

WHY FLEXIBILITY IS THE FUTURE

■ Yardi assembled a panel of flexible office experts to discuss the importance of a service ethos, how workspace providers can stand out from the competition and why the sector looks well placed to weather a possible recession

Gareth Evans, chief executive of BizSpace

Katrina Larkin, co-founder of Fora

Cal Lee, founder of WorkThere

William Newton, president of WiredScore

Katie Whell, managing director at Pure Offices

Tony Freeth, director of coworking at Yardi

Simon Creasey, features editor at Property Week (chair)

Flexible workspaces have been hailed as the future of offices, but as the business model continues to mature many questions arise about what this future might look like. To debate what lies ahead for flexible workspaces, Yardi put together a panel of some of the industry's heavyweights.

SC: How important is customer service for the coworking industry?

GE: Customer service is what it's all about. It's quite interesting as a concept because one person's customer service is another person's lack of service. It depends on where you are regionally, what kind of centre you're in and what people's needs are. You can provide frothy coffee or whatever, but if that's not what the customer wants then you're not providing good customer service.

KL: Myself and [Fora co-founder] Enrico [Sanna] come from a hospitality background, not from a workplace background. So, for us, customer service is absolutely key. We have worked with one of the top hospitality schools in Switzerland to attract the best people from the hospitality industry.

WN: Before WiredScore moved into WeWork, we were with a provider who clearly hadn't yet got what service meant. Their front of house people were security people trying to prevent people getting into the building who shouldn't be there rather than welcoming in guests who should be there. It was such a noticeable thing. Rather than seeing someone who wants you to be there as you walk in the door, you see

someone who is looking for any excuse to have you not be in the room. The switch from that to where some flexible workspace providers are now is huge. It feels like you're walking into a hotel; you feel like a valued guest.

CL: Customer service is how you keep your tenants. It's a big part of our advice to flexible workspace providers. Over the long term, as this market becomes increasingly competitive, that customer service element is going to be so important because that is your stickiness with your tenants.

TF: Operators are trying to build a distinctive brand. What we see from our customers, as a provider for the industry, is how they are continually working on the distinctiveness of their service. So it's not just about good service. It's about a distinctive and unique service that they can build into their brand. This is something that the hospitality sector has been doing for years. Name a hospitality brand and what you'll inevitably think of is their service.

KW: One of the challenges we have is how we use tech to communicate with our customers. Because some of our customers want to know when the sandwich van is here, when the post is ready and when a social event is happening. Whereas some other customers, such as the managing directors, don't want to get those emails. They want to know if there's a fundamental problem they need to be aware of. They don't want to know about the minutiae.

So it's getting that balance right and finding out what our occupiers need rather than giving

SC: How is customer service in flexible offices best managed – through face-to-face interaction or technology?

GE: We're a bit old school, so we're very face-to-face. Tech is there to enable the journey – finding the space and booking it online. But the experience face-to-face is what takes your customer service to a different level.

KL: I think tech and face-to-face service work in parallel with each other. We're spending a lot of time developing our own app. It's brilliant that our residents can have Fora in their pocket.

“It’s not just about good service. It’s about having a distinctive and unique service built into their brand”

Tony Freeth, Yardi

them what we think they need.

WN: I think the one of the most exciting things about tech isn't just the customer experience it can deliver. It's the analytics you can do on the back end so you can really refine the offering you're bringing to the market. I think we'll see that more and more as people get more data on what their customers want.

SC: Can more be done with tech to make the process of attracting new customers to flexible workspaces and bringing them onboard smoother?

KL: During the onboarding process, as we've grown, we've realised that it's absolutely vital that new customers understand how the technology works. People use it every day to empower what they do. People are using apps two hours a day. If the workplace is going to ignore that and not embrace that, they are missing out on how people are communicating with each other.

SC: How important is it that flexible workspaces provide the right amenities?

WN: There's the story of a coworking provider in New York that had a really bad first few months after opening. In the first week, their sewage went down. That was kind of grim, but people kept on working. In the second week, the air conditioning went down. It was sticky and hot with the New York summer, but everyone stayed and kept on working. But in the fourth week, a



Flexible approach: The panel addressed the key issues for the sector



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builder in the building next door cut through a fibre optic cable and killed off the internet. Every single person in the coworking space stood up and left and went to work in the bars and cafés around New York. You can work without some things, but you cannot work without internet. We focus less on superfluous amenities and more on what we really need.

CL: I agree with Will. I think most occupiers want to get the fundamentals right. For a while, there was an amenity arms race over who can get the best amenities in an effort to get tenants to sign on. However, I think where it's evolved to now is that it's more to do with first impressions.

When someone is viewing five or six options in one day, it's really important that their first impression of your space counts. That might be the scent or it might be the roof terrace. At the end of the day, it comes down to cost and flexibility. But if it's a toss-up between two spaces that are exactly the same, that one amenity could swing it.

GE: We operate on a value-for-money basis. We're more regional-based than London, which is a very different type of market. We're looking for things like car parks.

CL: In London, it's so competitive to get the very best talent. It can be the clincher when they're choosing between one company or another and the two jobs pay the same, but one's got a cool office. We've seen that when tenants are choosing an office they are thinking about which space would be better to recruit the team they want. That's why the amenities side has been more prevalent in London.

KL: Employees are looking for places that empower them, are designed for them and allow them to be productive. Because isn't happiness all about being in the flow of your day?

