AGENDA

- The Facilities Industry Value Chain & Landscape
- The Key Challenges facing the Industry
- FM Outsourcing Industry Engagement
- There is more to Facilities Management – Enterprise Asset Care
- The Future
References / Sources / Disclaimer

- An Assessment of the South African Facilities Management Industry 2012- Frost & Sullivan
- Global Facilities Management Market Sizing Study 2016- Global FM
- Investment report April 2017- JL
- KPMG 2015 Global Real Estate and Facilities Management Outsourcing Pulse Survey- KPMG
- Perspectives on the FM market development September2014- ISS White paper
- SAFMA FM Industry Assessment Report finalised March 2017- SAFMA
- Servest Research report 2017 – Servest Group
- Trade-trends-and-the-impact-on-industrial-real-estate 2017-JLL
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5. The Future
Industry Value Chain

Ownership
- Builders /Owners
- Developers
- Investors

Finance
- Self
- Investors
- Banks
- Mortgages

Construction
- Contracts
- Procurement /supply chain
- Construction Firms

Transaction
- Brokers
- Agents

Use
- Facility Management (O&E)
Industry Role-Players - Structure

- End Users
  - In-House Artisan
  - In-House FM
- Facility Contractors
- IFM Companies
- IFM Supply Chain
- FM Consultants
Facilities Management Market

- 37% FM Services
- 47% End-User
- 87% Outsourcing FM Market
- 16% FM Consultant & Others

- 13% In-House FM Market
- 73% Commercial
- 22% Public
- 5% Industrial

- Integrated Facilities Management Firm
- Facilities Management Contractors
- Bundled Facilities Management contractors
- Functional Service Provider
- Hard Services
- Soft Services
- Business Services
- Soft Services
## FM Services Breakdown in SA

<table>
<thead>
<tr>
<th>Service Sectors</th>
<th>Provide this Service</th>
<th>Average Financial Contribution</th>
<th>% Insourced</th>
<th>Growth Potential</th>
<th>Offer in next 5 years</th>
<th>Services Sectors</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Commercial</td>
</tr>
<tr>
<td>Strategic management</td>
<td>89%</td>
<td>24%</td>
<td>100%</td>
<td>High</td>
<td>No</td>
<td>50%</td>
</tr>
<tr>
<td>Project management</td>
<td>85%</td>
<td>14%</td>
<td>55%</td>
<td>High</td>
<td>Likely</td>
<td>56%</td>
</tr>
<tr>
<td>Administration / Management</td>
<td>78%</td>
<td>16%</td>
<td>27%</td>
<td>Medium</td>
<td>Likely</td>
<td>48%</td>
</tr>
<tr>
<td>Building &amp; maintenance</td>
<td>74%</td>
<td>19%</td>
<td>33%</td>
<td>Medium</td>
<td>No</td>
<td>64%</td>
</tr>
<tr>
<td>Health and safety</td>
<td>70%</td>
<td>9%</td>
<td>7%</td>
<td>Low</td>
<td>Likely</td>
<td>57%</td>
</tr>
<tr>
<td>HR and Procurement</td>
<td>70%</td>
<td>12%</td>
<td>63%</td>
<td>Low</td>
<td>Likely</td>
<td>60%</td>
</tr>
<tr>
<td>Regulatory / Compliance</td>
<td>70%</td>
<td>13%</td>
<td>40%</td>
<td>Medium</td>
<td>Likely</td>
<td>53%</td>
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<tr>
<td>Real estate</td>
<td>67%</td>
<td>9%</td>
<td>89%</td>
<td>Medium</td>
<td>Likely</td>
<td>50%</td>
</tr>
<tr>
<td>Utility &amp; sustainability services</td>
<td>67%</td>
<td>8%</td>
<td>35%</td>
<td>Medium</td>
<td>Likely</td>
<td>60%</td>
</tr>
<tr>
<td>Interior and exterior landscaping</td>
<td>63%</td>
<td>8%</td>
<td>91%</td>
<td>Low</td>
<td>Very likely</td>
<td>60%</td>
</tr>
<tr>
<td>Security</td>
<td>63%</td>
<td>9%</td>
<td>83%</td>
<td>Medium</td>
<td>Very likely</td>
<td>65%</td>
</tr>
<tr>
<td>Cleaning and purification</td>
<td>56%</td>
<td>7%</td>
<td>63%</td>
<td>Medium</td>
<td>Very likely</td>
<td>71%</td>
</tr>
<tr>
<td>Fire protection services</td>
<td>56%</td>
<td>6%</td>
<td>12%</td>
<td>None</td>
<td>Very likely</td>
<td>66%</td>
</tr>
<tr>
<td>Hospitality</td>
<td>56%</td>
<td>6%</td>
<td>100%</td>
<td>Low</td>
<td>Likely</td>
<td>65%</td>
</tr>
<tr>
<td>Event Management</td>
<td>44%</td>
<td>6%</td>
<td>55%</td>
<td>None</td>
<td>Very likely</td>
<td>66%</td>
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<tr>
<td>Travel</td>
<td>41%</td>
<td>4%</td>
<td>61%</td>
<td>None</td>
<td>Likely</td>
<td>73%</td>
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</table>
## Overall Size of the FM Market

