

Becoming A Customer-Centric Company

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Friends & Colleagues:

When you subtract tenants, residents and shoppers from buildings, they become vacuous, static structures, valued far below replacement cost and serving no purpose. Take away the demand for new facilities, and developers become an endangered species. Remove leases, investors, lenders and building owners, and there is no need for real estate service companies to exist.

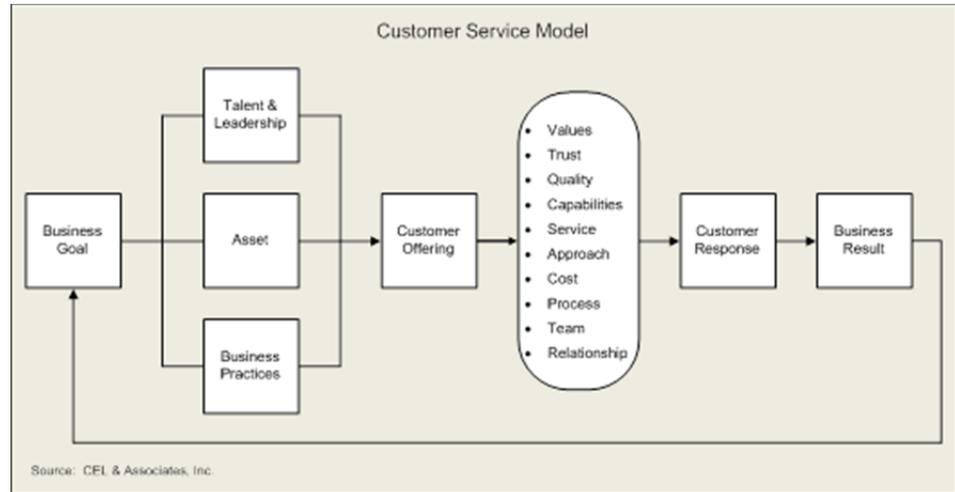
The common and unifying link between owners and operators of real property is the existence of customers. Buildings are merely repositories for customers in need of space or destination. Services are merely a laundry list of skills needed to satisfy the requirements of those unwilling or unable to provide or perform such services. **Like it or not, we have entered a rapidly and radically changing business world** where customers, customer retention, customer satisfaction and customer recognition are absolutely critical to business success and survival. Customers are no longer the “necessary evil,” but have become integral partners in our pursuit of excellence and superior financial performance. Becoming an enterprise that attracts – not solicits – customers can and will produce robust and growing profits year after year.

Recent surveys have shown that **70% or more of the reasons a customer decides to go to a competitor have nothing to do with the product offering.** The vast majority of customers leave or do not select your building or your service because of perceptions (real, rumored or imagined) regarding amenities, the building brand, or the level and quality of services rendered by those they need to “trust.” According to CEL & Associates, Inc., **real estate customers do not want to be sold space to lease; they want to create and build a valued, long-term relationship with the building owner and, more importantly, the operator.** Peter Drucker said, “Quality in a service or product is not what the supplier puts in. It is what the customer gets out and is willing to pay for.”

For decades, real estate companies were primarily building-centric enterprises, guided by entrepreneurs and dependent upon capital. Success was measured in square feet leased, occupancy, effective rental rate, commissions or fees generated and market share. Success in the brokerage business was determined when a “deal closed.” **Customer relationships were often defined in quantitative rather than qualitative measures.** Throughout the 1980s and 1990s, “Customer Retention Moments” **viewed customers as events** (a signed lease, development agreement, loan, contract, etc.). By the 2000s, some ahead-of-the-curve CEOs and companies began to put in place a “Customers First” strategy. **The evolution from customers-for-the-moment to customers-for-life is now well underway in many firms.** Mass customization and specialization is in...one-size-fits all is out.

