



BOMA·Kingsley REPORT

Practical Industry Intelligence for Commercial Real Estate

SERVING YOUR CUSTOMERS | FALL 2008

BROUGHT TO YOU BY:



CONTENTS



AT YOUR SERVICE

An editorial message from BOMA International and Kingsley Associates.

Page 3



BACKING IT UP

Serving customers requires organizational commitment, not just words.

Page 5



SERVING YOUR CUSTOMER'S CUSTOMERS

The needs of occupiers are paramount, even when someone else holds the purse strings.

Page 8



THE SCIENCE OF CUSTOMER SERVICE

Taking a systematic approach to a "soft" skill.

Page 11

NEXT ISSUE:
Benchmarking

A man in a dark suit, white shirt, and blue tie is standing in front of a modern glass skyscraper. He is holding a silver laptop and looking at the screen. A black briefcase is slung over his shoulder. The background is a large, curved glass building with a grid pattern. The overall color scheme is blue and grey.

Value in today's real estate industry is based more on the strength of a building's **customer relationships** than on the strength of its girders.

At your SERVICE

Daniel Mazmanian, Kingsley Associates

As a business, real estate has always beckoned its practitioners with the firm, fixed (yet simultaneously romantic) promise that if you own property, you own something real, something tangible. Brick and mortar, steel and concrete, drywall and glass – they all come together to form an asset that an investor can see and touch. How perfect the paradox, then, that value in today's real estate industry is based more on the strength of a building's customer relationships than on the strength of its girders. Occupancy is the lifeblood of real estate, and occupants the heartbeat.

To address this important issue, BOMA and Kingsley Associates spoke to a group of industry leaders who are well known for delivering the kind of customer service that adds value to a property. In our conversations, three key themes emerged quite clearly:

- First, customer service is all about the occupant. Whether the building is a single-tenant corporate headquarters or an investment property serviced by a third-party provider, the ultimate “customers” are the ones who actually use the space to accomplish their business needs.
- Second, companies that are serious about providing customer service have a detailed plan, and in many cases are formalizing or “branding” this plan for both internal and external audiences. To these firms, service is not something that can be switched on and off depending on the situation; rather, it is a cultural commitment that involves an investment, particularly in terms of training employees.
- Third, any serious customer service initiative involves measurement of outcomes. Firms that gather objective customer feedback are not only able to monitor and refine their service efforts, but also to market their abilities by presenting a strong track record of results.

In this issue of the *BOMA Kingsley Report*, we examine these themes in detail, pointing out some success stories and highlighting the challenges that many real estate firms face in delivering effective service to their multiple and sometimes conflicting constituencies.

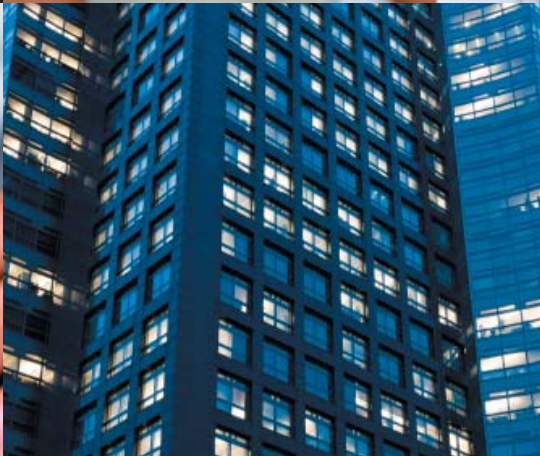
- “Backing it Up – Delivering the Customer Service Promise” examines how, by establishing a culture of service, real estate organizations can achieve differentiation in a market that faces constant threats of commoditization.
- “Serving your Customer’s Customers” highlights the efforts that third-party providers undertake to balance a direct responsibility to the tenants in their buildings with a financial responsibility to property ownership.
- “The Science of Customer Service” chronicles how one company that fulfills a niche need has taken a systematic approach to customer service, treating it as a skill that can be developed through the rigorous application of key principles.

Driving financial value through customer relationships is the goal of real estate. To get there, it all begins with a plan...

© BOMA International and Kingsley Associates

Daniel Mazmanian is a senior project manager at Kingsley Associates. He can be reached via email at dmazmanian@kingsleyassociates.com.

innovation



BACKING IT UP

Balancing the often-conflicting needs of tenants, asset managers, owners and brokers might seem like **mission impossible** at times.

