



2013 Global Real Estate and Facilities Management (REFM) Outsourcing Pulse Survey Results October 10, 2013

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Shared Services and Outsourcing Advisory brings a specialized global team of more than 400 professionals within KPMG’s global network of independent member firms operating in over 156 countries. Our professionals help clients design, build, and manage IT and business processes across the enterprise.	We help clients align their business strategy, organization, and execution to enable them to manage the entire IT and business process lifecycle, improving business performance and laying the groundwork for genuine business transformation.	We apply focused research, automating tools, proprietary data, clear business acumen, and a forward-thinking mindset to provide timely, objective, actionable advice and practical approaches for clients.

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2013 REFM Outsourcing Pulse Survey Results

KPMG Pulse Surveys

The Global REFM Pulse Outsourcing Survey

An annual review of real estate and facilities management outsourcing market trends and individual observations from the REFM “front lines”

Input Sources:

- End users actively pursuing or undertaking REFM outsourcing
- REFM third-party advisors and outsourcing service providers
- More than 300 survey responses
- All major industries and geographies covered globally

Topics evaluated include:

- Current REFM outsourcing market trends and conditions
- Deal drivers, challenges, and service delivery models
- Global REFM sourcing trends
- REFM outsourcing deal attributes
- *See white paper for complete results*

REFM process focus:

- Facilities management
- Facilities services
- Workplace services
- Portfolio strategy/planning
- Transactions/brokerage
- Lease administration
- Space management
- Project management
- REFM IT systems

Focus on performance, trends, and futures

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Agenda

Market demand trends

- Buyer current and planned REFM outsourcing levels
- Future REFM outsourcing demand levels
- REFM demand by process and industry
- Why some REFM processes have not been outsourced
- Means to better prepare for REFM outsourcing

Market conditions

- Major drivers for REFM outsourcing
- Challenges to successful consummation of REFM outsourcing efforts
- Service delivery model preferences
- REFM reporting tool needs
- Top REFM operational agenda items
- Future plans for space usage
- Outsourcing deal pricing models and tenure
- Global sourcing management models

Market and deal characteristics

- Current pipeline growth and new deal pricing pressure
- Ability to increase deal scope
- Contract profitability

Appendix

- Respondent demographics
- Lease administration outsourcing usage and demand by process
- Facilities management outsourcing usage and demand by process

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Market overview

Macro trends

Negative global economic conditions continue to weigh heavily on organizations' decisions on how, where, and why they source services globally, though **few firms are pulling back from global sourcing of services' globalization**.

Global business services (GBS), combining onshore, near, and offshore shared services and outsourcing, has become the **predominant means through which organizations support global operations**.

Many organizations' GBS remain fragmented across functions, geographies, and business units, complicating governance and detracting from potential business benefits. **Defined efforts to drive GBS maturity** are the norm among more experienced and sophisticated GBS users.

Traditional generic and transactional outsourcing continues to commoditize. Cloud and client maturity are major drivers for this, especially in IT. Buyers are seeking more platform approaches tailored to specific industry, geographic, and regulatory needs.

There is a **growing bifurcation between "leaders" and "laggards"** in the service provider market based on industry and business process experience and diversity of services mix, including cloud and analytics.

Current REFM outsourcing market trends

The REFM outsourcing market remains very healthy and continues to grow. Firms are **bundling REFM services under the fewest number of service providers**, operate under a coordinated model to further reduce costs, drive consistency, and improve governance, controls and performance reporting.

Reducing costs continues to be the most common reason why organizations outsource REFM services. While service providers' capabilities and service offerings continue to improve, **most of the REFM services outsourced are tactical as opposed to strategic**.

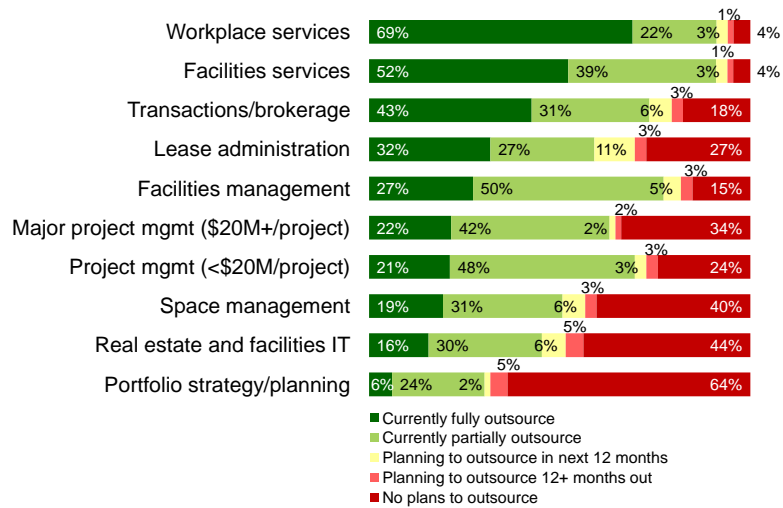
Typical end-user organization's expectations are that **REFM outsourcing will improve their operational model, introduce leading practices, and drive continuous improvement**. These expectations are often met but when they are, it is often because of the quality of the on-site service delivery team or not working effectively together as one team.

Leading end-user organizations have **evaluated their current REFM practices, benchmarked them, and have identified ways to reduce costs and improve their service delivery model**, leveraging the capabilities of the marketplace via a defined roadmap to achieve their desired end state.

