



E-Book

The Vacation Rental Manager's Guide to Buying Financial Software

What to consider when selecting financial management software for a vacation rental management business.



Ximplifi

Accounting simplified.

Table of contents

- What will you learn?1**
- Why should vacation rental managers consider financial software?.....2**
- What are the most important features that vacation rental managers look for in financial software?3**
 - 1. Ability to Match the Business.....4**
 - 2. Ease of Use.....6**
 - 3. Reporting Capabilities.....7**
 - 4. Industry Expertise.....8**
 - 5. Required Investment.....9**
 - 6. Product Innovation.....10**
 - 7. Cancellation Policy.....11**
- Summary.....12**

What will you learn?



Finance, just like marketing and sales, is a core function of any business.

When it comes to vacation rental management, having accurate and seamless financials plays an even more important role due to the unique structure and requirements associated with trust accounting.

Trust accounting is the practice of holding money on behalf of others. For vacation rental managers who are responsible for handling guest payments and other fees on behalf of homeowners, trust accounting is the best practice. There are other factors that make accounting a challenge for vacation rental managers, but this is one of the most obvious.

Therefore, supporting your operations with the right accounting and financial solution can help your business scale efficiently, stay compliant with legal requirements, and provide you with greater visibility into your performance.

In this guide, we will drill down into the features of financial software that are most important for vacation rental managers who want to continue to grow their business and keep their finances in order.

Why should vacation rental managers consider financial software?



First, you may be wondering if your company even needs financial software. After all, many property management systems advertise that they offer some level of accounting functionality that's already integrated with the software. However, one big shortcoming of these applications is that they only offer visibility on guest-related transactions.

This means that other company expenses like payroll, administrative costs, or payments towards maintaining and furnishing the rental properties will still need to be accounted for in a separate system to fulfill tax and income reporting obligations.

If you are only managing a handful of properties, you might be able to do this manually in spreadsheets, but the best practice and a more scalable solution for companies who want to expand is to integrate operations software with a fit-for-purpose financial management system.

Additionally, financial management software offers enhanced reporting, tracking, and reconciliation features needed to automate the trust accounting processes required for many short-term rental management companies.

To learn more about trust accounting and how software can simplify the specific types of financial reporting involved, read our post titled *Trust Accounting For Vacation Rental Managers*.



What are the **most important features** that vacation rental managers look for in financial software?

Understanding that you need financial software is quite different from knowing which financial software you need. There are at least a handful of options you can find online, all touting similar capabilities for businesses like yours. Side-by-side comparisons and customer reviews are readily available, but these are usually not industry-specific, so you may end up learning little about which application is better suited to you.

To focus on the key areas that matter to your business, we've summarized seven criteria that tend to carry the most weight for short-term rental management companies when selecting and using financial management software.

For each of these factors, we include specific details you can use to reduce ambiguity in your search.

1. Ability to Match the Business
2. Ease of Use
3. Reporting Capabilities
4. Industry Expertise
5. Required Investment
6. Product Innovation
7. Cancellation Policy

Let's dive in >



1.

Ability to Match the Business

What makes your business successful is often tied to what makes it unique. Therefore, choosing financial software that can flex to your organization, rather than forcing you to conform to a set structure, is extremely beneficial for your continued success.

Imagine, for instance, that you have spent that last few years developing processes that are perfectly suited to the needs of your organization, but your rigid financial software is designed with different rules in mind. You would either be forced to change your business processes or develop workarounds that are less than ideal.

If your finance department needs a *flexible* solution, here are a few examples of what you should look for:

Multi-Entity Consolidation:

This is an important feature because many short-term rental companies operate multiple entities in order to separate their property management accounts from other hospitality businesses. Choosing a financial software that allows you to easily add new entities, automate intercompany transactions, and reconcile accounts across the organization will allow you to have cleaner accounting processes and see all your cash flows in one place.

Dimensions:

When evaluating financial software, dimensions refer to the predefined values that help you classify data. Traditional general ledger dimensions include time and category, which allows finance managers to group transactions based on when they occur and which department or activity they are associated with. Most property management companies benefit from tracking other dimensions, like location, customer, and vendor, to name a few. Understanding what dimensions come standard, how they can be added or customized, and if there is a cost associated with additional dimensions can help you develop your own flexibility scorecard.

