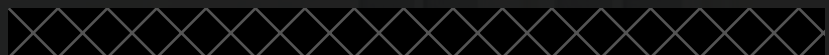


Property Management Business Insights



Part 1:

Staffing and Structure

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Introduction

Welcome to **“Property Management Business Insights: Staffing and Structure,”** an in-depth report from XXXXXXXX

As a consulting firm for property managers and property management business owners, we have extensive hands-on experience evaluating property management companies across the U.S. and helping them optimize how they build a company structure, assemble staffing, and maximize productivity to add more doors.

Through our consulting services, we have identified common problems facing property managers today and how the right organizational chart, employee training, KPIs, role and responsibilities definitions, processes, and tech stack can help companies scale and dominate their markets.

The property management industry has significant room for growth, and companies with the right approach to these common components of running successful businesses are poised to experience better success. Here's what we've found.



A Lack of Organizational Structure Leads to Lost Revenue

Many property management companies start as small businesses. We often see property managers with years of experience working for various companies strikeout to start a company of their own.

However, being an excellent property manager doesn't always translate into being an excellent business owner and leader without coaching and building experience at a different level. To become a successful property management business owner, property managers must study business management, team development, and how to scale successfully.

Business owners might start with a skeleton crew, with each person wearing different hats and tackling the next task in line. This can work well for a while — but eventually, a property management company founder or CEO must assemble a team they can rely on to handle day-to-day tasks and serve property owners and tenants well.

If you are the company's CEO, you must transition from “property manager” to “business owner,” or your business will fail to grow.

This is where a carefully-designed organizational chart becomes crucial. Who can you trust to take on the tasks you did so well as a property manager while you graduate to business-building tasks? How will you ensure accountability once you create the roles you need?

Of course, a company's structure will change from Year 1 to Year 10, but it must do so in a way that supports incremental growth, budgets, and revenue.

While hiring too fast can lead to dysfunction, unhappy customers, unhappy team members, and revenue loss, not hiring as a company needs to grow can have the same impact. Careful planning in concert with a well-thought-out business plan is the ideal approach to growing a property management business thoughtfully and appropriately to reach short-term and long-term goals.

★ Identify Key Roles (For Now and the Future)

The team you started with may or may not be the team that helps you get where you want your company to be. This is a reality many business owners face as they expand and grow. We like to believe that those we hire initially have the same vision and will stay with us for their entire career, but most will transition out of the position or company. It's important to stay agile as you grow.

However, a business mindset must lead the planning efforts to develop an organizational structure that takes your property management company to the next level. If your first hires prove to be excellent long-term hires, make sure they have a path on your org chart to grow with your company. Then, if a buddy from your initial days as a property management business owner proves not to have what it takes to help your business grow, they might not have a future spot on the org chart.

As companies take on more doors (or ideally, before they take on more doors), they must identify every role in the company. From full-time employees to virtual assistants, part-time maintenance technicians, and vendors, it's crucial to document everyone contributing to the work completed daily, weekly, and monthly for property owners and tenants.

Next, business owners must define the tasks that go with each role. This exercise often reveals that some people are doing more than should be required by their specific job title or position role, while others aren't doing everything they should be doing in their positions.

Finally, expectations must be set for each task within the role. We will dive into this later, but a good rule of thumb is that your team needs to understand what they are being measured against within their respective roles and responsibilities.

With an organizational structure mapped out, companies must evaluate their players and roles and answer some crucial questions:

- ✓ Is who you have on staff today the team that will help you scale toward the future?
- ✓ Are there holes in your org chart that must be filled to grow?
- ✓ Is any one area of your business under (or over) supported?

Every property management organizational structure has different needs, depending on the company's size and where the growth plans lead. However, most property management businesses need a few key players, including:

- ✓ One or more property managers (depending on the doors under management and the ideal door-to-employee ratio)
- ✓ Administrative/back office help (an office manager or assistant)
- ✓ Maintenance technicians (either on staff or through a vendor)
- ✓ Marketing Assistant
- ✓ A leasing agent (how will showings be addressed?)
- ✓ Sales or business development manager

Including these key roles in business plans and goal-setting helps property managers build the team infrastructure they need to support ongoing growth. Doing this also helps property management business owners “get out of the weeds” by delegating tasks to skilled team members. A business owner’s primary role is to grow the business, and they need a well-structured team to shift focus from day-to-day tasks to business building.

