



**“ THIS GAME IS, BY FAR,
NOT OVER YET.”**

SIMON LEHMANN

**DISCUSSES THE FUTURE OF THE VACATION RENTAL INDUSTRY, AIRBNB, HOMEAWAY,
AND UPCOMING CHALLENGES AND OPPORTUNITIES**

BY AMY HINOTE



When researching the vacation rental sector, it doesn't take long to encounter the name Simon Lehmann. Over the years, Lehmann has made a name for himself as an expert in the online travel and vacation rental industries. He has worked closely with companies in all sectors of travel and has held several key positions including CEO of Interhome from

2005 until 2014, president of Phocuswright until late 2017, CEO of Biketec, deputy CEO of the Hotelplan-Gruppe, and various high-level management appointments at Swissport International, a worldwide leading company in airport ground handling and a former Swissair Group company.

Additionally, Lehmann has been involved in strategic planning with many of the leading and up-and-coming players in the vacation rental sector, has served as a board member for Inntopia, and has held a position as a nonexecutive board member for HomeAway prior to its purchase by Expedia. Lehmann is passionate about identifying new talent and mentoring founders of industry startups, and has invested in many of them. He currently serves as a board member for Vacasa Europe and as an advisor to Rented.com, Transparent, Properly, HelloHere, and Travelnews.ch.

He provides consulting services within the industry and is frequently invited to speak at online travel events worldwide. In October of 2017, Lehmann stole the show at the Vacation Rental Management Association (VRMA) National Conference in Orlando, where he discussed the direction of the market and led an animated panel discussion with industry leaders Ben Edwards, Steve Milo, and Jodi Refosco. He will be headlining the VRMA European Conference in Paris this March.

Lehmann lives in Switzerland with his wife and five children and recently celebrated the holidays in Spain with extended family, which is where we caught up with him to discuss the industry's trajectory, Airbnb, HomeAway, Wyndham, and the challenges facing the vacation rental sector in 2018.

AH: WHAT OVERARCHING TRENDS DO YOU SEE IMPACTING THE WAY THE VACATION RENTAL INDUSTRY IS SHAPING UP TODAY?

SL: A massive convergence is taking place, and the entire hospitality vertical is becoming one. As always, the consumer is shaping the industry, driven by a changing behavior and available technology. Customers have diverse needs that must be fulfilled. At the end of the day, consumers are looking for accommodations based on their immediate needs. One minute they're looking for a hotel and the next a private room in an urban location or simply a vacation rental to holiday with friends and family. This means that the shopping funnel will change dramatically, and we will see the supply side melting into each other and consumers will be harder to catch.

AH: IN YOUR CAREER, YOU'VE LED INTERHOME AS CEO AND PHOCUSWRIGHT AS PRESIDENT AND SERVED ON MANY HIGH-PROFILE BOARDS INCLUDING HOMEAWAY, VACASA, RENTED.COM, INNTOPIA, AND MORE. YOU'VE HAD AN UP-CLOSE LOOK AT THE INDUSTRY'S MANY ITERATIONS. WHAT ARE THE BIGGEST CHALLENGES THIS INDUSTRY HAS FACED OVER THE YEARS?

SL: First of all, the industry had to be lifted out of its "Tupperware" phase. Vacation rental was perceived as a secondary industry with bad inventory, and it had a reputation of being unprofessional. It has never been recognized as a huge industry on its own, which by the way has been around for decades. It needed organized supply,

online distribution with bookable inventory, and a clarification of the value proposition for consumers. Then Airbnb showed up, and all of a sudden, a ton of money went into startups that basically verticalized the industry again, similar to what happened in travel. Everybody wanted a piece of the value chain from the consumer side to the owner side. Therefore, the immediate and largest challenge has been to be recognized as a professional, vertical industry that offers a great proposition to consumers as well as owners. Secondly, it will have to overcome its fragmentation globally. The challenge that remains is to standardize the business. The ultimate owner of the product is in most cases still an individual home owner. So, the business needs to become more professionalized overall, and the owner needs to recognize what drives value for consumers in order to maximize occupancy.

AH: WHILE YOU WERE AT PHOCUSWRIGHT, THE VACATION RENTAL INDUSTRY GOT WRAPPED UP IN A BROADER SECTOR LABELED "PRIVATE ACCOMMODATIONS." DO YOU THINK TRADITIONAL VACATION RENTAL MANAGERS, HOSTS, AND URBAN OPERATORS WILL COME TOGETHER IN A MORE COHESIVE WAY?

SL: As mentioned in one of the earlier questions, inventory will become more cohesive to satisfy consumers' needs. This is no longer private accommodation—it's all hospitality now, in a broad sense. The guest experience as a whole is key and not simply the accommodation.

