

Service winner

Expensive and inflexible are just two of the common criticisms levelled against outsourcing to serviced offices. **David Ford**, chief executive officer for Regus UK, argues why it's time to change your perceptions of the serviced office.

Consider two very different scenarios: the FM of a corporate with an extensive worldwide property portfolio is finding that small regional offices are taking up a disproportionate amount of time to manage. Meanwhile, the CEO of an SME that owns its offices freehold wants to grow the business but hasn't the space to take on new staff. As a facilities professional, what would you advise?

If your solution to both problems is outsourcing, take a bow. As well as making your life hassle-free, you've just given both these executives the tools they need to adapt quickly to change – and in an era when uncertainty is the only constant, such flexibility gives them a real competitive advantage.

By using serviced offices, for example, our FM from the first scenario can reduce his global property portfolio and free up time and resources so the company can focus on its main business. Meanwhile extra staff employed by the CEO of the SME could walk into a top-grade Regus office, plug in and get started with a minimum of fuss. They could even book quality offices by the day or half day.

The point is that by outsourcing both businesses would be able to concentrate on their core functions while saving money on space. Such scenarios are bread and butter to Regus, which is now the world's largest operator of fully serviced business centres, operating in more than 50 countries.

The managed office concept has many advantages – as well as enabling companies to locate or relocate, to scale up as well as down, and to concentrate on their

core products, it also removes long-term financial burdens. These include capital expenditure on fitting out an office with furniture, its IT infrastructure; repair, maintenance and cleaning costs; and future dilapidation liability. Add the cost of a receptionist or two and before long conventional rental costs don't seem such a bargain after all.

The hidden costs of property are convincing more and more facilities managers that strategic outsourcing of office space to a serviced office operator can have real advantages – quality accommodation on flexible terms with cost certainty.

Take the Office of Fair Trading, the government agency responsible for promoting and protecting consumer interests in the UK. The OFT contacted Regus when it needed additional space for 60 staff,

having outgrown its existing offices when its responsibilities expanded. Ken King, the OFT's head of facilities, said: "The availability of high-quality serviced office space on flexible terms meant we could move in easily and didn't incur any expensive start-up costs."

Being prepared for growth or reduction is essential to a flexible portfolio strategy. But it isn't just flexibility that makes serviced offices such an attractive proposition. Not only are the usual facilities headaches – furniture removals, IT infrastructure



At Regus' serviced offices, facilities such as meeting rooms are shared – so you only pay when you use them



Regus argues it's time to think again when it comes to serviced offices

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we gave them a three-year phased deal, enabling them to put the date of expansion to the farthest point. We offered the certainty of keeping costs covered – no conventional landlord would do that.

So how does Regus keep so competitive? A strategy of trading price against term has enabled us to give discounts for longer customer contracts – something we just couldn't do a few years ago.

The result is that Regus can offer a discount for a 60-month term at as much as 35% – bringing our average price per square foot down considerably. With the additional benefits of downsizing or upsizing and locating or relocating when needed, we offer much more flexibility than conventional propositions.

Another advantage of following the Regus route is that we don't charge for common areas and places where people circulate, so we can accommodate people at 64 sq. ft per person compared to a conventional fit-out density of 120 sq. ft per person. Facilities such as meeting rooms are shared, so you only pay when you use them. This brings the price per square foot down even further. In fact, we've worked out that starting out with the traditional office in the West End of London can cost around £100 per sq. ft if you take into account capital investment and numerous monthly bills. This compares to a hassle-free Regus office at £70 per sq. ft.

So whether you are considering a high-specification headquarters building or an immediate outsourced solution for a project team, don't weigh down the balance sheet with an inflexible commitment. An outsourced office offers a win-win solution. ■

development, installation, management and security issues, and so on – taken care of, but there are real cost savings too.

A survey of total occupancy costs by Actium Consult and Cass Business School, completed in July 2003, offers an independent guide to the total cost of occupying new and old office buildings in the UK. For the first time, Actium used net effective rents rather than headline rents in its data. This more accurately reflects an organisation's occupational costs, so facilities managers can really see whether outsourcing achieves savings. From the survey's findings, we conclude that on average companies could save up to 20-30% when compared with leasing office space.

And this brings us to one of the most common misconceptions about serviced offices – that they are both expensive and short-term. Facilities managers understand total occupancy costs so they know like-for-like they are good value, but the perception remains that serviced offices are only interested in the short term and that they deal with small requirements – that's not the case.

For instance, two large deals involving Atlantic Electric & Gas and the global law firm, Linklaters, proved just how flexible we at Regus can be, with deals up to five years long that were tailored to clients' needs. A new phased product was even

created to fit such requirements, allowing the clients to grow at their own pace over the long term.

For example, Atlantic took 21,000 sq. ft of workspace at the Regus Cardiff Gate business centre in South Wales in the first phase of its strategic growth plans in the region. Jeff Percival, Atlantic's chief executive, said: "We had a three-phased expansion plan, which could not be accommodated on a conventional lease, without us paying unnecessary rent on unoccupied space.

"However, with Regus we moved 80 employees into a global business centre immediately, and enjoyed the flexibility of expanding to 118 three months later and then doubling this, to take over the whole building within the year. Regus helped us identify our true total occupancy costs over the life of the contract, which convinced us of the cost-effectiveness of outsourced office space. We signed a five-year deal, with a break clause after 30 months."

In a more recent deal, Regus won new business when it alerted a client leasing a property that it really needed to sit down and consider how much it really intended to grow.

The client had 30 people who needed 4,200 sq. ft of office space but they were leasing 7,000 sq. ft – enough for 70 staff. They weren't even planning on employing that many for two and a half years – so

Information

Regus is one of the leading operators of business centres – with more than 400 worldwide.

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