Real Estate Performance Management: Realizing the Value of an Enterprise Approach to Corporate Real Estate

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Introduction: Appreciating the Under-Appreciated Value of Real Estate Performance Management

Real estate management often lags well behind the rest of the enterprise when it comes to using automation and technology in order to achieve cost-controls, optimize the management of the real estate portfolio, and maximize revenue opportunities. Yet real estate can represent one of the single largest assets and/or liabilities in a company's capital portfolio, and the annual spending on real estate and related services can account for anywhere from two to more than ten percent of total revenues.

Real estate is also one of the more dynamic parts of the business: Even for companies that don't consider themselves directly in the real estate industry, buying and selling real estate can be an essential part of an overall corporate strategy. This is a well-known phenomenon in the retail world, where acquisitions of hundreds and even thousands of new properties per year is commonplace. It is also the case in virtually every other industrial or service sector, however: research shows that the acquisition and disposition of real estate are on-going activities for all industry types, and can account for an annual churn that can easily exceed hundreds of properties and tens of millions of dollars per company.

A company's overall real estate exposure isn't the only reason these assets are increasingly strategic. Regulatory compliance, in the form of Sarbanes-Oxley and FASB regulations, as well as corporate governance requirements – for strategic planning, cost controls, and risk management – also provide powerful incentives for an increased enterprise real estate management function. These issues add to the overall need for greater financial control over relatively large and widespread expenditures, and it has become obvious that real estate management can impact operations, revenues, and compliance in more ways than most executives realize.

With so much at stake, it stands to reason – for retailers and non-retailers alike – that enterprise-level management of the real estate portfolio should be a top priority. The reality, however, is quite the opposite. The key functions that are part of managing a real estate portfolio – site selection and acquisition, construction and project management, lease management and facilities management – are more often than not managed on an ad hoc as opposed to integrated basis.

Spreadsheets and paper-based systems are the common technologies, and disconnected processes, not collaboration, dominate the day-to-day working environment.

The ability to integrate these functions with the rest of the enterprise's back and front office is also extremely limited, regardless of whether the integration is between processes like accounts payable and receivable and vendor management, or whether the integration is between senior executives and the real estate management team. Absent these connections, the ability of management to understand the progress of any individual project, much less the overall impact of changes in real estate on the company's operations, are severely hampered. The result is enormous potential loss in terms of revenues, profits, and opportunity, as well as increased financial exposure and potential regulatory liability.

This doesn't have to be the case. A comprehensive real estate performance management function, one that synchronizes the lifecycle management of real estate with the strategic and tactical needs of the enterprise, can have a significant positive impact on the entire enterprise. By automating the processes that go into the acquisition and management of real estate assets, and linking both internal and external stakeholders together in a collaborative, workflow-driven environment, companies in any industry can turn a poorly managed real estate function into a finely-tuned, efficient part of the enterprise, and thereby contribute to top-line revenues while helping to control costs and minimize compliance problems.

One company that has helped improve real estate performance management (RPM) for customers in a wide range of industries is Accruent Inc., a 12 year-old RPM pioneer based in Santa Monica, CA. Accruent has asked Enterprise Applications Consulting to look at the company's offerings and customer experiences in order to evaluate the impact that RPM can have on overall corporate performance and governance, as well as on more specific real estate management needs. EAC's research shows a well-designed product suite that can link closely with existing back office functionality to provide a comprehensive RPM solution that should provide a significant ROI for companies in a wide range of industries.

This report details the results of EAC's research and evaluation of the Accruent offering. Following this introduction is an overview of the financial, regulatory, and operational issues behind the need for RPM functionality. The following section is an overview of the Accruent offering and a description of its functionality as an enterprise-wide offering. The final section

details how Accruent can provide a significant return on investment for real estate portfolio operations, based on EAC's interviews with Accruent's customers.

Driving the Need for RPM: Market, Operational, Financial, and Regulatory Issues

The Not-So Hidden Value of Real Estate

The need for RPM exists at the confluence of a range of forces that together have begun to alter how companies of all stripes view the management of their real estate holdings. The most visible starting point for RPM comes from the overall cost of acquiring and managing even a relatively modest real estate portfolio. This is well known in the retail world, where a $250 million annual revenue stream can necessitate owning and managing 400 or more individual retail outlets.

Retail is hardly alone in this regard, however: large consumer goods and high-tech manufacturers can easily own and manage real estate portfolios exceeding 10 million square feet of office and industrial real estate, with a total asset value of several billion dollars. With millions of dollars a year in overhead costs dedicated to maintaining these real estate assets – whether leased or owned – the costs and complexities associated with owning a large real estate portfolio can be daunting indeed.

