

The Ultimate Guide to Vacation Rental Profitability in 2016



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5 Strategies to Increase Vacation Rental Profitability in 2016

5 Strategies to Increase Vacation Rental Profitability in 2016

From 2013 to 2014, vacation home sales rose 57.4% and almost 90% of those are on their way to the rental market right now (Washington Post, HomeAway). As vacation rental management companies (VRMC's) embark on strategies and budgets for the coming year, consideration must be given to the increasingly demanding expectations of owners and guests.

The revenue bar is set higher every year as vacation rental occupancy rates reach record levels and prominent listing sites such as HomeAway report a 3,000% return on investment for owners (Reuters). Increasing expectations even further, 73% of hosts report the intention to recoup all of their expenses with their vacation rental, up from 46% in 2008 (Tripping). With multiple sites facilitating owner direct access, it's all-too-appealing for owners to bypass their own VRMC's attempting to reduce costs and increase revenue.

Guests, on the other hand, have more vacation rental choices than ever before. A humorous but telling infographic reports there are 555 castles, 188 boats, and 9 restored cabooses for rent—on just two vacation rental sites. The volume of the extremes pales in comparison to the number of average condominiums and one-bedroom, one-bath homes currently listed. Otherwise put, guests have their pick of the litter and only vacation rentals with competitive rates, stellar reputations, and expeditious communication will capture new business.

VRMC profitability has become increasingly elusive given these demands. Every aspect of operations must be optimized to maintain a healthy bottom line when owner percentages are high, guest needs are increasingly expensive, and guest acquisition costs can reach 20% or more.

There is no time like the present to consider strategies that will increase profitability while still satisfying owner and guest needs.

A carefully crafted strategy addressing each of these five strategies in the coming year is fundamental to gaining a profitable edge when it comes to increasing competition and growing owner expectations.



1. Maximize the Value of Vacation Rental Leads

Each and every lead has value. While the value of an inquiry depends on a variety of factors unique to every vacation rental, that value can be increased through better lead management and the creation of an outbound sales program. With most VRMC's fielding leads from a variety of on- and offline sources, listing lead management, ideally with automated reply systems, streamlines inquiries. Not only will every lead get attention, the speed of response—which factors substantially in conversions—is increased. Supporting an optimized lead management program with an outbound sales program, which follows up on unbooked reservations, impacts the bottom line in extraordinary ways. Depending on the level of effort and rates built into an outbound program, VRMC's can see between \$500,000 to over \$1M in revenue by converting unbooked inquiries into reservations.

2. Build Guest Loyalty & Increase Repeat Guests

Those previously unbooked guests from above are valuable not only for their first-time revenue but also for their potential to become repeat guests. Put energy behind projects that build loyalty and profit, such as LifeCycle marketing campaigns that encourage repeat guests by segmenting and automating outreach to past guests with packages and promotions tailored to their interests. With an increase in repeat guests, most VRMC's see likewise a decrease in guest acquisition costs.

3. Optimize Vacation Rental Reservations: Improving Guest Service While Increasing Reservations

Approximately seven in ten U.S. dollars spent on vacation rentals were booked offline last year (Travel Industry Wire). With 70% of revenue coming in via the voice channel, VRMC's have a profitable edge when they ensure the reservations team has access to efficient technology that transforms data into actionable intelligence on highly profitable inbound calls and helps them deliver a better guest experience to convert more bookings.

4. Employ Actionable Analytics Then Act

Understanding open rates, click-through rates, and campaign conversions only have value when the analytics are used to effect change, establish trends, and create smarter, more lucrative marketing programs. Pair valuable on- and offline tracking with nuanced changes to email marketing, voice sales, and online campaigns. For instance, rather than purchasing campaign lists, segmented NAVIS Reach campaigns with a hospitality-specific CRM to previous guests show 3 times the increase in CTR and 13 times the number of bookings when compared with industry averages for email campaigns through basic email tools.

