



#1 Rule You Must Follow to Max Profits w/o Wasting Time

What is the “RULE”

During your startup phase, you should be laser focused on these objectives, so you don't waste money or time working on things that don't increase your profits.

To help you focus, you must learn the RULE.

The RULE is for your protection. It keeps you from doing a lot of extra work that you're not paid for.

So, please memorize it.

Keep this principle in front of you as you make decisions regarding your extended stay rental and your long-term goals:

Ready? Here it is. Say it like you mean it!

**To maximize profits
I must exceed my guest's expectations
on the things that matter
by a small margin.**

That's it! That's the **RULE!**

Hope the clear thinking resonates with you.

Let's break this down line by line, and squeeze some more truth out of it.

Your Guest's Expectations

This implies that you need to spend a moment doing some market research and understanding your guest's needs. The goal of anticipating a client's need is growing in popularity. You see Google and Amazon doing it; most savvy retailers track your buying habits. This helps them sell you more things without annoying you.

Do This

Take some time to develop your own predictive workflow, similar to what I did in Attachment 1. Walk through your listing with another person that's not familiar with the space. Observe what they look for and when they want certain things. This will be incredibly insightful for you.

This deep insight is something you can monetize! So, don't skip filling out Attachment 1 for yourself.

Your Ideal Guest – the Business Traveler

Let's start with the raw fact that not all guests are best for your profitability.

Many hosts rent out their vacation homes or personal residences while they are away. They're considered owner-occupied Airbnb Landlords. Any extra money they make reduces their personal expenses.

You, on the other hand, have a different starting point. For you to be successful, you need to make a profit beyond what a traditional landlord makes. That is why the vast majority of guidance you may hear regarding Airbnb doesn't apply to you.

To help you become profitable as quick as possible, I suggest you focus intently on business travelers (if at all possible). These travelers need a place to stay all throughout the year, and they have fewer "wants" than tourists.

Vacation travelers (tourists) are more likely to want a bed & breakfast experience. They want the VIP treatment served with TLC and that can eat up a lot of your time. Since you value your time – whenever possible, you should avoid tourists.

Business travelers typically need to stay for 5 to 7 days or more. They are interested in alternative housing because they're sick of cookie cutter hotel experiences. Business travelers have limited budgets but want the most convenience they can find. Advertising a fully functional, lightly decorated unit is something that interests them.

Many business travelers are interested in cooking for themselves and pocketing their meal expense allowance. They are more interested in staying in a comfortable home/apartment that fits their budget than a hotel that exceeds their housing per diem.

And if you're in a rural location, you are going to want to identify your own ideal with travelers. It might be people traveling with horses or cattle. Either way...

These people are not traveling for pleasure and they have a different mindset. That's the key!!!

So, let me repeat myself to emphasize this point:

You need to operate ultra-efficiently to exceed long-term traditional landlord profits THEREFORE, you should intensely focus on what your version of business traveler wants and can afford.

Think about how your ideal traveler will use your rental. Then make it easy for them to find what they need. Fill out Attachment 1.

What are they expecting? Let's look at the next part of the RULE and look at what's important to guests?

Things that Matter

You should build your offering around a hierarchy of needs presented in Table 1 below.

Priority	Perceived Need	How You Can Meet the Need
Highest	Personal Safety	Add a slide latch to the door
	Cleanliness	Make things look and smell clean
	Comfortable bed – sleep experience	Pillow top, mid-grade or better sheets, variety of pillows
	Fully equipped, easy to use kitchen	Get basic pots, pans, cooking utensils, etc. Brand names aren't required.
	Intuitive/well marked heating and cooling system	Use the icons in this kit and create your own as needed (See Attachment 2)
Lowest	Pleasant environment	Hang more mirrors than pictures

Table 1 is also a guide to how you should spend your discretionary budget.