DEFINING THE NEED FOR REAL ESTATE PERFORMANCE MANAGEMENT

- Manage a Significant Capital Commitment
- Control Linkage Between Overall Corporate Performance and Real Estate Performance
- Efficiently Manage Overall Costs
- Manage Dynamic Nature of Acquisition and Disposition
- Allow Efficient Collaboration Across Entire Real Estate Lifecycle
- Manage Compliance and Regulatory Risks

Dynamic Nature of the Real Estate Portfolio

The second important starting point for an understanding of the demand for RPM comes from the dynamic nature of real estate holdings and the need to manage their acquisition and disposition in a more comprehensive manner. Again, large retailers' requirements for opening hundreds of new stores per year in order to reach their annual growth targets are the best known examples of this problem: Starbucks alone plans to open over 2400 new stores in the coming year – and many less-known retailers are approaching those numbers.

An important detail regarding this "race for space" is that the competition for acceptable space typically comes from companies that don't compete with one another in their core markets. For retailers, the space race can be between a shoe retailer and a dry goods or electronics retailer; in manufacturing, it can be between a biotech manufacturer and a high-tech electronics manufacturer. Being a successful overall competitor, therefore, often means being as successful in real estate as it does in products or services.

The need to manage this massive capital investment – and deliver on these expectations to Wall Street – puts additional pressure on retailers to understand the local market opportunities, find the right sites, manage the construction process, and then manage the lease and maintain the properties efficiently. Failure to open stores at a sufficiently rapid clip can translate into missed revenue opportunities and loss of market capital at the hands of disappointed investors.

KEY INDUSTRIES FOR RPM

- Retail
- Financial Services
- Manufacturing
- Life Sciences
- Telecommunications
- Hospitality

Outside retail markets, however, the need for managing a fast-moving or extensive real estate portfolio can also be imperative. Companies in industries as different as pharmaceutical manufacturing, telecommunications, and financial services also have complex real estate holdings and share a need to ensure that they are managing the assets they own or lease as efficiently as possible, while ensuring that forthcoming real estate decisions are made with the most comprehensive information possible.

While the need to manage real estate isn't necessarily as tied to top line revenue growth in these industries as it is retail, the need to be efficient and effective in the management of real estate assets is no less strategic: Whether the shifts in the real estate portfolio come from organic growth and business change, or are the result of merger and acquisition activity, the acquisition and management of even a few hundred properties is enough to generate a serious requirement for real estate performance management.

Control Costs

The third starting point for understanding the demand for RPM comes from the need to control costs and otherwise manage what is a highly capital intensive part of any industry. In retail, real estate is typically the second largest cost after human capital. In other industries, real estate often competes with personnel and capital equipment costs as a top tier corporate expense.

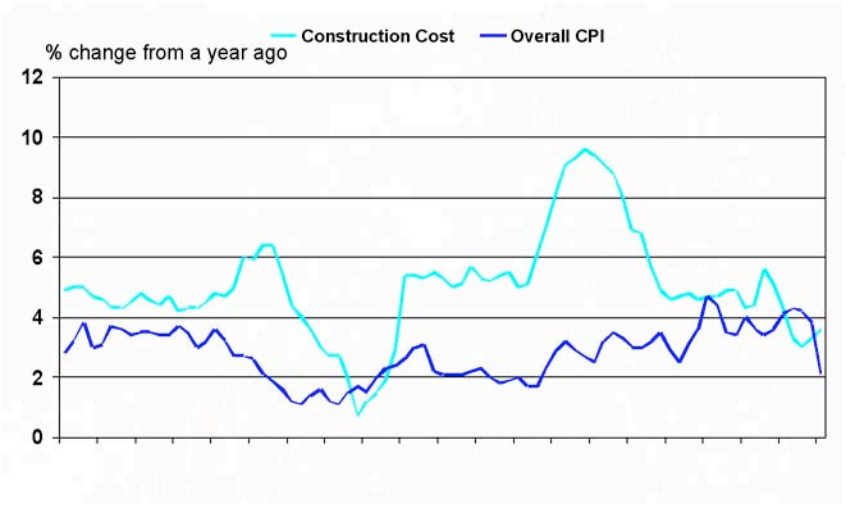
The need for cost controls come from the general requirements of fiscally responsible management – which can be as simple as meeting Wall Street's expectations for revenues and profitability – as well as regulatory compliance (see *Managing Compliance and Regulatory Issues,* below). On a more immediate level, cost controls are also necessary due to the dynamic nature of construction costs and other components of the overall real estate financial picture.

