APFM

ASSOCIAÇÃO PORTUGUESA DE FACILITY MANAGEMENT

FMintelligence® 2016

Outline of the Study

"An insight into the market and value creation of FM in Portugal"

SUPPORT

FM INTELLIGENCE® 2016

The present outline of the 2016 edition of FM Intelligence is the outcome of a qualitative data collection, provided by companies that have participated in this study, encompassing both service providers and space-occupying clients, gathered electronically between the months of February and April of 2016.

This is a free version for associated members and entities who have collaborated by answering the inquiry, and it can be sold to the rest of the public.

The full version of the present study adds quantitative data as well as the rankings of companies deemed as relevant for the Facility Management chain in Portugal (data provided by Informar D&B based on SBI – Simplified Business Information – submitted to the Ministry of Finance and referring to the fiscal year of 2013), as well as analyses of Lisbon Prime Index and MSCI.

The full version can be ordered via the email address **geral@apfm.pt** or at **http://apfm.pt**

The present study's content is the property of APFM – Portuguese Association of Facility Management.

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INTRODUCTION

CHARACTERIZATION OF THE SAMPLING SIZE ENCOMPASSED BY THE QUALITATIVE STUDY

OCCUPANTS / CLIENTS OF FACILITY SERVICES AND FM

37
Entities

8,3
millions of m² managed

SERVICE PROVIDERS AND CONSULTANTS OF RE/FM

30
Entities

480
millions of euros in sales (2013)

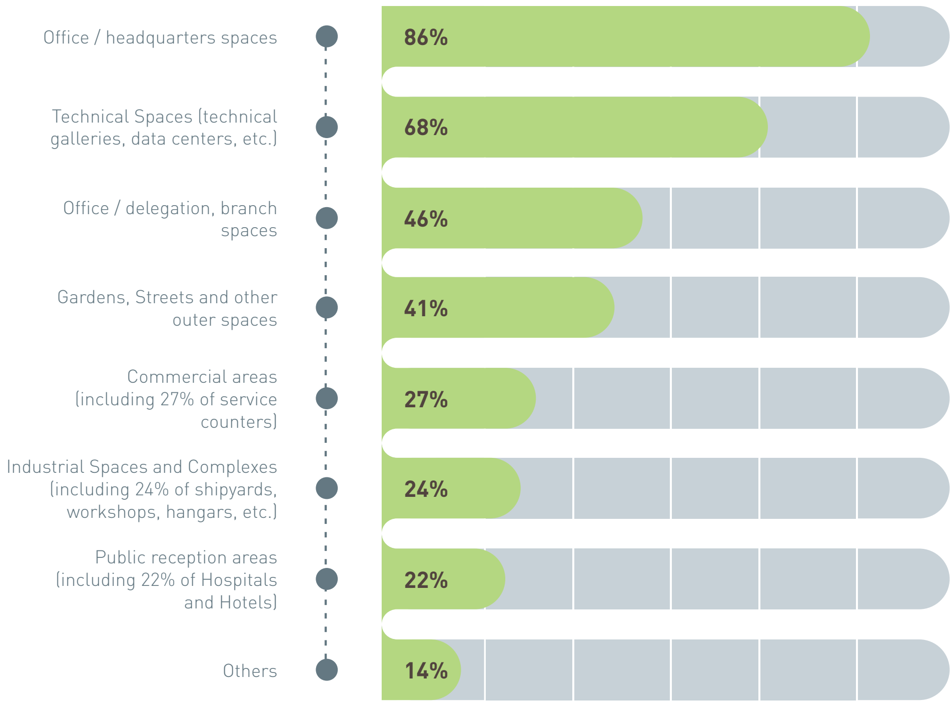
18
thousand employees (2013)

Audiences: 2 Samples

CLIENTS | OCCUPANTS

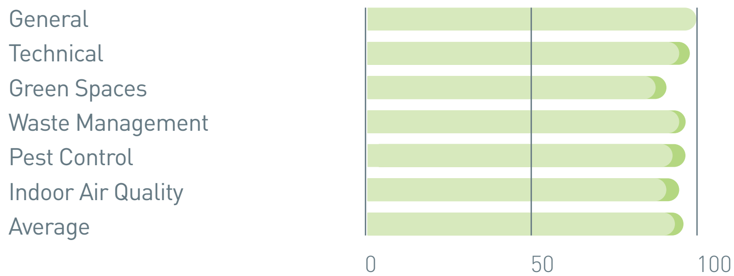
The respondents of this study (Clients and Occupants) foster distinct space typologies. However, 'office spaces' and 'technical spaces' are the most representative spaces among the gathered answers. About 40% are, as well, responsible for the management of the external space around the facilities and 27% manage commercial areas that include client service.

FM encompasses several services which are provided to internal clients. The most frequent one is **cleaning**, provided on average in 90% of the cases, whilst the general cleaning service is provided and managed in 100% of the cases by the respondent managers. When browsing the provided services menu, **maintenance** comes after cleaning with an average of 88%, **hospitality and mobility** with 83% and **studies and Audits** with 82%.

