Driving NOI at multifamily properties

The case for a comprehensive
payments and utility program
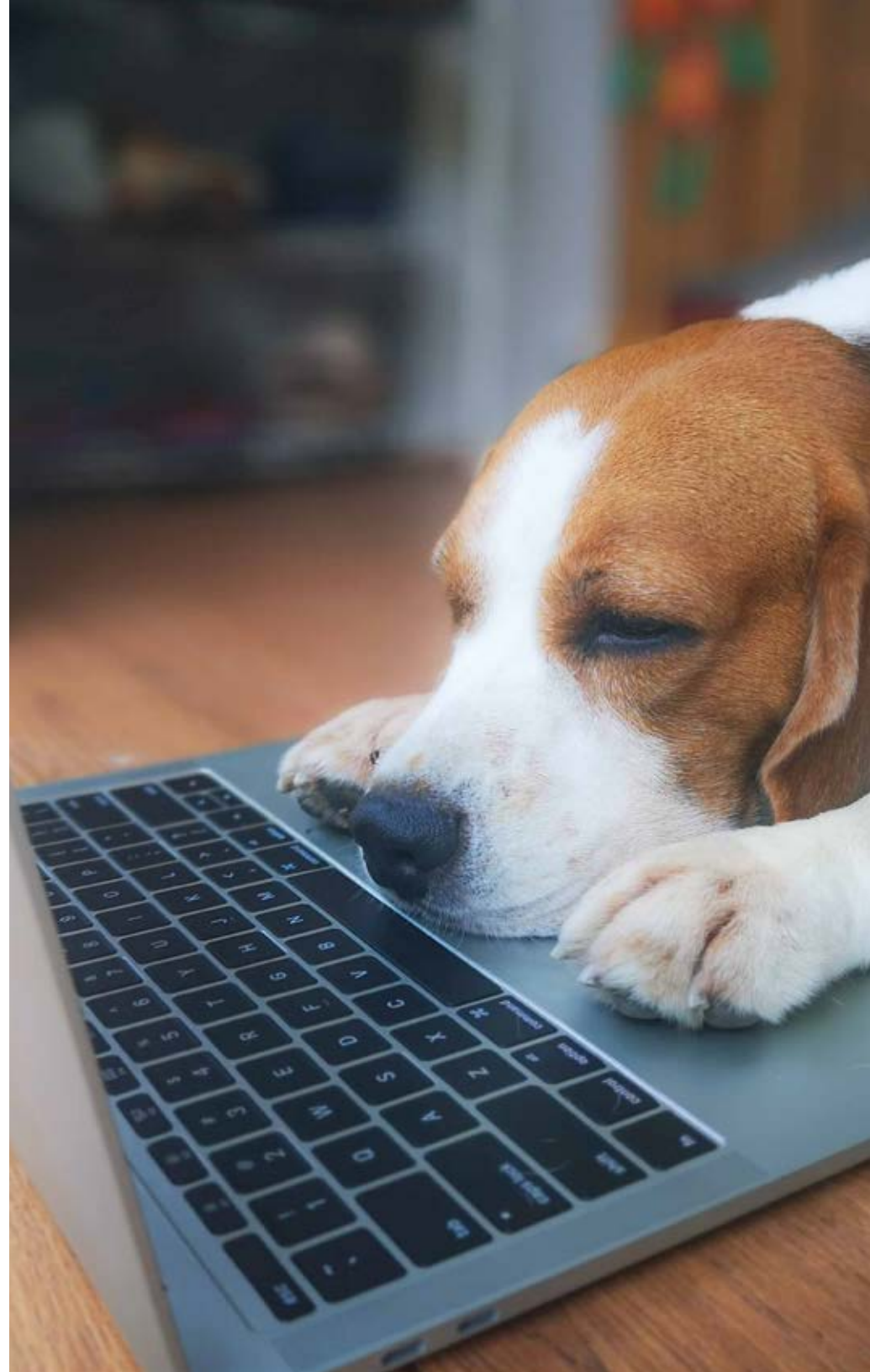
HOBSON & COMPANY

About the survey

Property management companies are under constant pressure to reduce costs while meeting resident expectations, which are continuously evolving thanks to the digital age and highly competitive markets. Adding further complexity, fluctuations in utility costs, outdated processes, and inefficient technology limit the ability for property managers/owners to optimally manage their bottom line. In response to these challenges, property management companies are evolving by adopting new technologies that enable effective processes, cost containment, recoupment and, ultimately, the ability to improve Net Operating Income (NOI).

