Hostfully

2020 Report On

Hospitality Trends in the Short-Term and Vacation Rental Industry

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Executive Summary

2020 was tumultuous for short-term and vacation rental managers across the globe. The COVID-19 pandemic took every hospitality expert by surprise. Some were expecting the end of travel. Others thought a return to normal would happen before the Fall. But then came the extenuating circumstances cancellation wave. It forced hundreds of hosts and managers to bootstrap and hunker down. As the aftershocks subsided, signs of a rebounding short-term rental industry appeared. First was the boom of remote workers renting cabins and cottages to escape the cities. Then came a strong summer travel season with families renting entire homes and villas for week-long stays. And now, surveys show that travelers favor short-term and vacation rentals over traditional hospitality. Business isn't back to normal, but there is light at the end of the tunnel.

In previous years, our studies showed how the industry was evolving along predictable paths. Change was a constant. The past was generally a good predictor of the future. This year is different. On the surface, COVID-19 had an immediate impact on the bottom-line, with 55% of survey respondents expecting 2020 revenue to be less than what they earned in 2019.

However, the effects of the pandemic on the short-term rental industry go beyond lost income. The cancellation wave of 2020 forced many hosts and managers to rethink their reliance on listing sites and online travel agencies (OTAs). Responses showed that short-term rental businesses worked on acquiring more direct bookings. For example, direct bookings accounted for 19% of reservations in 2019. In 2020 we saw that proportion jump to 25%. 24% of respondents prioritized direct booking strategies as a response to COVID-19. In coming years, it is unlikely that hosts and managers will pull back on direct booking marketing strategies, even if the pandemic gets eradicated in 2021. Relying once again on listing sites for 100% of their income will be a tricky proposition.

Despite being a year of challenges due to the pandemic, hosts and managers are optimistic about future growth. However, strategies to achieve growth changed compared to 2018 and 2019. Specifically, instead of acquiring new properties, most are turning to their portfolio of listings to optimize current revenue streams. Tactics include: increasing occupancy, working on pricing strategies, and upselling products and services to guests.

Software solutions, especially those that improve guest satisfaction, also became more appealing to hosts and managers. Guest communication apps, smart devices, and automation were some of the most desired software. The rise in direct bookings also generated more interest in software that facilitates digital contracts, smart locks, virtual tours, and house manuals.

It is not surprising that the industry was quick to adapt. Year after year, hosts and managers use their low overhead, creativity, and agility to remain nimble and adjust to new trends. When asked what problem managers would want to make disappear, only 6% responded "COVID-19."

In the face of a generation defining event, managers are solving challenges themselves rather than waiting for a solution.

COVID-19 may have rattled the industry in the first round, but hosts and managers are poised to make a comeback.

143 respondents filled out this study between September-October of 2020.

Aside from highlighting the impact of COVID-19, the study also showed that managers are reliant on technology. On average, respondents paid for 3.2 software solutions. The most popular categories were property management software (PMSs), cleaning and turnover management tools, and marketing.

2020 also reinforced a longstanding hypothesis that portfolio size has a snowball effect. For example, managers with 100+ listings tend to use 4 simultaneous growth strategies, compared to 2 for those with 1-9 listings. Managers with 50+ listings all operated direct booking sites and obtained at least 29% of their reservations through direct bookings, compared to 22% for those with 1-9 properties. Unsurprisingly, technology played a significant role. Large portfolio managers use almost twice as much software to automate and grow their business than their smaller counterparts.

Overall, our survey also showed that short-term and vacation rental management continues to be a diverse and dynamic industry. The variance in tech tool combinations, challenges faced, and marketing strategies show that. With the pandemic added into this eclectic industry, we expect this diversity and dynamism to continue.

Market overview

A shift in perception of competition

Across all segments of the industry, respondents reported an increase in competition in their local markets. Overall, 57% felt that competition had increased, as opposed to 25% who felt no change, and 18% indicating less. Further analysis in the size of the respondent's portfolio showed a trend. Hosts and managers with less than 25 properties were 80% more likely to report more competition. On the other hand, those with 50 properties and more were 40% more likely to observe no changes, or even less competition in their areas.

These results contrast 2019 findings in which 80% of respondents reported more competition, 18% "No change" and a mere 2% noting less competition. To understand this shift in market perception, an examination of growth strategies used by hosts and managers showed a possible explanation.

Nature of competition in vacation rentals
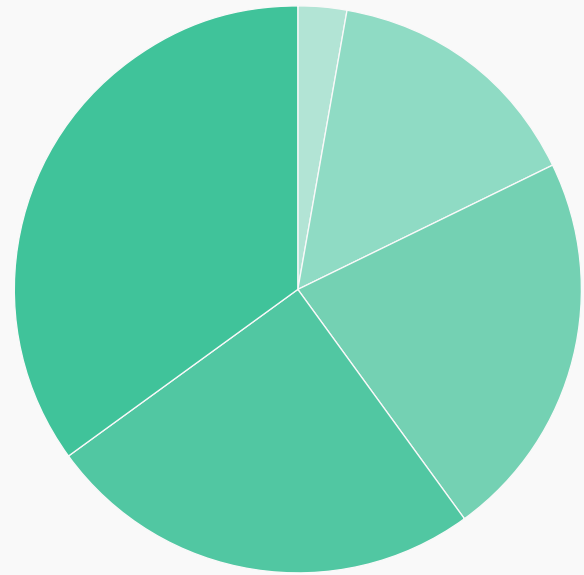
- 3% There is much less competition
- 15% There is slightly less competition
- 22% There is a lot more competition
- 25% No change
- 35% There is slightly more competition

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How hosts and managers perceive competition

57%

Competition has increased

25%

No change

18%

Competition has decreased

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Growth was strongly linked to portfolio size

In previous years, the most popular growth strategies involved: acquiring more properties, increasing rates, and improving marketing strategies and tactics. The volatility of 2020 affected growth strategies. Marketing and rate adjustments became the favored approaches, while property acquisitions slipped to the 3rd most popular strategy.

Hosts and managers with less than 50 properties were 80% less likely to have acquired new properties, focusing on optimizing their marketing strategies. This comes as no surprise. Updating listing descriptions, taking better pictures, and setting up direct booking sites are low-cost and low-risk strategies compared to property acquisitions.

That said, 100% of respondents with 50 properties or more were still able to grow their portfolio amidst the turbulence of 2020.

Looking at other respondent answers about growth strategies showed no other discernable pattern. One explanation may be that small portfolio managers foregoing property acquisitions caused the observed shift in market competition. Portfolio managers with fewer than 50 properties represented the bulk of respondents and are, in turn, more likely to notice encroaching competitors in their markets.

Growth strategies used by hosts and managers

Counts

Installed new amenities	Outsource cleaning	Upsell	Added new software	Dynamic pricing	Add new properties	Increase rates	Improved marketing
2	2	18	40	45	58	72	75
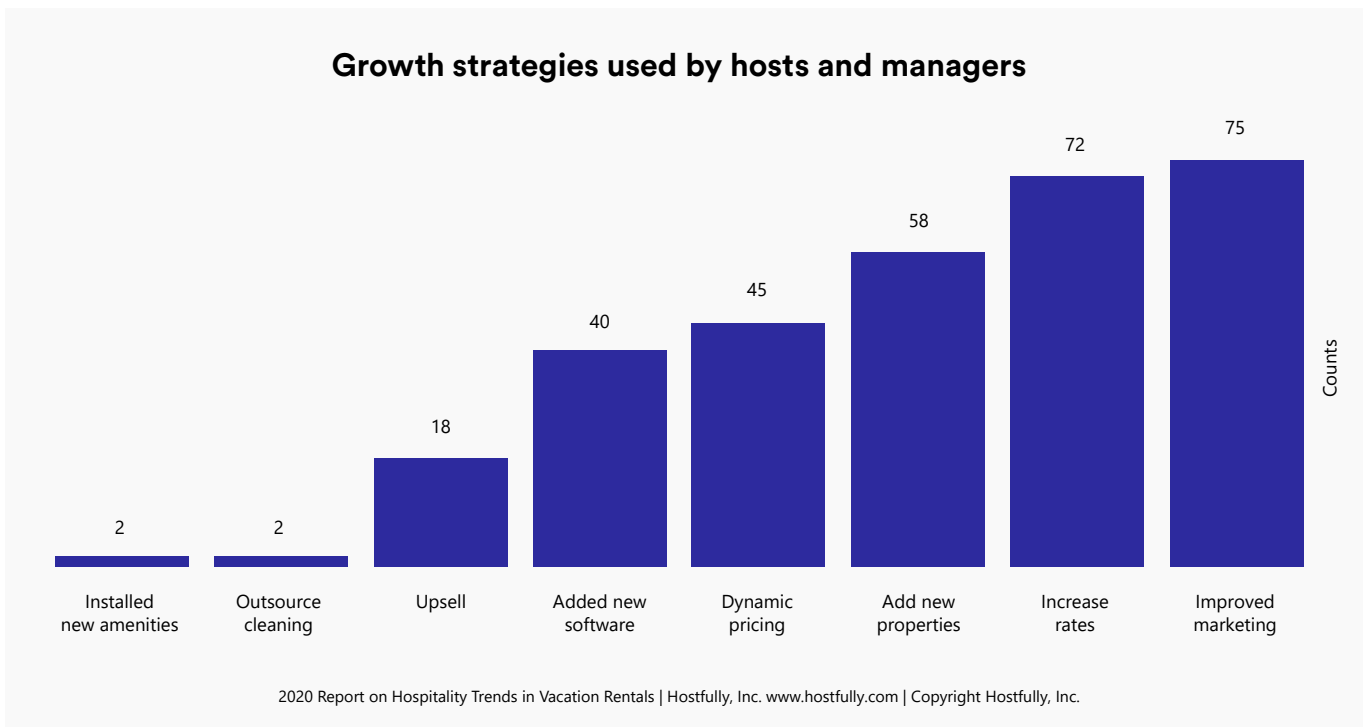
Dynamism in the industry remains strong

As it relates to growth, we also asked respondents to share which strategy they envisioned using next year. Surprisingly, the distribution of answers of 2020 mimicked 2019 findings.

Occupancy remains the most popular growth strategy, followed by portfolio expansion and pricing adjustments.

In 2020, upselling products and services to guests became a more popular strategy than in 2019. We interpret this as a response to the pandemic. As the cancelations wave was in full swing, particularly in April and May, influencers and industry leaders promoted this revenue-boosting strategy as low-cost and low-risk.

2020 vs 2021: growth methods planned for the following year
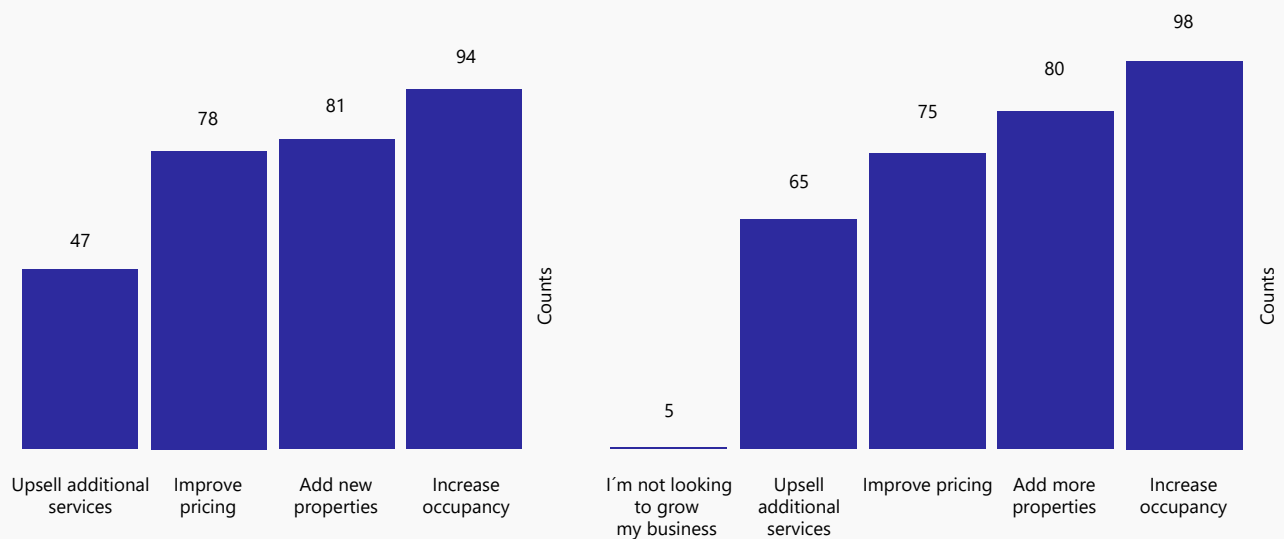
Dynamism in the industry remains strong

Respondents with goals of growing their businesses reported wanting to use an average of 2.4 strategies.

