

Future Gazing Future Shaping

A series of research reports exploring innovation, transformation and the future of housing delivery

Report 1: **The vision for Housing in 2025**

November 2016



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Foreword

In 1993 AT&T, an American multinational telecommunications conglomerate, released a series of futuristic television adverts, entitled “You Will”. They featured a range of inventive scenarios. In one example, a man attended a business meeting through video conferencing at his beachside villa. In another scene, a group of friends watched a film of their choice by choosing from a menu of options on their television.

At the time these adverts were released we did not yet have access to these types of technologies, yet AT&T suggested they would be in the realms of possibility in the not so distant future. These adverts therefore remain particularly extraordinary because they not only imagined new technologies, but also foresaw how they could impact on everyday lives.

The housing sector is on a trajectory of rapid change. More widely, technological solutions are advancing and customer demands, expectations and experiences are likewise transforming. As a result, many providers are rethinking the types of services they provide, the way they are delivered, and how these are structured.

While nobody can predict the future, particularly considering the current mix of challenges to the sector, envisaging a wide variety of possible outlooks can help organisations plan how they can most positively influence the reality of tomorrow.

In 2025, the typical housing organisation is likely to be very different to the one that we see today; many are relying on technology to not only alter the way they operate, but also to deliver significant efficiencies.

Altair, working in partnership with sector technology specialists 3C, launched a sector-wide research project in August 2016. From that, we have developed a series of three reports entitled ‘future gazing: future shaping’ to address three main questions:

- What do people see as the vision for how a housing provider will operate in 2025?
- How are organisations approaching transformation?
- What can be learnt from others activities (both in and out of the sector)?

Rather than provide the answers on exactly how housing providers should be transforming, we hope that these reports not only document current approaches, but also work to stimulate discussion and debate on the possibilities for the future.

Introduction

Assessing innovation and transformation

In September 2016, Altair and 3C launched a sector-wide research project which asked sector leaders to provide their views on what the future looks like and identify how their organisations were currently working to bridge the gap. In particular, we sought to identify and determine:

- The key drivers for transformation in the sector
- What the typical housing organisation will look like in 2025
- How organisations are tackling those drivers by transforming their businesses
- Best practice approaches being adopted by providers
- Innovative thinking that could be applied from outside of the sector

The main aims were to provide a snapshot of the sector at present, and also to give a valuable source of information to help inform organisations thinking about how they can effectively transform their services for the future.

This work has been developed using a number of activities:

- A sector wide survey – which attracted over 70 responses from organisations across the sector (including England, Scotland and Wales)
- Follow up interviews with Executives from over 20 organisations
- Desk top research to identify best practice, innovations and transformation activities.

Rather than provide the answers on exactly how housing providers should be transforming, each of these reports are intended to stimulate discussion and debate on the possibilities for the future.

Based on the outputs of this review we have developed a series of three reports. This is the first report of the three and focuses on setting out the vision identified by respondents for housing providers in 2025. The subsequent reports will identify how organisations are working towards achieving this vision and what can be learnt from the transformation and innovation activities currently being implemented by others.

Future Gazing

What will the housing providers of 2025 do differently to those of today?

It is an exciting but challenging time to be working in the housing sector. Given the current operating landscape we asked respondents to look to the future and explain what they thought housing providers of 2025 will do differently to those of today. This has generated a number of interesting views and provides a good background context for how organisations are currently planning to prepare and transform their approaches.

We have highlighted some of the key comments received during the survey below. A summary of the main themes from our survey and interviews are also provided in the following sections.



Evolving business models

Many said housing associations will be forced to be more commercial, more agile and more efficient in the light of less government grant and dwindling rental income. As a consequence, it is expected that there will be a wide range of business models in operation in the sector in 2025.

This includes those organisations who have chosen to focus purely on development and those that focus principally on housing management activities. There was also a strong view that in the future, housing providers will be more heavily reliant on commercial income streams and there is an expectation that larger organisations will have more diverse group structures.