Research methodology

Hobson & Company, a leading research firm focused on Return on Investment (ROI) studies, worked with Zego (Powered by PayLease), a leader in utility and payment optimization solutions, to explore these challenges and learn how industry leaders are responding. H&C conducted independent research consisting of 18 in-depth interviews with Zego clients and found that a validated solution addressed specific customer demands across property management companies to deliver a quick and compelling ROI. The goal of this paper is to highlight examples and showcase key metrics of companies who currently who currently use two of Zego's solutions: Zego Pay and Zego Utility - referred to as the the Zego Solution Suite

Contents

Improving efficiency through a consolidated digital payments & utility program

Property management challenges

Following is a list of the primary concerns raised by property managers.

1. Inefficient & time-consuming processes

Using manual processes and outdated technology to manage rent, utility payments and chargebacks results in vast inefficiencies for both on-site and corporate staff. Unfortunately, this leads to more time spent on data entry and paper shuffling rather than on activities that reduce resident turnover or improve NOI. For instance, property management companies who participated in this research shared that both site and accounting staff previously spent nearly 50% of their time on tedious tasks related to resident payments, resident utility billing and utility invoice processing, thus preventing them from spending time on strategic activities.

2. Market & competitive pressures

Property management companies are being forced to evolve their day-to-day processes and adopt newer technologies to keep up with today's market pressures - or risk being left behind. Rising utility costs, challenging billing regulations, and increasing resident expectations surrounding the rent payment experience (such as digital payment options, visibility into outstanding balances, etc.), are the driving factors behind this evolution. Property managers indicated that instead of billing back for utilities, they had previously been including them in the rent or recouping them through a highly-conservative flat fee. Fears of falling out of compliance with utility billing regulations and resident dissatisfaction were the main reasons behind using these outdated processes.

