Catering to the tomorrow and the future of facility management

Robin Sundqvist

Ida Kirstine Hansen

Caroline Rykov

Augusta Klingsten

RICA CONSULTING

ISS is the leading provider for Facility Management. However, COVID-19 has disrupted the industry, and ISS needs to prepare for the future

SITUATION

ISS is the leading provider for Facility Management and excels by putting people first in all aspects. However, the daily life of ISS customers and their employees that ISS serve have been greatly affected by COVID-19

COMPLICATION

The COVID-19 crisis has accelerated many changes in ISS' industry. Specifically, it is uncertain what the future workplace will look like, which will have major implications for the future of ISS' business model

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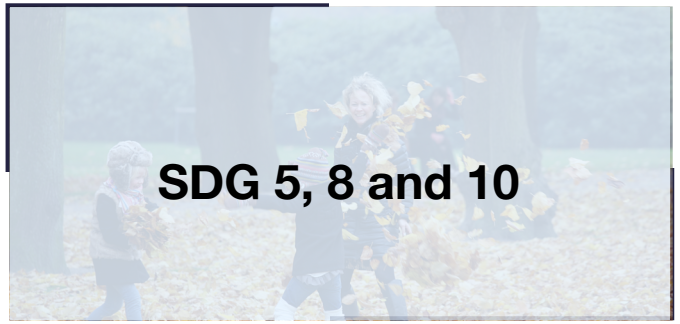
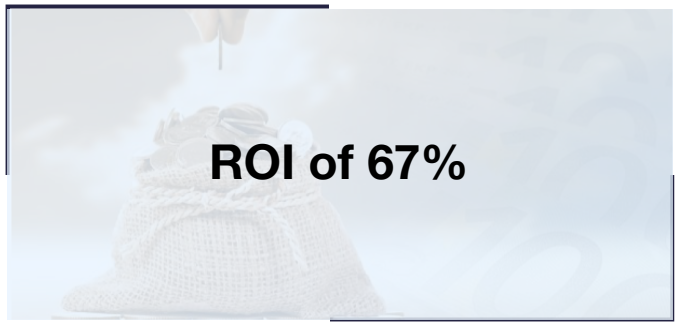
One Destination powered by ISS

For tomorrow: A SaaS platform that bridges the gap between the employee who works at home and at the office – by offering and complementing ISS existing core services

Transforming the future

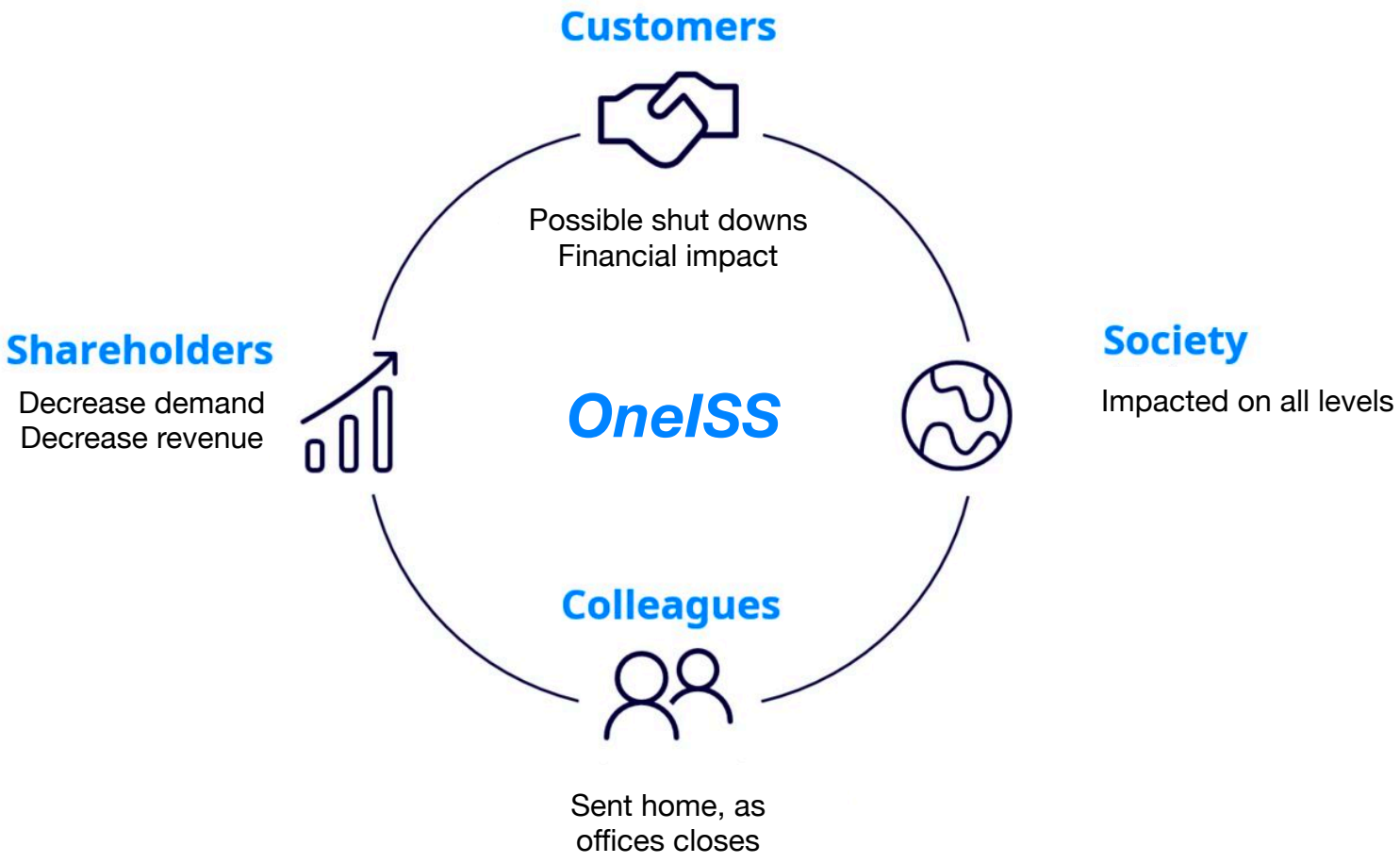
For 10 years: Sensor technology that enhances the work experience by offering personalized services and experiences at every touchpoint





All of ISS' key stakeholders have been affected negatively by Covid-19. In particular, the financial implications have been severe

Impact of Covid-19 on key stakeholders for OneISS



Short-term (Covid-19 impact only)

- **High focus on health and safety** through social distancing and intensive cleaning

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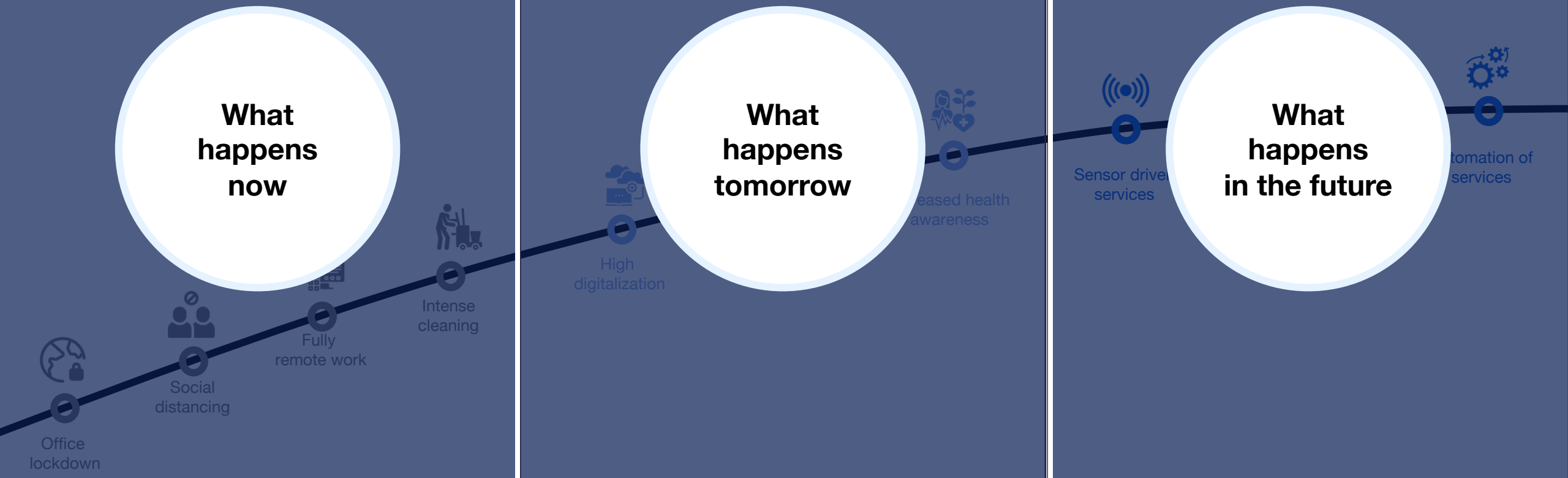

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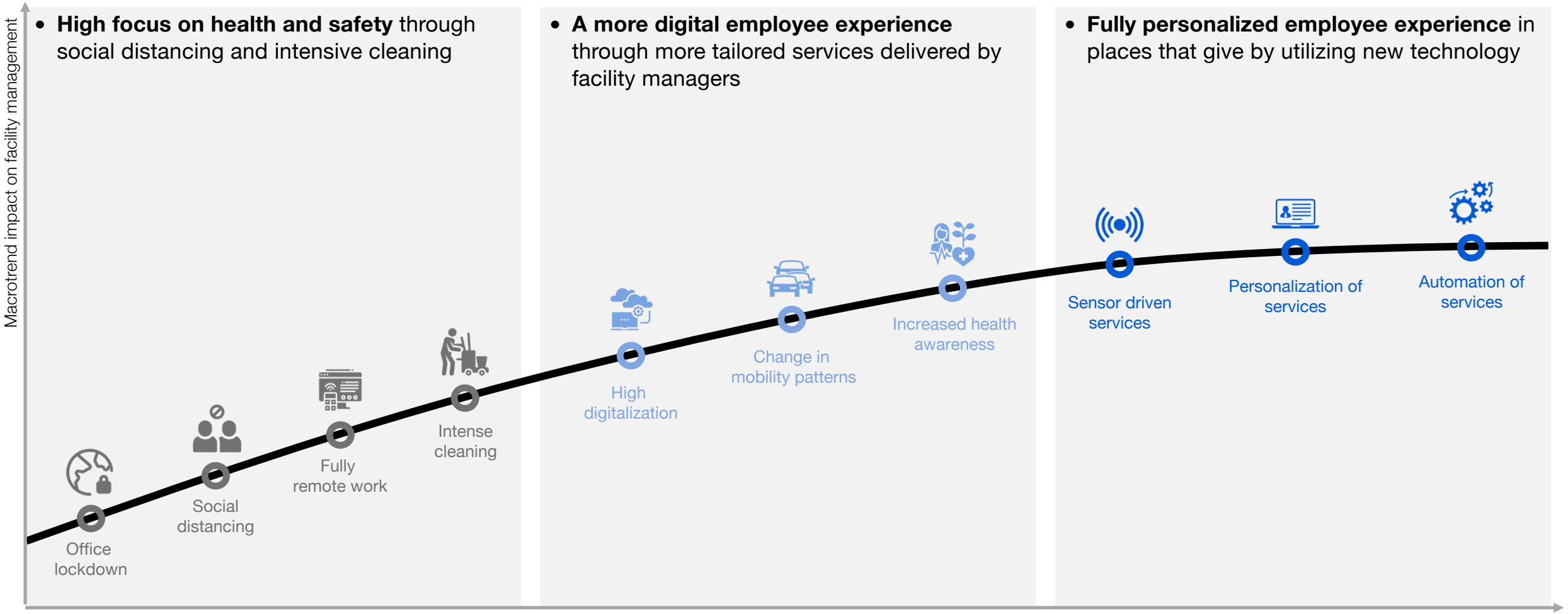
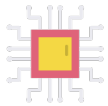


