



POWERING TRAVEL | SEASON 2 | EPISODE 3

Vacation rentals: How they're shaping the future of tourism

What to listen for:

Tune in for a vacation rental-packed episode of Powering Travel, featuring guest Merilee Karr, guest host Tim Rosolio, and host Brandon Ehrhardt.

In this episode, we're taking an in-depth dive into the vacation rental industry to learn about vacation rental market trends, dispel common myths, and share advice for people starting in vacation rentals.

Plus, you'll hear about the firsthand experiences with vacation rentals that inspired guest Merilee Karr to make a difference in the industry.

Introduction:

[00:00:04] **Brandon Ehrhardt** Travel providers are the backbone of the travel experience. In this brand-new season of Powering Travel, we'll dive into industry trends, hot topics, and actionable advice to help business leaders continue evolving and enhancing travel experience, one trip at a time. Hello again. Welcome back to another episode of Powering Travel. Today we have a special milestone episode of the podcast. Our first discussion about the vacation rental marketplace. So, while travel has been up and down over the past five years, vacation rentals have not. They have been straight up and in demand. The travel industry witnessed the meteoric rise of vacation rentals, also known as short-term rentals, over the past few years. Expedia data reveals that searches for vacation rentals during the winter season and in urban destinations are higher in 2022 than they were pre-pandemic. According to Grandview Research, the global vacation rental market is projected to reach 119 billion, with a "b," by 2030. In reality, the broader sentiment around vacation rental fluctuates almost as frequently as the seasons change. Travelers love them, but the fees are frustrating. Communities are wary of more vacation rentals in their neighborhoods, and hoteliers are skeptical of the long-term demand that vacation rentals bring. This leads to rapidly shifting traveler behaviors and new expectations from short-term rental owners. To give us some additional expertise on the topic, let's welcome our guest host today, Tim Rosolio, vice president of Vacation Rental Partner Success at Expedia Group and contractually obligated to be here today. Tim, welcome to the show. Thanks for being here. Tell us about your role at Expedia Group.

[00:01:44] **Tim Rosolio** Brandon, thanks for having us. I love the enthusiasm around the category. As you mentioned, I am the VP of Vacation Rental Partner Success for Expedia Group. And in a nutshell, what that means is if you think of Vrbo and Hotels.com and Expedia as stores, it's my job to stock the shelves with the right vacation rentals. And for Vrbo, that means just about everything that's on the shelf. And then for Hotels.com and for Expedia, it means some vacation rentals that are next to hotels. And we hope to sell more vacation rentals in those channels going forward. So, if that's my job, let's talk a little bit about how exactly we do that. I have a team of 250 global account managers. That sole job is to acquire inventory, and then once we acquire that inventory, help those partners be successful on our websites. And the way that I think about doing that is what is typically yesterday's differentiator quickly becomes today's norm, and we help you find the next differentiator. An example I would provide would be in 2018, about a third of our inventory was Instant Booking. The rest of it was still on a 24-hour hold model, which means that a traveler would come to the website, they would make a booking request, and there would be 24 hours for that partner to accept the booking. And that was a differentiator for the partners that had chosen to already be Instant Booking, where you just click the button

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and you book it like a hotel. By the time we reached 2022, we saw that almost 80 percent of our listings were Instant Booking, so that's an example of something that was a differentiator for our partners in 2018, but now it's quickly become the norm for partners in 2022. And my team is out there to try to explain and help coach partners to understand what's the next differentiator.

[00:03:37] **Brandon Ehrhardt** Tim has a great passion for the industry, and I think our guest is going to match that passion. So let me tell you about her now. Her name is Merilee Karr. Merilee is the founder of UnderTheDoormat, an award-winning luxury home accommodation business offering modern travelers the quality of a hotel with the comfort of home. Merilee founded UnderTheDoormat after 13 years with Shell, including stints as Global Strategy Manager and Global Retail Maintenance Manager. This is the interesting part. It was her experience during her travels for the company and the many places she stayed that created her desire to make a difference to the home stay sector. So, Tim, I think it is true there is business demand for short-term rentals. Merilee is also a regular commentator in the media and at events and was elected as the founding chair of the industry body the Short Term Accommodation Association (STAA).