A closer look at this data showed that the number of strategies to be used was directly proportional to the company's size.

Growth strategies used as a function of company size

2	2.7	3.3	3	4
1-9	10-24	25-49	50-99	100+

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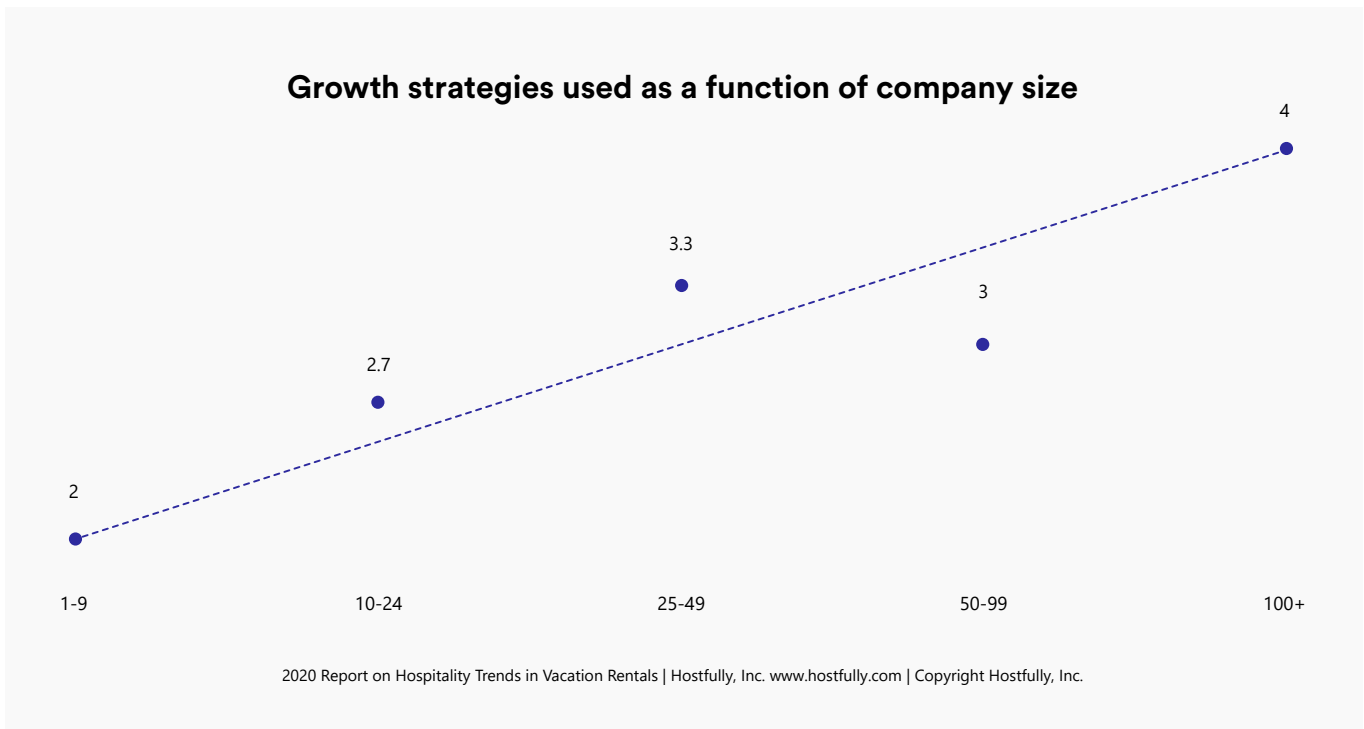
COVID-19 affected earnings more than anecdotally reported

After the wave of cancelations caused by "extenuating circumstances" subsided, news of a rebounding short-term rental industry came out. At first, the industry saw remote workers leaving cities and renting cottages full-time to make physical distancing easier. Then came the busy domestic travel summer of 2020 caused by international border closures and unease surrounding air travel.

Unfortunately, and as the graph below shows, this anecdotal positive news wasn't widespread across the industry. 55% of respondents reported a loss of income from 2019 to 2020, with 26% showing a loss of 50% or more. Comparing gains or losses against other variables such as portfolio size, growth strategies or software showed no discernible pattern.

% Revenue change from 2019 to 2020

-50% or more	-40%	-30%	-20%	-10%	0%	+10%	+20%	+30%	+40%	+50% or more
26%	7%	9%	10%	4%	7%	11%	7%	7%	1%	13%

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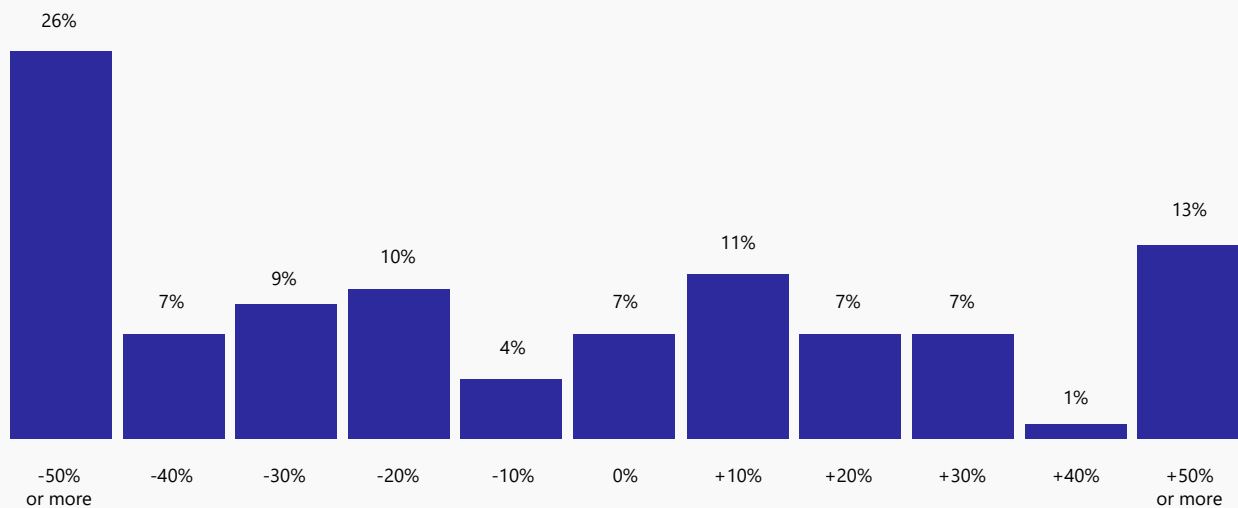
Challenges in vacation rental management
2020 challenges hosts in new ways

Every year, we ask respondents which problem they would like to make disappear if they had a magic wand. As this answer is in freeform format, our initial expectation was that most answers would relate to attenuating the impact of the COVID-19 pandemic. The results showed a different outcome (see chart below).

Looking deeper at the 6% of hosts and managers that would want COVID-19 to disappear showed that each of those respondents were based in markets dependent on foreign travelers or air transportation. That said, although the majority of hosts and managers do not see the pandemic as a significant challenge, it still appeared to have shifted industry professionals' behaviors.

For example, this is the first year direct bookings was a clear concern for hosts and managers. Reflecting new cleaning protocols and requirements forced by the pandemic, turnover and cleaning jumped up 4% from 14% to 18%.

Otherwise, marketing jumped from 11% in 2019 to 14% in 2020. This increase is most likely to be the result of how quickly hosts and managers had to adapt their listings and marketing approaches to target remote workers and domestic travelers. An explanation of why the gain wasn't more significant may be due to the wealth of free marketing resources promoted by industry tech providers, influencers, and bloggers.

Challenges faced by vacation rental management companies

- 1% Guest expectations
- 1% Portfolio expansion
- 2% Maintenance and repairs
- 2% Guest experience
- 3% Challenges with specificlisting site or OTA
- 3% Other
- 3% Guest vetting
- 4% Nothing
- 5% Hiring and staffing
- 6% COVID-19
- 8% More direct bookings
- 14% Marketing
- 18% Turnover and cleaning
- 30% Technology
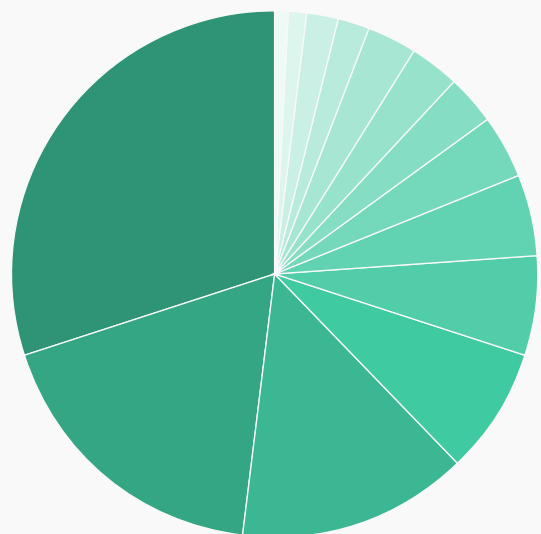
Tech requirements are diverse

As shown in the chart on the previous page, technology is a common challenge for hosts and managers. It is also a yearly recurring theme in the industry. An exploration into these challenges shows how complex and tech-reliant running a short-term rental business can be.

The majority of respondents with centralization and automation challenges either did not use a Property Management Software (PMS), paid for a Channel Manager (and not a PMS), or were using an entry-level PMS (no integrations or automation and limited features).

Nevertheless, the categories relating to the core functions of a PMS (centralization, automation, integrations, calendar sync, and reporting) show the importance of picking the right tool for a manager's business model. Of note, respondents reporting pricing challenges (15%) used both a PMS as well as dynamic pricing This indicates how coming up with the right pricing strategy is never a simple task - no matter how many tech tools are involved to make it easier.

The wide-spread and even distribution of tech challenges faced by hosts and managers shows that vacation rental company requirements vary within the industry. It is also a sign of how many niche and specific solutions are available for business owners.

Technology challenges host and managers would want to disappear

- 3% Guest communication
- 3% Reporting
- 5% Calendar sync and booking mgt
- 8% Payment solutions
- 10% Accounting
- 10% Integrations
- 10% Reporting
- 15% Pricing
- 18% Automation
- 18% Centralization
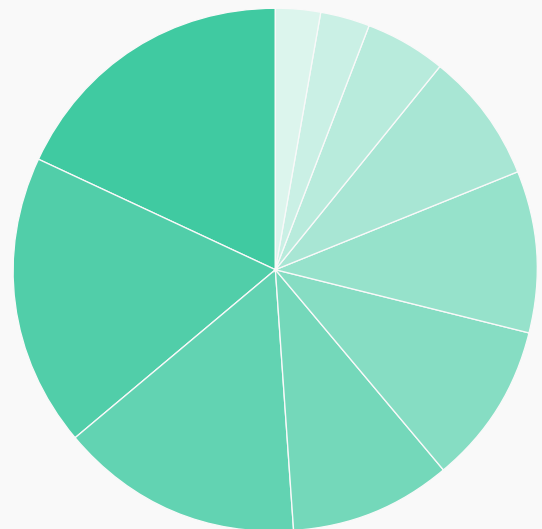
What has gotten easier?