- ❖ Install a \$6 side latch on the main door to help guests feel safe. They will sleep better in an unfamiliar space, knowing they have privacy. (Personal Safety)
- ❖ Make sure your listing is squeaky clean. You could even hint that you have routine pest control or other services to boost the perception of cleanliness. It must smell clean as well.
- ❖ Don't skimp on the sleep experience. I recommend getting refurbished pillow top mattresses. By "refurbished" I mean it's been cleaned and sanitized and comes from a reputable distributor. Besides being affordable, these mattresses are typically extremely comfortable. Also, you should consider a foam mattress that you can order off the internet. Spend the time to maintain the mattress; make sure your cleaner flips and turns the mattress as well. (I recommend investing in bed bug liners and mentioning them in your marketing materials)
- ❖ Add an assortment of pillows and buy high thread count cotton/wool sheets.
- ❖ Next, go to your nearest bargain or dollar store and buy the equipment your guest needs to scramble eggs in the morning, cook rice, make coffee and microwave a frozen dinner. Add kitchen

equipment as needed to satisfy your guests. Go for all black or stainless to keep the look uniform and nice.

- ❖ They may use a wok more than a toaster, so anticipate their cooking style (or ask), then delight them. Add to your collection over time.
- ❖ Mark heating and cooling system with icons (Attachment 2). Don't assume everyone understands what piece of equipment controls the temperature. Things vary from country and region to region.
- ❖ I've included some icons in the Attachment 2 to help you label your dwelling so your guests can find things quickly. They can see the flatware icon from the outside of the drawer and tell that's where the forks, spoons and knives are kept. They don't need to open all the drawers and hunt for a fork. This helps them feel at home.
- ❖ And lastly, you should decorate. But unlike a host that tries to show off their style, you should decorate with mirrors that reflect the guest's clothing and sense of style back to them. Decorate thoughtfully, not lavishly. These little touches go a long way to impress your clients. Add more lavish items over time as you narrow down your ideal client.

So those are the things that matter to your guests. Let's look at the next part of the RULE – a small margin.

A Small Margin

Now, this part is key; finding the right amount of delight is important. You want to barely get a 5-Star review. Exceed expectations by the hair on your chinny-chin-chin. But you don't want to overdo it because:

- ❖ Over doing is expensive
- ❖ Barely exceeding expectations is the way to maximize profits, so you out perform a traditional landlord operation

Barely exceeding expectations and encouraging your guest to leave a 5-Star review may be the most profitable way to win the Airbnb game.

So, do a great job in a way that slightly surprises your guest and inspires them to share the good news.

Again, let me help you refocus.

Making money with Airbnb isn't sufficient. Your standard is to be MORE profitable than your baseline. Otherwise, you're doing a lot of extra work and investing a chunk of money for the same amount of profit. And that would be tragic!

Ready for some good news? Following the RULE is not hard. But it does require that you build some systems and put a lot of thought into satisfying your guests. However, by building redundant systems that answer questions and make things easy for busy people, you'll find that your Airbnb offering will run on auto-pilot.

For example, business travelers are always anxious about the Wi-Fi situation. I like to share the password before they ask and do so in five different ways:

Present Wi-Fi information:

1. In a framed "Top 10" list on the wall
2. In the welcome letter
3. In the guest manual
4. On the Airbnb website
5. In the welcome text message that summarizes pertinent details

This type of redundancy puts your guests at ease and takes away one reason for them to contact you.

You want to minimize the time and the cost it takes for you to earn a 5-Star review. That is what we'll cover in the remainder of this course.

Build in Redundancy

At every opportunity, you want to build in redundancy. Anticipate the "wants" and set your guest up to be delighted.

Why Do You Need to Operate Within the RULE?

Originally, Airbnb intended function was to be used as a match-making tool that residents could use to share their guest rooms. It is wildly successful because it helps people make extra money with the home they already have.

You, on the other hand, are striving to be more profitable in comparison to a traditional landlord. Traditional land lording is your baseline.

If you're using a rental arbitrage approach, then market rent + expenses are your baseline.

The RULE keeps you focused on operating above your baseline.

