

# Will UK real estate move offshore?

Survey into the outsourcing and offshoring of RE business processes

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## CONTENTS

Section	Page	
<b>1</b>	<b>Background</b>	<b>3</b>
<b>2</b>	<b>Summary of survey results</b>	<b>6</b>
<b>3</b>	<b>Detailed survey results</b>	<b>8</b>
<b>4</b>	<b>Comparison with US results</b>	<b>17</b>
<b>5</b>	<b>The future</b>	<b>18</b>
<b>6</b>	<b>Case studies</b>	<b>21</b>
<b>7</b>	<b>Remit Consulting LLP</b>	<b>23</b>

## BACKGROUND

### Definitions

#### *Outsourcing*

The classic definition of 'outsourcing' is the transfer of an entire part of a business, often including the employees involved in it to a third party to manage for a fixed period, providing specific services or, in the case of property, appropriate space in return for an agreed fee. Typically the outsource service provider will be obliged to meet certain Service Levels. This is the type of transaction undertaken by the UK government's Department of Work and Pensions outsourcing agreement with LS Trillium or the Abbey Bank's arrangement with Mapeley.

Throughout this report however 'outsourcing' is used in the looser sense now current to mean the use of a third party to undertake specific tasks or business processes, usually with a high level of autonomy, in order to reduce the need for specific expertise to be retained within the outsourcing company, without the service provider necessarily taking on the legal or beneficial ownership of the property involved.

An example of this would be the award of a contract to manage property and property accounts to one of any number of traditional property service providers, e.g. CBRE, Jones Lang LaSalle, Drivers Jonas, to name but three.

#### *Business Process Outsourcing (BPO)*

This term is used to describe the undertaking of contract to provide services to a client. The processes are clearly defined and service levels and key performance indicators (KPIs) measure the outputs. The processes which are outsourced may be a subset of a larger set of processes traditionally undertaken together. For example, a company may ask a service provider to scan received invoices which are then accessed through systems by an in-house accounting team.

#### *Offshoring*

This term is used to mean the provision of tasks in a different country from that of the offshoring company, usually a country with lower labour costs such as India, China or other Asian or African countries.

A company may offshore to a third party organisation or to a subsidiary of its own.

#### *Agility*

This term is used to combine the notion of flexibility in meeting customer requirements with speed of doing so.

#### *Captive*

A common term in the offshoring industry meaning an establishment in a low wage country owned and controlled by a parent in another part of the world.

## Reasons for the survey

The UK and US press have for some time been reporting on the viability or otherwise of the outsourcing and offshoring of business processes. This practice has been widely taken up with over 65% of US companies outsourcing at least some of their business processes. Stories abound of the massive savings to be made: figures published in the US show the average cost of labour in the US at \$21 per hour compared with \$0.70 in India making the topic well worth consideration.

In the UK the financial service sector has been leading the way with some 9% of the administration of life and pension funds outsourced and 5% of insurance policy administration. Prudential, Lloyds TSB, HSBC and Norwich Union have all outsourced and offshored administration processes.

A number of new players have recently entered the market who are offering to undertake many of the low value, repetitive tasks involved in property management offshore for a significantly lower cost.

Given that, historically, the property management element and particularly the accounts processes of the traditional owner/manager contracts has been low margin business for the agents, do these new entrants pose a threat or an opportunity for clients and agents?

The facts quoted above create a background of drivers encouraging offshoring appropriate processes. These can be summarised as:

- Other industries, particularly in Finance and Accounting (F & A), are developing both outsourced and captive shared service centres abroad. The processes involved are similar to many in real estate
- Specialist real estate Business Process Outsourcing companies are emerging in the US and Europe
- US real estate organisations are beginning to experiment with offshoring and some corporate real estate teams are allowing their AP and AR processes to be offshored as part of their company's overall F & A BPO projects.

At the same time there are many anecdotes about poor customer service and the reversal in the outsourcing trend because of customer dissatisfaction. There is also considerable backlash in the popular press in respect of call centres and customer facing processes being outsourced abroad with poor results for consumers and job losses at home.

Indeed, even more traditional outsourcing practices have recently come under fire because of industrial relations problems such as the recent British Airways in-flight catering contract.

Within this wider business background, what is the state of play in the Real Estate market?

The Real Estate industry in both the UK and US has always outsourced some of its business processes to property managing agents and brokers; so is there anything new to say about it? Will offshoring make any impression on the traditional client-agent relationship?

Our study seeks to answer the following questions:

- Is BPO, whether onshore or offshore, relevant to the Real Estate industry?
- If it is, at what stage of the adoption curve is the industry and what lessons can be learnt from existing operations?
- Which Real Estate organisations are most likely to benefit from BPO?
- What constraints are there to widespread adoption of BPO?
- What likely scenarios for the Real Estate industry emerge from our findings and what should be the next steps for Real Estate organisations?

In order to answer these and other questions, Remit Consulting LLP and Alvarez & Marsal undertook a survey of a range of UK and US property owning and managing businesses. We received strong support from the Royal Institution of Chartered Surveyors for which we are grateful. We would like to thank all those businesses which took part in the survey for their valuable contributions.

## Our approach

Our initial hypothesis was that the largest companies in RE would be the first to adopt new practices. This has been largely disproved by the survey in the case of BPO but the approach has allowed us to establish strong comparative data on leading practice and cost bases.

We assumed that the larger organisations, with greater investment capability, would adopt BPO first and, if there were significant benefits, the new practices would 'trickle down' to medium and small sectors as the BPO organisations picked up economies of scale and could begin to offer smaller packages of services.

### *Drivers and measures*

Our first set of questions sought to confirm the key drivers within these large companies and discover how they measure the success of their RE teams. We examined internal and external drivers, and Key Performance Indicators (where used) were plotted and rationalised into groups. This research sought to establish whether there is any combination of drivers and measures which would relate directly to the main selling points of BPO – namely cost and efficiency.

Once these basic criteria had been established, we developed a set of questions around the current use of BPO in any form – ie did the organisation outsource any of their processes:

- Onshore
- Offshore to a captive BPO, or
- Offshore to an external BPO.

The number of processes in real estate runs into hundreds and, in order to set a realistic target and to compare like with

like, we selected just six processes to study. These were selected on the basis of:

- How similar they are to processes in other industries – i.e. is it likely that existing BPO organisations will be able to add RE processes to their service?
- Whether there are already examples of these RE processes being served by BPO organisations
- In the absence of either of these cases, is it likely that a particular process could be reduced in cost or increased in efficiency through captive or BPO offshoring?

### *Key processes for outsourcing*

Using these criteria, we selected the following six processes for our study:

- **Lease abstraction** – the abstracting of specific information for a lease summary or for entry to a database
- **Deal modelling/underwriting** – this is the preparation of financial information in spreadsheet format for financial decision-making
- **Invoice payments** – the receipt, checking and payment of invoices received
- **Billing, receipt of funds and credit control** – the preparation and dispatch of bills, the receipt of funds and their appropriate allocation and activities involved in the pursuit of payment.
- **Bank reconciliation** – the reconciliation of the internal ledgers with bank statements
- **Facilities management help desk** – the receipt of calls from building occupants, the logging of faults and the dispatch of workmen.

### *Adoption and the future*

On the basis of the responses we have estimated the position of the RE industry on the adoption curve in respect of BPO. This estimate allows us to gauge the potential next steps for the industry and estimate which players in the industry will benefit most from this type of initiative. We also sought to identify constraints which would prevent wide scale BPO adoption.

From this analysis we have produced a number of high level scenarios which should provide an insight into the future of business process outsourcing in the RE market. These scenarios are described in more detail in Section 5.

The likelihood of any of these scenarios is dependent on many factors, and particularly the attitude of clients and the suppliers. Current adoption is low but interest is high. We intend to review the market again in the next 18 to 24 months to see how things are changing.

## Our sample

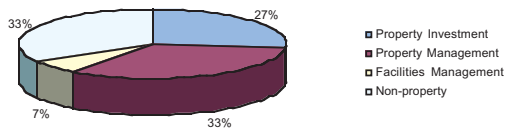
The full questionnaire may be found at our website – [www.remitconsulting.com](http://www.remitconsulting.com)

### A. Who were our respondents?

Our respondents comprise Property Investment, Property Management, Facilities Management and Non-property organisations

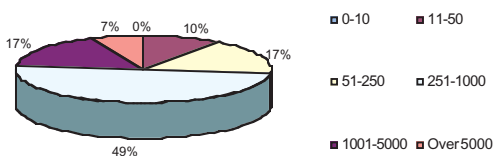
Respondents were asked to select their primary business function. Property Management and non-Property organisations (companies which own or occupy real estate for occupational purposes, this includes public sector and service organisations as well as Corporate Real Estate) accounted for 33% each of our respondents. Property Investors accounted for a further 27% and Facilities Management companies for the remainder – Figure a.