★ Define Roles to Optimize Productivity

As with a company’s structure, roles and responsibilities can change over time. Successful property management companies adapt as they add (or lose) doors, establish leaders, and scale.

One of the biggest challenges property managers face is finding and keeping good talent. Yet, one of the biggest reasons people leave a company is because they don’t understand their job and don’t have the resources to do it well. Helping people grow in their roles to serve your company and clients well requires organization and structure to guide team members in their everyday tasks.

It’s also crucial to map out tasks and responsibilities for each team member so that nothing gets lost or missed when managing property owners, tenants, and property needs.

To support ongoing growth and deliver the best customer experience, business owners must match every job role on the org chart to a detailed job description with clearly-outlined tasks and responsibilities.

In the early stages of a property management company, it’s common to have fewer team members that handle multiple tasks or wear more than one hat. However, scalability cannot be achieved without growing a team of talented individuals who understand their roles within the company and how they work together with other roles and help support business growth.

Clear job roles with clear expectations help business owners maintain accountability for their teams and clients — a crucial element for establishing a healthy, thriving property management business.

★ Establish KPIs Team Member Success

When team members work well and understand their roles, a property management business succeeds.

Along with clear job descriptions, property management business owners must establish KPIs (key performance indicators) for every role. This means setting measurable expectations for each player with a way to capture and analyze metrics based on performance.

Creating expectations for each task defined with the role will allow each team member to understand what you want from them. For example, if part of their role is to answer emails, are you expecting those to be answered on the same day? A clear expectation is to say, "All emails received by 3 pm must be addressed the same day. Any emails received after that are not 'urgent' must be addressed by 10 am the next business day."

Setting these guidelines will help you and your team with quiet expectations of their role so that there are no misunderstandings. Also, doing this exercise for each task within a role sets you up to build KPIs and incentives, and more importantly, it builds your company knowledge base.

Incentives Encourage Your Team

To support KPIs, business owners must also set up a structure of incentives to encourage team members to hit their goals. We've found that establishing goals improves performance tenfold, and providing incentives can increase a department's success by as much as 14%.

Those numbers correlate to a better bottom line for property management business owners!

Without metrics and requirements, team members lose focus, miss deadlines, and fail to serve tenants and property owners well. They also struggle to support other aspects of the business that rely on them to complete their tasks as expected.

Incentives can become quarterly goals, creating opportunities to check in with property management staff members and encouraging growth. It's also an opportunity for business owners to ensure they have the best players on the team and in the right roles.

Make Profitable Decisions

Team members that routinely miss the mark for established KPIs are either in the wrong role or not the right fit for the company. Building a successful property management company requires every employee or virtual team member to operate at peak potential and deliver on their role and responsibilities day in and day out. When an employee falls short of expectations repeatedly, managers must be willing to make tough personnel decisions to help a team member improve or do what's best for the company's growth.

Restructuring the team and sometimes letting people go can be difficult for company owners, especially if you have hired friends or employees have become friends. Often, owners will hold on to an employee because they don't want to hurt someone's feelings or the employee is struggling financially or personally. However, when you choose not to make difficult decisions to have a more profitable company, you are only hurting yourself and your bottom line.

Not all decisions will be that easy. At times, keeping someone because you care about their well-being is admirable; the only caveat is to ensure that they, too, have your best interest at heart. Your company is only as profitable as you allow it.



Processes Must Support Organizational Structure & Personnel

Having the right people doing the right jobs is only part of the structural equation for successful property management growth. Business owners must support their teams with the necessary resources to do their jobs well and enhance the customer experience.

Property management will fail without air-tight processes everyone understands and follows. That's not to say processes can't evolve over time; they should. However, if companies don't start with well-thought-out processes in the early days of the business, they'll struggle to gain more doors and increase market share.

We've seen that property management companies that improve processes see an increase of 30% in efficiency. That directly correlates to more capacity to take on more doors and increase revenue!

★ It Starts With the Lifecycle

Poor processes, a lack of processes where “something” is needed to resolve an ongoing issue, and team members that don't know about or understand a process lead to inefficiencies, unhappy tenants and owners, and lost business.

