Key performance indicators of tenancy – does IT-tune up downsize vacancy, general administration expenses and enhance customer satisfaction?

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Management summary

After a strong period of "Asset-Management" (sale and resale of residential units) housing companies focus on "Property Management". Based on a survey of TU Darmstadt (supported by Aareon) with 304 housing companies in Germany (housing cooperatives or communal, investors and administrators of condominiums) the author conducted further research on the critical factors for success and the hurdles to success within selected housing companies. Here focus is on tenancy, as one of most critical core business processes. There are different ways to run this process. Housing companies differ significanctly in their strategies used to reduce vacancies due to changes in tenancy, as well as in the development and redevelopment of residential areas and existing units. Key indicators to measure the success of the tenancy process are rarely applied. For an optimization, individual parts of the process are isolated in order to provide possibilities to describe tune-ups. Tune-ups are defined as the means to accelerate the implementation of the customer requirements and help to reduce general administration expenses and to assure management decision. The author measures the current weaknesses and strengths of IT-solutions (Portfolio Management, Internet, time scheduling, …) and quantifies the benefits.

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1.1 Research of critical factors for success and hurdles to success of housing companies

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Based on a survey of TU Darmstadt (supported by Aareon) with 304 housing companies in Germany (housing cooperatives or communal, investors and administrators of condominiums) the author conducted further research on the critical factors for success and the hurdles to success within selected housing companies. Here focus is on tenancy, as one of most critical core business processes (see fig. 1-1).

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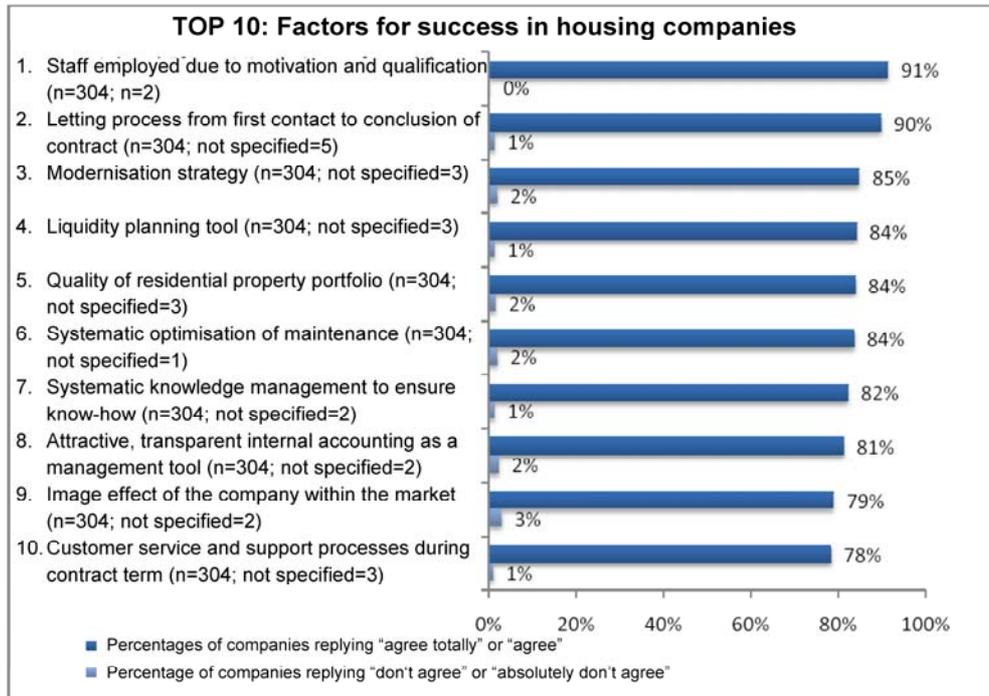
fig. 1-1: Factors for success in housing companies: Lohse, Moritz; Pfnür, Andreas: EWOWI zwanzig zehn: Erfolgs-potenziale der Wohnungswirtschaft 2010: Arbeitspapiere zur Immobilienwirtschaftlichen Forschung und Praxis, Band Nr. 12, 2008, p. 46