Source: McKinsey & Company (2020), Accenture (2020), BBC (2020) and team analysis

As a result of the pandemic, ISS' key customer groups have drastically changed their work behavior, leading to the need for shifts in ISS' business model

Banking	Life Science	Aviation	Healthcare	Technology	Manufacturing
					

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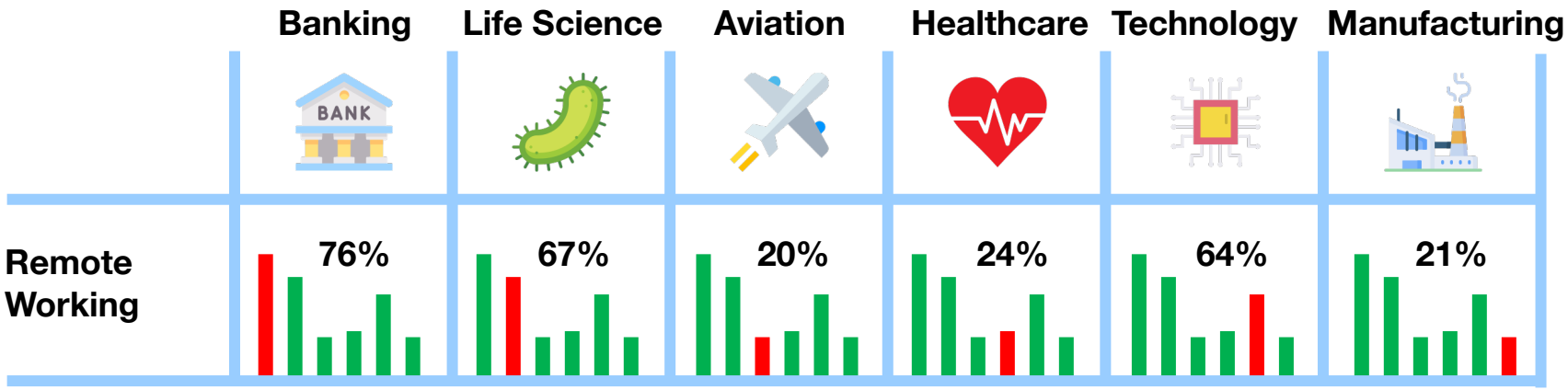

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Remote Working	76%	67%	20%	24%	64%	21%
Importance of hygiene	2/3	1	3/4	1	3/4	1/2

Sources: Swiss Re Institute (2020), McKinsey (2020)

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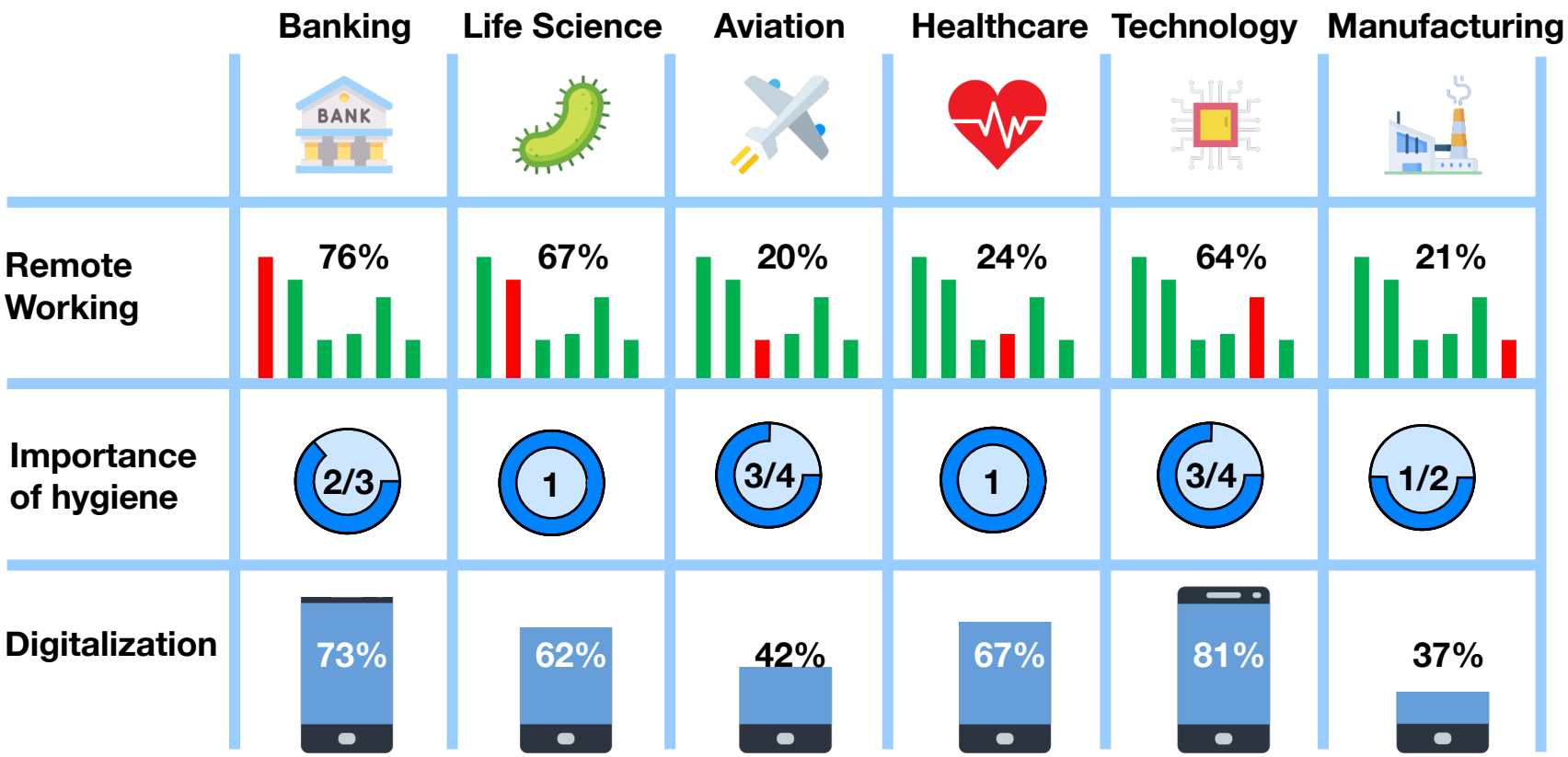

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Digitalization	73%	62%	42%	67%	81%	37%

ISS will face significant changes in day-to-day operations

- Multiple key customer groups heavily affected
- Directly affects the workplace
- Banking, Life Science and Technology faces largest risk of disruption

Sources: Swiss Re Institute (2020), McKinsey (2020)

The disruption has mostly affected Food, Cleaning and Workspace, which must therefore be addressed to solidify ISS' position in the new normal

1. Food

- Reduced volume of workplace B2B sales
- Less scalable delivery

3. Cleaning

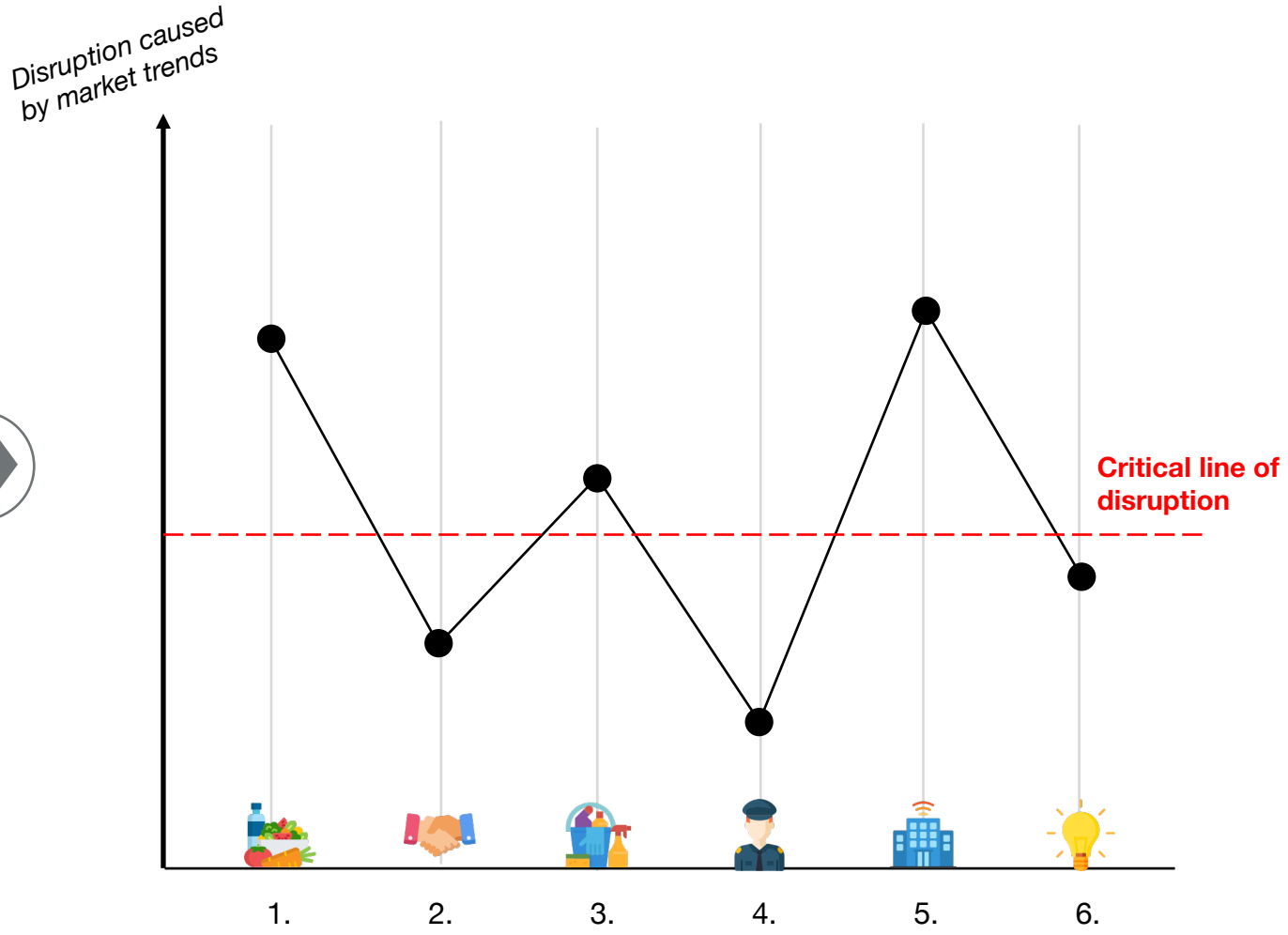
- Increased sales volume
- Visible deep cleaning and disinfection

