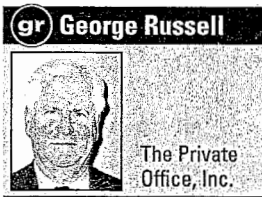


# The office business center industry: An industry that needs to clarify the message!



The office business center industry needs to project its "real persona." Is it a service business, hence the name "serviced offices," the term used in the U.K., where the incidence of office business centers exceeds that of the U.S. by a wide margin, and elsewhere outside of the U.S.? Or is it simply an adjunct of the commercial real estate business? Just the terminology found in use throughout the industry is confusing: Office business center,

executive suite, serviced office, managed office... What is it?

Not knowing can only confuse the potential client as well as the commercial real estate broker who may be conducting a search for an office environment suitable for his client. How can one make an informed decision about office environment in which to carry out a business? How can an industry or an individual company market itself by continuing to use a multiplicity of terms to communicate with its potential clients? I have been involved in the industry for over 20 years and continue to be amazed at what I believe to be our collective inability to market our companies in a clear and consistent manner. Attend any industry association meeting and you will hear some of those present use the words: client, contract, contract term, and monthly

charges. Others will use the terms: tenant, lease, lease term, and rent. Well, what is it?

If we are confused as evidenced by our imprecise terminology, what about our potential clients and the commercial real estate brokers who often represent those potential clients? Such confusion can certainly cause the broker to dismiss the office business center option as a potential solution for the client and forgo the referral fee of generally 10% of the office contract value. Incidentally, there are eight business center locations in Westchester County offering approximately 500 or so individual offices. The referral fees/commissions that could have been earned by the brokerage community had they been involved in say half of the office contract transactions would amount to \$300,000 to \$400,000.

One might say, "Why does it matter?" Well, all industries must market themselves and I would venture to guess that most industry associations exist for just that purpose, to establish a set of basic standards and to market the industry's member companies. The mission must be to communicate a clear and concise message: "This is what the members of our industry do and this is the basic standards to which the members subscribe." The potential client/customer deserves to know just what companies within a given industry are providing to their customers. We have all heard the term, "industry standard" those standards exist to provide the client with the assurance that a certain level of service is assured.

How should we characterize our industry and how do we differ from the alternative of traditional space

offered by the commercial real estate industry? The hospitality industry model comes to mind as I believe we are much closer to that industry given the range of services that we provide our clients. It is the physical environment that one sees first, whether it is hotel, restaurant or an office business center. It is the quality of service delivered and received that leaves the lasting impression—good or bad!

Traditional commercial space is a valid choice in many instances; a choice dependant upon the business model of the potential client and, obviously the number of workstations needed. Yet, there are many instances where the fully furnished, equipped and staffed, i.e. serviced office environment is the appropriate choice. This is particularly true where a business's administrative load does not require a full time staff member. That first employee is a big jump: payrolls, insurance, etc. Why take that step if the administrative functions can be outsourced.

We at The Private Office, Inc. provide telephone and scheduling for one of our clients thus freeing him from the necessity of having an employee. We are in the process of setting up a system to do the billing for another client. Office business centers are truly an "out-source resource" designed to let the client(s) focus full time on their "core competency."

Today, many serviced offices have moved beyond the business of providing the "office, phone and furniture." The IT side of the business is the new and rapidly growing dimension. High-speed Internet access is, of course, the norm but the technology requirements of today's businesses are becoming more complex by the day. Data security, storage, back-up, data transmission, and remote access are some of the concerns facing industry clients today. Clients are facing any number of government mandated compliance standards.

We, at The Private Office, are continually addressing the IT needs of our clients. We address a full range of issues. A major company may have one or more employees in our center requiring us to coordinate with their IT department to assure that their employee is fully supported. A small business client with two or three associates in our center requires a secure network for their staff and the ability to use the center's resources as well. These types of issues are fast becoming the norm and are now one of important functions that differentiate an office business center from the traditional commercial office space alternative.

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