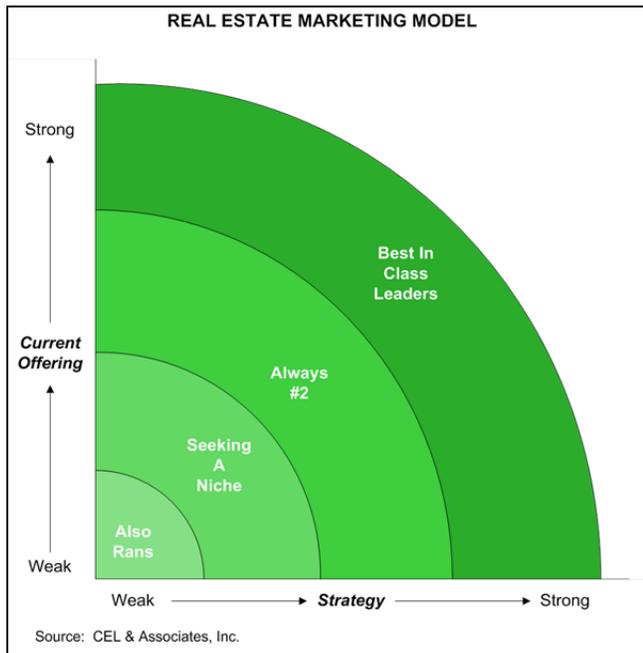
Identifying, attracting, securing and retaining customers is paramount today. Creating a customer-centered competitive advantage is an integral strategy within successful real estate companies. In this highly competitive marketplace, **business development and growth are contingent on a customer-centric focus.**

Now more than ever, success is measured by customer relationships, satisfaction and retention. The voice of the customer is an important part of every executive, management and/or asset meeting. The opinions, attitudes, perceptions and interest of customers now guide operating decisions. **Psychographic variables have become important as business variables.**



Readers of *Strategic Advantage* know that for years I have said **some of the best performance and peer group comparisons within the real estate industry can be found outside the real estate industry.** Why not compare and contrast the operations and services within the apartment sector to the hospitality industry? Why not compare office building performance and tenant services to high-tech leaders such as eBay, Apple or Facebook? Why not compare industrial real estate properties and operations to FedEx, UPS or Exel? Or, why not compare retail center operations to Apple, Disney or Starbucks? **Peer groups should reflect who you want to become rather than with whom you associate.**

The rapid transformation of the real estate industry from a brick-and-mortar focus (the “four walls”) to an experience-based, expectation-driven enterprise (“inside the four walls”) is underway. Terms like “ground-up” and “deal-closing” are being replaced by “inside-out” and



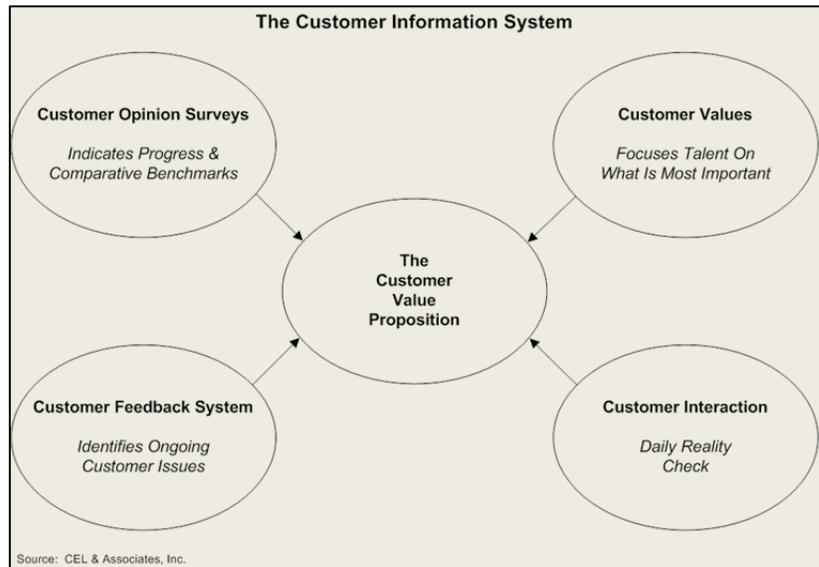
“relationship beginnings.” “Build-it-and-they-will-come” has been replaced by “engage them and they will stay.” The struggle between operating strategies of “the-way-we-have-always-done-it” and “customer coherence” has begun. **Real estate companies are now “engaging” not collecting customers. Real estate operations are merely stages for performing valued services.**

