The Barbour FM Report 2000

The UK Facilities Management Market

A guide for product manufacturers and service providers

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Foreword

Phil Roberts
Chairman, British Institute of Facilities Management Research Committee

The British Institute of Facilities Management (BIFM) is delighted to be associated with the publication of the results of the Barbour Facilities Management report. The BIFM is the UK's leading institute representing the interests of those who practice facilities management and those who work in organisations supplying goods and services to the facilities management market. Its objectives are to promote and develop the science and understanding of facilities management through training, education, information and research. For professionals and providers alike, accurate information about the scope and scale of the facilities management industry is central to its continuing expansion and growth. The BIFM's own surveys have shown that the range of functions and purchasing power of the typical FM professional is continuing to increase. This year, the expenditure of BIFM members on core facility services exceeded £7 billion. However, this is only an indicator of the total contribution of facilities management to the national economy. This Barbour report draws information from a much wider group, and provides important additional insights into the growing facilities management market.

The promotion of surveys of this kind forms a central part of the work of the BIFM Research Committee. The Committee works with experts from business, Universities, Colleges and other professional bodies to develop an agenda which is at the leading edge of facilities management research. The Committee believes that collaborative research is at the heart of building the knowledge base essential to the development of the flourishing profession. As part of this programme, I am pleased to announce that this year Barbour will be working with BIFM in the development of a thesaurus of facilities management terminology as a further step to the standardisation of the professional practice.

I am sure you will find this survey both informative and interesting as a further important contribution to our shared understanding of facilities management practice.

Robin Wiltshire
General Manager, Barbour Index plc

The aim of this report is to provide information to suppliers of products and services who target, or are considering targeting, the facilities management market. Each establishment in the UK has someone responsible for managing the building and related services which are essential to the smooth operation of the main function of the organisation. Spread across all industry and market sectors, those with this responsibility are not an easy target. By providing information about their organisational activity and purchasing behaviour, we believe that this report will improve suppliers' ability to market to this important group of buyers.

As with all its services, Barbour has invested in market research to gain a better understanding of its target market. The Facilities Management Compendium was launched in 1996 and, as part of its on-going development, Barbour has consistently sought feedback, not only about its use, but also more general information to establish a profile of those with responsibility for facilities management. A considerable amount of information has been compiled over this period, and this report presents some of the main findings of the research studies.

We are committed to continuing research into the facilities management market and to publishing reports such as this in the future. I am sure you will find this, the first Barbour Facilities Management report, of value.

1. Introduction

There are a number of important factors which will maintain the further development and growth of the facilities management market in the UK. Owner builders now recognise that the costs of operating and maintaining a building over its projected life are far greater than the initial cost of construction; perhaps tenfold, some industry sources suggest.

At the same time, in order to sustain profitability and to meet competitive pressures, companies are concentrating on their core business, and sourcing operational products and services from specialist providers.

There is no doubt that the market for facilities management and its related services and products is a large and increasingly significant industry. It is difficult to value without debating which services; commercial, professional and industrial, should be included. The Centre for Facilities Management at Strathclyde provides a most comprehensive estimate at £130 billion for 1998. This includes accountancy, legal services and infrastructure but even after netting off these elements the market is estimated to be of the order of £100 billion.

Those providing services and products will have determined their particular sector of the market such as the Building Refurbishment and Maintenance sector (excluding residential housing) which is put at £14 billion.

It is quite clear that facilities management is a large and expanding market, developing both in size and sophistication as the process and those managing and supplying it develop professional skills and understanding.

Trends in outsourcing vary depending on market sector and company size, but overall the increasing trend is expected to continue, albeit at a slower rate than in the 1990s.

The diversity of services and products required, and the equal diversity of providers from total facilities management to specialist services, makes it important to understand the market in which they operate. The FM process is one where the establishment of effective and reliable long term relationships is essential.

This report will provide information and guidance to assist in a better understanding of the facilities management market place.

2. Research sources

A number of research sources, commissioned by Barbour, have provided the information upon which this report is based.

The '98 Barbour Report: The Building Maintenance and Refurbishment Market
Barbour commissioned Lychgate in 1998 to carry out a major in-depth research programme. 372 telephone interviews averaging over 30 minutes were conducted with personnel responsible for the management of the maintenance and/or refurbishment processes. Leading organisations were selected mainly from the top 100 in sectors which included Retail, Leisure, Local Authorities, Health, Transport, Finance.

Research of Facilities Managers in the UK 1999
Barbour participated in a study amongst a random selection of organisations with at least 200 staff, carried out by Kadence. 303 telephone interviews were achieved with facilities managers, or similar title. In order to qualify to take part in the survey all respondents were required to have responsibility for areas including security, cleaning, catering and/or property management.

Barbour's Facilities Management Compendium user research
Barbour receives responses to questionnaires issued with the Facilities Management Compendium. 3,200 questionnaires have been independently analysed in '98 and '99 by Lychgate.

Reference is also made in the report to:

BIFM Survey of Facilities Managers' Responsibilities 1999
This survey, by the British Institute of Facilities Management, is based on a sample of 665 members. For further information contact BIFM on 01799 508612 or admin@bifm.org.uk.

Discussion groups with Facilities Managers
Two groups were held with Facilities Managers and some of the working practices described are summarised.

Premises and Facilities Management readership survey 1999
Based on 450 readers' questionnaires, the results were published in the November issue of PFM. The article is available on www.i-fm.net.

3. Research highlights

- The difficulty of targeting Facilities Managers is highlighted, with fewer than 4 in 10 having this as their job title. A high proportion have property related titles or backgrounds such as Building Surveyor and Estates Manager, but some 40 different titles have been recorded.

- Although facilities management is not a main board function, those responsible generally report into the board.

- Around 7% have outsourced the facilities management function.

- The average number of sites or buildings per organisation is 24, with the average budget at the respondents' location being £5 million. However there are wide variations in budgets across different sectors of industry.

- The highest proportion of budgets is spent on services, at 62%, with 38% spent on products.

- Services which are more frequently contracted out include maintenance of buildings and related services, and cleaning.

- External organisations carrying out outsourced maintenance work tend to be local contractors rather than national organisations. However, those responsible for facilities management internally tend to state the product type they wish to be used in the up-keep of their buildings, or the brand, rather than leaving this decision to the external provider. The incidence of use of standard specifications for these products and services is high, with just over half operating these, and 45% having approved product lists.

- Over three-quarters of facilities managers have combined responsibility for the day-to-day up-keep of properties as well as longer term refurbishment.

- Procurement departments have an influence on product and service decisions particularly as these increase in value.

- Health and safety is the single most important issue amongst those responsible for managing buildings and related facilities.

- Over 8 in 10 use the internet, CD ROM and e-mail at work. However paper remains the preferred delivery medium for product and service supplier information, with two-thirds expressing a preference for this format.

4. Profile of those with responsibility for facilities management

4.1 Professions and job titles

Those responsible for managing their organisation's facilities may have come into this role from a number of professional backgrounds. The BIFM survey of members shows that the most common background is Estates/Property Management, with just over 20% giving this description. Office/Administration Manager was stated by 17% and Service Engineer by 13%. In the PFM readers survey, around one-third had an engineering background and one-quarter a facilities management one.

Analysis of the Facilities Management Compendium User questionnaires shows a high proportion refer to their profession as Facilities Manager, with Building Surveyors and Estates Managers following on.

Main profession	**1999 base 1200**
Facilities Manager	39%
Building Surveyor	10%
Estates Manager	9%
Building Services Engineer	6%
Project Manager	5%
Architect	4%
Buyer	4%
Administration	3%
Chartered Surveyor	3%
Contracts Manager	2%
Civil and Structural Engineer	1%
Quantity Surveyor	1%
Other	13%
Total	**100%**

Source: Barbour Facilities Management User Questionnaire '99

The Kadence survey also identified the job titles of those taking part in their random survey of companies with 200 plus employees at that site. This confirmed that Facilities Manager is the most common title, albeit used by only 23%, followed by Estates Manager at 16%. The PFM survey found an even lower incidence of Facilities Managers as a job title, at 15%, but noted some 40 different titles.