However, processes don't (and shouldn't) appear out of thin air. They require time and thought to put the right pieces in place that accomplish tasks, projects, or goals.

Property management is a unique industry in that many processes must tie in to successfully operating rental properties for property owners and tenants. Therefore, starting process creation with the lifecycle of a property under management establishes a “hub” from which all other processes needed to run the business can come.

When consulting with property managers, we start with the basics to establish, review, and optimize processes. Whether a company has only a few workflows or has years of history with processes that lead to inefficiencies, missed tasks, and ultimately lost doors and revenue, “Property Management Basics” rarely change and serve as an excellent starting point to enhance a company's productivity.

To create or refine processes, we define everything the company does to manage a property, including:

- | | | |
|----------------------------------|-------------|-----------------|
| ✓ Marketing | ✓ Leasing | ✓ Showings |
| ✓ Processing rental applications | ✓ Move-in | ✓ Lease Renewal |
| ✓ Evictions | ✓ Move-outs | |

While the specifics of how a team handles these tasks will vary from company to company, the basics remain the same. For example, documenting the elements of marketing a property is the first step. Then, map out the team members involved in that process and the steps they go through successfully to market a property from start to finish.

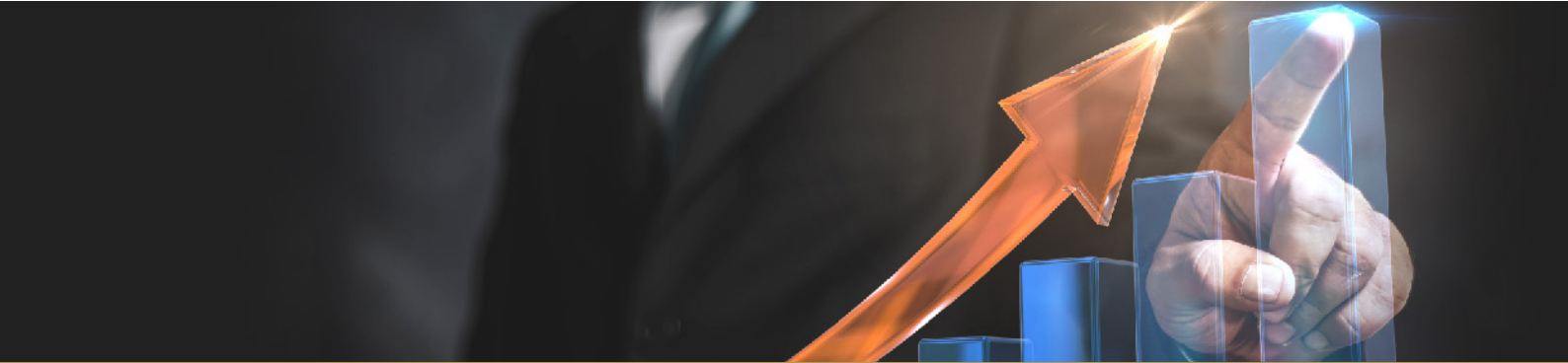
Gathering input from the team is a crucial aspect of defining efficient processes. However, business owners must establish a decision-maker to define “this is how we do it” and ensure everyone involved with the elements of a process understands how it works and their role. All processes should be documented and part of training a team.

Then, as a company implements processes, it's crucial to monitor them and check in with team members. Processes can never be “set it and forget it” aspects of scaling a business. When something isn't working well or mistakes happen repeatedly, it's time to review the process and adjust.

★ **New Business Needs a Process, Too**

We mentioned that many processes revolve around the lifecycle of a property. However, property management business owners must also think about processes outside of managing rentals.

How does a company find and onboard new business? For scalability, this is a crucial path to define and establish to expedite the process and ensure new tenants and new property owners have a good first experience with a company. Mishandling new business onboarding leads to quick turnover and lost doors.



Create the Ideal Tech Stack for Growth




The right processes are a crucial aspect of success, and every good process needs the right tech to support it.

If you're operating a property management business today, you must rely heavily on software and technology to compete in your market. While we know there are still some property managers out there who haven't adapted to online portals, digital rental applications, or project management software, if you want your business to scale and dominate your market, you must adapt and establish the right tech stack to support your team and processes.

