2020 TRENDS REPORT

The Future of Multi-Site Facility Management

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The Multi-Site Facilities Network

PRS-013

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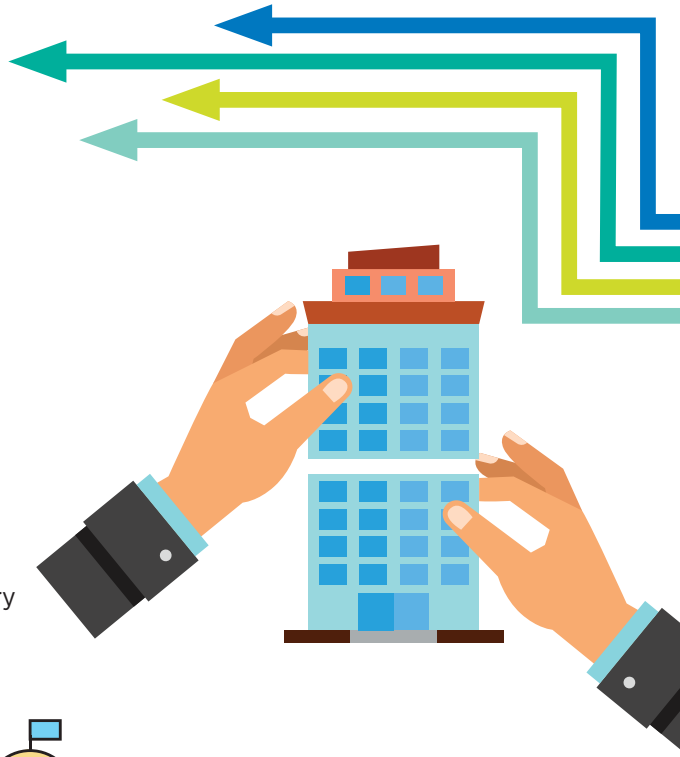
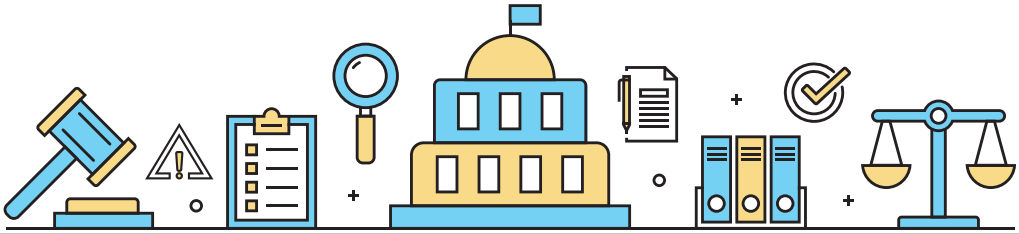
Trends Report 2020

TRENDS





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Trends Report 2020

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CONNEX IS LEADING THE WAY IN FM

Connex prides itself on providing those in the multi-site facilities management industry with resources and education on emerging topics and trends in the field. As a member of Connex, you have access to our bimonthly magazine, *Connexus*, which is also available online at **connexus.connexfm.com**.

Meta-Trends in Facility Management

A META-TREND RUNS DEEPER, POWERING MORE SPECIFIC TRENDS, LIKE A TIDAL FORCE THAT DRIVES WAVES TO THE SHORE.

By Bruce Condit

Trends are driven by change.

The only constant in retail and multi-site facilities management (FM) is change. Every day there are new developments in technology, consumer behavior, energy management, store layout and design, employee demographics, government regulations, the economy and more.

Trends are driven by change. Those who adapt to change — and lead the way — not only survive, but often thrive. Those who do not change risk extinction.

What drives the trends impacting FM? Three powerful forces are the catalyst behind most of the trends we see today:

1 Technology

Nothing has impacted FM more than technology advancements. New tech, like 5G, AI, apps, enhanced Internet-of-Things devices, networks, cloud computing, microgrids, falling tech prices and more are and will continue to impact FM. As technology gets faster, more accurate, intuitive and intelligent, it will create and drive more change.

Technology can be used to communicate faster and better, reduce costs, validate performance and measure success or failure. Those who embrace technology understand its benefits. Those who implement it wisely will succeed.

2 Changing Demographics

Demographic changes have and will continue to impact every aspect of our lives. Boomers built the shopping malls and millennials and Gen Z have redefined retail. The latter have more purchasing power than any generation in history.

However, they demand convenience, personalization and experiences — not just products. This powerful force has reshaped retail, given birth to new, influential brands, created unique store concepts and killed off those who did not adapt.

They are driving the new experiential entertainment market that created Topgolf, Main Event, Dave & Buster's, indoor skydiving and Legoland.

Changing demographics also impact the labor supply for skilled trades. Ninety-seven percent of Gen Z owns a smartphone and knows how to use it well. Even though a four-year degree can cost thousands, very few are pursuing or even know about careers in FM or skilled trades.

3 Evolving Regulations

From clean energy, to labor costs to the legalization of marijuana evolving regulations create opportunities for change.

Cities are passing ordinances that require zero-energy construction. Sustainability is no longer just a good thing to do. Consumers are demanding it. Two years ago, cannabis was only legal in 10 states. Today it is legal in some form in 33 states.

The number of states that have enacted $15-per-hour minimum wage floors has doubled since 2018. Expanded paid leave legislation has passed or is pending in several states.

The bottom line? Meta-trends drive change. This issue highlights the most powerful trends converging on the FM industry. Trends that will shape the industry, mold careers, create millionaires and change the way we live.

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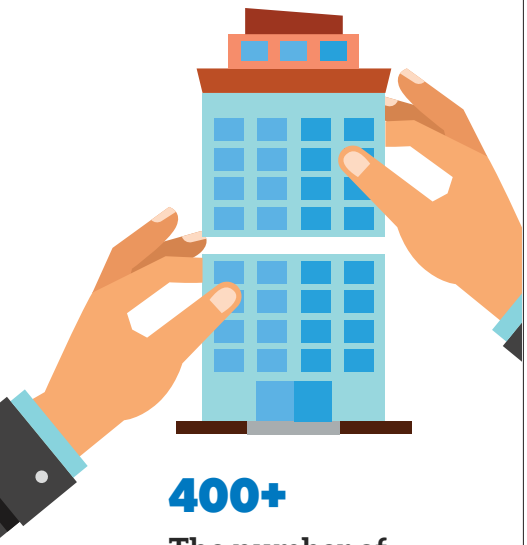
Joining Forces

HOW WILL MERGERS AND ACQUISITIONS IMPACT THE FM INDUSTRY?

Interview By Scott Mason



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The number of FM-related companies that have been acquired or bought out since 2015, according to Mahmood and Wilson.

Over the past decade, the uptick in mergers and acquisitions (M&A) in the facility management industry has garnered everyone's attention. To help navigate the current landscape, *Connexus* reached out to Allegiance Capital Corporation's **Shane Mahmood**, President, and **Nancy Wilson,** VP of Sales and Marketing, for their opinions and analysis on the trend — and a look into what the future may hold.

IS THE M&A RATE FOR FM COMPANIES INCREASING OR DECREASING?

There's no question the M&A rate is rising. During the past five years, a lot of large private equity groups have become more interested in the facilities industry. Allegiance Capital frequently meets with private equity groups, often based out of cities like Los Angeles, Chicago and New York, to discuss investment opportunities. These firms want to ensure they're up to date on current trends in the M&A field and considering all viable investment opportunities. Roughly three out of every five private equity groups we met with said they have an interest in investing in the facility management sector. That's an indicator there's definitely an M&A trend building.

WHAT DOES THE DATA SHOW ABOUT THE CURRENT VALUATION OF FM COMPANIES?

Based on research, the FM industry is still growing — but at a slower pace. Over the past five years, the industry grew on average 3.2 percent year-over-year (YoY). Over the next five years, the projection is that the industry will grow on average 1.7 percent YoY.

BIG OPPORTUNITY

Mahmood and Wilson spoke about an opportunity that investors see: A convergence of facility management solutions — essentially vertical industry integration. "ABM Industries, a major industry player, has developed into an integrated provider of facility solutions. They offer landscaping, electrical, engineering and janitorial services, in addition to many others," Mahmood explained. Diversification like this enables these larger industry operators to establish strategic alliances with property owners/managers and retailers, providing bundled, one-stop shop opportunities.