5. Workspace

- Reduced volume of workplace B2B sales channel
- Increased digital collaboration

ISS Service Categories

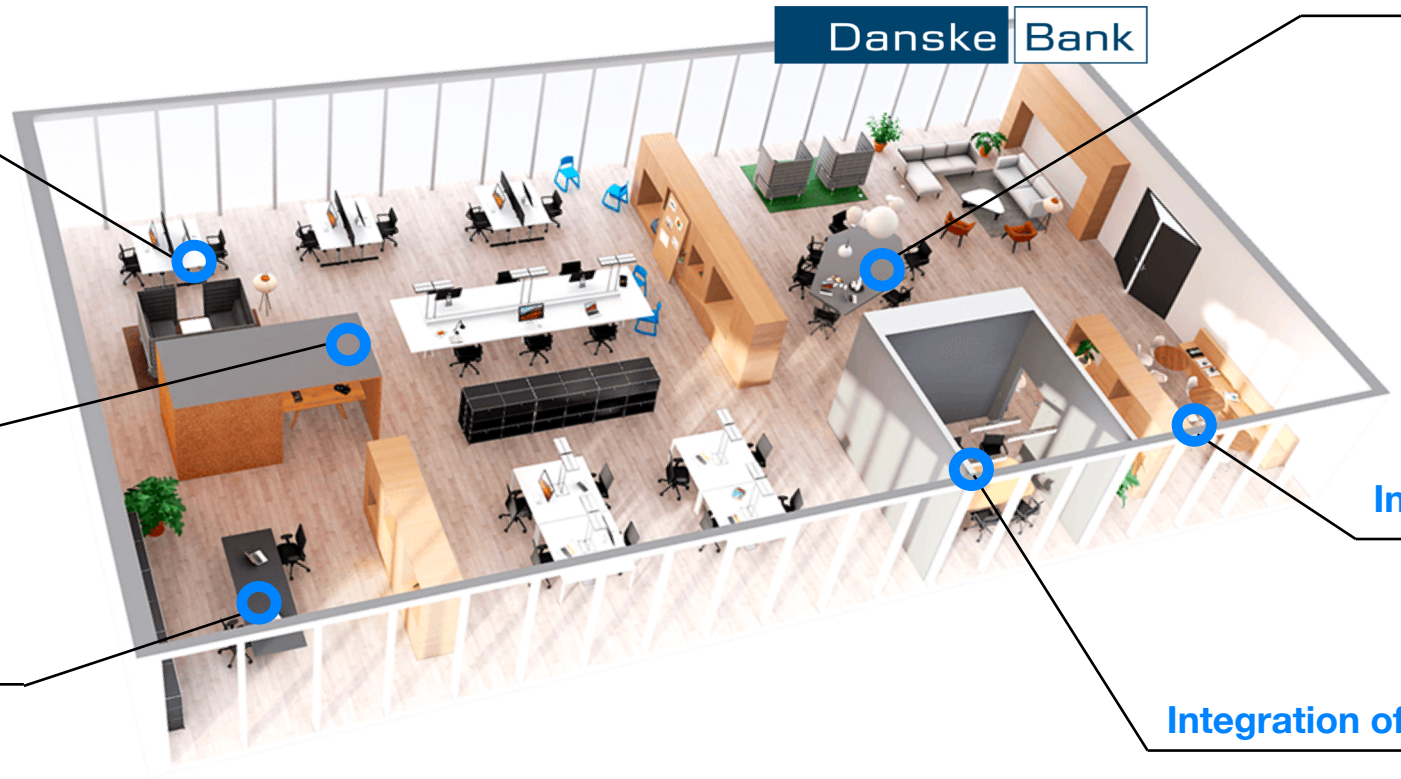
1. Food
3. Cleaning
5. Workplace
2. Support
4. Security
6. Technical



Sources: team analysis

The workplace of the future is impacted by all key macro trends, and will to transform to cater to the needs and wants of the employee of the future

The office of the future



Increased focus on cleaning

45% working from home

High focus on personalization

Increased focus on health

80% digital meetings

Integration of services for employees

Key takeaway

The workplace of the future is affected by all macro trends, and the employee of the future will be at the center of attention. Focus will be on digitalization, health, changes in mobility patterns and personalization.

Source: Mckinsey and Company (2020), Slack (2020), team analysis

The workplace of the future are going to create the employee of the future, that will have their own needs that ISS have to cater for

Employee of the future

Digitalization

- **Communication** and **collaboration** is increasingly becoming digital
- 38% of organizations are **currently implementing digital workplace technology**

Personalization

- Increased demand for **personalized service interactions**
- 71% of consumers feel **frustrated** when their experience is **impersonal**

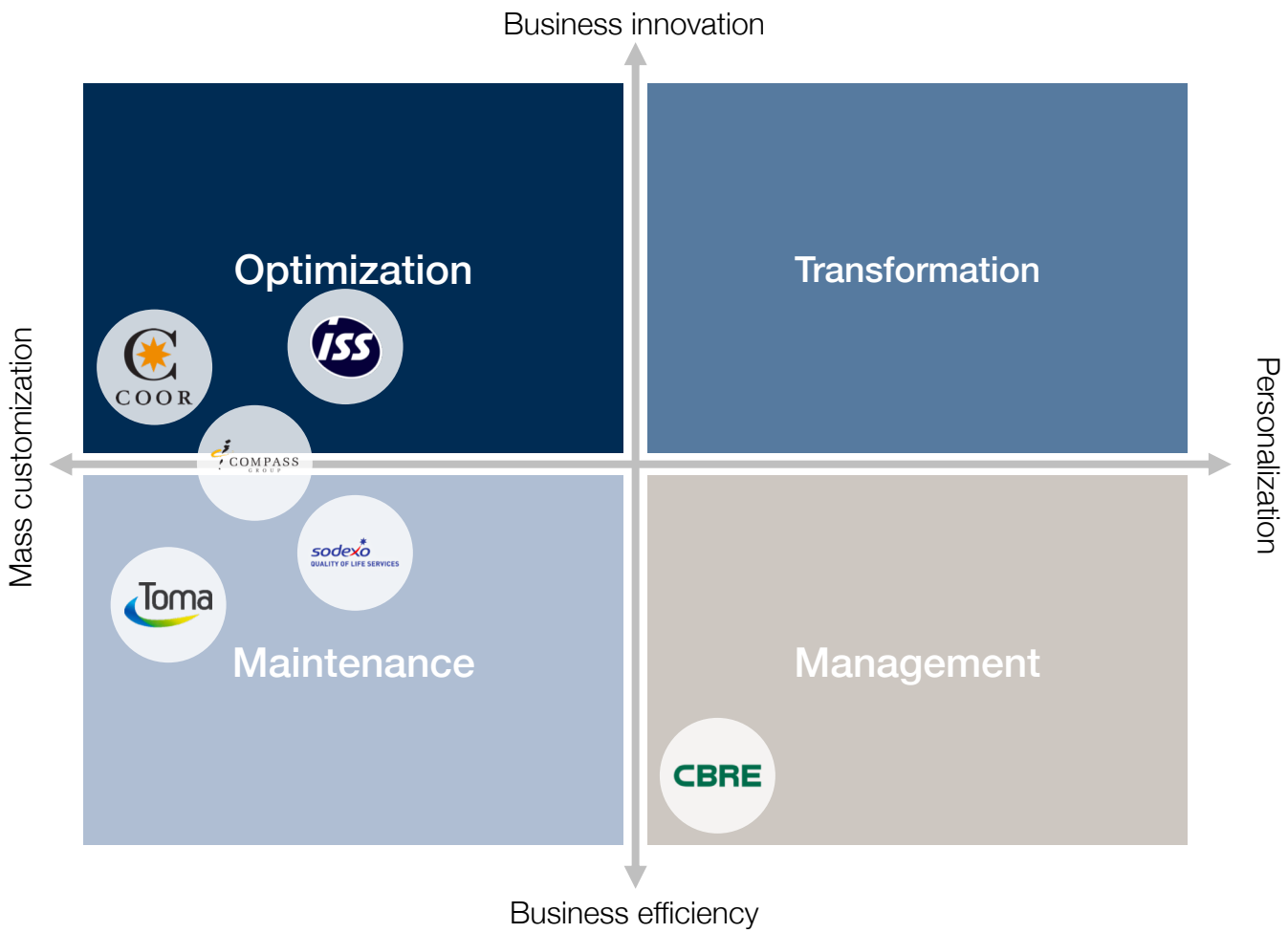
Transformation

- Consumers are seeking more than mere experience. They crave something **authentic** and **meaningful**
- 86% of consumers say that **authenticity** is a key factor when deciding what **brands they like**

Sources: Case material (2020), Dizzion (2020), Smart HQ (2019) and Oberlo (2020)

Due to megatrends, facility management is moving from Optimization to Transformation, and ISS must reposition their services to cater to this trend

ISS' four worlds of service in facility management



The future of facility management

*Since **services themselves can be commoditized**, there needs to be more **economic value elsewhere***

