



# Why brand and customer experience matter in commercial real estate

**A six pillar model to getting customer experience right**

April 2019



# Space-letting, experience-making, brand-creating

**Brand and customer experience are already transforming interactions between buyers and sellers of most products and services. Now they are influencing how commercial properties are constructed, designed and leased well into the future. Landlords impervious to changing workplace dynamics and rising customer expectations will lose out to market disruptors.**

Digitalisation and innovation have changed the way we work. Now, where we work is changing too. In fact, the boundaries between the worlds of work and leisure are increasingly blurred.

Businesses want high-tech, design-led, smart, flexible working spaces, which promote wellness, with added extras like gyms and cafés that appeal to the sorts of employees they want to entice and retain. They are after the types of experiences that began with Starbucks' 'coffee and Wi-Fi' and have permeated the working culture.

They don't want to be tied into long leases. Six months to one year is more than adequate for these fast moving, constantly innovating and growing tenants.

And that's another thing ... commercial real estate providers need to stop thinking in terms of tenants, and start thinking about their valued customers. That means being less focused on rent collection, and more centred on delivering experiences and value that can enhance or transform the working environment.

## Who's who in commercial real estate?



### Customer

The counterparty to the commercial agreement with the lessor.



### Consumers

The individuals who use the building and its facilities. They may be employees or visitors.

And all the while, consumer expectations are evolving. They are shaped by experiences in completely different sectors; they are influenced by moments, such as a recent online purchase or exceptional customer service. Up against these external influences, real estate firms have to move forward just to stand still.

In fact, emerging market dynamics are impacting commercial real estate as we know it and hastening change. We see, for instance, how low unemployment means candidates can pick and choose their employer, with the working environment often a deciding factor. HR departments are wise to this. Increasingly, they are called upon to provide input into the upfront real estate decision-making process. Meanwhile, employers are dictating to property owners what they want, where, when and how much they will pay. Flexible working and co-working are also prompting the shift from single-business to multi-business occupancy within buildings.

As in other sectors undergoing customer-led and technology-enabled transitions, real estate companies that are slow off the mark will fall behind in the race. Already, retail and the financial services sector lead on customer experience; the leisure and hospitality industries are hot on their heels. If real estate is to give customers what they want, then they must anticipate and respond to trends and demands in order to remain competitive and relevant.

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# Innovative market disruptors

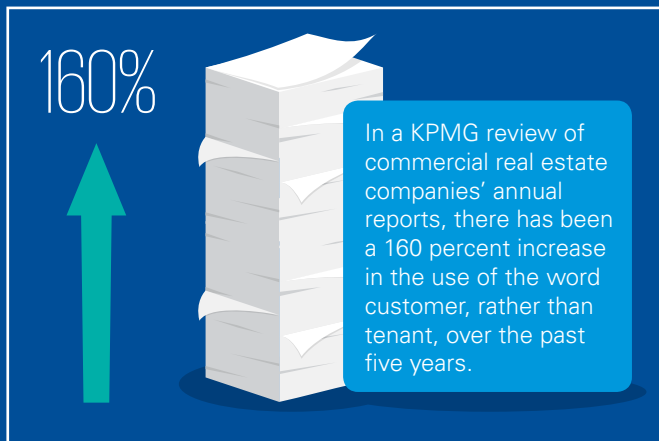
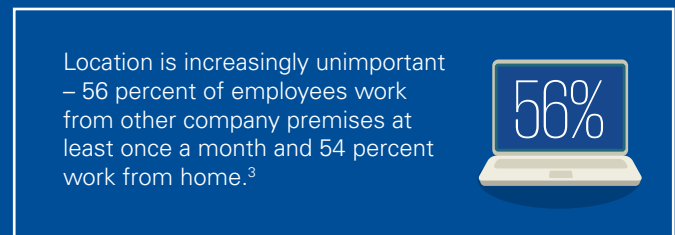
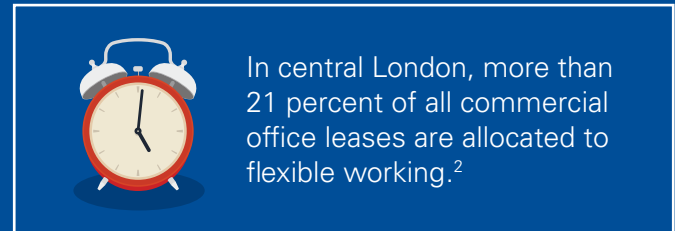
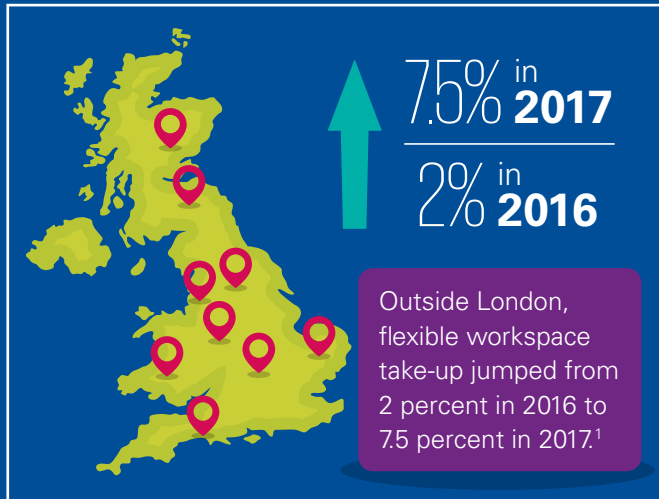
Some innovative companies are getting the customer proposition right and are upsetting the status quo. Among them is US vanguard business WeWork, which prides itself on helping people to 'work to make a life, not just a living'. It started by providing shared workspaces to start-ups and entrepreneurs back in 2010 and is now London's biggest office occupier, after the UK government.