3. Increasing costs

Utility expenses are volatile and can significantly impact NOI when they are not fully recouped from residents. Unfortunately for property managers, challenging utility regulations make it difficult, if not impossible, to understand how best to charge residents back. Utility invoices also have short payment cycles that can easily result in late payments and penalty fees if not paid upon receipt. Research uncovered multiple examples of properties experiencing suboptimal NOI due to unforeseen utility rate hikes and unpredictable fees/penalties.
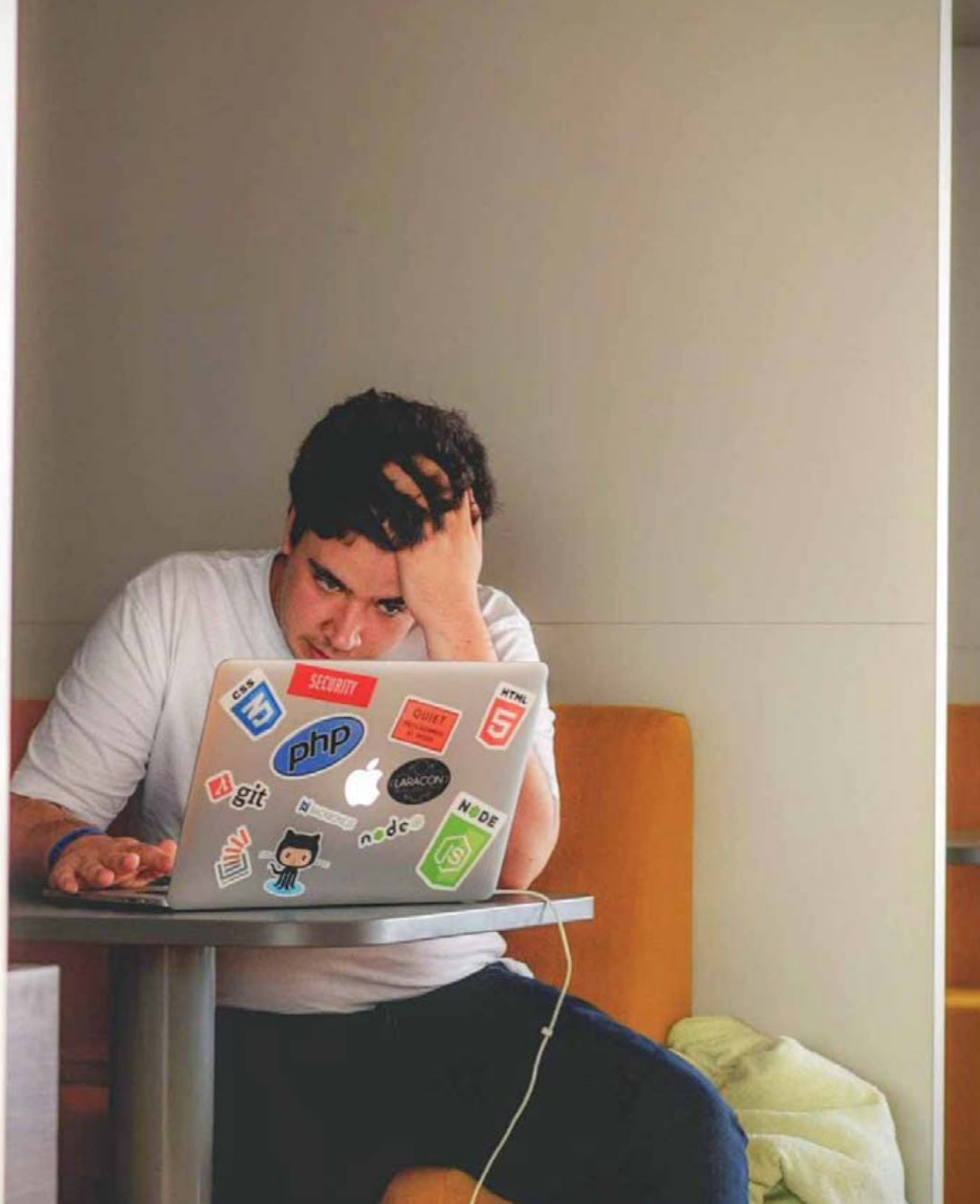
Solutions summary

The benefits of using the Zego Solution Suite were measured and validated from current Zego customers to obtain key metrics and identify proven efficiencies. These customers that utilize the Zego Solution Suite saw substantial improvement in productivity and increased NOI.