- ISS and the Copenhagen Institute for Futures Studies

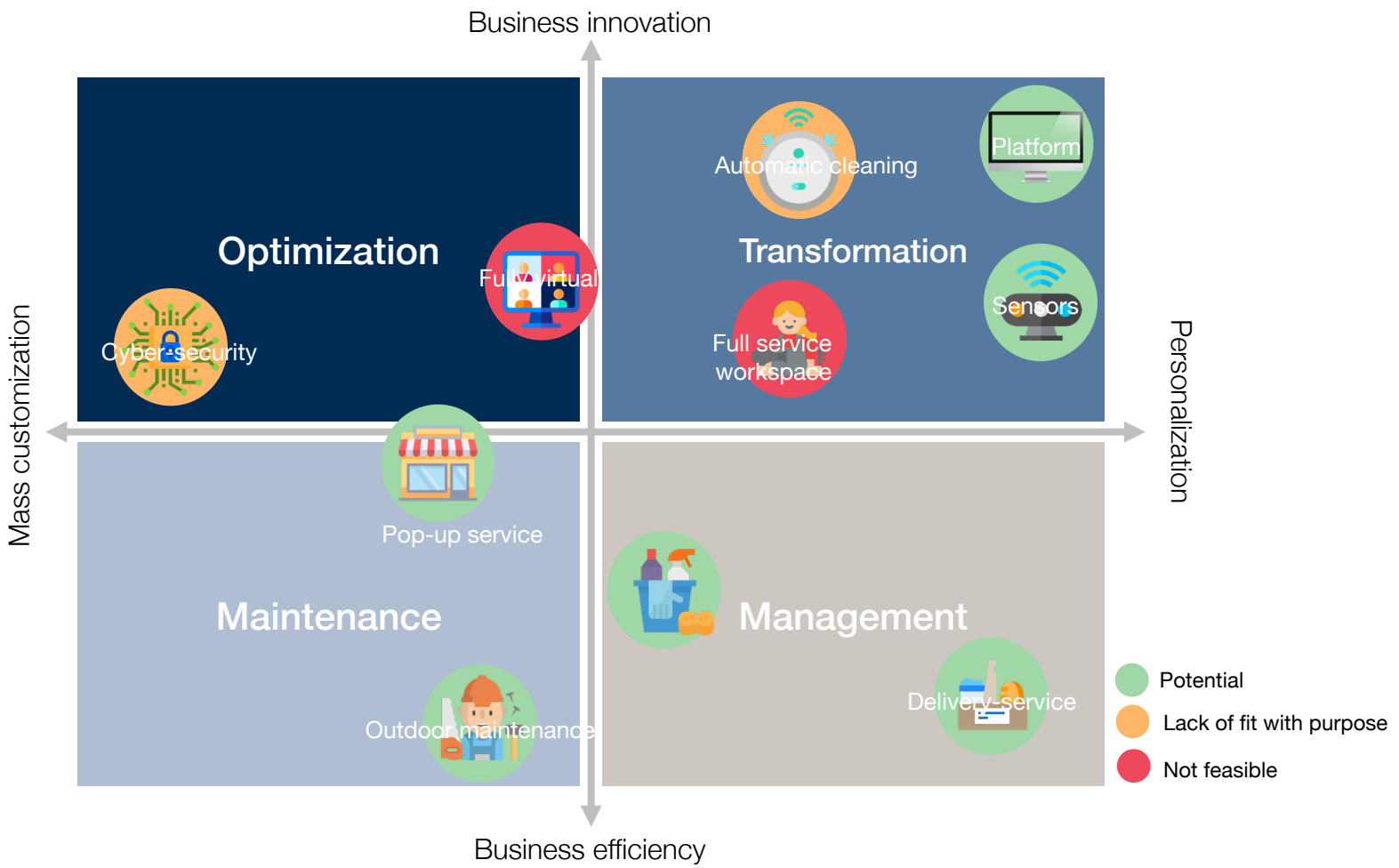
*Due to **megatrends** […] there will be increased emphasis placed on **personalization** and on business **innovation in FM services**. These developments will **lead to an industry transformation**.*

- ISS and the Copenhagen Institute for Futures Studies

Sources: "Future of Service Management" by ISS and the Copenhagen Institute for Futures Studies (2020), case material (2021), team analysis

ISS needs to focus on strategic initiatives that will put them in the Transformation area, in order to differentiate themself from the competitors

ISS' four worlds of service ine facility management



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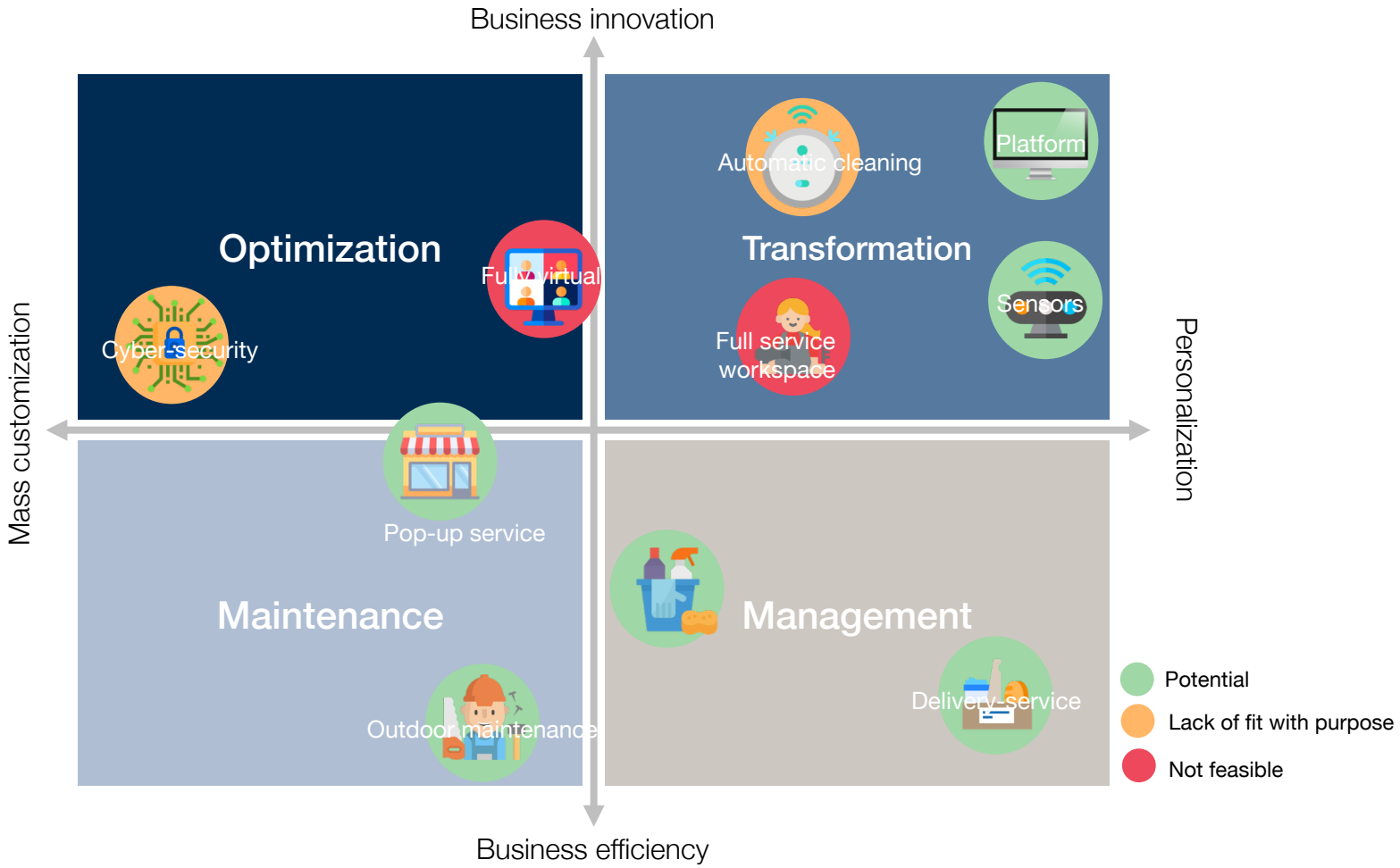

Platform

- Provide holistic service experience for the end-user
- Enter new industry

Sensors

- Increased personalization
- Full utilization of the intern capabilities

Sources: "Future of Service Management" by ISS (2020)

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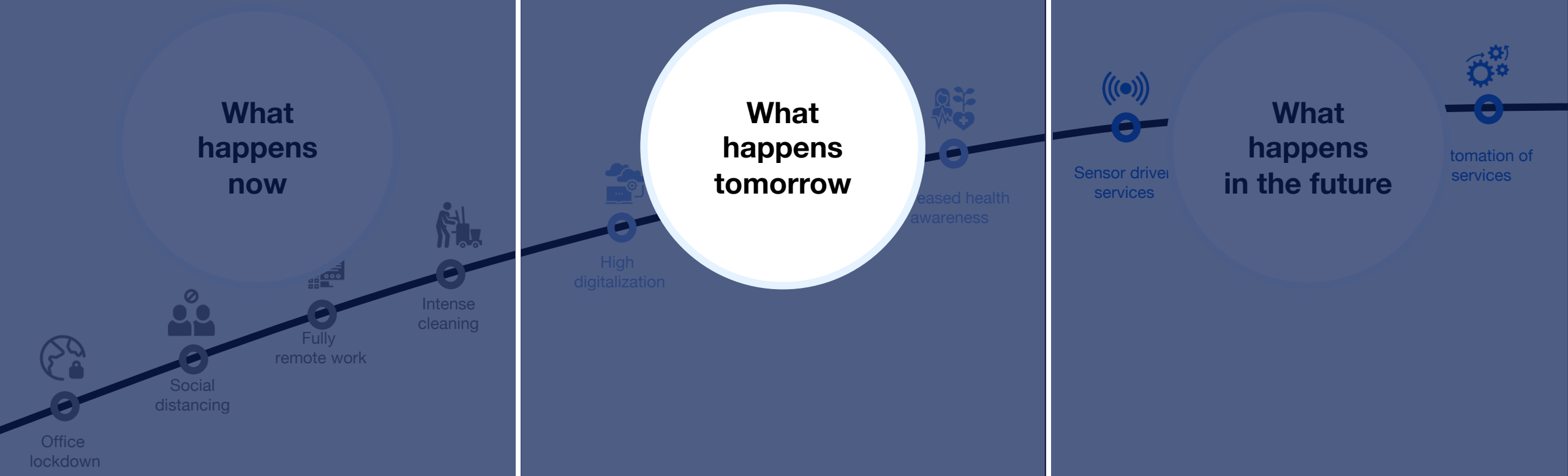


To enhance the experience of the future workspace, we need to remember where the **people** work, and bridge the gap between home and the office

Employees at the office

Personalized meal preferences

Order third party services

Track workplace cleaning

Employees at home

Take-home meals

Third party B2C cleaning

Secure stable flow

ISS will create value for the employees of the future, both when they are at the office at home, by utilizing their internal capabilities and third party services

At the office

At home

Food preferences

Helpful services

B2C Cleaning

Food prep

Personalized

Tailored to the individual key account with logo, colors and font, to create trust amongst the employees

Business Model

It will be sold SAAS and further collect transaction fee from third party partners