The Office Group, now majority owned by Blackstone, claims to have pioneered the concept of the shared workspace in London way back in 2003. Today, it positions itself as a hospitality provider, offering meeting rooms and event venues, as well as drop-in, co-working and office spaces.

Companies like these have made the shift from obsessing about what their competitors are doing, to deeply understanding customers' needs, wants and their unarticulated or, as yet unidentified, aspirations.



# What the stats say...



<sup>1</sup> Cushman & Wakefield, Boom in UK co-working as flexible workspace take-up triples in top cities, 2018

<sup>2</sup> Cushman & Wakefield, Boom in UK co-working as flexible workspace take-up triples in top cities, 2018

<sup>3</sup> JLL, Future of work investor perspective, 2018

<sup>4</sup> BuildingEngines, The state of commercial real estate operations, 2018

# Finding a niche; building a brand

## But where does the transition leave established real estate companies?

Certainly, if leases are getting shorter, real estate firms will need to work much harder at keeping customers happy. That may well entail transforming and smartening workspaces, enabling flexible working or offering multi-business occupancy.

For some, psychological stimuli could be the differentiator. A report by Exeter University found that an office devoid of plants is 'the most toxic space' you can put a human into and that employees who actively engage with their surroundings are 15 percent more productive. Lighting, pictures or even smells can enhance psychological well-being too.

As property managers start to understand their customers, they will develop a clear and unique selling point (USP). It might convey high-quality, versatile, functional working spaces. It might communicate low-value, digitally enabled but adequate co-working facilities. Whatever USP-tailored proposition they put out, customers will know exactly what they are getting for their money in this highly competitive and fragmented commercial real estate market. In time, a star-ranking system, as used in the hotel industry, could help customers to narrow down the list of real estate providers best suited to their needs and budgets.

The property brand should communicate itself across the entire customer experience, from the look and feel of the building, to the reception space, right down to the expectation of properly functioning air conditioning and speedy Wi-Fi. The experience should be consistent across buildings. And, front-end outsourcers must maintain the same brand values as the real estate provider itself.

**Many real estate companies outsource property management – the day-to-day customer touch point – whereas other industries retain control of the customer interface, regarding it as integral to their profitability.**

Many traditional real estate companies in the UK are beginning to rethink their propositions. Some offer all-in pricing for space, rather than rent with a service charge on top. Ultimately, leases may become more standardised and portable. They will enable customers to move between locations and enjoy other services or facilities within the same brand, in keeping with their changing workspace needs.

Positive branding will resonate with customers. They will rank certain landlords higher on their property shortlists. For real estate companies, it may reduce the search overheads that will inevitably accompany a faster turnover of occupants.

# Customer-centricity takes off

**Real estate providers are evidently upping their game on customer-centricity, as found in a recent KPMG research conducted in February 2019.**

Among 10 of the largest UK corporate office developers, the use of the term 'customer' in annual reports is almost 160 percent higher than five years ago. Meanwhile, the term 'tenant' has suffered a 30 percent decline over the same period. Furthermore, 'customer' is now interwoven into the language of the business. Most (60 percent) of landlords either employ or are recruiting staff with expertise in 'customer insight' and/or customer service.

Among the barriers to customer experience excellence is restricted access to reliable customer data. When landlords outsource property management, and with it the key customer interface points – reception desk, amenities management, etc., – reporting quality is compromised. The cumulative effect, when applied to a portfolio of assets, each operated by a different management company, is that it becomes near impossible to piece together data to deliver actionable insights or to mandate a consistent brand experience.

Looking ahead, real estate companies will need to reappraise existing structures in order to get closer to the customer, gain and act on insights and deliver a connected experience.

## **Learning from the hotels industry**

In 2018, KPMG Nunwood's ranking of customer experience excellence placed eight hotel groups in the top 50 global brands. Take the Hilton Hotel group, ranked 27th.<sup>5</sup>

Hilton's brand expectations score, determined by Nunwood, is 12 percent above the industry average. The hotel has focused on growing its management, enhancing customer excellence and developing its franchise business since 2007, while cutting back on property ownership.