These results show the diverse range of job titles, highlighting the difficulties faced by those who wish to target those responsible for facilities management.

The analysis of the questionnaires completed by users of the Barbour Facilities Management Compendium shows that 12% of personnel responsible for facilities management are employed directly by companies providing facilities management as a service to others.

4.2 Organisational approach

In group discussions with facilities managers, the organisational structure and approach to facilities management was discussed. Wide variations of responsibility were described, ranging from the management and provision of all services internally using directly employed labour, through to the total provision of all services by external providers.

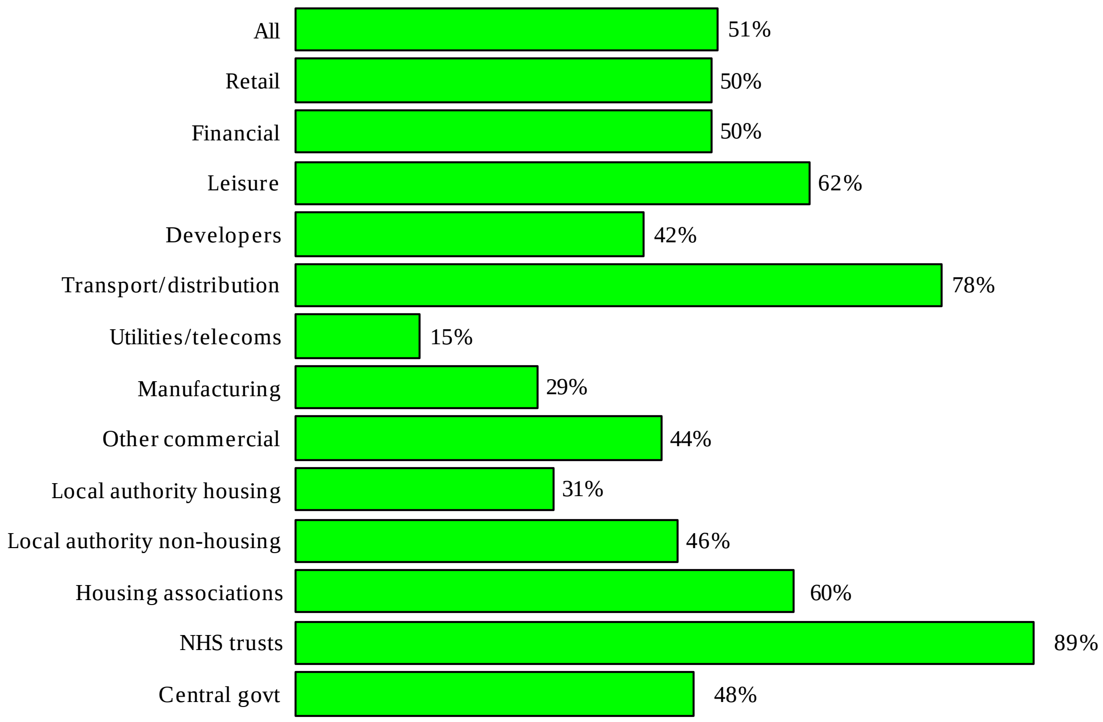
There are variations in the reporting structure too. Facilities Management most typically reports through Finance Directors, Facilities Directors, Managing Directors/Chief Executives, and, in some cases, Property Managers.

The PFM survey found that no progress has been made towards facilities management becoming a board level responsibility. Just 5% of their respondents were main board members, although it also found that most report to the Board. Most head departments with specialist staff responsible for the day-to-day decision-making and management of service delivery. Department sizes are typically less than 50 (PFM survey).

4.3 Responsibility for building portfolio

The '98 Barbour Report "The Building Maintenance and Refurbishment Market" identified that half of the organisations have individuals who are responsible for their entire building portfolio, but there are variations across the spectrum of companies interviewed.

Those with responsibility for managing entire building portfolio

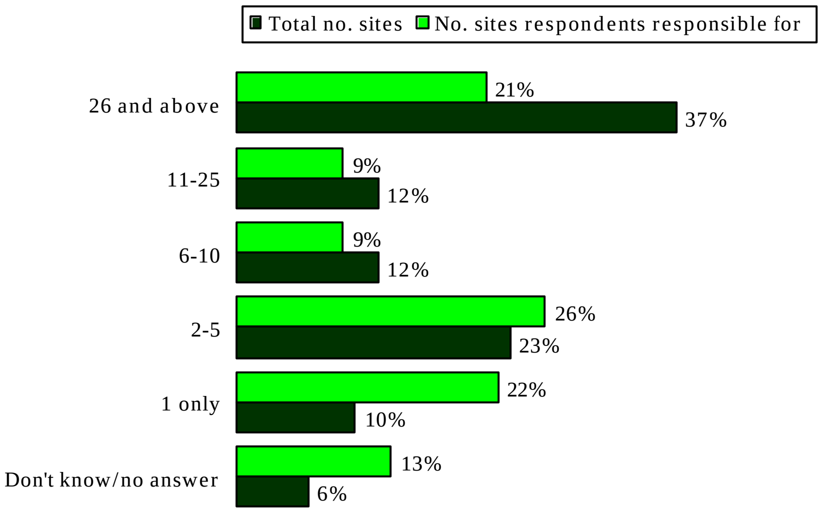


Source: '98 Barbour Report: The Building Maintenance and Refurbishment Market

4.4 Responsibility for buildings/sites

The average number of sites or buildings per organisation is 24 and each respondent is responsible for an average of 16 of the 24 sites. However, there is a wide distribution, from 22% with 1 site to 49% with over 10 sites. Similarly, there are variations by organisation type; those in Retail are responsible for the largest number of sites at 30, whilst in Manufacturing and Chemicals/Pharmaceuticals, the average number managed by each respondent is 7.

Number of buildings/sites



Source: Barbour Facilities Management User Questionnaire '99

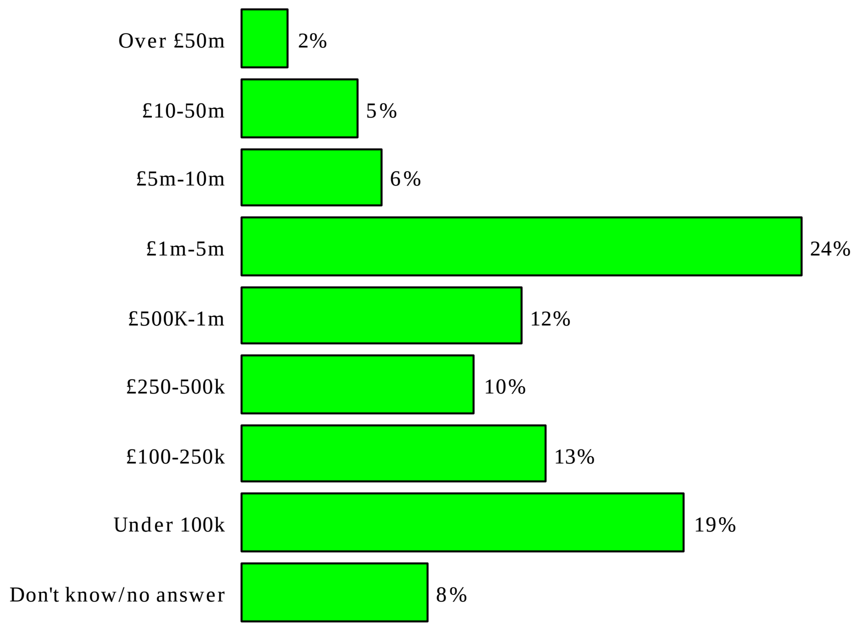
Average number of sites respondents responsible for by organisation type	1999 base 1200
Overall average	16
Retail	30
Local Government	29
Telecommunications	23
Central Government	20
Finance	19
Education	18
Health	17
Property Management	16
Contractor	16
Transport	16
Private practice (1)	12
Manufacturing	7
Chemicals/Pharmaceuticals	7

Source: Barbour Facilities Management User Questionnaire '99
(1) Private practice, eg: FM providers, consultancies