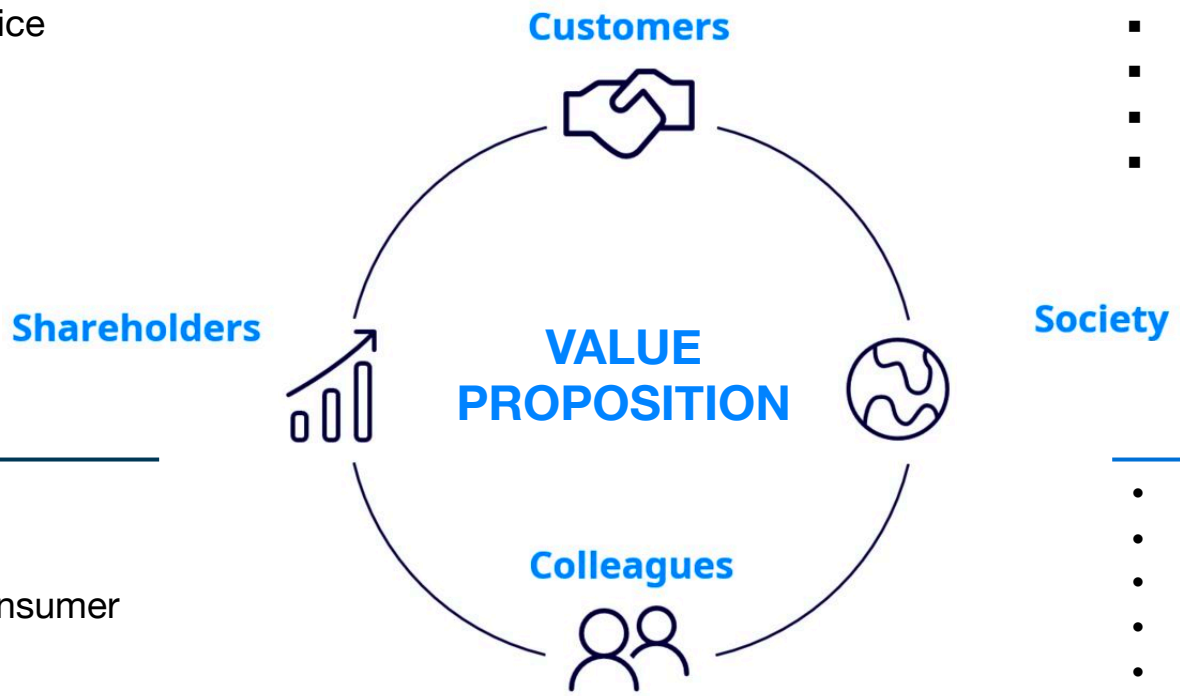
The integrated service platform is people-centric and involves strong value propositions for all stakeholders

Shareholders

- New revenue stream(s)
- Increased sales of food-service
- Organic growth
- Above average ROI
- Breakeven in 2 years

Customers

- Only pay for what you get
- Transparent cot overview
- Personalized customer platform
- Transformation economy
- Employees get more work-life balance



Colleagues

- Ease of predictive schedule
- Optimal resource allocation
- Communication with end-consumer
- Increased data
- Personalized relationships

Society

- Waste management
- Tailor to transformation economy
- Directly targeting SDG 5, 8, 10
- Indirectly targeting SDG 3
- Increased GDP from productivity

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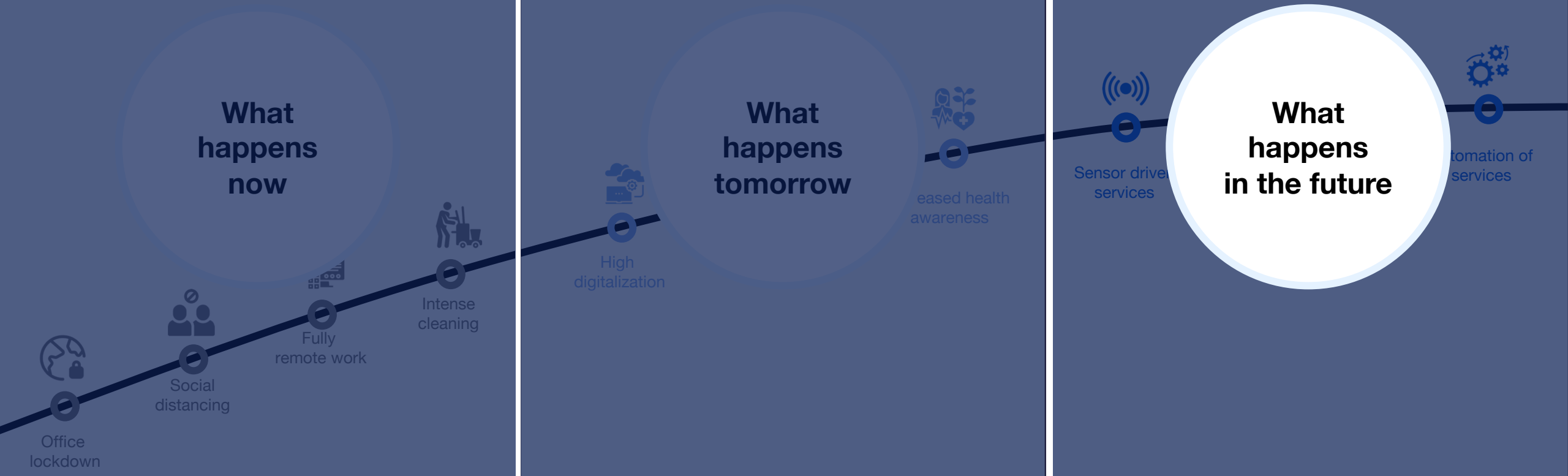


With sensor data, employees can get a seamless, personalized and automized experience, and ISS can save resources by only delivering services on demand

WHAT?

Sensors in selected buildings
- Sensors placed in strategic locations
- Provides generalized data about usage

WHY?

Optimizing provision of services
- Optimize processes
- Deliver services when needed

HOW?

Partnership with IBM Watson IoT
- ISS provides data from sensors
- IBM analyses data and provides insights

Sources: servicefutures.com (2016)

With sensor data, employees can get a seamless, personalized and automized experience, and ISS can save resources by only delivering services on demand

WHAT?

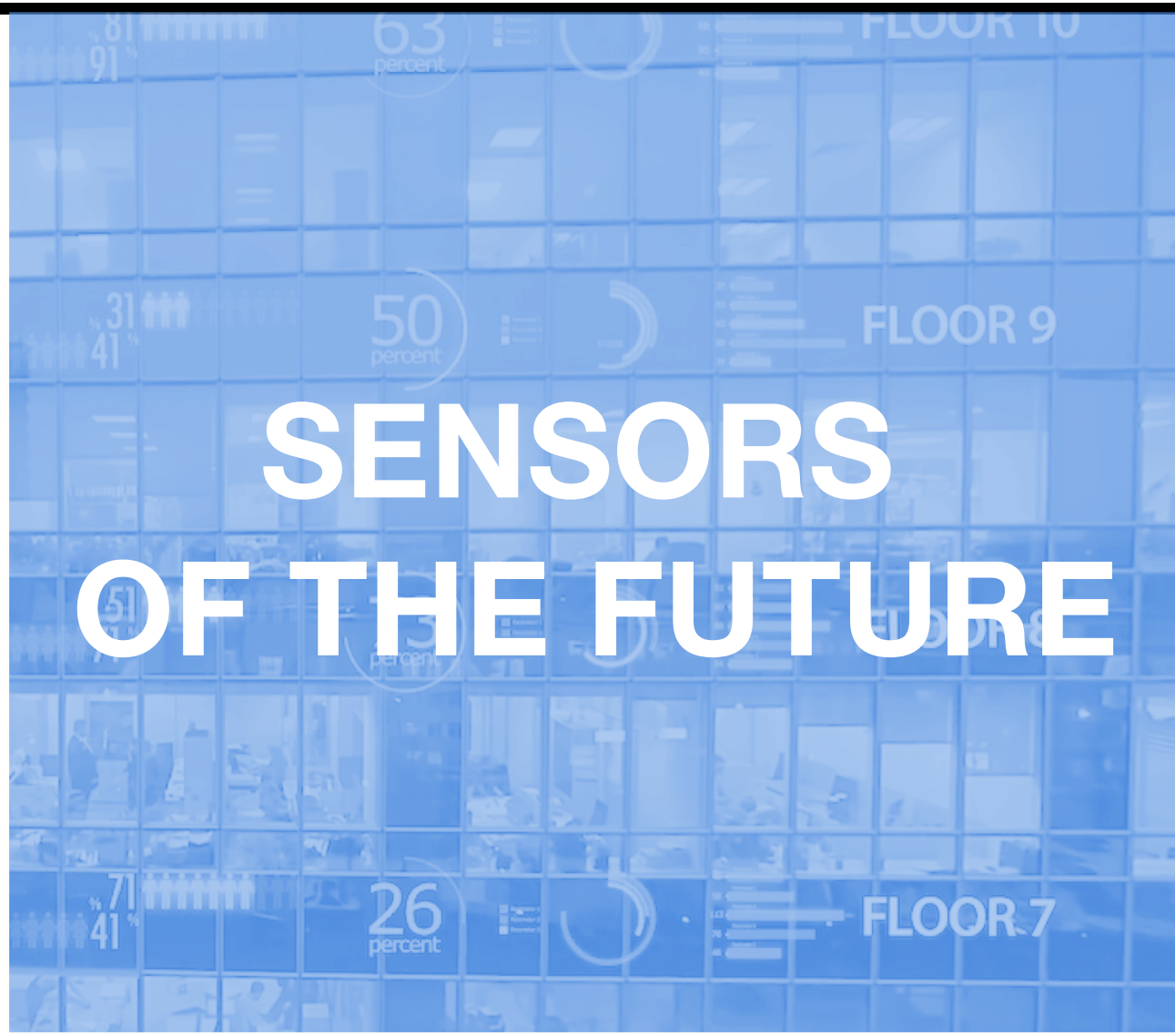
Increase volume and variety of sensors
- Increase number of sensors
- Implement facial recognition cameras

WHY?

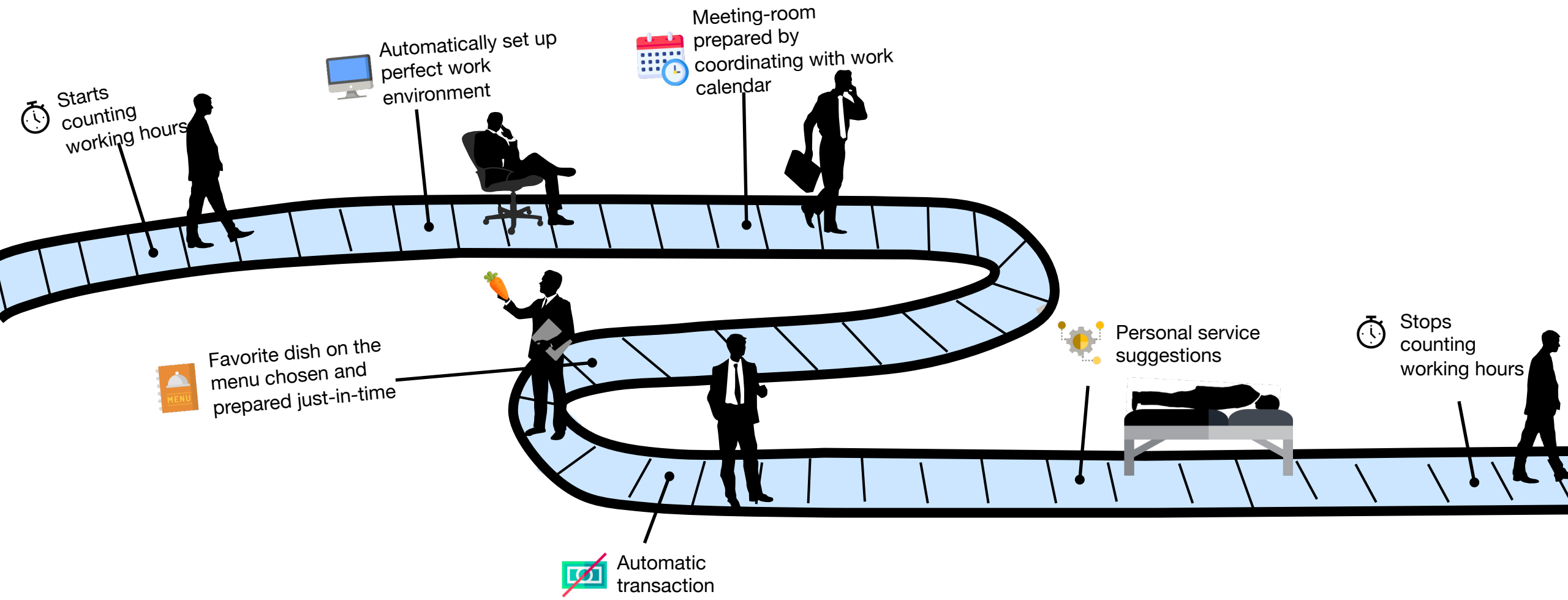
Automized personal experience
- Personalized data used for personalization
- ISS can automise their services

HOW?

