Beyond the Expected:

Leveraging Office Services to Reduce Costs, and Meet Today's Workplace Mandates

Canon Business Process Services

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Session 10
Beyond the Expected: Leveraging Office Services to Reduce Costs, and Meet Today's Workplace Mandates
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Canon
CANON BUSINESS PROCESS SERVICES, INC.
Ted works closely with client service delivery, operations, technology partners, and customers to develop new services based on changing client needs and technology. In addition, Ted's 25 year business experience also includes financial and operational management in outsourcing, Management Consulting and Manufacturing. Ted has written numerous articles and is a frequent speaker at industry events.

Brendan Acquista is an Executive, National Accounts at Canon Business Process Services. He leads the Canon analytical, consulting and operations teams responsible for design, implementation and service delivery at his FORTUNE 100 clients. In addition Brendan is responsible for the relationship with the Facilities and Real Estate Management channel partners. Recently, Brendan has also been instrumental in helping launch new services including Corporate Campus Logistics and Inventory & Materials Management services.

Brendan has over 25 years of industry experience in BPO, Document Process Outsourcing as well as Facilities and Administrative support outsource services. These services help clients maximize their financial and operational objectives and goals.
### ABOUT CANON BUSINESS PROCESS SERVICES

<table>
<thead>
<tr>
<th>Services</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Business Process Outsourcing</strong>: Accounts Payable and T&amp;E, Student Financial Aid, Claims Processing, Auto Finance</td>
</tr>
<tr>
<td><strong>Document Process Management</strong>: Imaging, Print, Mail/S&amp;R, Records Management</td>
</tr>
<tr>
<td><strong>Office Services</strong>: Reception, Hospitality, A/V, Concierge</td>
</tr>
<tr>
<td><strong>Facilities Support</strong>: Campus Logistics Management, Inventory and Material Control</td>
</tr>
<tr>
<td><strong>Discovery Services</strong>: Consulting, electronic discovery</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Service Delivery</th>
</tr>
</thead>
<tbody>
<tr>
<td>On-site, off-site, off-shore processing center</td>
</tr>
<tr>
<td>Six-sigma process excellence based methodology</td>
</tr>
<tr>
<td>Customized, technology enabled</td>
</tr>
</tbody>
</table>

~4,500 Employees in US
AGENDA

Workplace, FM, Trends and Data

Cost Reduction Strategies

Creating Value

Case Study

Q&A
Workplace, FM, Trends and Data
What Is Going on Here?

Expansion and consolidation of facilities

Lower costs, better space utilization, higher efficiency, attractive work environments

Increased outsourcing and integration of Real Estate & Facilities Management (REFM)

Integrated Facilities Management (IFM)
Result: Mega-Campus, Special Needs

<table>
<thead>
<tr>
<th>Mega work locations – 2,000, 5,000, 10,000 people or more</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transport systems – vehicles, streets, tunnels</td>
</tr>
<tr>
<td>Warehouse and distribution</td>
</tr>
<tr>
<td>Inventory &amp; Materials Management</td>
</tr>
<tr>
<td>Dispatch &amp; Control - Real time tracking and reporting systems</td>
</tr>
<tr>
<td>Customer Service</td>
</tr>
</tbody>
</table>
The top outsourcing drivers for REFM buyers are:
- Reduce operating costs (65%)
- Improve global delivery and operating models (46%)
- Improve process performance (39%)
- Support Business growth/expansion agendas (36%)

There is a change in service delivery – consolidating, bundling services

Increase in competitive bids when renewing outsourcing contracts and considering alternatives rather than simply renewing

Source: KPMG 2013 Global Real Estate & Facilities Management Outsourcing Pulse Survey
# FACILITY EXECUTIVE thinking

## Top 2 KPIs measured by Facility Executives

<table>
<thead>
<tr>
<th>KPI</th>
<th>Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Service Requests Completed on Time</td>
<td>#1</td>
</tr>
<tr>
<td>Customer Satisfaction</td>
<td>#2</td>
</tr>
</tbody>
</table>

## Tools, techniques, or methods that make the greatest impact on FM?

<table>
<thead>
<tr>
<th>Tool</th>
<th>Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>FM Applications (software)</td>
<td>#1</td>
</tr>
<tr>
<td>Tools to communicate, coordinate, schedule daily activities</td>
<td>#2</td>
</tr>
</tbody>
</table>