Laura Horsley, BOMA International

For property managers (PMs) responsible for day-to-day building management and operations, customer service may be the core component of their job description – a task made all the more complicated by the broad range of customers PMs serve. Tenants have the most visibility and certainly represent the bread-and-butter customer, but there's a whole other set of clients to consider – asset managers, owners, brokers – each with their own priorities and demands. Balancing the often-conflicting needs of these groups might seem like mission impossible at times, but the best shot of success begins where nearly every other success story begins – with a plan.

The Promise

Just as successful consumer goods companies operate based on a “brand promise,” many of the most successful real estate firms promote their service through the “customer promise” as a way to assure excellence. For example, Advance Realty Group, a regional firm headquartered in Bedminster, NJ with a strong presence in the Bos-Wash corridor, established a “Tenant’s Bill of Rights” as a way to back up its customer service promise. Kurt R. Padavano, chief operating officer at Advance,

finds that having this formalized doctrine ensures consistency and creates a culture built around customer service. “It is philosophy-based,” explains Padavano, “and the first line of the Bill – tenants have the right to the highest level of professional integrity and honesty – forms the basis of this philosophy.” As a developer, owner and property management firm, Advance juggles requests from several different customers with conflicting needs. And while the Bill was written with tenants in mind, Padavano explains that the promise of the Bill applies to Advance’s other constituencies as well. “Although interests aren’t always perfectly aligned between different customers, we understand that regardless of the customer – whether it’s investors or tenants – they have the right to the highest level of service. The ‘Tenant’s Bill of Rights’ reinforces that.”

At Liberty Property Trust, the customer promise is spelled out through “Liberty CARES,” which stands for “Customers Always Receive Extraordinary Service.” Shelby Christensen, senior vice president & national director, property management at Liberty, explains that “Liberty CARES” is an essential part of how the company fulfills its mission statement. “Our mission is to enhance peoples’ lives through

extraordinary work environments. One piece of that is, of course, the way we build buildings, but another big part is the customer service we provide and how tenants feel working in our buildings. It is very important to our brand. Another part of the Liberty philosophy is that our customers are our lifeblood, and if we exceed their expectations, then they will grow with us.”

The Liberty CARES promise is extended across the Liberty customer base, from tenants to brokers. “The tenant is ultimately paying the lease,” explains Jim Maneri, senior vice president, national leasing & business development with Liberty, “but because we get most of our tenants through brokers, that brokerage relationship is critical. We work hard to make sure they are well cared for.” Maneri acknowledges that dealing with brokers is much different than dealing with tenants. “There is a lot of time spent marketing and networking. The broker needs to be confident that you have the business acumen to get the deal, and they have to be comfortable exposing their client, which is the tenant.”

At Cousins Properties Incorporated, building occupants are never referred to as tenants. In fact, the word has literally been eradicated from the company’s business vernacular. Bob Martin, Cousins’ director of property management, explains: “It doesn’t matter whether you are leasing space from us, whether we’re managing space for you, or whether we’re developing properties for you – everyone is a customer.” Cousins’ customer service philosophy forms the basis of the “Cuz-Way” company doctrine, a manual developed by company veterans acting under many years of influence from Tom Cousins himself. The manual covers best practices on everything from processing invoices to writing estimate letters to serving customers. There is a great deal of information in the manual to help guide new employees, and it is made available online and revised each year. “It is sort of a standard operating procedure manual, but even more so it is a guideline to conducting business the Cousins Way,” says Martin. “It is a great tool for new people coming into our business.”

Beyond Lip Service

For Cousins and other commercial real estate firms, backing up the customer service promise is ultimately where the rubber meets the road, and the place many companies begin this process is through customer satisfaction surveys. Cousins and Liberty both engage Kingsley Associates to conduct customer surveys, which help the firms stay on top of their tenants’ needs. Cousins also uses a Web-based customer service program that is designed to meet the specific economics of any given property. This program can monitor everything from customer requests and response times to how many calls a given engineer is handling. With it, managers can sit down with their management teams to analyze the data and see how service can be improved. “We can even go so far as to have properties report back monthly to our VP of operations on how well the property is performing,” says Dara Nicholson, RPA, senior vice president – office property management with Cousins. “And, we can globally compare our buildings.”

