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**THE WALL STREET JOURNAL.**

WSJ.com

HOW I BUILT IT | OCTOBER 18, 2010, 1:05 P.M. ET

## Building an Online Home For Vacation Rentals

By **TERI EVANS**

***See Corrections & Amplifications below***

Brian Sharples always enjoyed staying with his family in rental homes instead of hotels during vacations to cities such as Paris and Los Cabos, Mexico. But finding those properties was often a hassle. He longed for an all-encompassing website listing vacation rentals world-wide, and when he couldn't find one, he decided in 2004 to launch his own. At the time, Mr. Sharples was taking a respite after serving for a decade as chief executive of a market-research company. A networking contact introduced him to Carl Shepherd, a retired business executive who shared the same passion, and they agreed to team up. Starting with \$50 million in venture-capital funding, the pair acquired five vacation-rental sites and combined them to create HomeAway.com in 2005. Since then, the Austin, Texas, company has made nine more acquisitions and currently lists 540,000 rental properties in 120 countries. Mr. Sharples, 49 years old, serves as chief executive, while Mr. Shepherd, 58, is chief strategy and development officer. Last year, the company posted \$120 million in revenues and to date has raised more than \$405 million in venture capital.



Brian Fitzsimmons

Brian Sharples

Edited interview excerpts with Mr. Sharples follow.

***Q. You started out by embarking on a four-month quest throughout the U.S. and the U.K. to identify the best operators to acquire. What was the big surprise you encountered?***

**A.** The most successful vacation-rental websites were started by entrepreneurs without much money and didn't have slick technology. We were shocked at how much money they were making; every business had 30%-plus margins. What those entrepreneurs recognized, but everyone else missed, was that owners and travelers have to talk before a transaction. Owners really care who stays in their home and people booking the vacations always have a lot of questions, too.

***Q. How did you get investors to back you on buying companies that other venture capitalists had overlooked?***

**A.** Carl and I had a track record [having been in leadership positions at other venture-backed companies], so it wasn't terribly difficult to raise money. But I remember the one question all of them had: If these businesses are really successful, how come nobody else found them? It was because

when you went to the companies' websites, there was nothing cutting edge about them. They were in some ways deemed un-sexy businesses.

***Q. Why did you decide to acquire competitors right from the start?***

**A.** It was already a very large, highly fragmented category with a tremendous need for someone to give these small-business owners a marketing voice to compete with hotels. So rather than trying to build a better mousetrap, we acquired the best companies in every country and put an organization around them.

***Q. How did you find them?***

**A.** The old-fashioned way by searching the Internet for any business with an interesting site and news about present or past ventures. We also reached out to our network of VCs to learn about any start-ups in the space.

***Q. Most of HomeAway's revenues come from property owners who pay an annual fee to list their homes on its site. Are there other revenue streams?***

**A.** There's also advertising, which is less than 5% of revenue, but it's growing quickly. We offer merchant accounts for owners to accept credit-card payments and we charge for special featured-listing slots. The site is free for travelers to use, but we sell insurance-oriented products.



Rosy Hanby

Mr. Sharples, on right, with HomeAway co-founder Carl Shepherd

***Q. What's been your strategy for operating successfully on a global level?***

**A.** Communication is a real issue. So when we buy a company, the first thing that gets wheeled in the door is a new high-definition video-conferencing system; it's in all of our offices. We can dial anybody in Europe and see them on a 60-inch monitor. It's not a substitute for travel, but it allows for more frequent face-to-face communication. We also have many international executives on our team—and when we acquire foreign companies, we send in English tutors.

***Q. Nearly a third of your staff work in customer service. And this spring you hired Jeff Mosler—who led***

***Amazon.com's customer service. How is that working?***

**A.** He's been a real tornado coming through this business and cleaning up stuff. His new training manual is like a college course in how to do customer service at HomeAway. Our acquired companies used different systems for customers; some had phone support and some didn't. We're now standardizing the systems and we want to resolve service issues within 24 hours instead of a few business days, which used to be the policy for most of our acquired companies.

***Q. Today HomeAway has 710 employees who work across the globe. How do you retain an entrepreneurial spirit?***

**A.** Our main office has a '50s art-deco kitchen table. Every Friday morning I sit at that table with the management team and use our video-conferencing system to talk about business issues for a half-hour with the entire staff. It serves as a reminder that the companies we bought started from somebody's kitchen table and succeeded because they didn't have to go beyond that to make a decision.

**Corrections & Amplifications**

HomeAway.com has made 14 acquisitions since launching in 2005. An earlier version of this article incorrectly stated that it had made 11 acquisitions.