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Buyers: Current and Planned REFM Outsourcing Levels

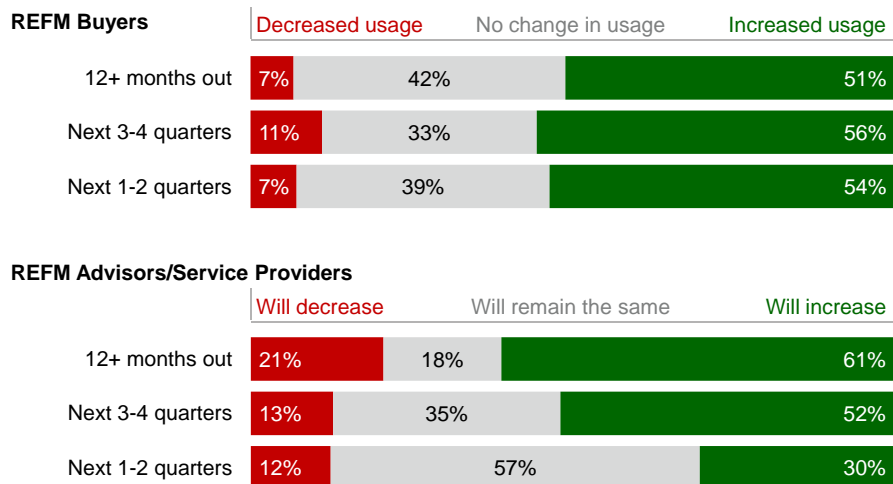


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Future REFM Outsourcing Plans

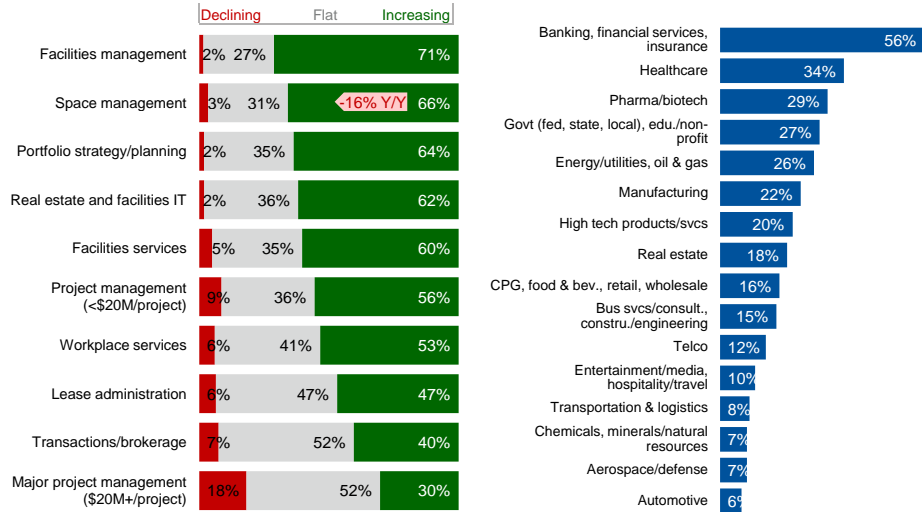


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Advisors/Service Providers: Demand by REFM Process and by Industry



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Drivers and Challenges to REFM Outsourcing Efforts

Cost savings from outsourcing have become "table stakes" for most buyers, with incremental and more strategic benefits derived from supporting global growth agendas, improving global delivery capabilities, and improving process performance.

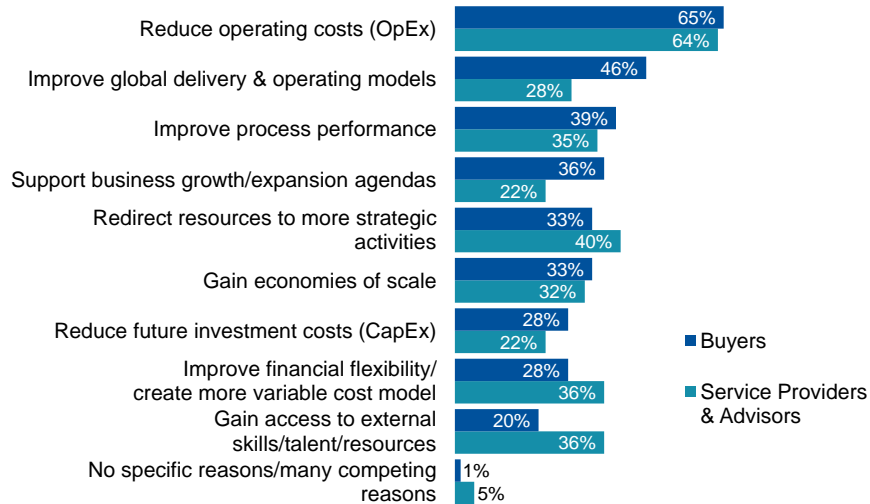
Buyers cite the quality and fit of service providers; enabling successful governance and transition efforts; and prioritizing competing agenda items, economic uncertainty, regulatory challenges, and economic uncertainty as the top challenges to the successful consummation of REFM outsourcing efforts. Service providers highlight inadequate management support and weak change management as top challenges.