We asked hosts and managers what had gotten easier in the last year. 27% of respondents answered "Nothing" compared to 15% in 2019. This gap may be attributable to 2 causes. First, it may be a sign that the industry is increasingly competitive and that guest expectations are rising. Second, the gap could be the result of the COVID-19 pandemic forcing managers to lay off staff and take on more of the core functions themselves.

The answers also highlighted the impact of the pandemic. 17% reported that marketing got easier, which may come from the wealth of free online information available to hosts and managers.

Additionally, new tech tools such as out-of-the-box direct booking sites that integrate with PMSs became more readily available.

Most striking is the 26% "Other" - an aggregate of 1-4% categories. In our assessment, it shows the incredible diversity in resources, tools and tech solutions available to hosts and managers. This is also a sign of an industry increasing in maturity, with software and service providers refining their offerings to better meet client expectations.

What has gotten easier for short-term rental companies

- 3% Pricing
- 4% Centralization
- 7% Guest communication
- 8% Automation
- 8% Guest experience
- 17% Marketing
- 26% Other
- 27% Nothing

Other

- 1% Other
- 1% Maintenance and repairs
- 2% Payment solutions
- 2% Guest vetting
- 2% Everything
- 2% Reporting
- 2% Challenges with specific listing site or OTA
- 2% Hiring and staffing
- 2% Portfolio expansion
- 3% Turnover and cleaning
- 3% Calendar and bookings mgt
- 4% More direct bookings
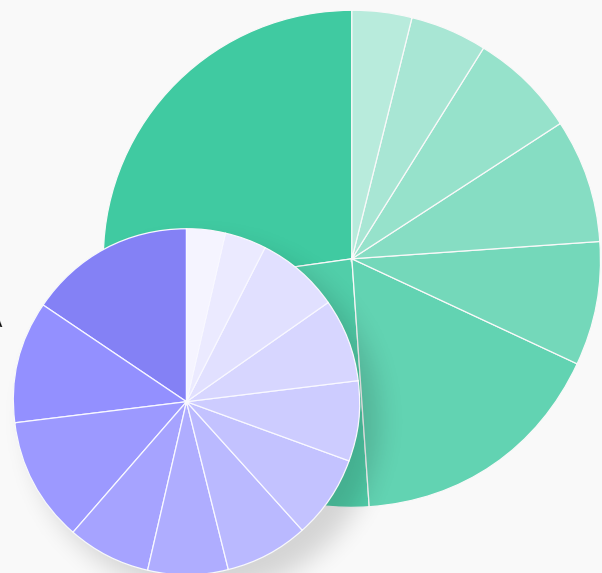
What was the focus of 10+ listing managers

When we segmented the data by the number of properties managed, we saw a significant shift in what hosts and managers perceive as becoming easier. For example, the "Nothing" category, which was the #1 answer for managers with 1-9 listings, was not reported for those with 10+ properties.

Looking at property count also showed the role of tech and automation in managing large portfolios. At 10+ properties, the two most popular answers after "Marketing" were "Centralization" and "Automation" - features of PMSs which are critical for multi-property rental companies.

That automation and centralization are becoming easier for large portfolio managers comes as no surprise. 2020 continued the trend set in previous years of major PMS providers competing against each other by making their platforms more reliable and adding new features.

The category ''Guest experience'' was just as popular for those with 1-9 properties as those with 10+. This shows that no matter the portfolio size, short-term and vacation rental management came down to one thing: guest satisfaction. The data suggests that the industry is responding to this need with increasingly refined resources and tools for hosts and managers.

What has gotten easier for short-term rental companies
Host and managers with more than 10 properties

- 3% Turnover and cleaning
- 3% Reporting
- 3% Pricing
- 3% Calendar and bookings mgt
- 3% Portfolio expansion
- 3% Hiring and staffing
- 3% Everything
- 10% Guest communication
- 10% Guest experience
- 14% Automation
- 18% Centralization
- 27% Marketing
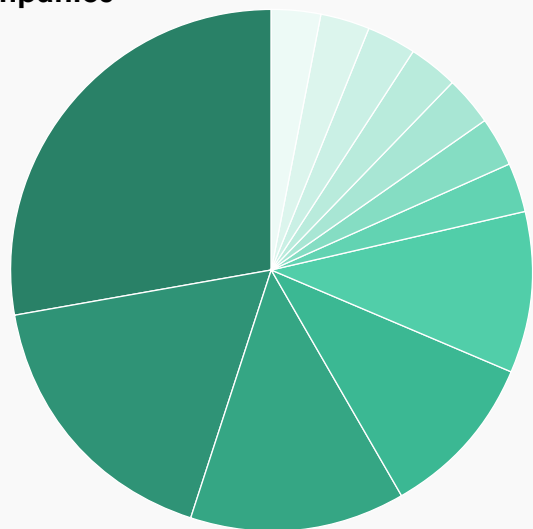
Software in vacation rental management
What is the most valuable software you use?

Consistent with last year's study, hosts and managers listed many different tools - 52 - when asked what software was most valuable to their business. This result can be interpreted in two ways. One explanation could be that the industry still hasn't shaken its "gig-economy" roots.

Smaller hosts who haven't breached the 10+ property mark may not adopt top-tier tech tools based on cost. Instead, they turn to free, "freemium" or entry-level tools. Another explanation is that the booming short-term rental software market is still nascent, with no company able to exert a dominant position.

What is the most valuable software used?

Adobe Sign	iCloud	PriceLabs	Ticor Online Pro
ADP	iGMS	Quickbooks	Todoist
Airbnb	InnStyle	Rental Network Software	Touch Stay
BedLoop	iPhone Notes	ResNexus	Vrbo
Beds24	iTrip	Revinate	Vreasy
Beyond Pricing	Jimdo	Revyoos	VRscheduler
Breezeway	LiveRez	RMS	Zoho One
Canva	Lodgify	roomMaster	
Escapia	Mailchimp	SabeeApp	Channel manager
Freetobook	Microsoft Office Suite	Salesforce	Digital guidebooks
Google suite	Nest	Smartbnb	Direct booking site
Hbook plugin	NoiseAware	Streamline	Property Mgt Software
Hostfully	OwnerRez	Talkguest	Social media

Types of tech tools most popular with hosts and managers

When looking at the frequency of which software was most often cited as valuable to hosts and managers, PMSs were by far the most popular. "Productivity" and "Listing site or OTA portal" were the next two most popular (see later section). From there, we see a sharp decline in popularity and variance in the answers provided.

Looking at the data, we saw a shift in responses from 2019. "PMS" jumped from 24% to 45%.

In April and May, and in the absence of bookings, many hosts and managers took advantage of the downtime to review their processes and implement changes to their businesses. It led some to rethink their relationship with PMSs. Existing PMS users upgraded to top-tier providers while new clients purchased subscriptions for their business. Changing or implementing PMSs can be disruptive to operations, which meant that the downtime was a perfect opportunity to switch.

What is the most valuable software vacation rental managers use?

- 2% Channel manager
- 2% Digital guidebooks
- 3% Dynamic pricing
- 3% Accounting
- 11% Listing site or OTA portal
- 15% Other
- 19% Productivity
- 45% Property management software

Other

- 1% Real estate metrics
- 1% Contracts
- 2% Guest communication
- 2% Direct booking site
- 2% Social media
- 2% Marketing
- 2% Smart devices in rental property
- 3% Turnover and cleaning
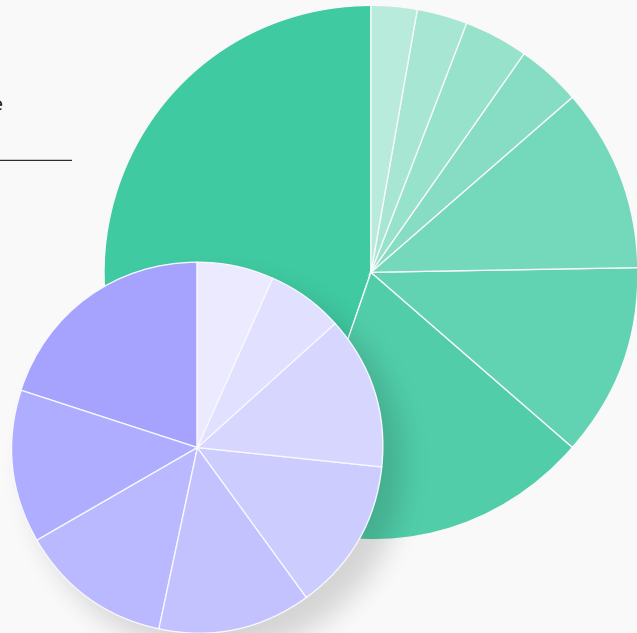
What is the most valuable software used? Change from 2018 to 2020 (top 5)

	2018	2019	2020	
Property management software	39%	24%	45%	↑
Productivity	16%	15%	19%	↔
Listing site or OTA portal	5%	12%	11%	↔
Accounting	3%	3%	4%	↔
Dynamic pricing	4%	5%	4%	↔

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PMSs used by hosts and managers

365 Villas	Hostfully	MyVR	Smartbnb
Avantio	iGMS	OwnerRez	Streamline
BedBooking	InnStyle	Custom tools	TalkGuest
BedLoop	iTrip	RNS	ThinkReservations
Beds24	Kigo	Rentals United	Tokeet
CiiRUS	LiveRez	ReservationKey	V12
Escapia	Lodgify	ResNexus	Vreasy
Eviivo	Lodgix	RMS	Your Porter
Freetobook		roomMaster	

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Overall, respondents to the survey used a total of 34 different PMSs. A common trend, however, was that all respondents with 10+ properties gravitated towards top-tier platforms (which include features like integrations, automation, analytics, etc.).

Additionally, respondents who used more than two other industry-specific software (i.e., cleaning, dynamic pricing, smart locks) tended to use PMSs which supported integrations to these solutions.

PMS is popular, but is not common for smaller companies

Despite the growing popularity of PMSs, 30% of respondents saw productivity tools or listing site portals as central software for their operations. This finding is consistent with 2019 at 27%.

PMS providers still have challenges communicating their software's benefits to smaller hosts and managers.

Aside from multi-channel distribution and calendar syncing, top PMS providers offer a suite of features that can help even beginner hosts grow their businesses. This includes access to pre-built direct booking sites, automated and event-based triggers, payment solution integrations and many others.

When looking at other variables that may affect the "Productivity" and "Listing site or OTA Portal" responses, we noted three trends.

Features of hosts who rely on productivity tools and OTA sites

98%
Managed less than 10 properties

19%
Obtained their reservations with direct bookings and listing sites

11%
Used a PMS, all of which were entry-level or free to use

Property management software still has a long way to go

Although 2020 saw a rise in the popularity of PMSs with hosts and managers, a satisfaction gap remains. Despite 45% of respondents noting that PMSs were central to their business, only 12% reported that they wouldn't want any other features added to it.

It's also interesting to note the diversity of answers - over 30 - when asking which features hosts and managers would want their PMS to have. This is yet another indication of how variable and diverse short-term and vacation rental management is throughout the industry.

Which feature(s) do you most wish your PMS provides, but doesn't?