Fig. a. Breakdown of respondents



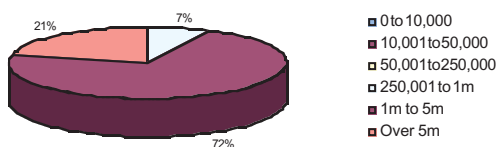
- The respondents classed as non-property include a range of professional services, retail, automotive, financial and leisure businesses
- Our respondents have significant portfolios. Two-thirds own or manage more than 251 individual units, and 17% own or manage more than 1,000 individual units. Fig b.

Fig. b. Number of units owned/managed



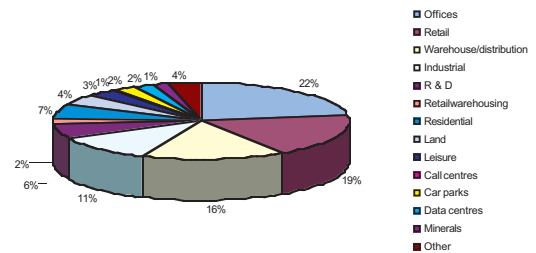
- 93% of our respondents own or manage in excess of 1 million square feet. Fig c.

Fig. c. Size of portfolio in square feet



- We then looked at the breakdown of property types within our respondents' portfolios. A wide range of property types was covered, the single most common being offices – owned or managed by 22% of our respondents. Retail is next at 19% followed by warehousing and distribution.

Fig. d. Breakdown of Property Type



## Conclusion

We hope that this study will provide answers to the most obvious questions about BPO in real estate. Press comment is becoming more frequent and companies are clearly considering their options.

There is strong potential for the market to fragment further and even polarise between those who do embrace BPO and those who do not. Our scenarios portray several possible outcomes but we would be delighted to discuss the possibilities further and, indeed, the results of the survey will be debated at a number of conferences over the coming months. Please contact us for further details if you would like to know more.

## Outline of this report

Following this introduction, the report contains four sections. The first is a summary of our findings and conclusions from the UK survey itself.

The second discusses each of the findings in more detail with the appropriate graphical information. The next section contains a comparison with the US results followed by Remit Consulting's interpretation of how the results may affect the future of the real estate market.

The final part contains case studies of organisations which have currently offshored some or all of the business processes discussed in the survey. These case studies have been provided by service providers and serve to illustrate the concepts discussed in the report. However, the case studies have not been independently validated and we have not used the figures in the studies to support our findings.

## Summary of findings

The survey answered the following questions:

### 1 What are the strategic objectives and key performance indicators of UK property owning and managing businesses?

Nearly 23% of the strategic objectives cited are related to operational efficiency. At Key Performance Indicator level however, cost control is clearly the most important single measure.

### 2 Are the UK property owning and managing businesses changing their strategy, and if so what are drivers of those changes?

Half of our respondents have changed strategy significantly in the last five years. The key external reason for this is increased competition and the key internal reason is structural or management change.

### 3 Are UK businesses currently outsourcing or offshoring some or all of the above processes?

- Is there any relationship between the size of an organisation's portfolio and its propensity to outsource or offshore?
- What, if any, is the relationship between the number of invoices or bills processed and the propensity to outsource/offshore?

76% of Property Investment respondents outsource or offshore some business processes. No Property Management respondents outsource or offshore.

66% of the Facilities Management and a huge 91% of the Non-property respondents outsource or offshore.

At present, all of the processes in question are outsourced by some members of the three groups. Overall, 13% of our sample offshore some processes: deal modelling, invoice payments, receipt of funds, billing and credit control and bank reconciliation. No-one currently offshores lease abstraction or facilities management help desk.

As might be expected, medium and large firms are more likely to offshore processes whereas small and medium firms are more likely to outsource at home. Many of the largest firms retain most of the work in house.

It appears that low volumes or high volumes of invoices or bills are more likely to be offshored. Medium volumes are likely to be outsourced to a UK provider.

### 4 Is there any correlation between the strategic objectives of organisations and their propensity to outsource or offshore their business processes?

There appears to be a correlation between the strategic objectives of cost control, customer service and operational efficiency and offshoring. Outsourcing within the UK is spread across all strategic objectives.

### 5 Are organisations that have changed their strategy in the last five years more likely to offshore?

We found that organisations which have changed strategy offshore a wider range of processes.

### 6 Are companies which do outsource/offshore some or all of their business processes satisfied with the service that they are receiving?

With the exception of lease abstraction where the quality of outsourced/offshored service was rated occasionally 'poor' the vast majority of respondents felt that service received was 'acceptable' or 'good'. Offshored processes received more 'excellent' ratings.

### 7 Have companies which have outsourced/offshored some or all of their business processes realised the financial benefits that they were anticipating?

Three quarters of respondents have achieved the level of savings anticipated, but 13% believe that they have achieved a lower level than anticipated.

### 8 How many people are typically employed to undertake the tasks in organisations which retain activities in house and how many full time employees have been saved by outsourcing/offshoring?

The majority of our respondents employ 0-3 full time equivalent employees for all of the processes reviewed. The most labour intensive task is invoice processing with 12.5% of respondents employing 10-20 FTEs in this area

### 9 What is the relationship between staff numbers and the number of bills/invoices processed?

There is a wide variation in staff employed to deal with high volumes of invoices. Similarly there is no clear correlation in billing, receipt of funds etc.

### 10 For organisations which outsource or offshore some processes, which parts of contract control and monitoring of the contract remains with the property managers in house?

We found the vast majority retain control of the contract. A few respondents passed responsibility for negotiating the contract and performance measurement to a specialist procurement team.

### 11 For organisations which retain all services in house, what are their reasons for not off shoring?

The single reason most commonly cited for not off shoring is 'lack of control', followed by 'political sensitivity'.

### 12 What is the average cost per employee in UK versus offshore?

The grade of employee undertaking the invoice payment and billing processes earns in the region of £20-25,000 in London and £16-18,000 outside the metropolis. These costs exclude overheads. Lease abstraction and data modelling tends to be carried out by higher grade staff, earning upwards of £40,000 per annum, exclusive of overheads.

We are informed by the offshore providers that it would cost approximately US\$1,500 per month to receive the equivalent support in India. At the current exchange rate that equates to about £835 per month or about £10,000 annually, inclusive. However this level of service cost is dependent on the number of 'seats' required.

Outsourcing to other companies within the UK is a widespread practice but offshoring has made little impact to date, for a variety of reasons. We believe that there is potential for this to change because of the cost savings that may be available. However the key to achieving cost savings is scale. It is clear from our discussions with offshore providers that unless appropriate scale is achieved – some 50 seats are required to make an offshore service viable – huge savings cannot be achieved. For our respondents with their average of 0-3 full time equivalents for each process this must present a problem.

We can see a number of possible ways forward:

- 1 Non-property organisations, for which real estate accounting processes form only a part of their overall accounting, may bundle rent accounting processes with all their other accounts payable and receivable to an offshore provider who is willing to provide a workforce skilled enough to deal with the additional complexities of the UK rental system in return for access to a large number of transactions.
- 2 Non-property organisations or Property Investment firms could join with other, similar organisations to create a large enough pool of processes to gain the savings by off shoring together. At first glance this might give rise to issues of confidentiality, but it is no different in principle from two competitive organisations using the same property management firm in the UK.

3 Property management firms which, unsurprisingly, employ more FTEs for the processes under discussion could combine to create a captive offshore service provider. Although some property management firms believe that their handling of these back office processes is part of their unique selling point, other industries have found ways to standardise processes and this should be possible within Real Estate. Added value for the client has to be in more high value tasks than these. This has always been a low margin area of business for managing agents and by streamlining processes and moving them to more cost effective locations this could be improved.

4 In the long term, we believe that the increasing power of technology will reduce further the number of individuals required to undertake the business processes under discussion. We therefore see the offshore advantage which is essentially derived from labour arbitrage as short to medium term. Organisations which do not feel comfortable with off shoring as a concept may be better advised to concentrate on improving processes for automation.

5 We see both offshoring and increased automation as a potential threat to the current business model of the property managing agents. There is a potential opportunity for a few firms to aggregate as much business as possible, either directly from clients, or as a 'white label' service to other agents and offshore it, potentially to a captive .

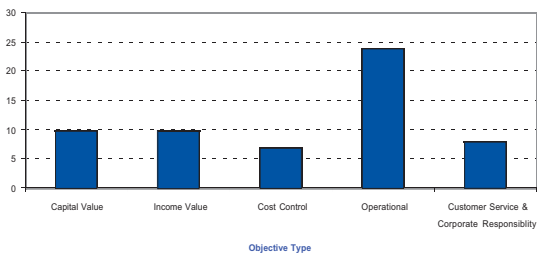
# The Results

This section elaborates on the summary of our findings contained in Section 1.

## 1 What are the strategic objectives and key performance indicators of UK property owning and managing businesses?

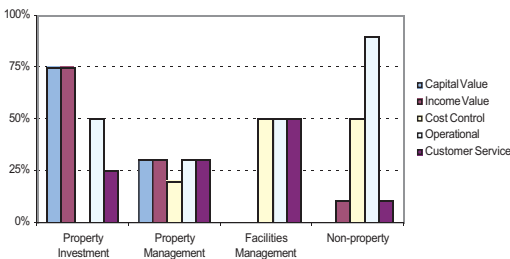
1.1 The respondents were asked to name the strategic objectives of their organisation. This resulted in a wide range of answers which were then arranged into 5 clusters. As may be seen in Fig 1.1 operational strategic objectives were most frequently cited. Disappointingly, customer service and corporate responsibility objectives together are only marginally more important than cost control.