Construction costs are famously unpredictable, and are highly dynamic, but the general trend over the last five years is clear: in all but two out of the last 24 quarters, the rise in construction costs has exceeded inflation as well as indicators like the Consumer Price Index (see Figure 1). This places a requirement to tightly control a cost component that is in many cases a moving target.

Construction is not the only cost that has to be managed: Opportunity costs are also an important part of the RPM equation. The requirement is the same whether opportunity is measured in what the retail industry calls revenue weeks (weeks in which a given store is generating sales), or

whether that opportunity comes from the ability of a non-retail company to open a new facility in a timely fashion in order to meet customer demand: Ensuring that the costs associated with the current and future real estate portfolio are part of a larger imperative to ensure that the company is well-managed and well-governed on an overall basis. That imperative is served by having efficient, collaborative processes (see *The Need For Collaboration* below) as well as the means to tightly manage budgetary and other fiscal requirements.

Figure 1: Construction Cost Rising Faster Due to Global Economic Expansion



Source: National Association of Realtors

A final cost driver can come from the requirement to understand the total cost of occupying and maintaining an office, particularly in industries such as financial services and telecommunications, which have retail-like operations. For these kinds of companies, understanding the total cost of ownership, often referred to as the total occupancy cost, is essential in knowing what the company's costs per client – and therefore its net profitability – can be. Being able to carefully manage the costs that go into site acquisition and maintenance allows these companies to be extremely efficient in the allocation of retail-like resources in their markets.

The Need For Collaboration

A fourth driver for RPM comes from the growing need for collaboration across the many processes that make up the overall management of a real estate portfolio. The reasons for this requirement span all industries and portfolio types: In virtually each process in the lifecycle of a real estate portfolio, there is an extraordinary number of internal and external participants whose participation has to carefully coordinated in order to produce the optimum results. (See *Collaboration in the Retail World,* below)

COLLABORATION IN THE RETAIL WORLD

A Retail Store Project Could Entail the Collaboration of the Following Individuals:

Internal	**External**
• Real Estate Manager	• Landlord
• Financial Analyst	• Outside Legal Counsel
• Project Manager	• Architects
• Lease administrators	• Engineers
• Internal Legal Counsel	• General Contractors
• Facilities Management Reps	• Sub-contractors
	• Furniture, Fixtures, & Equipment (FF&E) Vendors
	• Facilities Vendors

Collaboration isn't just a matter of making sure that individual stakeholders work together well. Collaboration also requires that the underlying systems that are part of the overall RPM picture mesh equally as well. This can be as simple as the need to ensure that accounts payable is linked up with project management and vendor management so that the right check is cut at the right time for the right set of goods and services. Alternatively, collaboration can be as complicated as

ensuring that a particular construction project is on time and on budget, as defined in the financial system; able to accept delivery of inventory, as defined in the ERP system; and meet its operational milestones, as defined in the project management system.

Effective collaboration also requires that the myriad documents – site maps, CAD drawings, blueprints, bills of material, punch lists, regulatory filings, and leases, among others – be efficiently and centrally managed. This is a key element in the overall collaborative requirement: Human to human collaboration in RPM is highly dependent on the collaborative management of the documents and processes that are needed at every juncture.

Managing Compliance and Regulatory Issues

Finally, the growing burden of compliance and regulation is driving an important component of the need for RPM. Publicly traded companies are more and more drawn into a continuing cycle of Sarbanes-Oxley compliance that includes a significant amount of regulatory oversight for real estate expenditures. Recent and pending changes in Financial Accounting Standards Board (FASB) regulations are also placing increasing regulatory burdens on a wide range of industries regarding their real estate holding. FASB's Fin 46 rule, first promulgated in 2003, effectively calls for public companies to report as assets and/or liabilities much of their real estate holding. At the time the regulation first appeared it was estimated by Credit Suisse First Boston that for Fortune 500 companies alone, the regulation would force a shift of almost $800 million in both real estate assets and liabilities onto the companies' balance sheets. Pending FASB regulations regarding lease obligations may further burden public companies with real estate-related compliance needs.

Improving on the State of the Art in RPM

Against this rather daunting list of requirements, the current state of real estate performance management in most companies is woefully inadequate. The most common application for solving these problems is the spreadsheet, which means that collaboration is largely ad hoc and the larger issues of document management and process management are incomplete or unrealized.