4.5 Facilities management budget at respondents' locations

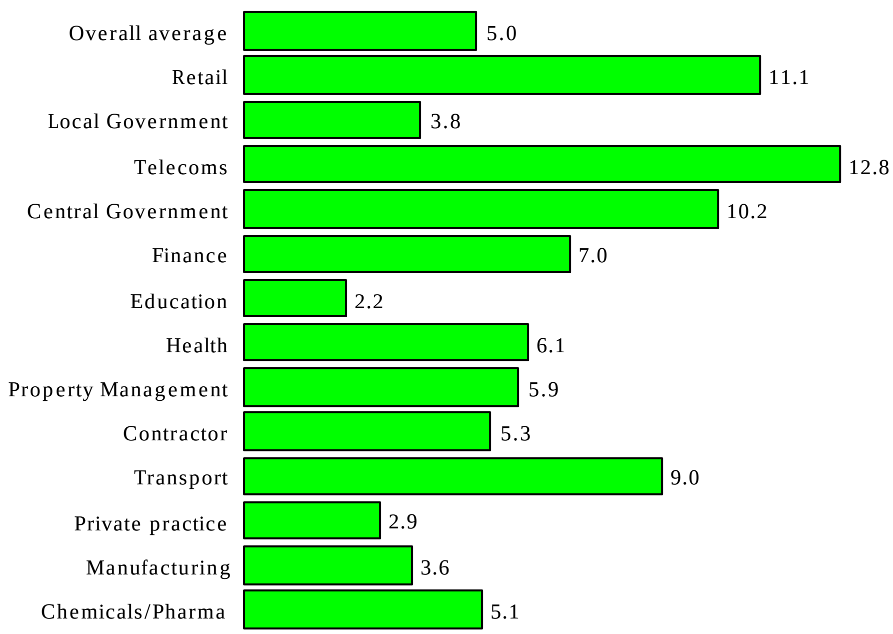
The average amount each respondent is responsible for at their particular location is £5 million. This is the budget at that site and not for the entire organisation.

Distribution of budgets at respondents' locations



Source: Barbour Facilities Management User Questionnaire '99

Average facilities management budget by type of organisation, at respondents' locations (£m)



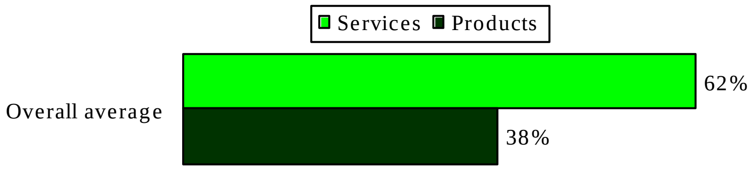
Source: Barbour Facilities Management User Questionnaire '99

The average budget varies across the different organisation types covered by the Facilities Management Compendium user survey. In the '98 Barbour Report, a different question was included which identified the average building maintenance budget at £3.4m and the average building refurbishment budget at £5.2m.

4.6 Proportion of expenditure on products and services

Those with responsibility for facilities management were asked what proportion of their budget is spent on products, and what proportion on services. "Products" includes building components, fit-out items, and furniture for example, whilst "services" includes catering, cleaning, security, building maintenance. The greatest proportion of budgets is spent on services, but this figure could include some products, where supplied as part of an external service contract.

Allocation of expenditure between products and services



Source: Barbour Facilities Management User Questionnaire '99

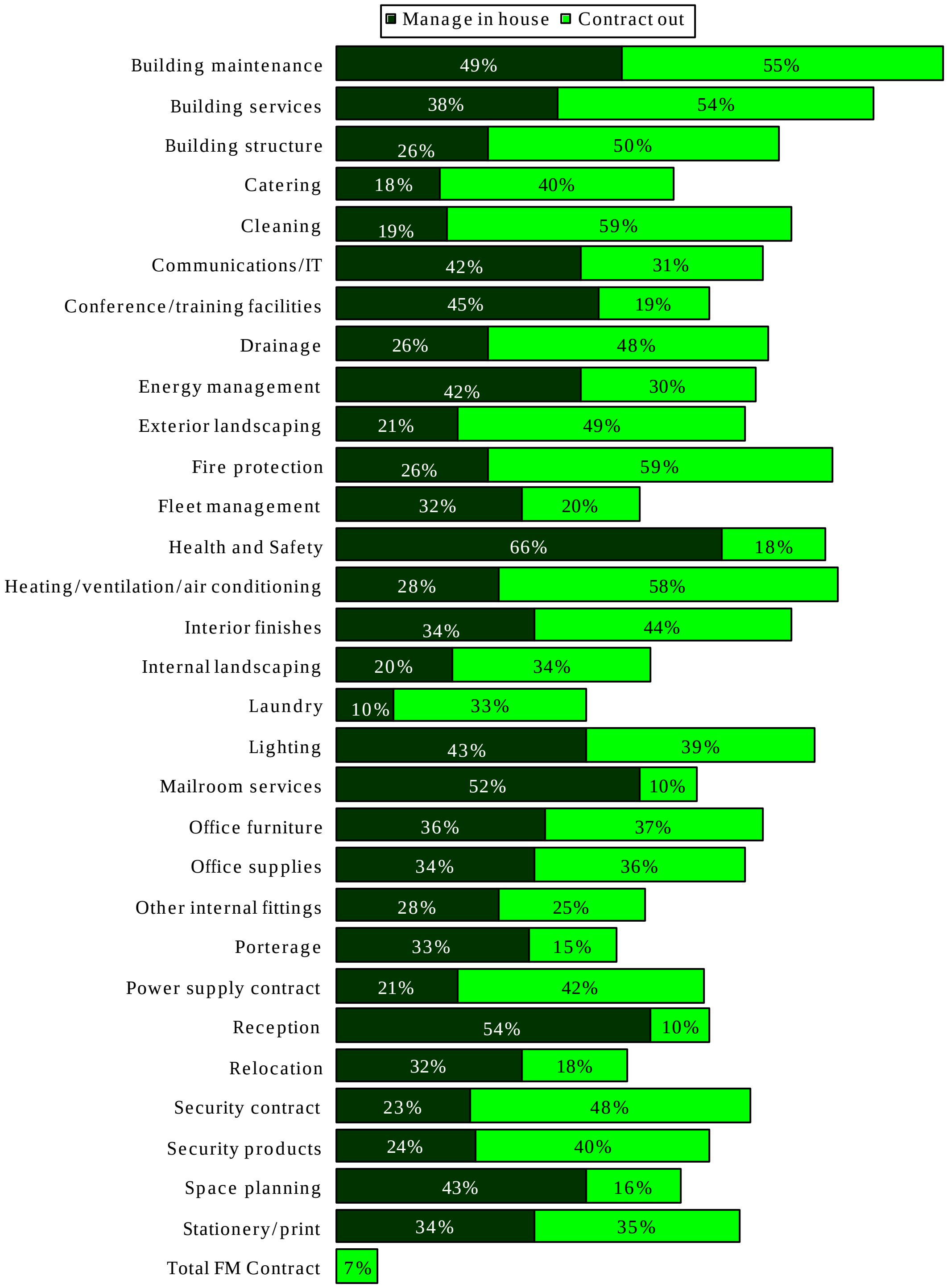
4.7 Responsibility for maintenance, refurbishment and new build

The '98 Barbour Report found that the maintenance and refurbishment functions are not managed separately. 77% of respondents had combined responsibility for the day-to-day upkeep of resources as well as their longer term refurbishment.

This survey also found that 60% of respondents said they were 'very' or 'fairly' involved in the choice of products for new building works. This suggests that organisations are injecting their experience of using products back into the new build design and specification process.

5. Operational practices

5.1 The proportion of services managed in-house or contracted out



Source: Barbour Facilities Management User Questionnaire '99
Note: Bars do not add to 100% as bar length also indicates the extent to which that service is required. Building Maintenance adds to over 100% implying duplication across both methods.

Health and safety, reception and mailroom services are more likely to be managed in-house than any other service. Cleaning, fire protection, heating/ventilation/air conditioning, and the maintenance of the building fabric, services and structure are most likely to be contracted out.