Fig. 1.1 Clusters of Strategic Objectives



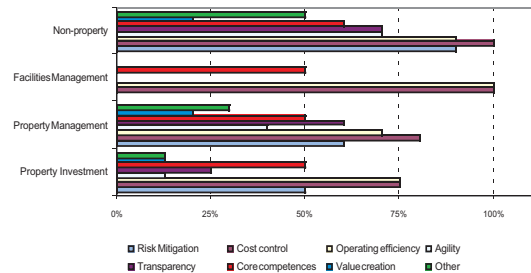
1.2 We then considered whether there is any correlation between respondent types and their strategic objectives and, not surprisingly, found that non-property respondents are strongly motivated by operation considerations but are not driven by capital considerations whereas 75% of the Property Investment organisations are driven by capital and income value objectives. Property Management companies are, to an extent, driven by the needs of their clients – the Property Investment and non-property organisations as well as their own internal needs. They therefore have a mixture of strategic objectives.

Fig. 1.2 Strategic Objectives by Respondent Type



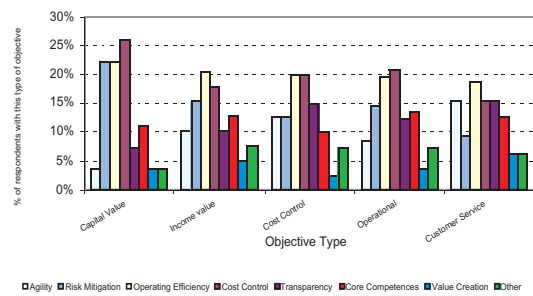
1.3 We asked our respondents about what drives their objectives. They were given a choice of 8 possible answers from which they could choose more than one. In addition, they were asked to state additional drivers of strategy. Fig. 2.3 below again shows that operation efficiency is of key importance. However cost control as a driver of strategic objectives is more important still. Risk mitigation is important to Non-property organisations and to Property Management respondents. It is less important, at least in the economic climate of Spring 2005, to Property Investment respondents. Cost control and operating efficiency are the key drivers of the Facilities Management companies. Agility – the ability to service changing property requirements was more important to the Non-property organisations and presumably reflects their concern with operational efficiency.

Fig. 1.3 Strategic Drivers by Respondent Type



1.4 We also looked at the relationship between the strategic objectives and the drivers of those objectives.

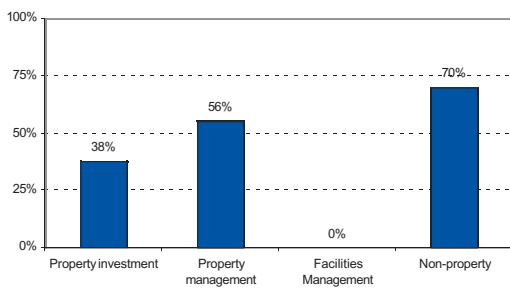
Fig. 1.4 Strategic Objectives and Drivers



## 2 Are the UK property owning and managing businesses changing their strategy, and if so what are drivers of those changes?

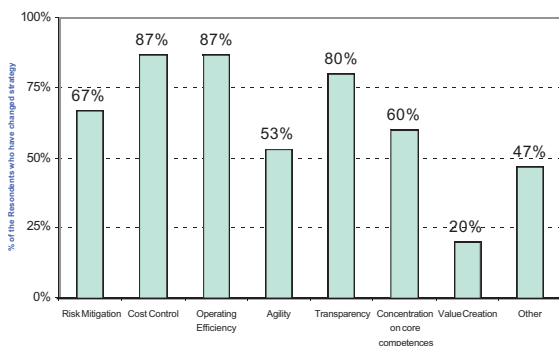
2.1 Have our respondents' strategic objectives remained the same over a long period of time or have they changed, and if so, what has caused the changes? Overall half our sample have changed their business strategy significantly in the past five years. Fig. 2.1 shows the proportions changing strategy within each Respondent type. The vast majority of Non-property businesses have made major changes as have more than 50% of Property Management Respondents.

Fig. 2.1 Respondents who have changed strategy in last 5 years



2.2 Is there any relationship between an organisation's strategic drivers and its propensity to change? As can be seen in Fig. 2.2, 87% of Respondents who have changed their strategy have cost control and operating efficiency as strategy drivers compared with the 20% who have value creation as a strategic driver. Can we infer from this that improving cost control and operating efficiency requires more frequent review and adoption of new strategies and methods than the creation of value where practices are tried and tested? The information in 2.3 suggests not.

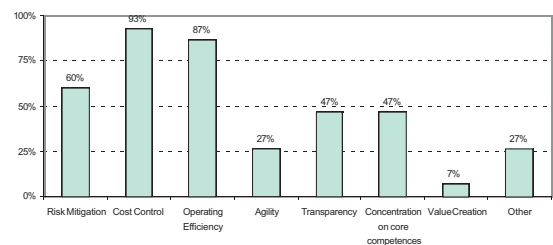
Fig. 2.2 Strategic Drivers of Respondents changing strategy in last 5 years



2.3 Fig 2.3 shows the strategic drivers of the 50% of our respondents who have maintained the same strategy for over 5 years. Clearly, even more of these respondents are concerned with cost control and are equally driven by operating efficiency. In fact the divergence between the

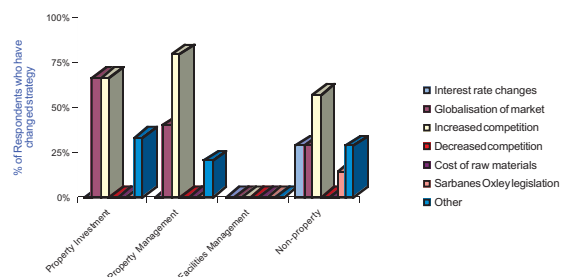
respondents who have changed strategy and those who have not is most obvious in the areas of 'agility', 'transparency' and 'concentration on core competences'. Of the strategy changers 53%, 80% and 60% respectively are driven by these considerations, compared with only 27%, 47% and 47% respectively of the non-changers. Combining the information in 1.3, 2.1, 2.2 and 2.3 we can infer that Non-property organisations who are the most likely to have changed their strategies are driven by a desire for agility, transparency and the need to concentrate on core competences. Although cost control and operating efficiency are the most important strategy drivers overall they do not seem to influence an organisation to change strategy.

Fig. 2.3 Strategy Drivers of Respondents which have NOT changed strategy



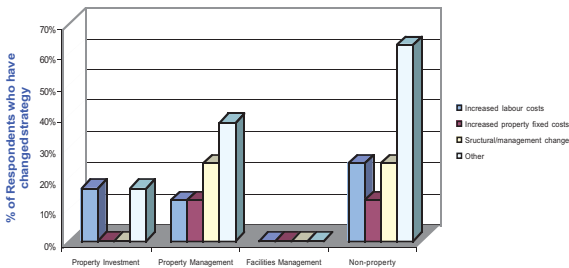
2.4 Turning to the outside world, what external factors have encouraged our Respondents to change strategy? Figure 2.4 illustrates that of the Respondents whose strategy has changed, the major influencers are globalisation and increased competition. The latter factor is particularly pertinent to the Property Management companies. A low interest rate environment, is also having some influence on the Non-property sector. Interestingly, only the Non-property sector seems at present to be influenced by the Sarbanes Oxley acts and allied legislation. It may be that this concern will filter through to Property Management companies by way of changing service level requirements from their Non-property clients. The seeming lack of concern about this type of legislation from the Property Investment group is surprising.

Fig. 2.4 Reasons for strategy change



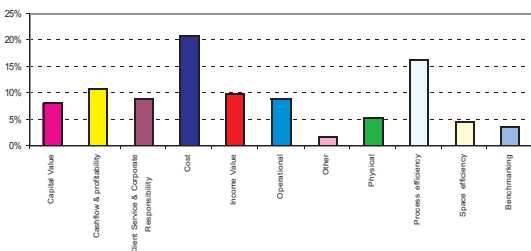
2.5 Internal reasons for strategic change are shown in Figure 2.5. From the prevalence of 'other' as a response, it would seem that internal reasons for change are diverse, although internal structural change is a factor for Property Management and Non-property respondents. Increased labour costs are also cited by all respondent groups.

Fig. 2.5 Internal reasons for strategy changes



2.6 Having considered our Respondents' Strategic objectives and direction, we looked in more detail at the Key Performance Indicators against which they are reporting. Again there was a very wide range (109 individual KPIs were named) but the majority can be grouped under 12 headings illustrated in Fig. 2.6. Clearly cost measures are important – this may be because cost is fairly straightforward to measure and is easy to track over time. It is more difficult on the other hand to attach measures to Client Service and Corporate Responsibility.

