

# Breakout

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## 10-Point Plan «

to face the COVID-19 crisis and be ready for  
the rebound in demand in a changed world



The current crisis will expose many small vacation rental companies, their operational activities, their technology, their staff management and their capacity to weather the storm. Cash will be king and we expect an appalling loss of small businesses in this sector. In the last few days we have witnessed a VR Unicorn, Vacasa shedding jobs en-masse. Expect more cuts across both large and small businesses.

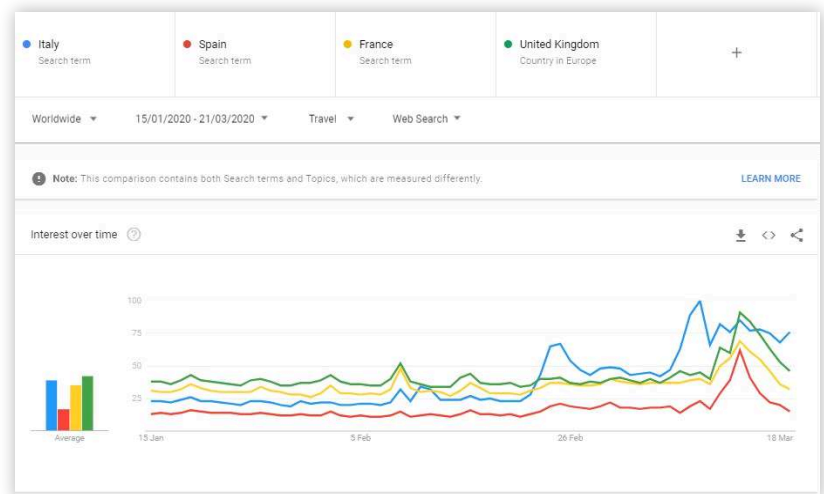
The simple reason many small concerns are suffering is that there is less margin in recent years across the board as the industry has become more corporate and moves to a more professional approach. With more competition, investment for scaling, marketing dominance and reliance on technology the industry is more challenging and in a crisis like this, there are few reserves for most short term rental companies to fall back on.

## SUMMARY



Whatever we may think and see, will depend on the particular cycle of infection and Govt intervention. There are few ways to avoid this except to act quickly. The key periods when lockdown or major news breaks occur can be demonstrated by looking at web traffic and global interest.

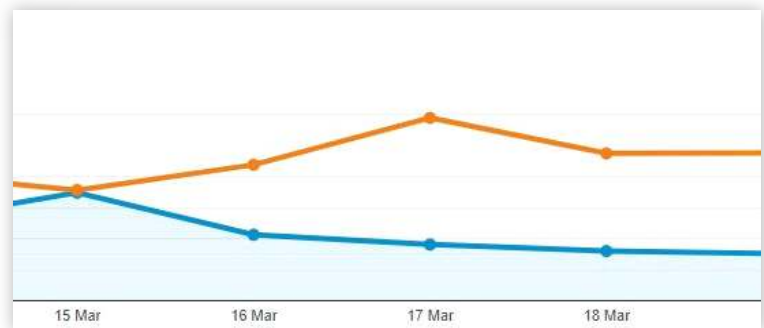
This is a Google Trends graph of 4 countries and it's pretty obvious when the virus started to catch the public's attention. But this is not a reflection on bookings and interest in staying in one of these popular locations its more related to panic buying!



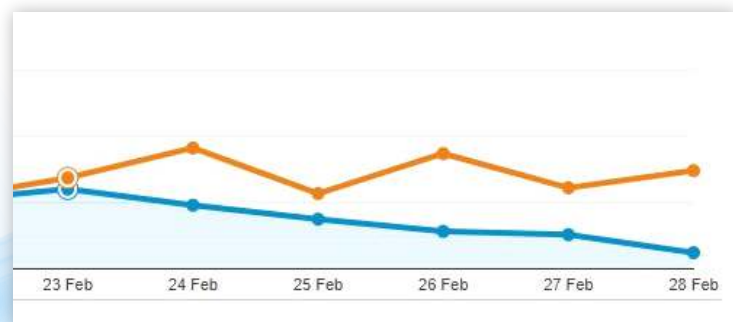
# LOCKDOWN

The actual trend for interest in visiting places can be seen by the destination websites and those websites specifically focussed on accommodation.

As an example, this is a typical example of a high volume DMO site compared to the previous year. 50% reduction in traffic (no difference in organic position and no use of PPC). The 15th March was a pivotal day and a big news day globally for Coronavirus.



The example below shows the effect of the news on a popular Northern Italian holiday region with 23rd February a pivotal moment.