Furthermore, most companies with significant real estate holdings lack any direct linkage between their financial systems, their vendor and project management systems, and their design and document management systems. Even the companies that have concrete processes lack the

process management and workflow that could tie these processes – and the individuals and teams tasked with performing them – into any comprehensive workflow. Verification, document check-in/check-out, security, and any sense of an audit trail are severely lacking. The result is that when it comes to RPM, most companies lack the tools, the software, and the processes to manage their real estate portfolio in an effective, efficient, and legally compliant manner.

Accruent's RPM Offering: Defining the State of the Art

Accruent tackles the current state of the art in RPM, or lack thereof, with a suite of products that is targeted at addressing the market requirements for managing the full life-cycle of a company's real estate portfolio, regardless of its specific industry sector. EAC's review of the Accruent product suite, and EAC's conversations with Accruent's customers, show a strong and well-designed product suite that can address the RPM problems of a wide range of companies.

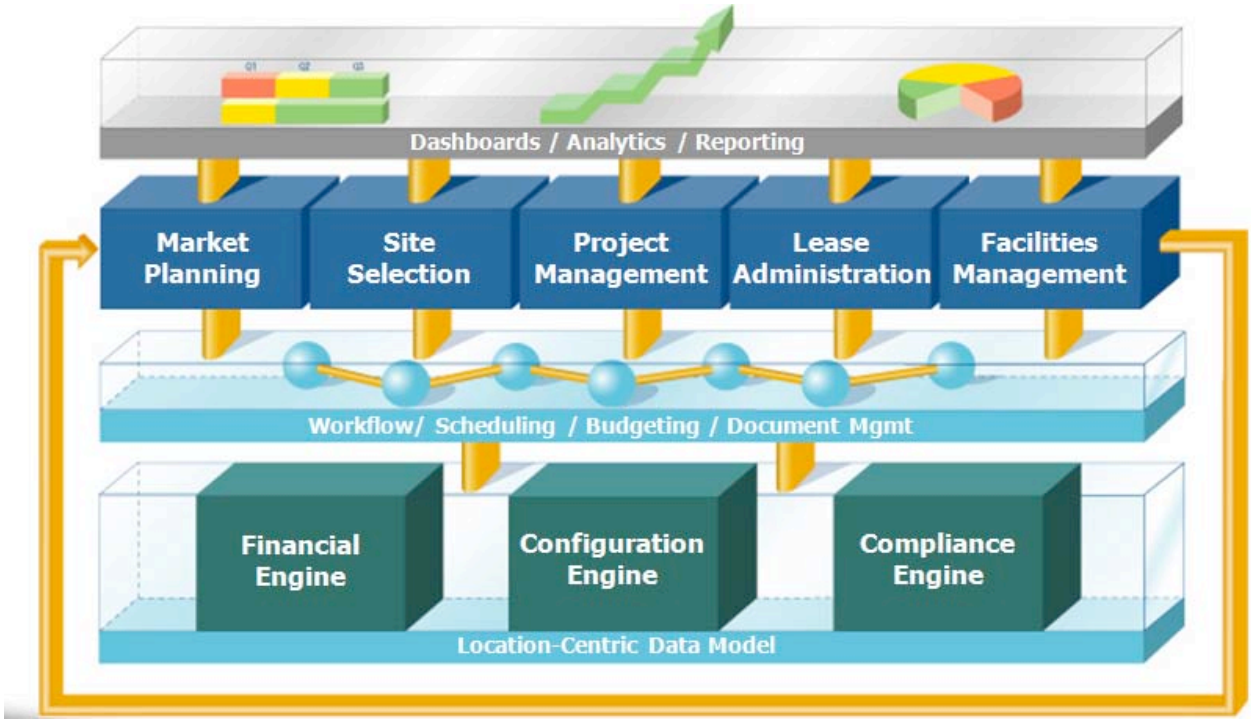
Accruent's offering divides the overall RPM process into five basic components, each one supplemented by an underlying set of functions that support collaboration, document management, application integration, and workflow. (See Figure 2)

The main five components are:

- Market Planning
- Site Selection
- Project Management
- Lease Administration
- Facilities Management

Supporting five main components are six additional cross-application functions that provide common functionality to the entire suite. These include a workflow and scheduling engine, a document management repository, a budgeting function, configuration and compliance engines, and a comprehensive analytics function that includes pre-built reports and dashboards, as well as the ability to build ad hoc queries as needed.