The Zego solution suite

Zego Pay

Save your staff with 100% digital payments. With seamless integration, resident payments appear in the property's accounting software and update the general ledger.
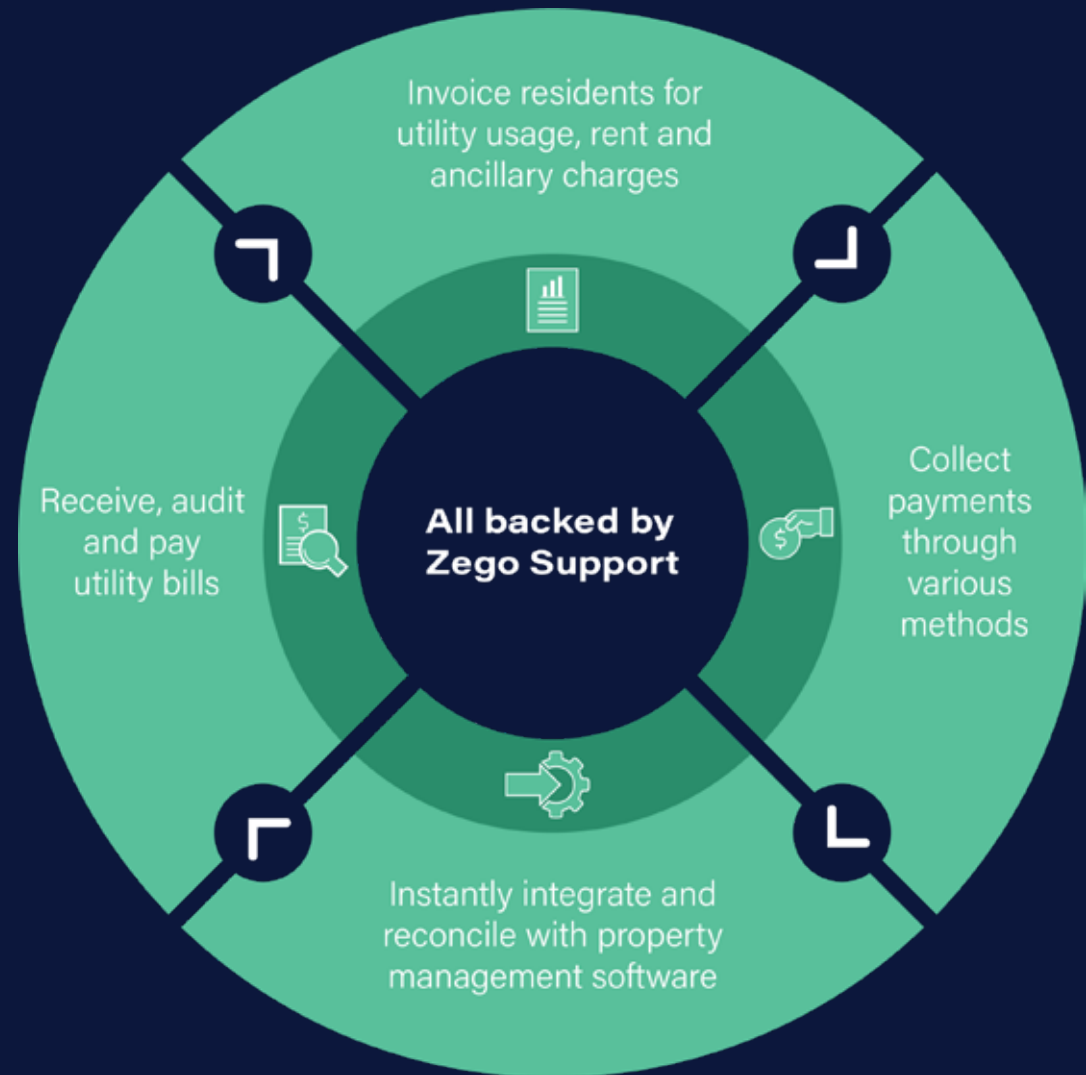
Zego Utility Resident Billing

Recoup utility expenses and create a new revenue stream by billing back to residents using allocation/RUBS or submeters. Residents receive a detailed statement of all of their monthly charges to help streamline the collection process.

Zego Utility Expense Management

Transform an accounts payable burden into profitable insights by outsourcing the entire process so your team can focus on higher priorities. Utility invoices are routed to Zego, audited for accuracy and errors eradicated. Bills are paid on-time and invoice and payment details are integrated into your accounting software along with business intelligence reports so you can track trends and identify opportunities for saving.

Invoice residents for utility usage, rent and ancillary charges

Collect payments through various methods

All backed by Zego Support

Instantly integrate and reconcile with property management software

Receive, audit and pay utility bills

Sample property - key ROI findings

The Return on Investment (ROI) of a comprehensive online payment and utility management solution is clearly demonstrable. Compare your firm to this typical property management company for an example.

Please note, as each property is different, organizations are encouraged to work directly with Zego to receive a free, detailed benefit analysis and ROI calculation customized for their unique situation. For instance, this analysis reflects the example of a property management company already using a third party for payments and resident billing and making no change to fees that are passed on to residents to present the most conservative example.

- 1,000 units
- $50,000 in monthly utility expenses (with a recoupment rate of 65% managed by a 3rd party)
- 20 hours spent monthly managing, supporting and overseeing Resident Utility Billing
- 45 hours spent monthly receiving, processing and paying utility invoices (managed internally)

$ 88,000 total investment over two years. This investment level is based on average ACH transaction fees, resident utility billing and invoice payment fees per unit.

