

Vacation rental owners during tough economic times

By: Jason Miller
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With gas prices close to \$4 in much of the country during the summer and the recession well underway in 2009, how can you possibly keep your vacation rental occupied? This is the question thousands of vacation rentals owners have asked themselves and continue to ask themselves.

My name is Jason Miller and I'm a vacation rental owner. I'm going on my fourth full year and personally own two properties and manage another. My rates go anywhere from \$75/night to \$250/night. I'm fighting higher utility bills, higher cost of advertising, competition dropping rates extremely low just to cover operating costs, and an economy that has everyone wondering if they will have a job tomorrow.



After constant strategy realignment I want to share my story to other VR owners. This is about the drastic changes I had to make from accounting, marketing, screening of guests, all the way down to my gas fireplace in my condo.

You have to ask yourself, after all this did I end up getting more reservations or just stay flat?

The Journey Begins

During July 2008 gas prices hit a national average in the United States at \$3.87 per gallon. My bookings started to feel the impact as guests started considering the \$40 in gas they will use to get to my properties (2 hours outside of Washington, DC). My rates were staying constant and the reservation requests were streaming in, but each guest was asking for discounts. I started to feel the pinch and had to wiggle my pricing down a little.

August and September of 2008 started showing major signs the stock market was in trouble. Stocks were tumbling, Lehman Brothers files for bankruptcy, the United States government takes over AIG, and the unemployment rate continues to climb.

The market was tough and is only getting tougher. Tough economic times were sure leading to tough decisions.

Change

Over the past year I've had to implement several changes to my business model for my vacation rental business. The changes are anywhere from minor tweaks to complete changes of a particular process (i.e. booking process). My rental business focuses heavily on Weekend Escapes (3 nights). A booking mid-week (Monday – Thursday) is only considered a bonus. I've setup my business model to only rely on revenue from the weekends and you will see a lot of my marketing strategy reflects this.

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While my model may be different than yours, I truly believe these overall concepts will help your rental business in the coming year.

Reservation process

My old process was very manual. Guests would look at my calendar, e-mail or call, I would send a rental agreement, they would complete and send back, payment would be processed, and an itinerary sent. It was common to take 3 days to close this booking.

Bookings started coming in at the very last minute. Guests were no longer booking months in advance or even weeks. Instead I started having an incredible amount of bookings with only 7 – 10 days before the actual reservation.

As a result, my process was failing. I couldn't have such a manual process and keep up with the demand of so many last minute bookings.



I made a major change to switch to a totally automated booking process on my website. Guests would visit the site, view the calendar and review the rates for the nights they selected, electronically agree to the rental agreement, complete the reservation form with payment information, and book the reservation.

Immediately they would have an e-mail in their inbox and I would have an e-mail of the booking. I would still manually process the credit card and once confirmed I would send a detailed itinerary.

My process went from 3 days to less than 30 minutes.

I was able to leverage this for "Last Minute Specials" and target an entire new group of guests that waited 'til the last minute to plan a weekend.

This new group of guests dramatically increased my bookings and gave guests the ability to book instantly, something they have come to like with major on-line travel sites. Guests also commented they wanted to finalize plans after hours and since my process was on-line they picked me over the others.

On-line Marketing

My on-line presence wasn't strong and I heavily relied on other websites I paid to be listed on. Each property had an individual website but I wasn't able to easily market unique websites for each property. Mid-year in 2008 I launched "WeekendOasis.net" which was the main landing page for all properties. I used a content management system so I could easily add content from any computer. With this new website I leveraged search engine optimization techniques to place my website organically on

Google and other leading search engines.

Website traffic went from 3 unique visitors a day to 30+ unique visitors a day. The amount of guests booking because they found me on Google led to an average of 1 out of 10 inquiries.



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Craigslist became a major player with my on-line marketing. I would post 2 ads per week for each property in the vacation rentals section for my region. The ads were tailored to the time of year and offered a lot of "Last minute deals" that were generally 10% off. I would average 3 – 5 e-mails off each ad, and my closing rate was about 35% from those leads. The leads greatly helped increase my database of potential guests I e-mail.

Analytics became an extremely important tool for website marketing. Using Google Analytics (FREE) I was able to slice my traffic and understand what regions they were coming from. I discovered a lot of potential guests from areas I never targeted such as Pennsylvania and Richmond Virginia and was able to start on-line marketing on Craigslist and other free websites.