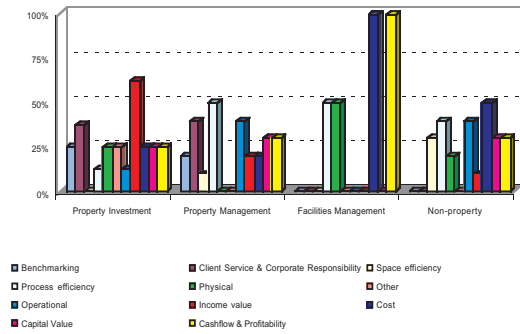
Fig. 2.6 Types of Key Performance Indicator



2.7 These KPIs can also be grouped in relation to the types of organisation (Fig 2.7). If we compare the KPIs of the different respondents to the overall position, we can see that the emphasis on cost measures may be skewed by the Facilities Management respondents. Perhaps surprisingly the Property Investment group have more KPIs related to income return than capital value. Is this because yields have been falling so there is more emphasis on keeping income as high as possible? Process efficiency again is a widespread KPI. It seems of less interest to the Property Investors, again perhaps related to the fact that costs are fraction of the values involved in investment deals. An interesting comparison may be made with Fig. 2.1 which showed that Customer Service and Corporate Responsibility were not rated highly as

Strategic Objectives. In Fig. 3.7 we can see that at the more detailed reporting level they are the second most frequently cited KPIs for both the Property Investment and Property Management groups. This may suggest a lack of alignment between Strategy and KPIs or it may be that businesses perceive Customer Service and Corporate Responsibility as a way to achieve their strategic goals rather than a goal in themselves.

Fig. 2.7 KPIs by Respondent Type



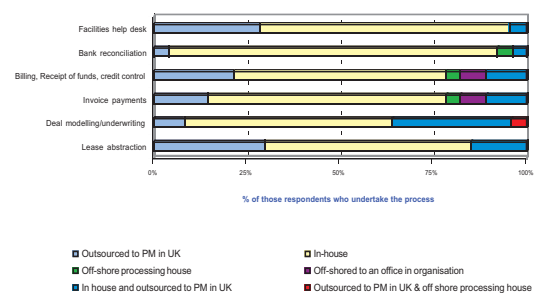
### 3 Are UK businesses currently outsourcing or offshoring some or all of the above processes and is there any relationship between the size of an organisation's portfolio and its propensity to outsource or offshore?

The next section of the survey deals with the details of outsourcing and offshoring. There are a number of possibilities to consider. A firm may:

- Undertake all processes in house
- Divide some or all processes between in-house staff and an outsource provider
- Outsource the processes to a UK Property Manager or a UK based Business Processing house
- Offshore the processes to a Business Processing house abroad
- Offshore the processes to a subsidiary abroad.

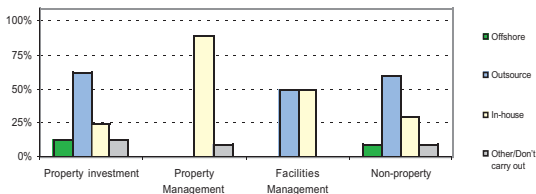
3.1 Fig. 3.1 looks at the overall picture of where specific business processes are carried out. As we can see, all of the processes are outsourced at least in part, and 4 of the 7 are offshored, although the offshored proportion is much lower overall.

Fig. 3.1 Outsourcing and Offshoring Across Functions



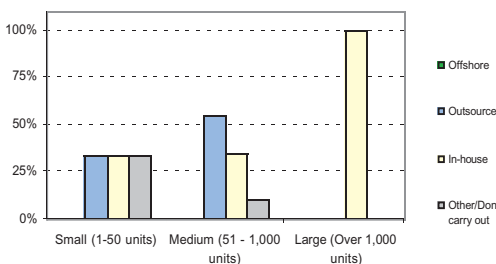
3.2 Turning to each process individually, which respondents carry them out in which locations? Fig. 3.2a shows that Lease abstraction is generally carried out in house by Property and Facilities Management groups but that Property Investors and Non-property organisations are more likely to outsource it. At present no organisation offshores this process.

**Fig. 3.2a Lease Abstraction by Respondent Type**



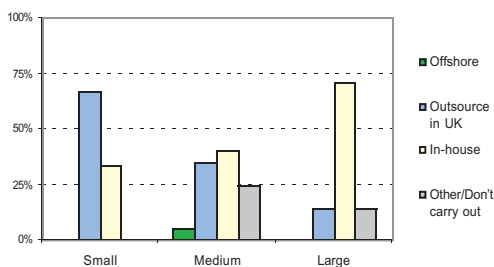
There is also a strong correlation between size of the organisation and the propensity to outsource lease abstraction. Fig 3.2b shows the majority of firms with medium portfolios (51-1,000 units) outsource whereas the larger firms undertake all the work in house.

**Fig. 3.2b Lease Abstraction by Respondent Size**



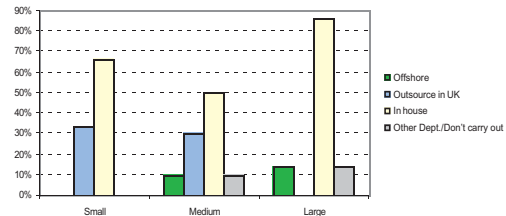
3.3 Deal modelling is the first of our processes where some organisations appear to be dipping a toe in the waters of off shoring with about 5% of the medium firms trying it. All the firms offshoring fall within the Non-property category. As with lease abstraction outsourcing of all types is less frequent in the firms with larger portfolios.

**Fig. 3.3 Deal Modelling by Respondent Size**



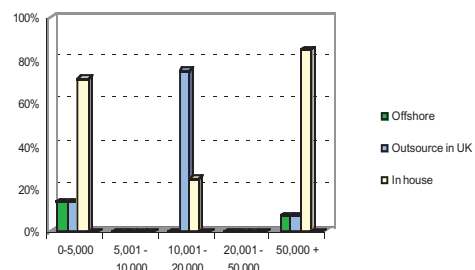
3.4 Invoice payments appear to be an area where more outsourcing is taking place with both large and medium organisations undertaking it. (Fig 3.4) It appears that larger firms are either offshoring or undertaking invoice payment in house rather than outsourcing to property managers in the UK. Is this the beginning of a trend?

**Fig. 3.4 Invoice Payments by Respondent Size**



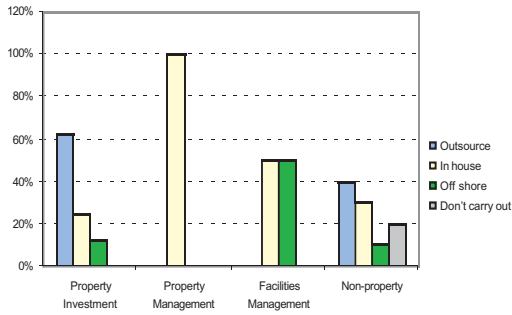
3.5 Rather than looking at the size of the organisation it is probably more relevant to consider the number of invoices being processed. As is shown in Fig 3.5, some firms with the least or the most invoices are offshoring the process. Possibly where a company only has a few property related invoices it makes sense to bundle them with other items as part of a larger outsourcing programme.

**Fig. 3.5 Location by Invoice Numbers**



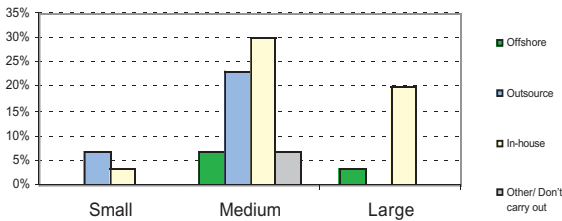
3.6 Finally, we should look at the relationship between type of respondent and propensity to offshore. We would anticipate that the Non-property companies are most likely to do this, but in fact the property investment and facilities management companies seem more likely to offshore. Not surprisingly, the Property Managers are keeping everything in house at present.

**Fig. 3.6 Invoice Payment by Respondent Type**



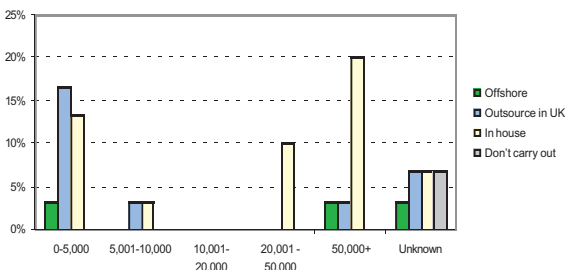
3.7 Is the same split present at the receiving end or are firms keen to keep control of their receipts? Fig 3.7 suggests again that larger companies are either keeping work in house or offshoring in a few cases. Some medium size companies are offshoring in this area – more than the numbers offshoring deal modelling. Unsurprisingly, none of the companies at the smaller end of the scale are offshoring these processes.