One way to determine the potential value of aFM company is to track enterprise multiple statistics. An enterprise multiple is a ratio used to assign value to a company or business.
By many experts' assessments, a company with a ratio of 7.5x or less is considered to be a good value for acquisition. Investopedia defines the ratio, TEV/EBITDA, as follows:

- **TEV = (market capitalization) + (value of debt) + (minority interest) + (preferred shares) - (cash and cash equivalents)**
- **EBITDA = earnings before interest, taxes, depreciation and amortization**

The table to the left illustrates that during the past five years, the valuation of facility management companies is increasing, while still being seen as a savvy purchase by investment groups.

Average Valuation of FM Companies: 2014–2019

	2014	2015	2016	2017	2018	Q1 2019
TEV/EBITDA	6.5x	6.8x	6.9x	7.2x	7.3x	6.9x

*average TEV/EBITDA by year | *Source: GF Data

There's no question the M&A rate is rising.

WHAT ARE SOME REASONS FOR THE M&A BOOM IN THE FM WORLD?

- **Construction industry expansion coming out of the recession.** While the rate of new construction has slowed down recently, the maintenance of these structures still needs to be addressed.
- **Rising corporate profits and general business growth.** These have led to an increase in business capital expenditures, including facilities expansion. These profits have also paved the way for investments in facility maintenance.
- **Declining office vacancy rates.** Full occupancy of buildings translates into the need for increased FM services.

LOOKING TO THE FUTURE, WHERE DO YOU SEE THE TREND GOING?

Hot in the near future but simmering five years from now. In five years, we believe a lot of facility management M&A activity will have transpired. There will be some larger firms, both specialized facility management services and integrated facility management services, that will start to eat up market share. However, continued demand for the industry will still result in attracting new operators. Competition will remain high, but you will see a few large players emerge.

M&A SPOTLIGHT

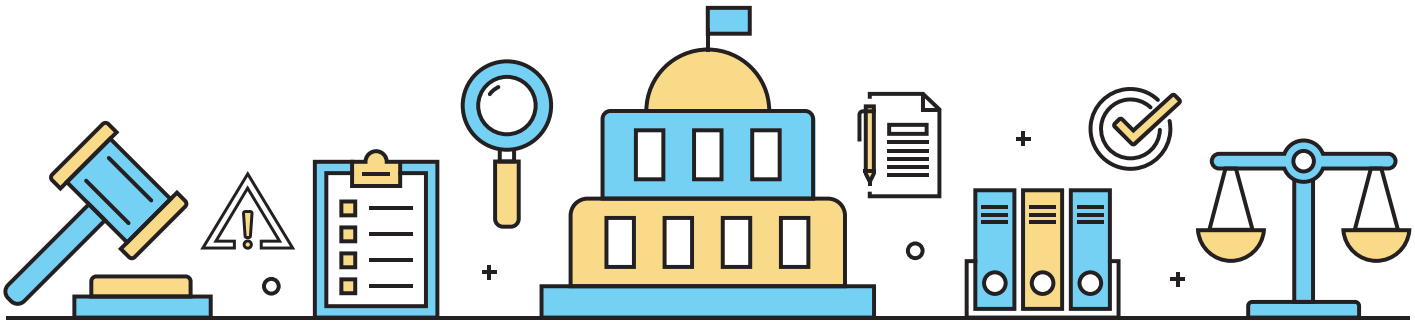
The following is a list of 10 companies that disclosed financial details during the acquisition or buyout, sorted by transaction price:

1. **GCA Services Group** – September 2017, $1.25bn
2. **Neighborly** – May 2018, $915m
3. **Maintenance Supply Headquarters** – June 2017, $512m
4. **Service Experts** – May 2016, $340.75m
5. **Service Logic** – July 2017, $315m
6. **Coolsys** – December 2015, $128.5m
7. **Bonded Filter** – April 2018, $92.5m
8. **Lancer Hospitality** – April 2017, $70m
9. **Lawn Doctor** – February 2018, $66.5m
10. **Valiant Government Services** – May 2017, $35.5m

Source: PitchBook Data

Letter of the Law

A LOOK AT THE LATEST REGULATORY TRENDS — AND THEIR IMPACT ON FACILITY MANAGERS.



By Scott Mason

$7.25/HR

Many states across the country are adapting new minimum wage laws that would raise required pay for hourly workers from the current federal requirement of $7.25/hour.

Chances are, your cellphone's "breaking news" push notification doesn't alert you to every legislative and regulatory update passed daily across the U.S. and Canada. In fact, most news of these laws and regulations goes unseen and unheard of by the general public. But multi-site facility managers (FMs) must be hyper-aware of these changes to adapt to new regulations that could impact daily operating procedures and impact their company.

Paid Leave (Family and Medical)

Background: A current hot-button issue is whether to grant employees paid leave, whether it be familial, sick or for other reasons. Only six states — California, New Jersey, New York, Massachusetts, Washington and Rhode Island — currently have laws allowing paid family leave. For paid sick leave, some of these benefits are restricted to specific cities within a state. For example, in New Jersey, paid sick leave is restricted to employees who work in Bloomfield, East Orange, Irvington, Montclair, Newark, Passaic, Patterson and Trenton.

Effect on FMs: FMs may need to devise solutions if/when employees are legally granted more paid time off. For example, maintenance and construction schedules may need to be modified to prepare for a potential shortage of workers created by extended time off. One recommendation is to create a more extensive backup system for employees who may not be working every day, so projects are covered in the event someone becomes ill or has a family emergency. Remember to factor these increased labor costs into your budget and contracts as well.

Minimum Wage Increases

Background: Wages have been slow to catch up to the inflation rate, and policymakers are taking notice. Many states across the country are adapting new minimum wage laws that would raise required pay for hourly workers from the current federal requirement of $7.25/hour. As of 2019, 29 states and Washington, D.C., have raised minimum wage rates above that number, according to the National Conference of State Legislatures, reflecting a shift in economic policy in favor of helping lower income workers.

Effect on FMs: Wage increases could mean internal employees and certain suppliers could come with a heftier price tag. Businesses you normally contract with will need to offset increased labor costs, and if slicing the budget isn't the answer, raising fees for services may be the

only other alternative. FMs should study wage laws in states where they operate to create a budget that factors in these potential changes to ensure operations stay in the black. Willful noncompliance with minimum wage standards could result in fines up to $1,000 for every federal violation and various additional penalties depending up on the state or states where your business operates.

Environmental Compliance

Background: Businesses are under pressure from lawmakers and the public to be more environmentally friendly. From decreasing waste output, to introducing more green cleaning practices, to innovations in energy management, many companies have started to operate in a cleaner way. Some of these new regulations directly impact multi-site FMs, who will have to revise operating procedures to ensure compliance.

Effect on FMs: The best way to accommodate these changes is to consistently perform an environmental compliance audit. Typically focused on assuring standards set by the Environmental Protection Agency (EPA) and Occupational Safety and Health Administration (OSHA) are being met, these audits can be ordered by lenders or insurance companies, or by proactive owners/managers. According to BOMI International, an independent institute for property and facility management education, aspects that should be examined include: business operations; waste streams; permit requirement compliance; regulatory reporting and recordkeeping requirements; chemical and hazardous material usage; and discharges to air, land or water. Noncompliance with environmental regulations can result in severe fines—or imprisonment if an operator knowingly circumvented the law.

FMs should study wage laws in states where they operate to create a budget that factors in these potential changes to ensure operations stay in the black.

Labor and Right-to-Work Laws

Background: The concept of right-to-work laws date back to the 1947 Taft-Hartley Act, a federal law restricting the power of labor unions in the U.S. These regulations prevent a worker from being required to join a labor union and pay fees or dues that he/she doesn't deem beneficial to his/her status as an employee. Unions themselves are opposed to these right-to-work regulations, arguing that workers who do not have to pay dues are then reaping the benefits of the collective-bargaining process without contributing to these efforts.

Effect on FMs: Be aware of whether or not your state is a right-to-work state, as this could affect relations and contracts with certain suppliers and in-house employees. Trade unions have played a large role in shaping the American workforce and its policies, and people have differing opinions on how collective bargaining agreements should be negotiated. Make sure to have a diplomatic and measured approach to any pro- or anti-union people you may employ.






"Strength lies in differences, not in similarities."

– Stephen Covey





BY CARA FINNEGAN

A diverse and highly adaptable workforce is the future of facilities management.

STRONGER TOGETHER

Just as the celebration of our differences is essential to a progressing society, it is also a propelling force in the world of business. In multi-site facilities management (FM), a field so reliant upon bringing many people to the table, building a diverse workforce with widely varied perspectives *and* skill sets is crucial. And as the FM field faces a labor shortage, the time is now.

