

Support Services 2014 Predictions

Based on conversations with industry leaders, here is our view on major trends that will impact Support Services over the coming year.



Global FM vs Local FM – increasingly providers will polarise and orientate to either an integrated global model or a localised model

Currently there are very few FM operators with global reach. We expect a select number of players to build some international presence through business combinations, acquisitions and collaborations.

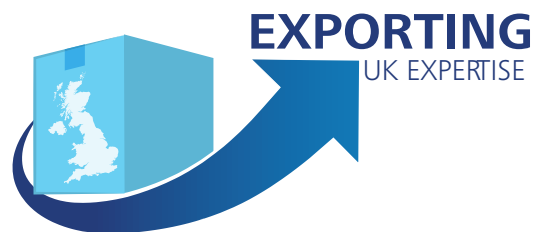
Their objective is to provide multinational corporate clients with joined up services and the assurances that comes with self-delivery including consistency and efficiency through integrated management and improved reporting. Companies who choose not to build a cross-border presence will find themselves excluded from certain procurement exercises. However, their focus on local markets will mean improved propositions and enhanced local relationships that the international players will struggle to replicate in home geographies. In the next 12 months, we expect to see many providers make a definitive choice between the two models.



Divestment of non-core assets – focus on core activities, resulting in sale of non-core assets to reduce business risk and recycle capital

A number of large-scale outsourcers are embarking on wide-ranging divestment programmes. The key to identifying the right assets to dispose of requires an understanding of where in the organisation shareholder

value is generated and the strategic importance of holding positions in certain markets or geographies. Following a period of consolidation in the sector, companies are now reviewing their portfolio. Assets in non-strategic markets, or with higher than average risk profiles are being prepared for sale. 2014 could see a much higher churn in portfolios – leading to opportunities for international players to gain UK market entry.



Exporting UK expertise – international markets still seen as primary driver of growth, with mergers and acquisitions (M&A) being a primary facilitator

Despite an improving economic outlook for the UK, many organisations are also looking overseas to deliver long-term growth. There are a number of options to consider when exploring international expansion

opportunities including partnering arrangements, investing in and opening satellite operations, as well as M&A. The latter continues to be the favoured method of growth for many – viewing the acquisition of a local player as an effective way of accelerating presence. However, organisations often find challenges identifying suitable targets in fragmented markets and as such gaining regional or national presence is often very difficult. FM providers need to 'court' potential targets for extended periods of time, utilising a local partner in the first instance.



Data analytics key to managing business, efficiency and client feedback

Data analytics continue to be at the top of the agenda for most boards in support services. The usage, capability and availability of analytics will play a key role in deciding which organisations succeed and fail in the future. The scope for using data analytics is being

stretched with companies looking at innovative ways to manage workforce mobility, contract profitability and supply chains. Most have the data available – the challenge they face is having the resource, skill and time to utilise the data to help make business decisions.



Outsourcing solutions to focus on 'service delivery' rather than 'cost savings'

The outsourcing marketplace is changing with many companies now considering value to be measured based on outcomes rather than costs saved. This is putting increasing pressure on outsourcers to find innovative ways of delivering value to clients, while ensuring that contract margins are maintained. Innovative service delivery will be crucial; however, minimising risk in such an environment will be a key challenge for outsourcers in 2014.

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