For Liberty, building relationships and implementing training programs are central to its strategy to deliver on the customer service promise. Christensen describes how Liberty establishes the tenant relationship from day one: “When a prospective tenant comes to a Liberty building, they don’t just meet the leasing agent who is trying to sell them on the benefits of the building, they also meet the property management team, the people who are going to be there day-to-day, handling their concerns and making sure they are completely satisfied. It goes beyond the mission statement and guiding principles on our Website. People can see from the very beginning, before they even sign the lease, that customer service is a part of who we are.” Liberty also puts each of its employees through customer service training, which is often facilitated through peer groups so that there is a training process specific to every job description – property manager, admin, technician, leasing agent... the list goes on.

Like Liberty and Cousins, Advance Realty Group also uses customer satisfaction surveys to track performance. In addition, Advance hosts events and programs on topics of interest to tenants. In recent years, Padavano has found that tenants have been asking for more information related to sustainable building practices. “We’ve developed programs around green cleaning and recycling, and we hold energy awareness days where we give out CFL light bulbs in the lobby,” says Padavano. “As a property manager and owner, you have to look at what is important in the market. If you’ve built a better customer relationship, then you’ve created some value.” Advance engages its service providers in many of these programs, which presents a win-win situation. For instance, a green cleaning vendor or lighting supplier can present the latest

“It doesn’t matter whether you are leasing space from us, whether we’re managing space for you, or whether we’re developing properties for you – **everyone is a customer.**”
- Bob Martin, Cousins Properties, Inc.

sustainable technologies to tenants at no cost to the property owner or manager, but this event is still viewed as a tenant service.

Building Competitive Advantage

An exceptional and consistent customer service record can certainly give a company a leg up on the competition, which is all the more crucial during trying economic times. Companies that embrace customer service don't need to shift their approach to accommodate a weakening market, as it is already ingrained in their company culture. Indeed, there is hard evidence that having a customer-centric culture has tangible results. As publicly traded real estate investment trusts (REITs), both Liberty (LRY) and Cousins (CUZ) have a daily gauge of their success. As of this writing, both are outperforming the YTD performance of the Dow Jones Equity REIT Index (.REI).

For Advance Realty Group, the success is equally measurable. According to Padavano, the "Tenant's Bill of Rights" has helped Advance Realty Group win business, making it an effective marketing tool. Padavano recalls a recent deal where the Bill's promises helped land a 200,000 square foot contract. "We had a tenant in another landlord's building and they were not pleased with the level of service there," recalls Padavano. "What sealed the deal was customer service. Their landlord had failed to meet the tenants' expectations, and we gave them our commitment to excellent customer service. In the end we signed a long-term lease on a build-to-suit corporate headquarters building worth about \$70 million. Whatever we spent developing the 'Tenant's Bill of Rights,' it was worth it right there."

A first-rate customer service reputation can also build leverage, a crucial advantage in a tightening economy. Advance has leverage over competitors because it does not require long-term property management contracts. "People always expect me to fight hard for a fixed-length contract," says Padavano. "They might be surprised when I say, 'Don't give me a fixed-term contract, just give me 30 days



notice and I'll be gone.' We tell them right up front that we are going to provide great service, and they don't feel like they're forced into a long-term contract with no ability to get out. We let our service speak for itself."

Liberty's Maneri finds that communication and a proactive approach to customer service are what give his company the edge. "We try to engage our tenants in the process," says Maneri. "As electricity costs rise, we talk to tenants about what we're doing to keep energy costs down in our buildings. We're in the process of completing energy audits so we can talk to our tenants about what they can do to control their own costs. We make it a partnership – we're in it together and we make sure we let them know we are watching the dollars."

At Cousins, any competitive edge goes back to the value the company places on relationships. "We're looking for customers for life," explains Martin. "Good times, bad times, mediocre times – we don't lose many customers, and that is based on the relationships we build." In 2004 the "Cuz-Way" philosophy paid off when Cousins sold 24 buildings but was able to maintain 18 of the management contracts. Nicholson credits excellent word of mouth from those who worked with Cousins. "I believe the success there was that our customers, vendors and various service providers reinforced our great customer service to the buyer."