Operating under the Hilton brand, franchisees deliver a consistent look and feel, no matter where in the world they are located. Employees are trained to ensure that customers get a great Hilton experience at every touch point. Moreover, fierce customer loyalty to the brand has helped to drive up its room-rate premium by 15 percent compared with global competitors.

Hilton's operating company (OpCo) and property company (PropCo) models and behaviours are readily transferable to commercial real estate business, who often outsource property management to third parties. Both hotels and real estate companies offer 'space as a service' and both encounter similar customer expectations.

<sup>5</sup> KPMG Nunwood, Ignite growth: connecting insight to action, 2018

# Returns on branding and customer experience

The commercial significance of customer experience to commercial real estate is evident. As a consequence, we increasingly see real estate becoming less of a business-to-business operator and more of a business-to-consumer player.

In March 2019, at MIPIM RE-Invest, the annual summit for institutional investors in real estate, KPMG asked 60 global investors, who between them deploy more than £1 trillion in capital, where they felt companies should focus over the next five years. A staggering 96 percent agreed or strongly agreed that the customer and user experience of buildings will be critical to successful commercial outcomes in the period up to 2024.

The influence of brand on corporate economics is evidenced in KPMG Nunwood research<sup>6</sup>, which finds that the UK's top 10 brands achieved 10 times the revenue growth of their FTSE 100 counterparts over the past five years.

**Brands that improve their customer experiences see revenues increase by as much as 10-15 percent, while the cost serve reduces by 15-20 percent, found KPMG Nunwood.**

Consistent with the views shared at MIPIM RE-Invest, those brands that improve their customer experiences see revenues increase by as much as 10-15 percent, while the cost to serve reduces by 15-20 percent.

Best performing organisations do not achieve commercial return by accident. They are insight-led; they focus their core and innovative propositions on what customers most need and value; they unlock value by better enabling their employees.

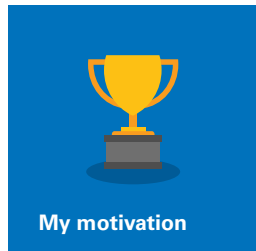
They do this by building a multi-dimensional view of their customer.

<sup>6</sup> KPMG Nunwood, The connected experience imperative, 2017



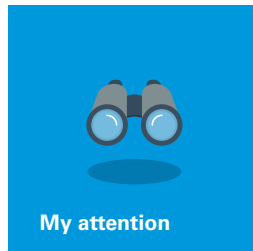
# How to get customer experience right

**Organisations need to consider what shapes and defines today's customer purchasing and experience requirements across five key dimensions – the 5 My's.**



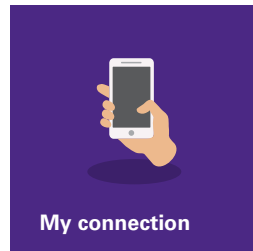
The motivational characteristics that drive consumer behaviours and expectations.

Knowing what's setting the benchmark can help eliminate wasted efforts and focus on the ones that make a difference.



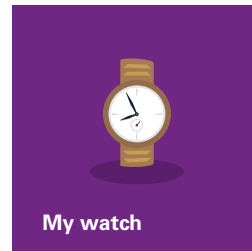
The way consumers direct their attention and focus. Attention is a "rational brain" process.

Knowing how to get customers' attention can help target investment in the moments that matter, maximising return on investment.



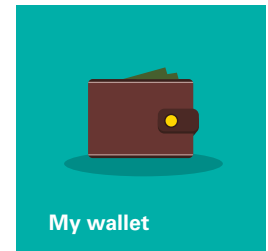
How consumers connect to devices, information, and each other.

Getting smarter about customers through their connections contextualises big data and generates actionable insights.



How consumers balance the constraints of time in their lives and how this changes across life events.

Identifying the pockets before life events yields new opportunities to build customer loyalty and stickiness.



How consumers adjust their share of wallet across life events.