5. Tactics to Increase Market Share

The popularity of vacation rentals is not the result of vastly more travel demand; it is the product of capturing market share from other sources, namely traditional lodging. With increased inventory competition among private accommodations, strategies must be aimed at shifting market share away from not just hotels but also other vacation rentals. To accomplish this, consider where your VRMC stands on competitive rate intelligence, reputation management, inquiry routing strategies, and 24/7 overflow and after-hours call coverage.

Profitability Strategy #1: Maximize the Value of Vacation Rental Leads

Maximize the Value of Vacation Rental Leads

French writer Émile Zola once said, “If I cannot overwhelm with my quality, I will overwhelm with my quantity.” So often in hospitality this is the case—the desire for more leads rather than a higher quality of them—and it is a trend to which vacation rentals are especially prone. Both quantity and quality must be optimized for true success, but what matters perhaps more than quantity or quality is how leads are handled. Assuming that a balance of quality and quantity is in place, diligent and deft lead management results in a more profitable vacation rental operation.

The average vacation home renter will inquire at approximately seven different homes before booking. This hefty volume of inquiries, many incoming from listing sites, poses a spectrum of challenges for VRMC's, from how to organize them to how to respond efficiently. Without tools and tactics for fielding listing leads, the inquiries can be lost or go stale.



According to the Harvard Business Review, following up on a lead within one hour increases the chances of earning a conversation by seven times. Tools such as NAVIS Narrowcast's Listing Lead Management, which streamlines HomeAway and Flipkey leads into one lead management dashboard alongside other on- and offline inquiries, ensure that agents can prioritize and field inquiries with ease. Because the first to respond is often the rental to win the reservation, automated responses through Auto-Agent tools are built into the Narrowcast system, ensuring that VRMC's, whose

managers generally juggle multiple aspects of core operations simultaneously, are better able to compete for the business.

Further to increasing conversion potential, HomeAway finds that VRMC's that outbound calls to inquiries have a significantly higher conversion rate. In addition to rapid email responses, following up quickly via the voice channel establishes a relationship with the prospect and builds trust, something many guests require more of when booking a vacation rental.

For most VRMC's, this is where lead value is either established in a reservation or goes negative. Think of it this way: time invested in inquiries that go unbooked offers negative value, creating an expense that drags down the potential for the value of actual bookings. An outbound sales program keeps the value potential alive by continuing the conversation. The value is further enhanced when a recouped booking does not become a guest of the competition. In this case not only is first-time revenue earned, repeat guest potential increases.

Results from outbound sales vary depending on the level of investment; however, it is common for VRMC's dedicated to a program to book from 25% to 40% of not booked leads. Revenue growth is accelerated, overall team performance improved, and contrary to the belief that outbound calls might feel intrusive, they actually enhance the guest experience by creating personalized, thoughtful outreach.

Profitability Strategy #2: Build Loyalty to Increase Repeat Guests

Build Loyalty to Increase Repeat Guests

Guest loyalty has become synonymous with programs, but genuine guest allegiance does not arise from programs with their complex points systems and rules. True loyalty arises from a relationship; it is built by connection. The benefits of achieving true loyalty are many, but when it comes to profitability, in particular, loyal repeat guests are essential. Repeat guests are less costly to acquire and, research shows, less price sensitive.

Forbes' Micah Solomon notes, "The closer you get to providing a superior, personal, customer experience, the more you can minimize price as a consideration, at least for the customers who care about such things" (Forbes). Personalized service has become almost as common a phrase as loyalty program, but the value of tailor-made service cannot be underestimated. Further, it's not as difficult to achieve as you may have been led to believe.

Building loyalty begins with asking the right questions and providing authentic, accurate responses. The best opportunity to excel at this is on the voice channel, which is perhaps, why this channel generates more revenue than any other. Notably when it comes to repeat guests booking on the voice channel, the revenue is 29% greater than new guests booking via the voice channel (NAVIS).