Help Wanted

Skilled labor and blue-collar jobs are going unfilled, making the role of facilities manager more difficult as they feel the consequences of a shrinking labor pool. According to a report by USG Corp. and the U.S. Chamber of Commerce, in commercial construction, the skilled labor shortage is a major concern among most contractors. So much so that 80 percent of contractors view the lack of skilled workers as a threat to work and jobsite safety.

What's more, there is a shortage of FMs in leadership roles, and the need is expected to grow in the next several years — the U.S. Bureau of Labor and Statistics estimates that the need for property managers through 2026 will grow by 10 percent. And as the field is dominated by an older generation set to retire in the next decade, the need for more talent is even more urgent.

The shortage of degreed facilities managers reflects a lack of visibility for the field in general. According to *The International Journal of Facility Management*, fewer and fewer college students

are choosing degrees in facilities management: "Many college students are not exposed to the FM career path until they are already years into their respective majors."

It could mean the need for a major PR and marketing push for the industry. "Facilities management is a multi-trillion-dollar industry. Unlike other well-known industries like retail, airlines, hospitality or insurance, FM is not well known," said Connex CEO Bill Yanek. "Therefore, students who could become great FM leaders rarely consider it as a career option."

As a new generation enters the job force, companies need to work to be even more attractive to those seeking jobs in skilled trades, as well as leadership roles in FM. While advancements in tech may help attract younger, highly skilled talent, FMs will always need the personal and social skills to be successful. That's where cultivating a more diverse workforce comes in.

Embracing New Perspectives

According to the *Women in the Workplace 2018* report by LeanIn.Org, 68 percent of leadership positions are held by white men — vs. 19 percent for white women, 9 percent for men of color and 4 percent for women of color. The FM field follows these larger trends, made up mostly of older, white men.

Yet FM is, at its core, a people field — one that requires diverse experience and viewpoints to meet diverse needs. Including various perspectives in leadership positions not only helps your business understand the needs of your employees, but the needs of your customers as well. A leadership team with unique backgrounds means more ideas, more understanding and more possibilities for productivity and growth.

In addition, as the field adapts to include more virtual workspaces, a growing gig economy, remote collaboration and tasks that demand both high-tech and hands-on skills, a diverse group of people will be called upon to move with this changing tide.

As a more diverse group of people joins the field with wider representation in terms of age, gender and race, we can narrow the gap and promote better business decisions.

A Woman's Work

Looking ahead, one of the key groups to include at the table is women. As social and personal skills float to the top as being crucial in this tech-heavy landscape, women bring a unique advantage to facilities management. Women tend to be strong in soft skills such as empathy, emotional intelligence and self-awareness — all of which are essential in effective FM leadership. As Amanda Smith, National Sales Executive, Superclean Service Company Inc., points out, women may be especially equipped to be more refined in their approach.

Facilities management continues to be a male-dominated field. (In the

higher-ed sector, for example, men outnumber women in FM leadership roles nine to one.) But women are increasingly becoming involved and some see the gap starting to close. It will take an intentional focus on fostering these advancements for the future of FM to succeed. "Ultimately, the future of FM will be a greater push on women's career advancement since they make up half of the pool of next-generation leaders, at a time when cultivating talent is our industry's greatest challenge," Rian Tara Johnson of Cushman & Wakefield said.

Smith said it comes down to men helping women and women helping women get there. Women need to pay it forward and help each other. When women see more of themselves in leadership roles, it will help advance the participation of this next generation of leaders.

Women tend to be strong in soft skills such as empathy, emotional intelligence and self-awareness — all of which are essential in effective FM leadership.

Growing Mindsets, Expanding Skill Sets

Part of what a diverse workforce brings is a diverse set of skills. Automation, data collection and AI are revolutionizing how FMs work, requiring analytic and technical skills. Climate change and resource scarcity are bringing a sense of urgency to sustainability in the workplace, requiring creativity and vision. And virtual workspaces are increasing the demands of remote collaboration, demanding a new perspective. FMs must, above all, be adaptable.

Not only are these disrupters changing the way facilities work and how they must be managed, the rate of change is increasing as never before. This evolution means FMs must not only possess technical and analytical skills, but the skills to learn, adjust and innovate on the job. Smith reminds us that in addition to all of these hard skills, "gut instinct" is just as important.

To achieve success, FMs must continue to rely on their community and build off of each other's strengths and insights. Taking advantage of our differences, embracing new perspectives and bringing more exposure to the field as a whole will help us get there.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ACTION-PACKED ENTERTAINMENT

The rise of multi-site entertainment experiences has opened new opportunities for growth and expansion in FM.

BY SCOTT MASON

▲ **ALL ARE WELCOME**
Entertainment venues like Topgolf and Main Event offer a plethora of food, games and physical activities for group outings with friends and family.

"The customer is always right," is a phrase coined by Harry Gordon Selfridge in 1909. Over a century later, the saying still rings true. Providing a product or service customers want *and* enjoy is essential for any thriving business.

But what the customer wants has shifted noticeably as of late. Studies on millennial spending habits show results that multi-site businesses must take note of. According to a survey conducted by Harris and Eventbrite, almost eight out of 10 millennials said that their best memories are from an event or live experience. In turn, 72 percent of the same respondents said that they plan to increase spending on experiences over physical goods.

People want entertainment experiences — and businesses are listening. Adapting to this market trend, multi-site entertainment venues are expanding at a rate almost impossible to ignore, giving customers the opportunity to build a memory from services offered, as opposed to simply exchanging money for goods. Learning about these new ventures will be important for FMs and suppliers alike. What types of businesses fall under the multi-site entertainment umbrella? How fast is the industry growing? How will FMs need to adapt? And what does the future hold for the industry?

At the Forefront

One of the more successful examples multi-site entertainment venues is **Topgolf**. This adaptation of the classic sport has evolved into not only an outlet for links enthusiasts, but also one for patrons who simply want to eat, drink and play games with friends and family. In fact, according to *Forbes*, executives at Topgolf estimate that 51 percent of the customers who frequent their facilities don't normally play golf at all. Topgolf currently has 51 "big-box" locations across the United States with imminent plans to expand. Ten new locations are currently on tap for the U.S., with new sites in Canada in the works. In 2019, Topgolf revealed a new design concept for a smaller venue, which they hope will allow expansion into cities and markets with populations ranging from 100,000–500,000. "Our mission is to share the Topgolf experience while creating moments that matter to everyone, no matter where in the country they're located," said Craig Kessler, Topgolf's COO, in a statement.

No Pause in Growth

An explosive upgrade to the outdated arcade of yesteryear, industry leader **Main Event** shows no signs of slowing. Occupying spaces ranging from 48,000 to 75,000 square feet, Main Event has seen encouraging growth in the number of facilities in operation. In 2017, there were 20 buildings across five states. That number has more than doubled in less than two years, to 42 locations spread across 17 jurisdictions. In addition to the pinball machines and cabinet games you remember from growing up, they have incorporated more physical activities into their lineup. Bowling lanes, multi-tiered laser tag arenas and challenging climbing courses provide customers a reason to come back again.

Escaping the Mundane

Multi-site entertainment isn't just for gamers and athletes. Enter the rise of **escape rooms**. Placed in a themed room — with an in-depth narrative driving the action — family and friends try to work together to solve puzzles, decipher clues and crack codes to gain release from a locked room before the timer runs out. While generally unknown to the North American public a short while ago, the industry has seen incredible growth the past five years. According to *The Economist*,

there were just 22 venues open in the United States in 2014. Today, there are over 2,300. Worldwide, estimates have approximately 10,000 of these establishments in operation. A survey of escape room owners conducted from December 2018–February 2019 showed that the average admission price is $26.50, which means with proper facility maintenance and upkeep, profits have the potential to be lucrative.

For Your Viewing Pleasure

A few decades ago, going to the movies was seen as a special event. Currently, competition is fierce in the fight to get people back into theaters, notably due to increased popularity of home streaming services. The movie theater industry had to rethink its approach. One idea that has grown over the past decade is adding full-service dining and cocktails to their offerings. Once seen only in smaller, independent operations, larger theater companies are following suit. **AMC** has grown its Dine-In service into more than 40 locations that provide patrons a wide variety of burgers, sandwiches, salads and other tasty treats.

Other routes being taken are a bit more experimental. Earlier in 2019, **Cinemark** opened their second virtual reality experience installation. With runtimes of 15 minutes, Cinemark hopes people will stick

VISUALIZING THE FUTURE?