Annual benefit value

$477,517
Composed of:
20% cost reductions
21% time savings
58% revenue gains

ROI over 2 years

707%

Positive ROI generated in

3 months

Benefits experience with Zego Solution Suite

89% increase in NOI

11% improved productivity

Research findings

Research findings

Customer research about the Zego Solution Suite identified value across two areas: Improved Productivity and Increased NOI.

Improved productivity

Reduce time spent managing resident payments, processing resident utility bills, and paying utility invoices

Properties recognize the inefficiencies related to receiving resident payments - as well as the demand from residents for better payment options. Zego Payments automates the resident payment process and provides residentfocused features (i.e. credit reporting, multiple ways to pay, text reminders, custom user portal, etc.). The solution's ease of use, supported by customized resident marketing, lead to increased staff productivity as well as dramatically improved online payment utilization rates. In addition, robust integrations with property management systems allow for a seamless process between payment receipt and accounting reconciliation, resulting in further time savings.

50%

Customers interviewed reported
50% reduction in time spent processing and managing online resident payments.

"The time savings is a huge advantage as we can now focus on things that bring us money. " —National Operations Director Multifamily Property | PA | 13,000 Units

65%
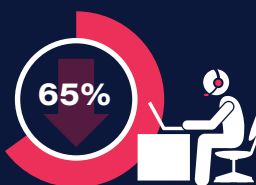
65% reduction in time spent on late payments and resident support-related inquiries.

"Having payments received by Zego means more peace of mind because it reduces the 'trouble factor' of theft, loss, etc. " —President Multifamily Property | GA | 100 Units

Zego Resident Billing provides timely and accurate utility calculations (using RUBS or submeters) that help property managers recoup these expenses. Through seamless

integration with leading property management software, rent and ancillary charges are automatically pulled from the resident ledger and combined with utility charges on an itemized monthly statement. E-bills further drive efficiencies with automated, digital transmission to residents. Zego Resident Billing offers per-unit and property-level utility expense visibility, including detailed analytics that enable stronger monthly and annual budgeting processes. Additional time savings and productivity is gained when residents utilize Zego's Resident Call Center instead of their property manager to resolve questions regarding their utility bills.

To compliment Payments and Resident Billing, Zego Utility Expense Management increases productivity further by providing outsourced Accounts Payable for utility invoices. Utility Expense Management takes over the receipt, audit, consolidation, and payment of each invoice, along with mapping and populating bill-level detail to the General Ledger. This

Customers interviewed reported

70% reduction in time spent managing, supporting and overseeing resident billing
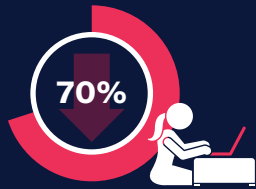
"We had to spend a lot of time dealing with issues with our previous vendor, including inaccurate pre-bill reports, poor timeliness of corrections, blocks of residents not receiving their bills and poor customer service, with both property staff as well as with our residents. " —Vice President Multifamily Property | TX | 3,000 Units

90% reduction in time spent receiving, processing and paying utility invoices

"Zego frees us up to do other things that can make us money instead of cost us money. " —CFO Multifamily Property | PA | 10,000 Units

includes proactively calling utility providers for invoice irregularities, questions, and error resolutions, resulting in reduced errors and late fees.

Increase online payment utilization

Online payment utilization increases when properties combine Zego Payments and Resident Billing. Residents get the advantage of receiving a comprehensive billing statement that includes rent, utilities, and other ancillary charges, and can easily be viewed and paid online.

Reduce time spent on system integraton support and maintenance

Zego supports over two dozen leading property management software platforms with seamless automation. All integrations are developed and maintained by a team of in-house Zego engineers. Property Managers benefit from the seamless reconciliation process for all payments, from rent to utilities.

Reduce time spent on tracking, processing and managing vacant unit expense

Vacant unit utility tracking and cost recovery is typically very time consuming and is often not done consistently. Zego Utility Expense Management simplifies the vacant unit expense process by automatically cross-referencing a property's occupancy information with its utility invoices. Thanks to seamless integration with property software, on-site managers can easily see when a resident has neglected to place utilities in their name.