Extend partnership with IBM Watson IoT
- ISS provides data from sensors
- IBM analyses data and provides insights



Following a day with the employee of the future, ISS can personalize the services offered to end-consumers to transform the workplace experience



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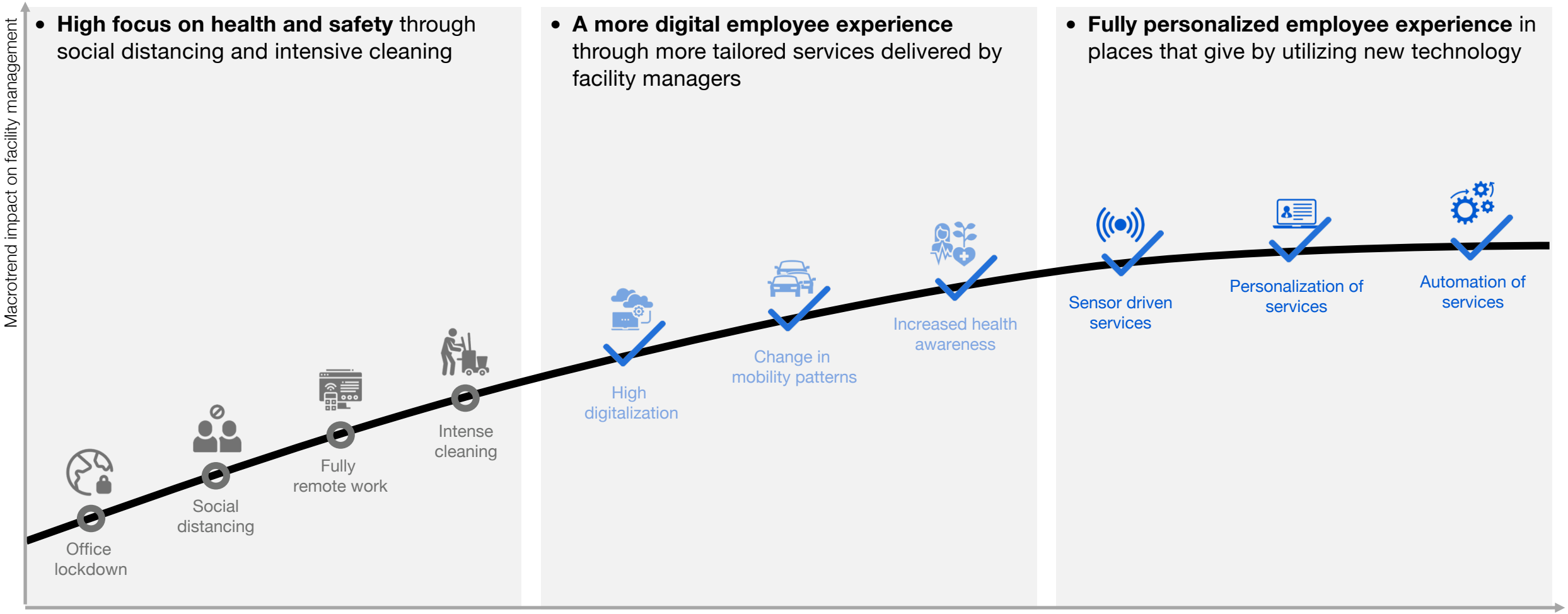
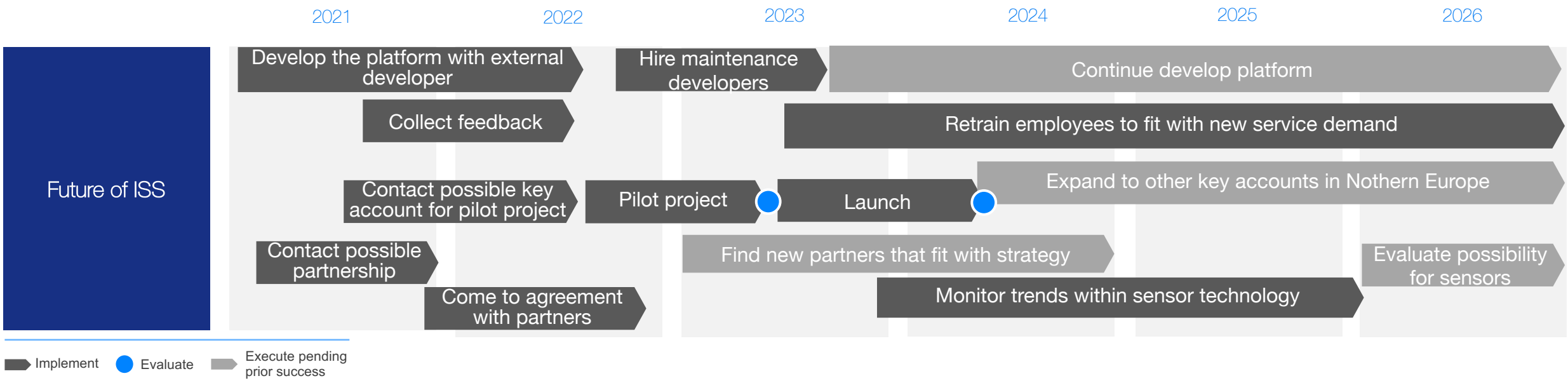


Source: McKinsey & Company (2020), Accenture (2020), BBC (2020) and team analysis

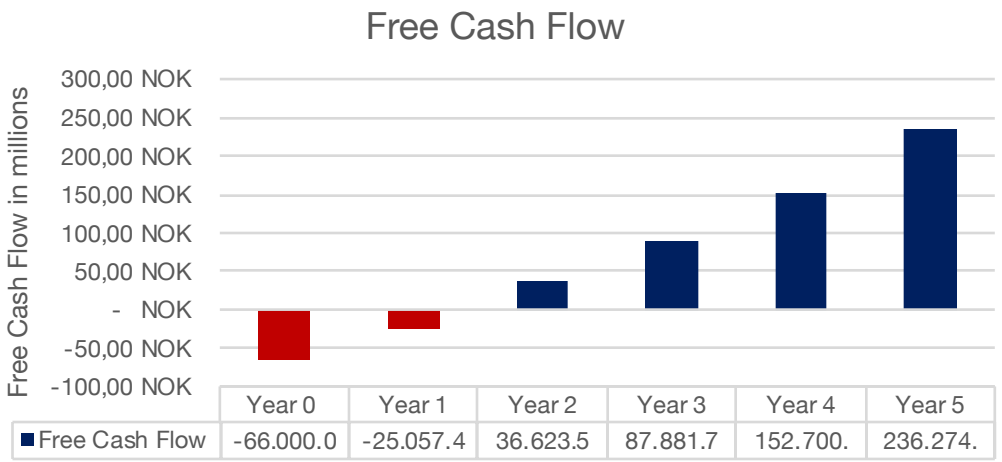
The future of ISS will both utilize the internal capabilities of ISS and benefit from partnerships, to best cater to the workplace of the future



Legend: Lowest value – Highest value

	1	2	3	4
Main risk	More people than expected work from home	Difficulties finding partners	Strong competitive response from take-out delivery places	Delay in sensor adaption
Prob. & Impact	●●●○ / ●●○○	●○○○ / ●●●○	●●●○ / ●●○○	●○○○ / ●○○○
Mitigation	Expand services to employees that work from home and partner with B2C	Reduce the transaction fee	Utilize data collected through the platform to match preferences	Tailor platform to future needs

The platform will move ISS into the SaaS industry and the project will break even already in the second year



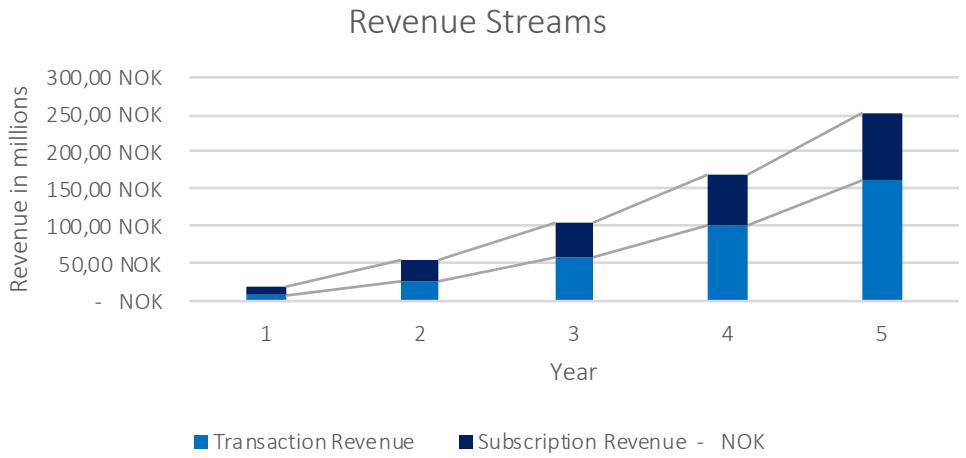
Key Assumptions

Subscription

- Approx. **378** Key Accounts in Northern Europe
- On average a Key Account has **14.448** employees
- In year 5 ISS will have **23%** of key accounts on platform

3rd Party Transactions

- When fully optimized in year 5**, 43%** of employees will use the 3rd party service **2.5 times** a month
- 250 NOK on average transaction with 4% fee to ISS