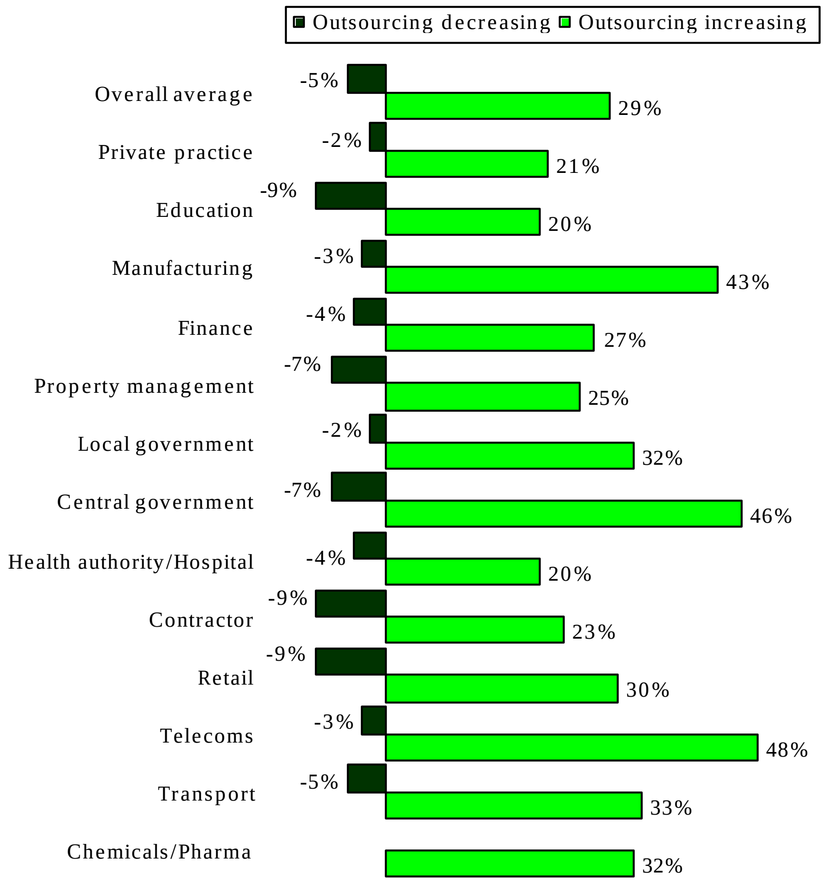
The functioning of the building and responsibility for its structure and related services are most likely to be a part of the facilities manager's remit. This is also reflected in the BIFM survey, which shows that more than 70% of members have responsibility for building maintenance and M&E services.

When compared with results taken from the '98 Facilities Management User Questionnaire, the extent of outsourcing has remained at similar levels across most categories in the last year. The only exception to this is health and safety where the extent of outsourcing has increased from 11% to 18% over the past year.

5.2 Trends in outsourcing

There is much talk about the growing trend towards outsourced services. A question was included in the Facilities Management Compendium user questionnaire to measure the extent to which this trend is still occurring.

Trends in respondents' organisations



% of respondents

Source: Barbour Facilities Management User Questionnaire '99

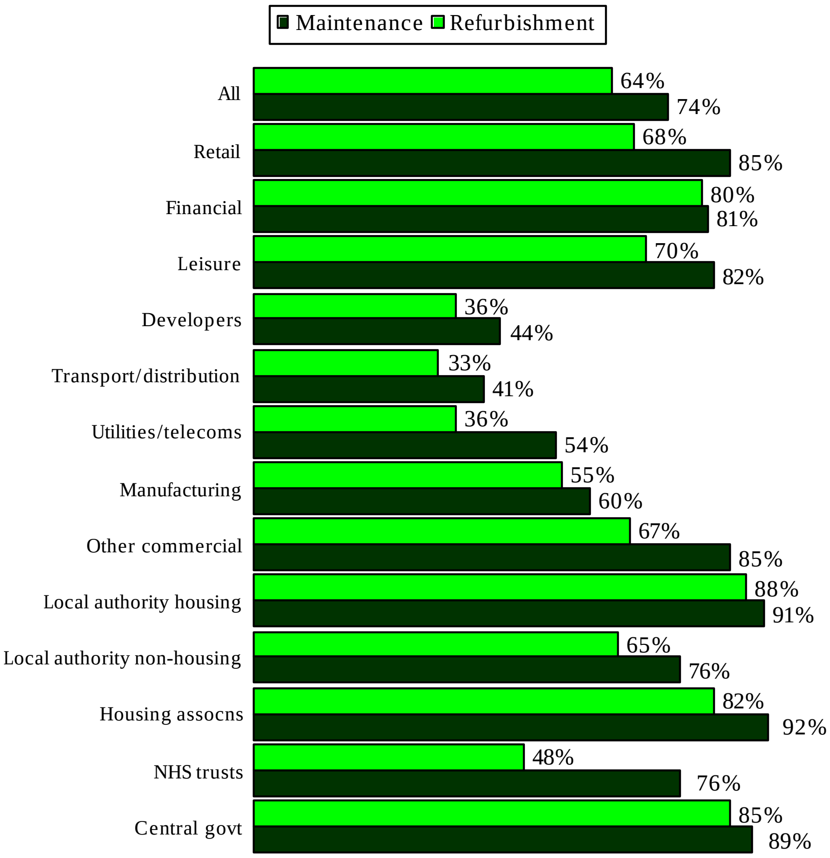
These figures show the proportion of companies where outsourcing is increasing, not the rate by which it is growing. Outsourcing is on the increase in 29% of respondents' organisations. This is particularly the case in the Telecommunications sector, Central Government and within Manufacturing companies. Analysis by size of budget shows that outsourcing is increasing at a slightly faster rate in organisations with larger FM budgets. .

The '99 survey of BIFM members (sample 655) shows that the rate of increase of outsourcing is slowing, suggesting that it is now a maturing market. Their survey indicates that just over half of FM services are outsourced at the moment, and this is expected to increase to 58% in 2000.

5.3 Planned work programmes

Where an ad hoc approach is taken to maintenance and refurbishment work, it is difficult for external providers to identify and target this work. Planned approaches however have defined scope and timescales which can be identified and addressed and, fortunately for suppliers, this is the approach being pursued by the majority of organisations. Around three-quarters are taking a planned approach to their maintenance and a little under two-thirds pursue a planned programme for the refurbishment of their built resources.

Organisations with planned maintenance and refurbishment programmes



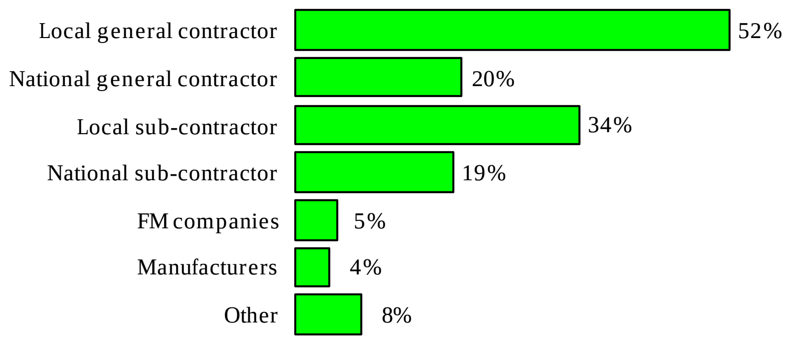
Source: '98 Barbour Report: The Building Maintenance and Refurbishment Market

6. External service providers for maintenance and refurbishment

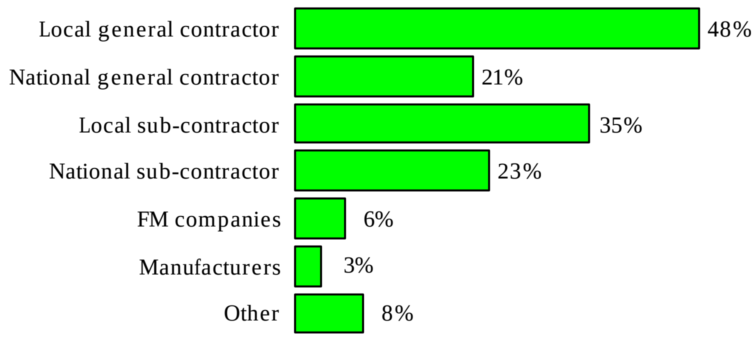
The '98 Barbour Report took an in-depth look at responsibility for outsourced building maintenance and refurbishment and identified the parties involved in providing services which support these processes.