Figure 2: Accruent's RPM Architecture



Source: Accruent

While most germane to Lease Administration and Facilities Management, the commercial lease is one of the central organizing points for the automation that Accruent can offer. Commercial leases, which often seem to be best measured by the pound rather than by the number of pages, are a notorious black hole of unstructured data and unautomated processes. One of Accruent's key value-adds is the ability to "abstract" corporate leases – effectively keying them into the Accruent system – in order to make the terms and conditions of the lease accessible to the rest of the Accruent system. Once the lease becomes part of the Accruent system, the information is used to define business rules, workflows, and other key functions. The use of the lease as a living document is an enormously valuable part of the Accruent offering, and makes it possible to drive considerable cost savings throughout the real estate portfolio lifecycle. This can be as simple as automating the calculation of Common Area Maintenance (CAM) payments to ensure that landlords' invoicing matches the terms of the lease. Or it can be as strategic as ensuring that lease renewal dates are flagged well in advance of termination, ensuring that facilities don't have to be abruptly closed or relocated because of poorly understood renewal status.

Below is a brief overview of each of the five main components of the Accruent system.

Market Planning

This application is used to assist companies in planning their real estate acquisition strategies, and includes analytics and site selection information that allows companies to define the optimal location for a given store, plant, or office. A key part of the Accruent Market Planning offering is a link to MapInfo Corp.'s location intelligence software, which integrates geographic and demographic data in order to help optimize the choice of a given site or sites.

The main benefit of the Market Planning application is that it allows companies to meet their goals for planning new stores or other facilities in a comprehensive manner. This includes the ability to compare specific market requirements with a predicted revenue, cost and compliance impact for a given site. This allows planners to have a high degree of visibility into how well the company is matching its strategic real estate goals by understanding how well a specific decision to open, close, or renovate a given property impacts the company. The fact that this visibility can be presented in real time means that managers are able to effectively track the impact of hundreds or thousands of projects on costs and revenues.

Site Selection

The Site Selection application centers around executing a specific real estate transaction, and includes collaborative functionality that can link the different stakeholders – brokers, attorneys, landlords, real estate managers, and others – in a highly automated process. This includes managing the overall site selection process, including demographic and trade area analysis using MapInfo, as well as managing the negotiations and overseeing brokerage agreements, among others.

The main benefits from Site Selection include the ability to quickly assess and qualify individual sites, and then rapidly proceed with the acquisition process, thus allowing companies to streamline their overall real estate purchase and lease functions. This means that that companies can not only open stores or facilities more quickly – thereby augmenting overall revenues – but they can also bid more quickly and accurately on new sites, and by being able to generate rent more quickly than other potential lessees, also be able to win competitive "race for space" leases more often.

Project Management

This application handles the design and construction processes that result in readying a store or facility to be occupied. Collaboration and document management are key parts of the Project Management application, as the stakeholders include many external contractors – engineers, architects, equipment and furniture vendors, among others – that require a mountain of design, specification, and other information in order to complete the project. The document repository and workflow systems that are part of the overall Accruent offering are particularly important in Project Management: everything from Letters of Intent to maps, blueprints, and CAD drawings are linked to a workflow engine that defines the production and delivery schedules for the project. Full document lifecycle management is provided, including check in/check out, versioning, and collaborative mark-up.

The main benefits from Project Management come from managing project scheduling and the project's budget in an extremely efficient and timely fashion. Budget management is a key function within Project Management, allowing change orders, work orders, and other factors in project cost to be closely tracked in real time. Cost overruns can be devastating to design and construction, delaying openings, incurring penalties, and ultimately impacting the bottom line in a very negative way. While considerable accounting information is often stored in an ERP system, little of that data is available for comprehensive cost and budget management. ERP cost information tends to categorize costs from an accounting perspective, and therefore represents an historical view of the budget that is not as meaningful to the line of business user.

Project scheduling is another key function within Project Management: Being able to bring all the stakeholders in line within a common workflow environment can ensure that delays and mistakes are minimized and that runaway costs are controlled.

Lease Administration

Lease Administration is the application that allows companies to actively manage the entire real estate portfolio, based in large part on the terms and conditions that have been captured from the lease abstraction process. By being able to turn contract dates, CAM clauses, and specific lease conditions into workflow-defined processes, companies are able to closely manage the overall day-to-day costs of a given property and ensure that payments – particularly the base rents that are the largest single cost item, as well as CAM charges and other allocations and reconciliations

– are being made strictly according to the terms of the lease. Lease Administration is typically integrated directly with the back-office financial system, as the ability to track all payments – whether to vendors, contractors, or landlords – is a key part of the overall management of the real estate portfolio.

The main benefits from Lease Administration come from being able to closely manage all costs and lease obligations, and thereby avoid both overpayments and missed opportunities for discounts and other paybacks. This capability can have a significant impact on overall portfolio performance, and allow companies to not only better manage total costs, but use their increased visibility into the actual cost of their real estate portfolio to better direct future acquisitions as well as overall business strategy. Financial and regulatory compliance are also key benefits of the Lease Administration application: the ability to closely document important aspects of the leasing administration function is essential for good corporate governance and compliance. In particular, Lease Administration allows companies to meet important FASB requirements regarding the straightlining of rents, future rent obligations, and reporting requirements.

