



# APPROACH THE TENANT!

While in other industries the productivity level of companies is defined by the customer, margins or growth, the real estate industry is still doing too well. In the meantime, it has become quite clear, that digitalization will change the entire industry. Especially, digital services for tenants and owners offer a variety of efficiency potentials.

## STATUS QUO: ANALOGUE AND HOSTILE

Although the degree of industrialization in the real estate sector is still rather low, the market just started to change.

In addition to the declining margins due to falling fees<sup>1</sup>, changes in the competitive environment are resulting in an increase of consolidation and thus major competitive pressure for the market players. Furthermore, low returns on invests are causing cost pressure and rising demands for efficiency and effectiveness.

Especially in housing companies, the personnel deployment in the operational area is higher than in the business management area (approx. 60% of all employee costs), such as commercial management.

As a result, the main business processes of housing companies to a large extent consist of mass processes with a high degree of simple and repetitive tasks.

Due to the lower degree of standardization, office and other types of use are even further away from the digital shift. However, the motivation is given as the asset management is facing great challenges in terms of digital efficiency as well.

### Telephone and letters as main communication channel

This analogue procedure applies to rental agreements, utility bills and quotations as well as inquiries regarding animal husbandry permits and tenant fitouts.

So, while the interactions with tenants are associated with additional effort and therefore tried to be avoided, tenants are confronted with a highly digitalized environment outside their rental property. They

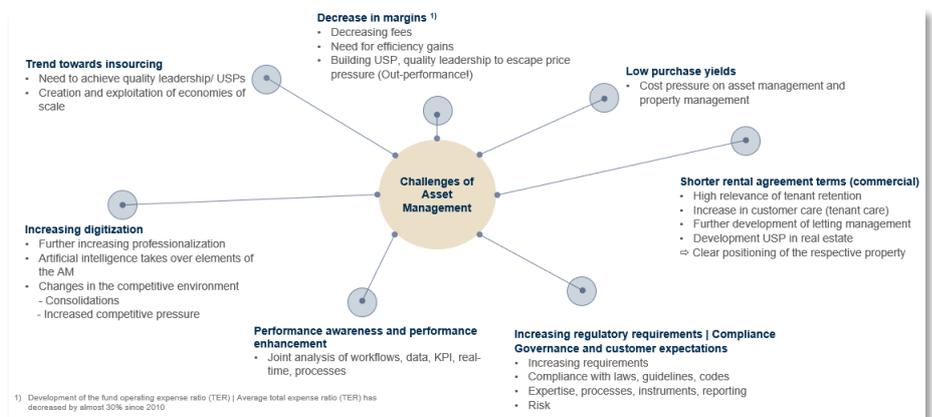


Figure 1: Client challenges in asset management

experience the trade-off between digital ecosystem and analogue property management as a cut.

From a manager's point of view, the persistence in analogue processes is even more surprising as many of the above-mentioned contact points are rather negative but can be significantly simplified through digitalization.

## FOCUS ON THE CUSTOMER

Beside exclusively “renting a property”, tenants require more from a real estate manager, which is a fundamental insight to establish a positive and service-oriented relationship between tenant and real estate manager. This relationship is not self-serving but rather the basis for the conversion rate, meaning the - increased - use of digital services by the tenant.

Every marketing measure, no matter how sophisticated, will fail if

- ⇒ the service offered does not provide added value

- ⇒ the technical implementation of the solution is not appealing
- ⇒ the reaction time is too short and
- ⇒ the device handling is not intuitive.

Apple & Co have set the footprint for high digital customer expectations that now has to be answered also by real estate companies.

The launch of a tenant portal goes far beyond the mere technical implementation of a functional and digital gadget. Moreover, it is a profound change to existing processes and a 180-degree turnaround in mind and action of the world's property managers.

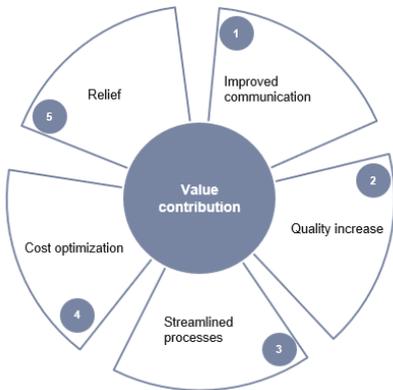
The implementation of a portal solution intends to increase AuM without growth of personnel nor necessarily cutting off jobs. However, the transformation of the back office still requires a comprehensive change concept to achieve the target goals.