[00:04:26] **Tim Rosolio** It's pretty exciting to have Merilee on this podcast because Merilee is pretty close to being like a celebrity to a certain extent in this industry because she was one of the four founders of the really professional space that leveraged OTAs in Europe. I first heard of Merilee when I was listening to a Skift podcast that was on the development of the short-term rental industry, which had a bunch of folks that were my mentors at HomeAway at the time, like Jeff Hurst and Jon Gray and Brian Sharples. And I actually heard Merilee on that podcast and I said, "This is somebody I need to meet." I was at the Short Stay Summit in London last week and did get a chance to do that, which was super exciting. And then shortly after I met her, she actually went on stage with Ariane Gorin, who is the head of Expedia for Business, and they had a great fireside chat. It was an exciting moment for me because I think it was a good representation of you have an industry veteran like Merilee talking to someone like Ariane, who has such a great vision of what's happening in the hospitality space, in the technology space, and I thought it was a good preview of some of the things that might be happening at Expedia. If we can bring all of the VR knowledge of people like Merilee and maybe some long-time Vrbo or HomeAway employees like me, and we can incorporate that into what we're doing for the larger Expedia Group, I think there's going to be some great things for the category.

[00:05:57] **Brandon Ehrhardt** One other special note. We will take Merilee wherever we can get her. It doesn't matter if she's dialing in from the moon. She's not quite on the moon, but today she's dialing in from vacation in Majorca. We appreciate her taking the time out of her vacation to chat with us today. So, without further ado, let's jump into it. Here's Merilee Karr. All right. We're joined here today by Merilee Karr. Merilee, you're joining us from the beaches of Majorca. Thanks so much for making time.

[00:06:25] **Merilee Karr** Yeah, fantastic to be here.

About UnderTheDoormat:

[00:06:27] **Brandon Ehrhardt** All right. So, we're going to jump right into it. We'd love to hear your origin story, how you got started in the vacation rental industry, and then a little bit more about your company, UnderTheDoormat.

[00:06:38] **Merilee Karr** Yeah. So, look, I'm someone who's loved travel, I think, but at one count, I'd been to something like 75 countries, and I spent many years in the corporate world. But it was, of course, always a personal story how you end up starting a business. And I went I traveled actually for a triathlon to Switzerland, and we stayed in a vacation rental there. And when we stayed there, we realized that it wasn't exactly what we expected. We arrived at 10pm on a Friday, and we arrived to a house that hadn't been cleaned, and found out we were also going to be cat sitting, and that was not exactly what we had in mind. And that was when, for me, really the penny dropped that people want to have their own space in the comfort of a home, but they also want the quality and the expectations that you would have as a customer of a hotel. And if we could bring those two things together and create a professional brand in the vacation

rental space, that was for me something that I felt was a great opportunity around the time that peer-to-peer rentals were just really emerging in a big way on the scene.

[00:07:44] **Brandon Ehrhardt** The way that travelers have, the vacation rental category over time has shifted, like during the pandemic we saw the majority of travel be dampened or muted by COVID. We saw the exact opposite with vacation rentals. So, walk us through how you see the vacation rental landscape shift over time, starting before the pandemic and then continuing to today.

[00:08:03] **Merilee Karr** Yeah, so even before the pandemic, there was some really good research by PwC, which showed that the vacation rental industry was growing at 30 percent year on year. That's huge when you think about growth in any industry. It was projected at that time to be worth about 330 billion by 2025, globally. Then the pandemic hit, and of course vacation rentals were overnight shut down, which was of course a really scary time for a lot of people in the industry. And what we then saw was the resilience of the industry. In lots of places, they turned to hosting NHS workers or doing great things to help out in the time of need. But then our sector was the first to return. In many places, it was the first for governments to reopen because, of course, it's much safer to be in an individual home and a vacation rental than large buildings with lots of people who are traveling from all over the world. And so our industry bounced back quicker than any other segment of accommodation. STR had some fantastic data which showed trends of consumer preferences, and of all the categories of accommodation, we saw vacation rentals up by 11 percent in consumer preferences post-pandemic versus the rest of the sector, which was down obviously with things like hostels at the bottom of that list. And so that's fantastic because it showed how much people tried staying in vacation rentals and how much that changed their long-term preferences. And so I think you see that now. Eighty hours of vacation rentals are often matching hotels, which wasn't the case before the pandemic. Occupancy rates are hitting new highs that we never saw pre-pandemic. And all of this means that we are a sector that is not only resilient having made it through but also buoyant and really a sector that you see investors now coming into more and more and growth that I think is at a pace that we all are really excited about in the industry.