Facilities Management

The ability to manage the entire real estate portfolio in an efficient manner – from maintenance and repairs to asset tracking and vendor performance management – is the final component in the Accruent suite. Facilities Management completes the overall RPM solution for customers by automating and managing the day-to-day functions that go into managing a complex real estate portfolio. Facilities Management is also typically linked to back office financial systems as well as other systems that manage vendor data and company assets.

The benefits of Facilities Management come in part from the economies of scale that automating the overall facilities management process can offer. This automation means that companies can have better control over the costs of maintenance and repair and better leverage their vendor contracts. This cost control element means that financial planning can be executed based on a comprehensive understanding of the existing facilities costs, which in turn can be used to provide data for planning new acquisitions and optimizing existing processes.

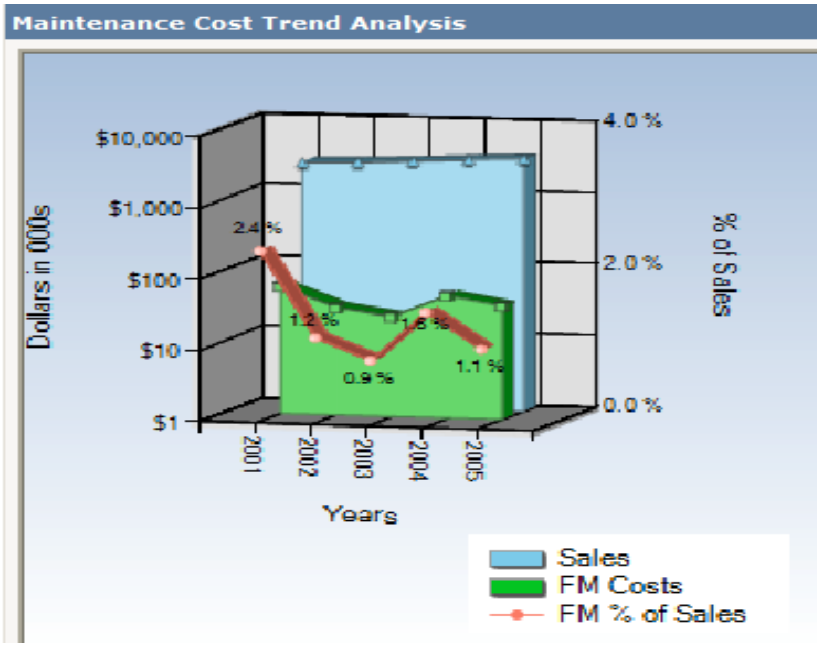
Analytics, Reports, and Dashboards

The ability to manage key performance indicators through the use of reports and dashboards is an important part of the value of the Accruent RPM solution that bears mention here. With over one hundred out-of-the-box analytics, Accruent provides its customers with a significant amount of

existing reports and dashboards, allowing them to closely monitor their overall RPM functions without having to build a separate set of reports and dashboards.

Two good examples of the analytics provided by Accruent can be seen in the following reports. The first, Maintenance Cost Trend Analysis (Figure 3), shows in an overview fashion the relationship between overall sales and facilities management costs on a year-to-year basis. Understanding the relationship of these key performance indicators not only allows for closer fiscal management, but also allows for better long-range planning.

