

CASE STUDY

FEBRUARY 2018

BENCHCORE DATA REVEAL VIRTUAL-FTE STRATEGIES' BENEFITS AND OPPORTUNITIES

A systematic and data-driven virtual-FTE strategy could lead to bigger opportunities to reduce overall space and cost.

When some full-time equivalents (FTEs, or full-time employees) work outside the office, overall space per FTE, and presumably cost per FTE, will be lower. In case this isn't intuitively obvious, the average rentable "Size per FTE" of companies in BenchCoRE's database that have deployed virtual-FTE strategies is 254 square feet, versus 324 square feet for companies in the database without such strategies – a 22 percent advantage. See **EXHIBIT 1**.

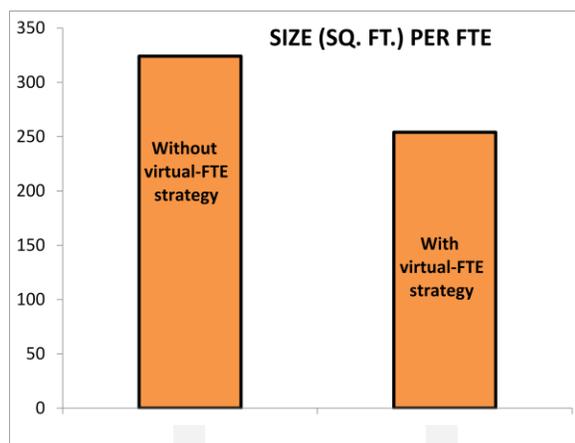


EXHIBIT 1 – Size per FTE for companies (in the BenchCoRE database) that have virtual-FTE strategies is 22 percent lower than for companies without virtual-FTE strategies.

What's less obvious (and a dilemma for many corporate real estate leaders) is the optimal number of virtual FTEs as a percentage of total FTEs. What percentage would drive a meaningful reduction in space per FTE without compromising other workplace objectives? BenchCoRE data can help guide the decision process.

BenchCoRE analyzed 19 subscriber companies that have deployed virtual-FTE strategies. The analysis considers two BenchCoRE metrics side by side: "Virtual

FTEs as a Percentage of Total FTEs” and “Size per FTE” (including virtual FTEs). The analysis reveals the following:

The average number of “Virtual FTEs as a Percentage of Total FTEs” is **21 percent**. The average “Size per FTE” (including virtual FTEs) is **254 square feet**.

Of companies with *above-average* “Virtual FTEs as a Percentage of Total FTEs,” **seven of eight** have *below-average* overall “Size per FTE.” See **EXHIBIT 2**.