Buyers have divergent opinions from advisors and service providers as to why some REFM processes have not been outsourced as well as what the best means are to better prepare for and undertake REFM outsourcing efforts.

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Top REFM Outsourcing Drivers

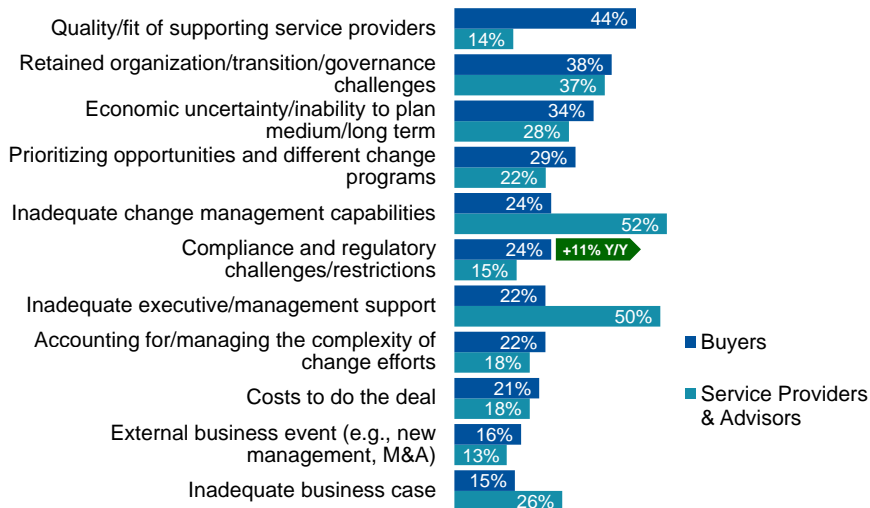


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Top Challenges to Successful REFM Outsourcing Efforts

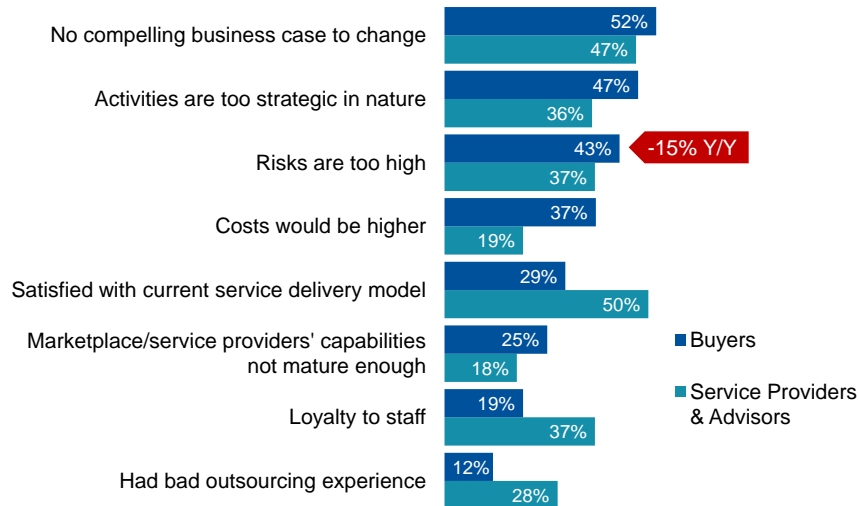


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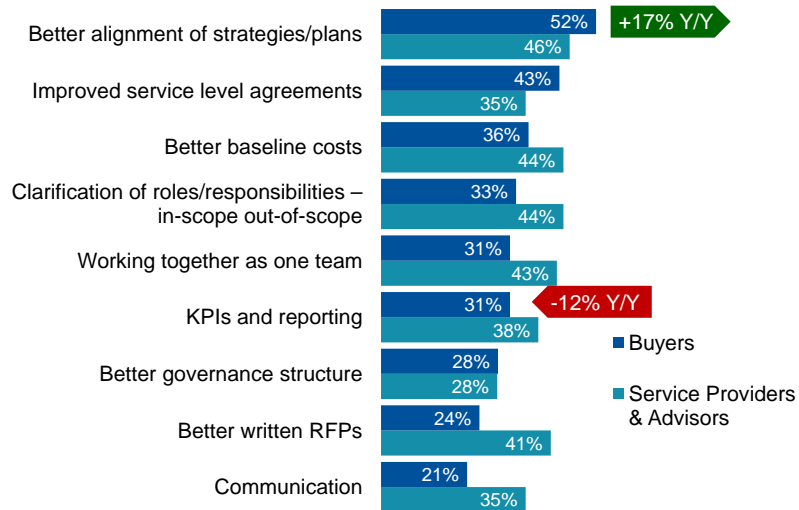
Why Some REFM Processes Have Not Been Outsourced



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How to Better Prepare for REFM Outsourcing



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REFM Market Characteristics

There is a growing trend among organizations outsourcing REFM services to bundle the management of these efforts and associated service provider relationships; more buyers are ceding control of higher-level service management functions to third-party providers in the form of more turnkey outsourcing efforts.

There are a variety of topics high on organizations' REFM agendas, including improving energy management capabilities, improving the workplace to attract talent, along with reducing costs.

Organizations are seeking more and better information from their REFM reporting tools and systems, especially tracking and analyzing cost data and performance and service levels.