Integrations:

Your company is going to need software outside of the accounting system, and the number of these applications will likely grow to support a variety of functions across the organization. Ensuring that these systems integrate with your financial software in some way is critical to enabling automation that keeps your operations running smoothly. Also, it is important to know in advance how these connections are supported and maintained, so that you know who's responsible for repairing any broken connections.

Chart of accounts (COA):

The foundation for your financial record-keeping system, the COA indexes each type of asset, liability, equity, revenue and expense, plus subcategories of each. One of the most important characteristics of a flexible COA for property managers is the ability to easily add new locations or entities under the parent company without needing to replicate the entire list of accounts.

This gives you more options when it comes to reporting, since you can build hierarchies that accurately reflect the internal structure of your business and easily filter or segment the data in a logical manner that doesn't require complex computation.

Financial software that you have to force-fit is only going to create more bottlenecks down the road. While cost is a practical concern, you should carefully consider exactly what type of return you expect to receive from this investment.

Ultimately, the financial software you choose should save you time by allowing you to automate and streamline day-to-day accounting processes.

If the solution you're considering will still require manual interventions on a regular basis, it's likely going to cost you more because you will also need to invest in time to train your staff or hire an outside consultant.

2.

Ease of Use

Hospitality organizations generally operate with low profit margins compared to other industries, and they depend on a high volume of transactions to generate positive cash flows. This means that managers need to keep a close eye on overhead costs, such as the number of full-time employees on payroll.

Since IT support or software developers are not typically kept in-house, financial software that constantly needs intervention from a technical expert will become a costly bottleneck for organizations that need to quickly grow and adapt as new opportunities and requirements arise. Therefore, vetting software for “ease of use” should take the following into consideration:

Is coding knowledge required to change the appearance of reports or implement new workflows?

If the company has the resources to train or hire someone for these skills, this might not be an issue. However, keep in mind that the complexity of coding will likely increase as the needs of your organization grow and new functionality is needed.

Is the navigation intuitive?

This can be subjective depending on the user’s level of experience, so don’t take someone else’s word for it. Make sure you request a product demo of the software and ask to see an example of a process you would regularly use, such as creating a report or adding a vendor.

What training resources are available?

If you pay for a certain functionality, there should be resources available to help you answer questions that arise after implementation. Understanding what’s included in your subscription and what is an additional expense is key to getting the most out of your investment.

3.

Reporting Capabilities

Managers in the vacation rental industry often have a variety of stakeholders with specific reporting requirements that go beyond basic. In addition to internal stakeholders like managers, executives and investors, these companies have property owners, consultants, local authorities, and landowners that may need to know how the business is performing.

Manually collecting, analyzing, and formatting data is a time-consuming and inefficient process, so choosing software that allows you to slice and dice income, spending, assets, liabilities, and other transactional data with versatile reports can pay dividends over the life of your business.

Reporting features that hospitality managers should look for include:

Built-in financial reports:

Most financial software comes equipped with basic financial reports like the income statement, balance sheet, and statement of cash flows. However, property managers may need to build on top of these reports or start from scratch, depending on the type of audience and the information that's being analyzed. Owner statements are one example of a custom report that will need to be created on a frequent basis.

Dashboards:

A curated collection of charts, reports, and performance cards will give your teams the ability to quickly analyze long-term trends and compare KPIs over consecutive periods. These are even more useful if you can click into the data or customize dashboards based on specific departments.

Statistical accounts:

These are non-monetary accounts that companies use to track a variety of metrics. For a short-term property management company this can be used to track metrics like ADR, Occupancy, Nights Booked, and more.

4.

Industry Expertise

Similar to how one financial management system can perform certain functions better than another, different software can also be a better fit for different industries. You can usually find a list of industries served on the company's website, but that may not be enough to narrow down your search.

Selecting a software that has a proven track record in your industry has a number of advantages, including a smoother implementation process, a more comprehensive set of features relevant to your business, and more knowledgeable support staff. To find a solution with the right level of industry expertise for your hospitality organization, consider the following:

References:

Asking for industry references when you are evaluating a solution can reveal more about the company's level of expertise. Using a site like G2.com and sorting reviews by industry can also give you a sense of how many hospitality organizations have used the software and how many have had a positive experience with it.

