

Self-serving or customer serving?

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Tenant satisfaction should be a landlord's top priority

What is the property industry's record to date on treating its tenants as valued customers? Having spent last year at London Business School and learning that successful go-ahead businesses are those that focus on customer satisfaction, I wonder whether the property industry's tenant is really the same 'customer' that I heard so much about.



by
Susan
Freeman

At a time when the industry is under siege from declining occupier demand, investors seeking higher rates of return to compensate for the rapidly reducing lease term, a customer base demanding flexibility and the government threatening legislation, hasn't the landlord every reason to build a mutually beneficial, long-term partnership with its customer?

It appears not. Whatever the benefits to the industry, its commitment to the institutional lease has created a monopoly situation with no real incentive to provide customer care. But you have to question the business model of an industry that needs the threat of regulation to force it to sit down with its customers to find a way to offer the customer what it apparently wants – more flexible terms. And even without the negative pressure of the threat of regulation, the market itself seems to have put paid to the institutional lease, in the office sector at least.

During boom times, the potential pitfalls of the traditional lease are overlooked as tenants rush to secure sufficient space in prime locations. It is only in a downturn that strident protests are heard. The government has responded to occupier demand for flexibility but, even with a range of options, will tenants really be prepared to take a long-term view and pay a higher rent as the price for flexibility, or will they sacrifice this in the interests of short-term cash flow?

There are certainly signs of a shift in attitude. It began with tenants being referred to as 'occupiers' to escape the feudal concept of a landlord deigning to grant a lease to its tenant. But has the industry embraced the concept that the tenant/occupier is the customer? A useful indicator is the British Council for Office's Service Challenge report, which found that the US property market is seen by occupiers to be more responsive to their needs while UK tenants continue to be frustrated by the adversarial nature of the industry.

Some have grasped this challenge, but in general, the property industry is yet to be convinced that increased customer satisfaction enhances corporate performance. 'Relationship management is about maximising long-term profits by maximising value for customers,' says London Business School marketing professor Kathy Hammond. But this notion, long embraced by leaders in other industries, still isn't taken seriously in commercial property.

There are signs of change. Industry innovators such as [Brixton](#), [Workspace](#), Industrious (formerly [Saville Gordon](#)) and [Dorrington](#) have seen the opportunities for gaining competitive advantage by offering more flexibility and customer care, reinterpreting traditional business concepts and freeing the customer to concentrate on running its core business. Retail shopping centres have long realised the benefit of engaging their retailers and learning about their needs, recognising that a proportion of shorter leases makes for a fresher, more interesting retail environment.

Tower 42, the landmark City of London building, is now winning awards both for customer service and business excellence. This is a model that has learned from the hospitality industry the benefit of customer responsiveness and points to a future where value is created from add-on customer services.

Customer service is part of a global shift in attitude to the consumer as 'value maximiser'. Shouldn't the UK property industry join those other industries that have successfully embraced the concept and accept it is not just a passing whim that will go away?

Susan Freeman is a partner at Mishcon de Reya