With the rise of the multi-site entertainment trend, investors are on the lookout for the next "big thing" to capitalize on. One such opportunity may come in the form of virtual reality (VR)/augmented reality (AR) entertainment centers. Termed location-based entertainment (LBE), these venues take advantage of one thing that most VR/AR systems need to excel: space.

VR headsets have been in the hands of consumers for a few years now, but rarely do people have the amount of space necessary to truly take advantage of the immersive technology. Movement is often restricted when playing in the comfort of your own home, and there are plenty of videos on the internet of hapless players, unaware of their surroundings, throwing something through a TV or knocking over an expensive vase.

That's where LBEs thrive. Providing sprawling spaces for players to not only interact with others live while in-game or in-scene, but also making sure there is ample room to experience the VR properly. Greenlight Insights projects that by 2023, the LBE industry could grow to be a $12 billion market, making up 11 percent of all VR/AR related business. Based on this prediction, now may be the best time to investigate FM opportunities linked to the LBE industry.

▲ **DINNER AND A MOVIE**
AMC's Dine-In theaters have expanded food and beverage selections for movie-goers, allowing customers to enjoy a full meal while seeing the latest blockbuster.

around to catch a flick afterward. "I'm very optimistic about it, but I still put it in the category of research and development," said Mark Zoradi, CEO, Cinemark.

Another example of a unique promotion being offered at Cinemark locations is a focus on the e-sports trend. Competitive videogame tournaments are held in the theaters, drawing gamers in with the opportunity to play the games they love on the big screen. Innovation is most certainly on the minds of theater executives as they look for creative ways to draw more customers.

Brand Building Blocks

Anchored by the familiarity of the well-known toy brand, **LEGOLAND** is a family-friendly theme park chain that operates across the globe. Its properties are split into two branches: outdoor adventure parks and indoor Discovery Centers. Rides and activities geared toward younger children populate the venues, along with interactive educational exhibits and art displays constructed — you guessed it — entirely out of Legos. Interest in the brand has spiked with the great success of the Lego movie franchise, which has led to steady growth of the entertainment properties. Luxury hotels have been opened at the outdoor iterations and several cities have plans to break ground on new Discovery Centers, including East Rutherford, N.J., Pittsburgh and Miami. The branding was originally licensed to Merlin Entertainment, but in June 2019, The Lego Group made a deal to acquire the owner of the amusement parks for an estimated $7.6 billion. This will open new avenues for expansion in the future, including a third U.S.-based outdoor park, LEGOLAND New York, set to open in 2020.

Entertaining Challenges in the FM Space

FMs and maintenance professionals may see this trend as an opportunity for significant growth in the multi-site industry. But they must be prepared to deal with challenges and issues that may not be as common as in traditional multi-site settings.

Hours of operation may differ significantly from normal storefronts like department stores or properties in a strip mall. Multi-site entertainment is often geared and marketed to families and friends, and as a result, many of these activities take place either at night after school or work, or on the weekend. Both FMs and suppliers must be aware of these peak attendance schedules and plan accordingly.

Food and beverage consumption is a large driver of traffic to these entertainment venues. Adding cafés and foodservice is a growing trend in itself in multi-site facilities, and knowledge of proper safety protocols, permitting needs and best kitchen equipment will be important to ensure customers leave satisfied. Recently, *Connexus* magazine provided in-depth coverage of these foodservice-related challenges and more, and is available to read online at **connexus.connexfm.com**.

Maybe the most important challenge is that the overwhelming majority of these multi-site entertainment venues involve customers *directly* interacting with equipment provided by the business. Whether it's arcade games, bowling lanes, the props in an escape room or any type of technology that aids the customer in having fun, FMs must know the weaknesses and potential maintenance issues of all the specialized equipment on the property. While the usual FM concerns are omnipresent, developing relationships with suppliers or maintenance professionals who have a more specialized understanding of certain unique technologies should be a next step.

Moving Money

IN THE NEW FRONTIER

What does the future look like for multi-site FMs in the financial services industry?

BY MYRNA TRAYLOR

Just as it has affected retail and telecommunications, digital technology has heavily impacted banking and other financial service industries. In recent years, a number of large regional and national banks have closed branches, opting for more technology-based customer service portals to reduce costs and streamline customer interactions. But as it turns out, the physical presence of customers is still needed and desired, and facilities of varying stripes are still required.

In fact, one fast-growing segment of money service businesses, or MSBs, is the check-cashing service. These retail operations provide an array of services for a fee, including check cashing, bill payment, prepaid debit cards, credit cards, money orders, currency exchange, payday loans and more. A significant number of their customers do not use banks because of previous bad experiences, plain preference or post-recession economic pressure. For these customers, who are primarily low-income, not having unexpected account service fees outweighs the inconvenience of not maintaining a checking or savings account. Moreover, they are able to get cash in hand immediately rather than wait the two days or longer for a check deposited at a bank to clear. Nevertheless, industry data evaluates this business segment at $11 billion in revenue for 2019, with a net profit of $1.4 billion. Some drop-off is predicted over the next few years as the poverty rate declines.

FMs for check-cashing services, in addition to supervising regular property maintenance, may be asked to oversee certain equipment, such as cash-counting machines, ATMs and lock boxes. Necessarily, there will be a number of transfers that will need to be monitored. These will involve armored car transfers, exchange of package drops with the U.S. Postal Service, and lottery ticket delivery and receipts.

Standard facility security concerns will also be top-of-mind for FMs and store managers. Evaluate the surroundings for any obstacles, such as hedges or other blind spots that could conceal a

CO-WORKING SPACES IN THE FINANCIAL SECTOR

Flexible, lounge-like spaces in bank branches are emerging as a new setting for engaging customers. But flexible co-working space for bank employees themselves may also be on the horizon. Offering a midway point between being in the office full-time and working remotely, these spaces might be configured for pop-up teams that work on short-term projects or for temporary increases in headcount. For FMs, co-working spaces have to be carefully planned, with a heavy emphasis on IT infrastructure, as well as data security and access to ensure that all regulatory requirements are met.

A STATISTICAL SNAPSHOT OF THE CHECK-CASHING AND PAYDAY LOAN INDUSTRY

REVENUE: $11.1bn

WAGES: $3.6bn

BUSINESSES IN OPERATION: 3,591

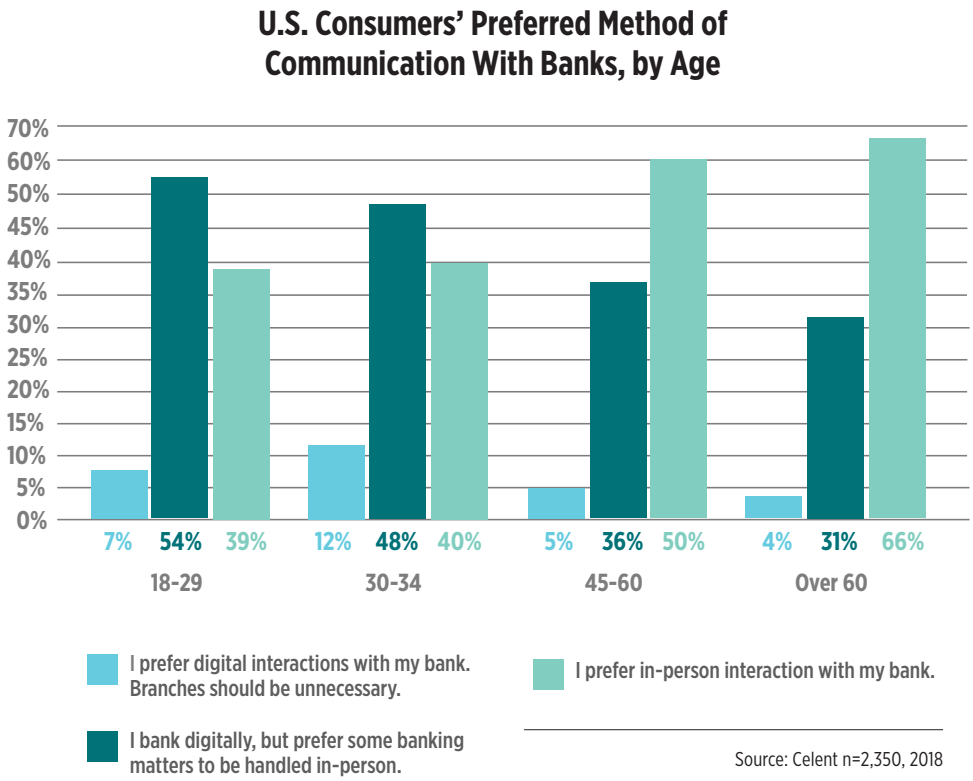
PROFIT: $1.4bn

Source: IBISWorld U.S

potential robber. Developing a protocol for opening and closing the store each day, and demonstrating alertness to anyone in the vicinity, can help deter robbery attempts.