67%
ROI

299M
NOK NPV

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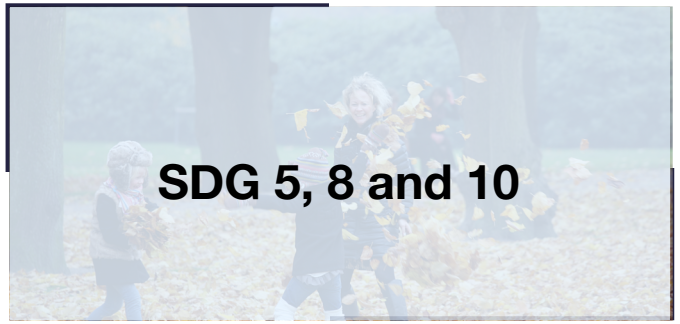

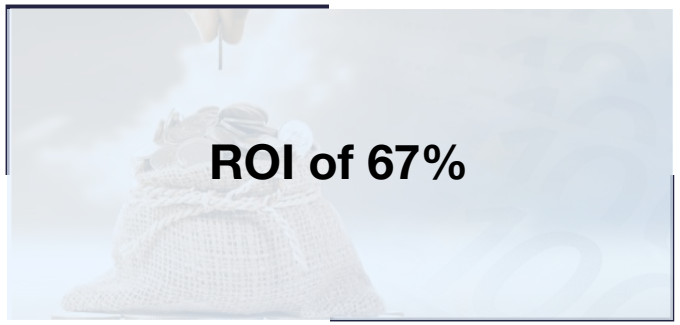

APPENDIX

Slide overview

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Slide 3: SCQA 2
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Slide 6: Breaker 2
Slide 7: Macrotrends
Slide 8: Industry implications 1
Slide 9: Industry implications 2
Slide 10: Industry implications 3
Slide 11: Industry implications 4
Slide 12: Industry implications 5
Slide 13: ISS implications
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Slide 40: Revenue streams
Slide 41: NPV and ROI
Slide 42: Cost breakdown
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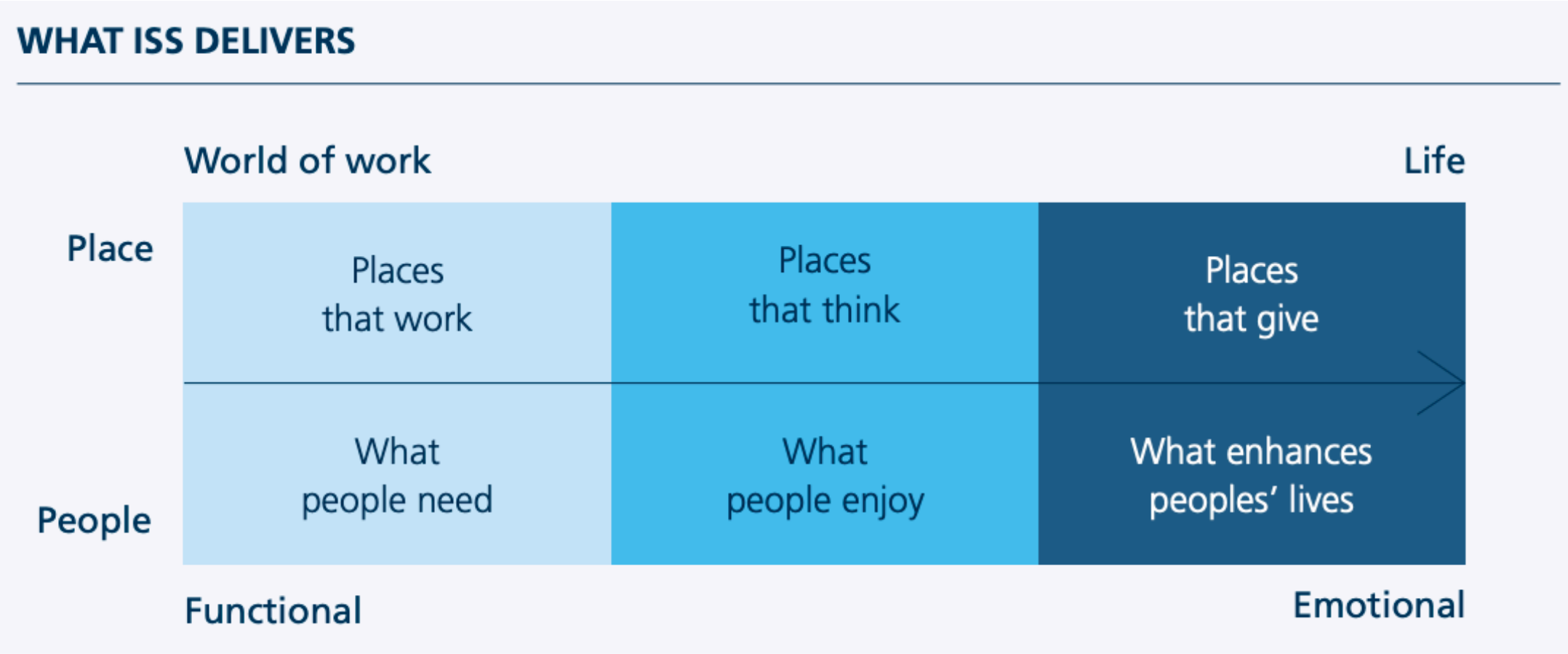
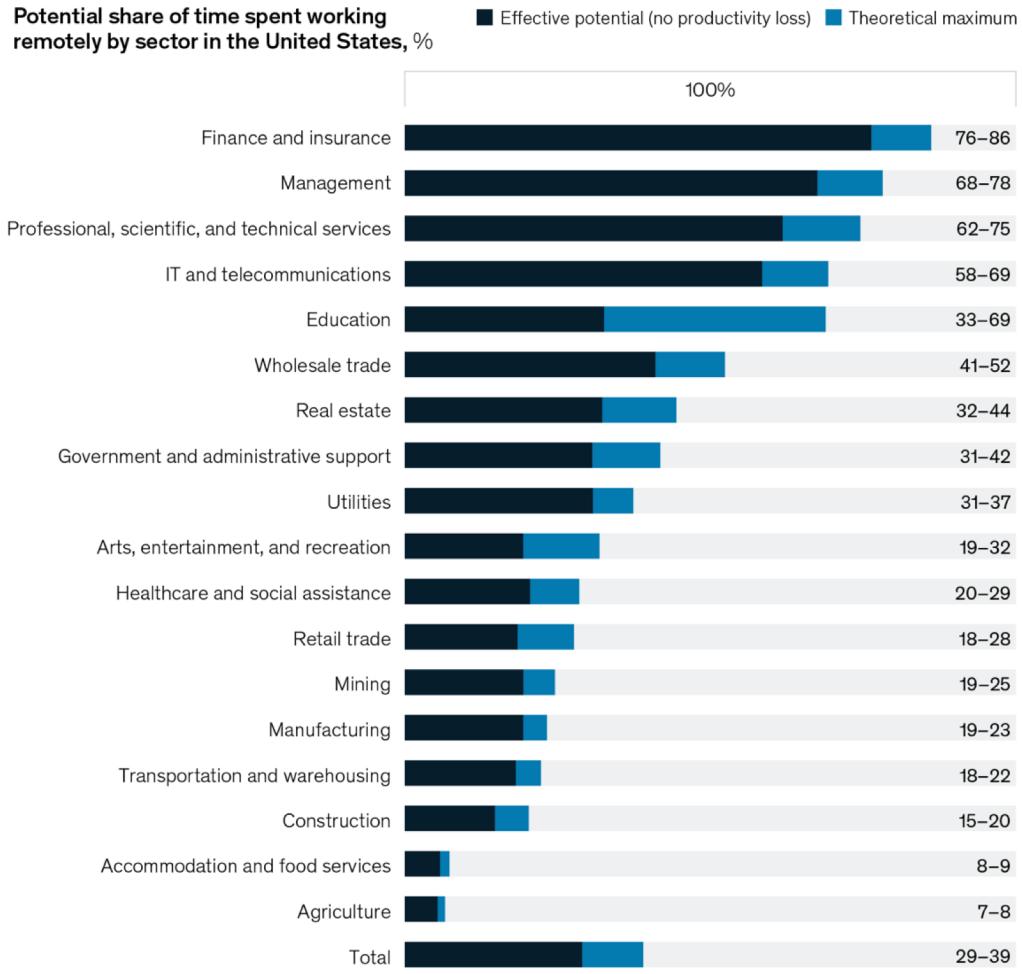
What ISS delivers



Sources: "Future of Service Management" by ISS and the Copenhagen Institute for Futures Studies (2020)

Potential share of time spend working remotely by sector

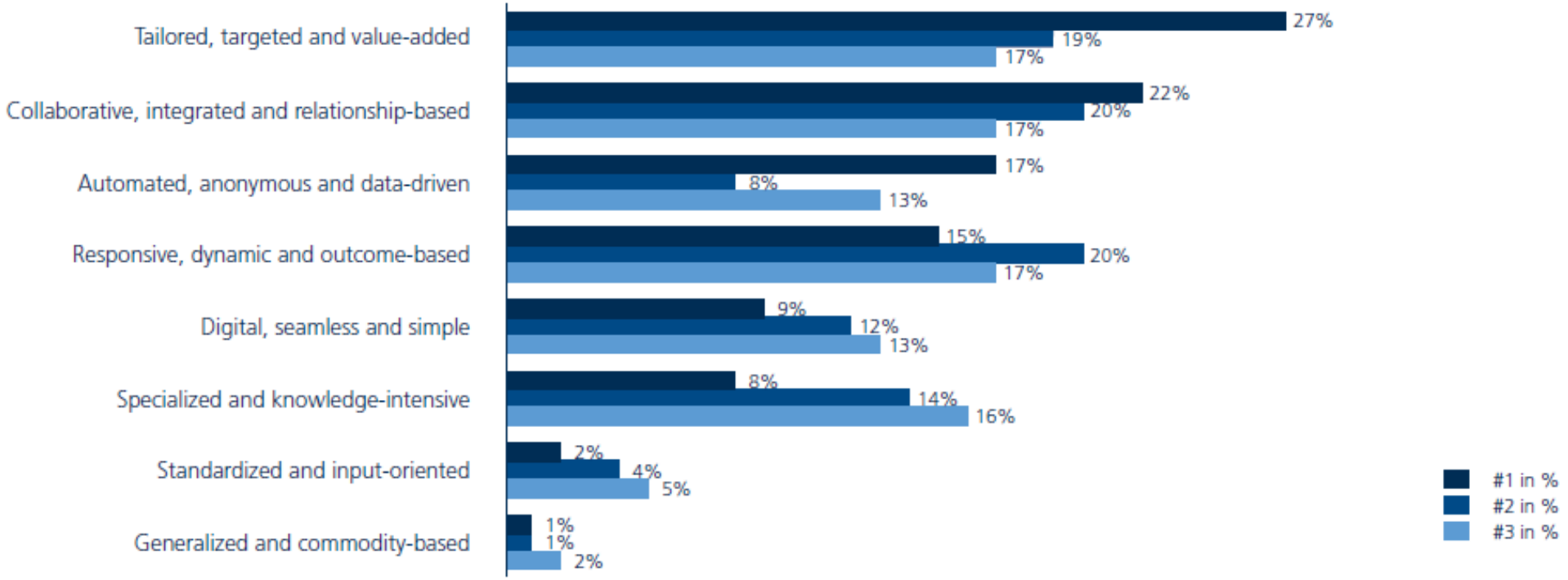


Note: The theoretical maximum includes all activities not requiring physical presence on-site; the effective potential includes only those activities that can be done remotely without losing effectiveness. Model based on more than 2,000 activities across more than 800 occupations.
Source: McKinsey Global Institute analysis