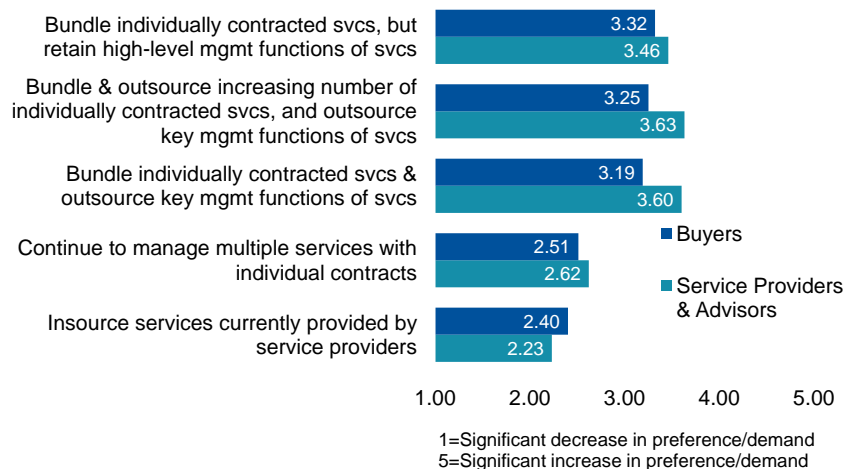
Buyers are more bullish on future plans to increase leased space than advisors or providers, though divergence has decreased year-over-year.

More buyers are sourcing and coordinating new major REFM outsourcing efforts globally as required, though many buyers still manage and coordinate both new and existing outsourcing efforts around geography, business unit, or functional area.

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Change in Service Delivery Model Preferences

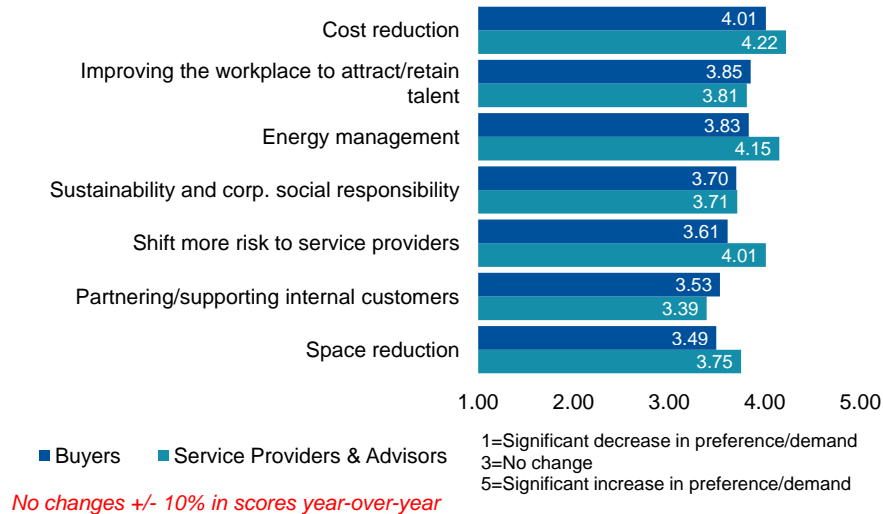


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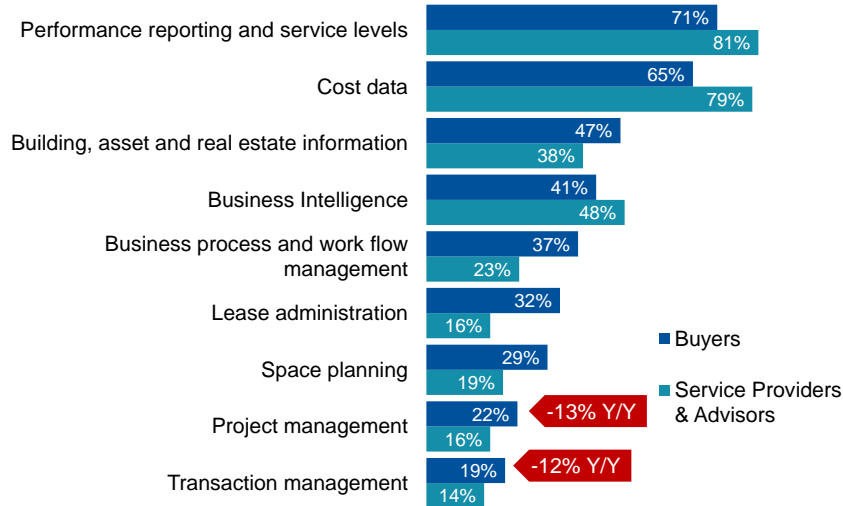
Changes to Buyers Interest/Preferences Relative to Key REFM Topics