<sup>1</sup> Development of the fund operating expense ratio (TER) | Average total expense ratio (TER) has decreased by almost 30% since 2010



## White Paper

### Value contribution



### Examples

1.
  - Digital Claim Management
  - Real-time communication via platform
2.
  - Increase brand presence
  - Increase tenant satisfaction
  - Standardized control of different systems
  - Transparency and 24/7 availability of all services
3.
  - Master data maintenance by customers
  - Digital operating cost administration
  - Document filing
4.
  - Consumption data of different energy sources in real time
  - Less paperwork processes
5.
  - Strengthening the sense of community as a local neighborhood
  - Less negative stress due to the relationship with the administrator

Figure 2: Examples of possible value contribution

## „REAL ESTATE MANAGER 1.0“

### Process streamlining

Real Estate companies can expect increased efficiency and cost savings primarily through "Straight Through Processing" of master data, master data changes (e.g. IBAN changes, address data, etc.) and the linkage to CAFM for technical requests.

The efficiency potential is even more significant through the digitalization of tenant interaction: Requests can be sent to the assigned, responsible employee pre-structured by ticket via a single entrance channel. As a result, the employee gets rid of checking several communication channels and accepting ad hoc requests. Through the prioritized and more efficient management of tenant enquiries in the areas of commercial property management and accounting, the average workload per employee can thus be reduced by one hour per day - which corresponds to a savings potential of 12.5% (employee capacities) for an 8-hour working day.<sup>2</sup>

In addition, the structured management of requests through ticket systems creates maximum transparency regarding the type, frequency, reason, etc. of the incoming requests, which enables the creation of an internal database for monitoring and controlling service levels, such as response times, processing time and quality.

Despite the solely customer focus, the digital solution must enable the manager to

optimize complex process structures. It has to be kept in mind, that change do not take place without convincing the people involved.

### Quality Improvement

Higher tenant satisfaction will result in positive property loyalty and therefore less negative pressure on the manager.

However, the positive "Tenant - Experience" not only relieves the relationship between tenant and real estate manager. It

also has a significant impact on an increase in branding success. Urban district development, a digital bulletin board and a marketplace bring customer needs together and form the basis for additional - digital and non-digital - services provided.

### OUTLOOK 2.0

In the long term, data from residents and properties potentially uplift significant value add which can upgrade the business model of real estate companies. Beside the traditional project development and property management services, companies can offer additional digital services to their tenants.

### New Business Models

People talk about it and agree on it, but what does it mean?

**Example 1 |** Application for pet ownership: If approved, the registered pet owner receives corresponding and discounted offers for pet supplies via app and can order products online.

**Example 2 |** Telephone connection: When new tenants are moving in, the carrier may offer an appropriate discounted package.