- 3% Accessible on smartphone
- 3% Options for home automation
- 3% Automated messaging
- 3% Turnover and clearing management
- 3% Marketing
- 3% Translation
- 3% Unified inbox
- 3% Support and help documentation
- 3% Built-in dynamic pricing

- 4% Direct booking site (control over SEO)
- 4% Reporting and analytics
- 4% Payment provider integrations
- 6% Direct booking site
- 6% Trust accounting, reporting and analytics
- 8% Access to guest identifying information
- 12% Nothing
- 13% More distribution channels
- 16% Other
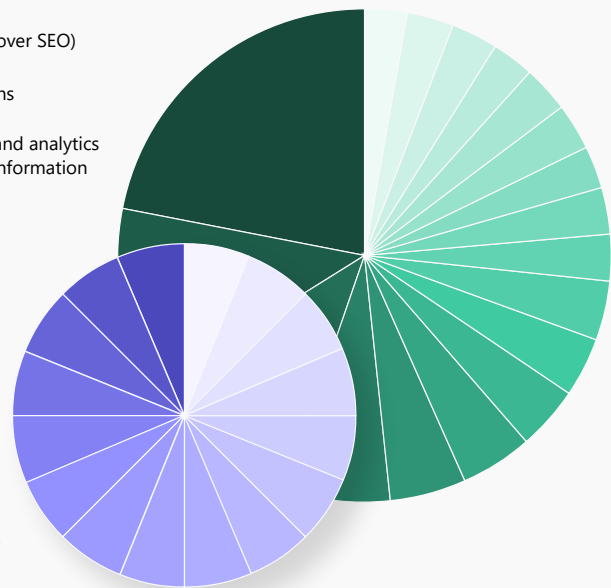
Other

- 1% More guest messaging options
- 1% Market data and insights
- 1% Invoicing options
- 1% Multi-user access
- 1% More automation features
- 1% Digital guidebooks
- 1% Social media integration
- 1% Direct booking site (multi lingual)

- 1% Team task coordination
- 1% Direct booking site (plug-in)
- 1% Cheaper cost
- 1% Plug-in for travel agents
- 1% Variable guest check-in time selection
- 1% Help and support documentation
- 1% Smart device management
- 1% Better integration with turnover and cleaning software

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What software tools are hosts and managers buying?

Despite the need to cut costs following the COVID-19 economic downturn, hosts and managers found it worthwhile to keep paying for their software solutions. In 2019, they spent money on an average of 2.3 tools for their business (excluding PMSs).

That average stayed consistent in 2020 at 2.6. Aside from PMSs, the following were the most popular software purchased by hosts and managers:

Software tools vacation rental managers are buying

Communication	Home Automation	Dynamic Pricing	Digital Guidebooks	Payment Solutions	Marketing	Cleaning
28	30	38	44	59	62	68

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The portfolio size gap

As is reasonable to assume, large portfolio managers rely on software and technology to automate their businesses. This assumption was reflected in the answers provided. However, a major gap was found for those with a portfolio of under ten listings.

The gap may be explained by what vacation rental software is designed to do: automation at scale. Hosts with small portfolios may not have enough properties to make the expenses worthwhile.

Number of software used as a function of portfolio size

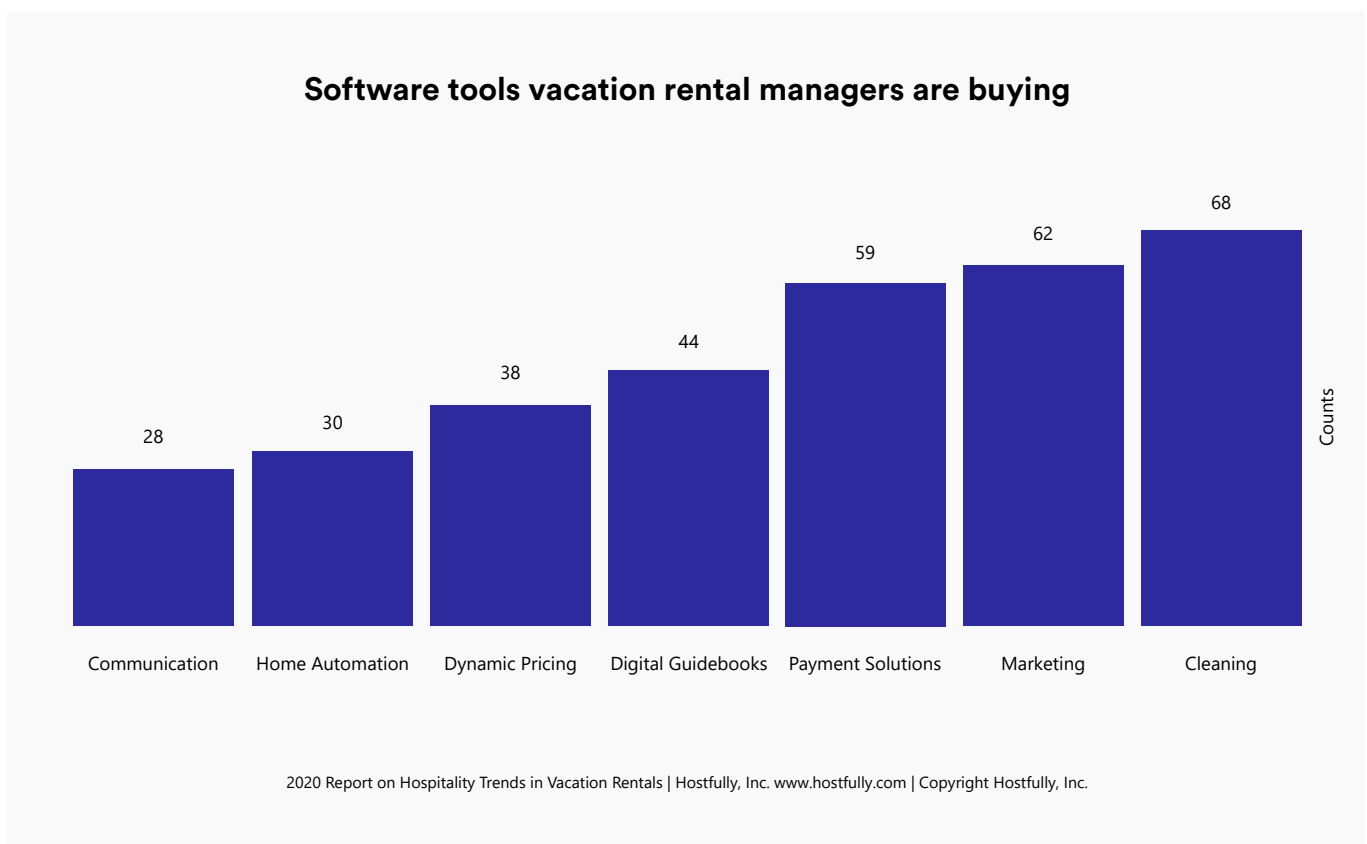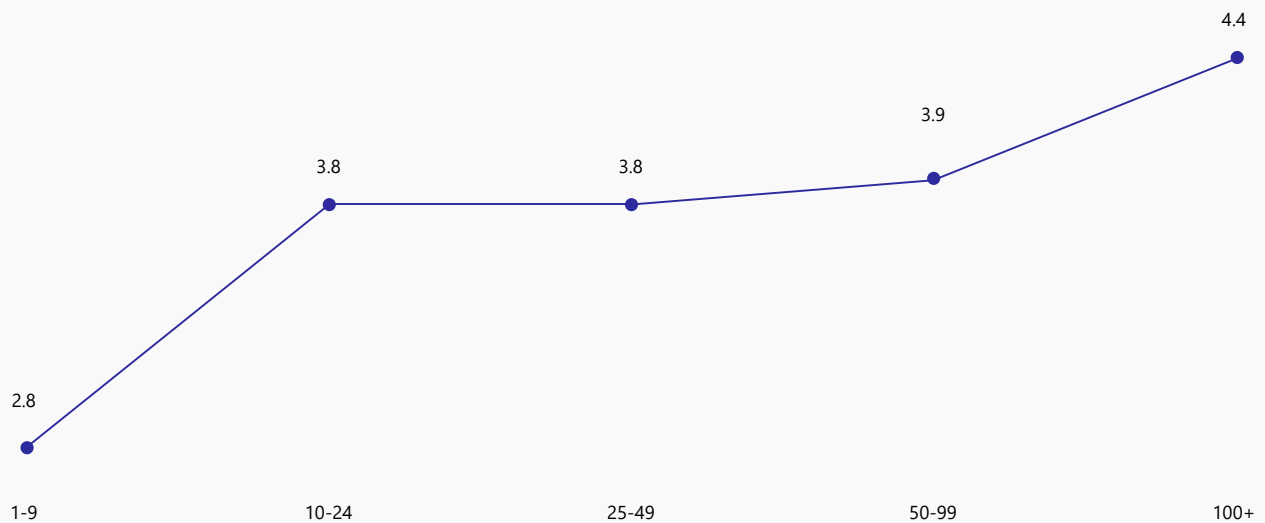|				
2.8	3.8	3.8	3.9	4.4
1-9	10-24	25-49	50-99	100+

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Guest satisfaction

The role of software in guest satisfaction

Consistent with 2019 findings, there was little consensus on which software had the most significant impact on guest satisfaction past the top two answers. Digital guidebooks and PMS took up the top spots, followed by "Nothing".

When reviewing the freeform answers, we aggregated responses into "Property Management Software" that related on:

- Time-based triggers
- Unified inbox
- Schedule conflict error prevention
- Integration with other guest experience software
- Unified inbox
- Lead management

Software that has the greatest impact on guest satisfaction

- 2% Payment solutions
- 3% Turnover and cleaning
- 6% Smart devices in rental property
- 7% Feedback survey tools
- 9% Direct booking site
- 11% Guest communication apps
- 18% Property management software
- 19% None
- 25% Digital guidebooks

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Note: Regarding the "Digital guidebooks" and "Property management software" categories, our survey was sent to a wide range of respondents, including existing Hostfully Guidebook and Hostfully Property Management Platform clients. As such, results may be skewed in favor of these two categories given the pool of vacation rental managers queried.

How managers are sharing recommendations & property information

The pandemic prompted a noticeable change in how hosts and managers shared critical information and recommendations to guests. In 2020, 55% said they sent digital guidebooks to guests compared to 24% in 2019. Remarkably, 28% of respondents still share local recommendations and property information (i.e.: house manual) in hard copy format. Despite the COVID-19 pandemic and the push towards contactless communication information methods, the practice of hard copies stayed consistent from 2019 (25%).

As this answer allowed respondents to choose more than one option, we looked deeper into the data of hosts who still offered hard copies at the listing. 77% used hard copy manuals in tandem with digital guidebooks, emails or PDFs sent to guests ahead of time. On average, hosts who used some sort of electronic house manual implemented a combination of 2.2 additional digital solutions (on top of hard copies) for communicating recommendations and house manuals.

How recommendations and property information are shared to guests

Category	Percentage
Local concierge	2%
Answer questions on a case-by-case basis	10%
PDF version of hard copy emailed in advance	25%
Welcome e-mail	68%
Digital version (URL or app) emailed or available to guests	78%
Hard copy at the listing	83%