KW: One person's happiness is very different to another's. Some people want to be standing around a breakfast bar having a beer. Others want to be in a quiet zone. They want to be sat in an environment where they're not next to their

boss all day long and they can pick up their laptop and go somewhere else. On the flipside, some want to be sat on a lawn somewhere with their iPad and have inspiration from the trees and the birds.

KL: And one person might want all of that within a week.

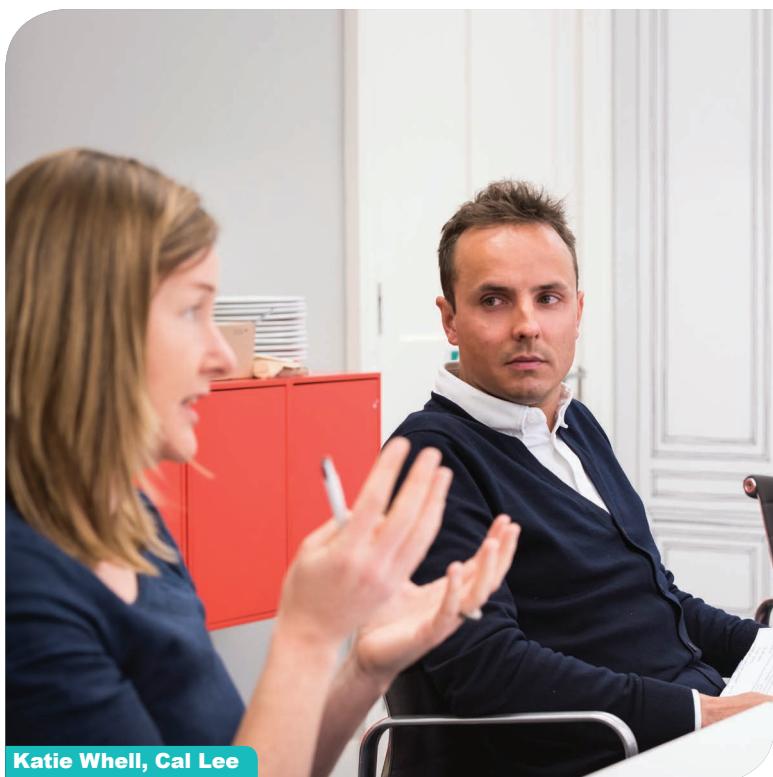
SC: Do you anticipate we will see more landlords entering the flexible workspace market over the coming months as British Land and LandSecs have done?

KW: I think we're bound to. You can't ignore the market and the pace at which it's moving. I think there's a lot to be said about understanding the industry. It's not just something you can dip your toe into. There's a lot of fundamental understanding that a landlord might not have exposure to. The capital investment required to create a quality space is huge.

TF: If you look at 22 Bishopsgate, for instance, they've said there will be 150,000 sq ft of flexible space in their mix. And they've said they will bring in an external brand to manage that. One thing that flexible space brings is a high rate of chum, a high rate of footfall and a much higher per unit revenue. On the downside, it costs £60/sq ft to fit out a flexible space in some areas.

CL: I think expertise is the biggest barrier. Landlords have the real estate but they don't have the expertise. I think this year will be an interesting year to see how the landlord coworking model evolves. It will be interesting to see how they differentiate their product from what is already out there.

WN: I completely agree. It's so important to find your own niche. Why do exist? Not just because you had the space. What is it that you bring to the market that works? We've been through what we feel is such a cliché as an evolution of a company. We started out in a WeWork office when we were two people and it was quite nice to have a few people around and



Katie Whell, Cal Lee



Katrina Larkin



Gareth Evans



William Newton (left), Tony Freeth

a bit of buzz and to be associated with such a strong brand. But then we got to 10 people and we wanted to have our own culture. We wanted to have our own thing rather than feeling part of WeWork. So we moved into Storey [British Land's flexible office operation]. You don't really see the Storey brand everywhere, or indeed anywhere. That's there to enable scale-ups to create their own culture. I think Storey has done well at having a niche there.

SC: How robust is the sector in the face of gathering economic uncertainties?

GE: We have a freehold model so we can adapt the building to the circumstances that we're in and we can be very flexible about it. We also sit firmly in the middle of the market. We offer great services and great quality at an

affordable price and we've just gone from a 12-month licence to a rolling one-month licence. But it's the right thing to do. We're being more and more flexible knowing that it's good for the customer. During a recession, more people will come to the space because it gives them peace of mind that they can stop when they need to.

WN: We have a high rate of employment in the UK at the moment. That's driven primarily by a high rate of labour market participation. With that, people need somewhere to work. There's going to be a contraction and no-one knows how painful that's going to be, but the reason I'm still absolutely bullish about the sector is that you'll see people coming down into it because they love flexibility.

No-one in a moment of recession has ever said, "I wish things were less flexible". You'll see people drop out. True start-ups will just go back

to working in their kitchen. However, all the trends signal a really positive future.

KW: That's exactly what we've seen. We've seen that a lot of people who went from working from home to a serviced office have gone back to working from home because of economic uncertainty. However, on the flipside, we have had one of our biggest quarters for leases over 1,000 sq ft. They're taking that space on rolling monthly contracts, but we know that they are not going to come and go within the month. They're going to stay with us hopefully for years and

years. It's that flexibility in uncertain times that we're fairly comfortable with. On a like-for-like basis, our leads are up 30% on last year. In the long run, we will lose a few customers, but I think the benefit is greater than the people we'll lose.

TF: I've been through three recessions. I know it's a truism, but the strong survive and they come out with better customer portfolios than they went into it sometimes, because a lot of the bad players go bust. There's an awful lot of opportunity there. If any industry was made for a recession, it's flexible workspace.

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