Local general contractors are preferred for maintaining and refurbishing the general building fabric, however as the building components involved become more specialised, in areas such as floor coverings, heating, ventilation and electrical systems, then the emphasis shifts to local specialist sub-contractors. Where systems are particularly complex, (for example mechanical systems such as lifts and escalators) the importance of national specialist sub-contractors becomes apparent. The results shown below are for maintenance, but a similar pattern of use was found for refurbishment. Where an external contractor is involved in the product/brand decision process, these show which type of contractor this tends to be.

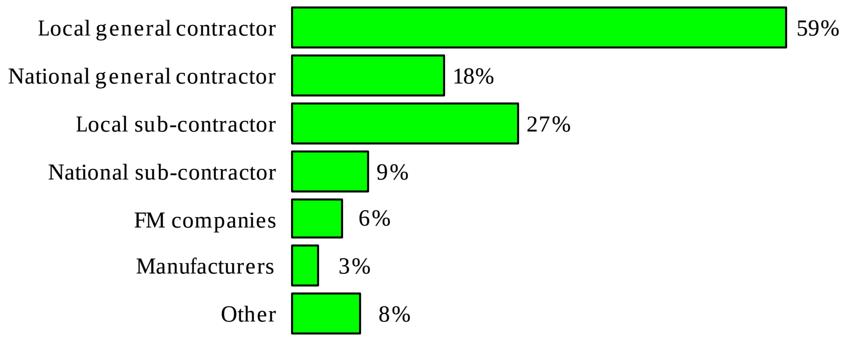
Maintenance – breakdown of external input in product and brand decision-making
Roof and external walls



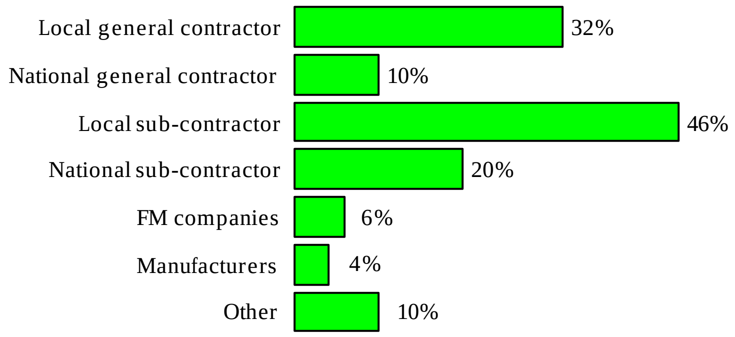
Windows and external doors



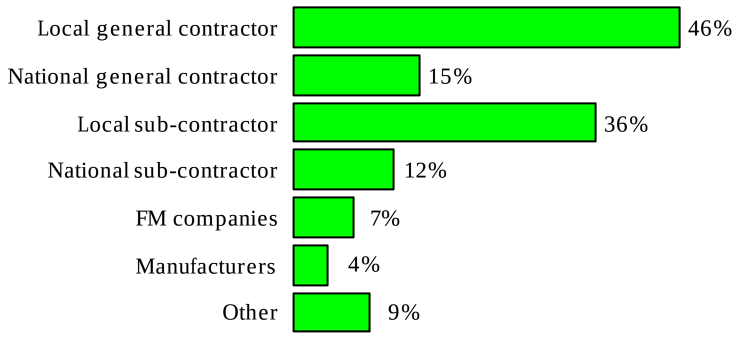
Internal walls, doors, partitions, ceilings



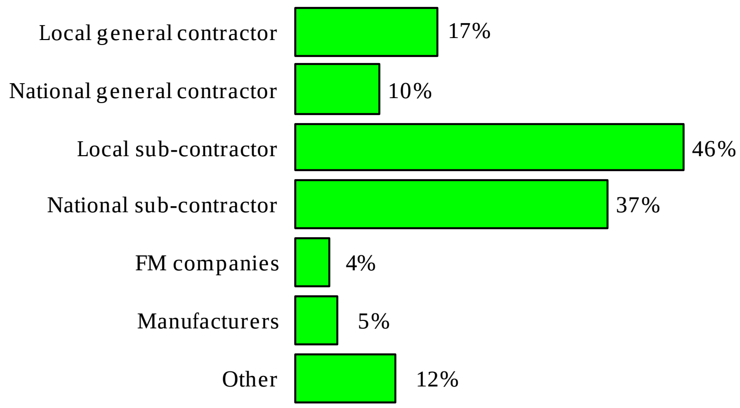
Floor coverings



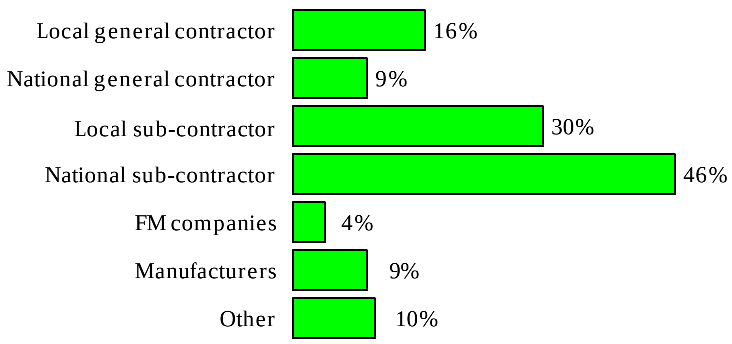
Fittings (such as sanitaryware, kitchens)



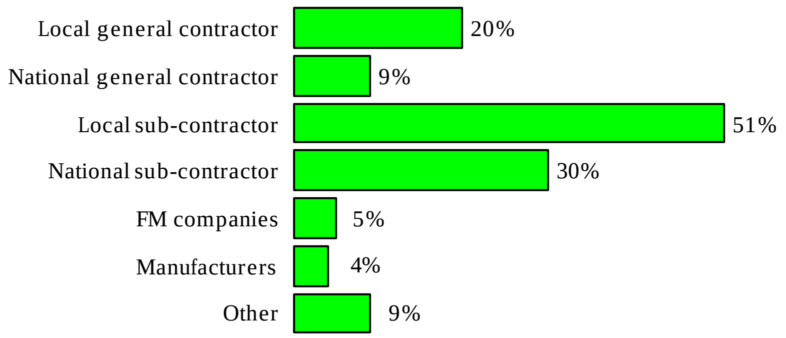
Heating, ventilation, air conditioning



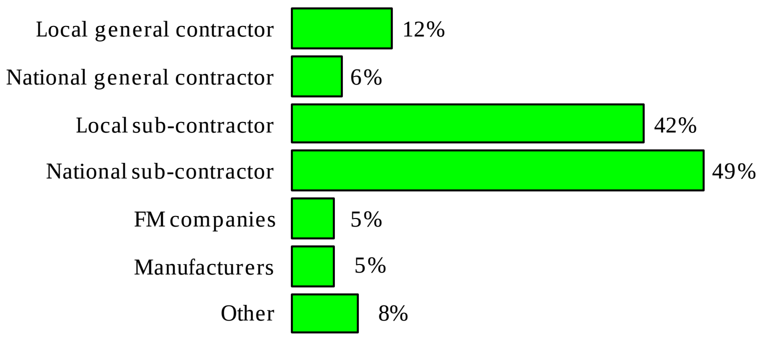
Other mechanical systems (eg lifts, escalators)



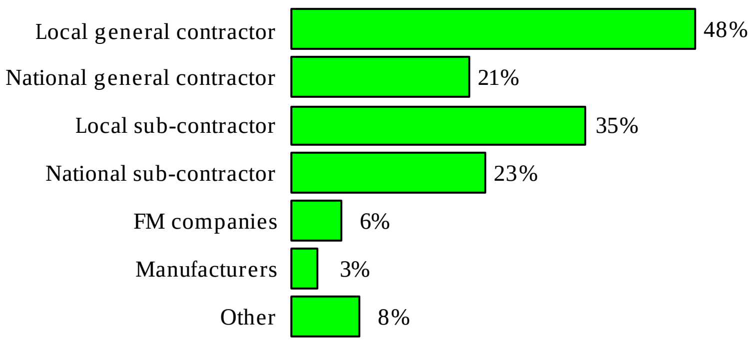
Electrical systems (including lighting)