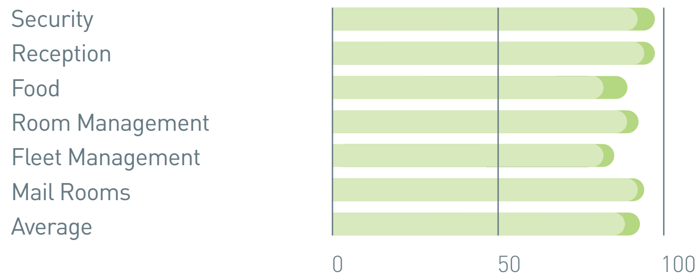


PORTFOLIO OF SERVICES MANAGED BY THE FM DEPARTMENT TODAY AND IN THE FUTURE

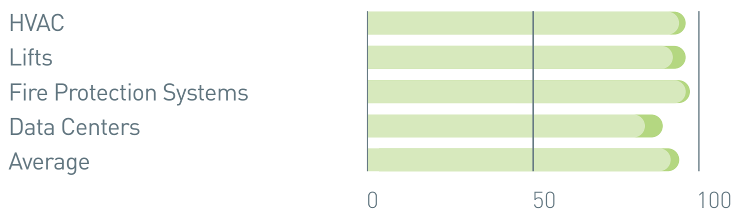
CLEANING AND ENVIRONMENT



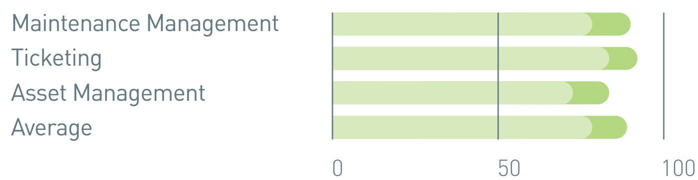
HOSPITALITY AND MOBILITY



MAINTENANCE



SOFTWARE



STUDIES AND AUDITS

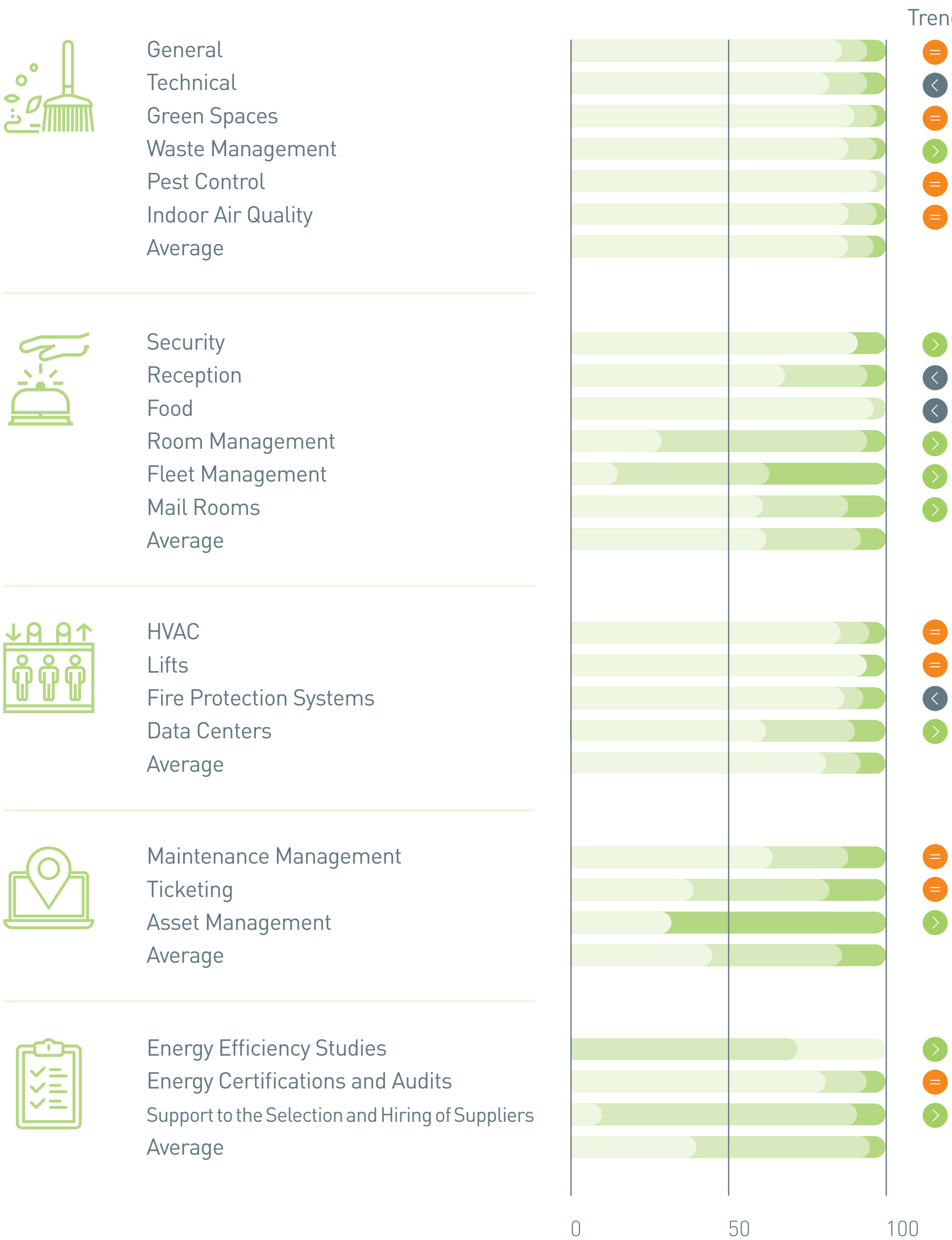
CAPTION

Values are given in Percentage

Offer Rate

Present

Future



CAPTION

Values are given in Percentage

Insource
Mixed Teams
Outsourced

Future increase towards Insource
Mix maintains in the future
Future increase towards Outsource

Solely 68% of the respondents provide, to their colleagues and/or providers, maintenance management, ticketing or asset management software. Perhaps that is the reason why it is natural that, within a 3-year timeframe, 84% of the managers say that they hope to have management software in their portfolio of services, representing an increase of almost 20%.

Another areas that should be stressed, given their increase, are Hospitality and Mobility and Studies and Audits.

Regarding those who provide services, the most outsourced ones are cleaning, with 88% of the respondents mentioning that they use totally outsourced teams and 8% reporting the use of teams Entirely internal, and the maintenance, in which 82% use