

## How professional firms serving the property industry can survive and thrive in the recession

**By Howard Morgan**  
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The biggest threat facing professional firms serving the property industry in the recession is being cut out of the supply chain.

This paper looks at why the likes of property lawyers, surveyors, architects and managing agents are threatened with the axe and the measures that they can take to survive and possibly even thrive as the downturn continues.

It calls for a completely fresh perspective as to who their customers really are and how they can best be served.

### **Past and present**

The boom years are over and the rapid growth of professional firms has ground to a halt. Firms are shedding staff and the prospects for new graduates and qualified staff is bleak.

Today's recession means there's a glut of space that property owners are desperate to fill, resulting in a shift in the balance of power to *occupiers*. Development plans have been shelved and the volume of deals in the investment market has fallen dramatically.

The danger for many professional firms is being stuck in the past. If you're not continually evolving, moving with the times and listening to your customers, survival is doubtful.

Furthermore, the status of professional firms has diminished. *"They are life's parasites, they extract all joy from life!"* – is the view of one UK occupier we spoke to recently. But is this a widely shared view?

The Property Alliance & CoreNet Global UK Occupier Satisfaction Index 2009, conducted by **RealService** and IPD shows that occupiers tend to prefer a direct relationship with the landlord and are doubtful of the value of intermediaries. As the opinion of this occupier demonstrates, many dislike dealing with a middleman whom they associate with delays, red tape, lack of response, mistrust, tension and conflict.

*"The landlord should take property management 'in house'. Having a middleman is no good. The landlord, as an asset manager, has a viewpoint on what it wants and so do we. If you have some 'jobsworth' whose agenda does not match with either side, then there is a problem."*

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Another concurred: *“The landlord as an organisation has focused on how it needs to do business. Some of that enthusiasm and dynamic occupier focus goes out of the window when it gets passed onto their service partners.”*

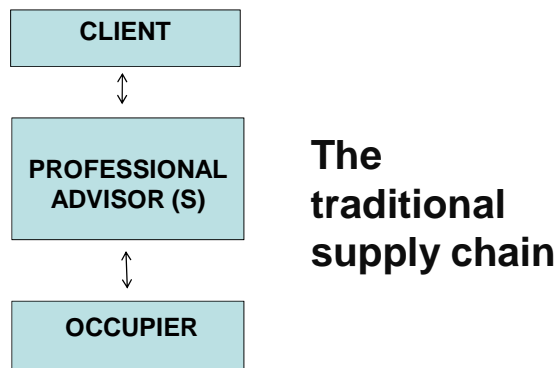
The research also shows that the number one priority for occupiers, especially retailers, is to reduce costs. They feel that use of professional firms can hike management costs, which ultimately they have to pay for. This is what one occupier had to say: *“We are focusing on cost and being far more challenging on fees.”* Another said: *“The amount they charged just to look at our plans to alter was incredibly distasteful.”*

Occupiers believe that the habit by professional firms of charging by the hour makes it in their best interests to make a meal of a job and string it out as long as possible – especially now that the work is drying up. *“I feel they string things out to justify their fees,”* said one disgruntled occupier.

Some occupiers mistrust professional firms whom they view as working solely in the owners' best interests. *“They are professional but they are wearing the landlord's hat compared with Europe where they are brokers.”*

Against this backdrop, it's time for professional firms to ask: “Who are we really trying to serve? Who is our customer?”

## Who is your customer?



It used to be that the professional firm existed to protect the best interests of the client, which was usually the property owner. What the occupier thought of professional firms' activities was of little or no relevance. But we're living in a different world today when occupiers' views matter.

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In answering the question 'who is the customer?' professional firms need to start viewing the supply chain from fresh perspective.

### A fresh perspective - *The Power of Three*

By a fresh perspective, we mean *The Power of Three* (The Power<sup>3</sup>). The idea is by no means new – it has been around for centuries as a symbol of things and persons that are threefold. It works on the principle that the combined powers of three individuals not only increases their power by three, but even greater. In other words, the power can become exponential.

The Power is typically symbolized by a Triquetra, a Celtic pattern that shows the centre of three connected circles. In Christianity it has been used to represent The Holy Trinity - Father, Son and Holy Spirit. The Celts saw it as the symbol for life, death and rebirth. It has also been known to represent the phases of the moon – full, waxing and waning; and the Trinity of Soul – physical, mental and spiritual.

When applied to the property industry, The Power<sup>3</sup> becomes *The Trinity of Real Estate* – occupiers, owners and professional firms!

### Power<sup>3</sup> - The trinity of Real Estate!



When put into practice, The Power<sup>3</sup> has a dramatic impact on how business is conducted.