We find that property management companies that don't invest in software solutions like Appfolio, Propertyware, Property Meld, HubSpot, Leadsimple, and other property management software solutions lose significant efficiencies compared to companies that are on the cutting edge of the latest technology for property management.

However, the ideal tech stack is different for every company. Depending on a company's needs, personnel, target customer, and approach to property management, the right software combination may look entirely different from another company's stack.

To assemble the right mix of software, business owners must consider:

-  What they want or need to accomplish (the objective)
-  How the software will support the objective (the implementation)
-  How to adapt it to processes and team usage (training and performance)

Implementation and team training are crucial elements of a successful tech stack. A company can have the latest top-of-the-line technology in place, but if team members don't embrace it, understand it, and use it to the fullest extent, that tech stack becomes an expensive bundle of software that fails to improve efficiency or support established processes.

Property managers should consider software to manage tasks and team members, the leasing process, collecting rent, receiving maintenance requests, analyzing financials, and delivering reports to property owners.



Optimize Maintenance Services for Maximum Profitability

Structuring for success means looking hard at one of the most important services property management companies offer: maintenance services.

For many companies, maintenance is either a significant profit center or the ugly stepchild that never seems to run well or makes tenants and owners happy.

With our years of experience in property management and consulting business owners, we see maintenance as a significant opportunity for revenue, relationship building, and establishing a company as the best full-service property management business in a market. However, realizing those aspects of scaling a business requires time, attention, and investing in the right resources.

To optimize maintenance, property managers must first determine how they want to offer maintenance services: adding in-house staff as maintenance technicians or outsourcing repairs and routine maintenance to vendors. In many cases, successful property managers utilize a combination of in-house team members and trusted vendors to serve property owners and tenants well through maintenance deliverables.

★ Define Maintenance Roles

Many property management companies have good success with primary internal maintenance roles. For example, a maintenance coordinator or project manager can work well to receive maintenance requests, schedule repairs, and coordinate vendors.

A maintenance coordinator can also manage vendor relationships, find trustworthy vendors that deliver the quality of services you want to stand by, and negotiate pricing for bulk services across multiple properties.

Larger property management companies might add a Maintenance Field Agent role to the organizational chart. This person travels on-site to properties, monitors vendor work, and can handle some repairs as well.

★ Adhere to a Work Order Process

If the work order process isn't covered when establishing your company's property lifecycle processes, it's crucial to do that when reviewing and optimizing maintenance services. One of the biggest downfalls of delivering excellent maintenance services is losing tenant requests or needed repairs because work orders don't have a process that everyone involved knows and follows.

In addition to work orders, companies must optimize the make-ready process between tenants. A good Maintenance Coordinator can be crucial in scheduling vendors, cleaning, and repairs to assist in expediting the turnover timeframe without sacrificing the quality that could impact a new tenant's first impression of their new rental home on move-in day.

Establishing KPIs in maintenance is critical to maintaining optimal performance in any organization. By setting measurable targets, maintenance managers can identify areas that need improvement, monitor progress, and adjust their strategies accordingly. KPIs can help to reduce maintenance costs and improve asset reliability.

Additionally, by analyzing KPI data, maintenance managers can make informed decisions on resource allocation, identify opportunities for preventative maintenance, and optimize their workforce, which can ultimately enhance their maintenance practices and improve their overall operational efficiency.



Promote a Healthy Working Environment

It takes a lot of work to set up, optimize, and operate a successful property management company. As a fair warning, companies might experience turnover when establishing processes and KPIs for the first time.

However, we often hear from the teams through our consulting work that a lack of processes, poor communication, not enough (or the wrong) resources, insufficient training, and no clear understanding of roles leads to unhappy team members, tension, and low morale. Property management companies cannot grow in that environment.

The good news is that tackling everything we've covered in this report can help improve those areas! Good leadership prioritizes the right structure and operations to develop a healthy working environment. Teams need good structure to thrive, and a thriving team is good for business.

We've found that focusing on training for team members can increase productivity by 20% because companies benefit from a more effective and competent staff. Training helps employees understand their roles, property management best practices, the software in place, and how to deliver better services to tenants and owners.