Customers interviewed reported

25% increase in online payment utilization when payments and billing are used together

> "We've gone from 5% utilization of online payments with our prior vendor to 32% with Zego, without us really pushing it because Zego helps drive utilization by reaching out to our residents every month. " —Director of Systems and Revenue Multifamily Property | AZ | 7,000 Units
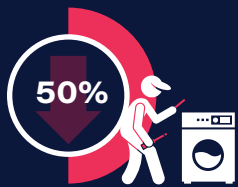
50% reduction in time spent on system integration support and maintenance

> "Because Zego integrates seamlessly with any other system, it takes care of the back end processes which saves us a lot of time. " —Director of Systems and Revenue Multifamily Property | AZ | 7,000 Units

80% reduction in time spent tracking, processing and managing vacant unit expense

> "Zego has done a tremendous job of taking care of vacant unit utilities for us, including contacting our utility providers on our behalf." —Account Manager Multifamily Property | IL | 300 Units
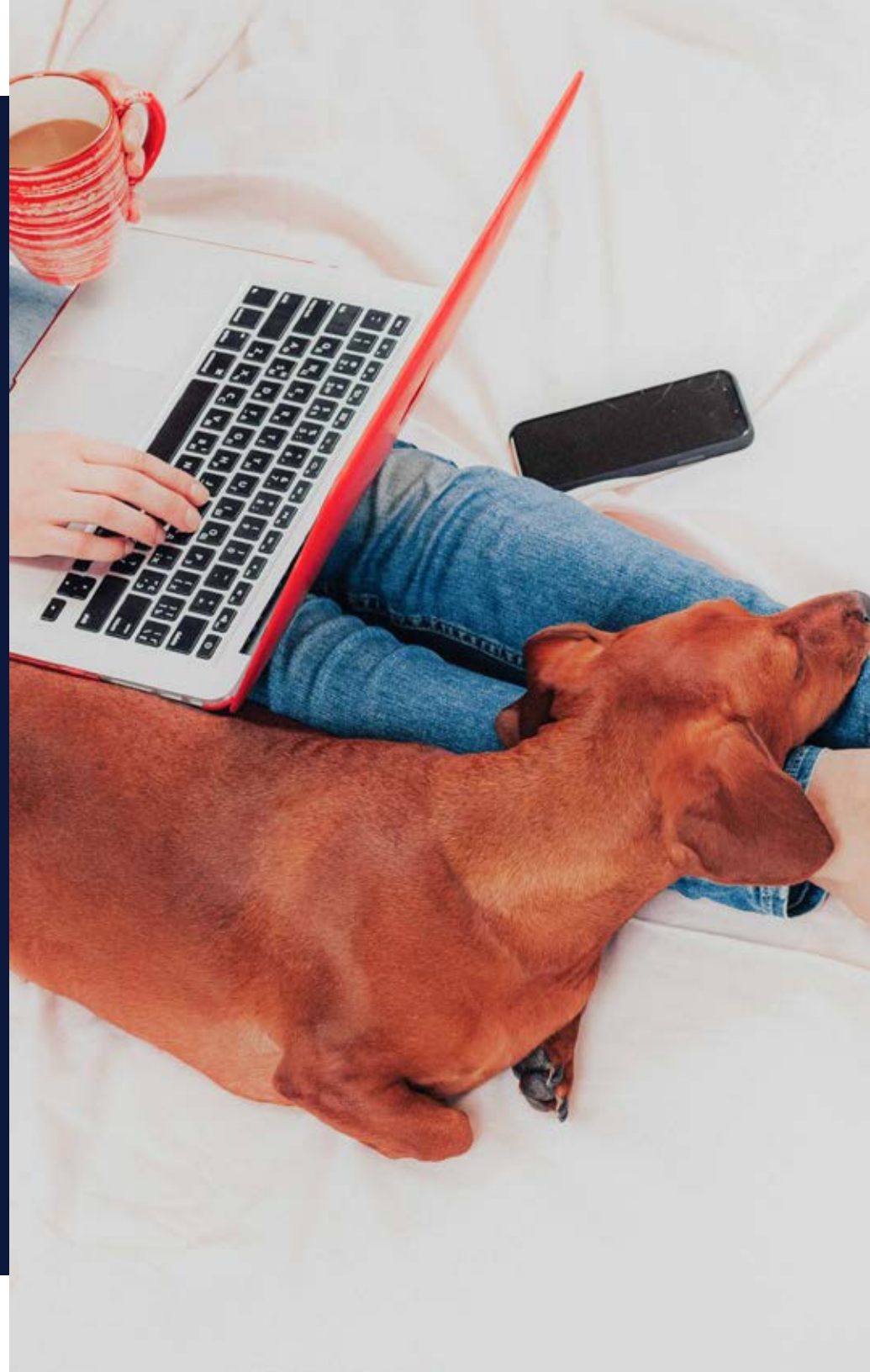
Increased NOI

