

One Fine Mess?

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The luxury villa rental is a buoyant market, which positively grew through the pandemic, but we find this to be an immature industry ripe for service improvement and experience innovation.

Introduction

01

Why do people choose villa rentals over other types of vacation, and what makes them return time and time again?

In early October 2022, *Condé Nast Traveller* published its Readers' Choice Awards and among the accolades was the publication's annual list of [The Best Villa Rental Companies](#) in the world, ranked by average levels of satisfaction.

Acknowledging their seventh consecutive win, The Thinking Traveller expressed gratitude for their sustained success. "Our thanks go out to our fabulous team, our wonderful owners, and everyone who works alongside us to ensure that our clients have the best possible experience and return with us time and time again."

But why do people choose villa rentals over other types of vacation, what makes a great experience, and why do clients return time and time again?

Post-pandemic, people are increasingly looking for homes away from home: unique places to play and work while surrounded by family and friends.

Attracted by the intimacy, individuality and charm, space, privacy, flexibility and personalisation of rented private homes, affluent families – whether multigenerational or multiple-family in composition – and even groups of tolerant, pre-kids friends – are moving out of cookie-cutter hotels and resorts into luxury villa rentals.

Although the price for a week's rental of a luxury villa in a prime location may seem high initially, once the holiday cost is calculated on a room-night basis, villas often prove cheaper than suites of equivalent size in a luxury hotel.

In addition, the interiors of a private home are likely to be more characterful than the generic furniture, fixtures and fittings of hotels. Plus you don't have to share your swimming pool with people from outside your group. Finally, although your breakfast buffet will be self-service, for an extra fee most villa rental companies will arrange a private chef, although isn't walking down to the local village in the morning to find fresh croissants or pastéis de nata for the communal breakfast table all part of the holiday experience?

According to Skift's [Definitive Oral History of Short-Term Rentals](#), before the advent of the internet, the holiday rentals market was largely opaque and characterised by unmet demand and fallow supply. Operating by word of mouth, this was a mom-and-pop industry ripe for the intervention of digital marketplaces. However, since the first online listings appeared in the mid-90s, the vacation rental sector has professionalised and snowballed to the extent that even the once sceptical traditional hospitality players are scrambling to add rental propositions to their portfolios.

How well does the rental industry address the peculiar needs of the most discerning of travellers?

For the average holidaymaker, booking a rental vacation is as simple as visiting a mainstream booking platform like Airbnb, the dominant player in the home-sharing market, to search for properties in the selected location. As a combined revenue in 2021 of \$17 billion attests, highly visible and functional sites such as Airbnb and Booking.com are efficient platforms for comparing thousands of properties in the mass market.

At the apex of the market sits the lucrative luxury segment but how well does the rental industry address the peculiar needs of the most discerning of travellers? After all, these are time-poor consumers who are unable or unwilling to spend hours surfing the net and yet will pay handsomely to enjoy a unique holiday rental without compromising on style or service.

And it's not as if Mr and Mrs Luxe are under-served when seeking to manage their precious leisure time. Airbnb itself has consistently premiumised its offering, first with Airbnb Plus – a special collection of homes, launched in 2018, that have been verified in-person by a third-party inspector – and in 2019 Airbnb Luxe, which emerged from Airbnb's acquisition of Luxury Retreats. Airbnb Luxe properties are subjected to a 300-point amenities checklist and an additional layer of design inspection.

A further, existential challenge facing all villa rental companies is the convergence of previously discrete lodging categories. To meet their demanding customers' needs, luxury villa rental companies compete at the increasingly crowded intersection of overlapping sectors including, but not limited to, property rental platforms, OTAs, resort and hotel operators, as well as lifestyle concierges.

Defining, operationalising and defending a differentiated and scalable service offering at this busy crossroads will not be easy. Harder still is translating a motivating promise into an elegantly executed and consistent performance that leaves a positive lasting impression on high-spending affluent holidaymakers.

Who's Who

02

In a fragmented market full of small, independent companies, how does the luxury traveller choose from which to rent?

On the supply side, the luxury villa rental market is still fragmented, although private equity is fuelling an inevitable consolidation, initiating a land grab to build one of the operators that will come to dominate the market.