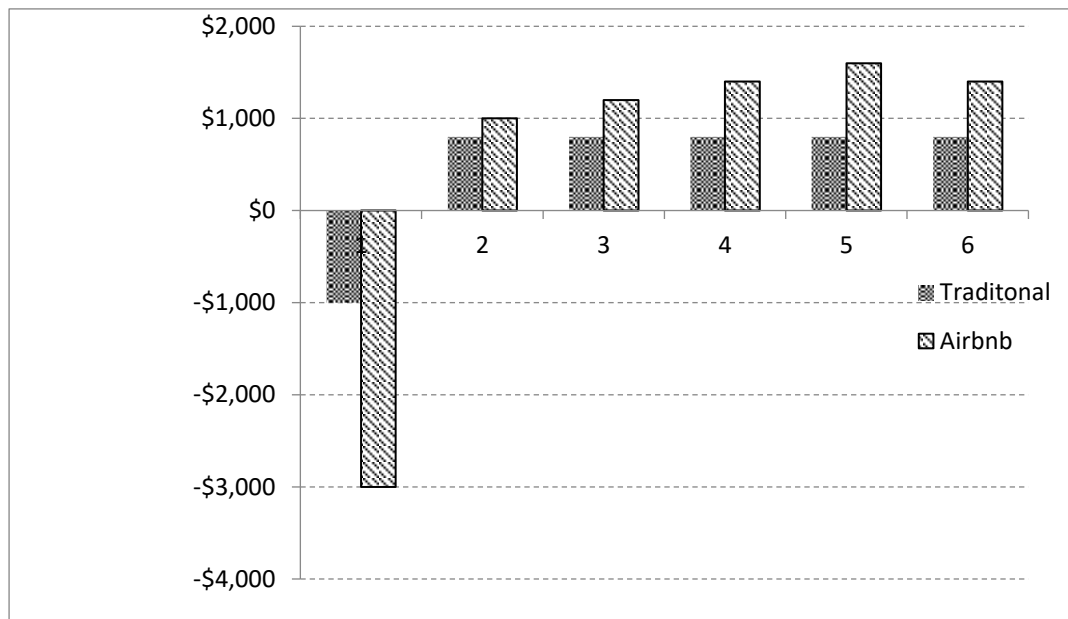
So the next section helps, as I'll help you define your baseline.

Why Do You Need to Know Your Baseline (this doesn't apply to rental arbitrage)?

It costs money to make ready a traditional rental for the market. You may need to do a lite remodel, run background checks and pay operating expenses each month.

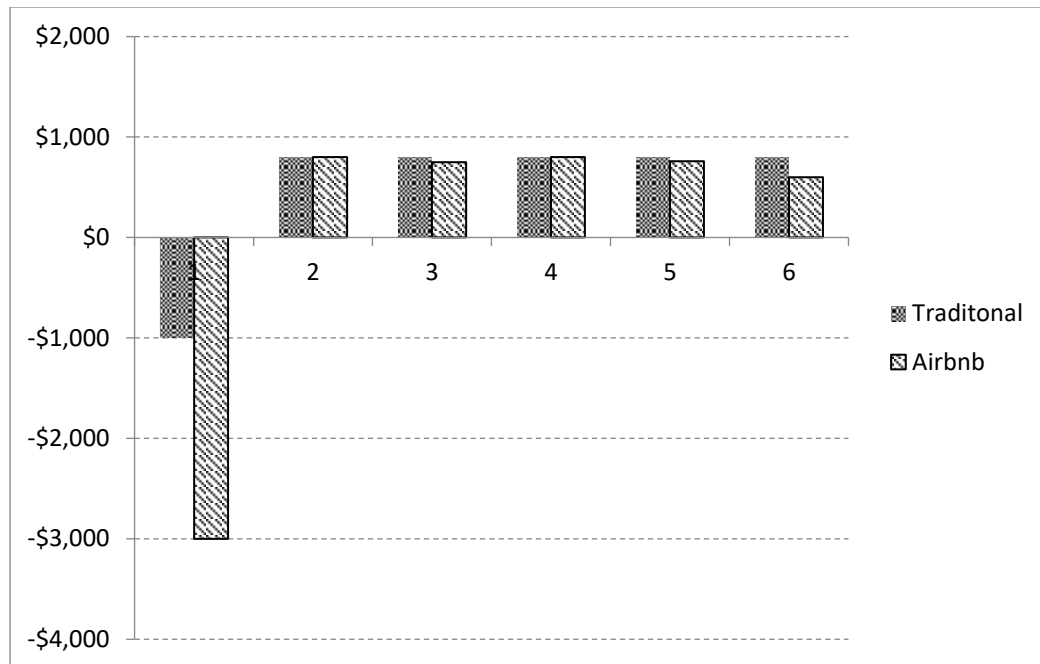
Let's assume we are working with a traditional rental without a mortgage. Let's assume you spend \$1,000 to get rented, and you net \$800 per month after that.