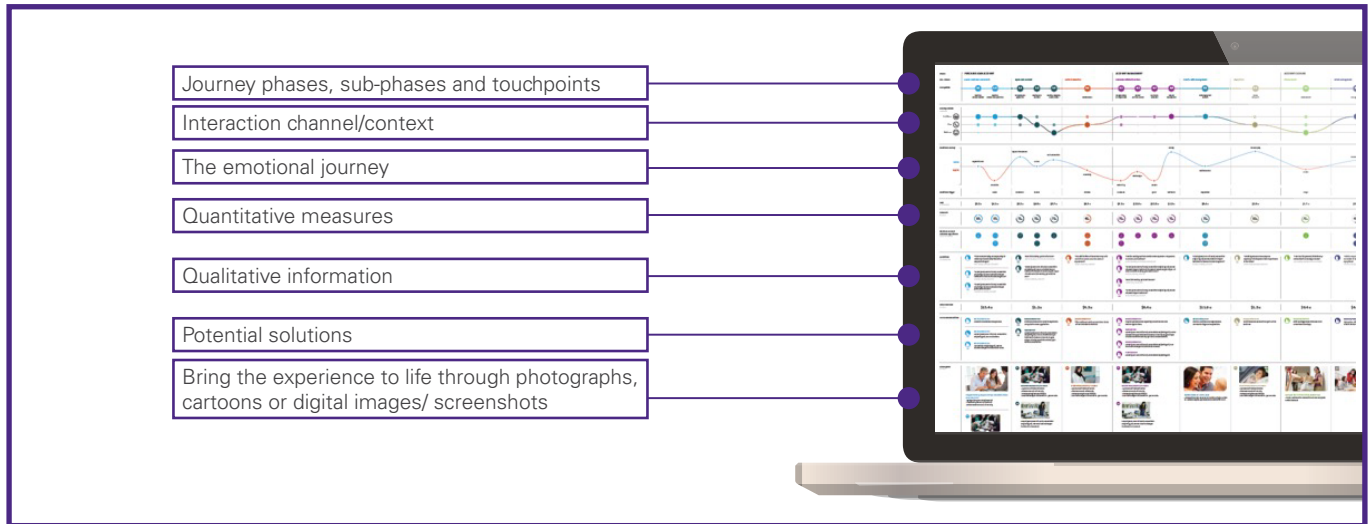
Understanding the trade-offs customers make between time and money can identify the best future customers and expectations.

For commercial real estate providers, the right sort of customer experience will translate into fewer vacancies and, consequently, better returns. A good experience will keep consumers satisfied and prompt customers to renew short-term leases. In turn, the stronger the brand, the better rental rates it will command.

Moreover, the KPMG Nunwood research finds that organisations closest to their customers are better at identifying key moments in the customer journey – the points which really matter – and can align their efforts around improving them.

## Journey mapping

Customer journey mapping starts with a baseline from which companies seek to transform the customer experience. They identify what is most important to their customers; they pinpoint how and where business processes interact with customers, and ascertain ways in which to address any issues.



In transforming the customer journey, commercial real estate firms might seek to skew the balance between customer experience and customer expectation in favour of meeting or slightly exceeding expectations. In fact, as illustrated in the image on the right hand side, there is an optimal point at which customers are happy and business operations are efficient. Tip the balance too far in one direction or the other and real estate companies could risk losing customers or compromising operational efficiency.



As real estate companies look to standardise the experience they offer to customers and design a consistent approach across their property portfolios, they must start with a clear vision that will inform their customer strategy:

- For whom are they designing the experience?
- Who is the customer they want to serve?
- What brands and propositions do they need to develop to attract those customers?

Journey mapping can help commercial real estate companies to identify what is important to their target audience. Already, it is a fairly well entrenched practice in real estate, retail, hotels, leisure, co-working and student accommodation, but there is greater scope.

Irrespective of whether the space is leased to a retail or corporate customer, landlords should be asking what do our customers think and feel as they use the building? Where are the flash points and which parts of the experience matter the most? The key is to identify those points, meet customers' expectations, give them truly valuable services and then delight them in ways that keep them coming back for more.