In 2012 and the years ahead, real estate Boards of Directors, CEOs, Executives and leaders at all levels must remove/eliminate the limiting operating and new business strategies and processes of the past. **You must focus on the intersection of what your customers want and need most and what your company does best. Customer service is not a policy...it is a behavior.**

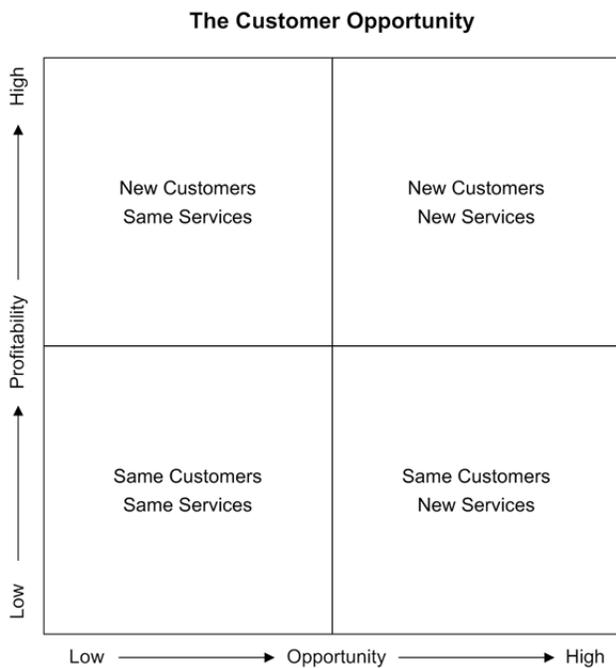
In this edition of *Strategic Advantage*, I want to frame the issue, opportunities and strategic solutions that result in best-in-class customer service. You can call this a **“Customer Awakening”** to capture and retain existing customer relationships. **Customers have become the currency upon which performance and future success will be determined.**

Hardwire The Voice Of The Customer

Is it possible to be customer-centric without the voice of the customer? No. **It is impossible to achieve customer satisfaction and new business success without a well-defined process that focuses the entire organization on the needs and expectations of the customer.** Perhaps the two best examples to highlight this challenge are found in management meetings and data gathering. How often in a management meeting (think of the last one you chaired or attended) does someone ask, "How would this (decision or policy) affect our customers?" How often does someone ask "What would our customers think," or "What do our customers need?" Probably not too often, if at all.



The second example (data gathering) can be easily seen in quantifying numbers of customers. Too many real estate firms are ardent users of historical, aggregate data that assume every customer is the same, with identical needs and expectations. To assume that all population segments, all age cohorts, all industry decision-makers and all jobs are the same is nonsense. How data can be collected on a customer segment without "knowing" the unique characteristics of that customer segment is a waste of time, money and resources.