Defining a plan and following through on the customer promise not only separates good service from bad service, but it also may distinguish great service from merely good service. Christensen sums it up well: "In one way or another, customer service usually translates into higher renewal rates and happier customers. But remember that it works conversely as well – if you have a dissatisfied tenant, they will find a way not to stay in your building." In the end, it may just be that great customer service is the single best "no-brainer" approach to running a successful business.

© BOMA International and Kingsley Associates

Laura Horsley is the director of communications at BOMA International. She can be reached via email at lhorsley@boma.org.

Serving your customer's CUSTOMERS

Phil Mobley, Kingsley Associates

Sometimes the best thing you can do for someone is to do something nice for someone else. It may sound incongruous, but this is the situation third-party service providers find themselves in every day. Jim Arce, a senior managing director with Cushman & Wakefield's (C&W) Client Solutions group, has an intimate understanding of what service in real estate really means. Having worked directly for both corporate occupiers and property investors, Arce knows from experience that the end product he delivers to the first group will go a long way towards satisfying the second. "For the investor, real estate is about providing financial returns for shareholders," says Arce. "But this is fulfilled by meeting the needs of the occupier. The better we understand the business drivers of the tenant company and its corporate culture, the better we are able to serve them."

As a senior vice president, healthcare and asset management for Colliers Turley Martin Tucker (CTMT), Mike Krivonak is no stranger to serving a customer's customers. Krivonak supports an asset management group that oversees a 24 million square foot portfolio on behalf of an investor client. He also manages a team that provides third-party management for one of the country's largest owners of medical office space. In both of these roles, Krivonak knows that his central purpose distills down to one premise: Satisfying the tenant without giving away too much of the owner's resources. He does this in part by identifying tenants' priorities. "We seek to determine what the tenant wants and what the tenant needs – and those are two different things." Krivonak defines a "need" as something critical to the tenant company's mission, whereas a "want" might be merely a preference. "Once we understand what the need is, we try to convince the ownership to provide it," he says, noting that it is critical to keep the long-term benefits in view. "Retaining tenants keeps the value of the property up."

Ironing Out the Differences

That property owners and space users need each other is a relatively simple concept. However, making it work in practice is not without effort. "Most of the investors I've worked with have had a customer-oriented philosophy," relates C&W's Arce. "I think owners are very well served by taking good care of their tenants. The more desirable a building, not just from a physical point of view, but from a management service point of view, the more rent you can charge." Arce has noticed that some larger owners are focusing on establishing national or regional relationships with tenants, trying to serve them across many different markets. These owners are looking to realize value through relationships. "It doesn't mean they don't charge as much as they can in the marketplace," notes Arce, "it is just a matter of how they go about doing it."

"The central purpose distills down to **one premise**: Satisfying the tenant without giving away too much of the owner's resources."

- Mike Krivonak, Colliers
Turley Martin Tucker



Arce is quick to point out that, while long-term tenant relationships may be a growing trend, not all owners adopt that approach. “Of course, there are some owners who look at real estate as a zero-sum game – an ‘I-win-and-you-lose’ situation.” Some tenants look at it this way as well, particularly if cost control is the dominating decision factor. In such cases, firms like C&W and CTMT can find themselves in the precarious position of mediating between their own customers. It behooves them, then, to speak from their own experiences in providing value-adding solutions. Doing this helps not only in day-to-day management, but also in proposal situations. According to CTMT’s Krivonak, investor clients want more than just words about great customer service. “Clients want to know what ‘great customer service’ means. They want to see what specific programs we have in place and how those programs benefit them as property owners.”

Even if the property owner is already focused on providing strong customer service, it never hurts to have a good case study to talk about. Among Arce’s anecdotes is a recent example of an assignment at a property that had been managed from an off-site office. “When we took the assignment, one of our recommendations was to implement an on-site management office with on-site engineers and to increase the types of amenities that were being offered to tenants,” he notes. The owner got on board, and the impact was soon apparent: Tenant satisfaction and demand for space in the building skyrocketed as a direct result of a higher level of customer service. “It didn’t cost that much more, but it created significantly more value, as tenants became genuinely excited about the asset. It started bringing in more leasing activity as a result.”

What Gets Measured...