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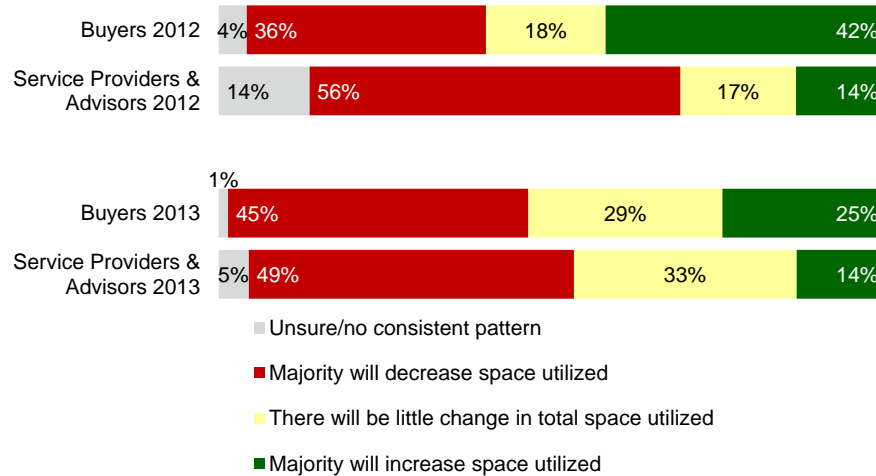
REFM Reporting Systems Needs



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Future Space Utilization Plans

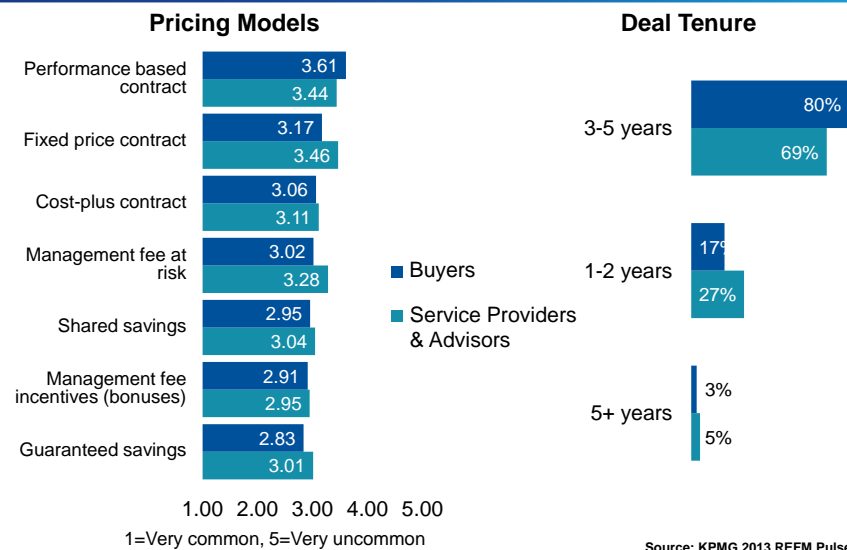


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Outsourcing Deal Pricing Models and Tenure



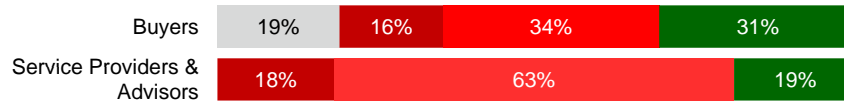
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Buyers: Management of Global REFM Outsourcing Efforts

New Efforts



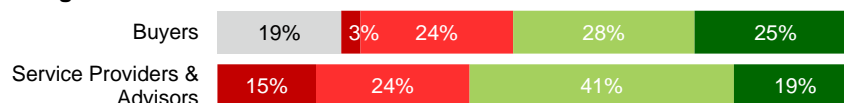
■ N/A

■ Most new efforts sourced are handled independently

■ New efforts sourced are coordinated by geo., bus. unit, function

■ New efforts are sourced are coordinated globally

Existing Efforts



■ N/A

■ Most efforts are managed and governed independently

■ Most efforts are grouped and managed and governed by geo., bus. unit, function

■ Most efforts are managed and governed by an enterprise sourcing council

■ Most efforts are managed and governed by an enterprise sourcing COE

Source: KPMG 2013 REFM Pulse Survey

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Advisors/Service Providers Perspective on Market Deal Characteristics

The majority of REFM outsourcing service providers cited increased pipeline growth over the past one to two quarters, though as noted earlier, they are less bullish on demand 12+ months out.

Pricing pressure from buyers on these deals continues to increase, though pressure is tempered, to a degree, by buyer risk aversion to failed efforts and provider focus on maintaining their margins.

Providers continue to focus on growing business and expanding scope in existing accounts as a means to gain higher margin business, but also as a reflection of consolidation occurring in the REFM market.

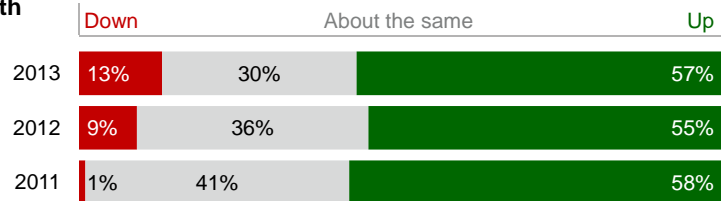
Related to the increasing pricing pressure cited above, a large number of providers cite declining profitability on new deals, though they are having more success maintaining margins and profit levels in existing deals.