solely external resources and 11% internal resources. In contrast, the less outsourced services are studies and audits and management software. One should highlight that within the hospitality and mobility group there are two rather dissimilar subgroups, notably room, fleet and postage management, with high levels of insourcing, but whose forecasts present a decrease within a 3-year timeframe.

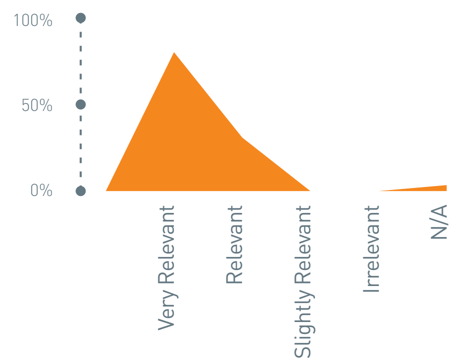
From an evolutionary perspective, it is expected an increase in the outsourcing of waste management, data centers, asset management, energy efficiency studies and support of the selection and hiring of suppliers.

Curiously, in 4 of these of 5, this increase of services is ensured by colleagues of the given provider and not through a partnership with other providers who happen to already have that service.

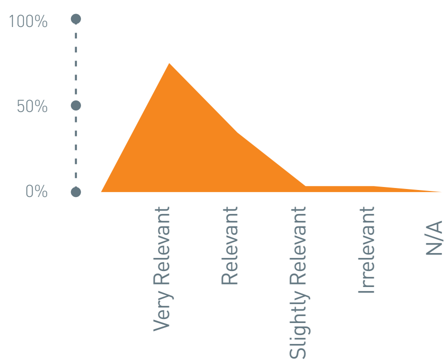
Ranking after these, the Cleaning and green space treatment services; Car Fleet Management; Waste Management; Reception and Services for Data Centers will be added through partnerships with companies that provide these services rather than offering them through their own resources.

MAIN REASONS AND THEIR RELATIVE IMPORTANCE FOR YOUR COMPANY WHEN OUTRSOUCING SERVICES WITHIN THE **FACILITY MANAGEMENT** SPECTRUM