## What is “very important” to FM Execs?

<table>
<thead>
<tr>
<th>Importance</th>
<th>Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maintaining high customer satisfaction</td>
<td>#1</td>
</tr>
<tr>
<td>Compliance with safety and security procedures and policy</td>
<td>#2</td>
</tr>
<tr>
<td>Maintaining the right staffing level</td>
<td>#3</td>
</tr>
</tbody>
</table>

## What is most difficult to manage?

<table>
<thead>
<tr>
<th>Difficulty</th>
<th>Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Staffing level</td>
<td>#1</td>
</tr>
<tr>
<td>Response time</td>
<td>#2</td>
</tr>
<tr>
<td>Inventory level</td>
<td>#3</td>
</tr>
</tbody>
</table>

Source: Canon Business Process Services survey of Facility Executives Sep - Oct 2015
MARKET GAP
TODAY’S SUPPLIER AND BUYER NOT READY FOR MEGA FACILITIES

Suppliers in Domain Industries Operate Independently
- Office Services – mail, print/copy, reception, etc.
- Cleaning
- Security
- Grounds
- Cafeteria/Food Service
- Maintenance and Energy
- Records
- Sustainability

MEGA CORPORATE FACILITIES
- High logistical demands
- Large population, many amenities
- Fluid, high-touch Svcs
- Require multi-service “Generalist”
- Require Technology enablers
- Transport systems

What REFM Customers Need
- 72% REFM expect clear productivity enhancements for the workplace
- Only 28% regard themselves as “well equipped” to meet the various tactical and strategic demands now being placed upon them
- More than 70% cite increasing tactical demands in areas such as enhancing workplace utilization rates and reducing operating costs

Source: JLL 2013 Study
Ways to reduce cost
1- Collect data, measure, improve

• Lack of historical activity data in Corp Serv, FM activities leads to poor decisions, lack of measurable improvement

• Tools are needed to capture data, report, analyze
  • MAX (Canon Performance Management for Offices Services)

• Integrated Corporate Services collect and consolidate more activities’ data in one database

• Lack of SLAs and measurement
  • Are you measuring what is important?

  Are you confident in your data when you issue RFI / RFP?
  Do you go back after the contract to compare actual v planned cost?
2 – Service Consolidation

• Consolidation of Corporate and FM Services = significant savings
  • Shared management
  • Shared employees (partial employees)
  • Reduced facility cost
• Less suppliers, contracts, and vendor management
• Standardized service across locations
• More flexibility in service re-configuration and scaling up or down
• Ability to take cost out of business process

Are you calculating the business process ROI when outsourcing Corp Support services?

Centralized
Mail + Print Room + Imaging + Records

FM
50% less Sq Ft
10% less staff
10% less supply costs

Business
Digital Workflow
Competitive business
3 – Free-up Expensive Office Space

• Imaging and records management (RM) reduces paper storage and file cabinets

Actual client experience

<table>
<thead>
<tr>
<th>COST AVOIDANCE</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>- Space freed by digitizing “project repositories” (files)</td>
<td>$300,000</td>
</tr>
<tr>
<td>(10,000 sq. ft. @ $30 per square foot)</td>
<td></td>
</tr>
<tr>
<td>- Labor associated with maintaining paper files</td>
<td>$25,000</td>
</tr>
<tr>
<td>- Reducing office size by 20% for 150 offices</td>
<td>$900,000</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$1,225,000</strong></td>
</tr>
</tbody>
</table>

Ancillary benefits

- Digital records align with evolving workforce practices
- Complies with contract records preservation requirements
- Aligns with corporate social responsibility initiatives as sustainable