The vacation rental landscape:

[00:10:09] **Brandon Ehrhardt** Cool. So, Tim, this one comes to you. With this growth, what are some of the common criticisms you're seeing? Because we know with growth comes visibility and oversight. So, tell me about the landscape there and how it pertains to criticisms of the vacation rental space.

[00:10:22] **Tim Rosolio** Yeah, I think there's typically really three things that were criticized about the vacation rental space, and it depends based upon various municipalities and jurisdictions. There are certain destinations where the story is really about affordable housing, and very often that's an urban sector where vacation rentals are being blamed for driving up housing costs. I think most of our studies indicate that that's not really the case. If you look at the amount of stock — short-term rentals versus the overall amount of real estate in urban destinations — that's really quite small. Most of the studies we've shown that we've had shown that this really is a false narrative. The second narrative that sometimes you'll hear is really about nuisance. And everyone hears this story or this hot-button issue of a party house. A story of somebody put their home on a short-term rental website and there was a party at that house and it was destructive to the home or to the community. And I think that it's something that we as an industry are trying to combat. But it's also worth noting that, especially on Vrbo where we really are catering to the family traveler in a leisure destination, the bad actors are a fraction of a fraction of a fraction of the overall people that we have that are listing on the website or traveling on our website. So that's the second one. And then the third one is taxes. Some jurisdictions are worried about the parties, some jurisdictions are worried about affordable housing, but they all want to make sure that they get paid the equivalent of hotel and occupancy tax, because some of them might say for every dollar that stayed at a short-term rental, that is a dollar that's not being stayed at a hotel. And if in fact that's the case, they want to make sure they get their tax revenue out of that. And as far as I'm concerned, this is the new normal. Short-term rental providers should be prepared to pay for hotel and occupancy taxes as part of the offering that they provide.

[00:12:23] **Brandon Ehrhardt** All right. Merilee, switching gears a little bit but staying on this topic of growth. This growth has been driven a lot by new travelers experiencing vacation rental homes, whether that was during the pandemic or because it became more available to find. What are these travelers looking for and has that changed over time, or has that remained consistent?

[00:12:40] **Merilee Karr** Look, I think travelers continue to look for a great place to stay and increasingly that local experience when they travel. And I think vacation rentals are a category which provides that almost by its very nature. Authenticity and travel is a thing you hear often. And that ability to every time stay in a place which is different, that has the character of the owner, and the character of the place they're visiting is something that people want and are seeking when they travel. I think another trend is that people want space, particularly when they're traveling for longer. You see this even in business travel where people might take fewer business trips, but when they do travel, they travel for longer periods, and people want to have a bit of space to relax. They want to have a kitchen. They also want to be able to do things like prepare their own food, roll out a yoga mat, all these kinds of things, which is really difficult to do when you're in a hotel room. And so I think all of those trends are leaning towards vacation rental being a category which will continue to grow. We will see additional things like leisure and just the mix of all of these things coming together and continuing to support the growth of the industry.

Vacation rental myths debunked:

[00:13:54] **Brandon Ehrhardt** Yeah. So, speaking of that segment, let's stick with travelers who are trying vacation rentals for the first time. There's so many myths in the industry. What is the biggest myth that you've heard in the vacation industry? And I'm going to give you an opportunity to dispel that myth.

[00:14:08] **Merilee Karr** I mean, I think one of the biggest myths that goes around at the moment is that there are too many commercial operators out there. And this is a myth because people scrape data and therefore they have this idea that because there's so many listings, that those are all commercial properties. And that often isn't the case. Mostly, it's individual owners who own a property that's their own home, their second home. They're using that home when they travel themselves, but then they're renting it out when they're not using it themselves. And I think that's what's fantastic is that there are so many unique properties, and property managers are bringing together that great service and providing that layer on top. But that doesn't mean that they're managing a bunch of commercial properties that have no soul. And so, I think that's important for us as an industry to dispel this myth, that it's a bunch of commercial properties that have been bought up that are taking away housing from local people. It's not. It's actually homes that people own and that are being shared with other people when they're not being used themselves. And I think that's amazing, and I think we need that to be understood so that our sector doesn't get tainted with the wrong brush.

