Steps to Building an Anti-Fragile Business

How to Thrive Through Uncertainty

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Intro

Building an anti-fragile business is key to running a successful, indestructible company. Before we dive into the steps to creating an anti-fragile business, let's first define what this means.

An anti-fragile business is a business that not only survives, but thrives through uncertainty. Whether it's a global pandemic or an economic recession, creating an anti-fragile business shields your business from being negatively impacted by these potentially threatening changes, while still allowing your business to grow and succeed.

When building an anti-fragile business, it’s important to thoroughly evaluate your spendings and understand what’s eating your margins. When you’re able to identify areas where time and money are being wasted, you can work in solutions to help you best allocate your time and resources, allowing your property management business to grow in any type of climate.

Let’s explore some of the ways property management professionals can thrive during uncertainty by tackling the items that are impacting your margins most:

Identifying Things That Will Never Change

> I very frequently get the question: 'What's going to change in the next 10 years?'...
>
> I almost never get the question: 'What's not going to change in the next 10 years?'
>
> The second question is the more important of the two because you can build a business strategy around the things that are stable in time.
>
> -Jeff Bezos, CEO of Amazon

Let's define what owners/investors will always want:

Trust

Owners/investors want their property manager to be reliable enough for them to feel secure stepping back and relinquishing control from their highest value asset(s).

Value

Owners/investors want to know (and be able to see and feel) that they are receiving the value that they are paying for.

Empathy

Owners/investors want their property manager to manage their property as if it were their own.

Let's define what owners/investors will always want from their property management company:

- On time rent payments with statements.
- High NOI and increasing value on the property.
- Assurance that the home is being well maintained.
- Assurance of a solid emergency maintenance plan.
- A responsive team that provides a sense of urgency for their needs.

Identifying Things That Will Never Change

Creating a successful, anti-fragile property management business doesn't solely rely on the owners'/investors' core wants. We need to also focus on the residents' wants in order to increase tenant retention and maintain an overall positive reputation.

So, what will residents always want?

Better quality service levels:

According to a recent study, 68% of renters decide to leave because of poor customer service and only 9% leave for competitive pricing in other communities. That same study found that residents who are happy with property management are three times more likely to renew their lease. A positive resident experience is something that will always be important and crucial for success.

Offering perks that provide convenience along with lifestyle and financial benefits is one of the most effective, mutually beneficial ways to improve improve the level of service they provide to residents.

At Latchel, we offer a turnkey, fully customizable resident benefits hub property managers can provide to their residents that includes dozens of convenient, lifestyle, and financial perks.

72%

of renters feel that it's very important that their property manager is easy to get a hold of and resolves issues quickly.

60%

of renters feel that it's very important that their property manager provides great customer service and keeps things running smoothly.

Buildium State of the Industry Report

Below are some of the resident benefit offerings Latchel provides.

Convenience:

- Online resident portal
- 24/7 maintenance
- Video troubleshooting
- Response-time guaranteed
- Easy utility setup
- Air filter delivery
- Smart home add-ons