Gathering information and creating a relationship are the beginning; however, loyalty is built brick by brick, and the follow up is where long-term devotion is cemented. Just as you would in a budding friendship, use what you know to reconnect at every opportunity. (Presumably all pertinent data gathered by agents is stored in a tool

such as the NAVIS CRM where it can be drawn upon during future calls. Taken a step further, with Narrowcast calls may be re-routed to previous agents to continue to build that one-on-one relationship.)

Once the guest has departed, many VRM's miss an opportunity to create personalized guest messaging that extends exceptional guest service. Tailor-made guest marketing can be established using a CRM to segment guest data. Vacation rental segments may be based on:

- peak season
- price-sensitive shoulder season
- guests with specific recreation preferences (i.e., beach or ski)
- high ADR guests
- unit type and/or luxury level
- anniversaries and birthdays
-

Lifecycle marketing campaigns can then be programmed to reach out at the ideal times throughout the year automatically, based on segmenting. Attesting to guests' desires for personalized correspondence, the open rate for a LifeCycle email campaign averages 40.30%, among the highest in the leisure industry, and click-through rates are a healthy 6.24%.

The opportunity for vacation rentals to create lifelong guests is, in some ways, greater than it is for traditional lodging options. These travelers want to know their destination intimately. They want to explore and walk and feel like a local. The value of the rental is not so much in the rate attached but in the experience it offers. Putting a voice to that experience and following it up with recognition of their interests reaffirms the significance of the experience. Fortunately, it also has great worth for VRM's. The repeat guest is the Holy Grail. According to Bain & Co, just a 5% increase in customer retention can increase profitability by as much as 75% (Social Media Examiner).



Profitability Strategy #3: Improving Guest Service While Increasing Reservations

Improving Guest Service While Increasing Reservations

From 2014 to 2015, Narrowcast captured over 8 million vacation rental calls, equating to over 38 million minutes of dialogue with guests. That's an average of 4.75 minutes per call. A comparable standard for visitors to vacation rental websites is hard to come by and, frankly less meaningful. No matter the multitude of analytics available, the true value and level of engagement with the guest via technology is never clear unless it can be directly tracked to a booking. Those 4.75 minutes on the phone with an agent, however, are not only trackable, but they also offer the highest level of pre-stay guest interaction.

Perhaps this is the reason that 43% of travelers continue to make their hotel reservations by way of the telephone (HotelNewsNow). Even more compelling is this: 7 in 10 U.S. vacation rental dollars are spent on the phone with an agent (TravelIndustryWire). The point being that when it comes to profitable operations, reservations sales agents are a VRM's greatest assets.

Operational efficiencies are essential to profitability, especially given the stampede of new vacation rentals on the market and aggressive new private accommodations riding in bareback. That said, all new efficiencies must support the highest level of guest service rather than reduce the quality of interaction, which efficiency often does. Intelligent technology can bolster an agent's ability to convert bookings—along with higher nightly rates and longer stays—while simultaneously improving the way that reservations operates.



Here's your guide to using technology to grow reservations sales in a way that improves guest service:

1. Data capture of guest information.

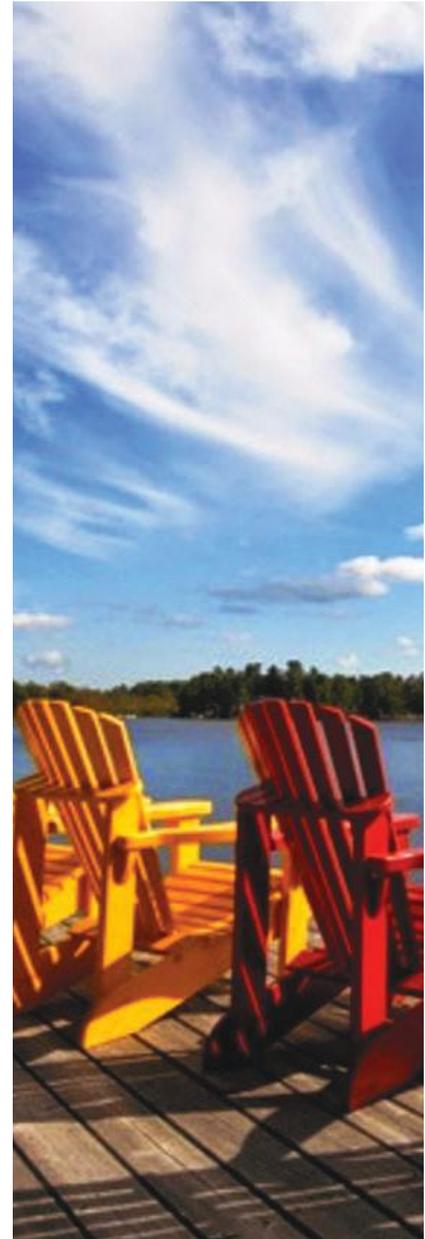
A technology such as Narrowcast Connect automatically gathers caller data, and while this data is useful from a CRM perspective, it also serves to help establish a rapport with guests right away. With immediate access to the guest's name, geography, and booking history, agents can make a personal connection at the beginning of a conversation. The guest's perception of service is immediately enhanced and the opportunity to genuinely connect with the guest grows, both of which increase the likelihood of conversion.

2. Call analytics and KPIs

The ability to track and record virtually every detail of reservations calls directly affects the quality of mentoring and training that agents receive. Managers may elect to study calls to ensure agents are using best practices during every reservation—from explicitly asking for the reservation to stacking and funneling questions with prospective guests. In a team scenario, KPIs may be established and tracked publicly to meet individual as well as team goals.

3. Call routing technology

A call routing tool has multiple applications that directly improve profitability. For instance, using agent data—perhaps segmenting the data to understand agents with high booking volume versus agents with the highest ADR reservations—calls may be automatically routed to the highest converting agents. In the event a reservation goes unbooked and the guest returns to ask questions or reserve the rental, call routing allows guests to be re-routed to the last agent they spoke with. This makes service more consistent, improves internal efficiency in closing the reservation, and promotes a relationship with the guest.



It is rare to find efficiencies that improve profitability without undercutting service and offerings; however, reservations technology that increases an agent's aptitude for guest interaction does just this. Reservations best practices, when combined with hospitality CRM technology, typically increase reservations conversions a minimum of two percentage points and as much as nine points, and the potential even greater profitability grows: agent performance and satisfaction grows, guest service is improved which makes for happier guests, and happier guests maximize repeat guest potential.

Profitability Strategy #4: Employ Actionable Analytics Then Act

Employ Actionable Analytics Then Act

For vacation rentals, the volume of available data is matched only by the variety sources providing that data, including:

- third-party and listing site data
- individual home data
- collective portfolio data
- owned property and managed property data
- reservations data
- email list and campaign data
- online vs. offline data
- owner and guest data

Contact us to find out how NAVIS delivers high-performance sales processes that result in higher ADR, longer stays, longer booking windows and increased ancillary spend.

“There’s no such thing as information overload—only filter failure,” notes Internet scholar Clay Shirky. Bombarded with analytics, VRMC’s are tasked with translating data into actionable activity. A keen first step to the remedy of filter failure is to examine the intersection of analytics and profitability. Ask the question, “With which activities are analytics available that can be evaluated and segmented in useful, revenue-generating ways, ways that will drive direct change in campaign outreach and make them more relevant to the guest?”

Relevance is the key. It is fundamental to translating data to ROI. Examine the relevance of every campaign. Purchasing email lists and crafting a generic seasonal promotion has low relevance. Trade the expense and opportunity cost of a low relevance activity for a high relevance activity, such as segmenting an existing database based on short lead-time trends among travelers within 240 miles to fill an immediate need or segmenting based on seasonal nightly rate to fill a forecast seasonal shortage. Carefully craft a message that feels personalized and relevant to the guest segment.