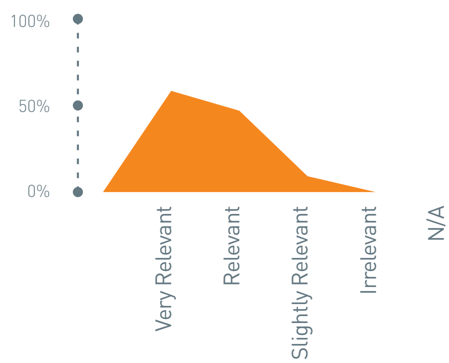
REDUCTION IN OPERATIONAL COSTS



SERVICE IMPROVEMENT

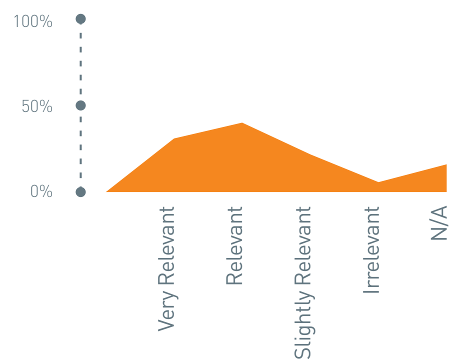


STREAMLINING PROCESSES

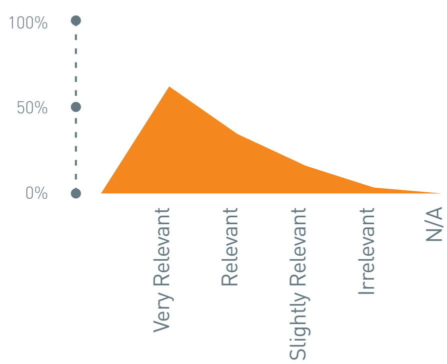


EXTERNALLY IMPOSED

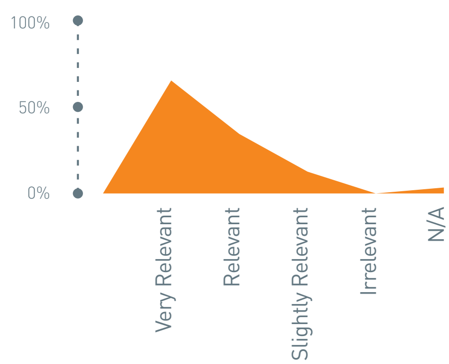
(team guidelines, legal impositions, ...)



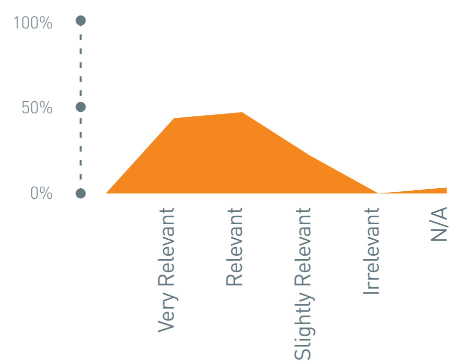
GATHERING RESOURCES IN COMPANY'S MAIN ACTIVITY



GAINING IN ECONOMIES OF SCALE



REDUCING FUTURE INVESTMENTS



2 Audiences: 2 Samples

SERVICE PROVIDERS | CONSULTANTS

30 ENTITIES
480 MILLIONS OF EUROS IN SALES (2013)
16 THOUSAND COLLABORATORS

Service Offering – Current Situation

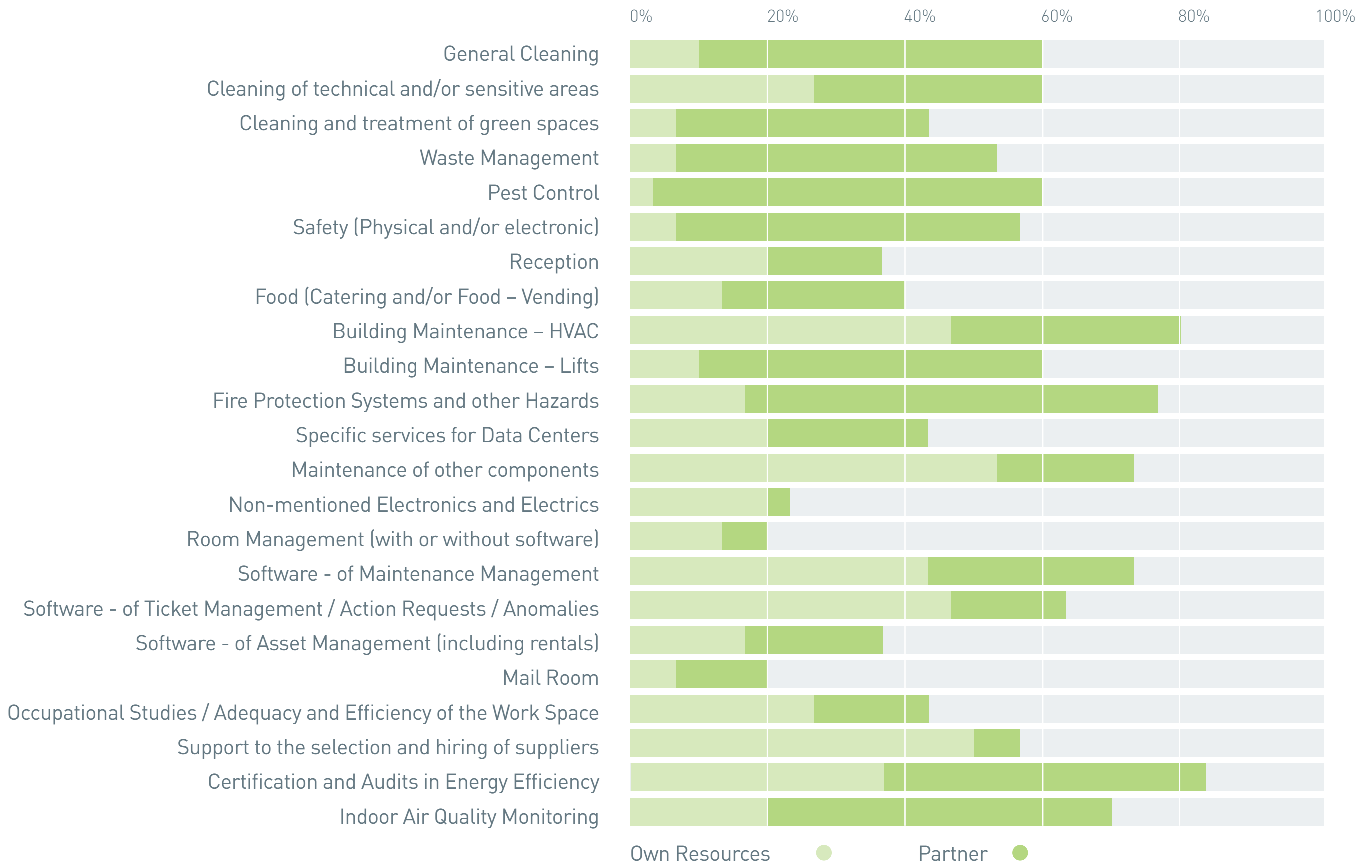
Among the providers and consultants present in this study, 83% of the respondents provide services within the area of Certification and Audits in Energy Efficiency, being evenly distributed among those that use their own resources or use third parties to guarantee such services.