Sources: McKinsey

Customer survey from end-user

6. Which of the following statements or concepts will be most representative of how Service Management will be defined in 2025?
(Please select your top 3 choices)



Sources: McKinsey

Best case example for workplace of the future

Best Case

CODAN

1

People must work from home at least 40% of the time

2

There are a large majority that prefers this model

3

Save money due to lower rent fees

Source(s): Finanswatch (2020)

The interest in personalisation amongst consumers

81%

of consumers are willing to share basic personal information for personalization

83%

of consumers are more willing to share data if the brand is transparent about how it will be used

70%

are willing to let companies track their browsing and general behaviors in exchange for a better shopping experience

Source: Social Business (2020)

Possible third party partnerships

B2C cleaning

HAPPY HELPER

Freska

CleanCap®

Fantastic Cleaners™
Part of Fantastic Services

Laundry

laundryheap

BUTLERS

LAUNDROP

Laivapesu Oy
Finnwash
jo vuodesta 1956

Hair dressers

unika
HAIRSTYLE

oslo
Saxofon

Gielly Green

saco

Key Account Overview

Key Accounts	
Globally	1000
Average share of key accounts	61,75%
Share of key accounts NE	73%
Proxy for disproporatate importance of key accounts NE	1,18
Collected business	32%
Account of key accounts in NE %	0,378299595
Total key accounts in NE	378,2995951

Number of key account customers	
Nordea	29.500,00
Barcleys	83.500,00
Danske Bank	19.000,00
Telenor	20.000,00
Wattenfall	20.000,00
Average	34400
Size Ratio	0,42
Average employee bases per key account	14.448,00

Revenue Streams from Subscription and Transaction Fees

Year	One Time Cost	Subscription Revenue	Accumulated Key Account Conversation Rate	New Accounts Captured
Year 0	- NOK	- NOK	0%	
Year 1	6.241.943,32 NOK	11.805.852,71 NOK	3%	3%
Year 2	8.322.591,09 NOK	27.546.989,66 NOK	7%	4%
Year 3	10.403.238,87 NOK	47.223.410,84 NOK	12%	5%
Year 4	12.483.886,64 NOK	70.835.116,26 NOK	18%	6%
Year 5	10.403.238,87 NOK	90.511.537,44 NOK	23%	5%
Cost per Account	550.000,00 NOK			
Revenue Per Customer Employee	6,00 NOK	*per employee per month*		

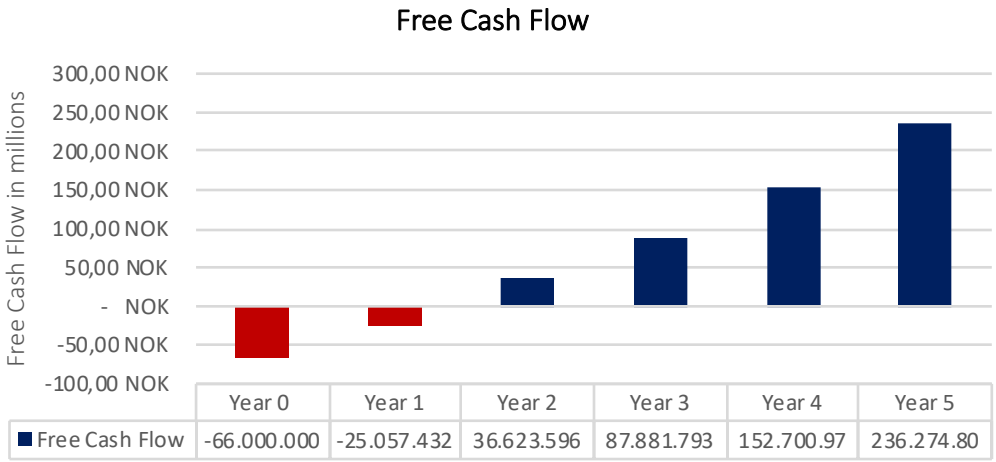
Year	Transaction rate %	# of transactions	Total Value Added	Transaction Revenue
Year 0	- NOK	0,00	0	
Year 1	15%	24.595,53	184.466.448,58 NOK	7.378.657,94 NOK
Year 2	23%	87.997,33	659.979.960,49 NOK	26.399.198,42 NOK
Year 3	29%	190.205,40	1.426.540.535,71 NOK	57.061.621,43 NOK
Year 4	34%	334.499,16	2.508.743.700,73 NOK	100.349.748,03 NOK
Year 5	43%	540.555,02	4.054.162.614,41 NOK	162.166.504,58 NOK
Total				**353.355.730,40 NOK**

Accumulated Key Account Conversation Rate	New Accounts Captured	Number of users	New Users
0%	0%	0	0
3%	3%	163.970	163.970
7%	4%	382.597	218.627
12%	5%	655.881	273.284
18%	6%	983.821	327.940
23%	5%	1.257.105	273.284

Average value of transaction	250,00 NOK
Average transaction per year	30
Fee in %	4%

NPV and ROI

NPV	Free Cash Flow		ROI
Year 0	- 66.000.000,00 NOK		67%
Year 1	- 25.057.432,67 NOK	- 23.418.161,37 NOK	
Year 2	36.623.596,98 NOK	31.988.467,97 NOK	
Year 3	87.881.793,40 NOK	71.737.721,37 NOK	
Year 4	152.700.977,65 NOK	116.494.844,72 NOK	
Year 5	236.274.803,15 NOK	168.460.669,20 NOK	
NPV	**299.263.541,90 NOK**		
Discount Rate	7%		

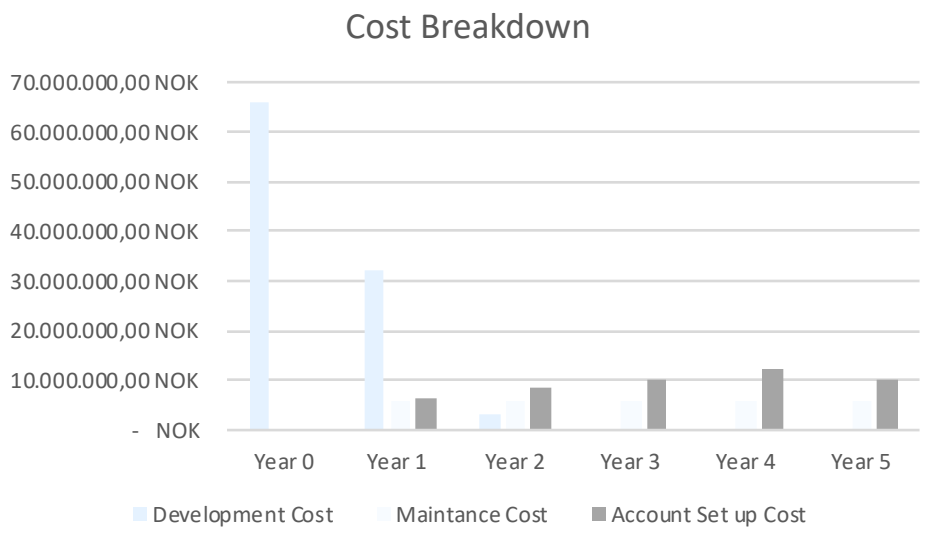


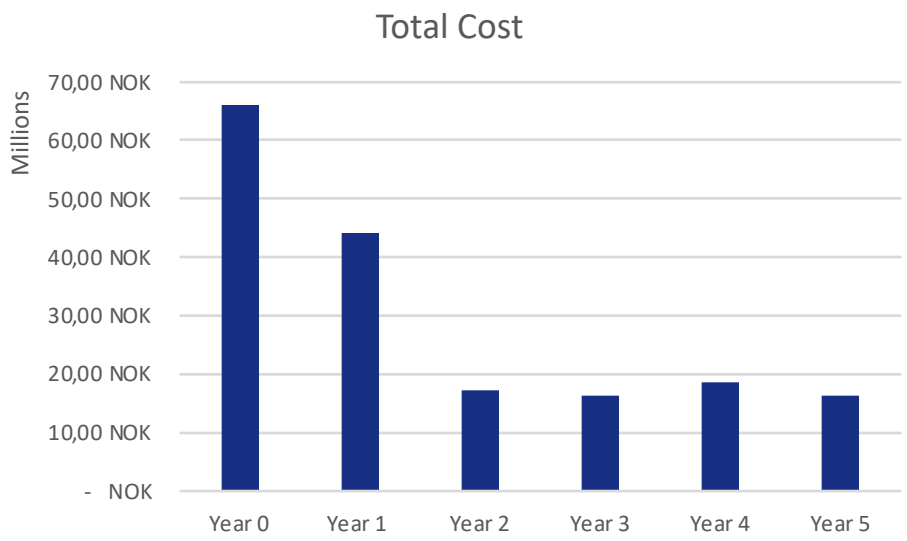
67%
ROI

299
MIO. NPV

Cost Breakdown of the Platform

Cost breakdown	Development Cost	Maintance Cost	Account Set up Cost	Total Cost
Year 0	66.000.000,00 NOK	- NOK	- NOK	66.000.000,00 NOK
Year 1	32.000.000,00 NOK	6.000.000,00 NOK	6.241.943,32 NOK	44.241.943,32 NOK
Year 2	3.000.000,00 NOK	6.000.000,00 NOK	8.322.591,09 NOK	17.322.591,09 NOK
Year 3	- NOK	6.000.000,00 NOK	10.403.238,87 NOK	16.403.238,87 NOK
Year 4	- NOK	6.000.000,00 NOK	12.483.886,64 NOK	18.483.886,64 NOK
Year 5	- NOK	6.000.000,00 NOK	10.403.238,87 NOK	16.403.238,87 NOK
				178.854.898,79 NOK





SDG Breakdown

5 GENDER EQUALITY

Achieve gender equality and empower all women and girls

The strategy targets SDG 5 by ensuring that employees with care duties get help with many of their familial duties

8 DECENT WORK AND ECONOMIC GROWTH

Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all

The initiative will address SDG 8 by ensuring that ISS' growth happens in a way that not only creates growth for them, but also helps their customers having productive employee

10 REDUCED INEQUALITIES

Reduce inequality within and among countries

The strategy will adress SGD 10 by limiti inequalities in the workforce, as the companies using the new platform will help satisfy the basic needs of all employees

Sourc