In addition, because the check-cashing service's customer base has no funds on deposit, as they would with a bank, customer identification and authorization is done with each and every transaction.

In compliance with FinCEN, the Financial Crimes Enforcement Network operated by the Treasury Department, Know Your Customer (KYC) regulations come into play to prevent criminal activities ranging from fraud and money laundering to funding illegal criminal enterprises or terrorist activity. FMs may be called upon to manage in-house monitoring or biometric security equipment and databases designed to prevent financial crime.



Bank Branches: The Next Wave

There are few establishments that have a greater claim on the term "solidity" than banks. The banking industry as a whole, of course, has had to face diverse onslaughts as mergers and acquisitions prompt corporate name changes and branch closings, regulations governing their business activities ebb and flow, and new technologies disrupt decades-old business practices.

Furthermore, tech giants such as Google, Facebook and Amazon are actively entering the financial services space. Even though Amazon already provides cloud-based transaction solutions to banks, for example, a "Bank of Amazon" seems unlikely—at the moment. Big banks are nevertheless keeping an eye out for anything that would impinge on their customer base, particularly from these tech firms that already have relationships with most American consumers, as well as those overseas.

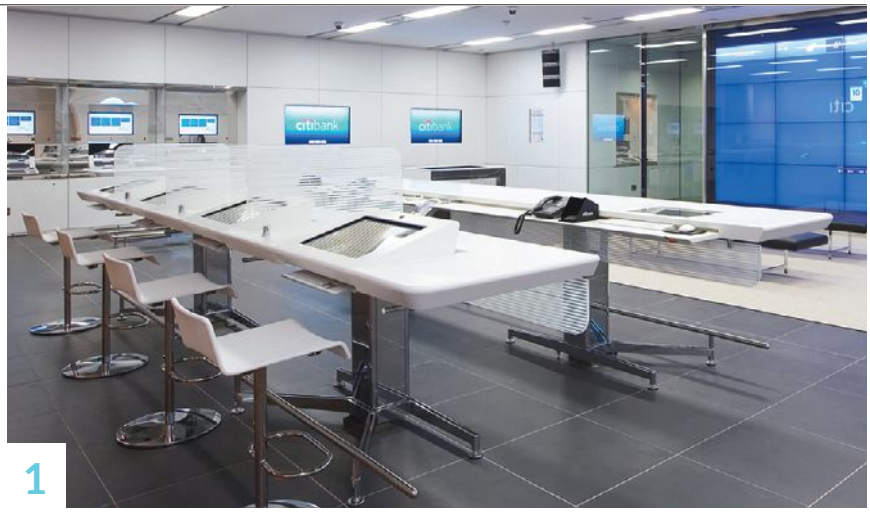
McKinsey & Company states that these new "smart branches" will look more like Apple stores than gentlemen's clubs of old.

As a result, banks and credit unions have had to think more creatively to maintain their customers, and their retail facilities are changing as a result. McKinsey & Company states that these new "smart branches" will look more like Apple stores than gentlemen's clubs of old. Branch

TYPICAL JOB REQUIREMENTS FOR "SMART BANK" FMs

A survey of bank and credit union job postings yielded many familiar skill sets for FMs, as well as some newer requirements.

- Maintaining relationships with business lines (understanding their needs and future growth).
- Manage workplace solutions, as well as space planning and move coordination.
- Work with facilities staff to monitor alarm-related Advisor Help Desk Requests to ensure 24-hour response time.
- Partner with corporate security to implement security procedures and processes related to safety and security measures.
- Adhere to all regulatory and compliance standards, including Bank Secrecy Act (BSA) as well as safety, quality and timeliness of work performed.
- Respond quickly to emergency situations, including those occurring on nights, weekends and holidays, summoning additional assistance as needed.
- Report suspicious transactions or unusual occurrences to supervisor.
- Actively participate in delivering the Facility and Services mission of supporting the entire organization and creating a workplace that fosters collaboration, security and mutual success.



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▲ **CITIBANK'S SMART BANK TECHNOLOGY**

1. Banks are taking advantage of new technologies, including adding self-serve tablet stations for quick and seamless transactions.

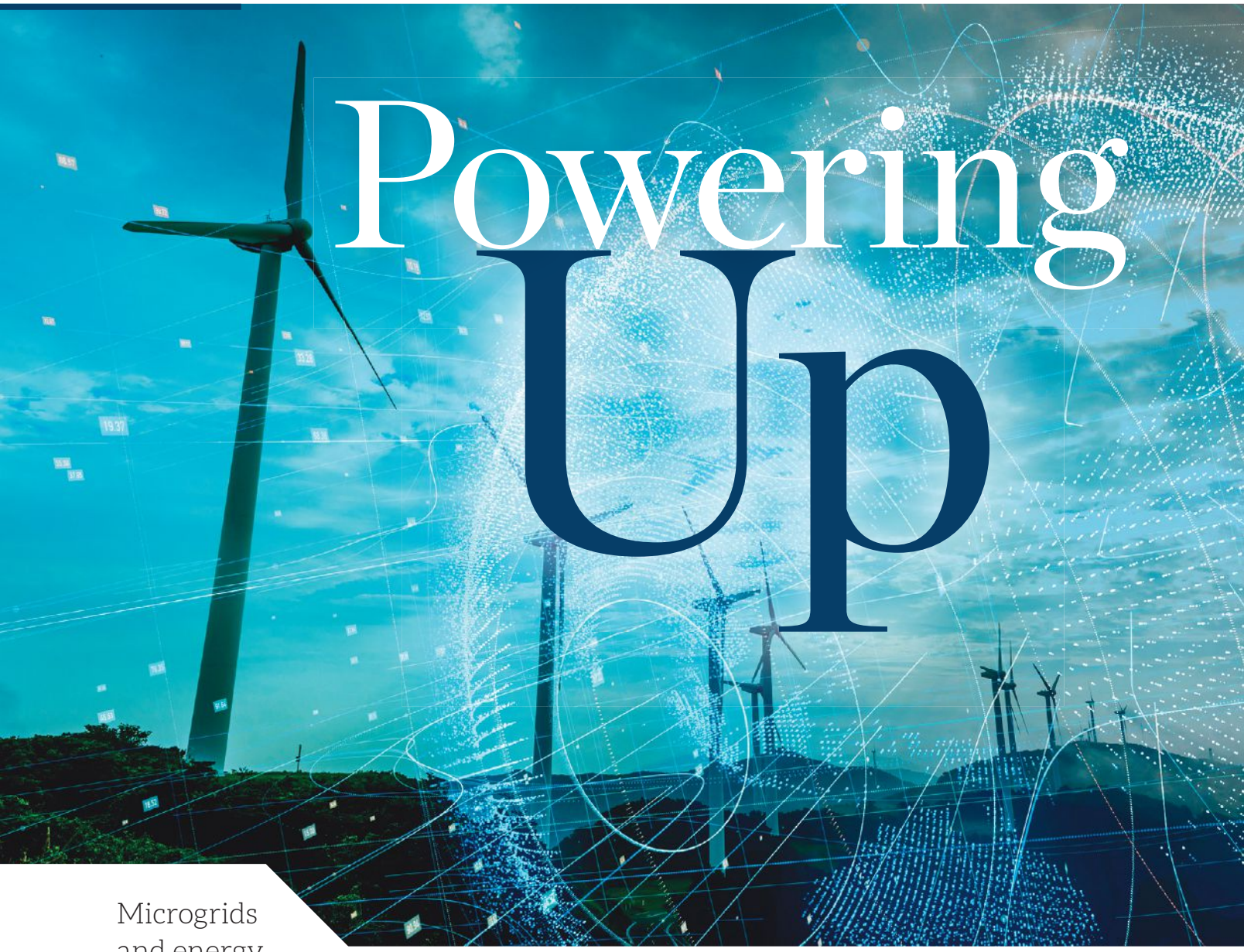
2. With open spaces and a touch of modernity, Citibank is trying to make banking a more positive experience for customers.