## A six pillar model

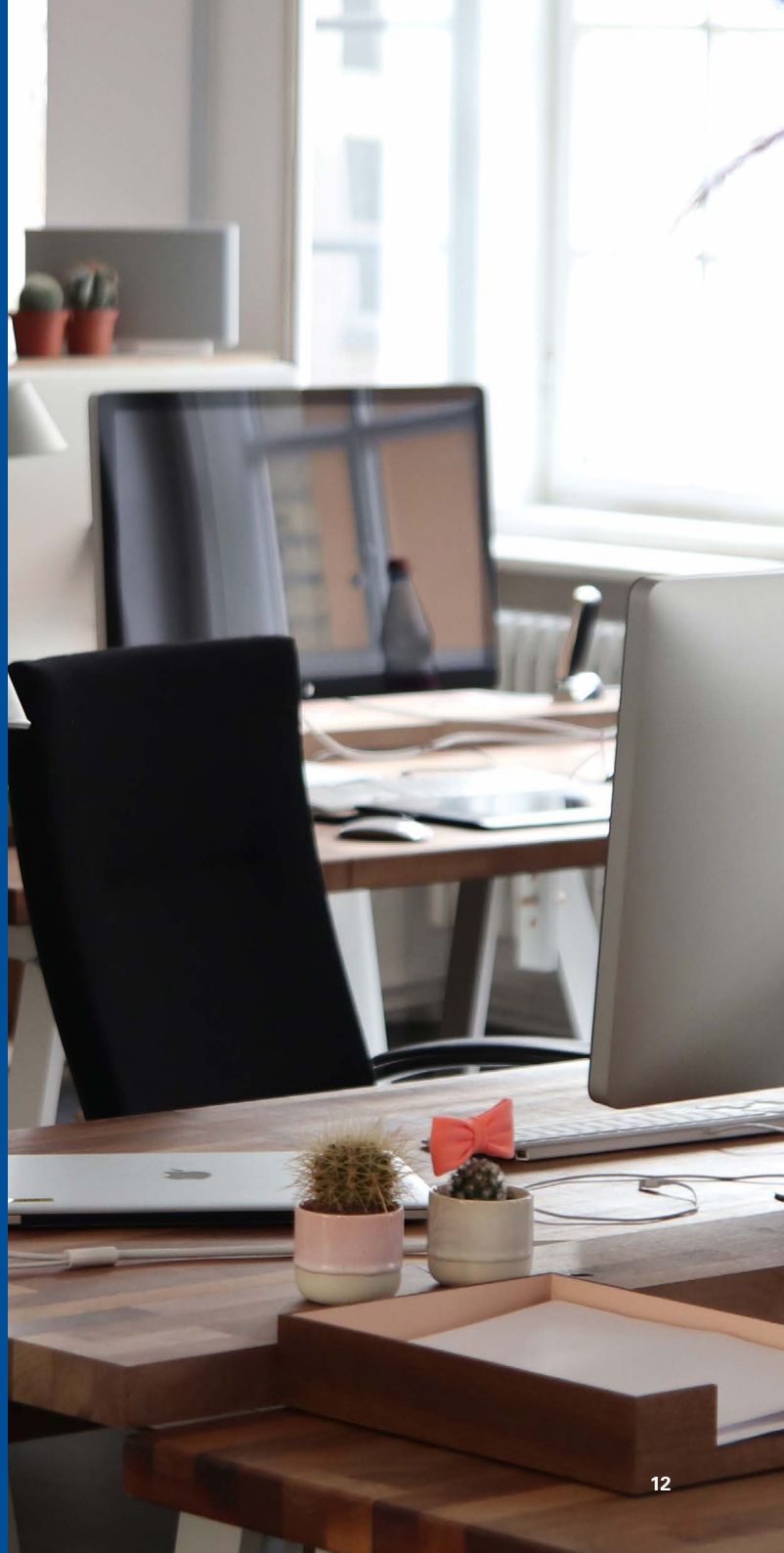
KPMG Nunwood's six pillar model provides a framework for businesses to tailor employee and customer experiences to key touchpoints. It highlights, even in this digital age, that core values, like integrity, meeting expectations, problem resolution and empathy, really matter. Get those elements right before using more innovative techniques, like time and effort, and personalisation, to unlock greater value.

It sounds simple, and on one level it is. However, all too frequently, businesses allocate investment ineffectively – without a robust understanding of the true cost to serve or of revenue or value generation potential. In fact, our CEO Outlook survey<sup>7</sup> highlighted that almost half (45 percent) of respondents do not feel that they are leveraging digital as a means to engage effectively with their customers. This infers mis-placed digital investment.

Almost one decade of research by KPMG Nunwood reveals that every outstanding customer relationship has a universal set of qualities. These qualities are inextricably intertwined and, in combination, provide a powerful mechanism to help organisations understand how well customer experience can be delivered across channels, industries and company types.

Leading firms demonstrate mastery of these pillars and are outstanding at all six of them.

<sup>7</sup> KPMG, Global CEO outlook, 2018



## Personalisation: using individualised attention to drive emotional connection

Personalisation is valuable to most customer experiences. It involves demonstrating that you understand the customer's specific circumstances and will adapt the experience accordingly. Use of name, individual attention and knowledge of customer preferences and past interactions, all add up to an experience that feels personal.

Banking and asset management group Investec, for instance, uses facial recognition technology to deliver a personalised and hassle-free reception experience for clients visiting its offices.<sup>8</sup>



### The golden rules of personalisation are:

- Greet me
- Show me you know me
- Recognise our history together
- Make me competent
- Surprise me with something relevant
- Understand my needs and circumstances
- Individualise what you do

<sup>8</sup> FT, Get ready for the end of the reception desk, 2018

## Integrity: being trustworthy and engendering trust

Integrity comes from consistent organisational behaviour that demonstrates trustworthiness. Trust-building events occur when organisations have to react publicly to a difficult situation. Trust-building moments occur when the individual actions of staff add up to overall trust in the organisation. For all customers, it is the degree to which an organisation delivers on promises that stays top of mind.

Take, for instance, the way in which organisations build a sense of community. On the Google campus, micro kitchens and breakout spaces provide opportunities for people to come together and exchange ideas and collaborate. It is a first step in creating a positive company culture that is aligned to company values.<sup>9</sup>



### The golden rules of integrity are:

- Stand for something more than profit
- Act demonstrably in my best interest
- Show concern for me as a person
- Do what you say you will
- Keep me informed
- Be competent
- Be likeable

<sup>9</sup> Peakon, Workplace spotlight: what Google gets right about company culture, 2018

## Expectations: managing, meeting and exceeding customer expectations: using individualised attention to drive emotional connection

Increasingly, customers' expectations about how their needs should be met are set by the best brands they encounter. Great organisations understand, deliver and – where appropriate – exceed expectations. Some set expectations with statements of clear intent; others set the expectation accurately and then delight customers when they exceed it.