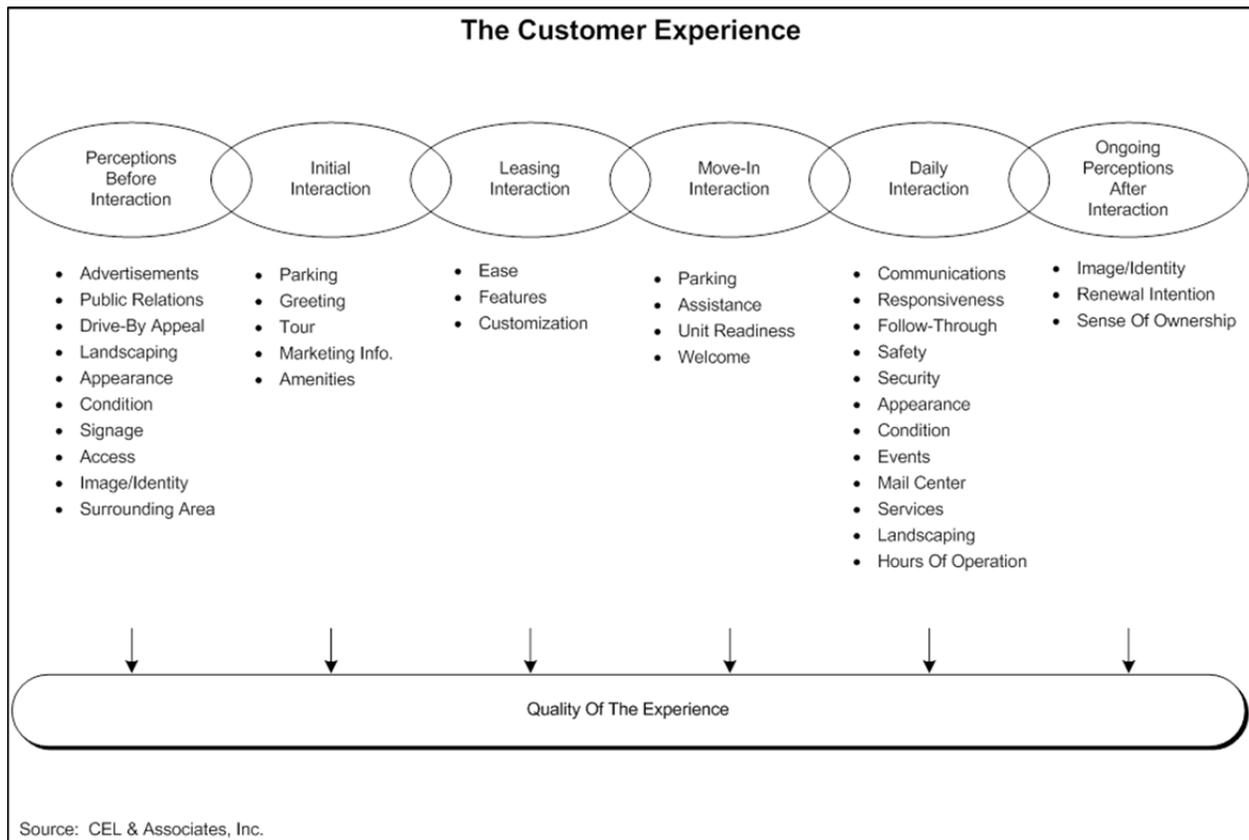
Source: CEL & Associates, Inc.

To hardwire the voice of the customer into your organization, you must first listen to the feedback and perspectives of your current and/or prospective customers. To understand your customers' needs, wants, expectations and opinions, you should formally collect data from surveys, comment cards, focus groups and interviews. CEL & Associates, Inc. will conduct around 2 million customer opinion surveys in the real estate industry during 2012. Based on the many millions of surveys CEL & Associates, Inc. has conducted over the years, eight indisputable conclusions are clear.

First...What you think is occurring or you think is the current situation, *isn't!*

Second...No two buildings, real estate companies or customers are alike.

Third...Internal and/or self-generated surveys and "asking the Property Managers" provide inaccurate and unreliable feedback that often masks troubling situations.



Fourth... Learning what the customer *really* thought cannot be determined casually or gathered internally.

Fifth... Acting upon feedback can and does make a difference (operationally and financially).

Sixth... Asking the *right* questions results in quantifying and learning about the customer opportunity in front of you.

Seventh... Learning what is important to your customers can make the difference between winning a job, signing a lease or losing a customer.

Eighth... Building customer relationships is a lifetime goal...listening to feedback assures a customer for life.

Move From Policy To Behavior

The need to instill a set of values, principles and sense of purpose focused around the customer is one of the most important factors in shifting to a more customer-centric organization. If customer service or the qualities of offerings are not priorities, an organization will not provide outstanding customer service. If ideas to improve customer service or customer offerings are rejected or given little to no attention, an organization will have an under-productive workforce. If an organization has to create and issue customer-based policies, rather than instill a customer behavior, the result will be disappointing.