With well-trained employees working within well-planned and optimized processes and with the right technology at their fingertips, property managers experience a team with a stronger commitment to their jobs and the company, a better connection to each other and the business, and the competence needed to support business growth.

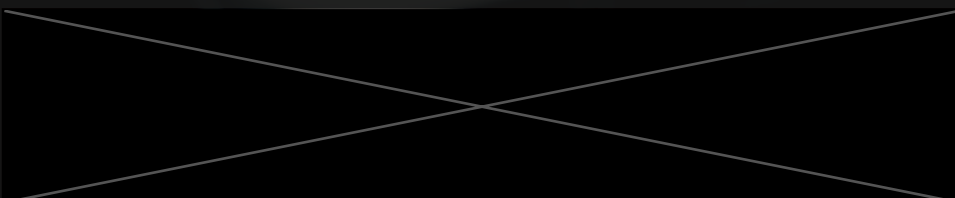


Optimize Staffing and Structure To Dominate Your Market

Doing a deep dive into these aspects of your property management company will lead to significant improvements in efficiency, morale, productivity, and revenue. As property management experts, [REDACTED] work closely with property management companies to evaluate and optimize the organizational structure, training, roles, tech stacks, and more to help businesses grow and dominate their markets.

Part 2:

Budgeting & Planning for Growth





With the right structure, people, and technology in place, property management business owners must utilize these resources to optimize efficiency, plan and maintain an operational budget, and ultimately support short-term and long-term goals.

In this next part of our deep-dive into property management business insights, we apply XXXXXXXXXX insights on what business owners can do to improve efficiency, market their businesses for growth, and ultimately experience more long-term success!



Improving Efficiency Is Crucial for Growth

Doing the same things the “old” way won’t help a property management company be the best in its market. We’ve discussed the tools, processes, and resources needed to scale a company, but all of those things must work well together to improve efficiency.

Adding more doors requires skilled team members to work at optimal levels. This requires ongoing reviews of processes, technology, and personnel to identify areas where tasks get lost or bottlenecks occur when delivering services to property owners and tenants.

A crucial aspect of improving efficiency is taking time to identify pain points and develop solutions. Sometimes, short-term solutions can help work past an immediate deficiency but may not be the ultimate long-term fix for ongoing efficiency challenges.

Proactively recognizing or listening to employee and customer pain points isn’t easy. However, business owners must make this an intentional part of business planning and problem-solving for success.

Remember that processes and efficiencies can’t achieve their intended goals when there are weak links along the way, whether those links are people, process, or technology issues. Routinely identifying and resolving issues leads to better efficiency, allowing team members to handle more doors and deliver a better customer experience.

★ **Know When It's Time to Invest In Something More (and Act On It)**

As mentioned, doing things the “same old way” won’t work very well for long. While there is something to be said for establishing and sticking to good processes or an ideal piece of software that’s the best thing at the time, eventually, processes aren’t optimal, and technology becomes outdated.

Property management company owners must be open to change. If not, a competitor that brings in better technology or implements a better process for leasing, maintenance, or onboarding new property owners will (essentially) gain your business as property owners and tenants seek something better.

We’ll talk more about budgeting in a bit, but “new” must be part of your financial plan for growth. Trying to save a buck or two by using outdated technology or not offering salaries at a level that can attract the best talent in your market will leave you behind the competition.

Instead of clinging to what “has” worked, property managers must look for “what’s next” in the evolution of a company toward its goals. As the leader, you must stay informed about new software or approaches to processes and build effective teams, then champion investments in change for the good of your team, your clients, and your goals.

Be a property management business owner that attends conferences about the property management industry, seeks ongoing learning opportunities, and works with a property management consultant to stay on the cutting edge of the industry in your market.



Property Managers Need the Right Approach to Marketing for Growth

A company can be the best at marketing rental properties to reduce vacancies and place quality tenants for property owners. However, if property owners don't know about your services, low vacancy rates, and your approach to advertising rental properties, companies will soon run out of properties to market.

A primary ongoing challenge for many property managers is finding more doors. When rental property owners decide to sell when the real estate market changes or clients leave to self-manage or take their business to another property management company, you quickly need more doors to stay in business.