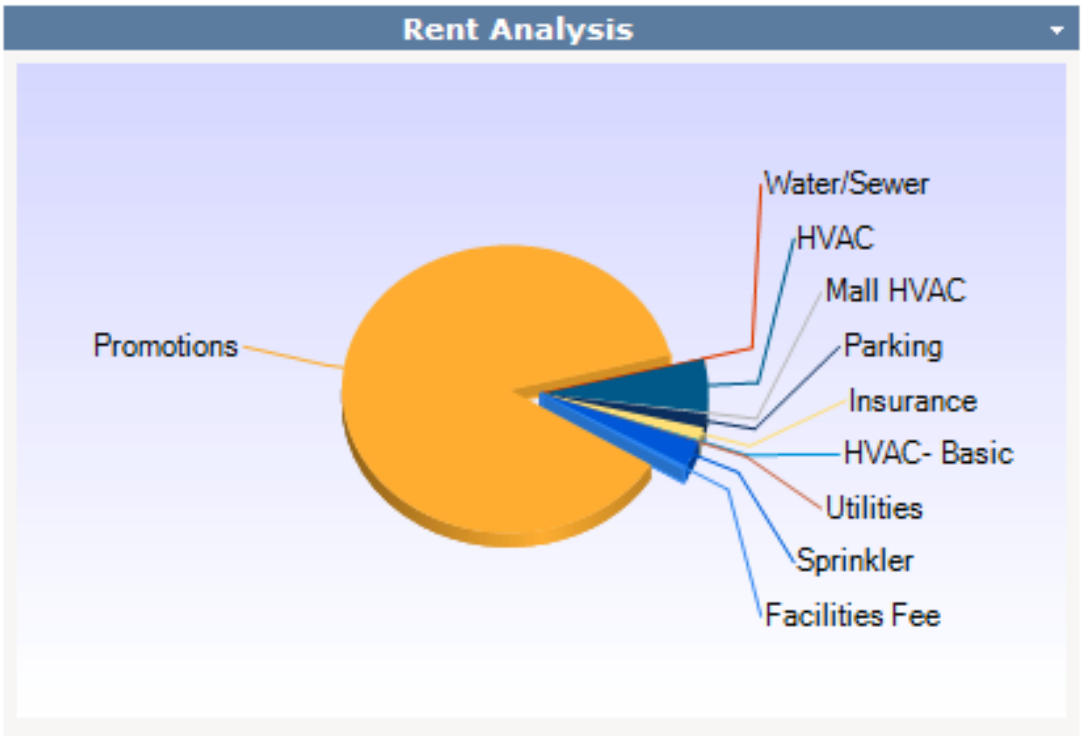
Figure 3: Maintenance Cost Trend Analysis Report



Source: Accruent

Another example of an out-of-the-box report is the Rent Analysis Report (Figure 4). This report allows a real estate manager to see a roll-up of key expenditures for a particular property, allowing an analysis of how individual expenses such as heating, ventilation and air-conditioning (HVAC), or Common Area Maintenance (CAM) are impacting overall expenses.

Figure 4: Rent Analysis Report



Source: Accruent

The Customer Perspective: the ROI of RPM

Accruent's own internal consulting projects (see sidebar: *Business Value Assessment Program*), and its other direct customer engagements, have resulted in some significant returns on customers' investment, according to the company. Accruent characterizes the ROI it can deliver to customers along three principle axes: revenue, cost, and compliance. A typical ROI along the cost axis comes from managing CAM costs, which are often ten percent of the total lease cost. A company that spends $100 million in rents can, conservatively, expect to save five to seven percent of its CAM costs per year, or $500,000 to $700,000 according to Accruent. One Accruent customer has saved $4 million in CAM costs using the company's software.

Revenue growth is another potentially huge area for ROI, according to Accruent. Opening new stores more quickly not only lowers construction costs, but also allows newly acquired properties

ACCRUENT'S BUSINESS VALUE ASSESSMENT PROGRAM:

One way in which Accruent delivers a significant return on investment for its customers comes from its Business Value Assessment (BVA) program, which is a consulting services engagement designed to determine the best possible deployment of the Accruent suite for a given customer. A BVA engagement allows Accruent to determine what part of the customer's real estate performance management lifecycle could be most directly impacted by a specific application or applications from the Accruent suite. This program has been able to deliver a more focused ROI for Accruent's projects than what would normally be found in a standard consulting engagement.

to begin contributing revenues more quickly. One Accruent customer, according to the company, was able to post a $17 million increase in new revenues due to the use of Accruent's applications to manage its real estate development and deployment efforts. Same store sales can also be impacted by the use of the Accruent suite: one customer's ability to shorten its remodel process using Accruent led to an increase of $350,000 in same store sales during its first year of operation, according to Accruent.

Accruent's own reported ROI numbers are consistent with what EAC was able to determine in its interviews with Accruent customers. These interviews show a well-established pattern of return on investment for RPM around the five basic functions provided by the Accruent suite. These are not the only areas where the ROI from Accruent can be realized, but they are indicative of how live customers have faired in using the product to date.

Cost Controls

The ability to have a single view of the entire real estate lifecycle provides a significant advantage, according to Accruent's customers. This is due in particularto the fact that the "abstracted" lease agreement becomes a source for verifying a wide range of processes – such as rent, incentives, and CAM payments – that otherwise "leak" costs in an uncontrolled fashion. Part of the ROI comes from the "clarity and accuracy" in understanding total costs, according to customers. One customer, who expected to save from 20 to 30 percent in extraneous or unnecessary costs related to rent and associated payment, put it this way: "My version of what is my fair share is different than what my landlords say." Says another customer: "I can do a better job to the tune of one percent or more on the $100 million in leases that represent the 'extras'."

