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Digital transformation in real estate: what the three little pigs can teach us

We are all familiar with the story of the Three Little Pigs: three pigs set out into the world to build their own home, each choosing a different material to do so. While all are successful in constructing a home, the strength and longevity of each one is vastly different. While the house made of straw appeared from the outside to be just as superior as the house made of sticks, in the end, the house made of bricks proved to have the greatest competitive advantage.

While we (being human) can understand that bricks are infinitely superior to straw or sticks when building a home, there are some key lessons to be learned. When thinking about your business, and how technology is driving immense change to our institutions, do you want to be the organization made out of straw or the one made out of bricks?

The future of real estate is digital

Digital technologies are carving new paths across the real estate industry. The way in which we do business with customers, tenants, investors, developers, operators, suppliers, employees, and other stakeholders is changing and changing fast. Not to mention that the very essence of how Canadians live, work, shop, and play is evolving at a rapid pace.

The Canadian real estate sector is at a digital precipice. As an industry that long been resistant to technological change, digital capabilities are now leading the way to greater profitability through data analytics and automated back-office processes. Moreover, technology is driving growth by allowing organizations to connect more closely with their customers/tenants by better understanding their evolving wants and needs.

Consider how the following technologies could help your real estate or construction company to grow.

The impact of digital in real estate

- ▶ Connects the inter-workings of properties to enhance personalized customer experiences.
- Internet of Things (IoT)** ▶ 360° control over operations (HVAC, elevators, etc.) in real time.
- ▶ Drawing impactful data insights with A.I.

- Geolocation** ▶ Transforms a property into a location map of detailed and critical data points about property foot traffic, access, customer movements, etc.

- Drones** ▶ Enables the ongoing monitoring of construction progress and sub-trades.
- ▶ Performance of home/building inspections, without health and safety risks.

- Blockchain** ▶ Creates transparency and efficiency in construction supply chains (logistics and storage, payments, contracts, and fleet management).
- ▶ Improved management of land registries.

- Augmented/virtual reality** ▶ Allows developers to better depict properties to a purchaser before the asset is built.
- ▶ Creation of virtual staging of empty spaces to upsell properties.

- Mobile technologies** ▶ Enables customers to interact with real estate organizations and assets via more personalized and convenient platforms.

What is digital transformation?

"Digital transformation of a business is the redirection of organizational knowledge and resources in order to accomplish two important outcomes: the first one is to digitize the right business functions, and in the process find speed and efficiencies by automation (using A.I., robotics, machine learning, etc.). 'At the speed of digital' allows us in real estate to react to the shifting market forces accelerated by technology. The ability to evolve fast is key.

The second objective is to take advantage of all available data in order to support the best decision-making process. After all, in a world of smart businesses, an organization has the most competitive advantage when armed with the most up-to-date and relevant knowledge.

Digital transformation requires you to be armed with the right data, at the right time, for the right purpose. To do so, one needs responsible data management practices, with attention to cybersecurity and data privacy, as well as a laser focus on solving real, impactful real estate problems. If this was not enough of a challenge, the ability to experiment is paramount. It is no surprise that digital transformation is not an easy ambition."

- Alina Lloyd, Consultant and Managing Director, Focus Transformation

What the middle market is saying

According to a recent BDO survey:

72%

of businesses believe they are susceptible to digital disruption in the next three years.

63%

of mid-market company leaders place digitization as their top business imperative.

50%

of executives believe their biggest future competition will be from other industries.

12%

of revenue at mid-market firms was spent on digitization projects (expected to grow to 17% this year).

94%

of mid-market organizations have either developed a digital transformation strategy or are in the midst of developing one.

Kick-starting the digital evolution

To help real estate organizations begin their digital transformation journey, consider these C-suite imperatives to build a digital house of bricks (not of straw).

1. Reimagine your business of tomorrow

Digital transformation is predicated on foresight. First, understand how the forces of change today could reshape the business environment of tomorrow. Second, identify the potential impacts and opportunities. Finally, reimagine your business model and operations for the future. You must know where you want to be as an organization tomorrow before you can develop a meaningful plan for today.

Consider the following to set the course for the future:

- ▶ Assign tangible value to digital projects, such as ROI or customer growth targets.
- ▶ Have a customer/tenant-centric mindset.
- ▶ Define organizational objectives and remove functional business silos.
- ▶ Focus on technology outcomes to determine technology solutions.
- ▶ Establish achievable timelines — and plan for speedbumps.
- ▶ Understand and address internal capability constraints for people, processes, and technologies.

In today's digital age, a customer/tenant-centric mindset favours a product-centric one. Organizations that understand their business and customers of tomorrow will be able to more effectively transform and unlock competitive advantages.

2. Know who you are today

Traditionally, organizations have implemented technology solutions to reduce costs, gain efficiencies, and minimize complexities.

Digital transformation, however, is about re-evaluating the organization to increase shareholder value and drive growth by enabling technology. Upgrading an existing ERP system that has minimal stakeholder or customer value is not a digital transformation project.

To assess your organization's capacity for meaningful digital change, evaluate how the organization performs as a whole. Your people, processes, and technologies must work together, or strategic objectives will come up short. An internal assessment of your organization will help you understand its readiness for change, as well as the potential challenges and opportunities.

3. Dip your toe in the water first

The digital transformation journey is one of making incremental improvements against a long-term vision. Frame each initiative against a clear business case and immediate ROI. Even a small success story can enable an organization to move forward and allow the digital transformation 'snowball' to form.

In today's real estate sector, technology adoption is accelerating at a rapid pace. The longer an organization waits to enable change, the more likely it is that competitors will move first and meet the needs of your customers/tenants. Start by focusing on quick-win projects, where smart risk brings high value.

What does this mean for the real estate industry?

Building a sustainable, innovative organization is not unlike building a home. A solid foundation is essential to ensure that your organization can withstand the test of time and the external forces that may threaten it.

Digital transformation is about more than implementing technology — it's about defining your organization of tomorrow. What will your organization continue to stand for? Where does it want to be positioned in the market within two or three years? What are the future needs of your customers/tenants?

Only after you understand your organization of tomorrow, can you develop an effective strategy that enables technology to get you there.

How BDO can help

The BDO team can assist your organization with assessing its transformation capabilities and creating a meaningful digital strategy to evolve your business, enhance your tenant/customer experiences, and drive efficiencies. [Contact us](#) to learn more.

Kyle Hulme is BDO Canada's National Lead of Digital Strategy and a key member of BDO's national real estate practice. He has more than 10 years of experience in advisory and consulting services with BDO, and has previously worked in the Canadian real estate sector. Kyle assists organizations to achieve their business goals and objectives, by bridging the gap between where they are today and where they want to be tomorrow, and by enabling technology capabilities. As BDO's National Lead of Digital Strategy, he focuses his time and efforts on assisting real estate clients to adopt technologies to drive growth, to connect closely with their tenants and customers, and to foster process efficiencies. Kyle was previously an assistant vice president at RioCan; he has assisted numerous Canadian REITs with consulting and business advisory services.

Alina Lloyd plans, directs and manages the deployment of innovative solutions within real estate organizations. She is a 20-plus-year veteran of the industry. Most recently, Alina was Vice President of Programs and Research, Digital Innovation with QuadReal, where she developed and implemented initiatives involving A.I., machine learning, microservices and IoT. Currently, she is an advisor, consultant, and managing director at Focus Transformation, helping organizations expand their innovation capabilities and ensuring innovation delivers tangible results.

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