Case studies are one powerful means of demonstrating service capability. Another is objective measurement through customer feedback programs. CTMT’s measurement program includes an annual survey of tenants conducted by Kingsley Associates. In doing so, the company is given an unbiased view into its customer service delivery, complete with market-based peer benchmarking.

Having independent confirmation of strong customer service can be tremendously beneficial in the marketplace for a third-party management provider. Furthermore, comprehensive customer feedback can help to identify key tactical issues at a building. It can also provide supporting evidence for proposals to increase budgets for capital improvements, staffing levels and other resource allocations at the property. “When we agree with what the tenants are saying, we will be their advocate to the owner,” Krivonak points out. “If it is something that is best for the long-term goals of the building, I think the owner expects us to do that.”



In addition to soliciting feedback from tenants, it is also valuable to measure the **satisfaction** of the owners themselves.

In addition to soliciting feedback from tenants, it is also valuable to measure the satisfaction of the owners themselves. This kind of feedback can run the gamut from financial and leasing performance to communication and professionalism. Another central component is tenant relations, since retention is so closely tied to property performance. “We use Kingsley to manage our clients’ satisfaction and to make sure that we are defining ‘satisfaction’ carefully and appropriately,” says Arce. The more his firm understands the owner’s perspective, the more it can tailor its service offerings. “This is becoming more of a service business than a brick-and-mortar business, and that can really differentiate a property.”

Serving the Customer by Becoming a Customer

An additional irony of the unique position occupied by third-party managers is that they themselves become customers in order to meet the needs of their own customers. This occurs through the engagement of vendors for any number of property services – janitorial, electrical, plumbing, landscaping, snow removal and potentially many others. Thus, one of the key requirements to delivering

strong customer service is becoming an effective broker of services delivered by others. According to Krivonak, “Our goal is to develop a core of providers who are reliable, professional and competitive, and that is exactly what the tenants are looking for.”

Vetting a stable of vendors presents its own set of challenges, not the least of which is sorting through a tremendous number of candidates. Not only do managers have to identify multiple providers who can perform the task at hand at a good cost/benefit ratio, but they also have to keep in mind that everything about the vendor reflects back on them. In effect, these providers become the front-line agents of the management team. “They are a big part of the customer service experience for all tenants,” says Krivonak. The job becomes even more complicated when tenants themselves have developed independent vendor relationships that may or may not provide scalable benefits to the property as a whole. “It can be tricky, but it’s a key aspect of what we do, and something we absolutely have to do to fulfill our mission,” Krivonak concludes.

It Makes the World Go ‘Round

It can be an unenviable charge to become a referee between two of your own customers, particularly when one of them has the authority to fire you. The prospect of seeing negative feedback in black and white can be equally unsettling, as can the process of wading through the vendor evaluation process. Yet these situations are commonplace for third-party asset and property management organizations. Furthermore, they are illustrative of the transitive nature of customer relationships in real estate – serving customers indirectly through agents. “The world is built on a series of customer relationships,” concludes C&W’s Jim Arce. His firm is one of many whose function is to maximize value by optimizing those relationships.

© BOMA International and Kingsley Associates

Phil Mobley is a vice president with Kingsley Associates. He can be reached via email at pmobley@kingsleyassociates.com.



The science of CUSTOMER SERVICE

Lindsay Tiffany, BOMA International

One of the most common misconceptions about customer service may be that it comes naturally – that being pleasant and accommodating, and smiling often, is all it takes to deliver great service. In reality, most companies find it takes extensive work and planning to achieve exceptional customer service. Phil Cooper, president of Cooper Pest Control, Inc. and author of *What + How = WOW: A Methodology for Customer Service*, knows that he has achieved it when he creates “WOW” moments with his customers. In Cooper’s words, “WOW is achieved when the experience makes such an excellent impression on the receiving party that it is shared with family and friends.”

But how do you achieve “WOW” moments? Cooper does it by making customer service a science. To that end, Cooper and his team developed a specific and thorough methodology to ensure that their service delivery is always top notch. Interactions with customers are based on a series of steps, which direct employees on how they should communicate with customers. These steps include: exuding confidence, asking questions, listening, avoiding the use of jargon and tempering pace and enunciation. Cooper also stresses the importance of evaluation and often records his customer interactions and evaluates them on this set of criteria. A five-minute conversation with a customer may take much longer to evaluate – a serious time commitment. But Cooper reasons, “Constant diligence is the only way to continually deliver exceptional service. The biggest thing I can stress to a company is to make a commitment to a process that works for them, to invest in it and to consistently practice what you preach.”