1.2   Tenancy process

For an optimization, individual parts of the process are isolated in order to provide possibilities to describe tune-ups. There are five topics to describe the individual parts of the tenancy process:

- First contact
- Tenant satisfaction
- Tenant loyalty
- Tenant relation
- Economic success

For the further description the main focus is on "first contact" and "follow ups" (including tenant satisfaction, tenant loyalty, tenant relation and economic success – i.e. customer value). The author identified 17 operation tasks (process steps) during first contact. It starts with

"analysis of tenant satisfaction" and ends with "tenant instructs craftsman". Operation tasks are executed by actors. Actors are defined in this context as tenants, housing company or craftsmen. An overview of actors and their operations is given in fig. 1-2.
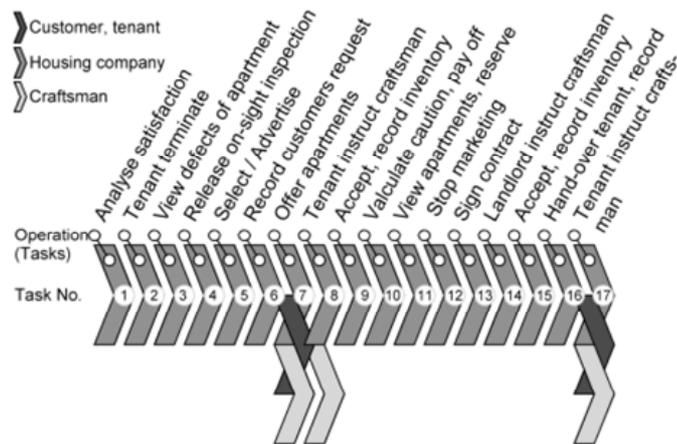

fig. 1-2: Operations in the tenancy process

In order to get the highest benefit, management must define strategies and targets for the tenancy process referring to the operational tasks (Task No. 1-17). The most common strategies and targets are highlighted in fig. 1-3.

Strategies and targets are linked to operation tasks in many ways. For example: The strategy to establish a sales and marketing department is linked to the operation tasks No. 4-7 and 11-13, the strategy to reduce IT-interfaces is linked to the operation tasks No. 3-7, 9, 11-12 and 15-16. It is , for example, a "smart" target to reduce the duration of vacancy. In order to achieve target there are links to the operation tasks No. 3-5 and 11. Here a controller should especially pay attention to these operation tasks.

In order to achieve the highest value for the (potential) customer as well as for housing company operation tasks should be optimized with regards to time. The most important key performance indicators of tenancy are duration of vacancy, duration of customer dialogue, duration from first contact to on-sight viewing, duration of modernisation, working days (starts at move out), (…). Keep in mind: Time is money – the customer's and the company's.

1.3 IT support today – quantifying performanceKey performance indicators of tenancy –
does IT-tune up downsize vacancy, general administration expenses and enhance customer
satisfaction?   11
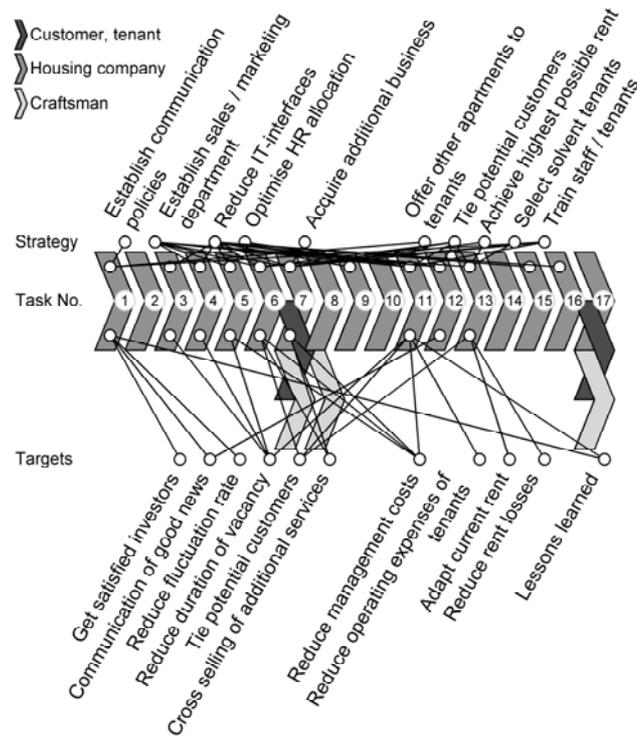
fig. 1-3: Strategies and targets in the tenancy process