Let's not forget that consumers spend only 40 percent of their travel budget on accommodations. People expect an experience regardless of whether they book a hotel, an apartment, or a vacation rental. Therefore, the industry will have to come closer together and think about it in overarching fashion. Let's remember what happened in the hotel industry and how they are trying to accommodate consumers' needs and behaviors. They have not yet figured that out yet, and yes, we have seen some movements by Hyatt and Accor, but I think that is only the start. One thing we should not forget is that the consumer is looking for value, location, and experience regardless of the type of accommodation.

AH: AIRBNB HAS BEEN MOVING IN MANY DIRECTIONS WITH ACQUISITIONS, PROPERTY MANAGEMENT, AND MOVEMENT INTO MULTIPLE SECTORS OF TRAVEL AND HOSPITALITY. WHAT DO YOU THINK ARE THEIR LARGER ASPIRATIONS? DO YOU THINK THEY WILL MOVE FORWARD ON THEIR IPO IN 2018?

SL: I guess the investors of Airbnb are getting nervous to justify valuation. What is Airbnb now and what is Airbnb going to be in the future will not be the same. The value proposition as a marketplace for primary or secondary home is not enough anymore. The brand has already huge consumer value and it is tempting for them to reach out in to all different directions. I guess Airbnb needs to find its place, but the company has the opportunity to become an OTA for the next-gen traveler in addition to being a valuable channel for the vacation rental industry. Offering local activities and the opportunity to live like a local will not move the needle—that's not what the traveler is looking for—but leveraging its brand value across other verticals will be far more compelling. But let's not forget the regulatory issues that are looming out there and need to be tackled in cooperative fashion. Airbnb is in a great position for an IPO but needs to become clear on its strategy going forward.

AH: HOMEAWAY HAS MADE SIGNIFICANT CHANGES REGARDING FEE INCREASES AND POLICIES. LOOKING AT THE OTA LANDSCAPE, DO YOU THINK HOMEAWAY'S MOVES WILL PROVE TO BE SUCCESSFUL FOR THEM LONG-TERM WHILE COMPETING WITH AIRBNB AND BOOKING.COM?

SL: Looking at the distribution landscape today, we can say that it has narrowed down to four large platforms in the vacation rental space. Once you build a brand and generate a great amount of traffic and demand, you are tempted to maximize revenue streams. But as we have seen in the hotel space before, this will start to backfire midterm.

We have not even spoken about Google yet and what role they are going to play. They have made some announcements to build a platform like Hotel Finder for the vacation rental industry. So, increasing fees will not help the long-term game. Investors are applying pressure on OTAs right now, trying to leverage their consumer reach and massive inventory to squeeze the lemon a lot more until it's dry. Playing at the top of the funnel is an expensive game, but VRMCs will look for alternatives to find their guests at lower costs. This game is, by far, not over yet.

AH: DO YOU SEE ANY ROOM FOR OR EVIDENCE OF AN UPCOMING DISRUPTION IN THE OTA LANDSCAPE?

SL: Alternatives exist such as metasearch, content aggregators, and other intermediaries. We have seen many different startups in various places that are trying to get a piece of the pie, but I'm skeptical about how successful they are going to be. But yes, there will be disruption in distribution, and perhaps even the large hotel companies might play a game in that going forward. Focusing on building loyalty and repeat customers might be a game-changer, too, for companies that have enough inventory to cater to guest requirements. VRMCs are not well equipped with CRM technology and therefore are not very strong in building loyalty and repeat customers. We will see a lot more disruption in this game especially as Google moves closer to the a product for distribution.

AH: WHY DO YOU THINK WYNDHAM IS SELLING NOW? DO YOU THINK THEY WILL SELL THEIR NORTH AMERICA BUSINESS, TOO?

SL: I can't comment on this question, except to say that it makes sense that during a strategic pivot you would review your portfolio and think about what makes sense and what doesn't. With their spinoff of the hotel business, it makes perfect sense for them to divest their European VR asset to focus on the timeshare and hotel industries. What they will do with their North American VR asset remains to be seen.

AH: WE ARE SEEING A LOT OF CONSOLIDATION IN THE INDUSTRY. WHAT IS DRIVING THIS TREND, AND DO YOU THINK IT WILL CONTINUE?

SL: You need to control the product and therefore the inventory. If you want to be a serious player who can invest in distribution, product, and guest experience you need to have scale because you need to reach your guests in an economical fashion. If we compare this to the hotel industry, it is clear that you need scale to be successful. In Europe, hotels are under massive threat by the large OTAs because hotels have become too dependent.

Therefore, the industry will continue to be consolidated to build serious inventory; only then can you leverage operation costs and build a business at scale.

AH: WHAT ARE YOUR PREDICTIONS FOR THE VACATION RENTAL INDUSTRY?

SL: Consolidation, standardization, and commoditization, and therefore professionalization. This business is here to stay, and it will make a lot bigger impact in hospitality than everyone thinks.

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