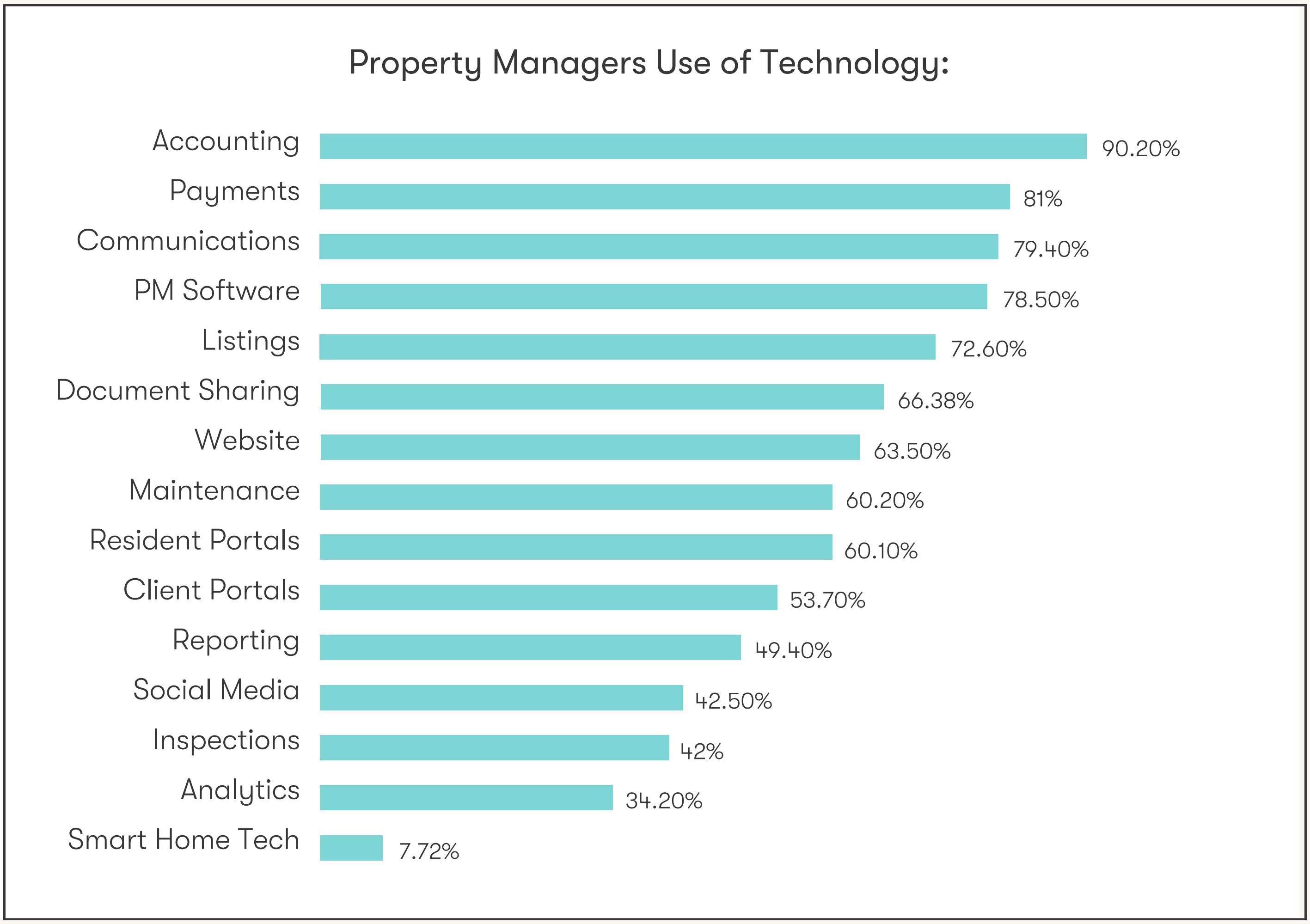
Lifestyle & Financial Perks:

- Resident-caused damage reimbursements
- Cash back on insurance policies
- Rewards for rent payment
- Security deposit alternatives
- Access to financial/investment advice

Click here to read our blog to explore things that will never change in Property Management.

Work Backwards While Looking Forward

Looking forward, it's important to implement technology that enhances efficiency and automates time-consuming tasks. As a property manager, look for proptech that integrates. The more time you spend on double entry, the less efficient your business becomes. Inputting data redundantly across multiple platforms not only decreases efficiency but it also raises risk for human error and inaccurate insights.



Ability to connect the data from each part of your tech stack creates efficiency. Without it, operating easily becomes a giant mess, hindering your service level capabilities and growth velocity.

There are dozens of property management software and tools out there that will save you so much on overhead costs and give you back time to focus on what really matters.

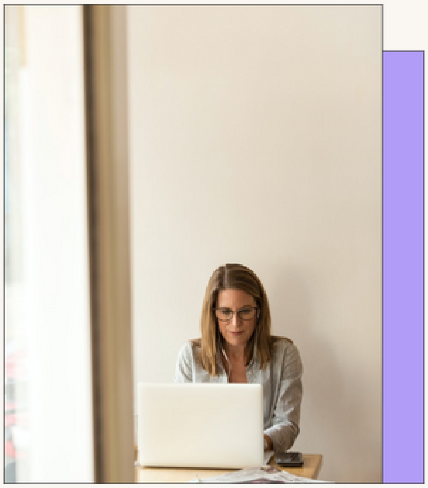
Work Backwards While Looking Forward

The Single-Family Market is Consolidating

Institutional Investors are Becoming 'National Landlords'

Venture Capital is pouring money into Single Family Residential

Larger companies are buying up smaller, boutique companies to expand their markets.