1.3   IT support today – quantifying performance

IT-solutions can support operation tasks in many ways. To quantify performance of IT-
support it is useful to classify IT-solutions. For further description IT-solutions are classified
by the author in

- Operation
- Communication
- Collaboration
- Documentation (Docs)
- Analysis

Operation represents for example "Potential customer management", "Appointment man-
agement, Time scheduling", "ERP (commercial)", "ERP (technical)", "Customer relation

management", "Apartment / building file server" or "Customer's key management. These types of IT-solutions support operation tasks within a housing company.

Communication contains for example "Apartment Markets (Online)", "Mail services (sales particulars)", "Customer Internet portal", "Switch board (ACD / CTI)", "Mobile service / computing". Such IT-solutions support operation tasks via e-mail, via telephone, via letter, via fax or in person.

Collaboration includes for example "Portal (company - customer)", "Craftsman / company Service (mareon)", "Invoice service", "External information provider", "Automatic approval of credit standing" or "E-credit control procedures (EGVP)". IT-solutions of this kind support operation tasks with (potential) customers, tenants and external partners.
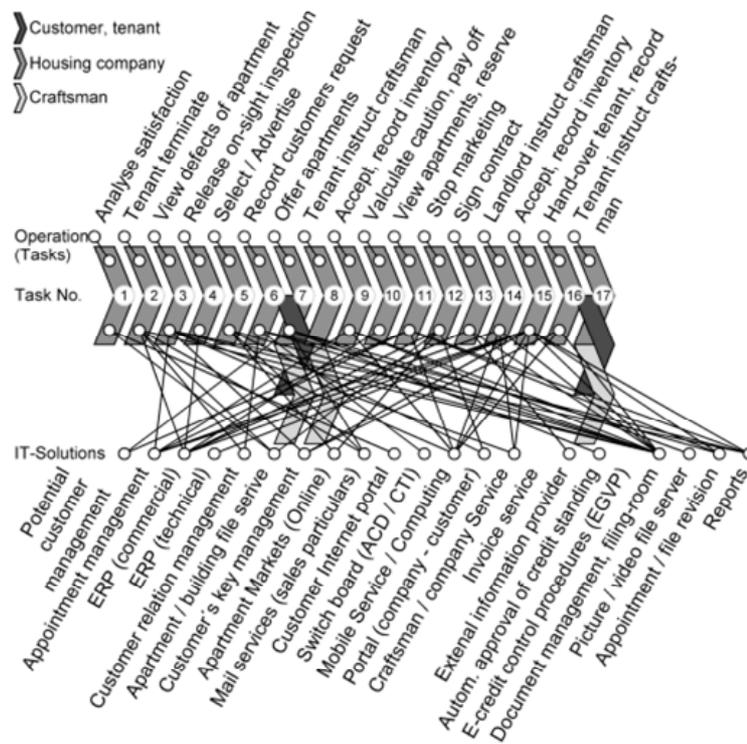

fig. 1-4: IT-solutions and operation tasks in the tenancy process

Documentation comprises for example "Document management", "Filing-room", "Picture / video file server". Such types IT-solutions support operation tasks like archives for the results of operation tasks for legal affairs and /or support transparency in customer relation management.

And finally analysis includes for example "Appointment / file revision" or any kind of "Reports". Such IT-solutions support management tasks.

The inter-linkage between operation tasks and IT-solutions is shown in fig. 1-4. The linkage exists as well regarding "first contact" and "follow ups" . "Follow ups" are – for example – "Complaints / request management", "Information of occupants", "(Pre) billing of outstanding management" and "procurement management".