**Fig. 3.7 Billing etc. by Respondent Size**



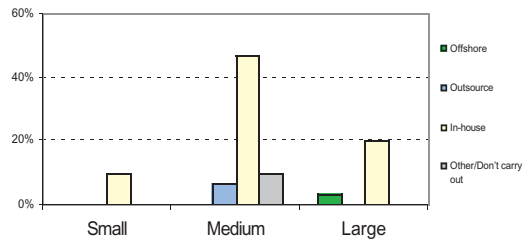
3.8 Again it is interesting to look at location in relation to the number of fund receipts dealt with. We can see in Fig 3.8 that similarly to invoice payments (Fig 3.5), the larger and smaller levels may be offshored.

**Fig. 3.8 Location by Number of Bills etc.**



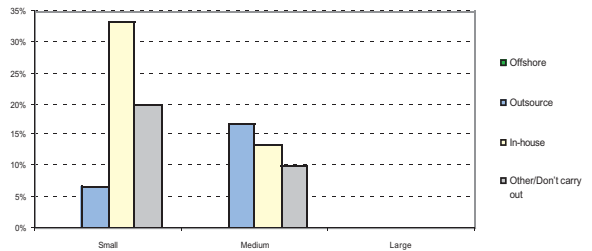
3.9 The relationship between size and Offshoring is repeated for bank reconciliations. This process is not often outsourced either. The only type of organisation which offshores this function is Property Investment.

**Fig. 3.9 Bank Reconciliation by Respondent Size**

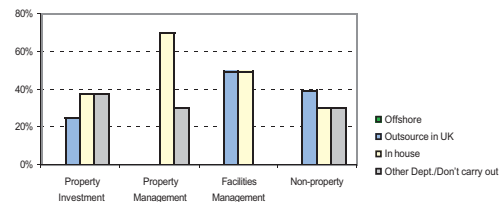


3.10 Only two-thirds of our respondents have a facilities management help desk, and none of them offshore the function. Medium size firms are more inclined to outsource than large or small firms. – Fig 3.10a - and Non property organisations are more likely to outsource than the others – Fig 3.10b.

**Fig. 3.10a Location & FM Help Desk**

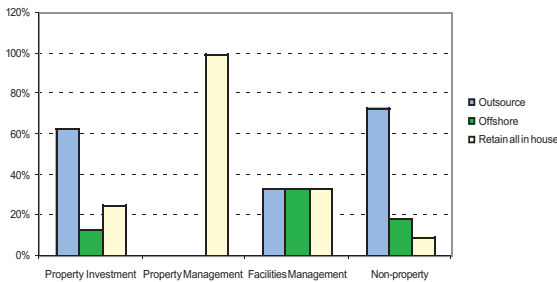


**Fig. 3.10b FM Help Desk by Respondent Type**



3.11 Fig 3.11 summarises the overall propensity to outsource and offshore of the different groups.

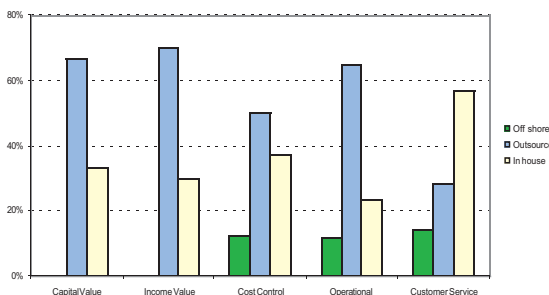
Fig. 3.11 Locations across all Respondents



#### 4 Is there any correlation between the strategic objectives of organisations and their propensity to outsource or offshore their business processes?

4.1 Having considered the detail of which processes are carried out in which locations, we then turned to a consideration of the relationship between these findings and our earlier findings on companies' strategic objectives. First, we looked to see whether there was a link between all companies with a particular strategic objective. Fig 4.1 shows quite clearly that only respondents with cost control, operational, or customer service objectives are offshoring any processes. Additionally, respondents with operational objectives are the most likely group to outsource within the UK. Since operational objectives are the by far the most common (Fig 1.1) we may conclude from this that respondents are more likely to believe that outsourcing/offshoring to experts is likely to deliver operational than other goals. Surprisingly, given the often poor press given to the customer service aspects of offshoring, respondents with this strategic goal are the second most likely group to offshore. Respondents with cost control objectives are prepared to offshore but only to offices controlled by their own organisation.

Fig. 4.1 Location by Strategic Objective



#### 5 Are organisations that have changed their strategy in the last five years more likely to offshore?

5.1 Is there a disproportionate propensity to outsource or offshore amongst respondents whose strategy has changed in the last 5 years? Comparison of Figs 5.1 and 5.2 would suggest that there is. This may be because offshoring has only been a viable proposition within the last 5 years but there is also a higher propensity to outsource in the UK in this group as well. Perhaps respondents who update their strategies regularly are more inclined to try different approaches to achieving their goals. This may be a reflection of the fact that the most frequently cited internal driver for strategic change was new management or structure – new brooms are looking to make their mark!

Fig. 5.1 Respondents who have changed strategy

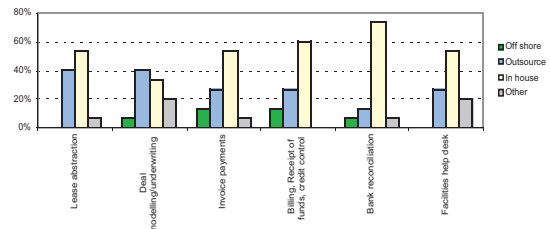
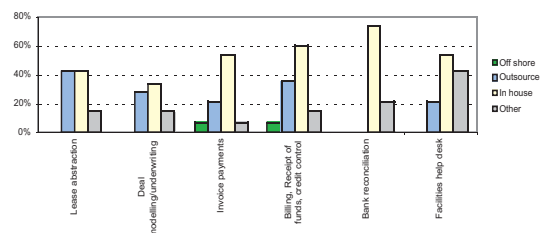


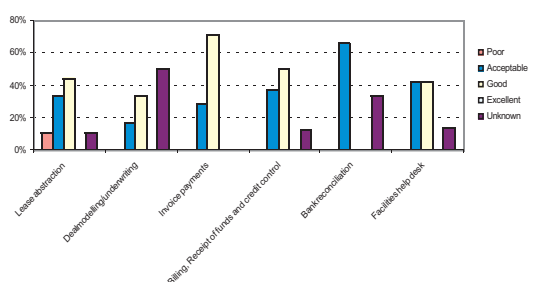
Fig. 5.2 Respondents who have not changed strategy



#### 6 Are companies which do outsource/ offshore some or all of their business processes satisfied with the service that they are receiving?

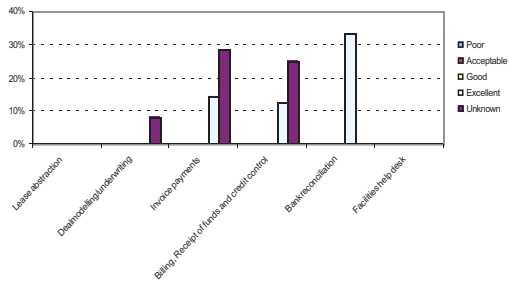
6.1 Fig. 6.1 shows that the vast majority of respondents outsourcing are receiving a service that is acceptable or better. The only area of poor service is in lease abstraction. A possible reason for this may be that lease abstraction often turns out to be more complex than originally envisaged so inadequate resources may be assigned to the task.

Fig. 6.1 Quality of outsourcing



6.2 Fig 6.2 shows that where organisations have offshored they tend to rate the service as excellent. We must be wary of drawing too firm a conclusion however as we are dealing with a very small sample in this area.

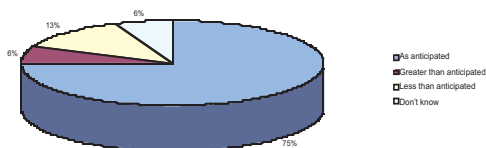
**Fig. 6.2 Quality of offshored processes**



## 7 Have companies which have outsourced/offshored some or all of their business processes realised the financial benefits that they were anticipating?

7.1 75% of respondents realised the cost savings they had anticipated. However more respondents achieved lower savings than anticipate (13%) than higher gains (6%) – Fig 7.1. This high level of satisfaction with the gains achieved suggests two possibilities – first that the majority of outsourcing/offshoring contracts are well scoped and there are few surprises or second, that cost savings are not the primary motivator in outsourcing/offshoring.

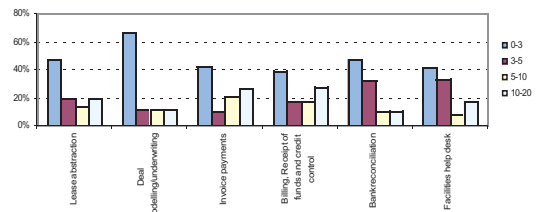
**Fig. 7.1 Cost savings & efficiency gains achieved**



## 8 How many people are typically employed to undertake the tasks in organisations which retain activities in house and how many full time employees have been saved by outsourcing/offshoring?