Even if the property manager does not receive any revenue from such services,

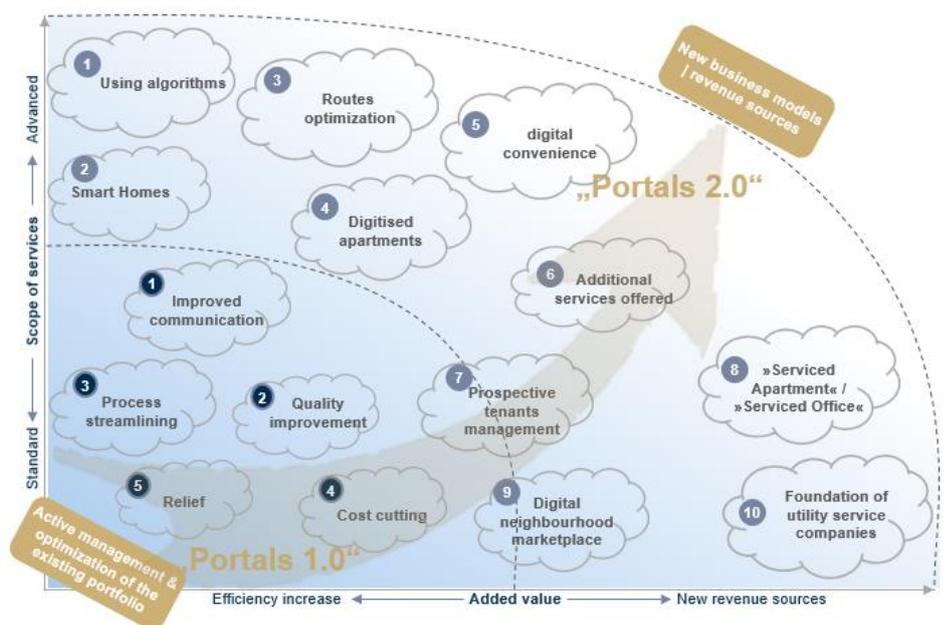


Figure 3: Development path „portals 1.0“ to „portals 2.0“

<sup>2</sup> Source: TME- Reference projects



## White Paper

they contribute to an increase in acceptance, positive experience and increased conversion rate.

### NEW TECHNOLOGIES

IoT, sensor technology or robotics are increasingly applied in the real estate sector. However, according to the ZIA's innovation report<sup>3</sup>, not all possibilities are exhausted by now. In particular, the availability and the quality of asset data are still not very common, even if they offer a lot of potential for further innovations and business models.

#### Smart Home and IoT

Innovations of smart metering and IoT have one challenge in common: they require a reliable communication connection within the building.

One of the aims of the "Digital Door Access Initiative" (IDiT) is to establish open and secure interfaces between different IT systems. "Minol Connect" from Minol measurement technology offers an open platform for integrating additional sensors.

Apart from digital locking systems and smart metering, initiatives range from usage-based room lighting and cleaning to real-time analysis of room occupancy to the autonomous development of requirement profiles for your own office.

By the way of doing so, user profiles are created automatically, making a significant contribution to consumption optimization and thus to the reduction of the CO2 footprint.

#### Artificial intelligence AI

AI can be helpful in validating incoming documents and data, and in making suggestions for further processing of these data. For example, trained systems can digitize and automate the entire accounting process in real estate management.

This contributes significantly to streamlining and accelerating processes. Although the implementation is usually complex, in the long term it can be used to create complete market transparency on the basis of actual and historical data to identify the factors that speed up the decision-making processes of all market participants.

### PROJECT PROCEDURE

#### Don't take too much at once

The launch of a tenant app can be the start of a digital transformation in a company and - if successfully implemented - increase the acceptance of further "digital projects".

Prerequisites are the willingness for change and the acceptance of digital innovations in the significantly affected business areas as well as an organization that is prepared.

In this respect, the project procedure is based on a superordinate strategy and takes place in small steps, while continuously monitoring success and acceptance of the project procedure itself.

#### Success factors

Due to major challenges in the housing market, there are already numerous providers for standardized platform solutions at the market which diminishes the option of "make" compared to "buy". In particular and in our experience, largely standardised products such as tenant platforms work better with "Buy" solutions.

In the early stages of the project we, together with the company's specialist departments, set up a very detailed catalogue of requirements in comparison to other IT tenders.

On the one hand, this is done in order to work out the actual user benefits on the customer side. On the other hand, the involvement of the prospective (internal) users at an early stage of implementation plays a critical role for the acceptance of the project.

The definition of requirements forms the basis for creating and following evaluation of the use cases, which are compared to the expected implementation and operating costs in the business case.

Even if office and other asset types still have a low degree of digitalization, our experience shows that the requirements can still be covered by the relevant solutions.

Beside the identification of a suitable solution, the key success factor in such tendering process is to find a suitable partner for future cooperation.

### Challenges

The persistence in the administrative departments of the companies are great and must be taken seriously. The change of the familiar working environment triggers existential fears that can lead to resistance and blockage. Involvement and communication during the project are the methods making an indispensable and essential contribution to the project success.

Though basically, the transformation from a "strategy approach" to the "realization of the project including several teams" is primarily a leadership task.

### CONCLUSION

The more tenants are using a digital solution, the sooner the expected potential will be realised. Even if some services do not have a direct impact on process streamlining or quality improvement, they do contribute to the tenant experience.

And seeing and treating tenants as customers remains still one of the biggest challenges for the real estate industry.

#### Author

**Christian Gebert** has many years of consulting and industry experience in the financial services sector, including about ten years in the real estate industry. Since 2019 he is responsible for the business unit IT | Digitization at TME.

**TME Associates | Office München**  
Giselastraße 12 | 80802 München  
[www.tme-associates.com](http://www.tme-associates.com)

<sup>3</sup> ZIA Innovation Report 2019