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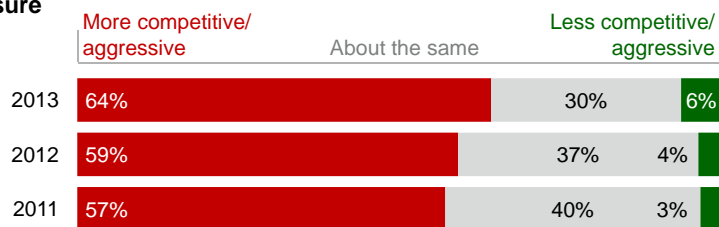
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Advisors/Service Providers: Current Pipeline Growth & Pricing Pressure on New Deals

Pipeline Growth



Pricing Pressure



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Advisors/Service Providers: Contract Scope

Contract Scope: Existing Clients



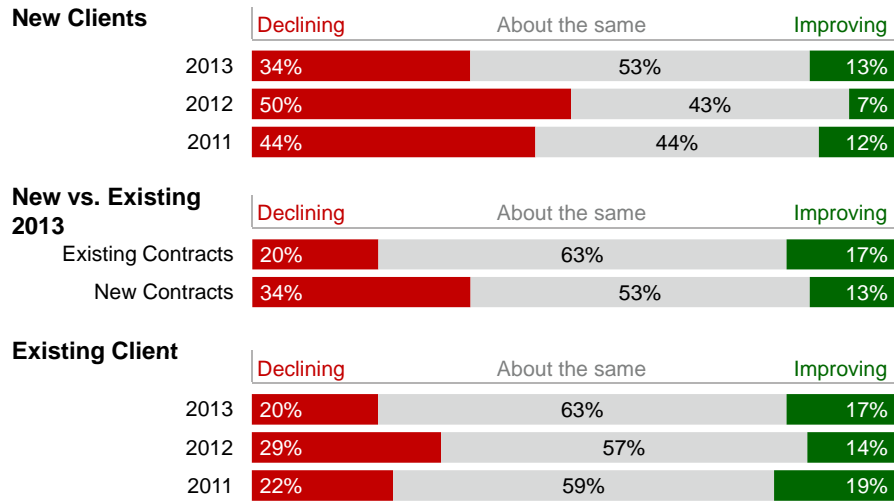
- Strong focus on growing business in existing accounts highlights supplier push towards market consolidation.
- Expanding scope in existing client also drives improved deal margins and lower pursuit costs.
- Scope is increasing via larger deals, deals including more REFM processes, and efforts encompassing larger geographic footprints.

Source: KPMG 2013 REFM Pulse Survey

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Advisors/Service Providers: Contract Profitability



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KPMG Commercial Real Estate Survey <http://www.kpmg.com/US/en/topics/2013-outlook-surveys/Pages/2013-real-estate-outlook-survey.aspx>

Global Business Services (GBS): <http://www.kpmginstitutes.com/shared-services-outsourcing-institute/insights/2013/global-business-services.aspx>

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KPMG's Shared Services & Outsourcing Institute

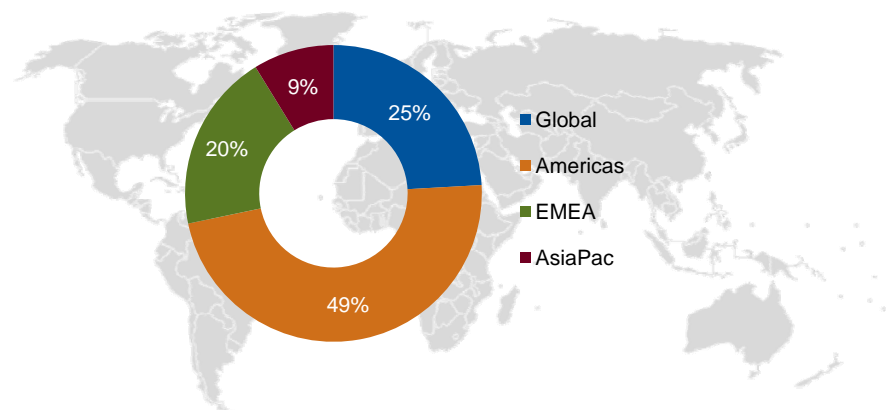
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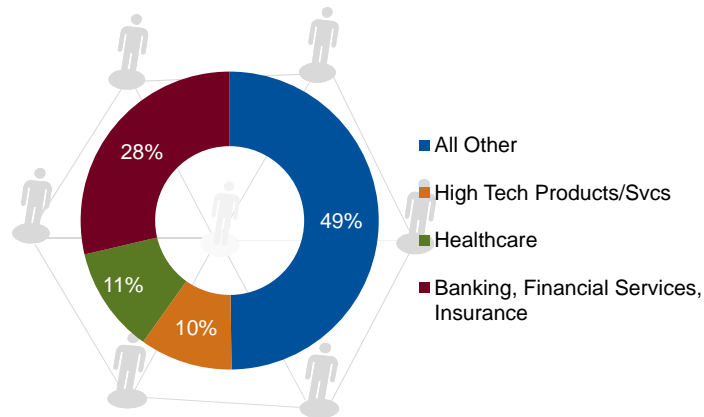
Respondents by Geography



