing approaches will determine our longevity in this industry. The question is who really benefits in the end or are we just in a race to the bottom?

The internet has reshaped the holiday property management industry as it has done to nearly every other industry in Australia not sparing real estate sales. It has created a change of paradigm, with profits being distributed to more players wanting a piece of the holiday rental pie. The wealth potential and the vast number of people holidaying in self-contained holiday homes have attracted some big players. The Fairfax Group recently acquired Rentahome and Takeabreak (this follows their purchase of Stayz in 2005), and the US holiday rental group, Homeaway, bought [www.realholidays.com.au](http://www.realholidays.com.au) in April last year.

Up until about the year 2000, holiday property managers called the shots. They were traditional businesses that managed owners' properties – they took on all the responsibilities of renting the properties and they had control over the conditions under which renters stayed including cleaning, repairs, payments and profits. They provided the complete service.

Then along came the internet.

At an embryonic stage in the early years of this century, Ozstays joined other new distribution channels in the industry seizing an opportunity. It developed a new web process to empower property owners. The rental property paradigm began to change – a new process began to evolve.

Ozstays empowered property owners to change the way their holiday house was managed. No longer were owners bound by the usual ways of managing holiday rental property. Some, disenchanted with the traditional property manager, leapt at this new opportunity and went their own way. Ozstayz gave owners a way to self manage and put the commissions back into their own pockets and return a greater profit for their holiday investment property and many discounted the rate that the existing manager was charging to compete. They found locals to clean their property for incoming guests. A new rental management process was born, and it appealed to the holiday maker because it was cheaper – sometimes much cheaper than market price – and it allowed renters to deal directly with the owners.

There were some downsides: service level to the holiday-going client in many instances was decreased and, often there was no local office or assistance. But some properties ended up being marketed by owners at half the price advertised by the property management company. The holiday maker was the winner in this situation. As time went on and owners grew in confidence, some told their property managers to decrease charges or they would take back rental control of their own properties. To compete and keep their owners, many property managers dropped their pricing to keep their clients and some margin of profit. Again, control and profits were shifting.

As Ozstays attracted more and more owners, it became stronger and more owners used it. The process created an upward spiral of control over the market, not just over individual properties. Ozstays expanded and became Stayz. It wasn't alone in this web-based approach: other similar marketing opportunities

became available – Last Minute, WOTIF, Rent-a-Home, Takeabreak and local directories. The more owners that worked through an internet marketing site, the larger the site became, the greater the ranking in Google and so on... These new paradigms began outranking the traditional approaches, so then the traditional joined in and began listing on these new directories as well, thus contributing to the power and control of their competitors!

### **Top of the food chain**

In the mid to late 90s, marketing was easy. \$25 a quarter bought an advertisement in NRMA's Open Road magazine. With the advent of internet, a website and, with some email marketing tools and a growing appreciation of SEO websites were generally what was required to be atop of the internet listings. Then along came Google and Google Adwords, and this allowed new players to spend their way to the head of the listings and then at the same time was the emergence of the Stayz, Last Minute. Wotif Take a Break and so on.

### **Ahead in the Game**

The internet has brought about very significant change for the holiday rental property management industry right across Australia. In its initial years, it was seen as the savior, but in recent years and particularly in today's current economic circumstances, the internet-based approaches have unsettled the status quo. It is not unusual to find holiday property management business that 10 years ago were charging in excess of 20% management fees now charging below 15% in response to the lower prices forced by the channels have pushed rental prices down. Property Management companies now have no choice other than to cut traditional costs and or find new streams of revenue; the old model is being buried and those not changing possibly may die with it.

Where's all this leading? Does internet-based channel marketing and management spell the end for property managers? For some, the answer could be yes. For property managers who ignore the trends and current tools, the internet will have an impact on them similar to the impact a very large comet had on dinosaurs. And there are some property managers like this out there!

Given that new tools exist, it is amazing to hear and speak to businesses today that still operate using a calendar book and Fluorescent felt tip pens. I was dumbfounded in August 2010 when I went to a REINSW conference in Sydney where one of the keynote speakers spent about 10 minutes explaining how he colour-codes his keys! Yes, coloured envelopes with coloured key tags placed in an overnight safe for incoming guests. Just the management of keys for 50 properties would, over the course of a year, cost a holiday property management business a considerable amount. It's now 2012 and better processes are available.

### **A Vision: The Future of Holiday Rental Property Management**

The next dominant species of holiday property managers is evolving. They have a new philosophy on the whole business and pick up the majority of bookings through their own website but importantly with minimum human intervention; they will have a website that is strong organically and found easily through search engines.

They will use the latest Property Management System (PMS) software as is used throughout more forward markets such as in the USA. In these markets, gone are the days of booking button/Yesbookit type software's and using channels as the mainstay of generating bookings. The software will have integrated trust accounting and marketing tools all in the complete package. The single PMS package will run the business removing the huge labour cost from the business operation.

For customers, it will be easy to book and pay on the website. In the future, there are no keys; all doors have digital locks, date and time-stamped door codes that are sent by SMS to client phones at check in

time. The trust accounting component of the system will be so automated and integrated with the bookings and management system that the time spent each month managing the process will be hours, *not* days or weeks.

Maintenance personnel will be notified by SMS and email directly from the PMS. The maintenance person will close off jobs directly into the PMS with invoicing and outcomes. In the property management industry of tomorrow, the cost of staff may be an expensive luxury, so communications with and management of owners will also be managed by the PMS.

What is the future role of Stayz, Occupancy, WOTIF, Take a Break, Rentahome, Real holidays and all the other websites? It's really up to how property management companies respond, we control their destiny. The more they rely on them, the stronger they become. They are the real competition as they continue to take a place in the organic listings in place of the established.

I am in regular contact with property management business around Australia, and the bottom line is that profits are being whittled away with so many factors and opposing paradigms effecting the business. Property managers are potential losers in this changing situation and it is time now to change, evolve and avoid extinction.

Glenn Smith is the CEO of GENKAN and of Thredbonet Marketing Pty Ltd.

GENKAN is leading the way towards visionary property management and responsible for the driving of the companies three-property management business's, Accommodation Thredbo [www.thredbo.com](http://www.thredbo.com) is the largest holiday rental property manager in the snowy mountains, Port Douglas Reservations [www.portdouglasreservations.com](http://www.portdouglasreservations.com) and Discover Niseko Japan [www.accommodationniseko.com.au](http://www.accommodationniseko.com.au)