Process Description | **IT-Solutions**

Column headers (IT-Solutions):

Operation: Potential customer management; Appointment management, Time scheduling; ERP (commercial); ERP (technical); Customer relation management; Apartment / building file serive; Customer's key management

Communication: Apartment Markets (Online); Mail services (sales particulars); Customer Internet portal; Switch board (ACD / CTI); Mobile service / computing; Portal (company - customer); Craftman / company Service (mareon)

Collaboration: Invoice service; External information provider; Automatic approval of credit standing; E-credit control procedures (EGVP)

Docs: Document management, filing-room; Picture / video file server

Analysis: Appointment / file revision; Reports

Process Description	Load	Maximum load for IT-solutions per anno
Apartments (W)	10.000	8.868 · 32.517 · 5.650 · 103 · 18.768 · 5.910 · 25.935 · 2.184 · 13.982 · 1.630 · 7.724 · 1.095 · 445 · 77 · 0 · 2.060 · 2.312 · 131 · 51.636 · 996 · 2.849 · 14.997
Fluctuation rate (2007) = f = 10,3% [1a]		
Termination rate of tenant = k = 9,7%		
Vacancy rate (in HBW) = l = 6,3% [1b]		
Repairs / moderniszation = m = 0,8% [1c]		
Contacts of tenant to landlord = d = 1* W		
Process = Formula		
Analysis of tentant satisfaction		
new customer at time of move-in = 100% * f * W		
= 4% * (W - l) * t (=1)	200	
monitoring = 100%	200	
In person	2.500	
Notifcation of ... 45% [4b] * W	4.500	
Rental / ancillary costs = s * 9% [4b] * W	900	
General compliants = s * 7% [4b] * W	700	
Request regarding the lease agreement = s * 4% [4b] * W	400	
Requests regarding the hand-over = s * 4% [4b] * W	400	
General requests = s * 4% [4b] * W	400	
(18) Special requests = s * 24,3% * W	2.430	
Subsitute keys = 2,7% * W	270	
k 19. Occupant information		
Via provider = ((19.1)+(19.2)) * 10% * W	1.000	
Via letter = ((19.1)+(19.2)) * 85% * W	8.500	
In person = ((19.1)+(19.2)) * 5% * W	500	
(19.1) Operating expenses = f * W + W	11.030	
(19.2) Small-defect -clause = 1.416 * (W * (1-l)	13.268	
l 20. (Pre-)billing of outstanding management		
Approval of credit standing = 2% * (W * (1-l)	187	
Credit control procedures = 2,8% * (W * (1-l)	262	
m 21. Procurement system		
Repairs during lease term = 1,77 [3] * W	17.700	

fig. 1-5: Linkage between Operation Tasks (Process description) and IT-solutions

Tune-ups are defined as the means to accelerate the implementation of the customer requirements and help to reduce general administration expenses and to assure management decision. The author measures the current weaknesses and strengths of IT-solutions (Portfolio Management, Internet, time scheduling, …) and quantifies the benefits.

In order to achieve these results, the author calculated the number of operation task in one year and connected them to IT-solutions in a chart (fig. 1-5). The maximum load of an IT-solution is calculated as the sum of numbers of operation tasks, which are supported by an IT-solution today (1) or tomorrow (2).