Source: Images courtesy of Eight Inc.

redesign and modernization efforts include installation of ATMs in the lobby and self-serve stations fitted with tablets or other devices where customers can handle transactions without teller assistance. Some kiosks will also offer chatbots or remote personal assistants to answer questions. Bankers, meanwhile, will have reconfigured spaces to help customers with more personalized services. These might be handled at standing desks or in lounge-like spaces with moveable walls and large display screens.

In some locations, banks have even added coffee stations and spaces for yoga classes, in a bid to make the customer's banking experience less of a chore, which is in line with other multi-use retail experiences. This model can mean FMs will be tasked with managing an increasing number of vendors for additional equipment and light food service management, along with the normal duties of lease administration, office operations and security functions.

As multiple types of financial services companies move toward increased personalization of services for customers, FMs will be asked to respond in kind, with streamlined, efficient and cost-saving solutions.



Powering Up

Microgrids and energy resilience are a draw for facility managers.

BY ELISA WOOD

One of the most destructive storms in U.S. history, Hurricane Harvey caused $125 billion in damage to Texas homes and businesses, and left hundreds of thousands without power in late August 2017. But there was a bright spot in the dark, or more precisely, 21 bright spots.

These were stores and gas stations run by H.E.B. and Buc-ee's that were able to stay open when others could not. Why? Because they had microgrids—sophisticated on-site power sources, increasingly employed by retailers who cannot afford power outages.

This rise of microgrids comes as fierce storms make the electric grid increasingly vulnerable. The U.S. Energy Information Administration reports that power outages nearly doubled in 2017 (the most recent year figures are available.) In all, the nation saw 3,526 blackouts affected about 27 million people, according to Eaton's Blackout Tracker.

Unfortunately, it's not only storms that take down the electric grid. One of the nation's most notorious outages occurred in 2003 when a power line brushed a tree setting off a cascading failure that left 50 million people in the eastern U.S. and Canada without electricity. Faulty equipment, car accidents or even squirrels gnawing lines also cause outages. Meanwhile, the threat of cyberattack

on the grid also grows as hostile governments probe the U.S. electricity system for weaknesses.

Zero Tolerance

In today's always-on, high-tech society, retail customers lack tolerance for power outages. Imagine a family on a long road trip with restless children, passing signs announcing the promise of an approaching store with food and bathrooms. If they arrive to find the establishment closed due to an electrical malfunction, the parents quickly lose faith in the brand, said Allan Schurr, Chief Commercial Officer, Enchanted Rock, a microgrid development company that installed the microgrids for Buc-ee's.

Consumers expect retail operations to be open when they say they will be. No excuses.

Power outages do more than irk customers; they create direct loss of revenue to retailers. When air conditioners fail, customers don't linger to buy extras. Cash registers don't work. Perishable items quickly lose their shelf life and must be discarded.

In all, power outages cost the U.S. economy about $44 billion per year, according to the Lawrence Berkeley Laboratory. Businesses take the biggest hit; although they only represent 10 percent of all electricity customers, they pay 70 percent of the cost.

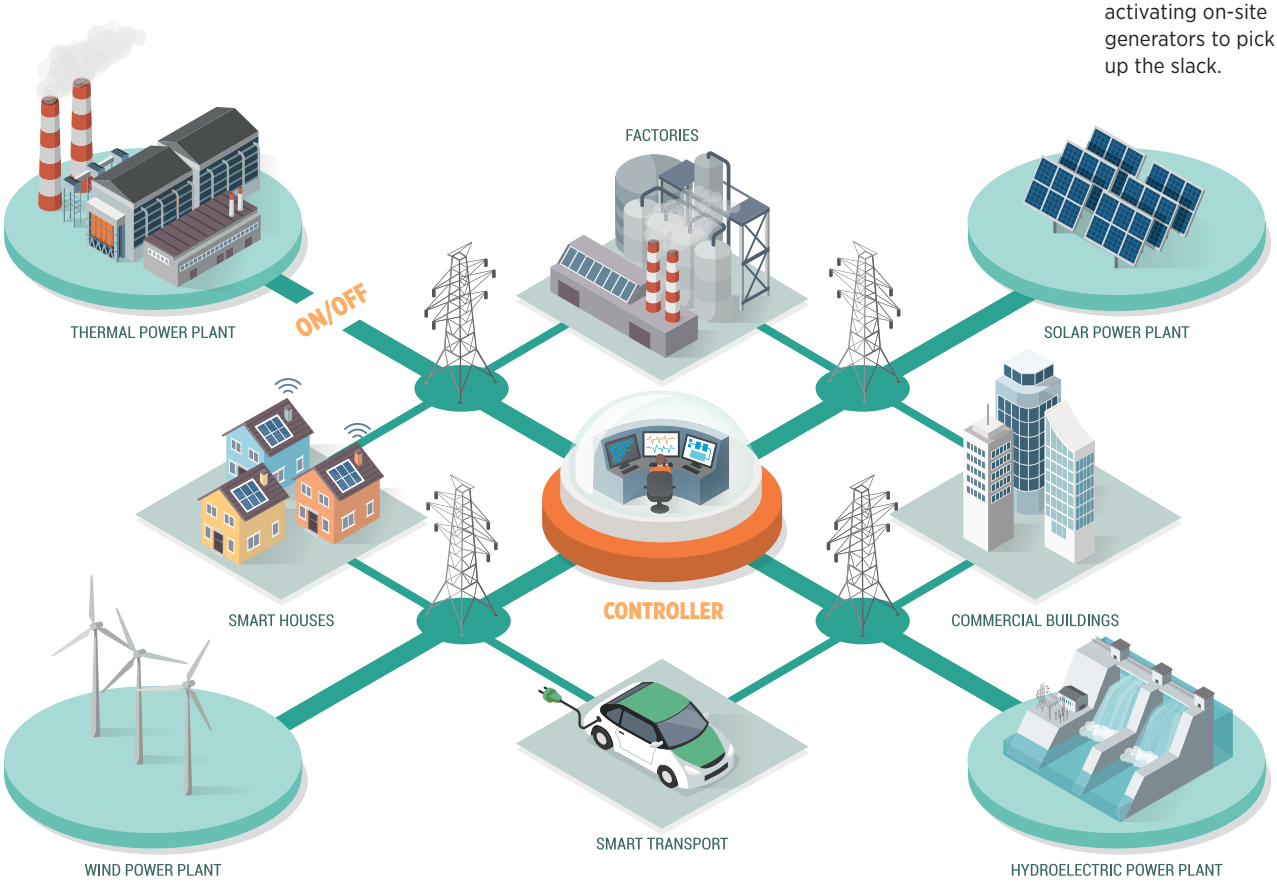
To avert such loss, businesses are increasingly investing in technology that promises energy "resilience," the ability to keep the lights on or recover quickly should they go out. Among these technologies, microgrids are able to keep the power on the longest.

What Is a Microgrid?

Think of the electric grid, with its power plants and wires, but scaled down to meet the needs of an individual business or campus. A microgrid may have one or more sources of on-site power, often some combination of solar, energy storage, natural gas or diesel generators.

But what distinguishes it, and makes it more sophisticated than mere back-up generation, is a piece of equipment known as a microgrid controller. The controller connects or disconnects the on-site generation from the central grid.

▼ IN CONTROL
Power disruptions can wreak havoc on a multi-site facility, but the addition of a microgrid to a facility can reduce these interruptions. The microgrid controller is able to sense outages immediately, activating on-site generators to pick up the slack.



"The exact cost of the microgrid will vary widely depending on its size and design, anywhere from $250,000 for a simple system to more than $100 million for a large complex community-scale system."

If a power outage occurs on the grid, the microgrid senses the disruption, disconnects from the grid and activates the on-site generators. When the grid is repaired, the microgrid disconnects. Advanced systems do so without a blink; those inside the building are unaware any change occurred.

What *Isn't* a Microgrid?

A great deal of confusion exists around the types of backup generation available to retailers and their capabilities. Sometimes retailers install systems believing they offer services they do not. Many confuse microgrids with simpler solar energy systems.

It's important to note solar panels do not provide backup power during a grid outage. When the grid fails, they cease to operate. This can be remedied by pairing the system with an energy storage battery. However, most batteries run out of power within a few hours. So solar-plus-storage doesn't provide the kind of extended backup many businesses need.

That's why they take the next step and create a more sophisticated system, adding the software and controller to create a microgrid. During a power outage, the microgrid will determine which resource is best to run at a given time. For example, a microgrid with solar, storage and a natural gas generator might use solar by day and storage by night until it is depleted, when it would activate the generator.