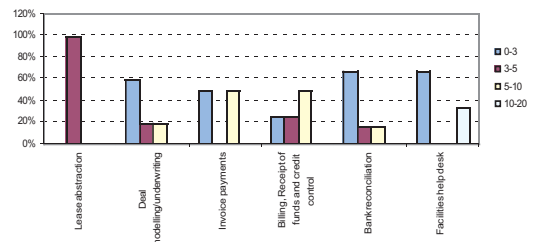
8.1 Fig. 8.1 shows the number of staff used in house for each of the different processes. The vast majority use between 0-3 full time equivalents for each process. This becomes more meaningful when compared with figures 9.1 and 9.2 later.

**Fig. 8.1 In house staff numbers**

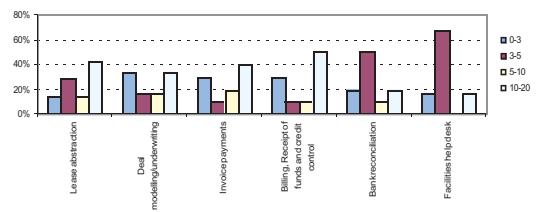


8.2 We wondered whether there was a correlation between the respondent type and indeed we found a wide variation in numbers of FTE's across the four groups. These are illustrated in Figures 8.2a, 8.2b, 8.2c and 8.2d.

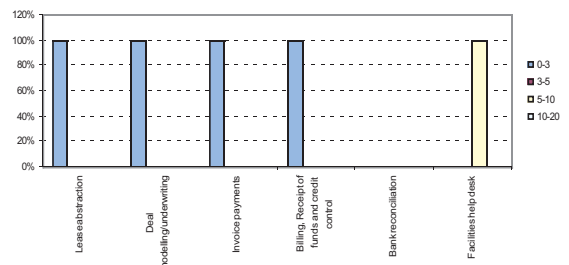
**Fig. 8.1a In house staff – Property Investment**



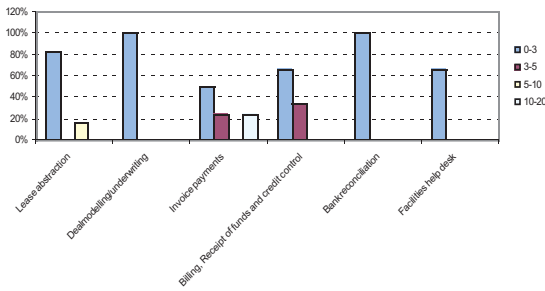
**Fig. 8.1b In house staff numbers Property Management**



**Fig. 8.1c In house staff numbers Facilities Managers**

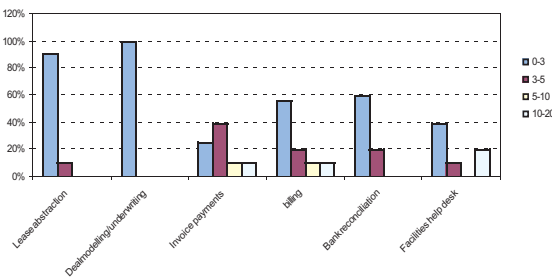


**Fig. 8.1d In house staff numbers Non-property**



8.3 We then looked at how many FTEs those organisations which have outsourced/offshored believe they have saved. A number of our respondents informed us that their key reason for outsourcing/offshoring was efficiency gains from using a dedicated team, and most importantly, the freeing up of internal staff to carry out more strategic work, rather than actual head count reduction. Clearly (Fig. 8.3) the numbers of FTEs saved is generally 0-3, which given that this is the number of FTEs generally used in house to carry out the same tasks is not really surprising.

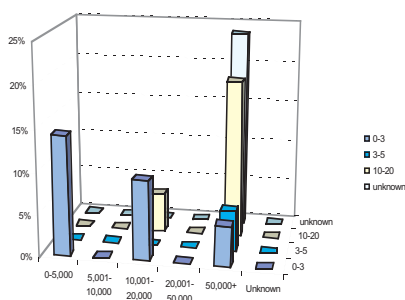
**Fig. 8.3 FTEs saved**



## 9 What is the relationship between staff numbers and the number of bills/ invoices processed?

9.1 Fig. 9.1 looks at the number of in house staff used in relation to the number of invoices processed. As invoice numbers get higher there is a wide variation in the number of full time equivalent staff used. This would tend to suggest that there are inefficiencies in this area in a number of our respondent organisations.

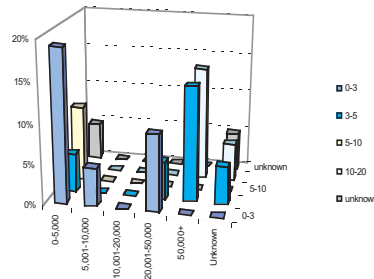
**Fig. 9.1 Number of staff to invoices**



9.2 These wide variations are even more apparent in are repeated in Fig. 9.2 which shows staff numbers compared with the number of bills, receipts of funds etc processed.

The low number of FTEs involved in the various processes and consequently the fairly limited potential for savings is a key finding which informs the conclusions we draw in the next section.

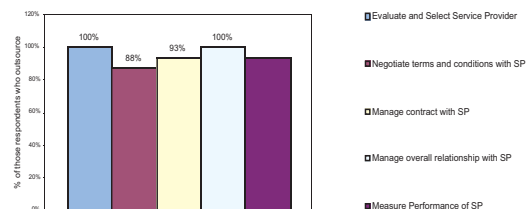
**Fig. 9.2 Billing, receipt of funds & credit control to staff numbers**



10 For organisations which outsource or offshore some processes, which parts of contract control and monitoring of the contract remains with the property managers in house?

10.1 By and large the respondents who have outsourced or offshored retain responsibility for the management and monitoring of the contracts, with few deploying the services of internal procurement teams (Fig 10.1). This may be because, within the large non-property companies which are likely to have central procurement teams, real estate is seldom on their radar, estates teams tending to be left to carry on with a high degree of autonomy. We consider this may change in the future as more organisations realise the value of the real estate asset and increasing centralisation of management.

**Fig. 10.1 Retained Internal Contract Duties**

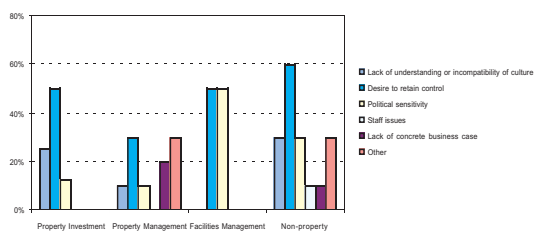


## 11 For organisations which retain all services in house, what are their reasons for not off shoring?

11.1 Our respondents were given a choice of six possible reasons for not outsourcing. The most frequently selected was 'loss of control'. When asked to elaborate on this respondents tended to be vague as to exactly where problems might lie but there was a general sense of being unable to trust external organisations to be as committed as the internal team to getting the process right. A number of respondents also observed that if the outsource/offshore provider did get something wrong it would cost far more in time and labour for the internal team to put it right.

Some respondents also feel that 'property is different' from other businesses and that the complexity of some of the rental practices in particular in the UK make it difficult to offshore. This is partially reflected in the number of respondents selecting the option 'Lack of understanding/Cultural incompatibility'. Interestingly, none of our Property Management respondents felt that staff issues were a reason not to outsource, although one would have anticipated this as a problem for these respondents. Other reasons given for not considering outsourcing/offshoring were the lack of consistency in the firms' own processes, making outsourcing difficult, fear of poor quality (although our survey suggests this is not actually a problem) and queries about practical issues – need for paper copies, recorded delivery, etc.

Fig. 11.1 Reasons for not outsourcing by Respondent Type



## comparison with us results

Of our survey of 20 questions, 10 were identical to the US survey. The US survey looked only at the Corporate Real Estate market and we have therefore compared the US figures with our Non-property respondents. At the time of publication the US survey is still being analysed. We will therefore follow up this publication with more detailed information on this area in an additional paper. The questions common to both surveys concentrated on strategic objectives and propensity to outsource:

- The vast majority (80%) had strategic objectives but only 25% were able to demonstrate that these objectives were aligned to the wider corporate strategy.
- Approximately 70% of the sample use KPIs compared with 86% of the UK respondents
- US respondents appear to be under continuing pressure 'to do more with less'. Increased focus on cost control amongst our respondents (see 3.1 above) suggests that this is also a factor in the UK
- Cost control was the primary US strategic objective. For our Non-property respondents it was the second most important strategic objective (see 1.2 above) and the single most important KPI across all UK respondents – 2.6 above. Customer Responsiveness ranked highly for the US group – as we noted in 1.2 above this did not seem to be of huge weight to the UK Non-property respondents. Both UK and US groups had operational efficiency as a strategic objective
- US respondents reported that there is more emphasis on planning and strategic management rather than delivery within the Real Estate team than in the past. A comparison of Figs. 2.1 and 2.2 above shows that in the UK organisations which have changed strategy in the last five years are placing more emphasis on staff concentrating on core competences. This would tend to suggest an opening for the outsourcing/offshoring of the delivery processes.
- 80% of US respondents outsource some processes compared with 91% of the UK Non-property respondents
- All of the business processes we are considering are outsourced by some of the US respondents
- Few of the US respondents use a single outsource provider
- The discussions surrounding our survey gave us the strong impression that Non-property organisations outsource or offshore largely in order to free up in house staff to take a more strategic role.