At Ritz-Carlton, for instance, every employee has a daily US\$2,000 budget, which they can use to enhance a guest's experience, personalise an experience or put things right. This sum is at the employee's discretion and does not need management sign-off. They call it 'delight or make it right'. It doesn't just mean that Ritz-Carlton reacts promptly if things go wrong or makes a good stay even better. It also demonstrates that employees' judgement is trusted; that they are empowered to be customer-centric in what they do and that they think about service.<sup>10</sup>



### The golden rules of customer expectations are:

- Set my expectations accurately
- Agree timings with me
- Respond more quickly than I anticipate
- Use plain English – no jargon
- Fulfil or exceed your promises
- Guide me through the process
- Provide information openly and honestly

<sup>10</sup> Winthecustomer, 3 internal Ritz-Carlton customer experience strategies revealed, 2012



## Resolution: turning a poor experience into a great one

Customer recovery is critical. Even with the best processes and procedures, things will go wrong. Great companies have a process that not only puts the customer back in the position they should have been in as rapidly as possible, but also makes the customer feel really good about the experience. A sincere apology and acting with urgency are fundamental to successful resolution.

WeWork, for instance, currently offers a mobile app to collect data on its customer experiences of its meeting rooms. Users rate the rooms on a scale on one to five. For three or fewer stars, the app asks the customer to provide a comment. Every day, the business receives feedback on users' perceptions. Machine learning helps WeWork to identify and fix any problems quickly, and improve its product standards constantly.<sup>11</sup>



### The golden rules of customer resolution are:

- Assume my innocence – see my point of view
- A warm welcome and a sincere apology
- Own the resolution – fix with urgency
- Surprise me in how well you fix my issue
- Go the extra mile if required
- Give me options going forward

<sup>11</sup> ReCoTech, How WeWork uses data to make buildings better, 2017

## Time and effort: minimising customer effort and creating frictionless processes

Customers are time-poor and look, increasingly, for instant gratification. Removing unnecessary obstacles, impediments and bureaucracy enables customers to achieve their objectives more quickly and easily. This approach is proven to increase loyalty.

Many companies are discovering how to use time efficiency as a source of competitive advantage. There are clear cost advantages to saving time, as long as other pillars, such as integrity and resolution, are not compromised.

Take Hilton Hotels HHonours App. It allows customers to select their hotel room, bypass check-in and check-out, and unlock their bedroom doors with their phones. They can even use it to select a hard or soft pillow or order a snack.<sup>12</sup>



### The golden rules of time and effort management are:

- Make my time investment pleasurable
- Give me simple clear instructions
- Maximum of three steps to my objective
- No longer than two minutes waiting
- Provide the answers I need when I contact you
- Advise me of pitfalls ahead

<sup>12</sup> KPMG Nunwood, The connected experience imperative, 2017

## Empathy: achieving an understanding of the customer's circumstances to drive deep rapport

Empathy is the emotional capacity to show you understand someone else's experiences. Empathy-creating behaviours are central to establishing a strong relationship. It involves reflecting back to the customer that you know how they feel, then going that one extra step because you understand how they feel.

Some companies use apps to create a sense of community within an office building. It might be to set up different interest groups that appeal to consumers, such as a running club, or networking events. Or to encourage mingling between members and non-members by hosting panel discussions, product launches and mixers at their offices.



### The golden rules of empathy are:

- Invest time to listen to me
- Provide the right emotional response
- Share your similar experience
- Treat me as your priority
- Take ownership of my issue
- Show me you care

Arguably, if a company hopes to improve customers' experiences, it has to get inside their heads to understand what they really think and feel and the moments that matter most to them. They can then tailor those experiences, using the Six Pillars for guidance.

### What does a good customer experience look like?

Creating a good customer experience means:

- Keeping pace with customer needs as they evolve so that you can design the type of experience they most need and use it to inform the corporate strategy.
- Harnessing technology to create intelligent interactions and deliver an edge over competitors. Businesses must choose their technology wisely, given the pace of evolution within the sector, to ensure it is relevant and adds to the customer experience.
- Delivering a consistent level of service between facilities and properties.
- Delivering value across the chain, ensuring that the experience is good for customers and their employees, and fits with evolving needs.



Smarter property management, focused on customers and consumers, as illustrated in the image on page 18, can help to deliver better outcomes for everyone. It might be about giving people access to services more quickly, or enabling them to collaborate or to customise space. It might be about better

use of data to optimise the way in which space is used and valued. Greater end customer and user satisfaction will come from enhanced experiences, benefiting asset owners, in turn, with increased retention and rates.



### Pre-letting and viewing



### Leasing and negotiation



### Fitting out and moving in



### Property management



### Moving out



#### Fitting out and Moving in

I want a high level of personalisation in our fit-out, that reflects my company culture and employee needs, but we don't have time to manage the fit-out ourselves. We also need an office that will be flexible over time as our company grows.