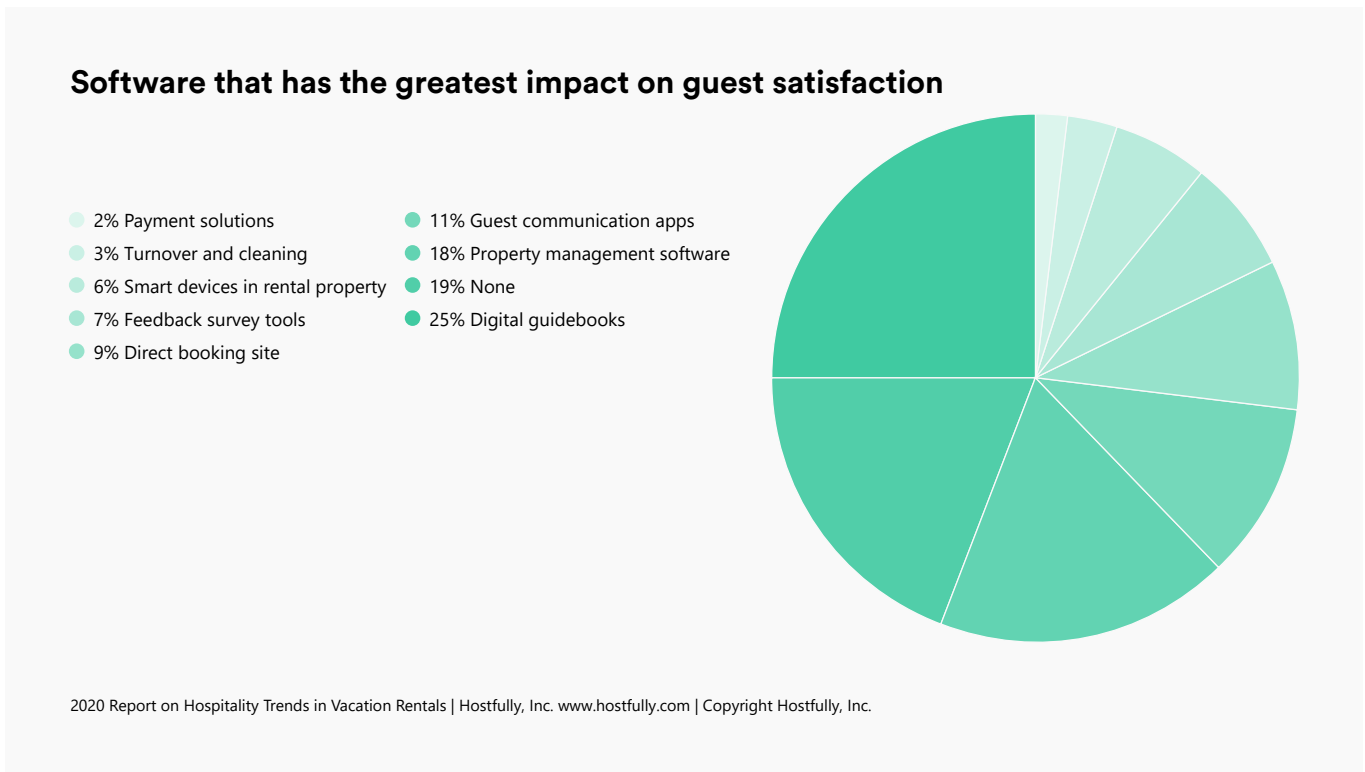2020 Report on Hospitality Trends in Vacation Rentals | Hostfully, Inc. www.hostfully.com | Copyright Hostfully, Inc.
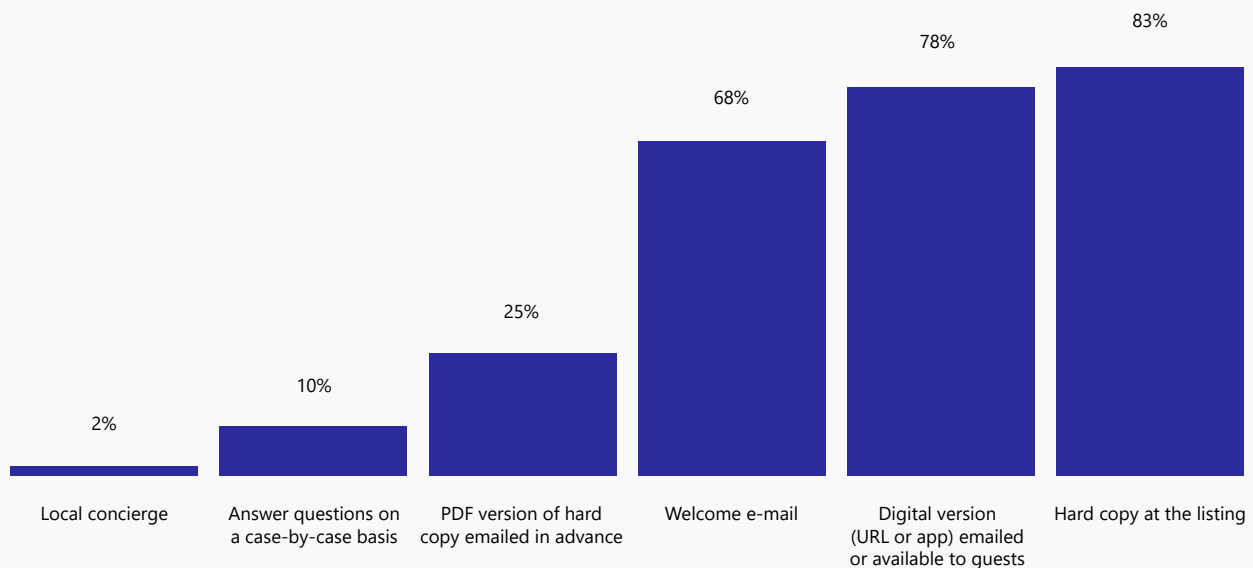
Products and services offered to guests

The majority of respondents offer services and products as an upsell to guests. 66% of all respondents provided one or more of the following during a reservation:
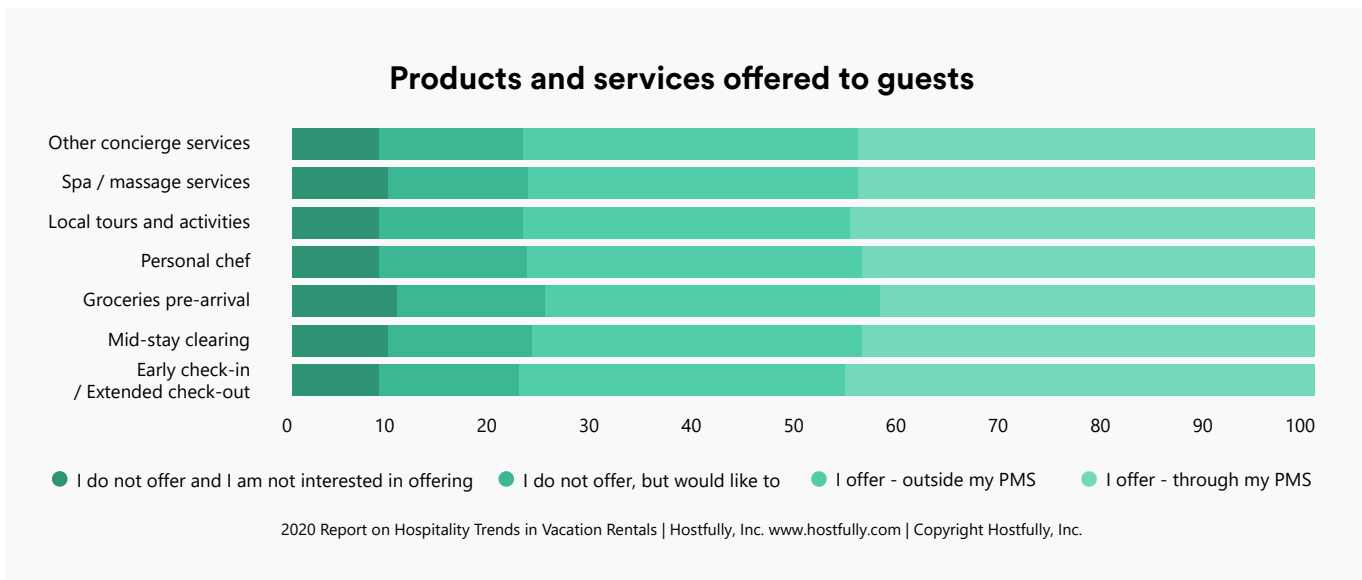
- Early check-in / Extended check-out
- Mid-stay cleaning
- Groceries pre-arrival
- Personal chef
- Local tours and activities
- Spa / massage services
- Other concierge services

When diving deeper into the data, we saw that early check-in and extended check-out were the most popular upsell. This was to be expected. Such types of offerings generate additional income with no-costs of implementation.

The least popular answer was "Groceries pre-arrival". Coordinating grocery purchases to coincide between cleaning and turnover procedures and guest arrival presents logistical challenges for industry professionals.

Consistent with previous years, hosts and managers generally rely on tools external to their PMSs for upsells. However, looking deeper into the data showed that respondents who offer upsells outside their PMS also used entry-level PMS solutions. Conversely, respondents most likely to offer upsells with integrations to their PMSs used the following:

- Hostfully
- Escapia
- Streamline
- OwnerRez
- SmartBnb

Products and services offered to guests

Category	
Other concierge services	
Spa / massage services	
Local tours and activities	
Personal chef	
Groceries pre-arrival	
Mid-stay clearing	
Early check-in / Extended check-out	

(x-axis: 0, 10, 20, 30, 40, 50, 60, 70, 80, 90, 100)

Legend: ● I do not offer and I am not interested in offering ● I do not offer, but would like to ● I offer - outside my PMS ● I offer - through my PMS

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# Guest satisfaction solutions of interest for hosts and managers

When asked which software solutions would be most appealing, respondents showed the greatest interest in guest communication, turnkey marketing solutions, and contract software. While turnkey marketing solutions have always been appealing (76% interest in 2019 vs. 81% in 2020), this is the first year "Automated messaging and SMS and email" garnered as much interest.

In our assessment, the COVID-19 pandemic affected this year's interest in guest experience software.

Note the trend among the top three categories which most interest hosts and managers:

- Automated messaging (81% interest): to streamline communications and facilitate contactless check-in/check-out.

- Turnkey marketing solutions (80% interest): to boost the efficiency of direct booking marketing strategies.

- Legal agreements (73%): in support of direct bookings as reservation contracts fall outside listing sites.

Interest in potential software solutions to boost the guest experience

● Not interested   ● Somewhat interested   ● Very interested   ● N/A We already have or offer this!
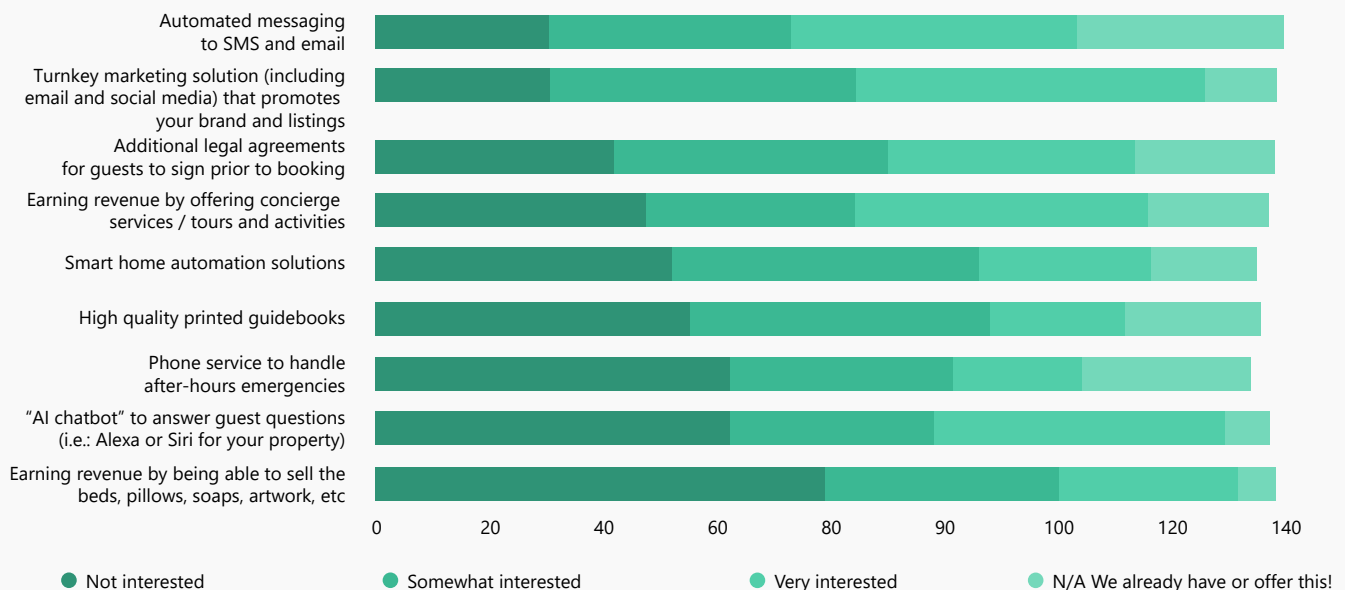
The 84 point gap shortens to 81

Each year since 2017, we analyze hosts and managers levels of satisfaction with their property management software as it relates to upselling items, services and experiences to guests.