What's next for vacation rentals?:

[00:15:25] **Tim Rosolio** All right, Merilee. So, million-dollar question for you. Industry's been in some interesting spaces over the past few years through the pandemic, coming out of the pandemic. What are the big predictions for the coming year?

[00:15:37] **Merilee Karr** I think one of the things that we're going to see is actually the trends that vacation rentals are going to be used more for business travel. We've seen during the pandemic that business travelers started to look at it as an alternative. And people used vacation rentals when they traveled for their own personal holidays and realized, oh, wow, if I can stay in a flat when I travel to London or Paris or New York for business, wouldn't that be amazing? But I think what's also been great is as an industry, we've come together and we've got initiatives like TrustedStays, where all the professional operators in the industry can demonstrate their credentials on duty of care, accreditation, and all of these types of things so that it's possible for companies to allow their employees to stay in vacation rentals for the first time. And I think that's an incredible opportunity for people to have more choice when they travel, and whether that is

because they're relocating and it's going to be for a long period of time or even if it is just a trip for three or four days when they're visiting a city for business. And so, I think that's going to be something really new for our industry that we're going to see in this post-pandemic recovery.

[00:16:47] **Tim Rosolio** Yeah, Merilee, I think this is a huge opportunity. When I was out of school in the first decade or so of my career, I was in consulting, and I traveled probably about 50 weeks a year, and I stayed at hotels, and it just wasn't the experience that I wanted at the end of a long day. I have all these memories of watching TV while lying in my bed and falling asleep. And what I really wanted was I wanted to hang out while living. And short-term rentals are going to be a great opportunity to do that. At Expedia Group, we're launching the One Key loyalty program, and I think that might be an opportunity for some of these business travelers to say, well, wait a second, I can actually earn points for my stay and burn them on my vacations similar to the way they act historically in the hotel world.

[00:17:34] **Merilee Karr** Yeah, I couldn't agree more. And when I used to travel and you'd go from one nondescript hotel room to another, and you'd wake up, and you almost couldn't remember which country you were in. You'd have room service come to your room and you'd be sitting at this desk with the BBC up above you. And it's just an awful, awful experience. And if you've ever stayed in a vacation rental, you just know you can have a completely different experience. And I think people have cottoned on to that and are excited about that new product that's out there for them.

[00:18:03] **Brandon Ehrhardt** Yes, it's so interesting. Actually, I was talking to a developer two weeks ago who is developing something at QS, and like half of the units they're forecasting will be used for business-style retreats and utilizing vacation rentals as a place to bring teams together. So, very interesting, very timely. Thinking about the entire booking experience. So, from what a traveler is inspired to the frictionless booking experience to the stay and then the post-stay experience, there's really a couple of different players. There's the traveler, there's the OTA, and the host. So, let's talk about the responsibilities of the OTA and the host. And Merilee, I'll start with you. From your perspective, what's the responsibility of the OTA and what's the responsibility of the host?

[00:18:47] **Merilee Karr** So, look, I think the relationship between OTAs and property management companies, our hosts, is really simple. OTAs are fantastic because they bring guests to property management companies or owners that they would never have been able to attract on their own. The OTAs are great at how they curate that content. I think one of the big things that we've seen recently is being able to see hotels and vacation rentals alongside each other. I think that's a really cool way for people to find the product they're looking for. It's the responsibility of the property manager to provide accurate information. We call it the Nickel's personality. Be really open and honest about what that home is going to be like so that there's no surprises when the guest arrives. And I think more and more what we're seeing in the property manager segment is the use of technology to augment great guest experience. And I'm a big advocate. The guest experience is not all driven by technology. You need that personal touch. But I think the more that you can use good technology so that the people in your team are there to provide that really guest experience, then all the better. We've seen better technologies coming into the market, be that guest apps or even the systems that run behind the scenes. So, we use Hospiria, and that's been fantastic because we can automate so much of what we do that it means that the cleanings always happen when it needs to, and somebody is there to greet the guests and meet them upon arrival. And all of those things mean that the guests actually get some more personal experience, even though we as a company have fewer people delivering that service, because we can be way more efficient about how we do it. And I think in this world where costs are rising, that efficiency is incredibly important, but you can't lose that personal touch. Because I think that's where OTAs and the hosts and property management companies work really well together. When you've got that personal experience that the guest feels end to end that they're being looked after.