Fire and security



External works



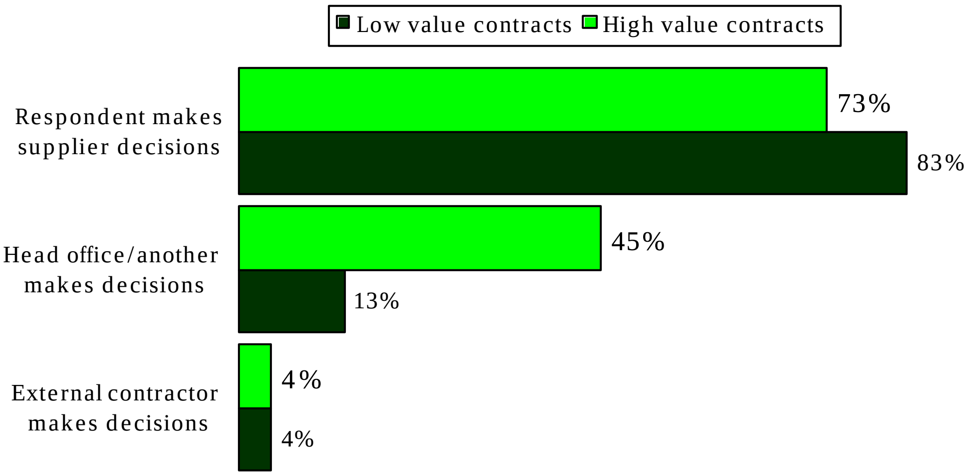
Source: '98 Barbour Report: The Building Maintenance and Refurbishment Market

These results suggest that those who are supplying products for use in building maintenance and refurbishment need to take account of the local and specialist contractors who are likely to have a significant influence on product choice.

7. Involvement in supplier decisions

Those responsible for facilities management are directly involved in making supplier decisions for both high and low value contracts, right across the spectrum of products and services. As shown by results later in this section, this involvement is expected to increase.

7.1 Involvement in supplier decisions for high and low value contracts



Source: Barbour Facilities Management User Questionnaire '99

Over 70% of the recipients of the FM Compendium said they were responsible for making the product and service supplier decisions within their organisation, rising to over 80% where the contract or purchase is considered to be of low value. Head Office input is more likely to be involved where the contract value is high.

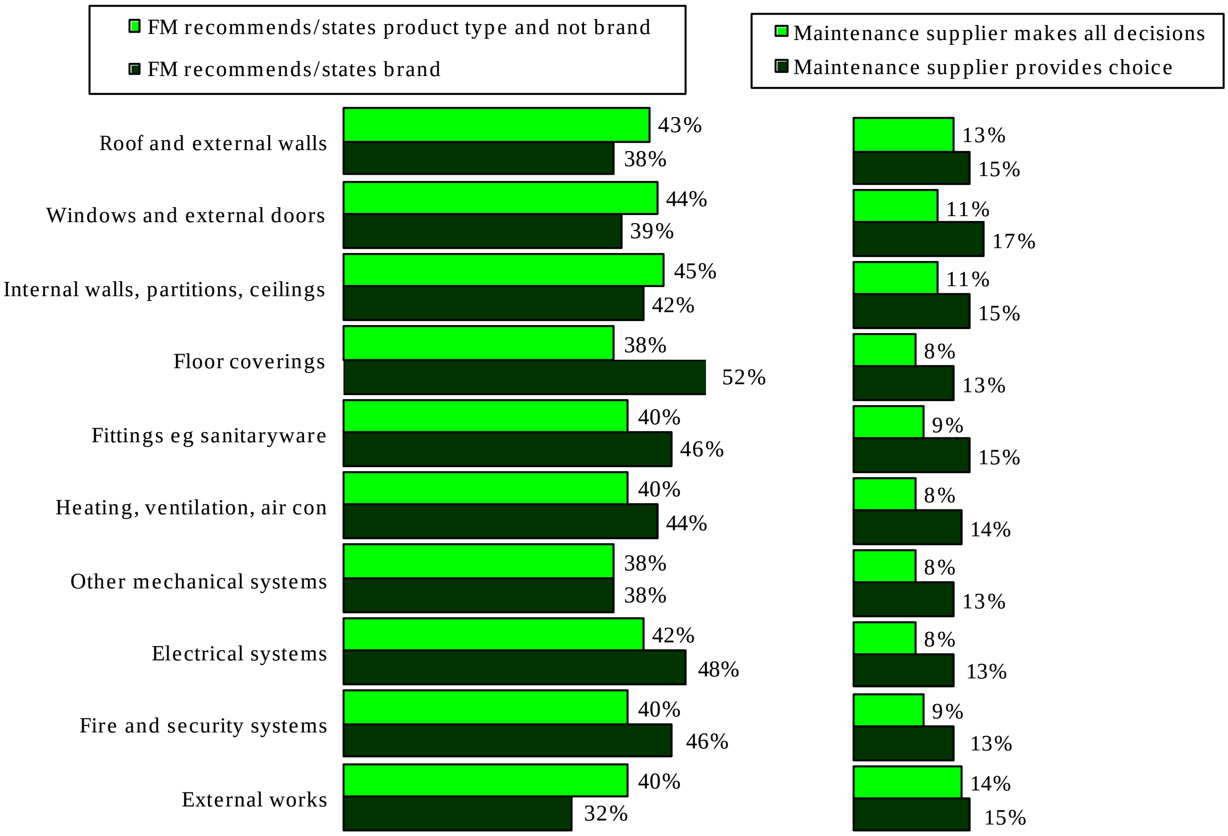
Focus group and other research has shown the importance of Purchasing departments. Many have to involve procurement departments in projects above a nominal sign-off level. This is typically around £5,000. Public sector departments seek competitive tenders to obtain 'best value' above this level and are required to advertise in the European Journal above around £15,000.

7.2 Involvement in product type and brand decisions for maintenance and refurbishment

The '98 Barbour Report examined the involvement of respondents in product and supplier decisions for building maintenance and refurbishment works. This looked at firstly the specification of material or product type and then moved on to examine the choice of brand for those products.

To allow the application of these results to particular areas of interest, the components of a building and related services were segmented into ten broad groups.

In-house and external decisions for maintenance by product group



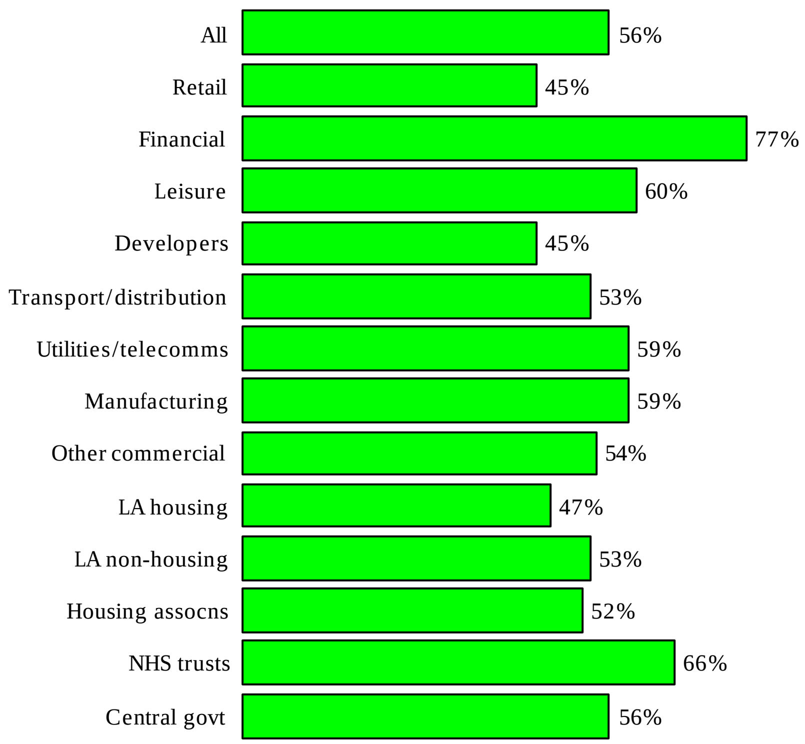
Source: '98 Barbour Report: The Building Maintenance and Refurbishment Market
Note: The figures in the graphs may add to over 100% where more than one answer was given, depending on the situation/project size or nature.

