

## IREM® From the Front Lines Podcast

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### Episode 5.5

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Better Purchasing, Higher NOI



Welcome to another edition of From the Front Lines, where we discuss both the day to day and one of a kind issues facing real estate managers. In this episode, we hear from Dan Grant, Senior Vice President, Business Development, with OMNIA Partners about optimizing property purchasing to improve NOI. Welcome to the podcast. Dan.

Todd, thanks a lot for having us. We're really happy to be a partner with IREM, looking forward to our podcast today.

First, can you tell us a little about yourself and OMNIA Partners?

Yeah, absolutely. I'm Dan Grant, senior vice president here of real estate at OMNIA Partners, been in the group purchasing organization space for over 20 years. Very happy to be part of OMNIA Partners and talk a little bit about who we are. OMNIA Partners is the largest GPO. For those new to GPO that's group purchasing organization. We're the largest outside the healthcare space in North America, we've got a little over 300 employees and growing in our corporate office in Franklin, Tennessee, a little over \$26 billion in purchasing volume annually going across our negotiated supplier contracts. roughly 40% of all Fortune 1000 companies are buying off of one of our programs.

And then in the real estate space, which I know everyone's interested in listening here today, we've got over 5 million units of multifamily housing owned and operated, 1000s of units of single-family rentals. And for the commercial folks out there, over 5 billion square feet of commercial space, either owned or managed. We negotiate programs and services that drive NOI for all of our owner-operators in real estate. And lastly, in addition to providing programs, we offer resources to what we're going to talk about today who's severely understaffed, I'll call it procurement teams that help everyone obtain that NOI they're looking for and be more efficient.

Now, Dan, from your perspective, what are the top issues you see property management face when it comes to purchasing that drive up costs and create inefficiencies?

Yeah, we could probably fill up the whole podcast just talking about this one topic, Todd, but I would start the list with lack of resources. We probably run across this the most. It's just, there's so many resources in property management focused on leasing, resident retention, collections, service to make the resident stickier and not leave. But not a lot of resources are focused on really professional procurement. It's sort of done but not done, necessarily in as directed way as we think it could. That's a big one.

I think the other just innately a challenge in property management is the inability to really get that compliance; you can have great programs, but if you can't get that compliance on those purchases on those programs down to the property level, then you're not maximizing your savings and driving NOI. That's another big one.

I think third, and this goes a little bit to the lack of resources on the procurement side, is just the negotiations with the suppliers themselves. And it's so focused on price and line-item discounts, which obviously are really important. But we see multiples of greater value on agreements when you talk about alternative item selection and SKU consolidation and really get into contract lifecycle management that nobody has time for in most cases.

And then lastly, a big one, it's going to continue to be a big one, is just very poor visibility into what is actually being spent, poor data visibility. Lots of systems, disparate systems through acquisitions, limited budgets for any kind of spend analytics tools, just further cloud the procurement picture and make it difficult to drive NOI.

And how does OMNIA Partners help alleviate some of these industry challenges and support your members' procurement processes?

Yeah, I can probably think of a few ways that we can do this. You know, go back to the earlier question you had and talking about resource constraints that we see in the market. OMNIA Partners brings, as I mentioned, kind of in the intro of who OMNIA Partners is, over 300 employees that are dedicated to working with our member companies to help them be successful in a variety of ways driving NOI but it's also helping with resources. We've got members that we work with and resources in the field on the OMNIA Partners side that have over 20 years in property management and operations; they've actually sat in the chairs of our customers, our members.

I'd also add on that we've got a bench, a very strong bench, of subject matter experts that work exclusively with our member companies from OMNIA Partners in categories like MRO and furniture, fixtures, equipment, HR, and categories that we can bring a lot of Fortune 1000 expertise to our real estate members and help them create programs that drive NOI. Contracting teams, spend assessment and analytics teams that will take data, cleanse it, provide those insights and optimize that existing procurement contract to drive greater NOI. And then also resources to get after that compliance play, which is a big challenge with our real estate members, whether that would be people on the street, different tools, technology, to help people get the compliance they need on their agreements.

Can you talk about what spend visibility is and why it's more important than ever?