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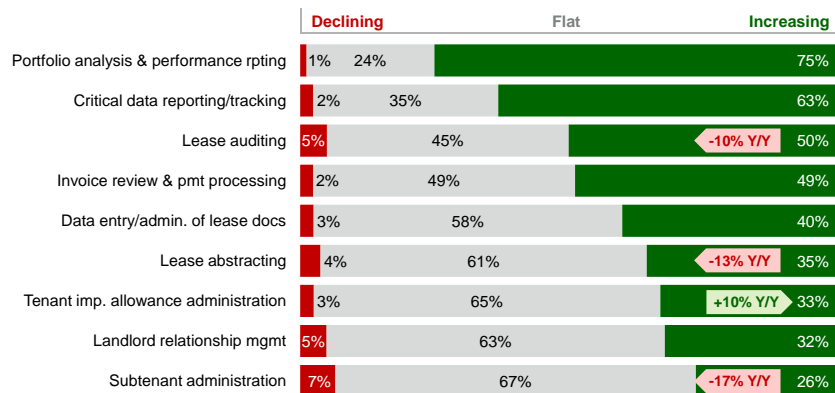
Buyer Respondent by Industry



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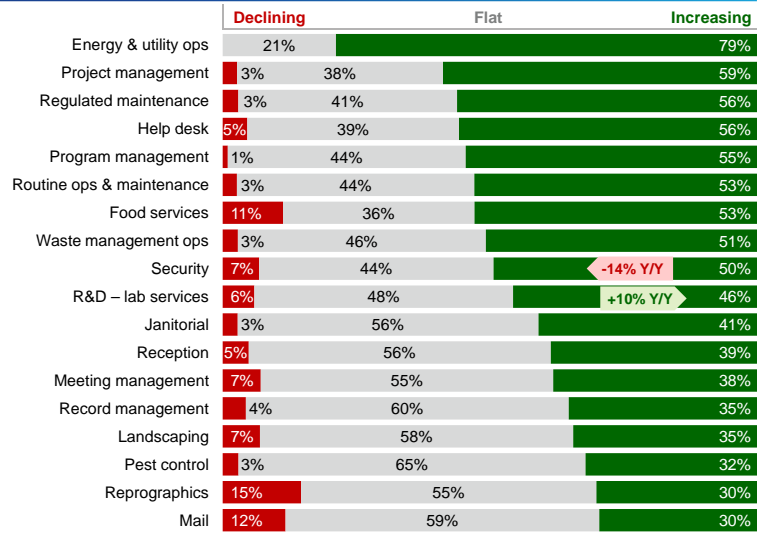
Advisors/Service Providers: Lease Administration Outsourcing Demand by Process Area



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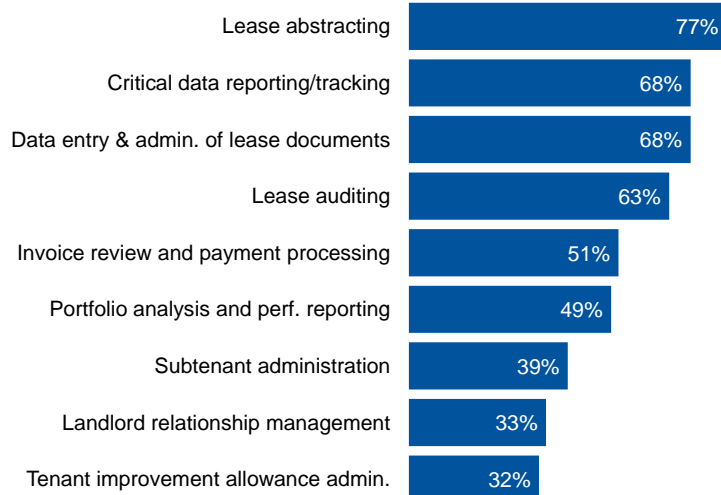
Advisors/Service Providers: Facilities Management Outsourcing Demand by Process Area



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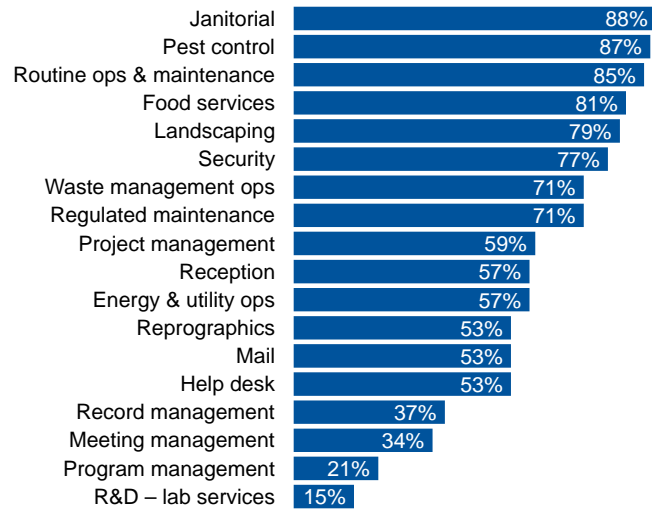
Buyers: Lease Administration Current/Planned Use of Outsourcing by Process



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Buyers: Facilities Management Current/Planned Use of Outsourcing by Process



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Q & A

Stan Lepeak, Director, Global Research, Management Consulting



Stan Lepeak
Director, Global Research,
Management Consulting

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Function and specialization

Leads research efforts globally for KPMG's Management Consulting service line, focused on trends, issues and futures in global business services, enterprise services transformation and optimization, and their enablers and drivers such as cloud, big data, social media, and consumerization of IT. Former Managing Director, EquaTerra Global Research (acquired by KPMG, February, 2011)

- Blog:
<http://blog.equaterra.com>
- Twitter:
<http://www.twitter.com/equaterra>
<http://www.twitter.com/eqspnews>

Professional and industry experience

Leads research efforts globally for KPMG's Management Consulting service line, focused on trends, issues, and futures in global business services, enterprise services transformation and optimization, and their enablers and drivers such as cloud, big data, social media, and consumerization of IT.