Then we have Heating Ventilation and Air-Conditioning Maintenance (HVAC), Fire Protection Systems and General Electric Maintenance.

It should be noted that:

· more than 70% of these companies provide their clients with Maintenance Management software:

· solely 10% of the companies present in this sample provide insourced Cleaning Services and 50% rely on third parties in order to have it as an option for client requests
With less representation in this sample, the postage services, the fleet and room management, the asset management software and the reception service.



SERVICES THAT RELY THE MOST ON PARTNERSHIPS WITH OTHER PROVIDERS

1. Fire Protection Systems and other Hazards
2. Pest Control
3. Indoor Air Quality Monitoring
4. General Cleaning
5. Building Maintenance – Lifts
6. Safety (Physical and/or electronic)
7. Certification and Audits in Energy Efficiency
8. Waste management
9. Cleaning and treatment of green spaces
10. Building Maintenance – HVAC

SERVICES ENSURED BY USING THEIR OWN COLLABORATORS

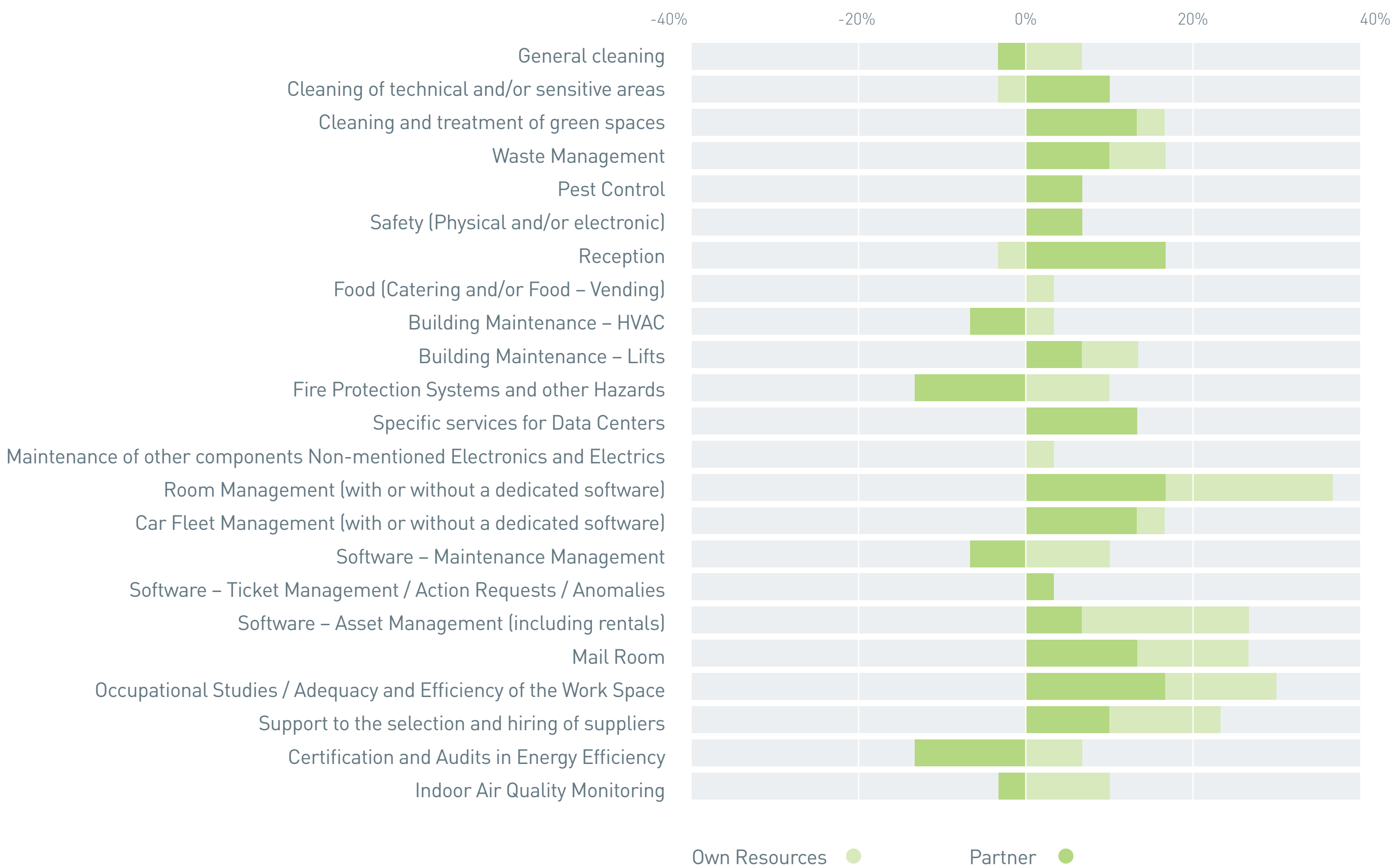
1. Maintenance of other components
2. Support to the selection and hiring of suppliers
3. Building Management – HVAC
4. Software - of Ticket Management / Action Requests / Anomalies
5. Software - of Asset Management
6. Certification and Audits in Energy Efficiency
7. Cleaning of technical and/or sensitive areas
8. Occupational Studies / Adequacy and Efficiency of the Work Space
9. Indoor Air Quality Monitoring
10. Specific services for Data Centers