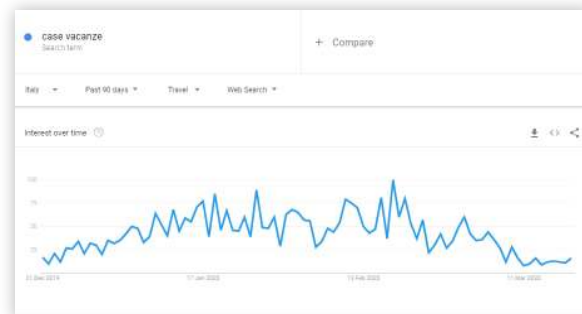


There are lots of tools that will demonstrate traffic and stats, but most unless you pay a subscription will be more historic and not be on point when you need it. Local DMOs can offer stats to their local partners to keep an eye on increasing interest in accommodation and therefore an uplift in booking opportunities.



Google Trends can be useful to see the levels of interest based on the terms each country uses and is clear to see the stages of Govt intervention and pandemic growth. The following graph is representative of an Italian domestic search term.

The graph after is for “Vacation Rentals” searched on Google.com and the last is French who traditionally have a very high level of Staycations. At this time of year traffic is usually on the rise, with Easter break and summer approaching.



You would expect that the major OTAs would see a significant decline too, but using <https://serpstat.com/> the traffic has increased and this may well be due to the panic on bookings cancellations, rebookings, etc. (and is reflected on Airbnb, Booking and HomeAway).

We are witnessing city self-evacuation by a number of people demonstrated by increased demand searches for one month stays in March/April. Moving the virus this way however may not be sensible as has been determined by the Italian authorities.





First make sure that you are aware when there is a relaxation of the restrictions and quarantining. Watch the news, find tools that allow you to see when people are researching your location again. Resumption or accurate prediction of sporting events may be a good indicator.

Each of the following really needs its own attention, but I suspect business will be unlikely to return to normal this year, but will hopefully brighten by summer and is geo dependent. Use this time wisely and not only regain lost ground but improve the business overall.

- Closer inspection of guest T&C's plus the OTAs and how they are applied

In terms of crisis and disputes a challenge will often depend on the terms and conditions agreed at time of booking. These terms will become increasingly important as guest's will have encountered many challenges when claiming refunds especially when applied through a third party. Perhaps ask guests to physically sign a document post OT booking too. (See point 10 as well)

2. The three big issues encountered recently are related to:

- OTA's claiming Force Majeure, Exceptional Circumstances. This is no doubt a complex legal situation and will be based on interpretation of these terms and where they are geographically applied. It is a grey area, there is no simple rule.

## PLANNING FOR THE BREAKOUT - 10 POINT PLAN.



- Governments issue a variety of decrees which determine a variety of situations but there are so many variations of these situations and there are other priorities.
- Credit card recharges and the processes involved in relation to the current situation.

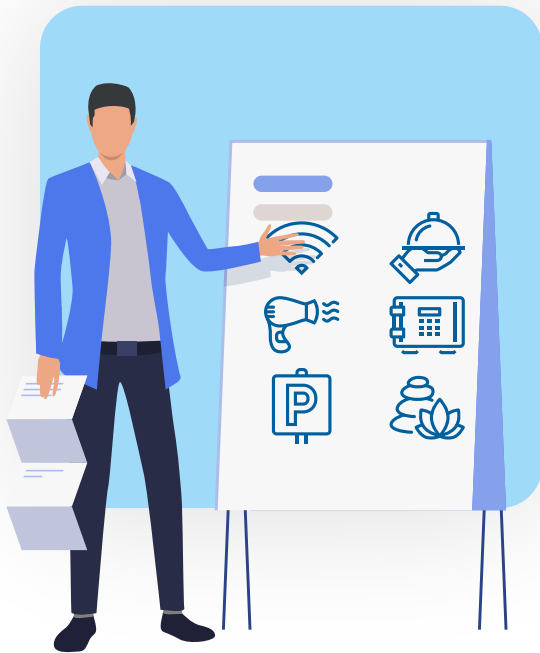
3. Review T&C's with owners and the relationship descriptions of how the business is legally described and commissions applied. (This is how the OTAs work)

Currently most agreements between owners and managers/agents are related to a commission being taken on a booking. Compare this to a card processing company that simply performs a process and charges a fee for the service but has no representation. Would a card company be expected to refund their fee on the initial payment if a booking was cancelled? Saying that PayPal has come forward with some latitude on this, but needs more detail.

4. More control over money flow and merchant accounts

Where third parties and most notably OTAs are holding money, they are essentially in control of the cash flow and as we have witnessed dominant T&C's.

Technology is driving business. Working with technology suppliers who can transmit a payment to your own merchant facility via a PCI compliant API connection makes more sense in terms of managing your booking income.