## Conclusions

We conclude that strategic drivers of UK and US businesses are similar – cost control is key. There is also a move in both countries for in house staff in Non-property organisations to concentrate more on strategic planning than day to day delivery. This is being supported by wide outsourcing of business processes related to delivery. It remains to be seen whether this will expand into offshoring in a significant way. Anecdotally, it seems that US businesses use more FTEs to undertake the same processes as UK firms. If this is the case then offshoring is likely to be a more cost effective strategy for US firms.

## THE FUTURE

In Section 1 – Background we said that our study seeks to answer the following questions:

- Is BPO, whether onshore or offshore, relevant to the Real Estate industry?
- If it is, at what stage of the adoption curve is the industry and what lessons can be learnt from existing operations?
- What constraints are there to widespread adoption of BPO?
- Which Real Estate organisations are most likely to benefit from BPO?
- What likely scenarios for the RE industry emerge from our findings and what should be the next steps for RE organisations?

Looking at the results contained in Section 2 it would be easy to dismiss offshoring as unlikely to affect the UK property market in any significant way. At present few of our respondents are undertaking it and there is strong resistance to it. We used the concept of the adoption curve to consider where the market is.

The adoption curve is described by Geoffrey Moore in 'Crossing The Chasm' where he talks about the classic adoption curve for new technologies and new product take-ups. He breaks the curve into 5 stages: The Innovators, the Early Adopters, the Early Majority, the Late Majority and the Laggards. He points out the differences between these groups, and most notably the difference between the groups at the early stages of the adoption life cycle:

- Innovators are the first to try and adopt a technology. They are very forgiving – they will put up with a lot of bugs, interface issues, technical learning curve, lack of support, and high initial price. They will put up with these problems in exchange for the benefit of being the first to have the new technology
- The Early Adopters tend to be less forgiving. They are eager to utilise the new technology, but they want to see real benefits and productivity gains from that use. They do not adopt the technology for technology's sake, instead, they are visionaries who see the benefits of applying the new technology to their lives or their businesses. But they are less tolerant of bugs, reliability issues, difficulty of installation or use, and lack of support.

It is during this phase that Moore says a chasm exists. The chasm must be crossed before any product or technology can be adopted by the mass markets. Into this chasm many new innovations fall, never to come out the other side.

The study of technology adoption curves shows that there are some predictive models as to what Malcom Gladwell refers to as 'the tipping point' – the point at which the adoption of something 'tips' and rapidly spreads to the entire population.

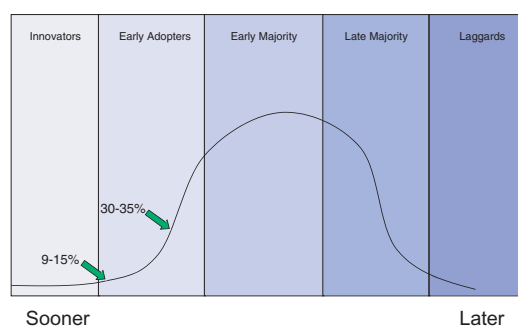
When it comes to technology adoption curves and using them to try and predict the take-up rates of emerging technologies, there are actually two inflection points along

the early curve. The 'early inflection point' is at the knee of the curve. It happens in the early stage of what Geoffrey Moore labels the 'Early Adopter Phase' and can be seen as the point in the curve where the slope increases significantly for the first time (the knee). This early inflection point is usually around the 9-15% point on the curve. This early inflection point does not determine success. It is necessary, but not sufficient.

There is also a second inflection point, a point of critical mass around 30-35% on the Bell Curve, where the rest of the curve has a very high probability of occurring. That is, barring a new disruptive or discontinuous technology interrupting this curve. This happens somewhere in the early stages of what Moore calls the 'Early Majority Phase'.

We would chart the current point on the adoption curve for offshoring as shown in Figure 12.1. ie we have reached the first inflection point – about 13% of our respondents are offshoring some business processes, but whether we reach the 35% or so required to move into mass adoption remains to be seen.

Fig. 12.1 The Adoption Curve



We see the primary constraint to adoption as the low level of FTEs currently involved in the processes in question, this, together with the fact that some management capability must be retained in house to manage the contract means that headline cost savings are not necessarily that great. The issue comes down more to the quality of workers available offshore and the requirement to use high cost in house staff to act strategically rather than focusing on delivery.

The equivalent staff in offshore organisations tend to be university educated accounting graduates, so, with appropriate training, are likely to offer a better standard of service. Anecdotally, however, we are informed that culturally, innovation and inventiveness are not strongly represented. We were told 'if you give strict instructions on a piece of work it will be very well done but there is no thinking outside the box.' We believe this may well change as the industry matures.

Offshoring has been a feature of the financial services and other sectors for some years with, admittedly, mixed results. We have all felt the frustration of telephoning our bank to be answered by someone whose grasp of English may be excellent but whose accent is difficult to understand and whose grasp of essential geographical facts or business customs is slight.

These are the cultural issues perceived by 15% of our respondents as a barrier to off shoring. We had, in fact, anticipated that this number would be higher at it is the most frequently quoted in general conversation.

For the business processes we are talking about where there is no direct interaction between the customer and the offshore worker then these issues must be of less importance. It cannot make a difference to a retail tenant in a high street in Leeds if his rental payment is posted to a ledger on an accounting system in UK or India.

We decided to consider the possible scenarios in terms of the individual respondent types as we anticipate that the different groups will be affected differently.

## Property Investment

As we can see from 1.2 above, cost control is not a strategic objective for this group. Presumably this is because the cost of management and accounting are insignificant compared to the value of transactions being regularly undertaken. The individuals who drive strategy in these businesses are concerned with multi-million pound transactions – savings at lower levels do not register strongly. Until it can be shown that offshoring could make such a difference to cost that it would significantly affect yields we assume that Property Investment companies will not be particularly interested in offshoring.

Property Investors are high users of traditional outsourcing to property managing agents. Their motivation for this is probably efficiency and division of labour – using external experts to undertake specialist tasks. Conversely, however, Property Investment companies are unlikely to have any philosophical objections to their Property Managers offshoring part of the processes being undertaken if that results in cheaper and better service.

## Property Management

For the Property Management group, off shoring could represent a serious threat or an opportunity to improve margins in a low margin area of business. What is the justification for employing staff in the West End at an average of £25-30,000 each and an office overhead of approximately £11,000 each when the same service can be provided for \$1,500 per month?

However, these savings will only be available if the Property Managers are prepared to aggregate. The offshoring houses have indicated that to achieve this level of pricing they need at least 100 seats. We have seen from the survey that most of our respondents have a total of about 7 people undertaking most of the processes discussed, so for each individual firm it will be difficult to achieve the putative gains.

We believe that this group can be subdivided into two broad types of Property Management organisation, focused on

different aspects of client service, although they are not, of course, mutually exclusive:

- **Transaction based** These agents concentrate on trading property for their clients. For this group the business processes we are talking about are laborious, high risk, low margin and whilst giving little opportunity for cross-selling of other services require high investment in staff and systems. For this group the emergence of specialist offshoring businesses is a real threat. Unless they can streamline this area of activity they will lose out to lower cost providers. Possible solutions include:
  - Combining with other similar organisations to set up a captive offshore using the best business processes across the group;
  - Subcontracting the processes to a lower cost provider.
  - Closing this area of business.
- **Annuity based.** This group concentrates more on management and long term business, developing long term client relationships. These are the businesses to which outsource contracts for long term management are already being awarded. For this group the same problems of labour intensity, low margin, high risk and high investment still exist but offshoring could open a real opportunity for them.
  - The larger members of this group could consider an offshore office where standardised processes can improve efficiency and service and drive cost down, improving margins. This would rapidly permit them to compete on price with smaller agents. A number of larger agents already have international presence
  - use of this network to concentrate activities in specific geographical areas based on expertise should be possible.
  - These agents could offer a ‘white label’ management service to the transaction based group; again leveraging economies of scale.

We believe that failure to react to the threat of offshore provision could result in significant loss of business from the Property Management organisations’ Non-property clients as discussed below.

## Facilities Management

This group had the smallest representation in our sample so we must beware of extrapolating too much. However we believe that the number of invoices dealt with, and the familiarity with call centres already present will tend to increase the likelihood of offshoring in this area. For a UK based FM company it must be a sensible cost reduction strategy to consider offshoring invoices and billing processes, even if the cultural issues prevent widespread offshoring of the help desk. In fact, as the help desk may be considered to be the Facility Manager’s core business, this would not be appropriate to outsource.

## Non-property organisations

For many corporate real estate and public sector owners offshoring is already a reality. We believe there will be increasing pressure on the estates director in these organisations to show significant added value is being delivered either by his in house team or traditional agents or else he will be forced to bundle his accounts payable and receivable with those of the rest of the organisation and have them outsourced/offshored en masse.

This will translate to pressure on the property managing agent to reduce costs.