Areas of specialization

- Global business services usage and models including shared services, business process and information technology (IT) services and outsourcing and their leading practices and maturity models
- Business and IT services and cloud provider market trends, buying patterns and performance levels
- The drivers and enablers of globalization and global business services and their ramifications on business
- Global business services management and governance processes, tools and best practices
- Business and IT mega-trends: cloud, big data and analytics, social media and its corporate usage and value proposition, consumerization of IT, and the evolution and control business services acquisition and consumption in organizations
- Vertical industry and geographic trends relative to the use of global business services
- 25 years experience in the business and IT services markets. Led global research for leading boutique sourcing advisory firm EquaTerra (acquired by KPMG in 2011) for seven years. Previous to that worked for the META Group (acquired by Gartner in 2004) as VP and Research Lead for buy and sell side business and IT services. Additional roles on the vendor and provider side in software and services industries as well as positions in finance, accounting, and operations across several industries.
- Noted commentator and frequent speaker on GBS and globalization and IT mega trends.

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Patrice Gilles, Managing Director, Real Estate & Facilities Management



Patrice Gilles
Managing Director,

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Representative Clients

- | | |
|---------------|------------|
| •BC Hydro | •Chiquita |
| •Hydro One | •Kraft |
| •TXU | •Walgreens |
| •Schlumberger | •UBS |
| •Unilever | •Novartis |
| •Nestle | |

Languages

English, French

Education, Licenses & Certifications

License in Business Administration (Major in International Affairs) from Hautes Etudes Commerciales (HEC)

Professional and industry experience

Patrice is a Managing Director in KPMG's Advisory Services practice with more than 25 years of international and domestic management advisory and business experience in supply chain, source-to-settle, legal, finance, operations, HR, and BPO transactions and negotiation. Patrice holds responsibility for service delivery to clients as well as business development in the Business and Financial Processes practice. She leads the Consumer/Customer Care Practice and the Knowledge and Legal Spend Optimization Practice. Patrice's clients typically include those organizations looking to assess service delivery across multiple areas and/or geographies of their support organizations, with a particular focus on Finance and Accounting, Human Resources, Procurement, Call Centers, Legal Spend Optimization and KPO.

Areas of expertise

Some representative engagements are:

- Patrice led the advisory team who negotiated the outsourcing contract extension with Capgemini/Inergit at Hydro One. She also led the Supply Chain tower and the contract negotiations leading to substantial savings and service quality improvement.
- For Enbridge Gas Distribution, Patrice led the team who conducted an assessment of their current customer care outsourcing contract along with a comparative market analysis to assist in their sourcing strategy and ultimate renegotiations of their contract with Accenture.
- Patrice led the advisory team assisting CCE (now The Coca Cola Company) in its efforts to outsource its Finance and Accounting processes. The project covers locations in Europe and North America
- Patrice led the advisory team and negotiated the agreement for the successful outsourcing of Schlumberger global Finance and Accounting covering 90 countries in all continents. She also provided transition support post contract.
- Patrice Led the advisory team that assisted Unilever in the outsourcing of its global S2P (Source to Pay) to IBM. The effort covered all regions – North America, Latin America, Asia Pacific and the IT organization
- Patrice led the team that assisted Nestle in their shared services efforts for procurement saving an estimated \$100 million.
- Patrice led the advisory team that assisted Chiquita and Walgreens in the outsourcing of their Finance and Accounting operations domestically and internationally. Both transactions included the added complexity of the sale of their Shared Service Centers in Costa Rica (Chiquita) and Illinois (Walgreens) and the rebadging of personnel.
- Patrice led the team that to perform an organizational and LPO opportunity assessment, as well as a new retained organization design for their Legal and Compliance organization of UBS Wealth Management. The objectives of the engagement were to align the organization to changing business and market drivers, rationalize the deployment of legal resources to legal tasks, reduce handoffs, identify duplication within legal and compliance roles, and gauge potential for increased scalability through expansion and more structured governance of its existing LPO scope.

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Doug Burr, Director, Real Estate & Facilities Management, SSOA



Doug Burr

*Director, Real Estate & Facilities
Management, Sourcing Advisory*

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San Francisco, CA

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dburr@kpmg.com

Professional and industry experience

Doug is an experienced advisor in KPMG's Real Estate & Facilities Management (REFM) Outsourcing Practice and has more than 15 years of outsourcing and consulting experience. He has a strong background across the full life cycle of REFM sourcing, strategy and improvement program management experience. Doug's current and past clients include some of the leading entities in the financial services, pharmaceutical, technology and manufacturing industries.

Areas of experience

- Advising clients on offering over \$2.0 billion of contract value in REFM services to the service provider market:
 - Two leading pharmaceutical companies with annual contract value each over US\$100 million
 - Two leading telecommunications companies with annual contract value of US\$60 million and US\$80 million
 - Other leading technology, manufacturing and consumer packaged goods companies
- As a LEED AP, Doug advises on methods to incorporate environmental sustainability into corporate real estate outsourcing agreements.
- Currently he is advising a large hydroelectric electricity provider on facilities management outsourcing

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