The graphs show the percentage of decisions made in-house and by external parties for products used in maintenance. The largest proportion across all product groups are made internally. However the involvement of a maintenance supplier in offering a choice to the internal decision-maker should not be discounted, although in only a small proportion of organisations are they responsible for the whole product and brand decision process.

There is a similar pattern in the decision-making for refurbishment, except that there is a slightly lower incidence of external parties taking all the decisions and a greater likelihood that the company will be offered a choice by a supplier.

Taking the occasions when the in-house organisation recommends the brand, and the incidences of a decision being taken based on choices offered by an external supplier, the graph below shows the percentage of brand decisions which are made in-house within each sector.

Average % of brand decisions made in-house for maintenance by sector



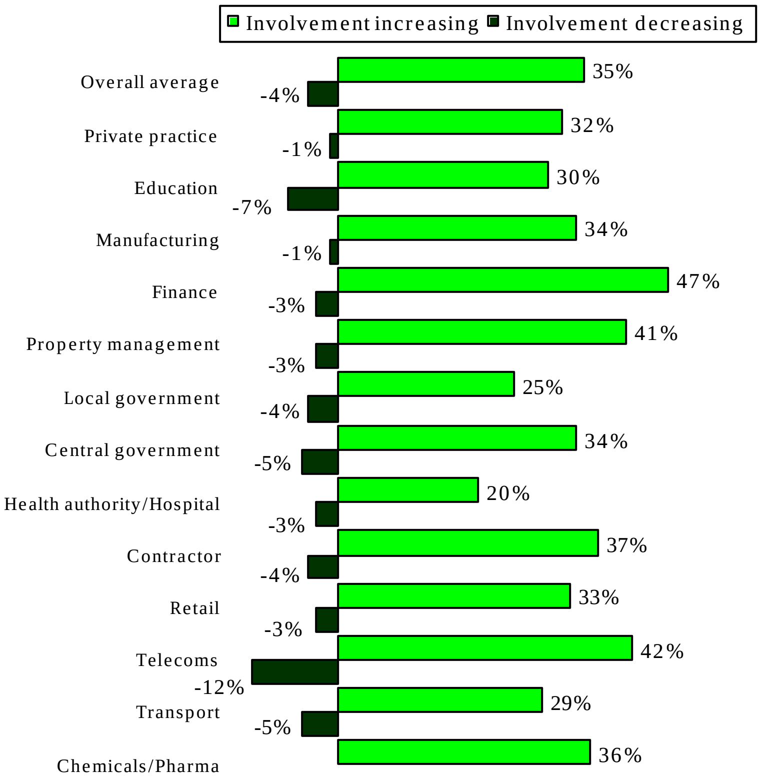
Source: '98 Barbour Report: The Building Maintenance and Refurbishment Market

This average increases to 60% when refurbishment decision-making is examined. Where decisions are made internally, in eight out of ten organisations they are taken by the main person responsible for facilities management, rather than being delegated to another in-house person.

7.3 Change in involvement in supplier decisions

Just over one-third of those involved in facilities management expect to have more involvement in supplier decisions over the next two years. In the Finance sector, almost half expect this and the levels are above average within the Property Management and Telecommunications sectors.

% expecting their involvement in next two years to change



Source: Barbour Facilities Management User Questionnaire '99

8. Specification and product selection

8.1 Use of standard approaches

In previous Barbour Reports, particularly those which examined the involvement of Contractors and Clients in the specification and brand selection processes, the use of standard specifications and formal lists of approved products was recognised as being significant within the product selection process. Many Clients operate these standard approaches, particularly those frequently purchasing construction projects.

Identifying the use of such documents, and being included within them, should be a major objective for most suppliers. Research has shown that standard specifications are developed and products selected for inclusion through monitoring performance in use. Such experience is gathered in the maintenance process and it is not surprising to find that nearly two-thirds of facilities managers interviewed have standard specifications and/or approved product lists.

Use of standard specifications and approved product lists			
	Standard specifications	**Approved product lists**	**Neither**
All	**55%**	**45%**	**36%**
Retail	59%	53%	28%
Financial	79%	71%	21%
Leisure	52%	55%	34%
Developers	32%	16%	68%
Transport/distribution	35%	26%	61%
Utilities/telecoms	54%	46%	38%
Manufacturing	51%	53%	33%
Other commercial	38%	41%	50%
Total private	**50%**	**47%**	**40%**
Local Authority housing	72%	41%	16%
Local Authority non-housing	50%	31%	42%
Housing Associations	76%	59%	17%
NHS Trusts	55%	45%	39%
Central Government	59%	31%	31%
Total public	**63%**	**42%**	**29%**

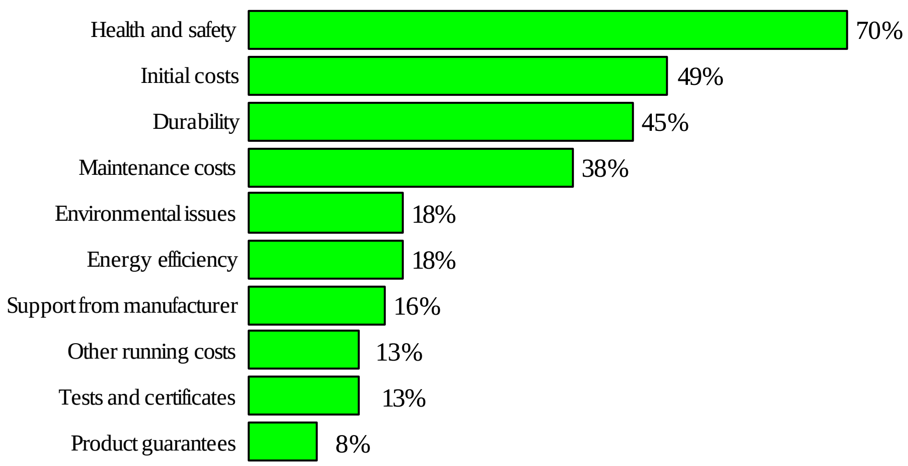
Source: '98 Barbour Report: The Building Maintenance and Refurbishment Market

Analysis reveals use of a higher proportion of standard specifications in the public sector but a higher level of approved product lists used by the private sector. Notably, just under 60% of Housing Associations and over 70% of Financial organisations say they operate approved product lists.

8.2 Key issues for product selection in maintenance and refurbishment

Health and safety is the single most important issue amongst those responsible for managing buildings and related facilities. The onerous requirements covering day-to-day operations means that the manager carries personal responsibility for legal compliance. It is not surprising therefore that this influences the product selection process with health and safety being the major factor affecting product choice.

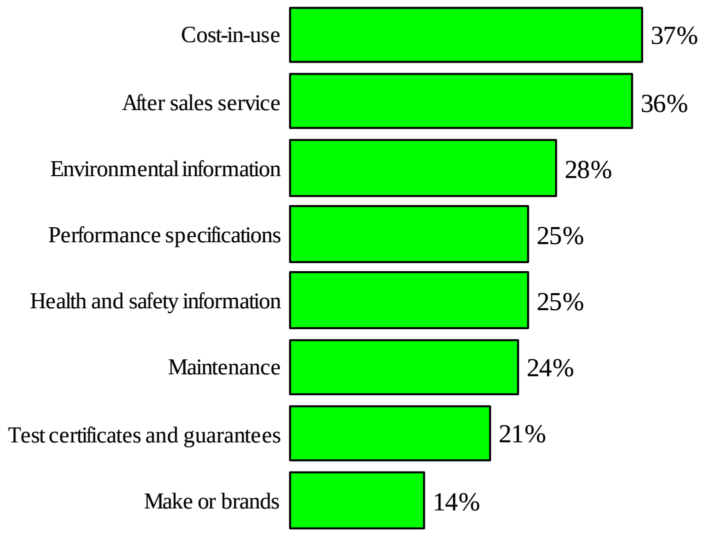
Importance of criteria - % saying factor is one of the three most important issues



Source: '98 Barbour Report: The Building Maintenance and Refurbishment Market

Information is required from manufacturers in order to evaluate products for inclusion in approved products lists or for use within standard specifications. Respondents were asked where they would like to see improvements in suppliers' information.