[00:20:56] **Tim Rosolio** Merilee describes this really well. And the thing that I would layer on top of this to a certain extent is I view it as a flywheel. The way it works is OTAs show transparent properties, and we provide a great and seamless booking experience. Great property managers provide a tremendous experience that's super consistent and has all the personal touches. And then the OTAs find ways to reward Merilee for doing that, whether it's via reviews or content, so that Merilee can get the next booking based upon the delivery of what she's done. So, I think it's a great

opportunity for it to almost be circular for when people provide great experiences, it helps them get the next booking and it helps them grow their business.

Advice for new hosts:

[00:21:46] **Brandon Ehrhardt** Makes so much sense. So, if you're sitting at home and you're the audience, you're thinking about, "Is this the time to put my second home up on Vrbo?" I think there are a couple of questions I want to get to. So, the first one is if you're on, someone's on the fence about listing their home, what should they know?

[00:22:02] **Merilee Karr** And I think the first thing is that if you're going to do it yourself, you need to know what you're getting into. There's a lot of work around providing a great quality experience to guests. And if you're going to choose a property manager, you want to choose someone you trust. And I think making that choice right from the outset about whether you want to do it yourself or whether you want to work with a company who can do that for you is really critical because once you've made that choice, then you can invest in making sure your property is set up right, making sure that you have thought about the guests and what they're going to want when they come and stay in your property. And if you get all those details right, you can have a fantastic home and fantastic reviews and guests who come back time and time again and build that loyalty. And that's when you get the real value coming back to you in terms of the monetary rewards of sharing your home.

[00:22:56] **Brandon Ehrhardt** And Tim, I think that there's, for some, they have this plan, but then on day one, they say, "Hey, how should I price my vacation rental?" How do you make the most out of seasonality or know that there's a special event coming so you should potentially raise your rates? What kind of tools does Vrbo have to enable that?

How our tech helps: MarketMaker™:

[00:23:12] **Tim Rosolio** Yeah, Brandon, we have a tool called MarketMaker, and that's a tool that really takes a look at for your destination, for the count of bedrooms that you have, with these types of amenities that you have, what are the right rates to use. And we actually have recently started a pilot program where if you want to, you can set it and forget it and we'll actually automate some of that pricing for you while still giving you some flexibility surrounding what's the minimum amount or maximum amount that you want to charge. So, allow us as a technology company to provide that guidance for you. I think it's a great opportunity.

[00:23:47] **Brandon Ehrhardt** Yeah, I think at the revenue management space, it can just be so intimidating if you don't know what you're doing and you're competing against other short-term rentals that potentially do or other hotels. So, a great tool that we have on the Vrbo side with Market-Maker. Merilee, what about you? How can a host make sure that they are getting the most out of their property when it comes to pricing and yielding rate?

[00:24:07] **Merilee Karr** Well, look, I think this is where often people choose to work with property managers because property managers are looking at this stuff day-in, day-out, and they know the local market where they operate. So, often we, for example, have our own software that looks at the market and does that and is just part of what we do for the owner. So, the owner, of course, needs to choose a property management company they trust, but once they do, then they're able to say, well, look, it's over to you. Please maximize the revenue you deliver for me. And most property managers earn their own income on a percentage basis. So, of course, they're incentivized to deliver more value for the owner because the more they deliver for the owner, the more they earn themselves. And I think those are the best relationships where you have that kind of symbiotic objectives, where you work together. And if you get it right, then both sides are succeeding off the back of that.

[00:24:59] **Brandon Ehrhardt** Makes total sense. All right. So, we figured out the listing. We figured out the pricing. You're going to leave a host, a potential host, with one last tip. How do you ensure that they maximize bookings and keep guests coming back? Merilee, we'll start with you. And Tim, interested in your perspective as well.