It raises the additional notion of *business alignment* - for optimum results professional firms must seek to align their products and services with the

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needs of the client AND occupier. The greater the alignment, the greater the exponential effect of The Power<sup>3</sup>.

So how does this work in practice? In practice, the role of the professional firm has traditionally been to protect the client. The Power<sup>3</sup> model calls for a shift in focus so that the professional firm seeks to serve the client's customer, - i.e. the *occupier*.

### Power<sup>3</sup> - What does this mean for me?

Aspect	Traditional Model	Power <sup>3</sup>
Role	Protect client	Serve client's customer
Service quality	Determined by client	Determined by client and occupier
Who pays	Paid by client	Value endorsed by customer
Value for money	Determined by client	Consultation with customer
Loyalty	To client	To client and occupier



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With regard to quality of service, this would traditionally have been determined solely by the client. Using The Power<sup>3</sup> model, service quality is determined by both client and occupier.

As for who pays, the bill is traditionally settled by the client who then charges it to the occupier. The Power<sup>3</sup> model calls for charges to be endorsed by the occupier.

Value for money has traditionally been determined by the client. The Power<sup>3</sup> model calls for this to be determined in consultation with the occupier.

In the past professional firms' loyalty has been to the client. The Power<sup>3</sup> model calls for loyalty to the client and occupier.

This begs the question 'how does a professional firm tell if its products and services are sufficiently aligned?'

There are a number of solutions. For example, a **RealService client perception study** will help to reveal what existing and potential clients really think of a company – what they're doing well and where they're falling short. The results are shown in the form of a scorecard, enabling accurate

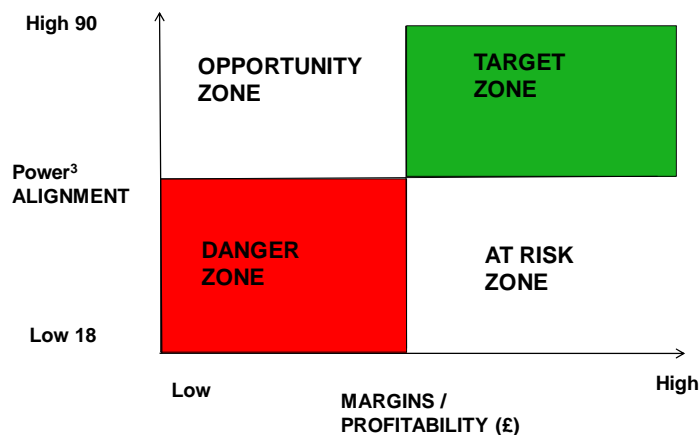
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performance comparison in areas such as communication, responsiveness and innovation year on year.

A *RealService occupier satisfaction study* (usually commissioned by landlords) can provide further useful information about occupier needs and their satisfaction with the service they're receiving from the landlord and its agents and professional firms. Landlords are increasingly being encouraged to share the results of these studies with their managing agents and professional firms with a view to raising everyone's performance in terms of serving the occupier.

By bringing together the results of client perception and occupier satisfaction studies professional firms can work out their overall Power<sup>3</sup> Alignment Score, which will help them to determine their business strategy to survive and thrive in the recession.

### Power<sup>3</sup> - Are you in the danger zone?



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As the grid above shows, a low Power<sup>3</sup> Alignment Score combined with low profitability puts you in the Danger Zone, where immediate action needs to be taken or you'll soon be out of business.

The same applies if you find yourself in the At Risk Zone – your profits may be high for now but they're unlikely to remain that way if your low Power<sup>3</sup> Alignment Score stays that way. Expensive lawyers beware!

If your profits are low yet your Power<sup>3</sup> Alignment Score is high, you're in the Opportunity Zone, which means there's scope to improve performance and make more money!

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The Target Zone is where you want to be and stay – your Power<sup>3</sup> Alignment Score is high and so is your profitability.

### **Conclusion**

In essence, professional firms need to wake up to the fact that the balance of power has shifted to the occupier.

It is therefore no longer enough to satisfy solely the needs of the client (landlord). To avoid being cut out of the supply chain professional firms must seek to align their products and services with their clients AND their clients' customers' (occupier) needs.

When alignment is achieved the benefits of The Power<sup>3</sup> can be realised, benefiting the landlord, occupier and professional firm alike.

### **About RealService Ltd**

*Founded in 1999, RealService is a London-based consulting business that specialises in the development of customer service strategies for the property industry. Over the years the company has developed a large international client base including some of the biggest and most influential names in the real estate industry from investors and property developers to managers, professional firms and industry groups.*

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