5. Less reliance on major marketing channels, which will be fairly obvious to those who have seen their own T&C's ignored and we expect the #bookdirect campaign to accelerate after the crisis is over.
  - Develop a niche focus if possible, pay attention to your URP (as opposed to USP)
  - Teach yourself a new skill set. This could be social posting, photography, PPC, copywriting etc. All these can contribute to better business and understanding.
  - If you have a website start paying attention to it. It may be a shopfront, but it needs to be looked at and for people to shop and buy. Many websites are out of date, are not dynamic, are not built for mobile, have confusing visitor journeys.
  - See where you can save money on technology and services
    - Do you pay a fixed fee and can hence budget accurately?
    - Do you pay a percentage of bookings? This is good for now, but has it been too costly and drained potential reserves?
    - Do you know if your paid contractors actions are resulting in benefits, such as PPC or social media or content production or email campaigns. Can they be improved and are you monitoring it.



- e) Can technology improve your business?
  - i) Will guest information apps save you time and improve your service?
  - ii) Can you generate extra income from local service up-selling in an automated manner?
  - iii) Is the look to book process automated, do you have a seamless guest experience, with automated notifications, payment reminders and processes, arrival instructions and reviews etc. Work through every element.
- 6. Work locally with DMO's to present a cohesive message and offers/deals. Local tourism organisations will wish to attract tourists as soon as possible and a working group who can consolidate the messages and create a package of offers and a concerted focus will help. Strength in numbers. On this last point, if you are really struggling, you are unlikely to be alone, consider a merger!
- 7. Strength in numbers is increasingly important at a local level. The global approach which we have been witnessing more and more is subject to significant dangers.



As a more long term approach consider working in local cooperatives that run their own version of a DMO business with a focus on direct bookings. The problem is aggregating data from multiple sources in real time and pushing back bookings to their source. We have done this and built the tools to replicate the model. Always happy to explain how this works.

7. Consider basic revenue management which can be addressed” in house” to improve booking potential. Although dynamic pricing is a major part of urban business aka hotels, with real time data information, traditional VR still struggles with accurate information/ This is for all manner of reasons and these businesses struggle with seasonal fixed booking dates, owner agreements and often the lack of enthusiasm by owners for maximum occupancy. The “wash its face” analogy often applies, but as we break out, expect enthusiasm to make up time and income. Communicate your plans with owners in terms of deals and offers early.

Revenue management in my mind is the whole process of maximising revenue through analytical processes of the whole spectrum of a rental business not just pricing. Its often described as:

Selling the right product to the right client at the right moment at the right price via the right distribution channel with the best cost efficiency.



A few important words in here:

- The right product (Vacation rentals tend to be unique and orientated to particular demographics) - Get the target audience correct in marketing. Segment your emails and guest demographics and messages.
- The right moment - This is the breakout moment but be even more granular in terms of exactly when you push the marketing, the offers, the messages. The hour and day can make a big difference.
- The right distribution channel: When the breakout happens we can expect a flurry of activity and despite the desire to avoid commission loss and OTA control, these businesses can outbid and out market all but the largest companies. They have also built up guest trust further with refunds in the crisis period, no questions asked. There are countermeasures based on price and other creative actions, but most are against their listing T&C's. Extend your distribution locally to pick up the guests who do research their intended locations. **STAYCATIONS** will be in vogue without doubt.

8. Review past marketing strategies and successes. Those particular emails, adverts, sites promotions, referrals, partner promotions etc. and discover why they worked. You unfortunately have time now.



This isn't just accommodation that's suffering its every tourist focused business so expect a barrage of consumer information at breakout. Your local DMO's need to be involved. Strength in numbers is really important for coordinated and volume marketing.

9. Social media is a powerful medium but not for selling. Start to develop messaging around what is happening locally to you, the improvements the activities, the events, the increase of business. Engage with people and engender empathy. This is the war-time spirit. People seldom forget those times however harsh and remember those they shared it with.
10. Lastly and this is never an easy discussion, cancellation terms and insurance cover needs scrutiny. The obvious solution is for insurance to cover issues and in particular pandemics. Insurance is nearly always recommended to guests but seldom taken. Also fine print often excludes pandemics. Higher prices for free cancellations is an option for high traffic, walk in premium locations and periods, but needs care and often not possible in VR locations with individual owner challenges. This is a discussion that will no doubt materialise and see corporate marketing enthusiasm as per the hotel market.





## About Rental Scale-Up

Our goal is to share the right information and best practices to help the owners and managers of short-term rental businesses grow their revenues, become more profitable, and save time in their business.

We publish articles, hold online conferences, deliver reports and share content aimed at vacation rental managers in resort areas, short-term rental operators in urban markets, as well as closely-related businesses such as independent operators serviced apartments.

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**Thank You!**