Service Offering – Future Outlook

Looking forward in three years' time and anticipating the evolution of service offering within that same timeframe, the respondents plan to increase the services included in their portfolios.

The services in which the increase is more relevant are Room Management, Occupational Studies, Postage Services, Asset Management Software and Support to Selection and Hiring of Suppliers. One must stress that in 4 of these 5 The respondents aim to increase their services by relying on in-house collaborators and not through partnerships with third parties.

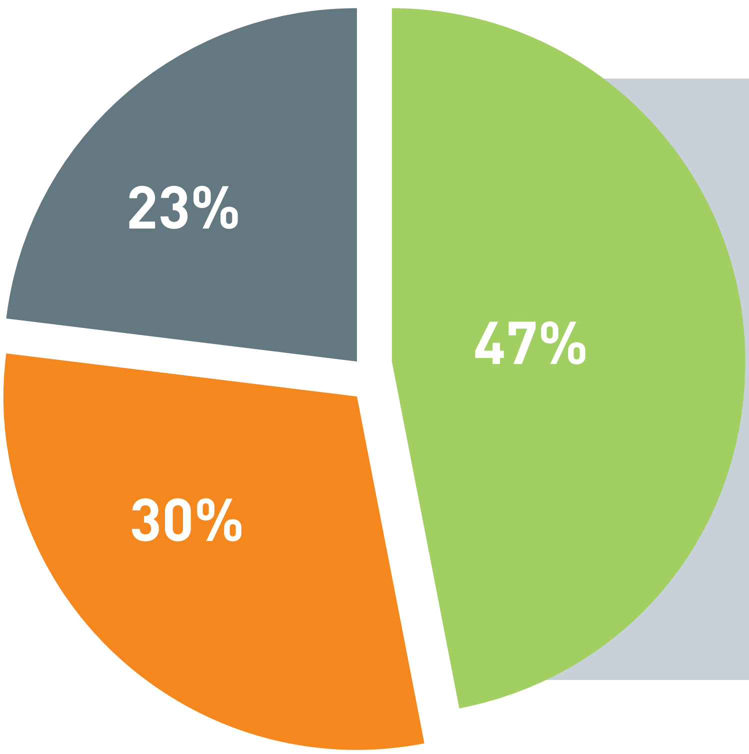
On the other hand, services whose offering is ensured by third parties start to emerge. We're talking about services like Cleaning and green space treatment, Car fleet management, Waste management and Reception and Services for Data Centers. Centers.



THE EVOLUTION OF SERVICE PROVISION FROM 2013 TO 2015

The Relevance of the Public Sector

7% of the respondents claim that the public sector accounts for more than half of their revenue.



In:

47% of the respondents claim that the revenue coming from the public sector has increased, during the analyzed period (2013 to 2015)

30% of the respondents claim that the revenue coming from the public sector remained stable, within that same period

23% of the respondents claim that the revenue coming from the public sector decreased

Relevance of the several industry sectors

· 23% of the respondents acknowledge an increase in their companies' revenue in some services such as Acclimatization System Maintenance, followed by Consulting & Studies and Audits & Certifications.