Perhaps **the biggest area of customer service opportunity is within your company.** Over the past 30 years I have observed, heard and been asked to resolve the conflicts and friction between internal departments. The unproductive confusion and priorities between corporate and field functions, between accounting and everyone else and between vendors and the company is well known. The word "collaboration" and the phrase "we-are-all-on-the-same-team" are nonexistent. Serving the ultimate customer must be the goal of every organization. **Corporate functions serve the field, vendors are strategic partners and effective performance requires everyone to work together.**

Real estate leaders at all levels must de-program old habits, not tolerate rogue departments or individuals and build “effective influence” skills throughout the organization. But...**while you can teach customer service behavior, you must hire those who embrace and possess customer service attitudes.**

**2011 National A List Awards
For Customer Service Excellence**

| Commercial | Level | Multifamily |
|------------------------------------|--------------|------------------------------|
| Corporate Office Properties Trust | I | Village Green Management Co. |
| Crescent Real Estate Equities, LLC | II | Simpson Property Group, LP |
| Regency Properties | III | Lewis Apartment Communities |
| The Tower Companies | IV | Regency Apartments |
| | IV | Curtin Property Company |

Source: CEL & Associates, Inc.

When an organization moves from policy to behavior, a great facilitator of that shift can be the organizational structure. **Today most real estate companies have far too many departments, silos and detached functions.** CEOs often have too many direct-reports (four or five is the right number). Organizational charts show independent boxes of functions. **Clarity of who has ownership of a customer, a customer offering, a customer relationship, customer communications and customer reporting is often blurred.** Have you ever wondered how many calls, emails and communications must occur if a customer has a problem, question or request? Who is responsible for keeping customer information and databases updated? Does the technology deployed include a CRM and client contact capability? Is the compensation and incentive system reflective of and in alignment with the customer service goals? How often does your organization recognize customer service excellence? Does your company have a clear vision of what it is seeking to achieve?

Garnering New Customers

Prospecting for new customers, new tenants, new residents or new relationships requires a focused sharp-aim approach. I have found that **“mapping” the business development process creates the most opportunities.** The first step in the mapping process is dividing your prospects into segments. Since customers are not alike, creating “buckets” of customer opportunities is a must. Every customer and customer segment has an appealing pitch, a compelling story and a perceived value solution. Each new customer interaction should reflect a great deal of rehearsal, research, preparation and knowledge.

The absolute key to garnering new customers is having the right talent in place. Remember, you are not “peddling” a product/service; you are engaging a customer and discovering the reasons he or she would say “Yes.” These are not renters; they are residents who call your “unit” a home. These are not “occupiers;” they are relationships. These are not “shoppers” or “traffic;” they are destination guests. You must change your mindset, perception and vocabulary. To create a new, valued customer relationship begins and ends with talent. When the belief is present that you and your organization can accomplish great things, your future becomes borderless. **You must become a “contact leader,” not a “marketer.” You must hire correctly and train constantly. You must “walk the talk.”**

**When Was The Last Time You Asked
Your Customer...**

1. What can we do to earn all (or more) of your business?
2. What measures will you review one, two or three years from today and conclude that our relationship/engagement was a success?
3. Who have you used in the past, and what did you like and dislike about that company (or property)?
4. What top three business issues (for tenants or building owners) or residential factors (for apartment renters) are your biggest concerns?

Source: CEL & Associates, Inc.

To garner new customers, you must first determine the desired relationship of the customer.

Do new customers want:

1. **A Relationship:** This interaction is advisory-based.
2. **A Transaction:** The transaction relationship is often based on value.
3. **A Partnership:** The partnership relationship is built on achieving mutual goals (e.g., a joint venture).
4. **Information/Context:** An information-based relationship is focused on insights and data interpretation (e.g., investments).

