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RESIDENTIAL ALCHEMY: WHERE RESIDENT INCENTIVES, COLLECTIONS AND RENEWALS COLLIDE

2024
RETCON

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The multifamily landscape is undergoing significant transformation, most notably in the realm of payment processes. For years, the industry has been content with the status quo - accepting paper checks and receiving payments whenever they come in, even if late. However, the complications that arise from antiquated collection processes have now placed tremendous stress on operators across the country.

From residents to operators, economic volatility is affecting everyone and severely limiting revenue streams. The industry needs a viable solution that enhances payment collections by streamlining the process, improving performance and optimizing revenue. With rent being the largest income generator, forward-thinking operators are modernizing payment processes and offering multiple digital payment options to residents. Additionally, by incorporating a rewards program aimed at incentivizing positive resident behavior, many communities are experiencing tremendous benefits, including higher renewal rates and increased NOI.

DON'T LET PAYMENTS BECOME A PROBLEM

As it stands, current payment processes hinder overall performance. Onsite associates spend countless hours processing paper checks and money orders, chasing down arrears and adjusting budgets due to the bad debt stemming from unpaid rent.

The time spent on just processing and collecting rent costs operators an exorbitant amount of money.

CONSIDER THIS...

Money Orders
5%

Checks
20%

ACH
50%

Credit/Debit Cards
25%
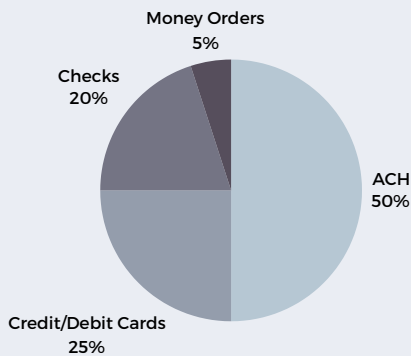
On average, your community receives 25% of payments in checks or money orders. While it may only take 30 seconds to scan each check or money order, when you amortize that over your entire property, or portfolio plus add in the time taken away from completing the task while giving tours or assisting residents, are you really getting that money in the bank as quickly as possible? What would happen if that 25% was now only 4%?

In order to correct the issue and increase revenue, many are rethinking their current payment practices. Operators are looking to centralize the payment processes via innovative digital payment platforms.

Centralized payment systems make it easier to manage multiple properties from one platform, automate time-consuming tasks for associates and improve resident communication. This presents the potential for increased operational efficiency and noticeable cost-savings. By streamlining payment processes and creating a portfolio-wide vantage point of resident data and payment habits, operators gain valuable insight that can assist them in making more informed decisions.

It's important to note that centralization doesn't replace associates; it allows them to maximize their time and focus on immediate onsite tasks and resident needs. Embracing modern technologies, such as digital payment platforms that centralize the collections process, mitigates manual processing challenges and fosters a more efficient and positive work environment. Digitizing and centralizing payment processes mirror consumer behavior trends, like the preference for self-service options.
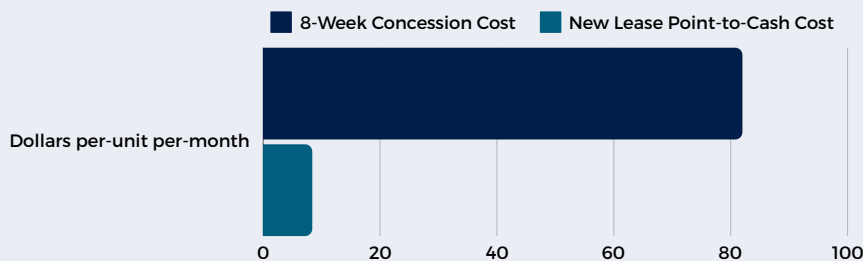
Adopting digital tools and technological advancements goes beyond just facilitating operational growth, it aligns the efforts of associates with broader corporate goals. Centralizing tasks associated with lease administration, maintenance requests and rent collection can streamline operations, reducing time and resource expenditure on administrative tasks. Centralization can also potentially increase resident retention and reduce vacancy losses.

REWARDS FOR BEHAVIORS YOU WANT TO SEE

More than 83% of consumers enrolled in loyalty programs say that earning rewards significantly influences their decision to make repeat purchases from a business. Furthermore, 84% of respondents expressed a preference for brands that offer a loyalty program.

Starbucks rewards, which boasts over 40 million reward program members, is a prime example of what a successful loyalty program looks like. The most compelling aspect of it is simplicity: customers receive points for every drink that they buy. Points can then be redeemed for free drinks or even priority service, equating to repeat purchases and brand loyalty. Even when Starbucks changed how its rewards were redeemed, the company saw little attrition in enrollment. In fact, they experienced an increase of 15% in U.S. membership.

