



The Rental of Office Furniture: Market Survey

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1 Introduction

1.1 Background and Objectives

CORT established operations in the UK in 2008 through its acquisition of Roomservice Group and it is supported by the resources and expertise of a global organization.

Research was commissioned in September 2009. The main objective of the research was to determine the level of demand for office furniture rental in the corporate market within the UK and to understand how office furniture rental is perceived. It was particularly important to be able to identify the perceived advantages and disadvantages of office furniture rental in order to effectively communicate the service offered in a targeted marketing campaign.

1.2 Methodology and Sample

An in depth qualitative telephone approach was felt to be the most suitable way of meeting the objectives and therefore 30 semi-structured interviews were undertaken. Respondents were senior contacts in UK companies with 50 or more employees. To be in scope, respondents had to be involved in the purchase decision regarding expenditure on items such as furnishings.

Table 1: Number of employees

	Number
50-100	6
101-250	6
251-500	6
500+	12
total	30

Respondent job responsibilities included Facilities, Finance, Purchasing and Logistics.

Table 2: Job title

	Number
Facilities Manager	5
Finance Director	4
Commercial Director	2
Financial Controller	2
Purchasing Manager	2
General Manager	1
Chief Operating Officer	1
Site General Manager	1
Logistics Director	1
Head of Purchasing	1
Purchasing Analyst	1
Group Financial Controller	1
Group HR Manager	1
Buyer	1
Change Project Manager	1
Facilities Assistant	1
Office Service Manager	1
Project Sponsor	1
Property Manager	1
Works Engineering Manager	1
Total	30

Fieldwork was carried out between the 8th and 28th October 2009. The average length of interview was around 15 minutes.

2 Main Findings

2.1 The decision to rent or to buy

As one would expect, different companies have different attitudes to renting as opposed to purchasing their equipment. For around one in three, rental was not an option and all assets were purchased.

“We generally buy rather than rent, more cost effective in the long run”

“There is no decision making process. We just buy everything”

“We're quite a cash-rich company and because of that we would tend to buy rather than rent. I think we have a fairly traditional approach - going back to Victorian times, really - if you haven't got the money, you go without until you can afford it.”

“We don't consider renting because buying gives us an asset on the company balance sheet”

So there is some fairly entrenched behaviour as regards purchasing. Other companies decide on a case-by-case basis whether to buy or to rent and several criteria were mentioned which were considered in the decision making process:

- Cost-effectiveness or value for money
- The contract length as renting can be of more interest if a short contract is available
- The nature of the asset, particularly if it needs to be changed regularly
- The value of the item
- The need for maintenance; high maintenance can result in leasing

“First of all is value, it needs to go through certain approvals”

“You don't want to tie up thousands of pounds on cars and IT equipment as they change quite regularly; furniture doesn't change”

2.1.1 The Decision Making Process

In larger companies the decision making can be quite complex as one would expect, with fewer people involved when the company is smaller. The main departments likely to be involved include:

- Finance departments, Finance Director, Commercial Director
- MD or CEO
- Procurement Department, Head of Purchasing
- Facilities Management

- The manager of the department concerned.

“No movement can take place without finance department approval”

“For the majority of the larger expenditure, that would be a group board decision”

“Probably a small team including the manager responsible for the area and a member of the purchasing team. If it’s an expensive item then also somebody from finance involved as well”

“Facilities manager (myself), with all decisions ultimately authorised by the managing director”

“The overall decision, for the majority of the larger expenditure, that would be a group board decision - that would be for anything over £5000”

2.2 Furniture Rental

There was very low awareness of office furniture rental among the people we spoke to.

Only one of the companies approached had any office furniture rented. Furthermore, most respondents had never heard of the possibility of renting, very few had been approached, and almost all have never considered renting furniture.

Table 3: Rented items

	%
Vehicles	40
Office equipment	40
Office Space	33
IT	17
Furniture	3
Others	6
base	30

“We do rent furniture in some of our buildings - especially our leased buildings like our one in London and in Bristol. Early days yet, only rented in the last year or so, the advantage was that we didn't know whether would be staying in that space for very long, as rent is expensive, and didn't know if we would expand there. So it was to give us that flexibility. I think that if we were starting again now we probably would look at renting more, but we're now stuck with some of the stuff we bought initially.”