Expansion of Built to Rent Portfolios

Built-to-rent portfolios are expanding and becoming more and more prominent in the industry. With inflation and housing prices skyrocketing, more and more people aren't able to afford purchasing a single-family home. Additionally, a study conducted by PEW Research Center discovered that 50%+ of employed Americans say they desire to work from home most or all of the time, and with remote work becoming more of today's norm, homes need to serve more than just a place to eat and rest your head at night. As a result, single-family home rentals are becoming more of a hot commodity.

12% year over year decrease of US households that can afford to purchase a single family home

Natl. Association of Home Builders

60% of new residents in single-family rental homes moved from urban locations.

John Burns Real Estate Consulting

50%+ of employed Americans say they desire to work from home most or all of the time.

PEW Research Center

Work Backwards While Looking Forward

Building Unbeatable Customer Experience Based on What Will Never Change.

Top 5 Priorities for PMs Year Over Year

	2023	2022	2021	2020	2019
1.	Growth	Residents	Growth	Growth	Growth
2.	Efficiency	Growth	Residents	Efficiency	Efficiency
3.	Profitability	Efficiency	Efficiency	Profitability	Profitability
4.	Owners	Owners	Profitability	Owners	Residents
5.	Residents	Profitability	Owners	Residents	Owners

Buildium State of the Industry Report

Buildium's latest State of the Industry report shows us that growth was the number one priority for three years strong. However, you'll notice in 2022, residents became the number one priority. Now in 2023, you'll see that growth is ranked the number one priority and residents dropped down to number five. Does that mean you should stop caring about your residents? Absolutely not.

This chart is actually showing us how to do anti-fragile thinking. In 2022, for most large property management companies, the resident experience became the number one focus because we know that when your residents are happy and you've created a really great resident experience, growth, efficiency, and profitability follow. When your residents are taken care of and happy, you now get to pour back into your business. Since the vast majority of surveyed property managers made the resident their focus in 2022, they now know in 2023, they can focus on these other three things.

Work Backwards While Looking Forward

Service-Focused Amenities are on the Rise

2022

24% of Property Managers plan to expand the amenities & services they provide to residents to generate new revenue.

2023

73% of Property Managers plan to increase revenue through increased rent/resident fees with value-added services.

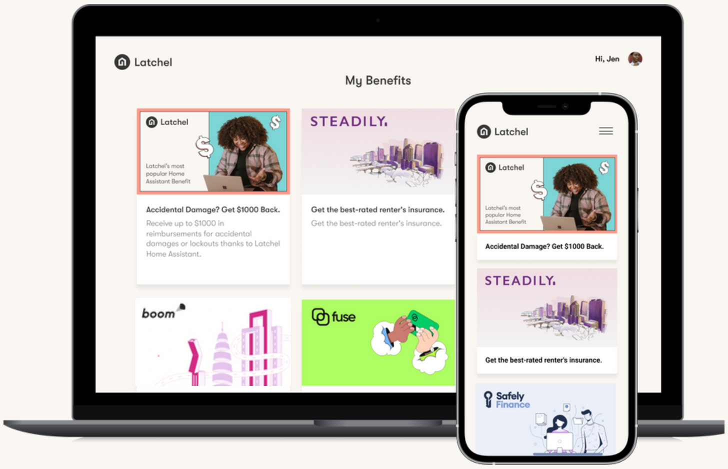
How Property Managers plan to grow their portfolios in the next 2 years...

Recruiting new clients	77%
Encouraging current clients to grow	51%
Acquiring other companies/portfolios	39%
Purchasing/building new properties	31%
Managing new property types	30%
Expanding to new markets	30%

2023 Buildium State of the Industry Report

Work Backwards While Looking Forward

One of the most effective ways to increase services to renters while generating consistent revenue is by implementing a resident benefit package. A resident benefit package is an additional charge to the tenant included on new leases that will give the resident added services. These added services vary by company but can include perks like rental insurance, emergency maintenance lines, air filter delivery services, handyman services, cash back on resident-caused damages, and so much more!



At Latchel, we've been able to increase monthly revenue by up to $40 per unit per month with a similar, resident paid service called Home Assistant.