<table>
<thead>
<tr>
<th>Year</th>
<th>GDP (Formal economy)</th>
<th>GDP Growth Rate</th>
<th>FM Industry Size</th>
<th>FM Industry Growth Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>R2 748.72</td>
<td>2.8%</td>
<td>R21.87</td>
<td>11.1%</td>
</tr>
<tr>
<td>2011</td>
<td>R2 833.93</td>
<td>3.1%</td>
<td>R24.35</td>
<td>11.4%</td>
</tr>
<tr>
<td>2012</td>
<td>R2 904.78</td>
<td>2.5%</td>
<td>R26.97</td>
<td>10.8%</td>
</tr>
<tr>
<td>2013</td>
<td>R2 968.68</td>
<td>2.2%</td>
<td>R29.80</td>
<td>10.5%</td>
</tr>
<tr>
<td>2014</td>
<td>R3 013.21</td>
<td>1.5%</td>
<td>R32.71</td>
<td>9.8%</td>
</tr>
<tr>
<td>2015</td>
<td>R3 052.38</td>
<td>1.3%</td>
<td>R35.83</td>
<td>9.6%</td>
</tr>
<tr>
<td>2016</td>
<td>R3 079.86</td>
<td>0.9%</td>
<td>R39.12</td>
<td>9.2%</td>
</tr>
<tr>
<td>2017</td>
<td>R3 116.81</td>
<td>1.2%</td>
<td>R42.64</td>
<td>9.0%</td>
</tr>
<tr>
<td>2018</td>
<td>R3 160.45</td>
<td>1.4%</td>
<td>R47.08</td>
<td>10.4%</td>
</tr>
</tbody>
</table>
Overall Size of the FM Market

The FM industry has almost doubled to nearly R40 billion in the past six years in the value of facilities it is managing.

There are more than 50 FM service lines in South Africa.

Approximately 25,000 people of which most are employed in IFM firms.

In June 2015 South Africa became the first country in the world to publish a draft of the FM Standard to promote best practice FM in the country.
FM Industry Influencers

Costs
- Staff Costs
- Administration

Service
- Meeting Service demands
- Strategic Integration

Reputation
- Assume Responsibility for Services offered
- Communicate against adversity

Long Term
- Long Term Contracts
- Support in Partnerships

Structural
- Transformation
- Create identity of Integrated Services

Challenges
- Expert skills and knowledge
- Integrated support
- Ethics
- Agile
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FM Industry Key Challenges

- Limited Interaction Between companies and end-users
- Lack of appreciation of FM services by end-users
- Lack of Competition within the market
- Critical shortage of skilled personnel
- Limited recognition of the FM industry in South Africa
- Lack of Adequate BEE partners

Key Initiatives

- Increased Engagement amongst FM Companies
- Integrated Approach to FM
- Provision of value-add services
- Adherence to International Best practices
FM Industry Challenges

External
• Complex building
• Emergency preparedness and business continuity systems
• Sustainability
• Aging building stock

Internal
• Quantity and complexity of data
• Finding top talent
• Elevate facility management

Organization
• Efficiency, productivity and profitability
• The need for an evolving skill set
• Changing work styles

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Facilities Engagement Attributes considered in outsourcing:

- Procurement
- Customer Service
- Quality Control
- Project Management
- Information Management
- People Management
- Financial Management

Attributes considered in outsourcing:

<table>
<thead>
<tr>
<th>Attributes</th>
<th>FM Provider</th>
<th>End User</th>
</tr>
</thead>
<tbody>
<tr>
<td>Procurement</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Customer Service</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Quality Control</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Project Management</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Information Management</td>
<td></td>
<td></td>
</tr>
<tr>
<td>People Management</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial Management</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Important Factors in a FM Relationship between the End User and FM provider:

- Bespoke Offer
- Innovative FM Service delivery
- B-BEE
- Financial Savings
- Deliver Improved brand name
- Better efficiency
- Better technical Experties
- Save on Management Time
- Greater Flexibility
- Sustainability
- Focus on core business
- Access to best Practice
Objectives when considering Outsourcing:

- Reduce In-House staff
- Improve In-House Quality
- Transfer risks/shares risk
- Deliver improved brand Image
- Focus on core business
- Innovation
- Access to best practice
- Better performance data
- Greater Flexibility
- Improve sustainability
- Increased competitiveness
- Save on Management Time
- Better technical expertise
- Buying efficiencies
- Service level Improvements
- Transfer of Risk/share risk

End User
IMPORTANT FACTORS CONSIDERED WHEN EVALUATING TENDERS /BIDS

End User

- Reference Sites
- Skills Development
- B-BEE
- CSR
- Local Supply chain
- Confidence in team ability
- Innovation
- Cost

Confidence in team ability is the highest rated factor, followed by Innovation and Cost. End User has a lower rating for Skills Development and B-BEE compared to other factors.
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A Building is not a ....?
...it is not a Building for the sake of being brick an mortar and sensors...it is a Building for people...the people of the future....
There is more to FM

The ‘Experience Tunnel’

Support for the journey | Ensures efficient service | Environment, health, comfort & security | Maintains & monitors

Journey to work | Journey to workplace | Arrival at reception | Workstation experience | Office services | Support for meetings | Refreshment services | Lunchtime services | Going home

AM

FM

Customer experience is key!

Pragma
Comparing Management Systems

ISO 55000 - Figure B.1 — Relationship between key elements of an asset management system 2014
Commonalities

Need management system

Strategy

Plan

Accurate information

Life Cycle Management
10 – 80 years

Create / Acquire

Maintain

Utilise

Renew / Dispose

Commonalities

Life Cycle Management
10 – 80 years

Create / Acquire

Maintain

Utilise

Renew / Dispose
Creating order

Current process

Improved process

050 Perform work required

Is work complete?

Y

Follow up work required?

Y

070 Contractor specifies follow up work on printed work order

N

BMS

EAMS

ERP

BEST PRACTICE
Example Enterprise Asset Care Process

- FIRE DETECTION
- SECURITY
- ACCESS CONTROL
- TROLLEY CONTROL
- HVAC
- WASTE
- CLEANING
- SPACE
- HEALTH & SAFETY
- CLEANING
- ETC

BMS

CLIENT NOTIFICATION

SECURITY NOTIFICATION

EVACUATE / S.O.P.

INVESTIGATE

REPAIR

WORK PLANNING AND CONTROL

FACILITY & ASSET CARE CENTRE

SECURITY NOTIFICATION
Using technology

From

REACTIVE

To

PRO-ACTIVE

Best Practice
AM + FM = Enterprise Asset Care

Dependency

Customer experience is key!

AM + Technology + Best Practice + EAMS → Compliment

Pragma
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FM Industry Innovation

Key Area of Innovation
- Service Innovation
- Labour Innovation
- Technological Innovation
- Environmental Innovation

Measures of Innovation
- KPI
- SLA
- Audit
- Client Engagement
- Staff Engagement

Global Innovation Trends
- The Internet of Things (IIoT)
- Drones
- BIM for Facilities Management
- Advanced HVAC Systems
- Automation and Robotics
- Wearable Technology
An interconnected partnership and what does it look like?
What will change?

IT technology

Communication channels

IT technology

Speed of response time

The things we need to manage!

The face of our technical work force
It is a Balancing Act

- **Optimise value add performance of the asset systems**
- **Treat risk arising from and related to sustaining assets**
- **Optimise cost of operating and maintaining assets**
“As digital capability fuels the interconnected nature of our world, our assets and our facilities to unprecedented heights, the Next-Generation Facility Asset Managers must be proactive and predictive, with all of its links interconnected and synchronized to create a more sustainable world.”
Example of Enterprise Asset Care Road Map

The BIG Picture starts here
Big data describes the collection of complex and large data sets such that it’s difficult to capture, process, store, search and analyze using conventional data base systems. Its uses are shaping the world around us, offering more qualitative insights into our everyday lives.
Every day we create 2,500,000,000,000,000 (2.5 quintillion) bytes of data.

90% of the world’s data today has been created in the last 2 years alone.

This would fill 10 million blu-ray discs, the height of which stacked, would measure the height of 4 Eiffel Towers on top of one another.
7 Critical Skills For the Jobs of the Future

- Critical Thinking and Problem Solving
- Collaboration Across Networks and Leading by Influence
- Agility and Adaptability
- Initiative and Entrepreneurship
- Effective Oral and Written Communication
- Assessing and Analysing Information
- Curiosity and Imagination
Thank you

Gerrie Olivier
Gerrie.Olivier@pragmaworld.net

“Learn how to see. Realize that everything connects to everything else.”
-Leonardo da Vinci