Let's also assume that the Airbnb route costs you \$3,000 to get going and you net \$1,000 to \$1,600 per month after that.



In this case, it may take six months for the Airbnb Year-To-Date income to match the traditional landlord income, but if the trend continued, the Airbnb income would be far superior.

However, if the income-expense trend looked like the graph below, then all bets are off.



In this second graph, the Airbnb monthly net income is the same or less than the traditional landlord's income. In this case, the Airbnb rental is the loser.

It doesn't make sense to incur a larger startup costs and provide extra services to only earn the same amount that a traditional "passive" landlord does.

Your Airbnb's net income needs to be compared to your traditional landlord baseline revenue to know if you're "profitable". It's a horse race!

NOTE – Let me end this section by pointing out that this approach is relevant if you're a rental owner and wish to operate in an extended stay mode, instead of a traditional landlord mode. **If you're doing rental arbitrage**, your baseline is your rent + expenses and you don't have the option of profiting as a traditional landlord. If you're planning to use a rental arbitrage technique, then this discussion doesn't apply to you.

Do you need to operate above the baseline?

If you ignore the **RULE**, you'll probably make some money, but you're not likely to make more than a traditional rental. All that extra work with nothing to show for it – that's a shame.

Whereas a homeowner can do extra work and end up better off financially, while an Airbnb Landlord cannot. You should insist on a profit from investing your time and resources, that's why you need to stick to the **RULE**.

How Do You Calculate Your Baseline?

Fill out **Attachment 3** to determine your baseline. It starts by asking you to determine your current market rents.

Market rents change over time – sometimes they sharply increase or fall within the same calendar year. If you don't continue to check on market rents, you may find that rents have increased and your Airbnb operation isn't as profitable as you had hoped.

How Do You Minimize Your Start Up Cost?

Before you run off to the store, let me share this framework.

Other hosts try to impress guest with their sense of style. They try to provide a real bed and breakfast experience. Please don't get into this groove.

Instead, you consider hanging nice mirrors more than pictures. You have a unique opportunity to “reflect” your guest's sense of style back to them (in an inexpensive way).

This is your unique opportunity. You should capitalize on it.

Also, you want to phase in nicer furnishings and amenities overtime. Don't buy everything at once. Always ensure to customize your unit for your ideal client over time.

For example, at my Airbnb test unit, I upgraded my desks and dressers after 6 months because I had so many strong bookings coming up. I had good reviews, so I was spending into my momentum. I added lighter fluid to the fire.

As I was learning, I limited my budget to \$365 and increased my daily rates a couple of dollars more per day to cover the capital expense. This is a reasonable way to step forward.

Now, a year later:

- ❖ I've got all the bells and whistles that my clients requested.
- ❖ I've got a few reviews, so my Airbnb listing doesn't look brand new.
- ❖ I've got unique insights into my local market. As I now know the annual trend in demand.

This gave me the confidence to grow my own decentralized extended stay housing company.

By following this approach, you'll be able to easily win the confidence of private investors. When others know you're a student of your business, they will also conclude that you might be a great person to invest in.