With Latchel, residents pay a small monthly fee for 24/7/365 access to this hub, even at midnight on New Years Eve.

Because Latchel can also include free maintenance coordination with the Resident Benefits Hub service, maintenance costs are reduced, making profitability look more like the below when implementing a resident benefits package:

Industry Average

$120 Revenue Per Unit → **~$150** Revenue Per Unit

2021 Benchmark, ProfitCoach

Building Your SLAS:

Your processes should be built around Service Level Agreements (SLAs). For example, Latchel has a 60-second guaranteed response time when it comes to maintenance requests.

As you build your SLAs, it's important to note that what isn't measured can't be managed. Ask yourself:

- Is your SLA realistic and measurable?
- How often is your team able to hit your SLA? (shoot for over 90%)
- Is the implementation of your SLA improving your KPIs? (retention rates, online reviews, etc.)
- Iteration - What aspect of your process needs to be adjusted to continuously improve?

Padding Your Margins

Via Service-Enhancing Fees

86% of consumers are willing to pay more for a better experience.

What service level enhancements can you offer to residents and owners that they'd be willing to pay extra for?

Higher Quality Service Levels

=

Increased Revenue

Higher Levels of Efficiency

=

Increased Revenue

What's eating your margins?

In order to increase your profitability, it is crucial to understand what's eating your margins. For many property managers, it could be:

- **Overhead costs spent on processes that aren't yet automated.**

  Team members are likely spending too much time on manual tasks whether it's rent collection, resident screening, maintenance requests, etc. These are all tasks that can, and should be automated.

- **Double data entry with platforms that aren't integrated.**

  When you leverage multiple platforms that don't integrate, you're wasting more time manually updating too many systems, which also creates a huge mess.

- **Hiked costs of service provider labor.**

- **Unnecessary dispatching of vendors for maintenance that can be resolved remotely.**

  At Latchel, we provide 24/7/365 video troubleshooting where we can resolve or de-escalate 30% of maintenance issues, saving you money on unnecessary site visits.

- **Low resident retention and high turnover costs.**

  Latchel helps property managers increase their resident retention by offering an unbeatable rental experience through service-level enhancements and unparalleled 24/7 maintenance support.

Click here to read our blog to explore how Property Managers can pad their margins.

Drive Efficiency With Systems Like Latchel

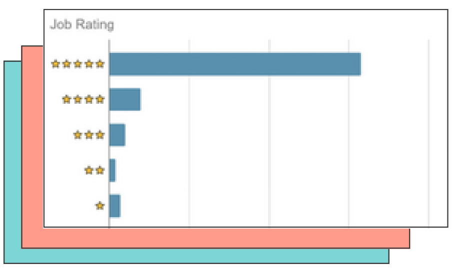
Latchel gives you all the tools you need to drive efficiency, exceed resident and owner expectations, and add new revenue streams to your bottom line.

71%
of work orders do NOT require a single touch from a PM
*when budget approval is not required

2,000+
monthly active
Latchel service providers

72 hrs
median time normal requests are resolved

60 sec
response time to call or text

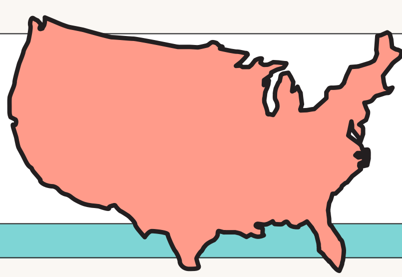


4.8
out of 5 stars out of thousands of reviews

30%
of Emergency calls deescalated or resolved via video troubleshooting

63%
Avg. maintenance coordination operational cost reduction

1,450+ units
managed per single employee



110,000+
units on service across all 50 states

Summary

Latchel Can Help You Thrive Through the Unexpected

In summary, to create an anti-fragile business, you need to:

- Define what your customers will always want and regularly share those core desires with your team to act as a lighthouse.
- Build efficient processes that can support them and define SLAs and metrics to track continuous improvement.
- Implement margin padding strategies, and push and monitor your growth accordingly.

About Latchel

Latchel is a software platform that enables property managers to be more responsive and offer better perks while also creating a new revenue stream so you don't have to choose between happy tenants and a healthy bottom line.

If you're ready to build an anti-fragile business and thrive through the unexpected, request a live demo today.

Request Demo