Several respondents believe that merger activity will continue to 2025 leading to fewer, but increasingly larger organisations. They thought these organisations would offer a broader range of commercial services to cross-subsidise development and delivery.

Some felt partnerships with other agencies, such as the health and social sector, will become more integrated and critical to ensuring that services are increasingly holistic. Meanwhile others said there will be a withdrawal from 'housing plus' initiatives, such as employment support, with landlords being forced to have a more stripped back landlord service offering.

Interestingly there were also a number of predictions that a housing provider in 2025 won't be limited by national boundaries, with the expectation that some of the larger organisations will be providing services beyond the UK and into other parts of Europe (even considering the impact of Brexit).

Digitalisation and the 'Internet of Things'

Unsurprisingly many highlighted that housing providers in 2025 will be fully digitalised. This includes:

- Almost all customer interactions completed digitally (i.e. over 80%)
- All organisations operating self-service and automated processes, provided through online customer portals
- A move away from traditional software providers and a high take up of cloud based IT solutions
- 'Smart' homes will be the standard, with properties fully linked to the internet providing real time feedback / information to customers and organisations
- Virtual reality supporting the delivery of many existing processes (e.g. property viewings, repairs diagnosis etc.)

This will lead to services that are predominantly delivered online and customers will be expected to self-serve; many predict that only in exceptional circumstances will there be face-to-face interactions (including for more vulnerable customers).

With the digitalisation of services, some predict that traditional contact centres and even housing officers could become a thing of the past. Resources will also be more effectively and efficiently directed to those in need via data analytics and customer insight.

The 'Internet of Things' - where homes can self-diagnose and raise issues automatically, like a leaky tap or a boiler breakdown – will also become a core part of a providers operating model.

Regulation

The current deregulation agenda is having a significant impact on how organisations are planning for the future. Respondents expect deregulation to continue and it is likely to be one of the single biggest drivers for transformation in the sector.

Some predict that by 2025 the regulatory regime in housing will be much more akin to the current approaches taken by Ofwat and Ofgem who have a stronger focus on areas such as pricing, competition and consumer protection. This could open up the sector to new entrants, meaning that established organisations will need to adapt to the potential risk of newer organisations taking a proportion of their market share.

Branding and competition

Related to the above predictions around regulation, respondents also thought that providers will have much greater freedoms to operate and customers will have much more choice in who provides their housing and other related services in 2025.

For example, by 2025 it is expected that competition for customers in the sector will be the norm. This will mean that housing customers will have more choice over the types and quality of services they receive. There is also the potential that customers will have the freedom to change their housing services provider at the touch of the button (e.g. similar to changing your utilities providers at present).

It is also likely that there will be new entrants to the sector, this could include organisations in other sectors that want to diversify into housing, or newly created organisations that aim to disrupt and challenge established business models in the sector. This has already been seen in other sectors such as banking, estate agency, travel and retail, where new operators have harnessed technology to develop new and attractive service offerings for customers.

As well as presenting risks to existing providers, organisations are also likely to need to develop different skill sets than at present. For example, the higher competition for customers will require a stronger focus on branding, pricing and customer retention strategies.

Services to customers

Linked to the above drive towards an increasing focus on branding and competition, diversification in the services provided to customers is expected to be a big theme for the housing provider of 2025. It is expected there will be a broader range of housing products on offer to customers, designed to meet the needs of niche or targeted customer markets.

Providers will have a clear differentiation in the services they offer and are likely to offer more products on a commercial basis with price point / market position being a key area to consider. Products will also need to be designed to meet the needs of different generations, including millennials and Generation Z.

Organisation design, workforce planning and skills

By 2025, it is expected that across the whole economy the ‘9 to 5’ job will become a thing of the past. There will be a much stronger focus on ‘portfolio’ careers (i.e. where individuals are employed on a project basis for a number of organisations, rather than a full time permanent position). The concept of a single work place is also likely to diminish, with work taking place at a time and location that suits individuals.