This is where a deep understanding of business marketing is critical for growth. Business owners cannot view marketing as an afterthought or only necessary when they lose business. Instead, marketing must be a proactive, ongoing strategy that never lets up.

As part of budgeting and planning for marketing and growth, property managers need a clear picture of:

- ✓ How many doors they need to meet short-term and long-term revenue goals
- ✓ The cost to the company to find a new door
- ✓ The cost to the company to manage a new door
- ✓ The door-to-employee ratio (how many doors can each team member manage)
- ✓ # of leads needed per month/quarter/year to reach growth goals

With these numbers in mind, property managers must then establish an ongoing marketing strategy that drives new leads to the website and ultimately converts prospects into new doors and clients. It's also crucial to include competitor benchmarking to learn how others in the market compare.

Knowing the number of doors needed for success (or growth) and the costs of finding and managing a door helps map out a budget and plan for how to find more doors.

★ Doors Don't "Open" On Their Own

They need a way to find you and open for your property management services!

Property management company owners must incorporate digital marketing and local efforts (like networking) to find more doors. Property management is a relationship business requiring daily interactions with tenants, property owners, and team members. For many property managers, local marketing is second nature.

However, digital marketing is a different type of relationship marketing that can take time to master.

So, property managers must embrace it! In addition to local networking meetings, connecting with real estate agents and building partnerships, developing good working relationships with vendors and contractors, and other methods of getting the word out about their businesses, company owners must also have a firm grasp on finding leads and converting them online.

This requires a website, content, paid ads, and an understanding of search engine optimization to help the business's website rank higher in online searches compared to competitors. When property owners or tenants start a Google search for property management services or their next rental home, your company must show up first to attract more new leads than other property managers in the area.

However, without a plan and budget for developing an online marketing strategy, property managers lose a significant opportunity to gain visibility and market successfully. **When planning for growth, marketing must be a significant part of the picture.**

Business owners must also decide how to implement a successful marketing strategy, both offline and online, and support those strategies with a budget, processes, and the right personnel. Many property managers outsource digital marketing strategies and implementation to focus internal resources on managing doors and building local relationships. No matter the approach, planning and investing in it is crucial for success.

★ Property Managers Need a Quality Website That Serves Multiple Functions

As we mentioned early on in this resource, many property managers become excellent at what they do while working for someone else's company. Then, they break out on their own and begin a property management business. Property management skills carry over to serving new clients, but leadership, business management, and business marketing skills must be learned and developed over time.

Online marketing isn't something that comes naturally to many business owners. Property managers are no exception. However, websites for property management companies are an exception to typical websites that work well for other industries.

The best websites for property management companies must serve multiple functions:

- ✓ Help tenants find information, pay rent, and submit maintenance requests
- ✓ Help property owners stay informed about their properties and connect with their property managers
- ✓ Attract and convert new leads into new doors

Unfortunately, the website that helped launch a business (whether that was one year ago or ten years ago) won't often serve a company well long term. For property management companies today, if your website doesn't do the three things mentioned above (and do it well), you're losing business to other local property managers that invested in a website that helps their business operate efficiently, keeps renters and property owners happy, and helps them find new business.

While many think of a website as what you see online when typing in a URL, a quality website that serves a business well is much more than words and design on a screen. Property managers must invest in the right backend support by incorporating a CRM (customer relationship management) system, software like Appfolio or Propertyware, and SEO (search engine optimization) with inbound marketing strategies that include video and blog content.

Being "seen" in your market can no longer rely on offline measures. Instead, property management companies must invest in strategic websites and the right digital marketing strategies.



Adjust Fees and Service Offerings to Reach Goals

We're not trying to overuse a theme in this document, but as with many other things we've covered, the fees and services that help a business get started aren't often relevant long-term.

Many property management companies offer more services as the business grows. They add staff and vendors that open new revenue streams to deliver more services to owners and tenants. For example, if a property manager launches a business with leasing-only services, partnering with a maintenance company allows them to add new services as a full-service property management company.

However, adding services isn't the only consideration or goal when growing a business. Many property management company owners attract new owners and tenants by offering free services. Whether it's a free rental analysis, one-month free management fee, free air filters, or free tenant placement, "freebies" can help property managers find new customers — but over time, those free offerings can become a burden on team members, processes, and efficiency, ultimately leading to revenue loss.