Optimize online payment fee structure

While it can be a delicate balance between incurring or passing online payment fees on to residents, doing so effectively can be the key to minimizing costs and driving utilization. Zego Payments provides simple and flexible fee structures that can be easily passed on to residents.

Optimize resident utility billing recoupment and fee structure

Utility billing regulations and associated calculations and fees are tricky and can make it challenging to maximize utility expense recoupment. Zego Resident Billing enables and optimizes billing residents back for utilities (which can include associated admin fees). Flexible billing methods and accurate, industry-leading calculations (that maximize recoupment rates) are supported by a Quality Control Group who is
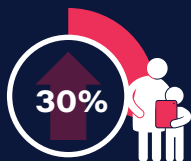
Customers interviewed reported

100% increase in the potential to recover online payment fees

100%

"Zego offers the flexibility to modify fee structures in order to meet our business needs and also sends marketing emails every month to help drive utilization. " —Director, Systems & Revenue Multifamily Property | AZ | 7,000 Units

30% increase in utility recoupment

30%

"Billing residents back for water is definitely having an effect on consumption...where we have a higher level of penetration, water usage is way down. " —President Multifamily Property | CA | 1,500 Units

dedicated to monitoring utility regulations. When Zego Payments and Resident Billing are combined, residents receive a billing statement that includes utilities, rent and any ancillary charges or outstanding balances which can be viewed and paid online.

50%

Customers interviewed reported
50% reduction in utility collections losses

"The visibility into usage, with automatic emails being sent directly to our properties, helps us be more proactive, meaning we are quicker to react to any issue. " —Asset Manager Multifamily Property | LA | 9,000 Units

Reduce risks related to delinquent accounts

Zego Resident Billing provides timely and accurate bills based on flexible billing methods which improve utilization of online payments and include autodraft options. Additionally, Zego clients experience improved funding time since, unlike a Read-Bill-Collect (RBC) model, resident payments are not held and are immediately deposited into the management company's bank account.

80%
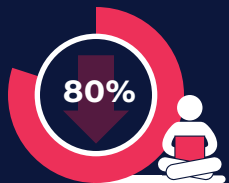
Customers interviewed reported
80% reduction in time spent on utility collections

"Delinquencies have improved because residents are no longer able to complain about not receiving their utility bills and using that as an excuse for not paying. " —Vice President Multifamily Property | TX | 3,000 Units

50%

Customers interviewed reported

50% reduction in costs from utility late fees and errors/anomalies

"We used to incur massive late fees across the portfolio, which have been reduced by approximately $25k/year. " —Asset Manager Multifamily Property | LA | 9,000 Units

Reduce costs from utility late fees and errors/anomalies

Utility invoices often come with short billing cycles, making it extremely difficult to avoid late fees. With such a short time frame to review bills for errors and anomalies, companies often miss opportunities to reduce expenses. Zego Utility Expense Management incorporates deep industry expertise to uncover errors, common exceptions, overlaps in billing periods, rate or cost increases, meter changes, overcharges, etc. In addition, the seamless integration with property management software and existing relationships with utility providers ensure timely processing and bill payment.