This view is expected to be no different for the housing sector. Organisations are likely to be leaner (as much work is automated and digitalised), with the staff that are employed likely to be highly skilled, highly flexible and on-site work dictated by sophisticated scheduling systems.

There is a risk that by not keeping pace with the changes expected in the wider work environment, housing providers of 2025 will be less attractive employers than other sectors. This could lead to difficulties in being able to attract bright staff with the right skills who are able to help respond to some of the other challenges detailed above.

Indeed, there is a perception that the skillsets needed by organisations in 2025 is likely to be markedly different to that of today. For example, many cited that at present there is a skills gap at Board and Executive levels in the sector around key skills which will be required in 2025 such as technology, commerciality, customer experience and digital services. Yet for organisations to thrive in the future, strategies in these areas will need to be driven from the top by people with the relevant skills, experience and knowledge.

A recent report by Deloitte (October 2016) predicted that more than 850,000 public sector jobs could be lost by 2030 through automation. This could also be a trend that impacts on the housing sector, particularly for those in “repetitive and predictable” administrative and operative roles. Resource requirements are likely to shift to other areas where new, higher-skilled and better paying jobs are created as a result.

In particular, several commented that although housing providers will always need housing expertise in many areas of their business, over the coming years there will be a shift towards a stronger focus on skills such as customer services. This is not likely to be in the traditional sense of the archetypal housing contact centre, but will rather lead to providers being in increasing competition for dynamic and talented staff at all levels with the retail, banking and utilities sectors.

Linked to skills required in the future, many of the organisations we interviewed identified that there is currently a gap across the sector in terms of IT skills at executive and board levels. This was identified as a major challenge and barrier to transformation. Because of the importance of the role technology will play in the transformation of the sector, by 2025 it is expected that most organisations (particularly medium and large) will have technology leadership skills at the top of the organisation.

Engaging with customers

As the sector increasingly adopts operating practices which are more similar to other consumer based businesses it is likely that the approach to engaging with customers will also need to evolve.

As well as engagement through the full range of digital channels available, this is also likely to mean that providers needing to utilise big data to understand and predict evolving customer demands and needs. Some of this will be supported by the 'Internet of Things', whilst we are also likely to see housing providers increasingly use big data and information collected from a wide range of sources.

Engaging the full spectrum of customers is likely to remain a problem for most organisations. To tackle this the housing provider of 2025 will need to use a range of different tools and techniques to get customers interested in providing feedback. This is likely to include market research methods currently used in other sectors, as well as new approaches such as the 'gamification' of services.

Summary

Overall, respondents predict that the environment for housing will be very different by 2025. To respond housing providers will need to operate in a very different way. This will lead to organisations choosing very different approaches in terms of their overall business model and there could be even more diversity in the sector than there is at present.

As a starter, all organisations will need to be fully digitalised, supported by an agile workforce able to respond to changing demands and pressures. Organisations will need to provide responsive services that customers want, while operating more efficiently. It's also likely that a range of new products will need to be developed to meet the needs of specific customer segments who have different needs and expectations compared to those today. To get to this vision, providers will have to explore, test and implement modern innovations such as the 'Internet of Things', that require both new thinking and skills.

With technology at the forefront of this transformation, technology and digitalisation expertise is likely to increasingly be needed at executive and board levels in the sector.

Although it is difficult to predict exactly what will be required in 2025, existing providers should brace themselves for significant changes. This may include new entrants that entirely disrupt existing business models and practices. As a result, in this future, successful housing providers will have made a step change in the way services are currently provided.

The second report in our 'future gazing: future shaping' series will therefore. explore key trends around how the sector is currently approaching both innovation and transformation. The third report then documents what interesting innovations can be learnt from others to deliver this vision for 2025.

Altair



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