When working with companies to evaluate services and fees when planning for growth, validating free offerings is crucial. What once was probably necessary to drum up new business may not be sustainable (or necessary) to scale a business.

Effective use of complimentary services can be "limited time only" or end completely when they no longer support long-term goals. It's also worth considering charging for services that were once free or rolling them into service packages to help property owners and tenants see that they are still receiving value while reducing the damage too many freebies can do to a company's bottom line.

★ Fees Require Routine Review

Fees for property management services can never be “set them and forget them.” One of the most common issues with property management companies struggling to grow is that their service fees don't sync with costs or the services provided in the current market.

Budgeting for future growth is challenging without a fee structure that supports growth. To invest in the right hires, technology, and marketing strategies, income through fees must support the funds needed to sustain a growing company.

So, when fees are out of date (or were never set appropriately), businesses lose the money they need to invest in their future.

As property managers learn to become leaders and business owners, or long-term company owners make plans to build a bigger company, it can be challenging to look honestly at fees and services and consider increasing costs to consumers.

You may think:

- ✓ Increasing fees will make me lose long-time customers.
- ✓ Changing pricing plans will communicate less value to property owners.
- ✓ Adding a cost to free services will stop new leads.
- ✓ My company can no longer claim to be an “affordable” solution if I raise prices.
- ✓ Raising the rent will cause tenants to move, and owners will be unhappy.

Thinking these things (and thoughts like this) is natural. If you've been in business for a while with long-term property owners and tenants as clients, and you've never raised your fees or rent amounts, we understand the fear of negative client reactions when considering increased pricing.

However, fear should never be a motivating factor for business success!

★ Fear Can't Drive Fees

As a property management consultant, we've seen the positive impact of adjusting fees to align with market rates. In our experience:

✓ **Property owners understand that fees go up**

When handled incrementally and presented with an explanation of value, clients are less likely to cancel services and move on to another company. If you deliver amazing services and owners are happy, a fee increase isn't likely to damage those relationships.

✓ **Renters understand that the rent goes up**

Excellent property managers know that renters typically tolerate incremental rate increases based on market research and quality services.

✓ **New clients are willing to pay current rates**

Even if a company loses a few owners after implementing a higher pricing structure, with excellent marketing and a positive reputation in the market, new clients will onboard at the new rates (and replace clients that left). Your "new" rates are just "the" rates to new clients (they won't realize you just raised them).

When we see property managers struggling to rationalize a fee increase, we remind them of the concept of "perceived value." Pricing services too low cheapens your services and can impact your reputation. Being the cheapest property manager in the area can work against a company wanting to grow.

However, delivering excellent services that are appropriately priced for the market can attract more clients, improve the quality of those clients, and help companies generate the revenue they deserve for the quality they offer.

When working with our team, property managers get an objective view of fees and services. We aren't emotionally tied to the business or its long-time clients. Therefore, we can present an unbiased assessment of where fees match others in the market vs. fees that are too low (or too high) to reach a company's goals.

Then, with business owners, we help structure ideal fees and pricing plans to serve clients well and help owners achieve long-term goals.

★ Add Value Through New Service Offerings

Whether adding new services rolled into a new fee structure or developing additional services as new revenue streams, doing more can help a property management company grow!

In addition to routinely reviewing fees and adjusting accordingly, property managers should also review offered services and opportunities to add revenue in new ways.

For example, adding a Home Watch service can help property managers reach new customers that may not need full-service property management. This type of service can also help meet a need for a real estate agent dealing with a home that hasn't sold quickly. Or, partnering with real estate agents to offer property management services for sellers dealing with a home on the market too long can help broaden networking and new client opportunities.

When considering new revenue streams:

- ✓ Conduct research to determine if there is demand for the service in the market and if other property management companies offer it.
- ✓ Explore how you can offer the service uniquely or with more value if other property managers also offer it.
- ✓ Analyze resources to learn if personnel, processes, and technology in place can support the service or if additional resources are needed.
- ✓ Run the numbers to determine if the cost of providing the service can be profitable based on what could be charged for providing it.
- ✓ Consider how it fits into short-term and long-term goals for the company.