· In contrast, 20% of the respondents acknowledge that their revenue has decreased in services such as General Maintenance and 10% of the respondents admit that their revenue decreased in Acclimatization System Maintenance and Audits and Certifications.

The importance of Space typologies

The relative importance of the clients' space types has undergone several changes in the last three years.

On average, solely 58% of the respondents claim that they have remained stable regarding such distribution, which means that providers detain a high ability when it comes to providing services in several space typologies. It remains to be seen whether this is a strategic option or a market enforcement.

Areas of Operation: Importance in the Revenue Volume within the analyzed period (2013 to 2015)

SERVICES	REVENUE INCREASED	STABLE	DECREASED
Cleaning and/or waste management	10%	87%	3%
Safety and/or reception	10%	87%	3%
Catering / Food	3%	90%	7%
HVAC Maintenance	23%	67%	10%
Lift Maintenance	3%	93%	3%
Maintenance (excluding HVAC and Lifts)	10%	70%	20%
Consulting and Studies	13%	80%	7%
Audits and Certifications	13%	77%	10%
Software	3%	90%	7%
Other Services	10%	83%	7%

DIFFERENCES OF PERCEPTION

REASONS FOR **OUTSOURCING** SERVICES

Both service providers and occupants were inquired in order to state the reasons why their clients outsource services. The occupants answered in the first person and the providers answered by being based on the arguments that they consider to be more relevant for their clients.

Providers				Clients		
Very Relevant	Relevant	Unlikely or Not At All		Unlikely or Not At All	Relevant	Very Relevant
70,0%	26,7%	3,3%	Decrease of operational costs	2,7%	27,0%	70,3%
53,3%	43,3%	3,3%	Service improvement	2,7%	29,7%	64,9%
50,0%	40,0%	10,0%	Streamlining processes	8,1%	40,5%	51,4%
10,0%	53,3%	30,0%	External imposition (team guidelines, legal impositions, ...)	18,9%	35,1%	27,0%
43,3%	36,7%	20,0%	Gathering resources in the company's main activity	13,5%	29,7%	54,1%
46,7%	43,3%	10,0%	Gaining in economies of scale	10,8%	29,7%	56,8%
26,7%	46,7%	26,7%	Reducing future investments	18,9%	40,5%	37,8%

Difference to 100% is N/A

The major difference in perception between providers and clients lies on the 'external imposition' argument (team guidelines, legal impositions...), which can be explained by the fact that, due to being a factor that is outside of the FM department's scope, it is not even discussed with providers.

'Gathering resources in the company's main activity' and 'reducing future investments', subjects that must or should be discussed, uncover significant differences in the alignment of perceptions between clients and providers. In such topics, clients place a rather greater weight on providers. In contrast, 65% of clients acknowledge that "Service Improvement" is a "Very Relevant" reason for outsourcing, whereas providers are more humble in such assessment, with 53% of them attributing the same level of importance.

However, there are some variables that both providers and clients considered to have the same degree of importance: 70% of clients and providers, together, admit that "Cost reduction" is a strong reason for outsourcing.

DIFFERENCES OF PERCEPTION

EVOLUTION OF **INTEGRATION** POLICIES

Both service providers and occupants were inquired in order to, based on their perspective, state the reasons why clients outsource their services. Occupants answered in the first person and the providers answered with the arguments that they consider to be most relevant to their clients.

In the field of the evolution of integration policies, the difference of perceptions between providers and clients is perceptibly higher.

Providers – Present		Providers – Future (+/- 3 years)			Clients – Future (+/- 3 years)		Clients – Present	
Yes	No	Yes	No		Yes	No	Yes	No
63,3%	30,0%	90,0%	3,3%	Outsource more services	56,8%	29,7%	48,6%	37,8%
16,7%	76,7%	6,7%	86,7%	Outsource less services	18,9%	70,3%	24,3%	64,9%
40,0%	56,7%	20,0%	76,7%	Increase the number of providers	32,4%	59,5%	24,3%	67,6%
26,7%	66,7%	6,7%	86,7%	Keep the number of providers	35,1%	54,1%	64,9%	24,3%
46,7%	50,0%	63,3%	33,3%	Decrease the number of providers	29,7%	59,5%	24,3%	64,9%
46,7%	46,7%	83,3%	10,0%	Integrate the services in fewer agreements	70,3%	27,0%	54,1%	43,2%
36,7%	56,7%	80,0%	13,3%	Integrate almost all or all services in a single agreement	43,2%	51,4%	21,6%	73,0%
53,3%	43,3%	80,0%	16,7%	Integrate services in fewer providers	62,2%	32,4%	48,6%	45,9%
33,3%	60,0%	70,0%	23,3%	Outsource contract management	18,9%	67,6%	13,5%	73,0%

Difference to 100% is N/A

Clients

When we place the focus in the current reality, the 4 main trends identified by clients are:

Keep the number of providers - 65%
Integrate the services in fewer agreements - 54%
Integrate the services in fewer providers - 49%
Outsource more services - 49%

Regarding future trends, clients foresee that within a 3-year timeframe, the 4 main integration guidelines will be:

Integrate the services in fewer agreements - 70%
Integrate the services in fewer providers - 62%
Outsource more services - 57%
Integrate almost all or all services in a single agreement - 43%

Providers

There is a clear orientation in order to integrate more services in fewer agreements and have fewer providers. In behalf of providers, their perception about the current market is more pessimistic, hence they are more focused right now on what their clients want:

Outsource more services - 63%
Integrate more services in fewer providers - 53%
Integrate services in fewer agreements - 47%
% Decrease the number of providers - 47%

When questioned about the future, the insights are more aligned:
Outsource more services - 90%
Integrate the services in fewer agreements - 83%
Integrate almost all or all services in a single agreement - 80%
Integrate services in fewer providers - 80%

If we want to place our focus on the perception gap, we can refer that the main subjects coincide between clients and providers, both in the present and in what is perceived by for the next 3 years.

Hence, we will only mention the 2 factors in which the perception of the providers is more overestimated in terms of importance in the future:

1 > Outsourcing contract management, 70% of the providers believe that the clients will request it, against 19% of clients who say they will;

2 > Integrate almost all or all services in a single agreement, 80% on the provider side against 43% on the client side.

DIFFERENCES OF PERCEPTION

EVOLUTION OF POLICIES AND HIRING TOOLS

Both service providers and occupants were inquired in order to state the reasons why their clients outsource services. The occupants answered in the first person and the providers answered by being based on the arguments that they consider to be more relevant for their clients.

In the field of the evolution of policies and hiring tools, the first question asked was related to what is already applied today.

Among the 10 policies or tools presented, those in which the difference was more noticeable are:

Providers					Clients			
Unlikely or Not At All	Likely	Highly Likely	Already applies		Already applies	Highly Likely	Likely	Unlikely or Not At All
6,7%	20,0%	10,0%	60,0%	Identified Service-level agreements (SLA)	59,5%	8,1%	16,2%	10,8%
6,7%	16,7%	16,7%	56,7%	Service-level agreements (SLA) and identified indicators (KPI)	54,1%	10,8%	18,9%	10,8%
13,3%	6,7%	20,0%	56,7%	Agreements with identified indicators (KPI)	48,6%	13,5%	18,9%	10,8%
6,7%	13,3%	16,7%	63,3%	Flat rate agreements	51,4%	8,1%	24,3%	13,5%
36,7%	20,0%	23,3%	20,0%	Agreements based on results	21,6%	18,9%	35,1%	21,6%
3,3%	30,0%	23,3%	43,3%	Agreements with sanctions	54,1%	13,5%	13,5%	10,8%
3,3%	23,3%	20,0%	50,0%	Requirement of a regular reporting on indicators	45,9%	27,0%	10,8%	8,1%
3,3%	30,0%	13,3%	53,3%	Suggestion of improvements given by the provider and adoption of good practices given by the client	40,5%	29,7%	16,2%	10,8%
43,3%	30,0%	6,7%	16,7%	Negotiation by auction	16,2%	5,4%	18,9%	43,2%
20,0%	30,0%	10,0%	36,7%	Negotiation through purchase centers	48,6%	2,7%	32,4%	10,8%

Difference to 100% is N/A

SUGGESTION OF IMPROVEMENTS GIVEN BY THE PROVIDER AND ADOPTION OF GOOD PRACTICES GIVEN BY THE CLIENT

53%

Providers

53% of the providers mention that they already apply

41%

Clients

41% of the clients mention that they already apply

FLAT RATE AGREEMENTS

63%

Providers

63% of the providers mention that they already apply

51%

Clients

51% dos clientes dizem já aplicar

AGREEMENTS WITH IDENTIFIED INDICATORS (KPI)

57%

Providers

57% of providers mention that they already apply

49%

Clients

49% of the clients mention that they already apply

In the future, 54% of the respondent clients admit that, within a 3-year timeframe, they want to implement agreements based on results (which will constitute a total of 76% of the sample, adding those who admit that they have this policy already in motion); to consult the provider about improvements and the adoption of good practices (an increase of 46%, which will constitute a total of 87% of the sample) and will require a regular reporting on indicators (an increase of 38%, which will constitute a total of 84%).

When it comes to agreements based on results, 80% of providers mention that they will not have those sort of agreements in place today and almost 40% admit that a change is unlikely or not likely at all in a 3-year timeframe.

In term of aligning, it should be stressed that 43% of providers and clients think that using auction as a way to negotiate FM agreements is unlikely or not likely at all, and 90% of clients admit that, within a 3-year timeframe, in terms of autonomy within the buying process, the negotiation will be carried out through purchase centers (internal or external).

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Be part of the Facility Management development, ask us how at **geral@apfm.pt**

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