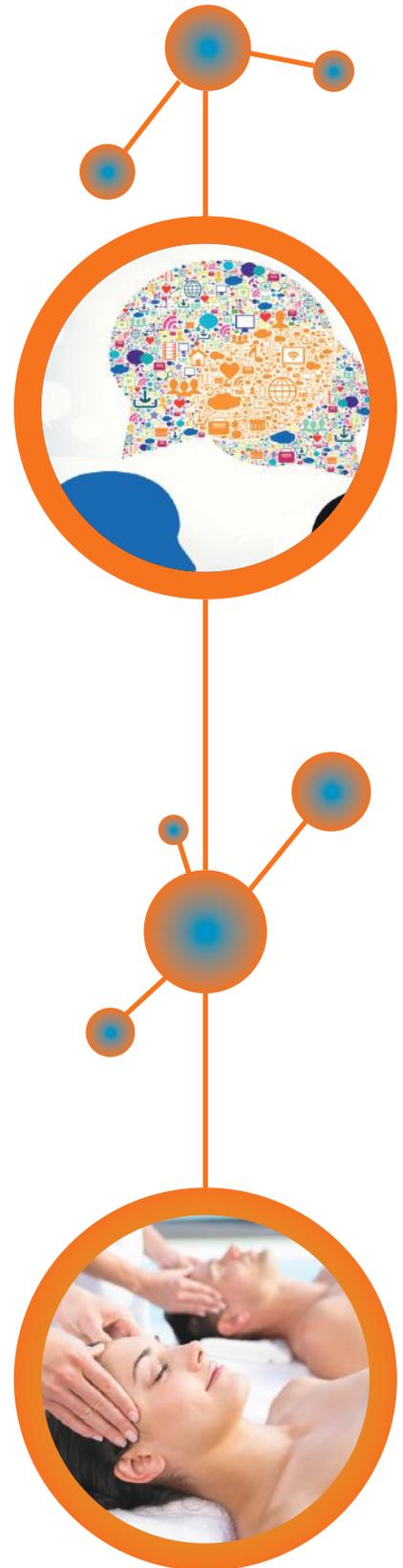
Segmented Reach campaigns, developed out of a hospitality-specific CRM, to previous guests show 3 times the increase in Click-Thru Rate (CTR) and 13 times the number of bookings when compared with industry averages for email campaigns. When integrated with a CRM, the revenue from these campaigns is wholly trackable so that campaigns may be revised and improved.

Consider the possibility of a follow-up outbound phone call to support the campaign. The ROI, in this case, comes not only in the form of revenue but equally from having curated a prospect list in a meaningful way that guests remember.

The mechanisms we offer travelers to communicate also speak to relevance. Travel planning flows across multiple devices. Just 25% of travelers who used smartphones for planning booked their accommodations via mobile device (Tnooz). In fact, nearly 60% of travelers are very likely to call a hotel if the opportunity is available in search (Google, Path to Purchase 2013).

Ensuring an opportunity for travelers to connect at every stage of the research process from any device via Push 2 Call and Push 2 Chat increases a VRM's relevance. The added benefit of incorporating such mechanisms is the ability to track the elusive online to offline path to purchase and capture lead conversations and data.

Relevant, nimble marketing is the result of actionable analytics. Moreover, actionable analytics is the result of obtaining and integrating valuable data. The process is circular, analytics feed action, action feeds analytics, effectively creating a high-conversion marketing funnel as a solution to the data conundrum.



Profitability Strategy #5: 5 Must-Have Tactics to Beat the Competition

5 Must-Have Tactics to Beat the Competition

There is no denying that traveler demand has grown—in fact, it is anticipated to double in the next 20 years alongside population growth (Forbes). However, the increased volume of travelers only accounts for a portion of the vacation rental boom of the past few years. The growth of the vacation rental industry has been equally rooted in a shift of market share away from traditional lodging options. Vacation rentals have laid claim to a full 20% of the total lodging market, and the trend will likely continue as vacation-home sales destined for the short-term rental market reach record levels at 21% of all real estate transactions (Skift, Inman).