Improvements required in supplier information (% stating improvement needed)



Source: '98 Barbour Report: The Building Maintenance and Refurbishment Market

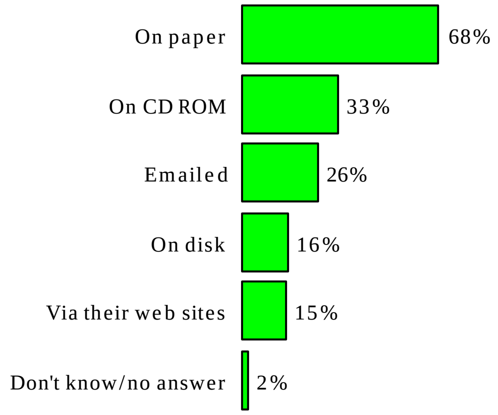
Cost-in-use information and details of the after-sales service and support provided by manufacturers are the main areas requiring attention. If this information is provided in a comprehensive package it will promote a long term relationship between the manufacturer, through the product to the building owner, and may then lead to inclusion in future standard specifications or other approved product lists.

9. Contact with suppliers

9.1 Contact and delivery of information

90% of those responsible for facilities management use the telephone to request information from suppliers. The '99 Barbour Report: The Sourcing and Exchange of Information across the Building Project Team, corroborated by other reports, shows a continuing preference for hard copy as the medium for delivering the requested information.

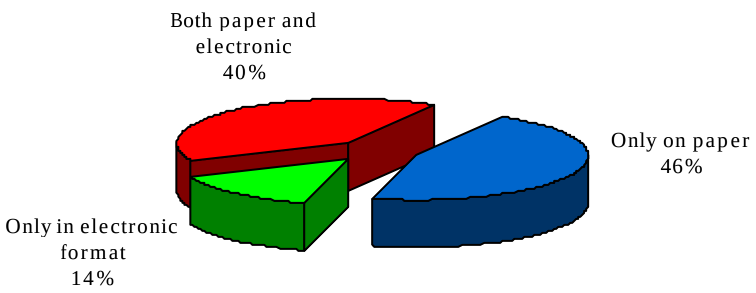
Preferred method of delivery of information from product and service suppliers



Source: Barbour Facilities Management User Questionnaire '99

Sourcing of information by electronic means is growing. One-third expressed a preference for a CD ROM format whilst one-quarter like to have information emailed to them.

9.2 Format in which product and service supplier records are held



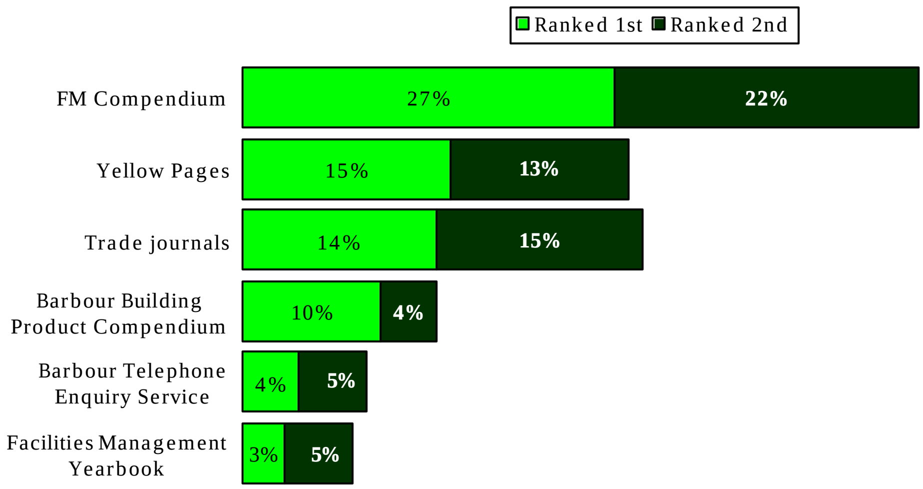
Source: Barbour Facilities Management User Questionnaire '99

Receiving information in hard copy may be the preference, but 54% hold some or all of their product and service supplier records electronically. Most of these are held in a mix of paper and electronic formats, but 46% still keep all their supplier records on paper.

10. Information sources used for locating products and services

Amongst users of Barbour's Facilities Management Compendium, 49% placed it in first or second place as their most useful source of information for the products and services they were considering using. These users did not identify any other national, annual source of information which they widely used. Yellow Pages and trade journals are used, but national or 12 month coverage means exposure in several editions or regional volumes. The Kadence research confirmed the Facilities Management Compendium as the most used annually published, national directory amongst facilities managers.

Ranking of sources in order of usefulness for locating products and services



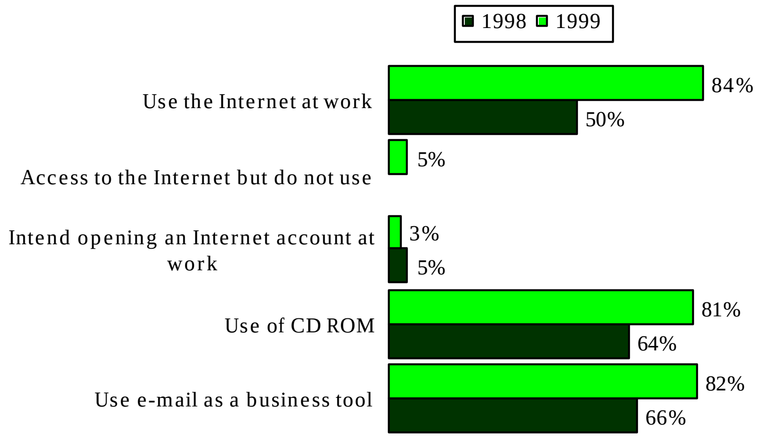
Source: Barbour Facilities Management User Questionnaire '99

The 1999 Kadence research into the use of Barbour's services amongst Facilities Managers also showed that:

- Over 40% of organisations with more than 1000 staff use one of the Barbour information services.
- The main service used is the Facilities Management Compendium, followed by the Building Product Compendium.
- Other services used include the Health and Safety CD ROM, Telephone Enquiry Service and the Construction Expert CD ROM.

11. Use of information technology

11.1 Use of electronic communication

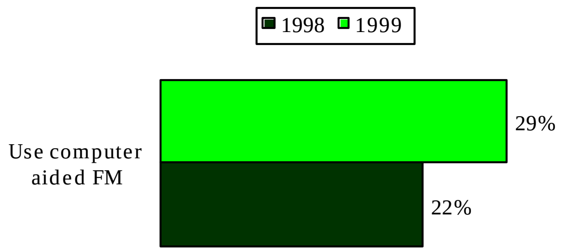


Source: Barbour Facilities Management User Questionnaire '99

Use of the Internet at work has grown at a faster pace than use of CD ROM, although both are now used to some extent by over 8 in 10 respondents. The same number now use e-mail as a business tool at work.

Use of electronic communication is high across all sizes of organisation, although there is a slight increase amongst the larger organisations.

11.2 Use of computer aided FM



Source: Barbour Facilites Management User Questionnaire '99

Computer-aided FM is the collective term describing the software tools which are available for asset recording and the operation of facilities. Use of these tools has steadily increased, from 22% in 1998 up to 29% in 1999. 41% of respondents in organisations with over 500 staff use some form of computer-aided FM.

12. Conclusion

To conclude, this report clearly identifies the facilities management market as a significant one for suppliers of products and services. The high level of responsibility amongst facilities managers is demonstrated, with involvement in outsourcing, the management of maintenance and refurbishment, and a large influence on product and service selection. Spread across all industry sectors, those with responsibility for facilities management are not an easy group to reach, but the report highlights some important considerations and methods of identifying and contacting those involved.

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