To determine the "Satisfaction gap", we look at which types of upsells hosts and managers would like to offer guests, but can't because of the limitations of their PMS. Most years, the gap hovers in the mid-80s. However, in 2020 the gap shortened to 81%:

The PMS satisfaction gap

2017	2018	2019	2020
84%	88%	84%	81%
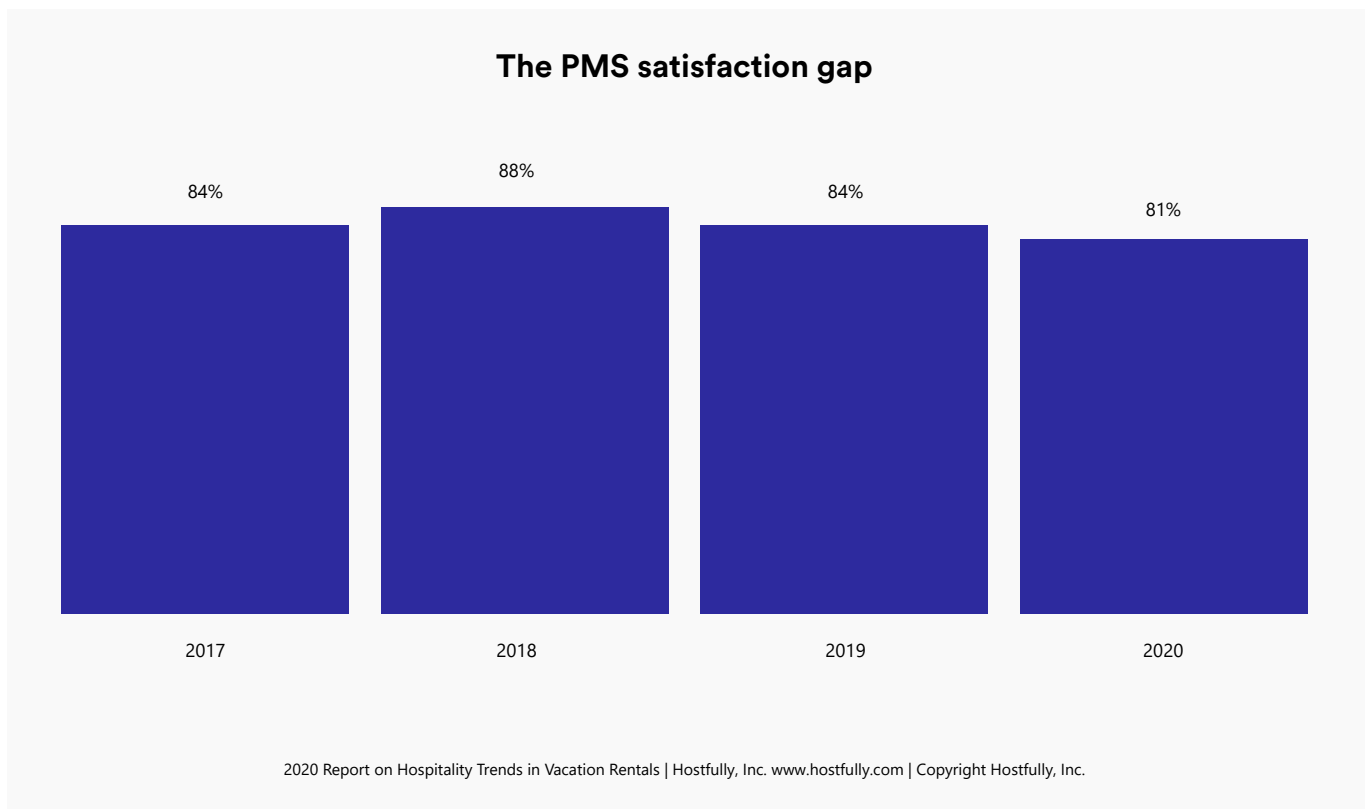
The 84 point gap shortens to 81

Although 2020's "Satisfaction gap" is the lowest recorded so far, it still shows that property management software is either not utilized or its functions (integrations, triggers and events) ar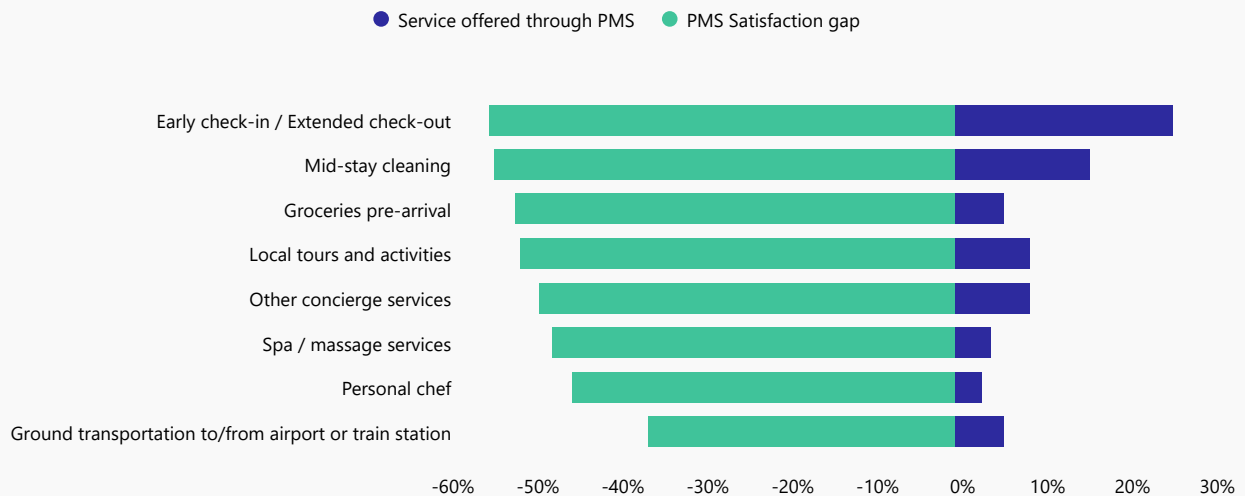e under exploited by industry professionals. Supporting this possibility is an observation into the two most popular upsells: early check-in/late check-out and mid-stay cleaning.

Both also had the highest "Satisfaction gap." Yet only 21% of hosts or managers who offered mid-stay cleaning services to guests used payment processing and cleaning and turnover coordination software.

79% of professionals did not use the complete "stack" of technology to automate and scale this process.

In an effort to better understand the "Satisfaction gap", we explored if there was a correlation with the number of managed properties. In Section 4 of this report, we showed that the number of software used was directly related to portfolio size. Unsurprisingly, professionals with small portfolios who did not use a central property management system tended to report a high "Satisfaction gap". Otherwise, portfolio size had no direct relationship on the "Satisfaction gap".
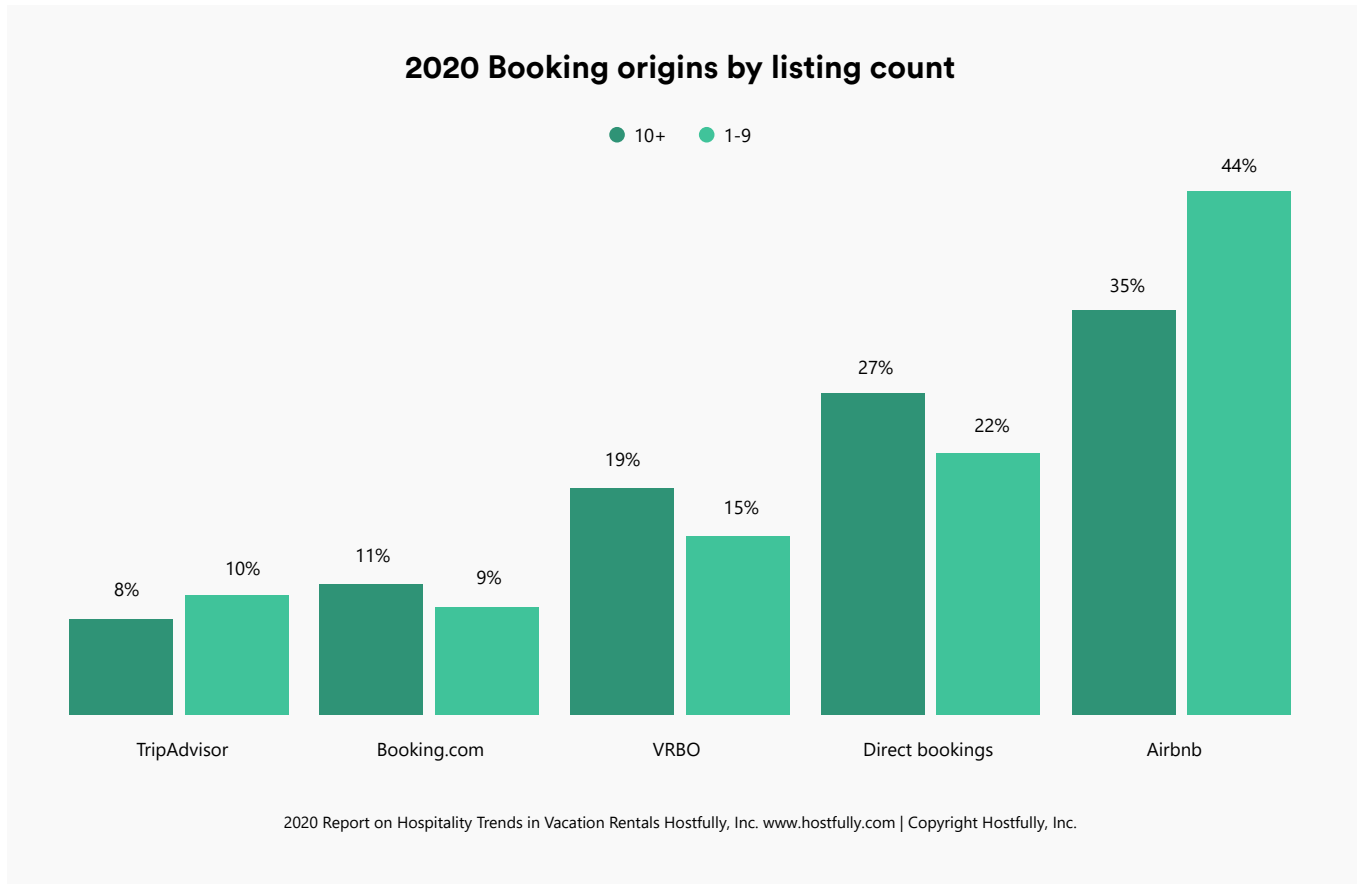
PMS satisfaction gap by category

● Service offered through PMS ● PMS Satisfaction gap

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Multi-channel distribution and booking origins

Airbnb is still a major source of bookings

2020 Booking origins by listing count

● 10+   ● 1-9

	TripAdvisor	Booking.com	VRBO	Direct bookings	Airbnb
10+	8%	11%	19%	27%	35%
1-9	10%	9%	15%	22%	44%

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Respondents were asked to share the origins of their 2020 bookings. Across all hosts and managers surveyed, Airbnb remained the top source of bookings in the industry at 40%. That said, when breaking down booking origins by property count, smaller portfolio managers tended to be more reliant on Airbnb than other sources of bookings. Additionally, larger vacation rental companies tended to acquire more bookings outside listing sites and online travel agencies.

Diversification: It's all or nothing

Across the industry, diversification of booking origins was strongly related to portfolio size. Unsurprisingly, hosts with less than five properties were 63% more likely to be 90% reliant on Airbnb or Vrbo for reservations. Hosts and managers that didn't engage in multi-channel distribution on listing sites were unlikely to operate a direct booking site.

Diversification of booking origins was also linked to PMS choice. Hosts and managers without a PMS were 83% more likely to rely on Airbnb or Vrbo for the majority of their bookings. Those using top-tier PMSs reported obtaining 36% direct bookings (compared to the industry average of 24% previously noted).