Improve vacant unit expense cost recovery

With disparate systems and manual processes, vacant unit utility tracking and cost recovery is frequently not effective at maximizing recovered costs. Zego Utility Expense Management enables linking occupancy information and utility bills by seamlessly integrating with property management systems and thus automatically cross-referencing vacancy information with utility expenses. Zego is able to identify opportunities to recover additional utility expenses that were previously not recovered. In addition, properties may charge penalty fees to motivate residents to transfer utilities in their name in a timely manner.

Improve resident experience

Zego Payments provides convenient, flexible payment options, including credit/debit cards, cash payments from a retail location, and PayPal. In addition to multiple payment options, Zego Payments has features that encourage residents to pay on time, like recurring payments, text reminders and access to payment history. When combined with Resident

Billing, residents receive one simple, comprehensive statement that includes all of their monthly charges and a streamlined process for quickly paying their invoice online. In addition, Zego has a 24/7 award-winning Resident Experience Team offering exceptional customer service.

30%

**100%**

3%
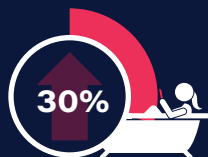
Customers interviewed reported

30% increase in vacant utility costs recovered

> "A minimum of 25% of the vacant costs that are recovered today wouldn't have happened before." —National Operations Director Multifamily Property | PA | 13,000 Units

100% increase in vacant cost recovery penalty fee revenue

> "We know there has been an increase in vacant utility recovery since switching to Zego…and we also now charge a penalty fee." —Account Manager Multifamily Property | IL | 300 Units
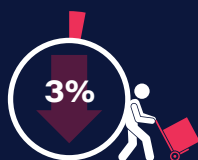
3% reduction in expenses related to turnover

> "Zego has improved the resident experience with easier and smoother processes, which has an effect on our conversions and renewals. " —Bookkeeper Multifamily Property | KY | 1,000 Units

Increase property value

Properties are constantly looking for mechanisms to add revenue and reduce costs in an effort to increase NOI and improve valuations. Zego Resident Billing improves NOI through utility expense recoupment, reduces cost through utility conservation and increases revenue through ancillary charges, which increases property values based on CAP rate valuations.

10%

Customers interviewed reported
10% increase in property value

"Zego absolutely helps increase our property's value by increasing our NOI. " —Property Manager Multifamily Property | IL | 800 Units

Conclusion

Conclusion

In their quest to increase efficiency of key business processes and improve NOI, many property management companies have implemented the Zego Solution Suite. Based on our extensive interviews with Zego clients who use all three products - Payments, Resident Billing, and Utility Expense Management - we found concrete evidence that the Solution Suite has been a worthwhile investment. Property management companies have reported that since implementing the Zego Solution Suite, they have experienced a number of desirable outcomes including: improved productivity, increased NOI and property values, decreased costs, and reduced risks. Furthermore, the Zego Solution Suite has helped improve resident satisfaction thanks to its clear billing statements and convenient payment options. While each Zego product has its own intrinsic value, the benefits of using all three together are immense.

HOBSON & COMPANY

About Hobson & Company

Hobson & Company helps technology vendors and purchasers uncover, quantify and validate the key sources of value driving the adoption of new and emerging technologies. Our focus on robust validation has helped many technology purchasers more objectively evaluate the underlying business case of a new technology, while better understanding which vendors best deliver against the key value drivers. Our well researched, yet easy-to-use ROI and TCO tools have also helped many technology companies better position and justify their unique value proposition. For more information, please visit www.hobsonco.com.

ZE GO Powered by **PayLease**

Zego is a property technology company that frees management companies and community associations to go above and beyond for residents. We're evolving with the residential landscape, making a difference in how our customers work by building connections and easing friction. We offer technology that creates a sense of community and inclusion while also supporting and empowering on-site staff.

gozego.com | 1.866.729.5327 | @go_zego

Written by:
Jennifer Stahlman
Writing & Editorial Manager
Zego

Designed by:
Courteney Sigmon
Graphic Designer
Zego