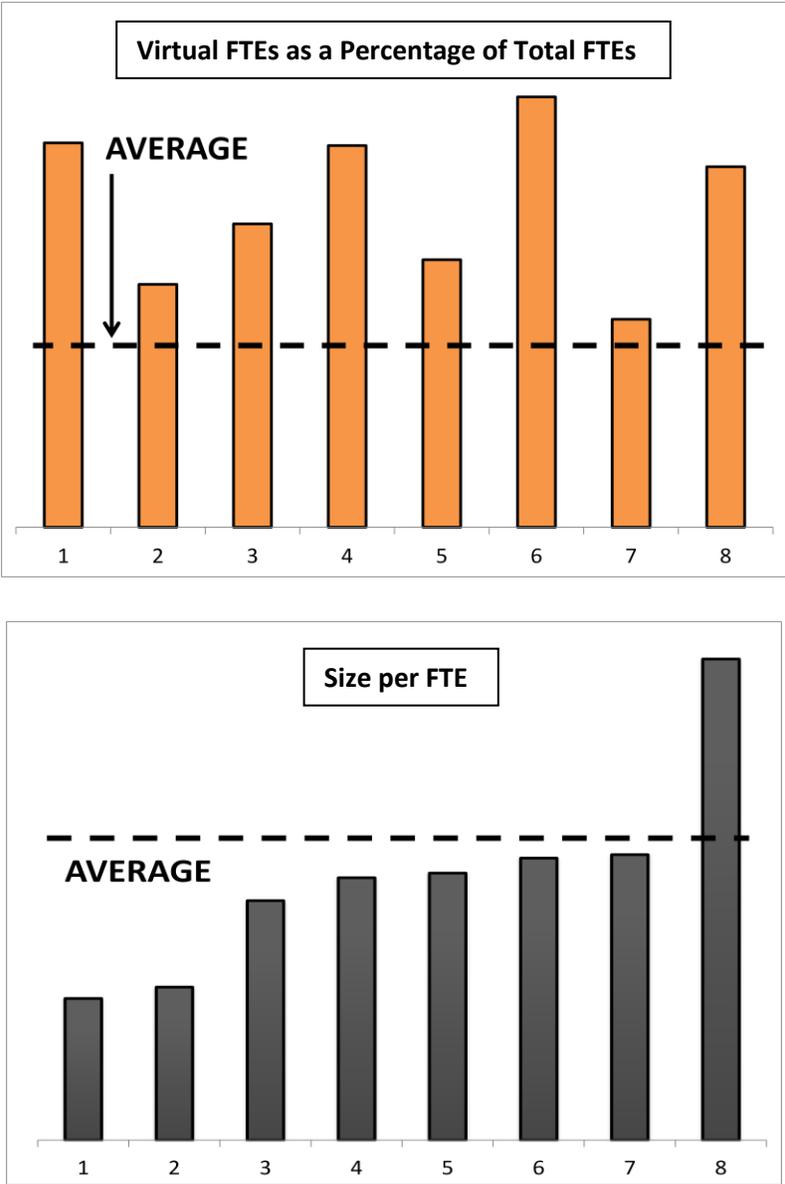


EXHIBIT 2 – Of eight companies with *above-average* Virtual FTEs as a Percentage of Total FTEs (top graph) seven have *below-average* Size per FTE (bottom graph).

(The graphs above and below are based on actual BenchCoRE data and are designed to illustrate relative values. Actual values are deleted to maintain subscribers' confidentiality. Each bar represents one company, and the bars in the top and bottom graphs correspond to one another.)

Of companies with *below-average* "Virtual FTEs as a Percentage of Total FTEs," **six of 11** –a majority, albeit a less dramatic one – have *above-average* overall "Size per FTE." See **EXHIBIT 3**.