Aside from the major listing sites and OTAs, respondents noted the following additional sources of bookings:

Additional sources of bookings

Agoda	Gites.com	Holiday House
CoolStays	Holiday France Direct	Spain Holiday
Ebay	Hipcamp	Tentrr
Evolve	Misterb&b	TUI Villas
Expedia	Houfy	

Direct bookings gaining momentum

Compared to 2019, we saw a noticeable increase in direct or referral bookings, from 19% to 25%. When looking at hosts and managers that obtained 10% or more direct bookings, we noted the following:

- 24% prioritized direct booking marketing strategies in response to the pandemic. This was the second most popular answer after 'Cleaning protocols'.

- 26% responded that marketing had become easier in the last year.

- 58% paid for marketing software or services.

Our forecast into 2021 is that hosts and managers will continue to focus on direct booking marketing strategies. The extenuating circumstances cancelation wave forced many to rethink their dependency on listing sites and online travel agency (OTA) sites for reservations. As a response - and as the results show - hosts and managers built, or improved on, their direct booking marketing strategies. Now seeing the net results of direct bookings, we see it as unlikely hosts and managers will abandon this strategy in 2021 and coming years.
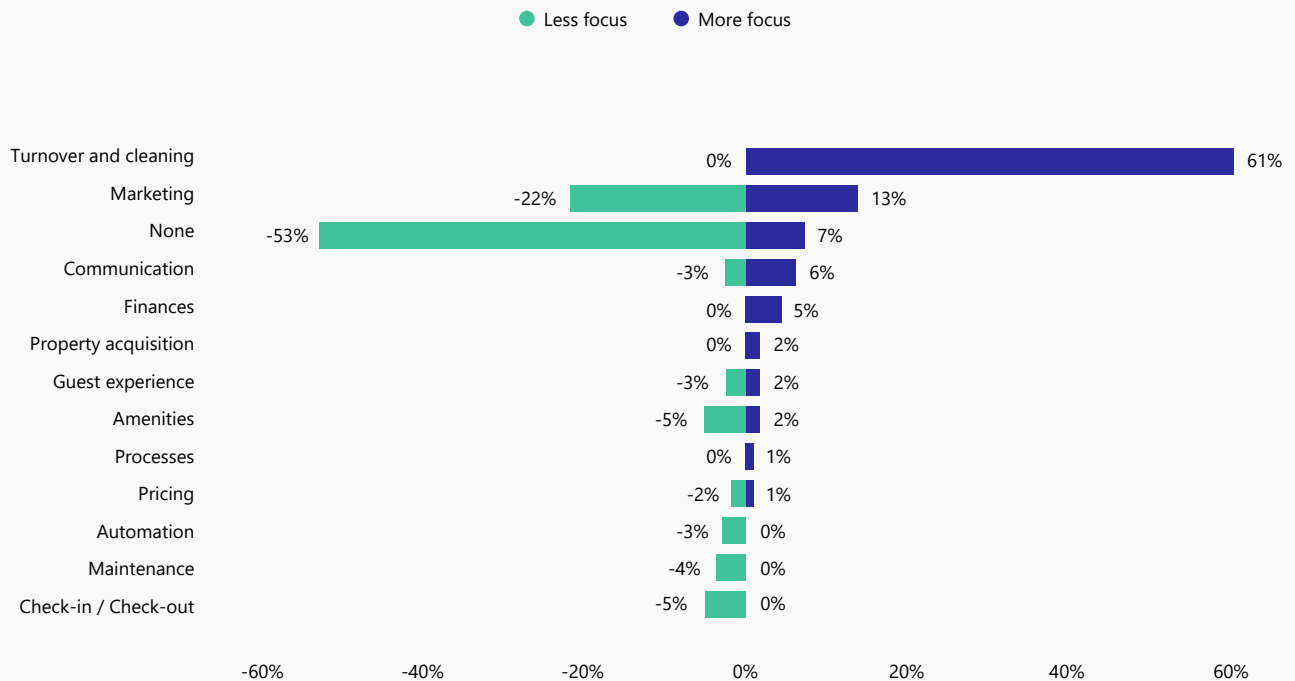
COVID-19

The pandemic affects the industry's process priorities

The COVID-19 pandemic disrupted all aspects of daily life, including short-term rental daily operations. When asked what areas of operations hosts and managers focused more and less on because of the pandemic, turnover and cleaning were a top priority. Responses varied from reinforcing cleaning protocols, using new products, adding a gap day between reservations, and paying staff more for deep cleaning.

On the flip side, 53% of respondents did not focus less on any process. The increase in attention on turnover and cleaning from 2020 will continue into 2021 as the pandemic continues. We anticipate hosts and managers will integrate new software into their processes to balance the requirements of more stringent cleaning operations.

Short-term rental company areas of operations most affected by COVID-19

● Less focus   ● More focus

| Area	Less focus	More focus
Turnover and cleaning	0%	61%
Marketing	-22%	13%
None	-53%	7%
Communication	-3%	6%
Finances	0%	5%
Property acquisition	0%	2%
Guest experience	-3%	2%
Amenities	-5%	2%
Processes	0%	1%
Pricing	-2%	1%
Automation	-3%	0%
Maintenance	-4%	0%
Check-in / Check-out	-5%	0%

Effects of the pandemic on guest interactions and experience

When asked about changes hosts and managers implemented now that guests were more concerned about physical interactions, 53% of respondents reported implementing two or more solutions.

Note that all respondents who implemented both smart locks and increased automation used PMSs that allow integrations with third-party software. To automate sending unique smart lock codes for each

reservation usually requires a centralization tool like a PMS (although some lock manufacturers feature an Airbnb integration). When asked which services and amenities the pandemic impacted, most responses again focused on cleaning and turnover. Popular answers included getting rid of common-use items that are difficult to disinfect, buying single-use items per booking, and training staff on COVID-19 safety best-practices.

What has been implemented as a response to concerns with physical interactions
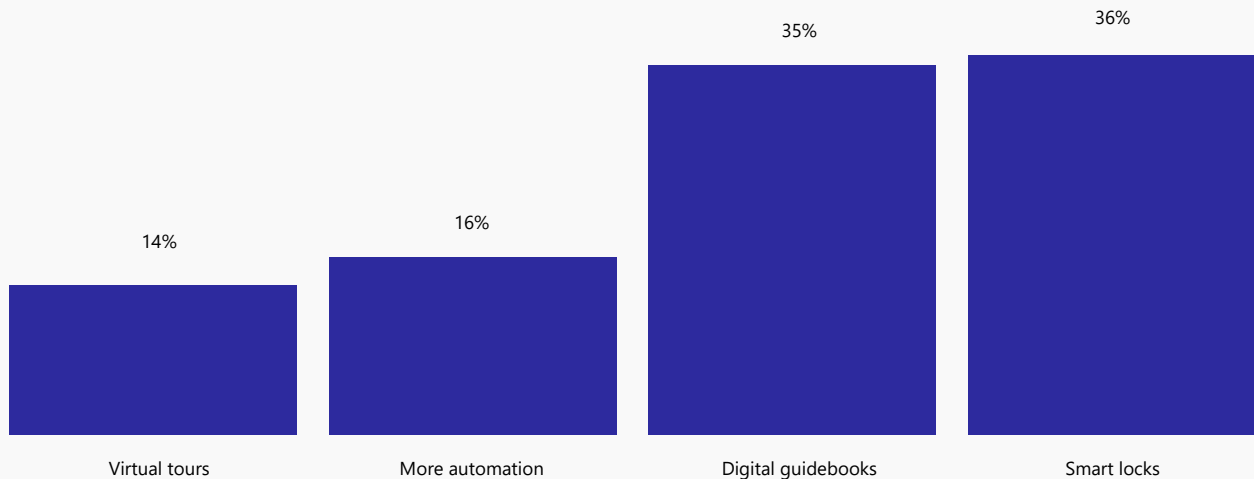
14% Virtual tours | 16% More automation | 35% Digital guidebooks | 36% Smart locks

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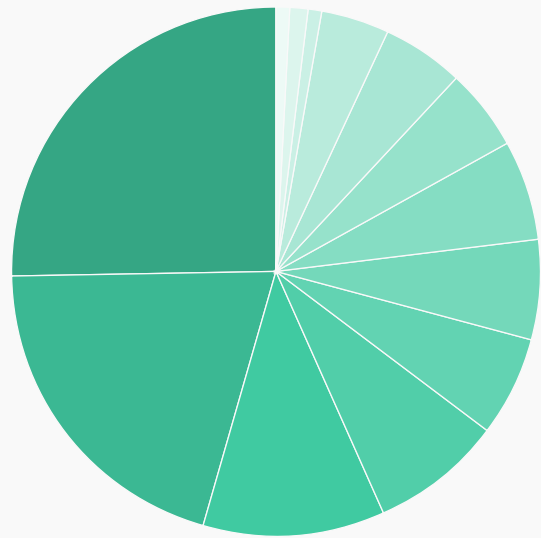
Some positive changes afforded by the downtime

Positive impact on short-term rental businesses due to COVID-19

- 1% Staffing
- 1% Pricing
- 1% Property acquisition
- 3% Automation
- 4% Finances
- 6% Marketing
- 6% Direct booking site
- 6% Amenities
- 7% New technology tool
- 9% Process review
- 16% Turnover and cleaning
- 18% Guest experience
- 22% None

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In the wake of the March 2020 cancelation wave, many hosts and managers used the downtime to rethink or reprioritize their processes. We asked if respondents had seen any positive changes to their business due to the pandemic.

That "Cleaning and turnover" was the most popular answer once again shows how the pandemic affected hosts and managers in the industry.

For context, 64% of respondents who answered "None" anticipated a loss from 2019 to 2020 and 53% managed 1 property. Hosts and managers whose responses fell into the "Guest experience" category all related to contactless check-in/check-out processes. Finally, those who took the time to review existing processes overhauled their company's structure, instituted new guest rules and policies, and reviewed minimum nights stay requirements.
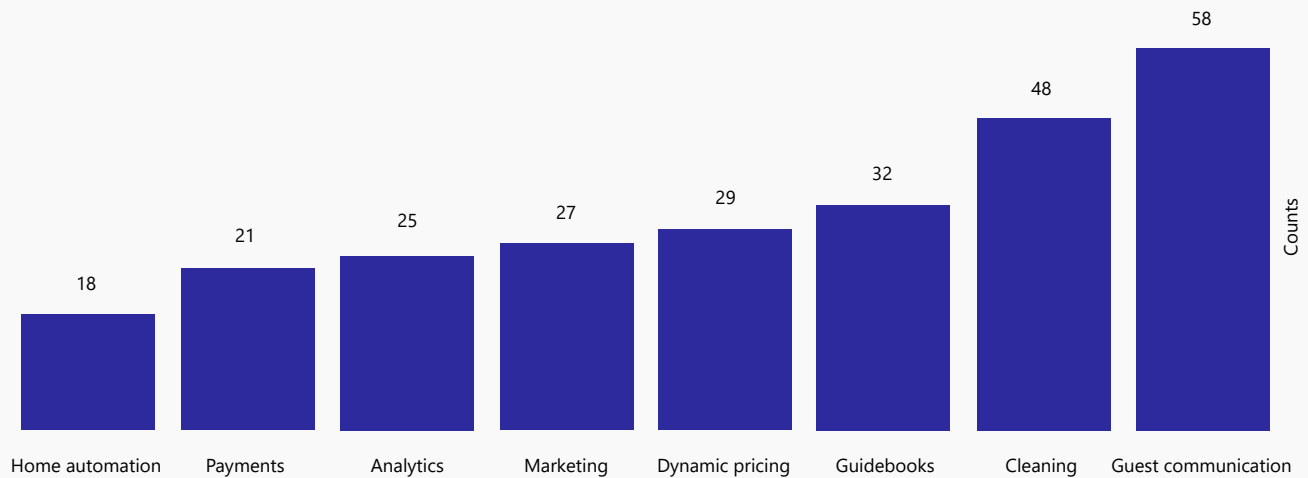
Digital tools most useful during the pandemic

As was previously shown, the pandemic forced hosts and managers to rethink cleaning and turnover and how they interact with guests. To better understand the impact of the pandemic, we also looked at which digital tools respondents used to mitigate changes to their business processes.

The majority of respondents listed "Guest communication" digital solutions as being the most useful during the pandemic.