Contacts, contacts, contacts! I became a member of Constant Contact and would log all e-mails of each inquiry and send out monthly newsletters to potential guests.

Partnerships with the local state tourism website also allowed me to increase my bookings. Placing ads on this website was free (www.Virginia.org) and immediately increased my website traffic and actual reservations.

Tapping repeat guests also proved very beneficial. Instead of sending e-mails I would send out actual cards in the mail that I purchased from a discount print warehouse on-line. When guests would open the card it would be a graphical present and say, "Here is a gift for you" and instruct guests to go on-line and use a specific promo code to reveal their present. It would also thank the guest for being loyal to our properties. Website traffic would spike during each card drop and generally I would wrestle in 2 – 3 bookings per drop. My out of pocket costs would be about \$110 total.

Reduce costs

My operating costs continued to climb in 2008 and I estimated they would only climb in 2009. Immediate action was required and resulted in:

1. Changing all phone service to a package that was less than \$20/month (with taxes).
2. Changing all cable packages to the basic family plan.
3. Replacing all bulbs in properties with energy efficient bulbs.
4. Offsetting cleaning charges by charging a cleaning charge for each guest. Previously I charged nothing for this. I had no guests question this charge once implemented.
5. Renewing only 1 of my paid listing websites (VRBO).
6. Going on the budget plan at my electric company to keep consistent pricing.

The changes resulted in savings of close to \$2,400 per year.



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Up-sell

With various marketing programs I started to offer 10% discounts on several properties. In order to off-set this discount I had to figure out a way to up-sell an additional item. I turned to gift baskets for guests when they check-in. We created gift baskets in the \$35 price range that were customized for each guest (name/card). During the reservation process all users passed through this page and could instantly add this to their reservation. We are still experimenting with this but thus far I am getting positive results.



Personal Touch

We completely changed our itinerary to a more custom solution for each guest. The directions were changed to show actual directions from their home. We included a lot of information about our favorite restaurants around the property. The primary goal of the itinerary turned into trying to ensure each guest could check-in and never have to call us with any questions but refer to the itinerary. Of course we were still available; however, guests really appreciated the itinerary. We also published "sample weekends" showing what couples of various age groups would do at our property. This really allowed us to heavily market specific groups and give them ideas of what they can do at our property.

Additional amenities

At each property we added one major new amenity. At our mountain oasis we finally were able to install high speed internet via satellite. This was a risk, due to a high monthly cost, however, we can now market high speed internet and we are the only property on the mountain with this. This gave us an amazing competitive advantage in the market place.

We also installed an LCD Flat Panel TV at our condo, an amenity we are learning a lot of our guests are coming to expect.

The Result

With the on-line booking process, aggressive marketing on-line, cost reductions, personal touches, amenity upgrades, and up-sells, we have turned a stone and able to actually increase our reservations during these hard times.

Any discounts are off-set with up-sell opportunities (if I discount a weekend I entice the guest to stay an extra night, into the weekday, with a gigantic discount. Since I don't generally book weekdays this played to my advantage).

To sum it up, yes, I am having a strong year thus far. The biggest change in terms of bookings is the bookings are coming in at the last minute.

My best advice to any VR owner is to be prepared to market to the last minute vacation guest. Your



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process must be simple and effective for quick reservations. Take credit cards, allow the guest to reserve on-line, have a quick turn around, and you will find a totally new group of guests.

Food for thought

Even during these hard economic times not everyone is experiencing this. Understand the market and try to market to these groups of people. Review your website analytics and understand what users are actually going to your website and deliver content they will enjoy!

Entice early planning guests that call for vacations in advance. Some guests are starting to plan early in these economic times because they want to budget. Taking the reservation now and offering a \$30 - \$45 savings will at least guarantee the reservation. Perhaps you can off-set that discount with an up-sell? Even offer to spread the payment over 4 payment terms? Ensure you have a firm commitment and a no cancellation policy if you do this.

Run special last minute discounts on websites and search for those late planning guests. If they want to go out of town at the last minute they are more likely to pay your asking price.

Explain the unique differentiators of your vacation rental clearly. Separate your rental from the others.

The road ahead

I am confident we can all excel in 2009 with the right strategy. I truly hope you found some nuggets of information in this article that you can put to use.

Happy renting!

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Contact me for private consultations with vacation rental owners and B&B's-- jumpstart your rentals!