For example, in 2017, Le Collectionist secured \$10 million of funding from Red River West to acquire rival operator Bonder&Co in Ibiza and to support international expansion. In 2021, Le Collectionist, whose current backers include OLMA Luxury Holdings, acquired Bramble Ski and absorbed the alpine chalet specialist's 160 properties.

In December 2020, Piper invested £7 million into The Thinking Traveller, which acquired leading Greek villa company White Key Villas one year later, adding 70 exclusive villas to its existing portfolio of 232.

The rule of five determines that most markets consolidate around a handful of major players. Still, we question if these efforts to unify a long tail of small, destination-specific operators and accelerate the growth of an immature market increase the risk that the pursuit of scale will be at the expense of excellence. On this last point, time will tell, but for the time being many luxury villa rental companies still operate as specialists focussing on single destinations (e.g. Greece or Ibiza) or regions (e.g. Mediterranean).

In a landscape featuring many small, independent rental companies, how does the luxury traveller choose from which company to rent?

Or is brand preference driven ultimately by which platform 'owns' the listing for their favoured property? In which case, how can a villa rental brand influence consumer choice when renters can find most of the available stock on multiple branded sites and a growing number of aggregators?

These dynamics are characteristic of the mainstream real estate market. When selling a home, vendors take great care in determining the realtor with whom they will list their property. They weigh the commission level, image and marketing capabilities of the brand, its network and reach, and recent comparable sales into their decision. Conversely, buyers care very little about the estate agent they purchase a home from because, on the buy side, inventory rules.

In search of answers, we reviewed the proposition statements (or nearest analogue) and the websites for 20 of the leading players in the luxury villa rental market. We compared how they say they are different and better than competitors and what makes them special to their customers.

The table below records our findings and key data points for each brand.

	Villa Rental Company	Proposition Statement (or analogue)	Year Est.	Operating Territories	Number of Properties
1	Airbnb Luxe	Offering the world's most extraordinary homes with the highest standard of service	2019	Worldwide	2,000
2	Adams & Butler	Hallmark of Luxury Travel	2003	UK	110
3	Cuvée	Cuvée artfully pairs bespoke luxury villas and singular immersive experiences for collectively celebrating life's most special moments	2006	Africa, Caribbean, Italy, Mexico, US	60 plus
4	Edge Retreats	Exceptional villas of the world	2011	50 countries	4,000
5	In Residence	Exceptional hospitality redefined	2015	40 countries	1,000s
6	Le Collectionist	We create extraordinary holidays	2013	11 countries, but mainly France and Spain	1,400
7	LVH Global	Providing elite-level experiences in elegant, exclusive and private homes	2015	100 global destinations	1,000s
8	Mr & Mrs Smith	The travel club for hotel lovers	2003	80 countries	237
9	Oliver's Travels	Find extraordinary	2004	Worldwide	6,403
10	Onefinestay	A personal service for discerning guests who value exceptional quality homes and experiences in the most desirable destinations	2009	Worldwide	5,000
11	Scott Williams	Unique access to extraordinary villas	2007	Greece, Croatia, Italy, Morocco, Spain, France, Caribbean, UK, Ireland	150
12	StayOne	Stay in the finest One percent of holiday homes	2017	70 countries	4,000
13	The Thinking Traveller	The world's most thoughtful villa rental company	2002	Italy, Greece, Corsica, Mallorca	220
14	Welcome Beyond	Hand-picked boutique hotels and holiday rentals	2009	41 countries	216
15	A&K Villas	Choose your dream villas from our hand-picked collection	1962	Worldwide	50 plus
16	Simpson Travel	Bringing together idyllic destinations, luxury accommodation and award-winning, personalised service	2002	Europe focused	72
17	Unique Homestays	Reinventing luxury	2001	England, Ireland, Scotland, Wales	194
18	Plum Guide	Stay in the world's most remarkable homes	2016	Worldwide	500,000
19	Perfect Hideaways	Extraordinary holiday spots for fellow escapists	2005	South Africa, East Africa, Botswana, Zambia, Zimbabwe, France, Croatia, Italy, UK	300
20	Villas of Distinction	A distinct luxury experience	1989	Worldwide	2,500

Findings

03

It is difficult to tell the brands apart – everybody, it seems, offers the exceptional, exclusive and extraordinary.