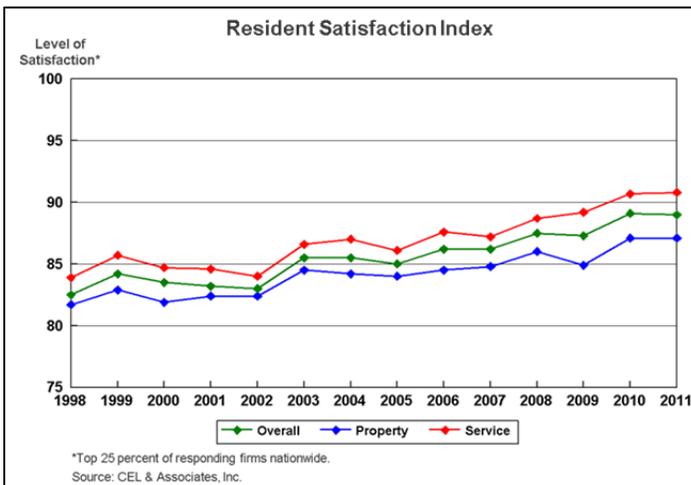
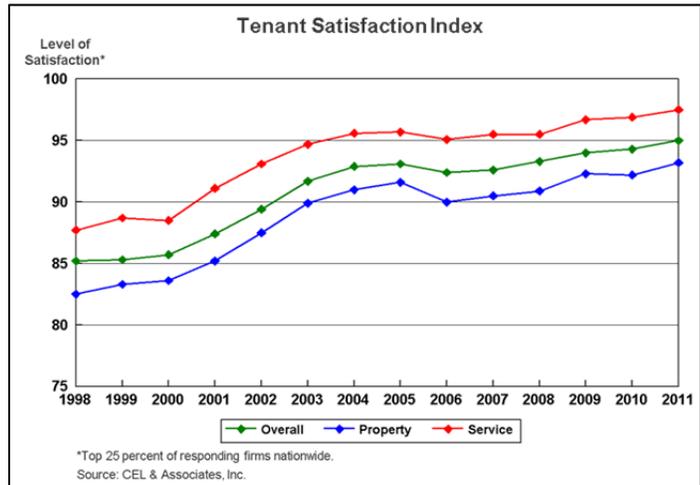
Break Down Customer Barriers

How easy is it to do business with your firm? How complex are leasing documents and rental procedures? How convenient is it for customers to contact you? How long does it take for your firm to make a decision? How easy is it to “buy” from you? How cumbersome is the paperwork involving customers and customer interaction? **My guess is that many of you have entirely too many self-imposed barriers to customer interaction.**

Customers are not commodities; they are relationships. If no barriers block those with whom you have a “great” relationship, why would that approach be different with existing or prospective customers? The success of any business depends upon how it treats customers. I have two favorite quotes from Peter Drucker: **“The purpose of a business is to create and keep customers,”** and **“The result of a business is a satisfied customer.”**

Steps to reduce customer barriers:

- Discover from both prior and existing customers what processes, procedures or policies were difficult to overcome.



- Dissect each of your operating policies and reconstruct them from your customers' perspectives.
- Assess best practices used by others who are inside and outside the real estate industry, utilizing those which can best assist your organization.
- Develop a process to handle and resolve customer complaints, problems and issues.
- Embrace and actively participate in a thorough review of your company's hiring, training, compensation and communications practices.

What Customers Are Saying

The list below highlights just some of the hundreds of benchmarks and findings generated by the CEL & Associates, Inc. REACT survey process, CEL & Associates, Inc. Research Department and proprietary data sources. If you are not surveying your tenants or residents, you must. **You will be surprised to discover that your customers may not be as satisfied as you think they are.**