Attachments



Attachment 1 - Design a 5-Star Guest Experience

Guest's Needs	Address Needs By	Tool
Find your dwelling	Good nighttime lighting	dawn/dusk sensors
Greet upon entry	<ul style="list-style-type: none"> • Keybox or digital lock • Entryway light switch illuminated • Night lights 	
Wi-Fi password	Place password on the refrigerator, in the welcome letter and Guest Manual. Three places – it's that so important	Guest Manual Resource 2, Online Course
Tour dwelling	<ul style="list-style-type: none"> • Floor plan on the fridge • Floor plan in guest manual 	Guest Manual Resource 2, Online Course
Understand where things are	Icons mark the location of enclosed or non-obvious items so that guest find items on first attempt – (not all guest can read good English)	Attachment 2
Welcome gestures	<ul style="list-style-type: none"> • Bottled water with a note • Information card – pre-framing 5 Star visit 	Guest Manual Resource 2, Online Course
Shower/bath supplies	<ul style="list-style-type: none"> • Provide all the amenities you'd find in a 4-star hotel • Provide items listed for Business Travel Ready requirements 	Attachment 4
Wind down routine	<ul style="list-style-type: none"> • Where can guest recharge their smartphone 	USB charger on nightstand
Sleep safe and sound	<ul style="list-style-type: none"> • Good dead bolts PLUS • Reassure guest that you won't stop by unannounced 	Brand name deadbolts Side latch
Breakfast	<ul style="list-style-type: none"> • Coffee maker & filters • Kettle 	
Expression of Hospitality	Pre-written email offering answers to typical questions but not offering additional services	
Check out	<ul style="list-style-type: none"> • Instructions on fridge • Instruction in guest manual 	



Feel Appreciated	Send "Thank You" text/email pre-framing guest to leave you a 5 Star review. See Template 3	Attachment 5
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Attachment 2 – Icons to Help Your Guest Know Where Things Are



This is an example of some of the icons we actually use.

You should use something similar to lead your guest to a conclusion that your rental is self-explanatory.

Embrace the movement to make user manuals a thing of the past.

Attachment 3 – How Rental Owners Calculate their Baseline & Min Stay

(This attachment should not be used by those wishing to implement a rental arbitrage strategy)

Step A3-1: How much would your unfurnished rental unit/dwelling rent take per month: _____

Step A3-2: Divide your market rent by 30 to determine daily potential income: _____

Step A3-3: Multiply your daily potential income (Step A3-2) by 7 to determine your weekly potential:

Step A3-4: How much would your cleaner charge to clean a “furnished” rental of your size: _____

Step A3-5: How much must you collect for local taxes for a 7 night rental (if any) : _____

Step A3-6: Determine your weekly baseline.

Total your weekly potential (Step A3-3), cleaning cost (Step A3-4), and taxes (Step A3-5) together to get your weekly baseline: _____

Your goal is to rent your unit each week (and charge fees/taxes)
so that you bring in MORE than your weekly baseline (Step A3-6)



Here's How You Can Calculate Your Minimum Stay

Step A3-A: How much do you plan to charge per night? _____

Step A3-B: Take your weekly baseline (Step A3-6) and divide it by the nightly rate you plan to charge (Step A3-A): _____

Step A3-C: Round the number in Step A3-B up to the next highest whole number. This represents the number of nights as your minimum stay. You don't want to book fewer nights else you may not be as profitable as a traditional landlord (unless you want to consider the loss as a marketing expense).

Here's How You Can Remain Profitable

Your long-term market rate in Step A3-1 is always changing – so your baseline needs to change as well.

Don't lose sight of raising long-term unfurnished rates. You must earn money above the baseline to be profitable.



Attachment 4 – Amenities Needed to Qualify for Business Class Category

- ☐ An account in good standing
- ☐ Entire home or an entire apartment
- ☐ Not allowing smoking
- ☐ Pets are not allowed
- ☐ Have at least 3 reviews 5-star reviews for at least 60% of primary reviews – for Airbnb
- ☐ Must be rated high for cleanliness
- ☐ Wireless internet
- ☐ Laptop-friendly workspace
- ☐ 24-hour check-in
- ☐ Smoke detector
- ☐ Carbon monoxide detector
- ☐ Toilet paper
- ☐ Clean towels
- ☐ Iron and ironing board
- ☐ Hangers
- ☐ Hair dryer
- ☐ Shampoo and Soap
- ☐ Fresh linens



Attachment 5 – Checkout Review & Thank You Email