KEY ROI COMPONENTS OF ACCRUENT

- Controlling Costs
- Consistent Use of Best Practices
- Improved Profitability
- Enhanced Collaboration and Process Efficiency
- Improved Compliance

Consistent Best Practices

The ability to develop and maintain – and therefore reuse – best practices is another major source of ROI for Accruent customers. This includes best practices in site selection – knowledge that one customer said can easily be leveraged "for new site selection and site renewals" in a very cost-effective manner. Consistency in best practices means that budgetary control and financial planning are easier as well. "I am more likely to accurately predict my expenses" using Accruent, one of its customers told EAC.

Profitability

The use of Accruent has been directly linked to greater profitability by its customers, providing a highly tangible ROI for the product. "We'll be able to better control costs and therefore get a greater return on our sales," said a retail customer. Accruent also allows for greater agility in the competitive "race for space", and that agility goes right to the bottom line. "I can open six months earlier and get six more months of selling in the year," says another customer. Agility also ensures that a company can occupy a space faster and thereby be more competitive as well. "Because I can pay rent sooner the landlord will take my deal over my competitor's deal," this same customer reports.

Collaboration and Process Efficiency

Every Accruent customer has a similar starting point with regards to using the products: the existing processes for project management, lease management, construction management, and

facilities management are disjointed and typically run by a collection of disconnected applications. “With all these different products,” one Accruent customer told EAC, “it’s hard to know what I need to know across all my facilities.”

Introducing a single application for the entire real estate lifecycle can provide an ROI in three major areas. The first is by reducing re-keying and other errors related to duplication of effort. The second is in ensuring that all the key inputs from all the key players in a given process are captured – digitally – so that the final decision is made based on a “big-picture” view of the issue at hand. “We do two or three hundred projects a year,” said an Accruent customer, “And I was running around looking for paper.”

The third major source of ROI in collaboration and process efficiency comes from the repeatability that Accruent supports: once a process – such as new store provisioning – has become standard practice and is part of the Accruent workflow, the cost of provisioning a new store can be significantly lowered by the efficiency that the standard process can provide. One Accruent customer told EAC that, while it already had strong best practices for provisioning and maintaining its stores, the addition of a workflow-driven, highly automated environment allowed it to better manage the “sheer volume” of issues that needed attention, thereby becoming “much more efficient in how we manage our processes.”

Compliance

Compliance is not usually a source of true ROI, as regulatory compliance is largely a cost to be borne, not a source of upside potential. Nonetheless, it is worth mentioning that Accruent’s customers see compliance as a potential source of ROI for their Accruent application, mostly with respect to the efficiencies that Accruent can provide in managing compliance vis-à-vis the older, “siloed”, systems that are typically in place. The newness of some regulations like FASB Fin 46 has made paying attention to compliance much more critical to all companies with a strong real estate portfolio: “Enforcing compliance was a major reason why we engaged with Accruent” is how one customer summed it up.

Conclusion: The Value of Good Governance and the ROI of RPM

EAC's analysis of Accruent RPM shows that this is a product suite that can attack a set of problems surrounding the real estate portfolio and deliver a significant ROI in the process. That ROI, as we have just seen, can be expressed in a variety of ways, and while not every company will achieve ROI in the same manner or to the same degree, EAC is confident that companies with a sufficiently large real estate portfolio – Accruent uses as baseline a minimum of 250 properties – will derive a significant benefit from using Accruent RPM.

The impact of Accruent RPM can potentially be felt across the board, and can have win/win aspects that extend beyond traditional notions of ROI. Not only can companies better manage real estate as an important cost center, they can also be more predicative in how real estate decisions will impact their bottom line, and use that information to be more strategic about product and operational planning in general. Collaboration can help not only manage partners and stakeholders, but also improve working relations between partners in what is typically a complex and time-consuming dance to develop and maintain real estate assets. This improved collaboration comes from the increased efficiency that a product like Accruent RPM can provide, and can have as a result not just better revenues and profitability but an improved work environment for all concerned.

And by tying RPM into existing back office systems, Accruent can help not only leverage those systems' uses and improve their individual ROI, but Accruent RPM can also extend operational control over key real estate-related processes to a wider range of stakeholders, particularly senior executives, for whom real estate management has been a poorly understood process. Elevating RPM to the executive suite can ensure that real estate decision-making becomes an important component in the overall enterprise strategy. The return on investment for placing more real estate-related information in the hands of top decision-makers could be significant indeed.