From their proposition statements alone, it is already difficult to tell the brands apart. The brand names are fairly generic and some are unhelpfully similar (e.g. Stay One / One Fine Stay or Unique Homestays / Perfect Hideaways).

Given the articulacy of their audience, the companies express themselves with a surprisingly limited vocabulary, employing a narrow lexicon of feel-good terms in more or less indistinguishable combinations that produce a potpourri of pleasant hyperbole. Everybody, it seems, offers exceptional, exclusive and extraordinary experiences, all five-star, hand-picked hallmarks of luxury.

Typical of players building market share in immature industries, most brands concentrate their sales pitch on what they do as opposed to what that does. In other words, they prioritise function over emotion.

At face value, a few brands have made greater effort to stand out from the crowd.

Founded in 2017 by two former investment bankers, Jorge Munoz and Tom Bennett, StayOne entered the market with a differentiated challenger proposition. The brand's current claim to offer "the finest One per cent of holiday homes" may sound somewhat bland, and we do question whose judgement is relied on to define or guarantee properties to be among the finest one per cent. Nonetheless, StayOne remains committed to its founding mission of ensuring total confidence and a sense of security for both owner and renter by moderating a vetted community of like-minded travellers. At least that's a proposition rooted in people rather than property.

Notably, The Thinking Traveller's promise to be "the world's most thoughtful villa rental company" suggests a more purposeful proposition than their competitors. But, scratch the surface and there's little tangible evidence that they gear themselves any more to the needs of a "thinking" traveller than the rest, whose customers presumably also think they need a villa holiday.

Where, for example, are the proof points that this is the brand for a luxury traveller that travels to cultivate their knowledge and grow their cultural capital? Will they return from a villa holiday booked through The Thinking Traveller more inquisitive and learned? Will their thoughts have been expanded? In other words, does the experience live up to its name, or does the brand rely solely on a superior selection of properties and excellent customer service for its winning track record?

Adams & Butler offers a distinct type of property, encompassing stately homes, castles, manor houses and grand country estates. Undoubtedly, the brand occupies a niche, although its "Hallmark of Luxury Travel" sounds more coach tour operator than castle walls.

Across the brands' communications, product is king and the verbiage is factual.

Mr & Mrs Smith positions itself as “a travel club for hotel lovers”, which is admirably precise, but how does that proposition entice people who love villas? And why hint at the membership qualities of a club when the sense of belonging and benefits offered by actual members' clubs like Soho House for the creative classes and 67 Pall Mall for connoisseurs of wine are both tangible and valuable?

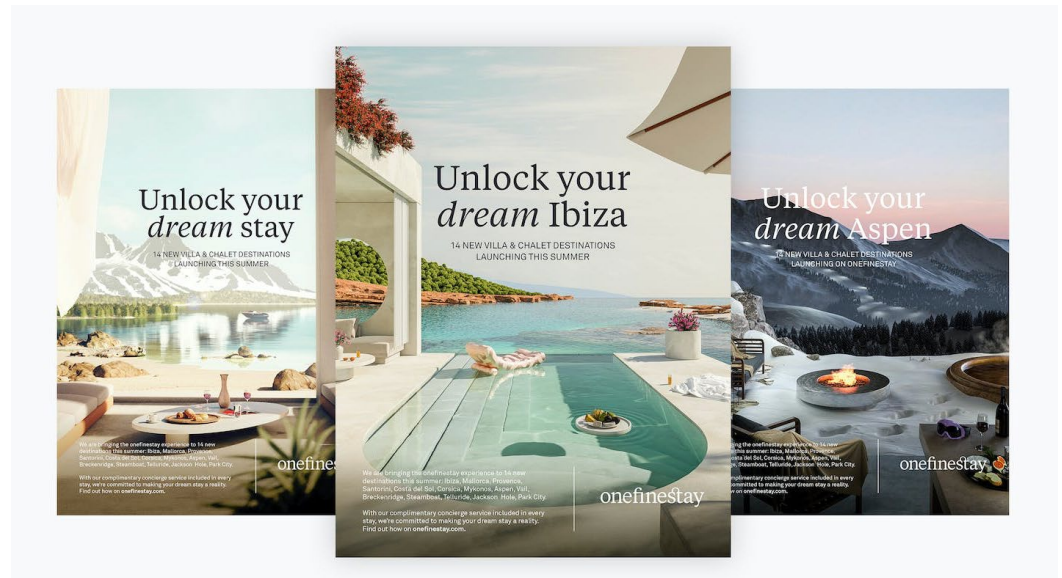
Next, we looked at the brands' presentation faces more broadly, including their visual identities and websites. As expected, luxury villa rental companies mostly dress the part but generally rely on familiar cues in their visual identities. So it's not surprising to see the simple letter-spaced sans-serif typeface of StayOne or the more new-school editorial style of Le Collectionist embodying a copyright 'c' that implies a badge of ownership on their portfolio.