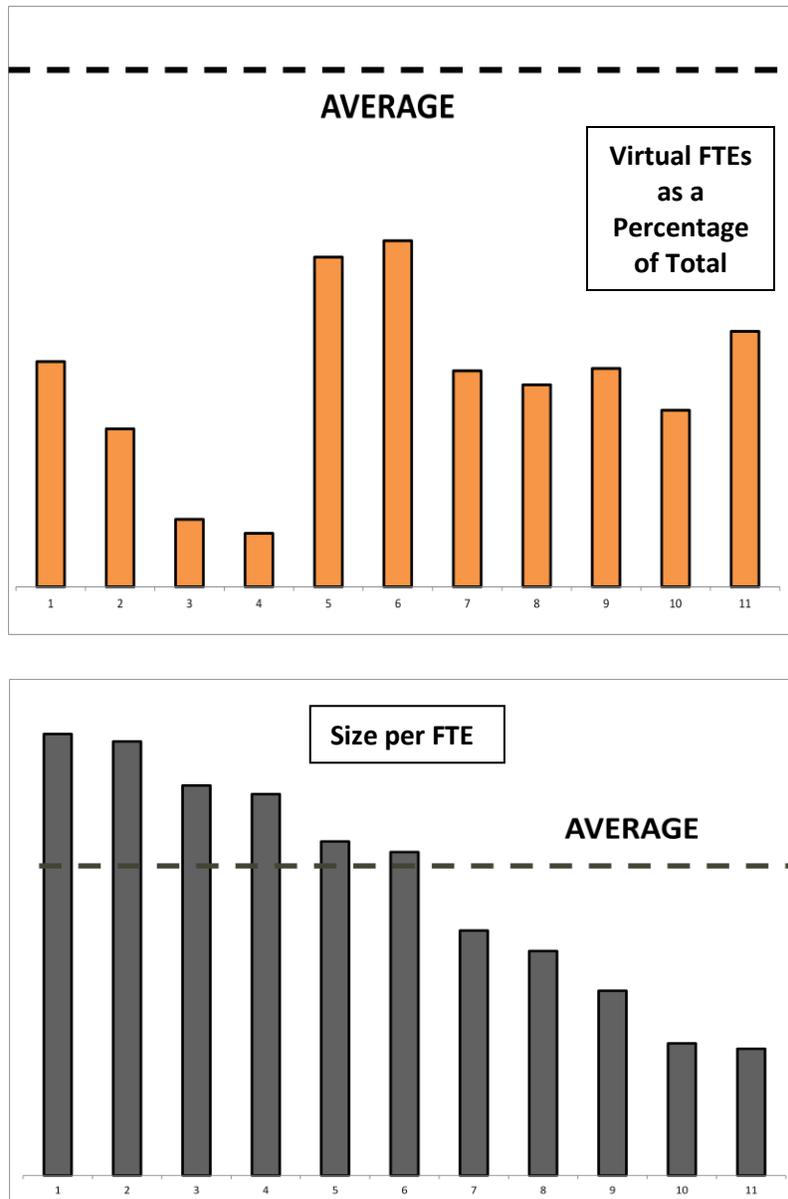


EXHIBIT 3 – Of 11 companies with *below-average* Virtual FTEs as a Percentage of Total FTEs (top graph), six have *above-average* Size per FTE (bottom graph).

The case study's population represents major global corporations with large headcounts and correspondingly large real estate footprints. The results of the analysis provide guidance to companies considering either implementing virtual-FTE strategies or expanding current strategies. Individual companies' relationships to the averages give CRE leaders a benchmark to target for virtual FTEs and to compare their data against those of their peers and best-in-class companies. Of course, the reduction in Size per FTE would depend in part on the size of the space that the virtual FTEs are vacating.

The numbers presented here don't necessarily establish a proportional relationship between the rise in one metric and the drop in another. They don't point to a virtual-FTE target beyond which returns might diminish. However, the point of the benchmark – and of most benchmarking, for that matter – is threefold: to provide directional guidance, to move beyond reliance on limited personal experience, and to remove guesswork from the decision-making process.

The virtual-FTE metric contributes to broader analyses when it's considered in the context of other BenchCoRE metrics, such as "Asset Class Mix." The ability to deploy virtual-FTE strategies, and hence reap the benefit of reduced real estate costs, understandably varies, depending on the industry cohort and that cohort's portfolio mix. But similarities among cohorts' portfolio mixes point to opportunities.

For example, office space makes up about 85 percent of Financial Services (FS) companies' portfolios (in the total BenchCoRE population); call centers make up roughly 4 percent. These asset classes probably lend themselves to virtual-FTE strategies more easily than, say, facilities in the Manufacturing/Retail cohort (which presumably require more space per FTE). Of the five FS companies among BenchCoRE subscribers that deploy virtual FTEs, three have above-average "Virtual FTEs as a Percentage of Total FTEs"; all three have below-average overall "Size per FTE."

Tech companies, with about 80 percent office space, and Insurance companies, with about 70 percent office space and 15 percent call center space, have asset mixes similar to those of FS companies. They would appear to have opportunities to implement ambitious virtual-FTE strategies. Nine companies in those two BenchCoRE cohorts do deploy virtual FTEs, but only four have above-average "Virtual FTEs as a Percentage of Total FTEs" metrics and the corresponding below-

average “Size per FTE.” The data suggest that the other five are missing opportunities.

Virtual FTEs are just one element of a broader space-use strategy that includes qualitative as well as quantitative elements. Ultimately, tactics such as seat sharing, collaborative space and benching are designed to provide a more desirable and more productive workplace, not merely to reduce Size per FTE. Other metrics add color and depth to the analysis of virtual FTEs and their benefits. For example, the relationship between “Size per Seat” and “FTEs per Seat” (the subject of another BenchCoRE case study) also contributes to an effective space-use strategy. But understanding the interdependency among metrics is a major step toward using the data to identify potential benefits.

As with all BenchCoRE metrics “Virtual FTEs as a Percentage of Total FTEs” and “Size per FTE” do more than describe how subscribers measure up to their peers and best-in-class companies. They serve as decision tools that point the way to effective strategies, especially when one considers the impact that one metric has on another.