[00:25:14] **Merilee Karr** It's very simple. It's really about making sure that your home is always in good condition, that you've thought about all those little details. You know, it's things like having some board games that the families can play when they come, having a really good coffee machine and leaving some Nespresso capsules or whatever it might be. Having a welcome pack that shows that you've really thought about something local to your environment. All of those small touches are things that people really appreciate, and it's also helping people to understand and experience the local environment where your home is located. You know, tell them about your favorite restaurants. Tell them about the great things that they can do in the area. And even better, if they aren't just the tourist things that they can find on their own on Google, but something that's really different that they can experience and come away with a unique memory that they wouldn't have otherwise had. And I think if you can get those things right, then you're going to always have people recommending your property and you're going to have people coming back and you're going to have people leaving amazing reviews, which gives other people the confidence to book that particular home.

[00:26:22] **Tim Rosolio** Merilee is 100 percent right. And I think she speaks to a lot of the small touches. I think I'm going to speak to two things that are the basics of the basics of the basics. And the first basic is make sure that it's legal to rent your short-term rental. And some of that just requires a little bit of research to make sure that you understand what's allowed. Are there nightcaps? What sort of registration numbers do you need so you can be a responsible operator? That's the first thing. And then the second thing that I would say is super fundamental is find a great cleaner, because ultimately, having the great board games and having the right recommendations of the things to do in the area won't get you very far if the house isn't clean every single time.

Final thoughts and key takeaways:

[00:27:06] **Brandon Ehrhardt** Let's transition to our last last point. This is going to be a fun one. And Merilee, it sounds like you may be on this type of trip. But what we like to ask our guests is bucket list trip. You are going to go stay at a beautiful vacation rental home. Where are you doing it and who are you bringing with you?

[00:27:24] **Merilee Karr** For me, I would love to go back to Brazil. There's a beautiful beach in the north of Brazil, near Recife called Porto de Galinhas. And I've been there many years ago and I would love to go back there. I had a baby, my first child, back in November. So, he's five months old now, and I would love to take him there and take him out into the ocean. There's something amazing. They have what they call Piscina das Marés, which are like swimming pools of water on the beach because the beach is about a kilometer wide. And so, when the ocean goes out, you can actually go and swim in these warm pools of water. And I just think for a little child, that would just be a dream.

[00:28:03] **Brandon Ehrhardt** That sounds quite fun. Tim?

[00:28:05] **Tim Rosolio** All right. So, here's my vacation rental dream. I want to go to Scotland or Ireland. I want to stay at an old manor and then I want to play golf all day. After I play golf, I want to come back to the manor and I want to drink scotch. That's the plan.

[00:28:25] **Brandon Ehrhardt** You haven't thought about this at all. You are ready to go with that answer. I love it. Such a powerful and insightful conversation with Merilee about the area of the travel industry that is growing and maybe growing faster than any other. I mean, personally, I think vacation rentals have injected so much flexibility into the travel experience. You're no longer bound to a hotel room. You need a multiroom situation, you can do so in a rather cost-effective way. I think vacation rentals are only going to continue to grow, especially as we're thinking about business

demand and more flexible options for businesses to meet or come together and meet for their offsite. So, Tim, keen to hear what you think is coming and what your takeaways were from the conversation.

[00:29:04] **Tim Rosolio** Yeah, I think that's a good way of putting it, Brandon. I think there's a traditional space with which vacation rentals have been used for the annual beach blowout, and people have discovered that, and we're going to see more and more of that because it's a great experience. But then additionally, as it becomes more mainstream, I think you're going to see additional ways that people leverage vacation rentals, whether that's for business travel or the quick weekend getaway or other opportunities that people can use this amazing inventory.

[00:29:31] **Brandon Ehrhardt** Totally agree. Really appreciate you taking time out of your busy day to join us and then share that expert perspective. Thanks for joining us for another episode of the Powering Travel podcast. We want to hear from you. So, connect with us at PoweringTravel@ExpediaGroup.com that's one word, PoweringTravel@ExpediaGroup.com. Got a great note from the state of Hawaii this week that I think the team and the crew behind the podcasts all really enjoyed. So please feel free to reach out with us. Suggestions, tips, topics, questions, all are fair game. PoweringTravel@Expediagroup.com, and then obviously subscribe and get notified when new episodes are live. And if you just have a moment, be sure to rate and review the show. It helps us get in front of more people like you. Thanks a lot for listening. We'll see you next time on Powering Travel brought to you by Expedia Group.