#### Service requests

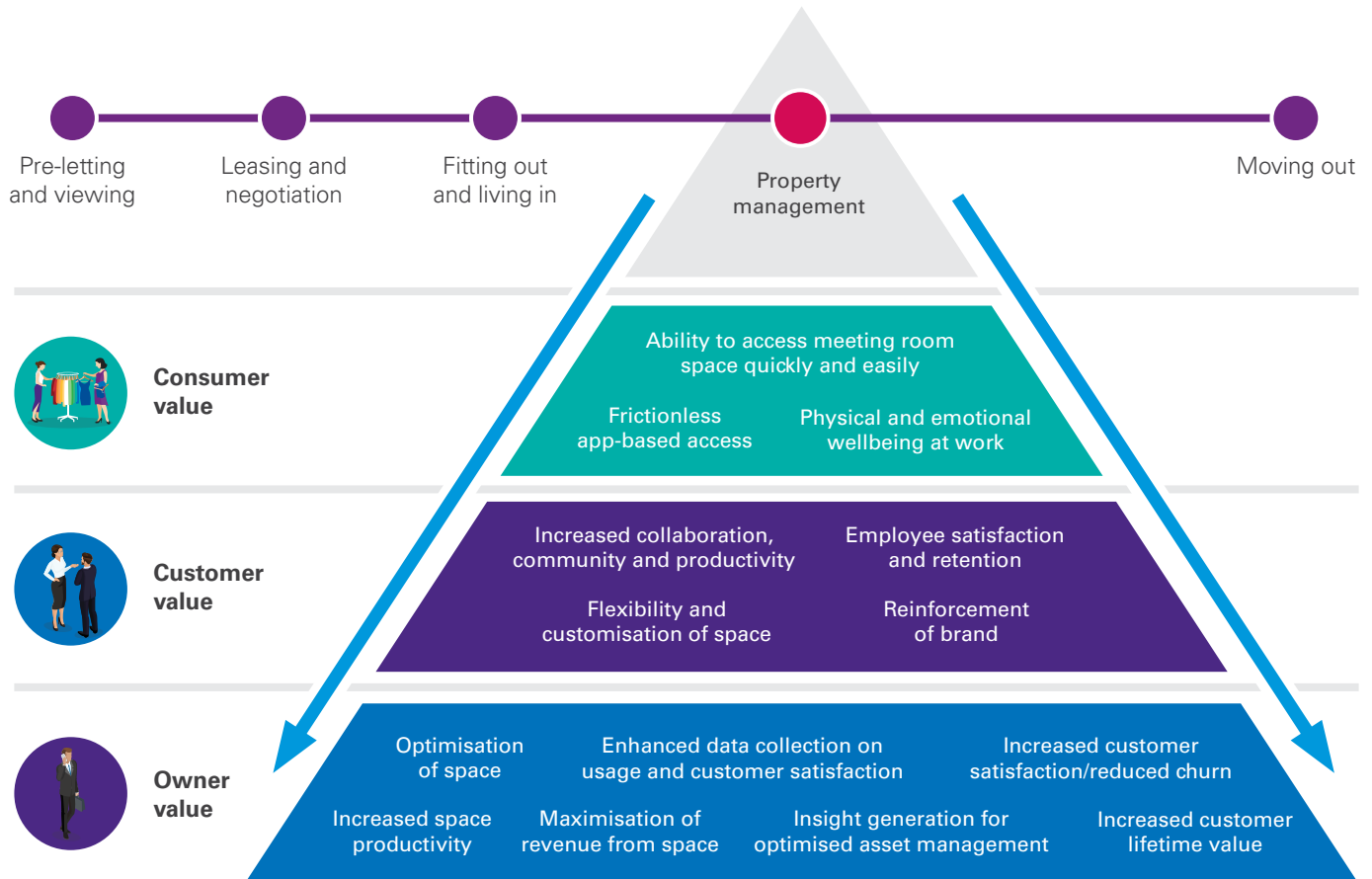
When something breaks or goes wrong, I want to report it quickly and easily on my phone, to allow my employees to continue working in an effective and safe environment.

