

Getting the Best Bulk Services for a Community

Though bulk services make sense in student living and some other verticals, choosing the right services for a particular community isn't easy.

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Getting the best bulk and premium services for a student living community requires three essential steps: First and foremost, ascertain what services are necessary to meet the majority of residents' expectations. Second, obtain apples-to-apples bids from multiple providers. Third, determine the solution that maximizes value for the community.

Success can be measured only by how cost-effectively the service meets residents' expectations – realistic or otherwise. Although gauging those expectations is far from an exact science, experienced decision makers who receive input from an experienced community management team can arrive at an effective approximation.

Each community is unique and requires its own solution. Even adjacent communities with the same providers, unit mixes, rent levels and management companies can require slightly different bulk services. One-size-fits-all solutions either fail to meet resident expectations or wastefully exceed them.

Complicating matters, expectations shift rapidly with advances in technology and service offerings. Internet bandwidth has been increasing by 20 percent or more per year. Sitewide Wi-Fi has become standard for new deployments in many verticals. New multiplatform video services allow residents to view the same programming on almost any Internet-enabled device.

Because residents' expectations are not always realistic, owners must attempt to influence those expectations from the outset – for example, by explaining that

wireless Internet is unlikely ever to be as responsive as a wired connection. Students typically consume bandwidth with little understanding of the underlying technology. If a service fails to perform as they feel it should, their satisfaction with the community plummets.

COMPARE APPLES TO APPLES

The second challenge is to obtain apples-to-apples proposals. Getting proposals usually poses little difficulty. However, getting proposals that allow for direct, point-by-point comparison takes significant effort. Providers have different technologies, programming lineups, service tiers, rate structures, financing costs, contracts and so forth. All these variables affect the value proposition.

To make matters worse, some providers understandably promote services and comparisons that emphasize their strengths. In recent years, many providers have tried to undercut competitors' prices by bidding lower service levels or excluding equipment. Cable television can be much cheaper without channels like ESPN or the digital converter boxes needed to actually receive the channels!

Regardless, do your best to obtain proposals that are roughly equivalent and, if possible, discount the monthly expense to current dollars and add the

result to any up-front costs to obtain a total value for each provider.

$$\begin{aligned} \text{Total value} &= (\text{up-front costs}) \\ &+ (\text{present value of monthly} \\ &\quad \text{expense over contract term}) \end{aligned}$$

Cost has multiple components. The cost of Internet services, for example, includes infrastructure, bandwidth, upgrade management, legal and other liabilities, and taxes and fees. Many video providers charge more than 14 percent of base costs in taxes and fees. Determining which solution maximizes value is also complicated by differences in infrastructure, existing contracts, budgets, ownership structures and other factors.

Owners must be particularly cautious about short-term fixes. Bulk service agreements are long-term contracts in markets whose services constantly evolve. Short-term fixes, especially those focused on immediate cost reduction, often lead to greater long-run costs. Owners should evaluate these services strategically.

Though no one solution will both meet residents' expectations and be cost-effective for every community, by identifying expectations, obtaining apples-to-apples bids and strategically analyzing options, owners can maximize the value of bulk services to their communities. ❖

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