Can strategic sourcing lead this?
4 – Move contingent labor into Managed Service

- Reduce cost per position about $5 to $10K per year
- Reduce co-employment risk

<table>
<thead>
<tr>
<th>Business View Of Contingent Workforce Model</th>
<th>Procurement View of Contingent Workforce Model</th>
<th>Managed / Outsourced Service Model</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Time wasted with onboarding, training</td>
<td>• Job rates standardized</td>
<td>• Requires a contract</td>
</tr>
<tr>
<td>• Long recruit process</td>
<td>• Negotiated labor rates</td>
<td>• Requires scope, SLA, ROI</td>
</tr>
<tr>
<td>• Can’t get it right: right person at right time in right quantity</td>
<td>• Predictable, transparent cost</td>
<td>• Outsource decision required</td>
</tr>
<tr>
<td>• Turnover = lower production higher error rate, missed schedules</td>
<td>• Standard process for temp/contingent workforce</td>
<td>• Focused on outcome and production not head count</td>
</tr>
<tr>
<td>• Admin work</td>
<td>• Reduced co-employment risk</td>
<td>• Labor is the provider’s problem</td>
</tr>
</tbody>
</table>

Which model is better?
5 – Better Cost Control of Material/Supplies, 3rd Party Costs in the uncontrolled spend tail

- Leverage lower rates/costs through FM Service Integrator
- Gain category expertise - sourcing, benchmarking, and negotiation
- Make sure you take out pass-through markup
- Gain access to consortia and niche industry practices
  - E.g. Supplies for Print-Mail operations can be reduce cost 20%+

Spend by Category

Do you use the service provider expertise to help you procure and control costs?
Leveraging Corp Services to create more value
How Corporate Services is deployed to create value: better service at a lower cost with more control and less risk

LOGISTICS
Coordinates Corp Services
Control Center
Shipping and Receiving
Onsite Transport/Distribution
18 Hr/day Operation
Warehouse Management
Tech enabled

Corp Services for:
- HR Services
- IT Services
- Procurement
- Real Estate
- Engineering
- Production
- Logistics & Material Handling

Corp Services
Augmenting FM Soft Services
- Day cleaning - sustainability
- Food service delivery
- Security Admin – reception, ID/door access cards
- Light Maintenance (Handyman)

Workplace Services
- Mail
- Print/copy
- Reception
- Pantry/housekeeping, vending
- S&R
- Records
- Moves
- Shuttle
- Special Events
- Seasonal projects

From:
- 5-10 suppliers
- 50 FTE
- <80% Customer Satisfaction
- 1-3 internal Oversight Mgrs

To:
- 1 supplier
- 40 FTE
- 98% Customer Satisfaction
- 0-1 internal Oversight Mgrs
### Case Study

<table>
<thead>
<tr>
<th>Customer Profile</th>
<th>Challenge</th>
<th>Solution</th>
<th>Results</th>
</tr>
</thead>
</table>
| Global automotive maker | • Meeting production schedule for its new proto-type models  
• Managing the flow of parts and part quality control  
• Managing its contingent program to provide right people at right time | • Managed Service to provide logistics and warehouse material handling  
• Focus on work output and quality of work | • Average annual cost reduction per position $10K  
• Steady, reliable production according to planned schedule  
• Reduced risk of co-employment  
• Less administrative work, more management and business time |
**Customer Profile**

Global oil and gas companies

10,000+ employee, 385-acre corporate campus

**Challenge**

- Provide Corporate Services and amenities for 10,000 employees on one campus
- Integrate FM and Corp Services to minimize suppliers and cost, maximize effectiveness
- Design logistical operation and processes and install people, equipment, and enabling tech

**Solution**

- Logistics function for Corp Services
- Plan and install transport and distribution systems
- 100 FTE team for 18Hr/day service
- Implement enabling tech systems

**Results**

- Implementation of transport, tracking, dispatch systems
- Implement transport process (people, process, vehicles) – mail, packages, people, materials, furniture, IT hardware, food delivery, records, etc.
- Manage records - 19,000 boxes monthly
- Mange inbound/outbound mail stream - 12,000 pieces/day
- Implement cloud-based warehouse management system
Lessons learned

• Logistics is necessary to deliver Corporate Services and employee amenities

• Cost may be reduced 20% by consolidating Corporate Services and FM positions

• Through Corporate Services the otherwise uncontrolled cost of supplies, labor, and 3rd party costs can be controlled (reduced 10%, 20%)

• Selectively moving contingent positions to Corporate Services can reduce cost, improve work outcomes, avoid co-employment risk. (Some realized $10K annual savings per position).
Advancing Business Performance to a Higher Level

Q&A

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5. Scroll to Description
6. Click on the Evaluation link

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Session #10

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