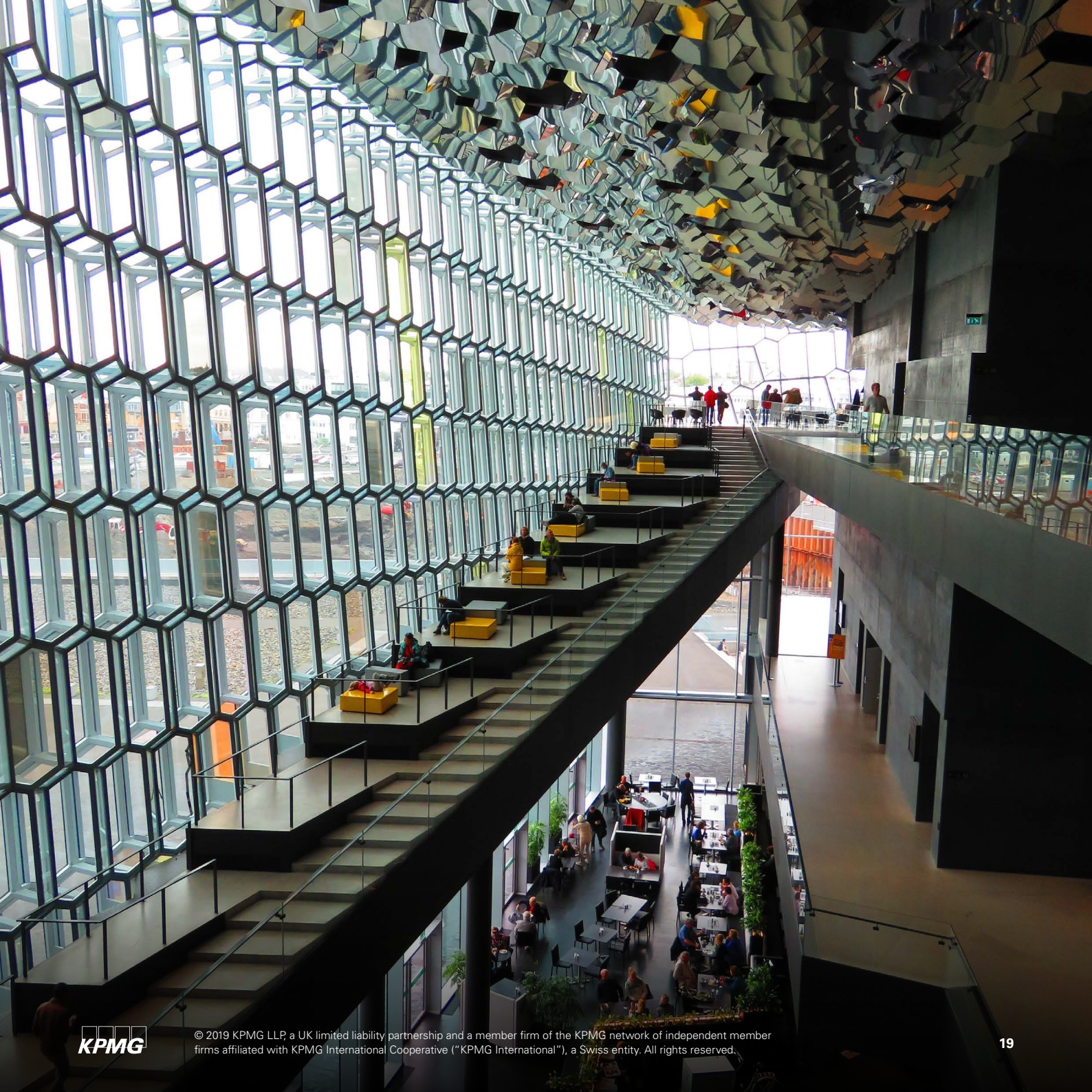


#### Wellbeing

Health and wellbeing is important to our employees and our company culture. We want a space that supports physical and mental wellbeing for our employees, and makes us an attractive place to work. Our new recruits are looking for exercise spaces, juice bars, and lots of greenery.

# Outstanding end-user experience drives value down the chain





# Next steps for commercial real estate

Today's commercial real estate customers are informed, tech savvy and vocal. If they don't get what they want from their working space, there will be alternative short-term lease options elsewhere.

Far from four walls and a roof, today's real estate providers can offer space as a service. Many will mimic the hospitality franchise model and focus on becoming more customer-centric by turning interactions into positive experiences – each interaction with a customer is an opportunity to build their loyalty to your brand. They will use each interaction as a stepping-stone in building customer loyalty to their brand.

**Every interaction with a customer is an opportunity to build loyalty to the brand.**

They start by mining data to understand how buildings are used and what consumers most want from their working experience. Better understanding and tailoring also help to reduce the risk of obsolescence and costly retrofitting. They pinpoint criteria behind customer churn and identify what they can do to increase loyalty. They assess the role of the building asset in customers' working lives and the trade-offs that might be made – say fewer onsite amenities or greater distance from public transport – to inform fair-value pricing.

They will create brand consistency and ensure that every building is uniquely theirs in look, feel and expectation. And employees and outsourced staff will adhere to established brand values, making every customer contact a constantly good experience.





# What the future looks like

- The focus will be more on business-to-consumer interactions, than business-to-business.
- Lease lengths are reducing: this will continue.
- Large organisations will procure a greater proportion of their space flexibly.
- Real estate companies will move towards a service/value-added mind-set by developing new revenue streams. They will:
  - Sell more space on an 'all-in' basis, rather than on a rent plus service charge basis
  - Provide meeting rooms and co-working spaces in multi-let buildings and charge according to usage
  - Help with moving in/moving out of offices
  - Manage the office/provide consumables to customers
- Real estate companies will build in incentives to reduce the operating costs of a building on an ongoing basis for landlords.

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