CONSIDER THIS…

8-Week Concession Cost   **New Lease Point-to-Cash Cost**

Dollars per-unit per-month

0   20   40   60   80   100

Offering a point-to-cash back reward for leasing a new unit costs you less than offering 8 weeks of concessions. How much money would you save?

60% of customers enrolled in a rewards program say they have better experiences with those businesses and 90% of consumers are more interested in receiving discounts and earning cash-back rewards when shopping, even more so during times of inflation and economic struggles.

Coupling resident reward programs with the digital payment process can replicate the success of reward programs in other industries as they motivate residents to take specific revenue-driving actions. By harnessing the power of rewards, including cash back, operators are incentivizing positive renter behaviors, such as paying rent digitally and on time.

When a rewards program is applied, operators gain valuable insights into modern resident behavior. Through immediate access to vital data and analytics, operators obtain a clear understanding of what motivates today's residents to not only pay rent on time, but to renew, as well. Not to mention, by providing meaningful rewards in exchange for on-time payments and resident loyalty, many communities are seeing a surge in both resident engagement and satisfaction levels. Engaged and satisfied residents are more willing to post a review or attend community events, creating a stronger sense of community among residents and associates alike.

Offering rewards for on-time payments, reviews, lease renewals and referrals can improve both occupancy rates and the property's online reputation. Likewise, rewarding early or on-time digital rent payments can significantly reduce delinquency. The integration of resident reward programs and digital payments is a powerful alliance. These programs motivate residents to embrace secure online payment methods, driving a steady stream of revenue for properties and enabling the centralization of payment processes.

THE TRICKLE DOWN EFFECT

Resident satisfaction has a profound impact on the bigger picture.

When residents are happy and invested in their communities, they are much more likely to renew their lease year over year. Today's renters want the latest amenities and advancements on the market, and that includes a streamlined digital method to pay their monthly rent. Add the allure of rewards for on-time payments, posting a community review or referring a new resident, and the trickle down effect is significant. In fact, 62% of potential residents indicated they were influenced by online property ratings and reviews when making a leasing decision.

CONSIDER THIS…

Units Sold in Austin
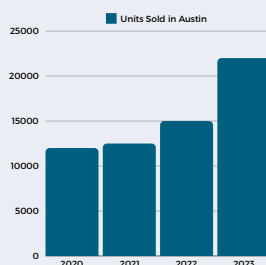
As more supply enters the market, how are your properties best prepared to handle the new competition? Will you simply use more concessions or engage in payments + rewards to stay ahead of the pack?

That means a majority of prospects are going off current resident critiques, which are significantly more positive coming from those who feel satisfied and valued. By rewarding residents for positive reviews, operators can effectively bolster their reputation and appeal in their market.

In an effort to increase satisfaction while helping residents strengthen their financial footing, operators are engaging in proactive measures that improve rent collection processes and on-time payments. Digital platforms create more comprehensive collections strategies and develop more holistic, proactive methods for rent payments. Meanwhile, operators enhance the rent payment process through digital solutions that mitigate payment risks, as well as add convenience and flexibility for residents.

The ability to view payment activity for multiple properties in one place provides a vital snapshot into renter behavior patterns so operators can anticipate and adapt to the trends that impact revenue. Resident satisfaction levels are linked to the simplicity of the payment process and the amount of control they have over rent payments. Residents also appreciate the ability to review payment history, receive alerts regarding upcoming payments and set up automatic payments. Rewarding residents for paying rent on time or leaving positive online reviews, can help create a strong sense of loyalty to their community. Implementing a rewards program can lead to an estimated 2% reduction in turnover costs, which results in significant savings across a portfolio.

By prioritizing integration of resident rewards programs, operators can strengthen their competitive edge in the market. Capitalizing on the era of reward program participation can greatly benefit multifamily organizations looking to minimize turnover costs and concession payouts in the long run.

There is no shortage of benefits to a centralized digital payment platform that offers a resident reward program. These platforms streamline payment processes and offer multiple payment options, which appeals to today's residents. Incorporating a loyalty program that rewards positive resident behavior leads to more on-time, digital payments, as well as higher resident and associate satisfaction levels, all of which contribute to enhanced performance.

Operators establish a more convenient and efficient process when tedious and complicated payment processes are removed from both residents' and associates' plates. From enhanced efficiencies to a steady NOI, implementing a digital payments platform powered by rewards is proving to be a catalyst for change, helping operators weather any economic climate.