Across their websites, social channels and print advertising, the product is king, and the communications are prosaic relative to the lyrical possibilities of an “extraordinary holiday”. The verbiage is factual, concentrating on physical features: size, number of bedrooms, bathrooms, pools, facilities and the like. It's also becoming a battle of the amenities: how big is the BBQ, is the outdoor sound system by Bose, Harman Kardon or Burmester? Is the jacuzzi wood burning and what surprise is to be found on the roof terrace?

The websites are correspondingly functional with a booking engine or inquiry form up front and centre. No soft sell here. But where is the brand building, editorial and curation that lift brand sites from adjacent categories like Editorialist, Le Bon Marché and The Bicester Collection, which serve the same customer, above mere storefronts? Instagram grids are a beauty parade of property shots with little or no storytelling.

Where are the people, the travellers, “thinking” or otherwise? Where is the promised lifestyle – “singular immersive experiences for collectively celebrating life's most special moments” – depicted? We've said it before in other categories, and we'll repeat it here about the villa rental branding: they're all swimming in a sea of sameness.

We also found that very little effort is being invested in brand building by the companies reviewed. Even if some companies do spend on advertising, the campaigns are far from compelling.



Like any realty business, these brands must build awareness and drive conversion from two audiences simultaneously – homeowners and renters. Without a high-quality inventory, these brands don't have a product. Accordingly, it's critical

to attract and onboard the owners of the best properties by demonstrating a superior capability to produce healthy returns over a short season from high-budget renters. Equally, they must continue to attract the interest of an audience of new renters seeking a villa as a base for a memorable vacation.

In response to this challenge, a bland brand seems to be the favoured approach or at least the path of least resistance – something for everyone but nothing much to anyone. But is it too challenging to build a strong brand identity that speaks to both audiences with equal conviction?

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If they expect to compete with luxury hotel operators, villa rental companies have much catching up to do.

Critically, the brands' look, feel and behaviour resemble those of property portals more closely than contemporary real estate brands. They are more Prime Location than Knight Frank, more Zoopla than Foxtons, and more listings than lifestyle. And yet we must acknowledge that the Knight Franks and Sotheby's of the world are still far behind the luxury hotel operators' branding and their inspirational portrayal of an unforgettable guest experience. So, villa rental companies have much catching up to do if they expect to compete with brands like One&Only, Six Senses, Four Seasons and Auberge Resorts Collection, some of whom meanwhile are busy making inroads into the rental business.

Questions Arising:
What does all of
this mean?

