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AUTHOR:
Phil Mobley and David Smith
Kingsley Associates

Click to the Point

Resident-facing Web technologies grow the bottom line

It's no secret that the Internet has revolutionized the way people shop for apartments. What might be surprising, though, is just how quickly things have changed. Even as recently as a couple of years ago, drive-by sightings and apartment guide magazines were still the primary sources of new resident leads for the nation's largest branded communities, ahead of Web sites and search engines. In some cases, they may still be. But not for long.

Getting in the door

The shift toward shopping for an apartment online has significant implications for how multifamily communities set their marketing strategy. The first step is to understand just how big the shift is. "In 2003, 25% of our leads came from the Web, compared to 33% from drive-bys," says Dirk Herrman, Vice President and Chief Marketing Officer for AvalonBay Communities, Inc. "In 2006, those figures had flipped to 45% from the Web and 25% from drive-bys." AvalonBay has undertaken significant effort just to know those figures, having moved to an electronic guest card system in order to more effectively track marketing results. Now that they know, they can do something about it. Lincoln Residential has seen a similar phenomenon, according to Scott Wilder, the firm's Senior Vice President of Residential Management. "We're definitely putting more toward Web advertising because that's where the leads are coming from," he says. "We'll never stop using print, but the strategy has changed to using print media to drive people to the Web." Lincoln's research has shown that, while it might be counterintuitive, the reality is that Web shopping cuts across demographic lines. In other words, it isn't just for young people anymore.

With such a gigantic source of new rentals coming to the forefront, the challenge is for each firm to capitalize better than the competition. Dave Stockert, President and CEO of Post Properties, is not alone in his belief that the ability to actually conduct lease transactions online is the next revolution. Some of the pieces – video tours, real-time availability, 24-hour call centers to answer prospective residents' questions – are either in place or being widely tested in the industry. Other capabilities, like automated approval and credit card payment of initial fees and deposit, are still mostly on the horizon. But no one doubts the potential payoff.

"Internet leasing has the potential to have an impact on bottom lines in two ways," says Stockert. "First, it limits marketing expenses because, behind referrals, Internet leases are the cheapest to source. Second, it frees up time for people to focus on resident interaction, which we already know influences retention and referral."

The other big issue with Internet marketing that often goes unspoken is personnel. At Post, more intricate technology has led directly to the targeting of graduates from well-respected four-year universities to fill on-site management positions. "We view having high-caliber personnel as critical to maintaining our brand image of quality and service," says Stockert. Post is not alone in this regard. In the last 2 years, Lincoln has added personnel responsible for nationwide Web marketing, content and applications, and AvalonBay's Herrman notes that the company's training program specifically addresses Internet marketing. "Aside from the tremendous volume of Web leads, the fact is that they also convert to leases at a higher rate than print media or drive-by leads," he says. "One of our training points is to convince the employees that Web leads are just as hot as others."

Connected to amenities

Aside from the actual process of finding and renting an apartment, Internet technology is having and

effect on the amenities that help attract residents in the first place. At the center of this question is high-speed internet connectivity, particularly of the wireless variety. Having wireless hot spots throughout the community (in the clubhouse, by the pool and in other common areas) is becoming so common that it is almost a competitive necessity, rather than an advantage, for branded apartment communities. The question on everyone's mind in light of this trend is what will become of the time-honored business center? While there is no consensus as to the ultimate fate of this ubiquitous amenity, everyone agrees its function is changing. Herrman believes that it will eventually go away completely. "With the combination of wi-fi and ever-shrinking and cheaper printers, copiers and fax machines, the business center won't be required anymore," he says.

Lincoln's Wilder has had a similar thought, but confesses, "Even though you'd think we wouldn't need them, every time I visit a community, the business center is full!" He envisions a possible short-term solution: "Maybe the big computers will go away, but the printers and faxes are still big draws, so having these available for people's laptops is valuable."

Another innovative (if more capital intensive) solution is in development at some Post communities. "We're creating an Internet café in many communities that's more than a business center," says Stockert. "It has the traditional business center items, but with more of the social aspect. It has more of a lounge / coffee shop environment with plush furniture, flat-screen televisions and of course wi-fi." Post is betting that these new cafés will stay even busier than current clubhouses and business centers.

Now that they're here...

Having attracted residents and leased apartments, the next goal is to keep the residents happy and the apartments full. Once again, the Internet will play a crucial role. Whether it's paying rent, signing up for utilities, tracking maintenance requests or simply communicating to residents about upcoming events, Web portals are all the rage, and email communication is becoming increasingly accepted and exploited. "Collecting an email address today is like collecting a telephone number yesterday," notes Wilder.

While the comprehensive resident portal concept – or at least certain aspects of it – are either in development or have already been rolled out, solving the technical issues is only part of the challenge. Will residents take full advantage, thereby justifying the investment? What are the most appropriate functions of a resident portal from their perspective?

As it turns out, sometimes the "low-tech" way really is best. "We're in the process of creating a resident communication protocol," says Herrman. "Our bias was that residents hated those flyers that we slid under the door, but that's not necessarily true, depending on the type of communication." In some cases, less can be more. In others, just because it *can* be done doesn't mean it *should* be done from the corporate perspective. "A lot of our residents would love to pay rent by credit card, but with the extra fees, that's more of a cost issue than a technology issue," relates Post's Stockert.

And, of course, the biggest question of all: how does it fit into the bigger picture? Wilder admits that integration is the ultimate end game. "The biggest key for us going forward is getting the yield management, lead tracking, utility, work order and other systems to work together." That universal challenge will be around as long as the Internet. The sure bet, though, is that resident-facing Web technology will play an increasingly large role in the resident lifecycle.

About Kingsley Associates:

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Business intelligence for the real estate industry.

Contact Information:

Peggy Robinson
Kingsley Associates
770.908.1220
probinson@kingsleyassociates.com
www.KingsleyAssociates.com