For Vacation Rental Management Companies (VRMC's), profitability depends on capturing market share from traditional lodging as well as private accommodations. Here are five tactics for increasing market share in a currently explosive and crowded industry.



Differentiate from Hotels: Someone Else's Home Away from Home

Know your travelers. A 2015 Ernst & Young "Global Hospitality Insights" report notes that in an attempt to cater to younger travelers, many new hotel brands are moving away from the "home away from home" philosophy to feature smaller rooms, social lobbies, technology amenities, and more. (EY)

What travelers desire from a vacation rental experience is far different—they want someone else's home away from home, a place where they can feel a part of the local culture with a bit of extra space. Embracing this in messaging and marketing may attract travelers torn between a rental and a hotel.

Market Shifts Happen Quickly: Be Ready

Understand how travel is changing in your region. Social media and intermediary sites play a significant role in influencing destination shifts from year to year. For instance, TripAdvisor's Best US Beaches for 2015 featured seven Florida beaches in the top ten. In 2014, Hawaii took seven of the top ten, while Florida occupied just two. Significant shifts in exposure, especially to drive destinations, can yield increases in family travelers who often desire vacation rentals for the multiple bedrooms and kitchen access, as well as couples traveling together. Watch for changes in the desirability or exposure of your market to move quickly with outreach to new and previous guests.





Competitive Rate Intelligence: Shift Smartly

In addition to demand forecasts, keep a finger on the pulse of competing hotels and private accommodations. When rates drop, determine why and, rather than immediately undercutting, consider value-added promotions to drive traffic. When rates rise, ensure yours are in line with increased rates. Rates that are wildly out of sync with the market can be a red flag to prospective guests.

Reputation Management

A TripAdvisor travel survey shows that 77% of travelers always check travel reviews on the site before booking a hotel (HotelMarketing). A TrustYou study reports that that if prices are equal between two hotels, travelers are almost 4 times more likely to choose the property with higher review scores, and 76% were willing to pay more for a property with higher scores (Tnooz). To stay competitive not only do solid reviews matter, but travelers need easy access to them. Put reviews out there front and center.



24/7/365 Call Coverage

Many VRMC's struggle with this element of guest service due to staffing and budget limitations; especially when it comes to competing with hotels. It is essential that guests can reach an agent at all times. If 24-hour in-house call coverage is not viable, options such as RezForce exist to provide well-trained, hospitality experts to cover overflow calls during peak hours as well as overnight. In addition to increasing conversions, having agents available at all hours increases traveler confidence in your product and service. The voice channel continues to be the top revenue driver for vacation rentals; comprehensive call coverage is well worth the investment.

All of these profitability tactics are connected to one goal: to continuously engage with and provide value for guests. In addition to staying in touch with market shifts and competitors, VRMC's must understand traveler habits, concerns, and interests. An essential component once those needs are understood is to capture and leverage that data so that voice and online channels are maximized for the most profitable direct bookings and an increased volume of repeat guests.

Thank you!

Contact us to find out how NAVIS delivers high-performance sales processes that result in higher nightly rate, longer stays, and longer booking windows.

Did you know NAVIS clients convert more 1st-chance bookings, and produce dramatic revenue results from 2nd chance bookings? We can help you do the same thing!

For a complimentary assessment of your own vacation rental profitability and performance, please visit

MeetNAVIS.com

NAVIS sales and marketing solutions empower resorts, hotels, and vacation rental management companies to leverage the full profit potential of their direct channel.

NAVIS hospitality clients create more demand, connect more demand, and convert more demand with dramatic increases in revenue and RevPAR. With a laser focus on actionable, real-time CRM data from listing site and property direct inquiries, NAVIS uncovers new and often ignored revenue opportunities, including increased reservations productivity, greater marketing efficiencies, optimized call centers, and greater visibility into their businesses.

NAVIS clients outperform competitors, enjoy greater market share, higher net operating income, and more revenue.