Equally important as implementing a process is maintaining a company culture that supports it. Cooper believes that most people want to provide outstanding service, but that no one has ever taught them how to do it. At Cooper Pest Control, staff meetings are held to share successful customer service strategies and to recognize employees who excel at providing great service. “Recognition in front of their peers is very important,” stresses Cooper. “You wonder where great customer service firms get their employees? The same place everyone else does! The difference is that they know how to harness their potential and bring it out of them.”

Cooper has worked with several commercial real estate companies to implement his methodology. “We work with administrative folks and property managers who have a lot of customer contact, and they tend not to think of customer service as a process.” Cooper coaches them on the importance of self-evaluation and adhering to a system. He also trains firms to deal with “WHOA” moments, or customer dissatisfaction. “Most customer grievances result from a miscommunication of expectations. You have to look at where a customer’s expectations come from and then make sure they align with what you can deliver.”

When it comes down to it, customer service is like any investment a company makes: it needs to contribute to the bottom line. And companies with a strong reputation in this area are often in a position to charge a premium for their services. Cooper’s “WOW” method is just one way to systematize and measure the effectiveness of service interactions, but it has helped his firm build a true competitive differentiator. The important thing, in Cooper’s words, is, “the dedication to an outstanding customer experience, and that takes dedication to a method.”

© BOMA International and Kingsley Associates

Lindsay Tiffany is the manager of media relations with BOMA International. She can be reached via email at ltiffany@boma.org.

BOMA International

Founded in 1907, the Building Owners and Managers Association (BOMA) International is an international federation of more than 100 local associations and affiliated organizations. The 17,000-plus members of BOMA International own or manage more than 9 billion square feet of commercial properties in North America and abroad. BOMA's mission is to enhance the human, intellectual and physical assets of the commercial real estate industry through advocacy, education, research, standards and information. On the Web at www.boma.org.

BOMA International - leaders in commercial real estate.



Headquarters:

1101 15th St., N.W., Suite 800
Washington, DC 20005
(202) 408-2662
www.boma.org

Key Contacts:

Lorie Damon

Vice President of Education and Research
(202) 326-6351
ldamon@boma.org

Laura Horsley

Director of Communications
(202) 326-6315
lhorsley@boma.org

Lindsay Tiffany

Manager of Media Relations
(202) 326-6365
ltiffany@boma.org

Kingsley Associates

The most successful firms in real estate rely on Kingsley Associates for cutting-edge business intelligence solutions. With a depth and breadth of insight unmatched in the industry, we bring thought leadership and passionate client service to every engagement. Let us partner with you to improve the performance of your assets and organization.

Kingsley Associates is a leader in real estate research initiatives such as tenant/resident satisfaction surveys, client perception studies, strategic consulting, employee engagement studies, and operations performance benchmarking. Our tenant satisfaction assessment objectively measures the full range of the customer experience, including service delivery, the leasing process, property features and building maintenance. The result is a clear roadmap for increased satisfaction and retention. Let us help you:

- Increase portfolio occupancy
- Enhance competitive positioning
- Standardize personnel and service performance
- Prioritize capital expenditures and improvement areas
- Bolster marketing and leasing efforts
- Identify at-risk tenants to improve retention

With over 20 years experience delivering strategic solutions to real estate clients, Kingsley Associates is uniquely positioned to help you leverage your customer retention initiatives.

Kingsley Associates - business intelligence for the real estate industry.

To discuss reproductions of this newsletter, please contact Laura Horsley at lhorsley@boma.org.



Headquarters:

182 Second Street
San Francisco, CA 94105
(415) 777-1140
www.kingsleyassociates.com

Key Contacts:

Jim Woidat

Principal - San Francisco Office
(415) 777-1140
jwoidat@kingsleyassociates.com

John Falco

Principal - Atlanta Office
(770) 908-1220
jfalco@kingsleyassociates.com

Phil Mobley

Vice President
(770) 908-1220
pmobley@kingsleyassociates.com