This isn't surprising when considering previous questions which showed that many hosts and managers switched to contactless check-in. If hosts cannot establish that initial human contact, having a quick and reliable way to stay in constant contact is a necessity to ensure a high level of guest satisfaction.

Digital tools that have become more useful during the pandemic

Tool	Counts
Home automation	18
Payments	21
Analytics	25
Marketing	27
Dynamic pricing	29
Guidebooks	32
Cleaning	48
Guest communication	58

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Summary and about this report

This report gathered data from 143 short-term and vacation rental professionals about trends and the industry's growing complexity. Previous yearly reports noted the importance of tech and automation in all processes of vacation rental management. The pandemic has accentuated this assessment. As if year-over-year rises in the competition weren't enough of a challenge, guests now expect self-check-in, and expectations surrounding cleaning are higher than ever. Luckily, technology provides an elegant solution to the growing number of challenges faced by hosts and managers.

About our respondents

- Most respondents were from the United States (51%) and Europe (17%).

- The remaining (32%) were spread across the world, with some in Australia and New Zealand (8%) and Canada (8%).

- The over-representation of English speaking countries is likely a result of the survey written and distributed in English.

- 69% of respondents managed under 10 properties (61% in 2019)

- The 50-99 category was underrepresented. To account for this, in some instances results from the 50-99 were sometimes combined with the 100+ category and labeled as 50+

Expert Insights

Eric D. Moeller

CEO and Co-Founder of STR Legends

COVID-19 has changed the short-term rental landscape, but a lot of hosts still run their business like nothing has happened. To thrive in today's world, we need to understand what the new expectations and concerns of our guests are.

Start by asking yourself: who are you serving? It's probably not the international tourist anymore. Instead, you may be serving travel nurses, families on a staycation, or digital nomads.

These new traveler avatars have different needs. Nurses tend to travel with a pet, and look for pet-friendly stays. Families need a safe environment for their little ones. Digital nomads need fast Wi-Fi, and a comfortable work space.

Travel comes with a lot of uncertainty right now, and travelers have new concerns. Will they be able to socially distance themselves? Are there any restrictions in your area? Are the restaurants open? Is there a supermarket nearby that sells healthy food?

Guests are also looking for a personal connection with the host to feel comfortable to travel during these strange times. Double down on your communication, over-deliver on information and make yourself available to answer any questions.

It's more important than ever to choose your niche, know who you serve, and adjust your offering to your guests' needs. This will help you stand out from the competition and thrive.

STR Legends is a mastermind designed for established 7-figure short-term rental operators looking to boost their profit. Recognizing how local hospitality can benefit an area, STR Legends also shows how managers can have a social impact through their businesses.

Michael Sjogren

Host of Short Term Rental Secrets Podcast, founder of Short Term Rental Secrets Mastermind, and co-founder of Occupied LLC

With widespread extenuating circumstances cancellations leaving many hosts frustrated in the spring of 2020, the pandemic has pulled the entire industry forward in several positive ways. It pushed hosts to raise their standards for marketing and operations in different ways. Popular strategies included: adding new distribution channels and direct booking websites, enhanced cleaning procedures and quality controls. Many operators also leveraged more technology like dynamic pricing, PMS systems, digital guide books and smart locks. Now that more and more hosts have levelled the playing field, there are a few fundamental areas to focus on to make your properties stand out and take your business to the next level.

Quality design is not optional

A picture says a thousand words. Focusing on all the latest technology and leveraging multiple booking platforms is great, but what attracts great guests and profitable bookings are great photos of well-designed properties.

Professional hosts understand the value of working with a designer who can create a theme that matches the feel of what guests are looking for and tie in pops of color that catch future guests' attention as they're scrolling through thousands of listings online. If your bookings are down, scroll through listings in your market and see if your property stands out from the crowd.

Understand who you serve

While the majority of the world was in a remote-work environment this year, it hatched the "workcation" traveler trend. People are packing the car, hitting the road and searching for unique properties to blend some work and fun. Travelers are booking their stays later and staying longer. The cross country trip that was planned months in advance has been replaced with the last minute 3 week remote work vacation.

Smart operators will adjust their pricing strategy accordingly and not panic if their calendar isn't filling up 30-60 days out like it has historically. In addition, they'll upgrade to the fastest internet available, add in a dedicated workspace, a WiFi printer, and maybe even throw in a $5 gift card to their favorite local coffee shop to try that first latte on the house. Add in a pack n'play, high chair and stroller to let your guests know that you're family-friendly. Invest in a quality mattress, soft linens and plush towels. A small investment in these items goes a long way to a great guest experience.

Prepare for growth

The key differentiator with larger operators is that they treat their business like a business. They know who they serve, they track their performance, they leverage technology to automate as much as possible and they document and train their team on the rest. If you are looking to scale your portfolio, take time each week to work on your business instead of in it. Review your key performance indicators, assess your systems, create checklists and standard operating procedures, prospect for new properties, look for talented individuals to join your team. The next few years will offer smaller hosts massive opportunities for growth if they are prepared for it.

The Short Term Rental Secrets Podcast and the Short Term Rental Secrets Mastermind are training and mastermind programs that help hosts launch, automate and scale their short term rental businesses. Occupied LLC is a national hospitality investment and management company.

Wil Slickers

Host of Slick Talk: The Hospitality Podcast & the Good Morning Hospitality podcast

We've seen a lot happen since March. We all probably had the feeling or thought of "How am I going to get myself and/or my team and business through this?" With most properties around the world at $0 in revenue and 0% occupancy, we had a lot of time on our hands once the dust settled from the flood of cancellations, refunds, future credits, etc.

I saw that as a time to act on an opportunity to focus on Quality Control. We all shifted our focus to safety and cleanliness. Safety and cleanliness became synonymous in this last year when prior, in 2019, they were two completely separate topics. With this hyper focus on safety and cleanliness, we are seeing a "Rise in Standards" of the professional vacation rental manager & host! COVID (in my opinion) sped this process along faster than expected, but in a positive way.

Fortunately, we've seen the bad operators /managers exit and the professional and passionate ones rise above through all of this.

Acquisition, growth, and scalability have been pretty big "buzz" words but we quickly saw that those meant nothing unless you're truly profitable and had a sustainable operating strategy in place. The way managers are approaching scalability now is by utilizing and really tapping into their local market and community. With many of the bad operators out of the markets, inventory has been a little more accessible for those who remain professional and have good Quality Control!

What does a local community have to do with scaling my business? It has everything to do with scale right now. We all know (and the data has shown) that the drive to market and destination(s) have been the lifeblood of our recovery. One thing that is super positive out of all of this is that people/guests still want an experience, they want to feel connected and a sense of belonging and community. Short Term Rentals are able to bring that to life as we continue to be resilient and welcoming guests with open arms (at a safe distance of course, 6 feet remember?) and as we connect with what's right in our "backyard".

"It's not the distance that makes destinations seem magical - it's the idea of getting to experience something completely new; making memories with people we love; getting a wider sense of the world"

Again, this hyperfocus and attention to detail with less inventory in the market has given us the opportunity to really drive brand awareness and take advantage of how we distribute our inventory to fill in the gaps that don't involve direct bookings.

Earlier in this industry study, we saw that 28% of hosts/managers felt acquiring direct bookings got easier this year.

This is a huge percentage and an incredible step forward for the industry. The more we recognize that when we take back control of how our guests can experience our brand and properties, the more we will see the continued growth of profitability and recovery around the globe! An industry expert and friend of mine recently said, "yes, we can take advantage of this opportunity to gain more direct bookings but we can also learn what these platforms and OTA's have done right at a scale we as operators haven't been able to execute on, and that's creating a marketplace with ease for the booker to book with trust and confidence."

This is an incredible industry and seeing all of this data and insights from around the world just continues to prove how resilient, innovative, and professional we are. Let's continue this leading into 2021 and beyond.

Slick Talk: The Hospitality Podcast & the Good Morning Hospitality podcast are dedicated to helping boutique and independent hotels/vacation rentals grow revenue, expand their marketing skills, and find creative ways to get 5-star reviews.

Matt Landau

Founder of VRMB.com and co-host of the Unlocked podcast

Due to the pandemic, vacation rental managers who have long-considered personality to be their greatest asset are biting the bullet and adopting new technology they previously procrastinated on. Not to take the place of personality, but to amplify it.

One of my favorite exercises moving into 2021 is asking the owner or manager to sketch out all the personalizations they want their guest to experience, then finding the tech stack to make those possible and at scale.

The tools and services on the market these days - amplifying the personality of an independent host - are truly eye-opening. Otherwise, this industry study showed how hosts and managers were now gravitating towards direct bookings. Supporting the data, at VRMB we've seen 3x more completions of our Listing Site Independence Self-Grader since the pandemic hit. This suggests that owners and managers are nervous about control by major OTAs and are getting more serious about diversifying their marketing portfolios.

VRMB.com is a collaboration platform helping vacation rental owners and managers build more profitable & sustainable businesses. The Unlocked podcast series features interviews with innovative vacation rental professionals, and How to Save Your Vacation Rental Business helps managers navigate regulatory challenges in the industry.

Keith Freedman

Owner of HostWell, and Co-Chair of the San Francisco Home Sharers Democratic Club

The pandemic shined a spotlight on the short-term rental industry and really served to test business models. We saw competition from the arbitrage businesses (those who rent units to furnish and re-rent as short-term rentals) decline greatly. While many have found success with this business model, long-term discounted leases still have to be paid when there's no income. Some went bankrupt to avoid the liability of their long-term leases, others simply downsized, which could be good for the more traditional property manager business such as HostWell.

While our inventory declined slightly as owners sought intermediate term tenants, most either remained open (subject to local health ordinances) or just closed until demand returns. In the latter case, the inventory returns immediately as demand returns. In the former, we would just need to wait a short time until the intermediate term occupant moved. Since many of these were essential workers or locals renting space while upgrading their own homes, this inventory is expected to go back online quickly.

Competition from the arbitrage businesses which remain is expected to ramp up much more slowly. They'll have a harder time finding owners willing to enter into such contracts so soon after many property owners had contracts that weren't fulfilled. Others will have a hard time coming up with the startup funds to furnish and prep new units.

We've also seen that reliance on technology has increased during this time. When revenue falls off, it becomes more critical to find ways to save money. Technological solutions can eliminate rudimentary human tasks with more accuracy. Technology which integrates with other systems, such as automated cleaner scheduling, become more critical. In addition, access to new channels becomes more critical. We've found great benefit through Hostfully's integrations. We've automated our cleaning scheduling, added more channels, and added automatic insurance coverage. While it took some human power to get these integrations done, we'll be even better prepared for growth as travel resumes.

HostWell is a San Francisco-based vacation rental management company (VRMC). HostWell provides full management services for stress-free rental revenue, including dedicated cleaning staff, price optimization, linen services, and guest communications.

About Hostfully

Hostfully helps vacation rental managers run their business and provide 5-star hospitality. With property management software that is directly integrated with Airbnb, Vrbo, Booking.com, and TripAdvisor, and a market-leading digital guidebook platform, Hostfully supports 20,000+ properties around the world in 80 countries.

Here are some of the features Hostfully clients use every day to scale and grow their operations: **Multi-channel distribution:** increase your marketing reach and generate more revenue.

Integrations: connect other vacation rental software like turnover and cleaning, dynamic pricing, and credit card processing.

Pre-built direct booking site: generate your own bookings and gain independence from listing sites.

Central messaging hub: easily manage guest communications on one interface.

Booking pipeline: follow-up on leads and increase conversions.

Automated and SMS messaging: save time and automatically send guests key information based on programmable triggers.

Digital guidebooks: boost the guest experience, cut down on communications, and upsell products and services for extra income.

Payments processing: easily collect payments from direct bookings or from upsold services and products to guests.

Property management data: make informed decisions based on data.

Owner financial reports: save time and effort in preparing owner reports.

Open API: keep using your custom software but also gain the benefits of the Hostfully PMP.

To learn more about Hostfully and how it can help support your business

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