04

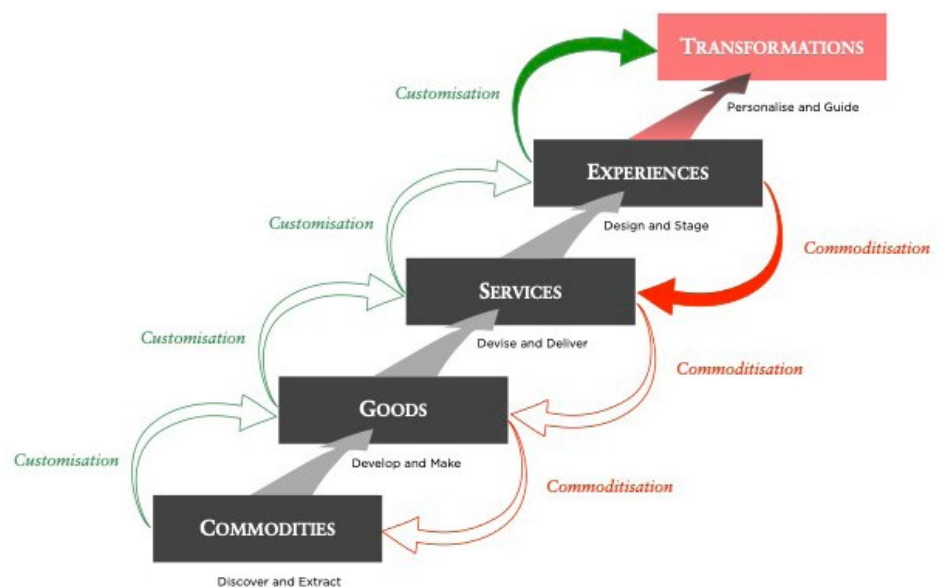
If you are in the luxury villa rental sector, we believe our analysis of the proposition and presentation of your brands raises fundamental questions. Finding cogent answers to these will determine how sustainable you prove to be.

So, we put it to you:

- i) *What business are you in?*
- ii) *Who is your customer?*
- iii) *What is your value proposition?*
- iv) *What will it take for you to deliver value?*

i) What business are you in?

As a client this summer, you promised us the most beautiful houses (goods), exceptional services (services) and memorable experiences (experiences). These three elements represent stages two, three and four in the progression of economic value creation identified by Pine and Gilmore in ‘Welcome to the Experience Economy’, their seminal article published in *Harvard Business Review* (1988).



The Experience Economy, Pine & Gilmore

Stage one in the evolution of economic value is commodities. Today, the luxury hospitality industry stands on the brink of the fifth and final stage – transformations. Transformations are an evolved type of experience, which many luxury operators are figuring out how to materialise now that experiences have become commoditised.

And how did your performance live up to this triple lock promise? Beautiful houses – check. Exceptional services – somewhat. Memorable experiences – barely or for the wrong reasons. You delivered a stage two transaction but failed to reach stage three or four: service and experience. This isn't good enough when you are going to compete increasingly with hospitality brands that have excelled at staging experiences for 10-15 years, and the best of whom are starting to take the next step up – guiding transformations.

Based on our own interactions, the evidence suggests that you offer little by way of service, let alone experience. On the contrary, you operate stubbornly in the goods economy, brokering access to homes that you neither manufacture nor own.

The contradiction revealed by this reality is that your websites are sprinkled liberally with claims about fantastic service, which you aver will extend far beyond the booking process.

Metaphors of bespoke service and tailored experiences abound. Complex, tiered concierge offerings look to have been inspired by the lobby stalwart of a luxury hotel, or maybe it's a white-label service delivered by a professional operator like Quintessentially or John Paul? But no. Even when we put your top service tier to the test, it failed to match that of a mid-market boutique hotel. Soon, we realised you have cynically substituted the Clefs d'Or expert with a WhatsApp group staffed by students on a summer placement. Regrettably, their insider knowledge is limited to looking up a restaurant or beach club recommendations on Tripadvisor or Google. Thanks, but I can do that myself from my phone!

So, how much further does this “bespoke service” rise above expectation, i.e. diligently confirming a reservation, processing payment, taking a damage deposit and sending a rep to welcome your clients to their villa on arrival? (Unfortunately, on one occasion this summer, even that last service step proved too much to deliver.)

ii) Who is your customer?

Owners, clients or both? Are your owners suppliers or customers? And if the answer is both, how can both audiences' needs be reconciled? How well do you know your client? Do you even care, or are they merely occupancy fodder, filling voids in the booking calendar. What would change if you thought of us not as a client but as your guest?

Of course, the property owners provide your revenue stream, but how you operate suggests that you have forgotten that the source of those funds is your client.

Even top-tier concierge offerings failed to match that of a mid-market boutique hotel.

The quality of your inventory is no longer enough. Guests expect experiences, and you must focus greater energy on conscious service design.

Remember, you serve affluent consumers increasingly engaging with other luxury lifestyle brands in their repertoires, two or even three stages further ahead in the experience economy.

