

Navigating the Future of UK FM: pricing, market dynamics, and emerging trends

1 year ago



Insight from Baskar Sundaram, strategic growth entrepreneur leader

As businesses focus on cost optimisation, efficiency, and sustainability, the demand for top-notch facilities and engineering services is on the rise. In this article, we'll dive into the pricing outlook, market dynamics, and emerging trends shaping the future of FM.

Pricing outlook

Brace yourself for some fierce competition in the pricing landscape for FM services. According to a recent survey, 70% of facilities managers are prioritising cost reduction. This means service providers are getting creative with pricing models like performance-based contracts and value-based pricing. McKinsey says companies using value-based pricing can boost profits by up to 12%, so keep an eye on those SLAs and KPIs when crafting your pricing strategy.

Market dynamics

The FM market is fragmented, with big players and smaller firms battling it out. But the trend towards consolidation is picking up steam, with companies using mergers and acquisitions to expand their offerings and reach. In 2023, the top ten FM companies in the UK claimed 34% of the market share. Baachu Growth Analysis found 70+ acquisitions in engineering and cleaning services in 2023 alone. Keep an eye on these trends and consider strategic partnerships to stay ahead of the game.

Market attractiveness

The global FM market is expected to hit \$1.5 trillion by 2027, with the Middle East and Asia-Pacific regions leading the charge. Rapid urbanisation, smart building tech, and a focus on sustainability are driving this growth. The UK remains a powerhouse in the European FM market, with a projected value of \$52.50 billion by 2027.

Evolving buyer expectations

Buyers are looking for specialised partners who can deliver technical solutions from start to finish. While integrated facility management (IFM) is still in demand, our analysis shows a shift towards specialised “bundled services.” Sustainability is also a key factor, with 70% of buyers prioritising vendors with strong ESG practices.

Emerging trends:

1. IoT and AI predictive maintenance:

IoT sensors, AI, and data analytics are revolutionising FM, allowing for predictive maintenance and huge cost savings. Baachu estimates \$630 billion in annual savings across industries by 2027. Service providers need to develop capabilities in IoT, data analytics, and AI to stand out and provide real time maintenance to the buyers.

2. Smart buildings:

The smart building market is expected to reach \$120 billion by 2027. Companies should assess their abilities to deliver smart building solutions and consider partnering with tech providers.

3. Sustainability and energy Efficiency:

Green building practices and renewable energy solutions are gaining traction as companies focus on reducing their carbon footprint. The global green building materials market is projected to reach \$573 billion by 2027. Service providers should develop expertise in green building certifications and offer energy management services.

4. Workforce Transformation:

The FM sector is facing a skills gap, with an estimated 2.4 million unfilled positions by 2028. Employee churn rates have increased from 7.4% in 2022 to 10.6% in 2023, with toxic culture and poor leadership being the primary drivers. FM companies must prioritise workforce transformation initiatives, including training, upskilling, fostering a positive work culture, and implementing flexible work arrangements.

5. Retention challenges:

Baachu’s research reveals a 6% drop in UK FM supplier retention rates, analysing £2.1 billion in agreements. This signals growing frustration over stagnant innovation and deteriorating client-provider relationships. An estimated 40% of UK FM contracts worth £6 billion face supplier turnover in 2024.

The FM sector is undergoing a transformative phase, driven by evolving buyer expectations, technological advancements, workforce challenges, and a push for sustainability. To stay competitive, service providers must adapt their offerings, pricing models, and workforce strategies. By staying on top of emerging trends



and investing in innovation, FM companies can position themselves for success in the years to come.

Want to learn more? Join our webinar on 26th March at 3pm (UK time) to dive deeper into the evolving buyer and workforce expectations in the FM industry.

Register now at

<https://baachurain.com/facilities-and-engineering-services-in-2024-the-market-outlook-and-commercial-trends/> and receive the recording even if you can't attend live.