Yeah, it's the old saying, knowledge, or in this case, data is power, right? You can make better data-driven decisions than gut feels or how-we've-always-done-it kind of decision making. It also allows you to really enhance relationships with suppliers when you can see where compliance challenges are. And you can work with data to help work arm-in-arm with a supplier to gain better compliance on an agreement. It also just, it elevates the procurement function in an organization as well. You know, you have procurement folks that are making business decisions based on data. It just elevates that whole procurement function within an organization, which we see is very, very helpful for the, for the industry and for procurement folks that we work with. You know, in addition to that, you know, obviously data can certainly help you spot inefficiencies on the procurement side, redundancies, and course correct versus waiting until the end of the year and

tallying everything up and then trying to change it after the fact. You can, you can pivot and make changes very quickly. And then I mentioned earlier, I think the data visibility to drive the compliance piece and make the business cases at the property level as to why they should be putting more volume on a negotiated agreement versus others is critical to that compliance success that everyone's looking for.

How can a GPO like OMNIA Partners help owners and operators improve net operating income?

Yeah, I'd probably say a GPO and OMNIA Partners specifically, there's sort of three ways that we can improve net operating income. First of all, as I mentioned earlier, we leverage 5 million units of owner-operators, 5 billion square feet of commercial, \$25 plus billion in annual purchases on our contracts. We save owners and operators money, purchases, create programs, reduce capital expenditures, reduce operating costs, all of that obviously, drives NOI, that's the first one.

I'd say the second is, and we're seeing a lot more of this, we help generate ancillary revenue, that's a big one. We have a host of solutions from monetizing rooftop cell tower leases at the property level to insurance captives for renters insurance; people are looking for additional revenue streams, and we've got solutions for those.

And then lastly, we have those resources I keep, I keep saying this, but it's super critical in this space. We can optimize limited procurement teams in the real estate area, spend assessments and analytics, the subject matter expertise, as I mentioned earlier, and resources to drive compliance on current negotiated agreements, and also assess current negotiated agreements to see if you can get that next level of savings that I talked about earlier, that SKU consolidation, alternative item selection, and really take additional costs out of programs you negotiate.

Do you see any challenges or innovations in the supply chain on the horizon that could impact property managers?

Yeah. I will start with the first one and it's challenges. There's always a lot, I mean, interest rates and rental rates and markets, but I would probably say, you put the technology and the supply chain talk aside, finding reliable, you know, high-performing staff to manage properties, conduct the cleaning and the maintenance, customer service, do the repairs, the fix, and I like to say is, you know, AI, you know, is obviously here and it's going to continue to play a larger role but a chatbot can't fix a leaky toilet, right? You're, you're going to actually need to have resources to fix these things. And I think that's going to be an ongoing challenge for owners and operators.

I think on the innovation side, there's a few, this digital transformation is happening at a lightning pace. In supply chain management, we're seeing this in Fortune 500, and it's going down through Fortune 1000 and midsize companies as well; predictive analytics, AI, we're seeing that definitely creep into the day-to-day sourcing experience that everyone's feeling out there. I think supply chain resiliency, this used to be a big buzzy sort of term for very large global organizations. But I think everyone really learned hard lessons over the last few years with COVID. And derisking the supply chain is going to be really critical. We've got, what, whoever the next geopolitical challenge is going to be. And it's just going to need creative folks that are building supply chains that are very agile, right? Nearshoring. There's this term out there called Friendshoring, and developing strong alternative suppliers is going to be increasingly important to be able to be agile, in the face of whatever comes up from a global challenge. So we see that as a big one, and then that demand for data analytics is just going to continue to grow just to make better data driven decisions.

And what are the benefits of membership with OMNIA Partners?

Yeah, I'd say there's three and just to summarize it broadly. I think the first is anybody listening to this can gain additional leverage by joining OMNIA Partners, right, we provide that added volume in your supplier negotiations thanks to our marketplace, which is again after healthcare the largest group purchasing organization in North America, over \$26 billion in transaction volume and growing. So gain leverage would be first.

I think second would be save time and resources, right, the industry expertise, the subject matter experts that we have on our bench, the ability to do spend assessments and the analytical resources are all available exclusively to members of OMNIA Partners.

And then I think the biggest benefit of all is that there's zero cost to join as a member to participate in our programs. There's no commitments or annual fees or any kind of gotchas. That's just how confident we are in our ability to offer value through these programs and the services. We provide that and again, at the end of the day, drive NOI back into owners and operators listening to this podcast today.

Well, thanks for joining us, Dan, and thanks for your partnership.

Todd, thank you. We appreciate, again, the IREM partnership and hopefully look forward to doing business with more folks on the podcast today. Thank you, Todd.

All right. Take care.

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