

Deals, careers and management

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Software + technology: huge savings with IT efficiency

The recession is an opportunity to make IT systems leaner. David Lawson reports

AS THE RECESSION DEEPENS, LANDLORDS AND occupiers are weighed down with far too much space. But bricks and mortar were not the only over-indulgence during the boom; millions were spent buying IT systems now seen as an expensive drain on resources.

Spending was based on an assumption that profits would cover pay-off periods of several years. Cutting spending will not be easy, because complex new systems require support and contracts with suppliers are difficult to modify, say James Kaplan and Johnson Sikes, a principal and a consultant, respectively, at management consulting firm McKinsey.

And squabbling between departments about priorities only adds to the difficulties.

SPREADING SYSTEM COSTS

According to a client survey by property industry adviser Remit Consulting, huge savings can be made by increasing the efficiency of IT teams. 'An average firm could save more than £1m a year if it became as efficient as the best,' says Remit partner Andrew Waller.

To reduce costs, Kaplan and Sikes make the following suggestions:

- Trim demand for new applications.
- Find partners to share servers and storage.
- Cap application maintenance spending.
- Renegotiate contracts to reflect changing market conditions.
- Move operations offshore.
- Agree sale-leaseback of data centres.

But cost-cutting should not be an automatic priority, warns Remit director Bob Thompson. He says firms need to look at the way they are managed and get these processes right first.

Kaplan and Sikes believe the slump can be an opportunity to 'peel away unnecessary management layers'. They also argue that better use of IT can enhance logistics and inventory control. This, they claim, can result in savings up to 10 times greater than those achieved through simple IT cost cuts.

For smaller firms that lack such resources as

data centres and offshore operations, options can include outsourcing email, internet phones and data storage rather than paying for the hardware. IT management itself could be outsourced, according to Remit.

The availability of 'software as a service' will increase, says partner Mark Jones. This involves paying for applications as and when required, often directly over the internet from a service provider, without having to take on the cost of an upfront licence or powerful hardware.

'Even small and medium-sized businesses can take advantage of services or applications generally only available to large businesses with high IT budgets,' he says.

As IT teams are pushed to deliver as much as possible from existing systems, software suppliers will begin to feel the pinch. Those that have developed additional capabilities are likely to fare best, particularly where they help organisations deal with the slump, says Remit.

Several have added new modelling, budgeting and forecasting functions as well as widening the scope of the traditional property management systems to cater for fund and financial performance management.

'We are in the middle of an information crisis as much as a finance crisis,' says Waller. 'There are huge pressures on software to analyse assets much better.'

Software suppliers will rely on upgrading systems to cope with new demands, such as rent arrears management and handling more frequent cycles - where tenants such as retailers get landlords to bill monthly.

Programs that work across different countries are gaining in importance as firms attempt to spread system costs as widely as possible.

Remit cites Yardi's purchase of Argus' CTI property system and Insight Reporting as examples of the sort of rationalisation of suppliers that will become increasingly common along with cuts by firms that have merged.

According to Remit, US suppliers will continue to vie for market share, particularly where

GET IN WITH THE IT CROWD

A NEW GUIDE PUBLISHED BY THE RICS ARGUES that IT plays a central role in property, and that corporate real estate managers must understand and take control of functions that have been palmed off to IT departments.

'IT can help managers reduce property costs and help operations teams deliver increased profitability,' says the study.

'It is essential for managers to understand how to outbid other teams for the IT resources they require and do so at minimal risk.'

The report is part of a suite of corporate real estate research called *Property in the Economy*. It has been produced for the RICS by Andrew Waller and Bob Thompson of Remit Consulting.

Further information from Rosemary Elder: relder@rics.org, 0207 695 1597 or www.rics.org/propertyintheeconomy



Making ICT work for you
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Andrew Waller, Remit Consulting
Bob Thompson, Remit Consulting

www.rics.org/propertyintheeconomy

businesses are looking for international coverage. It also forecasts that the level of commitment to property systems by suppliers with interests in other industries may diminish as these companies shift focus to the most profitable sectors.

■ contact: basics@davidlawson.co.uk