Purchase options:

In addition to buying directly, most financial software can be purchased through a reseller or a partner. These may be accounting firms or technology consultants who specialize in providing implementations, training, or other services on the platform. If you're able to find a partner who specifically serves the hospitality industry, you can leverage their experience and knowledge of best practices to optimize the software to fit your needs.

Tailored messaging:

One simple way to gauge whether a software is ideally suited for your business is to browse their website for messaging that's tailored to the hospitality industry. Does any of their content speak directly to challenges or goals you have? It's a good sign when you can find multiple online resources and examples of how the software is proven to work for companies with business models similar to yours.

5.

Required Investment

As with any purchase, there are trade-offs between cost and functionality, so it's critical to make sure that what you gain from financial software is a fair value for the required investment. To do this, you need to evaluate the total cost, which may be more than the out-of-pocket expense.

As the old adage goes, "time is money", and quantifying exactly how much your time is worth can help you avoid many headaches down the road. When we help clients assess the total investment required for a solution, we break it down into these components:

Subscription/service fee:

This is the total cost quoted to you. Be cautious of aggressive discounting - some companies will draw you in with low startup fees, only to raise them when it's time to renew.

Charges for additional modules:

Pay attention to exactly what's included in the subscription you're quoted. Are there modules or services listed that you don't really need? Conversely, if there is something missing that you will need to add later on, you should know the cost up front.

Service Level Agreement (SLA):

This is a form of contract that outlines how the company will react or compensate you if the software doesn't work as expected. **Do not overlook this!**

Implementation time:

The software is only useful to you once it is fully implemented. You should specify what a "complete" implementation means to you, get a "Go Live" date in writing, and understand what actions will be taken if that is not met.

6.

Product Innovation

The hospitality industry continues to evolve with new technology and new businesses emerging every year. Remember that the capabilities you need today from your financial software may very well change over the life of your organization.

Therefore, short-term rental managers should consider not only how financial software is designed to meet their current needs, but also how that software will evolve over time. From this perspective, cloud-based software is ideal because upgrades can be applied automatically and universally, but not all software companies take the same approach.

To determine if a financial management system is suited to keep up with the pace of innovation in your industry, we recommend asking three important questions:

Is software updated on a routine basis?

Are updates free?

Is there a risk that updates would break or disrupt existing functionality?

Asking these questions upfront will eliminate any surprises later on. If you have narrowed your search down to two comparable softwares, this could help you identify which one is the better choice.

7.

Cancellation Policy

Finally, it might be uncomfortable to think about planning to break up with your financial software at this stage, especially because it can be stressful, disruptive, and expensive. After all, you may be going through that process as you read this article, but this is exactly why choosing the right solution shouldn't be taken lightly.

As every good business manager knows, change is the only constant, and whether it's due to acquisition, shutting down, or something else, new circumstances might call for an exit strategy.

When that time comes, you don't want any surprises. Before you make your decision, you should clearly understand the company's cancellation policy by asking questions like:

Is data archiving available?

This refers to storing historical financial data that you might need in the future, usually offered for a fee.

How long will you have access to financial data?

Know how much time your data will be stored after canceling your subscription.

What are the payment terms if you cancel?

Some companies will force you to pay out the remainder of your contract term, even if you cancel.

Summary

Whichever financial software you choose, it will serve as the foundation for your organization's accounting and reporting processes for (hopefully) years to come. While there are many options out there to choose from, it's your job to determine a) what results you hope to achieve, and b) which features and capabilities are most critical to helping you get there.

In this article, we discussed seven criteria that property managers look for in financial management software, but you may have more to add to the list. By developing your own scorecard, you'll be better equipped to make an informed decision and avoid experiencing buyer's remorse.

If you're considering a new accounting solution for your vacation rental management company, Ximplifi can help you make the right choice.



Our team of experienced accountants specialize in serving the vacation rental industry, and we will be happy to provide our recommendation based on where you are in your financial journey.

Whether you are looking for an advisor who can walk you through the process or a long-term accounting services provider, let Ximplifi be your guide.

**Contact our team today to request a demo
and receive a custom quote.**

Get advice from the experts in vacation rental accounting.

Established in 2018, Ximplifi brings accounting expertise to the vacation rental management industry with leading-edge technology and services. Automate the manual accounting workload with VRPlatform, Ximplifi's award-winning accounting automation plugin, or let Ximplifi's dedicated team handle the books with a VRAccounting membership for ongoing support and advisory.

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