We've seen that additional revenue streams can increase margins for business owners between 3-6% over a 6-9 month period. So, developing one or more new ways to generate revenue can have a significant impact on a company's bottom line within a year.

Remember, new ways to generate revenue can be short-term ventures. Based on changes to the market or fluctuations in tenant or owner needs and best practices, offering something to take advantage of a trend can be a nice boost to the bottom line. If the service runs its course and is no longer in demand, it can be a smart business decision to stop the service when it's not generating the revenue it once did.



Budget for Operations vs. Marketing

Now, we get to budgeting!

Planning budgets requires focus on two primary aspects of a successful property management business: operations and marketing.

Should the marketing budget be part of the operational budget? In most cases, yes.

However, business owners must protect funds set aside for marketing as a subset of the company's total operating funds, with an intentional “barrier” around those dollars. Meaning, if growth is your mindset, “borrowing” from the marketing budget to cover payroll or other costs should be against company policies.

Marketing money must remain marketing money, or a business will never grow.

★ What Is Operational?

So, what falls under “operations” when budgeting? The easy answer is anything that isn't strictly marketing.

Specifically, operational budgets should consist of:

- ✓ Payroll (employee salaries, virtual assistant payments, benefits)
- ✓ Overhead costs, like rent for office space, utilities, and insurance
- ✓ Software subscriptions or fees (for the tech stack)
- ✓ Materials or products needed to provide services
- ✓ Vendor costs for anything outsourced
- ✓ Equipment
- ✓ Revenue
- ✓ The Marketing Budget subset

Operating budgets must support day-to-day operations that build toward long-term goals. These budgets must also drive decisions with careful management to ensure that by the end of the budgeted term (annually, quarterly, or monthly), profits exceed costs.

★ What Goes Into the Marketing Budget?

As a portion of the company's overall budget, property managers must maintain a budget for marketing-specific costs for the business. These costs differ from expenses incurred for marketing rental properties as part of the operational budget or budgets managed for owners and properties.

Marketing line items can include:

- ✓ Website updates and maintenance (or a new website if needed)
- ✓ Digital marketing, including search engine optimization, content creation, and email marketing (whether internally managed or outsourced to an agency)
- ✓ Paid ad spends
- ✓ Local marketing efforts
- ✓ Fees for networking groups, conferences, events, etc.

Property management business owners always need a steady stream of new doors. Therefore, getting the word out about a business using the appropriate channels, strategies, and implementors must be a priority for property management companies. Even during tough economic times, as we saw during COVID, pausing or reducing marketing efforts and shifting the marketing budget to operational items can cause a business to struggle and never recover for growth.



Stay Focused on Short-Term and Long-Term Goals

Short-term and long-term goals must work together. While each requires different planning and budgeting, short-term plans must support long-term business goals.

So, it's crucial for business owners to stay focused on both tracks. Reaching short-term goals and mapping milestones is the best way for businesses to stay on target for ultimate goals. Whether short-term milestones are quarterly or annual, keeping eyes too far down the road to the bigger picture can lead to missed steps, poor planning, and lost momentum.

However, every decision made about personnel, processes, technology, and marketing must also be made with eventual or far-out goals in mind. While decisions today might only seem to impact short-term plans or needs, they must be made with the future in mind.

★ **Goals Can Change (But So Must You)**

Can short-term or long-term goals change? Of course! When that happens, business owners must regroup, revisit plans and budgets, and adjust.

However, it can be challenging to take a step back, review decisions compared to goals, and make objective, unemotional decisions to change course or get back on track toward the original plan.

Many of our clients come to us needing a detachment from the emotional aspect of running a property management company. These business owners have a vested interest in the company they started or took over, making it challenging to see mistakes, plan objectively for the future, and hold themselves and their teams accountable for growth (or a lack of growth).

Being a property management consultant gives me the opportunity to help business owners see reality and create plans to get where they want to be with their companies. Doing this over the years has helped me develop strategies based on many of the insights shared in this paper to help property managers move past stagnancy or decline and resume (or start) a trajectory of growth.

It is a joy to see property management business owners implement the recommendations shared here and many more customized solutions to reach their goals! I am hopeful these insights help you, too.

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