## Summary of conclusions for short to medium term

- The larger, non-property organisations will be under pressure to bundle Real Estate processes in the AP and AR areas with other parts of the business for offshoring. After all there is no real difference between processing a rent demand and processing bill for goods received. This pressure will come from the finance rather than the Real Estate departments. There will be more pressure on the remaining Real Estate staff to deal with the strategic issues.
- The business processes discussed here will move offshore in the next two years for the following 5 to 7 years whilst labour arbitrage is a realistic cost cutting strategy;
- Following that, advances in technology will reduce the value of labour arbitrage as fewer employees are required to undertake these types of processes.
- Deal modelling/underwriting and lease abstraction will remain offshored, although the latter may return if OCR technology improves.

## Conclusions for the longer term

Offshoring for the labour arbitrage only is not a good strategy unless an organisation has a high number of employees. The savings will reduce as wages rise in developing countries. There is also the cost of managing the contract.

The right reasons to offshore remain the same as the reasons to outsource generally:

- Higher calibre of staff for the equivalent cost
- Expertise
- Frees internal staff to concentrate on core business
- The opportunity to streamline and improve business processes and learn from other organisations
- Cost
- Office overhead

In the longer term improvements in systems and technology will have exactly the same effect on staff in developing countries working on business processes as technology has had in every industry since the Industrial Revolution. Sooner or later a system will be able to do the vast majority of these processes at which point the location of the few people operating the system will have a major cost impact. As with every single one of us, the only way to survive is to keep finding new ways to add value.

## Case Studies

The following case studies have been provided by the organisations in question and are included for comparison purposes. We have not undertaken independent verification of the contents and cannot therefore endorse the figures given.

Core BPO and Global Realty Outsourcing both concentrate on providing outsource and offshore services to the Real Estate market,

### Case Study 1 – Core BPO

CPM Asset Management, a subsidiary of Mount Street Holdings PLC, is one of the UK's fastest growing specialist residential property management companies and has been established for over twenty years. CPM works with property developers and residential property management companies throughout the UK. It has a multiple site operation managing over 110,000 units in the UK and has a distributed back office team of 250 people

Growth brings new challenges and many companies fail to recognise that they need to review and adapt their business processes in order to ensure that increased turnover is not offset by reduced productivity. CPM did not make that mistake. Their management team realised that a fundamental review was necessary and commissioned CoreBPO to carry this out. The review was to cover the accounting processes, IT infrastructure and business software systems. The objective was to provide recommendations that would form the basis of its business delivery operation and maintain a high quality service to its stakeholders, namely, Developers and Residential Management Companies.

There were initially several challenges. Rapid growth, both organic and led by acquisition, had provided CPM with a legacy of disparate accounting processes, property and accounting systems. This presented a need for urgent reorganisation to create a consolidated stable platform for continued growth and improved profitability. Automation alone would have provided some initial efficiency benefits, but these would have been limited. Process improvement led automation provides short, medium and long term benefits. Initially there is the straight labour arbitrage. This followed by improvements in the speed and quality of processing performed by qualified accounts professional. Adding automation and re-engineering business processes provides lasting benefits.

CoreBPO consultants are skilled in the analysis, design and implementation of business processes. They are trained in Six Sigma methodologies and have 'real world' experience gained from senior roles in blue chip organisations like GE and American Express. CoreBPO processing staff are all qualified accounting professionals. A typical team would comprise of twelve dedicated accountants overseen by a chartered accountant.

In February 2004, CoreBPO undertook a month long study

and utilised their proprietary model CorePM2 (core process migration methodology) to analyse the clients business model and identify key processes. CoreBPO recognised that CPM's success has been built upon the strength of its front-office functions and primarily with its relationships with property developers and residential property management companies. It was important to maintain and build upon these core strengths. The first task for CoreBPO was to document all the accounting processes and highlight all the participants at each stage of the process.

CoreBPO then drew up a recommendation suggesting which back-office accounting and administrative processes could be transferred to an offshore delivery model and which would remain as in-house functions. CoreBPO recognised that maintaining customer relationships are key to CPM's success and therefore ensured that any customer facing processes would remain in-house. The objective was to free up the CPM staff, who had previously carried out the high-volume, labour intensive transaction processing tasks, to assist in CPM's primary front office functions. CoreBPO identified 55 roles for outsourcing and as a result CPM was able to retrain and re-allocate these staff to customer focused work which had a direct positive impact on customer service levels. As a result of the rapid growth of CPM all staff were successfully redeployed.

The processes that were identified for outsourcing were rent demand production and receipt postings, service charge generation and reconciliation, purchase invoice posting, payment generation and bank reconciliation.

CoreBPO proposed redesigned process flows supported by an appropriate organisational structure which minimised paperwork, improved customer service and provided a flexible platform for growth. This included the implementation of a new web-based property management system and the introduction of a document management system to promote structured workflow management.

Upon client approval a joint project team was formed to implement a small scale pilot project supported by the Software and DMS partners. The successful pilot was then expanded to other key business processes. Implementation impacts were measured and adjustments incorporated into a full scale roll out project plan. It is important to note that processes are rarely 100% outsourced. Success relies on good communication lines and a consistent level of interaction between parties.

In April 2005, following client review and approval, full scale operations were rolled out successfully, in partnership with the business management team.

The additional advantage of outsourcing is continual process improvement. Using qualified accounts staff to perform the accounting processes drives down the processing time per transaction and therefore the cost of processing each transaction. After three month, CoreBPO were able to reduce the size of their CPM team as now 40 staff could process the

same volume that 55 staff had performed at the outset. This allowed CPM to realise further cost savings. The actual business metrics were as follows:

- 55 people were moved from fixed cost base to variable cost base
  - £148,500/month became £77,000/month after outsourcing
- Process improvements allowed further efficiency
  - Cost further reduced to £56,000/month using only 40 outsourced personnel
- Cost per transaction was reduced from pre-outsourcing to post-outsourcing from
  - £6.82 to £2.57

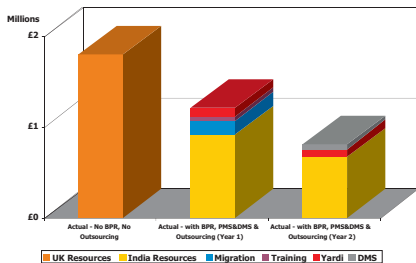
CPM has demonstrated in partnership with CoreBPO, that outsourcing through a collaborative approach increases profitability by:

- Freeing up human capital to focus on the organisation’s core strengths
- Creating fully scalable back-office function that responds quickly to changing business needs
- Transferring fixed into variable cost
- Retaining customers by improving service levels
- Achieving 50% cost savings by using dedicated, qualified staff.

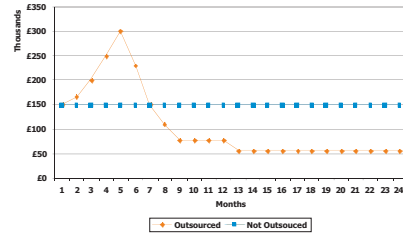
The success of the partnership between CPM and CoreBPO is highlighted by the quote from Paul Ingram, Managing Director of CPM

‘CoreBPO are now part of our business. The work they’ve done for us has added measurable value, reduced business costs, delivered process enhancements and improved customer service levels’

Cost Analysis



Cash Flow Analysis



## Case Study 2 – Global Realty Outsourcing

### Lease Administration Outsource

#### Company Profile

- Global Fortune 500 High Technology Company with Distributed Sales, Distribution & Marketing
- 90 properties in 42 countries across Europe (4.3 million sq ft)
- 61 properties in 16 countries across Asia Pacific (1,427,393 sq ft)
- 275 properties within North America (US, Canada, Latin America) (6.7 million sq ft).

#### Situation

- Company wanted to lower the overall cost of their Corporate Real Estate function
- Lease administration was identified as business process that was not aligned with leading practices in terms of service or cost to deliver.

#### Future State Lease Administration Process

- Outsourced Lease Administration process
- Abstracted all Lease commitments to new Lease Administration tool to track financial terms, critical dates, critical clauses
- Performed Ongoing review of lease events to determine local country business unit needs
- Regular meetings/conference calls, on and off-site
- Monthly work in progress meetings with CRE planners
- Annual review of locations to set short to medium term strategy
- Semi-annual benchmarking report of passing rents versus market.

#### Delivered Results

- Reduced 25 FTE’s from CRE organisation and the overall cost of the Lease Administration on-going process by 50%. Cost savings of \$450,000 per annum
- Improved quality levels from 3\_ and inconsistently measured to 5-6\_ with weekly root cause analysis and client management reporting
- Centralized information into a common system to be used by local/regional country managers
- Rent and Operating Expense cost savings identified within the US portfolio: \$831,000 Year 3.

## Remit Consulting LLP

Remit Consulting LLP is a management consultancy firm that specialises in advising real estate businesses in the areas of:

- Business strategy
- Business processes development together with outsourcing and offshoring
- Market positioning
- Information systems strategy and selection.

Full details of our activities and case studies of work we have undertaken may be found at [www.remitconsulting.com](http://www.remitconsulting.com)

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