Microgrid Growth

Navigant Research forecasts that the global microgrid market will grow from $6 billion in 2018 to $30 billion by 2027. North America is the most active market, followed by Asia Pacific. And while the military and research universities have led the way, businesses are the new frontier adopting microgrids.

According to Navigant, the commercial and industrial segment is becoming the fastest-growing customer base for the technology.

Electric reliability is a big reason businesses install microgrids. But they also are attracted by the falling price tag. Navigant estimates overall costs for microgrids have declined by 25–30 percent since 2014. The exact cost of the microgrid will vary widely depending on its size and design, anywhere from $250,000 for a simple system to more than $100 million for a large, complex, community-scale system.

No-Money-Down Microgrids

Perhaps more important, no-money-down financing models have emerged that are well-suited to retailers and other businesses that might shy away from such a large capital expense. Known by various names, such as microgrid-as-a-service or energy-as-a-service, the approach allows businesses to secure a microgrid without the risk. Exact terms vary, but generally a third party finances, owns and manages the system; the business pays a regular fee for the microgrid service, perhaps monthly, as they would their utility bill. This approach now accounts for 81 percent of microgrids deployed globally, according to Navigant.

Using the as-a-service model, the third-party providers earn their money by leveraging tax credits and other microgrid incentives, as well as selling the microgrid output into energy markets when the on-site generators aren't needed by the retailer. Microgrids also can produce revenue by participating in demand-response, where utilities pay customers to activate their on-site generators when the grid is under strain. Lastly, they are used to manage energy use in a way that reduces certain utility charges to business customers.

Given these economic benefits, as well as growing concern about power outages, "microgridding" is a trend for retailers to watch. As their competitors hang signs saying, "Sorry. Power Out. Come Back Later," retailers with microgrids shine their bright lights in welcome.

Learn More

For more information on microgrids, download "Microgrids for Retail" at: **microgridknowledge.com/white-paper/microgrids-for-retail-special-report**.

EXPANDING OPTIONS

Technology provides new opportunities for improving FM operations.

BY MARY LOU JAY

Facility managers continually strive to make facilities' operations more efficient, reduce costs and adhere to increasingly stringent environmental expectations. While there are no one-size-fits-all solutions, the technology that's being introduced into the market today can help FMs make progress toward these goals.

Green Power Options

Many of today's customers and investors, especially millennials, are conscious of companies' environmental, social and governance (ESG) performance. A survey by the Allianz Life Insurance Company found 76 percent of respondents were concerned about how companies conserved natural resources and 69 percent were concerned about companies' carbon footprints and impact on climate change.

Finding more sustainable sources of power could be one way for FMs to address these ESG issues. Hybrid power grids, which offer electricity generated by wind and solar power as well as by fossil fuels, are one answer. The New England area has become a leader in the development of such hybrid grids. In 2000, renewable power sources generated just 6 percent of the region's electricity, while today they provide 9 percent.

Some of the largest companies in the country, including retail giant Walmart, are pushing for changes that will give retailers and other companies more choice in the types of power they purchase. They have formed the Renewable Energy Buyers Alliance (REBA), which represents the largest group of corporate renewable energy buyers in the U.S. REBA's goal is to encourage the addition of 60 gigawatts of new renewable energy to the power grid by 2025.

By adding more sensors to buildings, systems and individual pieces of equipment, FMs will be able to collect additional data that, when analyzed, will help them reduce energy consumption, extend the life of their assets, minimize waste and improve productivity.

Data-Driven FM

As companies work to improve their ESG ratings, FMs will have to be even more proactive in using data to improve the energy performance of their stores. The falling cost of sensors — from an average of $1.30 each in 2004 to an expected $0.38 by 2020 — will make their use more attractive and provide a better ROI than was possible previously. By adding more sensors to buildings, systems and individual pieces of equipment, FMs will be able to collect additional data that, when analyzed, will help them reduce energy consumption, extend the life of their assets, minimize waste and improve productivity.

PoE lighting

Power over Ethernet (PoE) lighting systems will offer another opportunity to improve facility efficiency. Traditionally, powering, monitoring and controlling lighting systems required two sets of cables: power and IT network (Ethernet). With PoE, however, the IT network will do all the work.

In PoE lighting systems, specially designed low-wattage lighting fixtures and control components are connected to a power source through the ethernet cables. This will provide many advantages for FMs. Building lighting can be positioned without worrying about connections to electric lines. Labor and material costs will be lower, since there is

> "In the FM world, store managers will one day be able to talk to a chatbot to report equipment failures, with the chatbot asking for additional details about the problem to reduce repair times."

just one cable to run instead of two. In addition, ethernet cable is cheaper than electrical cable, and doesn't require an electrician to install.

5G Networks

One connection FMs will continue to be concerned about is those used to send sensor data from buildings to facility management systems. The proliferation of data from these devices connected to the Internet of Things is already placing heavy loads on cellular networks. 5G (fifth generation) wireless technology will ease that burden.

5G cellular networks have higher capacity than 4G networks, so more devices can share the same bandwidth. 5G networks provide better connectivity and lower latency (data transfer times), making them up to 20 times faster than 4G networks.

Wireless service providers began rolling out 5G this year, and it will take another two years before it's available everywhere in the U.S.

While 5G's faster and better connections will make it possible for FMs to collect data from IoT-connected devices, there is a downside. Since only some of the available 5G frequencies can use existing 4G infrastructure, companies will eventually need to make upgrades to take full advantage these networks.

Expanded Realities

The speed of 5G networks should spur the adoption of technologies that enable FMs to look at facilities in new ways.

FMs will increasingly rely on IoT-connected sensors and data analytics to improve building operations. At the same time, **artificial intelligence** (AI) software, which can integrate data much faster than the human brain, will begin taking over some of this analysis and make decisions without human intervention.

AI is also powering some of the **chatbots** being used to answer questions from product users or potential customers. The AI software sifts through databases to find the relevant information, becoming more effective as it "learns" through interactions with users. In the FM world, store managers will one day be able to talk to a chatbot to report equipment failures, with the chatbot

SHINING A LIGHT ON HVAC

While many of the tech trends in facilities management are data-related, there are some exceptions.

The increased use of ultraviolet (UV) light to address indoor air quality problems — specifically the growth of microorganisms in HVAC systems — is one example. These bacteria, viruses, mold and fungi grow as a biofilm in the dark, humid environment of HVAC equipment. They can cause illnesses ranging from Legionnaire's disease, pneumonia and respiratory infections to asthma, colds and hay fever.

The biofilm also clogs the HVAC's filters and reduces the system's efficiency.

Researchers have found that microorganisms can be destroyed with just a few seconds of direct exposure to UV light. The short UV rays attack the DNA of the microorganisms so their cells stop functioning and they die.

FMs (and HVAC system manufacturers) are now installing UV lights inside HVAC duct networks and/or coil systems. They're both safeguarding the health and safety of the building occupants and improving the efficiency of their equipment by eliminating the biofilm.

asking for additional details about the problem to reduce repair times. In addition, technicians will be able to ask a chatbot to pull up maintenance data or manuals when they're servicing equipment.

Augmented reality (AR) systems also offer a new way to access data, but they do it visually, superimposing the additional information over what people are seeing in the real world. With an AR program and a cellular device or goggles, a service technician making a repair to an electrical system can "see" behind the walls to determine the location of pipes and wiring. Once the wiring is exposed, the technician can use AR to pull up the original wiring diagrams.

Virtual reality (VR) adds a new dimension — literally — to using building data. VR's 3D building models will provide FMs with a better understanding of the interaction of systems within facilities. Testing system improvements on these virtual models will provide FMs a better idea of how proposed changes will work in the real world.

24/7/365

Systems integration is gearing up to be a top priority for facility managers — remote monitoring is one example of how that integration can handle facility protection — all day, every day. Off-site call centers can address issues remotely and provide support to on-site employees. This can save time, money and reduce energy costs.

By providing more ways of looking at facilities, and by offering more choices about facility management, trending technologies could help FMs become more effective at their jobs than ever before.

SMALL STORES, Big CONCEPTS

Many big-box retailers are opening smaller concept stores, but does the trend have staying power? And what do FMs need to know?

BY MEREDITH LANDRY

Bigger isn't always better. Or at least that's what some big box retailers are banking on.

A growing number of retail giants, including Target, Nordstrom and IKEA, are launching small-concept stores to appeal to new markets. Opening smaller stores on city streets not only helps retailers save money on rent as online shopping continues to grow, but also reach an urban audience.