What Customers Are Saying

- 47% of those aged 18 – 34 are “strongly influenced” by reviews and what companies say on social networks.
- 71% of building owners are satisfied with their service provider but are “willing to change.”
- 54% of smartphone users check products/rating reviews.
- 20% of building owners consider their service provider to be “Best-In-Class.”
- 47% of those requesting support or help want to receive assistance in 24 hours or less.
- 27% of tenants are not satisfied with the heating and air conditioning systems in their building.
- 70% of consumers use the Internet to find a business.
- 42% of users will share negative experiences online.
- 64% of building owners are “very satisfied” with the level and frequency of communications from their service provider.
- 73% of tenants rate “understanding my business” as the most important factor when selecting a Broker.
- 23% of tenants are not satisfied with the parking in their building.
- 92% of tenants think Maintenance is doing a “good job.”
- 64% of tenants rate “trust” as the reason they selected a Broker.
- 18% of tenants and 12% of residents are “not satisfied with the follow-up” after a problem has been reported.
- 21% of apartment residents are not satisfied with maintenance of the hallways, entryways and common areas.
- 60% of consumers would “pay more” for better service.
- 81% of companies with a specific, strong customer-service focus outperform their peers.
- 48% of real estate companies have specific programs on customer retention.
- A customer who is dissatisfied will tell between nine and 15 people of the experience.
- 86% of customers who terminated a contract, service or product did so because of “poor service/performance.”

Source: CEL & Associates, Inc.

Closing Comments

In today's highly competitive environment, becoming a client-centric organization is not an option, but a requirement. Securing new or retaining existing customers is not something to pursue, but something that occurs when you are fully engaged with a customer. What counts most in business is not what you do for yourself, but what you do for others.

To share your comments, insights or ideas, please email them to newsletter@celassociates.com.

Regards,



Christopher Lee

CEL & Associates, Inc.'s 23rd Annual National Real Estate Compensation & Benefits Survey Is Underway

CEL & Associates, Inc. is pleased to **Partner with NAIOP (Commercial Real Estate Development Association) and NAA (National Apartment Association)** in the 2012 Compensation Survey.

This will be an important year for decisions related to employee compensation levels, retention and morale **Please have your HR executive contact Janet Gora at janet@celassociates.com if you would like your company to participate in the survey.** All Participants receive the Complimentary Summary Report of all positions and information (PDF and Excel electronic reports)

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Prior Newsletters: If you would like to download prior newsletters, please go to the following links.

It Is Time To Get Rid Of Oldco!

<http://www.celassociates.com/onlinenewsletter/TimeToGetRidOfOldco-SA-K030712.pdf>

2012...A Year of Dubitare

<http://www.celassociates.com/onlinenewsletter/2012...AYearOfDubitare-SA-K011712.pdf>

Growth Is An Art As Well As A Science

<http://www.celassociates.com/onlinenewsletter/GrowthIsAnArtAsWellAsAScience-SA-K112911-CEL.pdf>

A Contrarian Perspective

<http://www.celassociates.com/onlinenewsletter/AContrarianPerspective-SA-K110211.pdf>

The Role Of Real Estate In Society

<http://www.celassociates.com/onlinenewsletter/TheRoleOfRealEstateInSociety-SA-K091411.pdf>

Prospects For A Real Estate Recovery Could Wait Until 2013

<http://www.celassociates.com/onlinenewsletter/ProspectsForRealEstateRecovery-SA-K082211.pdf>

Tomorrow Has Already Arrived

<http://www.celassociates.com/onlinenewsletter/TomorrowHasAlreadyArrived-SA-K062711.pdf>

Age Of Consequence & Opportunity

<http://www.celassociates.com/onlinenewsletter/AgeOfConsequence-SA-K050611.pdf>

Take Control Of Your Destiny

<http://www.celassociates.com/onlinenewsletter/TakeControlOfYourDestiny-SA-K032911.pdf>

Real Estate Outlook 2010-2020 Part II

<http://www.celassociates.com/onlinenewsletter/RealEstateOutlook.2010-2020-PartII.SA-K060110.pdf>

Real Estate Outlook 2010-2020 Part I

<http://www.celassociates.com/onlinenewsletter/RealEstateOutlook.2010-2020-PartI.SA-K050110.pdf>

Real Estate Cycles – They Exist...And Are Predictable

<http://www.celassociates.com/onlinenewsletter/Cycles-2010-SA-K040110.pdf>

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