We expect great experiences and are moving forward in search of transformations and even eternalisation. You can only bridge the gap between what you are delivering and what your guests can expect and enjoy elsewhere by your hold on the villa inventory for so long.

It represents a fundamental disconnect that we believe threatens your long-term existence.

iii) What is your value proposition?

What would happen to your business if an inventory aggregator consolidated and compared all the luxury villa products offered on all the independent villa rental platforms, an equivalent to PrimeLocation, Zoopla, Booking or even Amazon?

Owners would be happy with the extended reach for their properties, while the vetting of properties and clients could be outsourced to a specialist just as online estate agents manage viewings. In addition, an industry portal would save the client the tedium of trawling through multiple sites. Furthermore, the scale one or two aggregators could achieve would most likely enable investment in technology to significantly improve the browsing and booking journey.

We don't know the precise figures, but experience suggests that you don't even control most of the stock exclusively, so there are few entry barriers to the product. Ultimately, the only thing you own is your client relationships and reputation. Yes, in part, the quality of your villa inventory will influence reputation, but unless you up your game on service and experience, what value do you add to the holiday experience?

iv) What will it take for you to deliver value?

If you decide to operate as a luxury experience management platform, what will it take for you to deliver value that justifies the high price of the rental? Ultimately, you must focus greater energy on conscious service design, and consider recruitment of talent from the hospitality industry.

But let's not try to run before we can walk. First, you must moderate the inconsistent service standards between properties of the same level in the same destination by establishing better supporting systems and processes.

For example, at one villa, cleaning is provided every day except Sunday, but at the second, it's every other day. At the first villa, bed linen is changed daily, but at the next, it's twice during the stay. Rubbish is taken out there, but that's my job here. Here, the laundry is washed and ironed; there, it's for you to tame the ironing board. At one, there are cloths to wipe down the precious stone worktops; at the next, it's off to the supermarket to avoid leaving stains you will gladly deduct funds from my deposit to remove.

The reason for such inconsistencies becomes apparent when you make inquiries – an agreement between the homeowner and their staff determines the service level we receive. But I didn't book with the owner: I booked with you, the villa rental brand, and you promised “exceptional services”, to “take care of everything” and to “simplify your life”.

We question whether the standards that ensure consistent levels of excellence within luxury hotels and which affluent travellers now take for granted exist in the villa rental industry. Have villa rental companies developed a set of standard operating procedures to be implemented on the ground, or do they consider their role over once you check in?

Conclusion

Why does any of this matter, you ask? We are villa rental companies, not hospitality operators. We do what it says on the tin by fulfilling your wish to rent a villa. Job done, right?

But you know from your own experience that a client's memories from their holidays are inspired by the place they saw and the people they met, by how they were treated and the experiences they enjoyed together. Six days after their return home, they couldn't care less about the size of the pool, the cool pool table, the Miele dishwasher or Bose surround sound. It's all about time, not things, people, or property.

So, it's no longer enough to view your role as little more than box shifters with a superficial sprinkle of faux conciergerie. Sure, it's easy to talk about the “art of hospitality”, but it's an art you have yet to master.

And you have a shrinking window of opportunity, because the traditional luxury hotel companies and consortia are fighting back with acquisitions like Onefinestay by Accor and joint ventures such as StayOne and Mandarin Oriental. In addition, in late October 2022, as we publish this paper, Small Luxury Hotels has announced the launch of Private Collection, its villa portfolio.

It's easy to talk about the “art of hospitality” but it's an art you have yet to master.

As these luxury hospitality brands increase their villa inventory and leverage their global networks, we forecast they will succeed in taking a substantial slice of the action. These legacy operators will undoubtedly change the game as they woo guests who are most likely already their customers with a proven capability for designing and delivering elegant service and elevated experiences, all backed by a bible of reliable brand standards.

Now that really could be transformational.

If you are a luxury villa rental company and would like to explore how you can evolve from commodity broker to valued brand and from basic service provider to memorable experience stager, we will be happy to take your booking.

CONTACT

If you would like to explore how we could work together, please email [Vanessa De Nardi](mailto:Vanessa.DeNardi@luxury-branding.com) to start the conversation or visit luxury-branding.com

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