> The balance between today (1) and tomorrow (2) is the basis to calculate the acceleration of operation tasks, the reduction of general administration expenses or the quantification of upgrading management decisions.
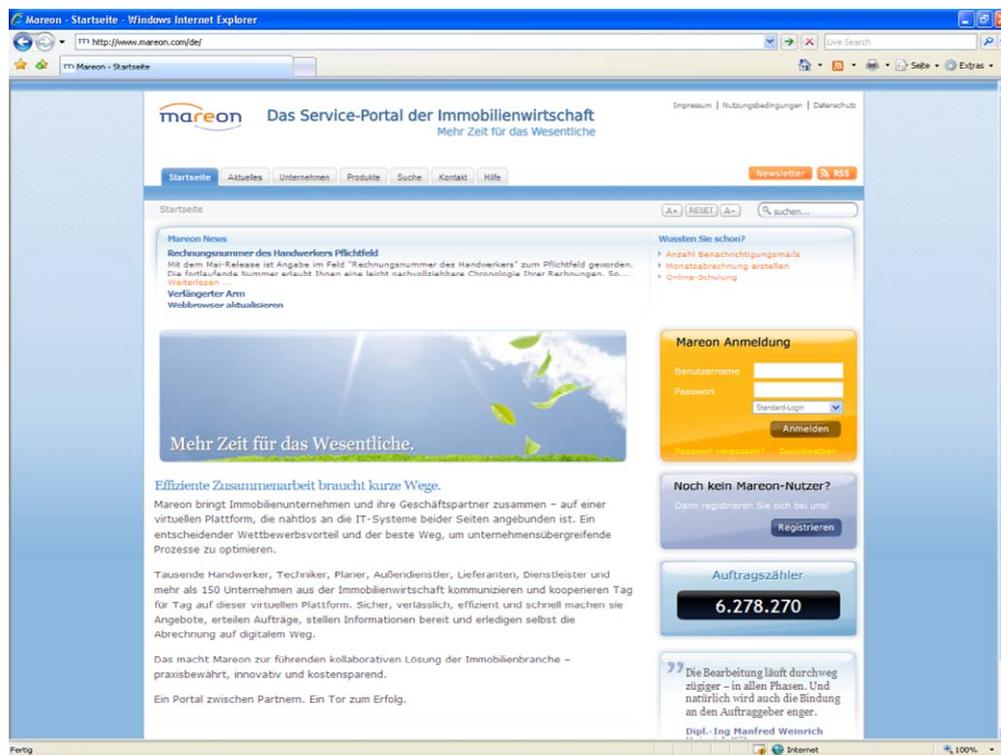

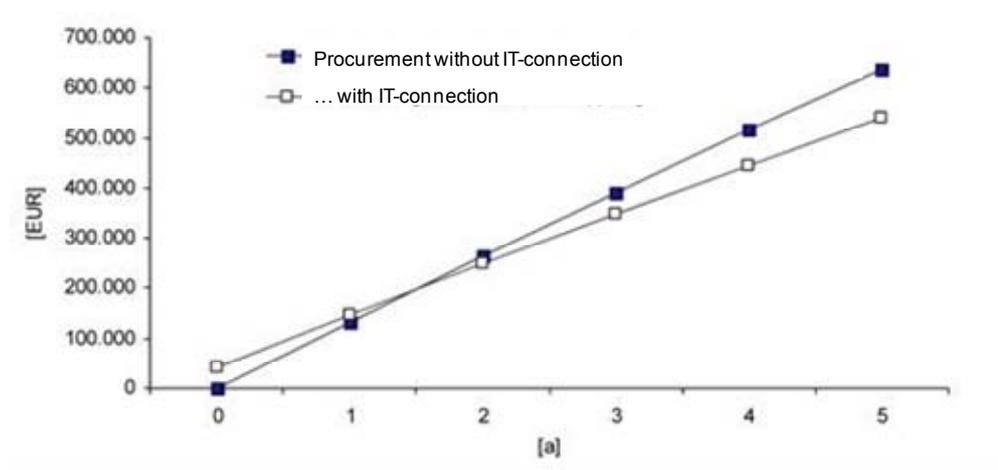*fig. 1-6: Craftsman / Company Service (www.mareon.com)*

fig. 1-7: Example: Procurement management between housing company /craftsmn (10.000 App.): Bogenstätter, Ulrich: Property Management und Facility Management; München: Oldenbourg Wissenschaftsverlag 2008 p. 305

The advantage of IT-solutions is exemplified by the "Craftsman / Company Service" (mareon) of Aareon (fig. 1-6). The interchange of orders (housing company - craftsman) or invoices (craftsman – housing company is) traditionally made via postal services.

In case of mareon of Aareon, the interchange between housing company – craftsman – housing company is based on the interfaces of computers. Paper and manual processes are eliminated, operation tasks are accelerated and tenant's satisfaction is increased.

The advantage is shown in fig. 1-7. The repayment period of mareon is less then 1,5 years, sometimes only 7 month.

Conclusion: IT-tune up downsizes vacancy, reduces general management expenses and enhances customer satisfaction. There are various key indicators and many ways to reduce management fees.

2   Appendix

2.1   References

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