Small-concept stores can also provide the framework for improved customer service. Retailers hope smaller, more conveniently located stores make it easier for customers to return products — and to buy online and pick up in-store. But will these new formats create unique challenges for FMs?

Hitting the Bull's-eye

Already proving that good things come in small packages is Target. In March, the Minneapolis-based retailer opened 30 slimmed-down stores in cities including Los Angeles, New York and Washington, D.C., and on some college campuses. At roughly 40,000 square feet, they're only a third of the size of a traditional Target.

"These stores help us enter new neighborhoods, where a full-size store wouldn't fit," said Brian Cornell, CEO of Target, during an earnings presentation in March.

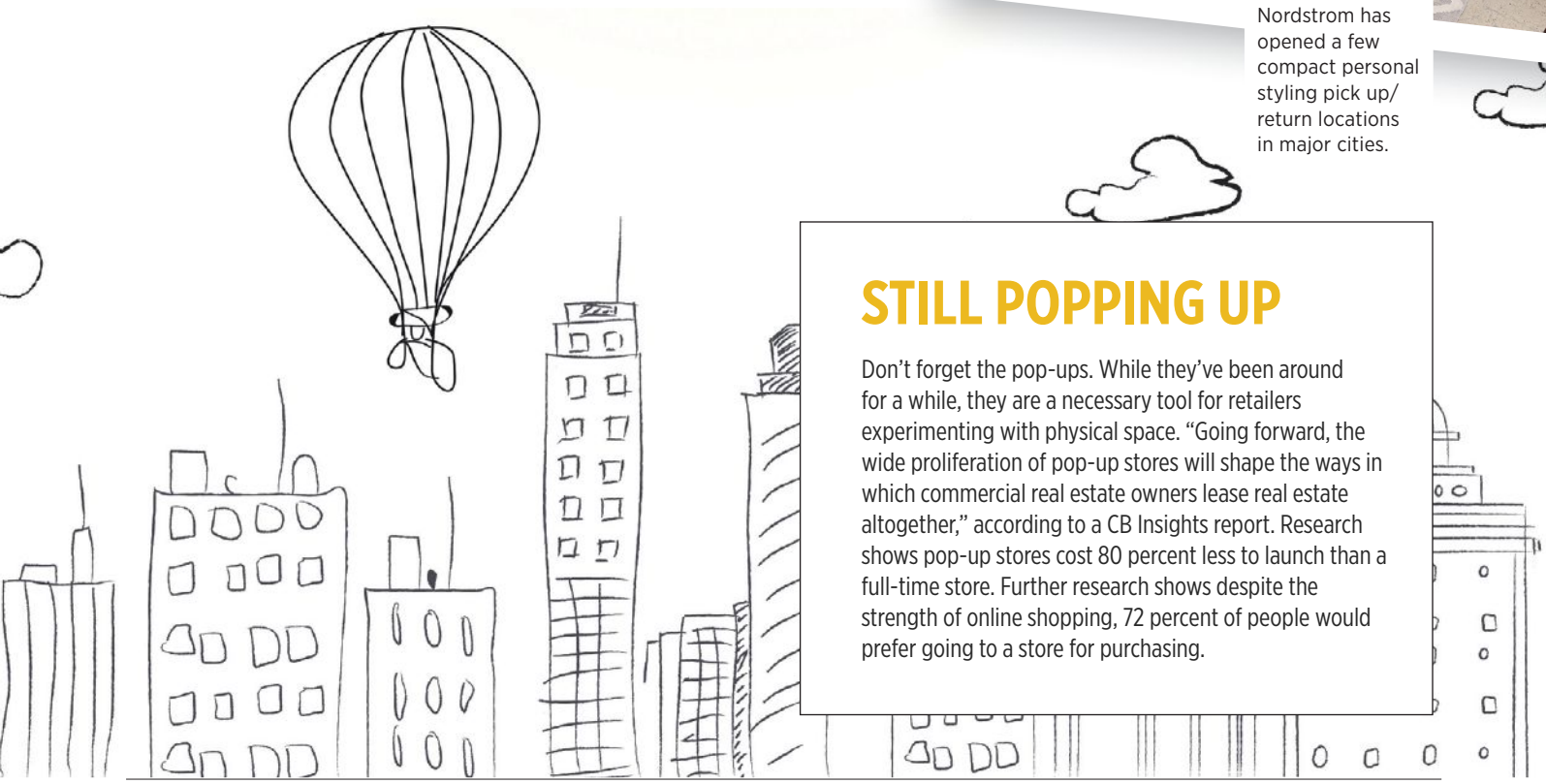
Target has already opened 88 small stores and plans to open around 30 new ones a year for the next several years. These smaller Targets also tailor the merchandise to the local clientele. For instance, the stores on college campuses sell plenty of school-specific gear.

No Merchandise? No Problem

In May, Seattle-based Nordstrom announced that it would be adding two new locations of its service-centered Nordstrom Local concept. The three current locations in the Los Angeles area carry no merchandise, and neither will the two Manhattan stores. Instead, the stores serve as hubs for online pickups and returns, as well as services like tailoring and personal styling.

SQUEEZING IN With precious space being limited, Target has opened several compact stores in bustling cities.

LOCAL STYLE Nordstrom has opened a few compact personal styling pick up/return locations in major cities.



STILL POPPING UP

Don't forget the pop-ups. While they've been around for a while, they are a necessary tool for retailers experimenting with physical space. "Going forward, the wide proliferation of pop-up stores will shape the ways in which commercial real estate owners lease real estate altogether," according to a CB Insights report. Research shows pop-up stores cost 80 percent less to launch than a full-time store. Further research shows despite the strength of online shopping, 72 percent of people would prefer going to a store for purchasing.

▶CITY SHOWROOMS
IKEA is adding new store variations that cater to urban dwellers who may not be able to take home larger purchases on the spot.

INNOVATE OR PERISH

As retailers look ahead to the stores of the future, they must offer something in person that customers cannot get online. "While the so-called 'retail apocalypse' has failed to fully materialize, what has proven to be true is that we're in the midst of an exciting retail evolution, as retailers who fail to evolve are dying and making room for more creative, innovative concepts to take their places," said Ashley Casey, Director of National Accounts, Phillips Edison & Company, in an article on Atlas Branding.

Even IKEA is following suit. The Swedish home furnishings retailer — known for its giant blue warehouses — opened its first "planning studio" on Manhattan's Upper East Side in April, which will be one of the 30 smaller, urban stores IKEA plans to open over the next few years.

Traditional IKEA stores are about 300,000 square feet, but the small stores are only 17,350. The new stores are an attempt to reach city shoppers who don't own a car or feel like driving to the suburbs. But the kicker is: The Manhattan store doesn't have a café (sadly, no Swedish meatballs or cinnamon rolls) and most items are available for delivery only.

In Canada, the country's leading telecom giant, Bell, recently commissioned an interior design firm to develop a high-end, next-generation store concept — the first of its kind for the company. The new store feels sleek and modern with off-white lighting, soft wood, organic shapes and clean lines. One may feel as though they've stumbled into a fashion boutique instead of a telecom store. The smaller, luxurious space is meant to boost engagement with customers and reflect the change in technology products. After all, long gone are the chunky, clunky cell phones from the past.

New Concepts = New Challenges for FMs

While smaller stores might help retailers' bottom line, they can also create new challenges for facility managers (FMs). What's the biggest challenge in going small? Some experts tout security because securing a smaller footprint can change the entire approach to security management.

For example, where you position security equipment and security staff will be different in a store with a smaller footprint. With a different layout to the store and merchandise, FMs may need to revise their entire security plan.

Special Delivery

Another challenge to keep in mind is how to receive deliveries from vendors. Trucks can easily maneuver through a large parking lot outside of a big-box store in the suburbs, but

BACK FROM THE DEAD?

According to Bloomberg, defunct toy store Toys "R" Us will make a comeback by Christmas this year, launching six small-concept stores. The 10,000-square-feet stores make up roughly a third of the brand's former physical footprint.

making deliveries in a congested city, where many smaller concept stores are located, can be difficult. And since deliveries happen so often, it's important that process go as smoothly as possible.

Delivery drivers may need to park on the curb, for example, and FMs would need to carefully assess where the deliveries can go and how to safely get them in the store.

While small-concept stores could present several new challenges, skilled FMs should be OK if they focus on being agile, adapting to changing demands and multitasking.

Once upon a time, big-box retailers were believers in the notion that if you built it, customers would come. But that truth no longer stands. As the small-store concept continues to build steam, the truth is: In this ultra-competitive space, retailers must come to their customers.

One small store at a time.

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