“Just approached once by a company interested in leasing furniture”

“I think we have been approached by Eastlake about the possibility of renting, but didn't take it up”

"I am sure we get junk mail on the subject, not anything I can recall... it has never been a consideration to rent furniture"

2.2.1 Potential Advantages of Renting

Respondents were told that renting furniture is quite common in the USA and other countries but not so common in the UK and were asked why they thought that might be. They felt they had no real idea why it might be but made a number of suggestions, for example furniture may be more expensive in other countries, there may be tax breaks available or it may be a cultural issue:

"A bit like the Germans renting houses whereas we Brits buy houses"

However, they could think spontaneously of advantages, cash flow, flexibility and the opportunity to change or renew your furniture being the most mentioned

"Biggest advantage would be cash flow – less lumpy expenditure than buying"

"Advantages would be greater flexibility in the level of furniture provision to meet changing needs"

"Advantages for us, well, recently we do a lot of office move around which means we sometimes have a lot of surplus furniture which we need to get rid of. If you rent you can just send it back when finished, or we have got rid of some furniture and then new people come in and we need an extra desk that we had just got rid of. If you are renting it's easier to put things out and then back in .."

"If it gets damaged they replace it; you keep up with the latest technology and the nicest stuff that's around"

"You have a refresh of furniture in a shorter period than if you bought it, maybe a 3 - 5 year cycle instead of a 10 year if bought"

"I'm sitting at my desk and I've been here 14 years, and it's the same desk – nothing wrong with it, but it is a long time!"

Respondents were then prompted with a list of potential advantages to renting furniture and asked for their reactions to each.

Less cash tied up in assets...

At least half of the respondents agreed that this would be an advantage for their company; there would be no need for capital and no depreciation on their books.

"With a company this big, every time you do a move you buy new furniture, it does gets costly"

"More money to spend on other things, more profit left"

“Every company would benefit from this”

“There are always positive and negative points in any commercial decision making process - we're moving offices next weekend we've spent about £30,000 on office equipment, but then there are negatives of entering into leasing agreements with anything”

However, for many of the respondents expenditure on office furniture is not particularly significant so this is not a big pull. And the saving needs to be offset against the cost of renting.

“Not a relevant factor in the case of furniture as far as my company is concerned, since costs not that great”

“You must offset that against the amount you are spending on rental”

“Furniture is such a small cost for a cruise ship company”

“We're a very low-volume purchaser - so it would be a very small value to us”

Rented furniture doesn't depreciate in value...

Although generally this was identified as an advantage, the majority thought it wasn't a significant one:

“From an accounting point of view, you would have to go through a nominal capital appreciation and depreciation anyway”

“No doubt an advantage, though never saw a big problem with depreciation for furniture”

“True, but a minor factor as far as my company is concerned”

“Not the same impact on company accounts”

Greater flexibility to respond to changing company needs...

The majority didn't feel this was particularly relevant to them. Buying might be a preferable option.

“I'm not sure how our needs would change in a way that would force us to be flexible... if the company gets bigger, I'll just buy more furniture”

“I don't think it gives you much more flexibility, perhaps a bit more convenience”

“Not applicable because we are growing rather than shrinking”

“As we've got the money to rearrange and revamp, we'd probably go out and buy new equipment”

However, there was a minority for whom this idea had some resonance:

“We do have quite a bit of churn, because we have different types of projects happening all the time”

“Could be of value in the future, as the company starts to look at the balance between home working and working from the office: home working likely to increase in future”

“We’re forever setting up new teams, operating out of different sites for short periods”

Broken furniture is replaced at no cost...

While this was a positive, almost all respondents said that furniture breakage occurs rarely, so this would not be seen as a particular advantage. However some others do value turnaround speed.

“I suppose that’s an advantage, but these days I can’t think of much of our furniture ever breaks”

“A minor advantage as far as my company is concerned”

“Day-to-day it’s minimal, we’ve got facilities and maintenance on-site for repairs. But if something gets broken beyond repair, it would be useful to have it replaced quickly and at no cost”

“Yes, certainly would be if I could believe this! Would CORT really replace a complete desk if [we] accidentally broke it?”

Furniture is reconditioned and reused...

Virtually all respondents claimed that their company was very environmentally aware; for all it’s important to be seen to be green and this idea is good as it helps to tick a box. However, most say that they recycle their furniture anyway rather than throwing it away and others say they give surplus furniture to charity.

“Very important factor for the company, which wants to be responsible in this important policy area”

“I try not to throw things away, if someone has a broken chair I would have it refurbished anyway”

“We have good recycling here anyway. We have little wastage. This does not hit me as majorly appealing”

“There is a very good market for second hand furniture in this country; I have never thrown away furniture in bulk”

“Agree in principle but frankly not a material consideration to my company”

"I know that carbon footprint is more and more on the agenda so we're always looking at new ways to reduce that"

However, there was a concern that it would actually be more environmentally friendly to carry on using existing furniture rather than to replace it.

"I am not sure that washes. If we were renting, I probably would have had three desks by now... so ultimate recycling is carry on using it!"

Overall

All of the ideas were felt to have some merit. Cash flow was felt to be the idea which was most likely to be effective in making them consider furniture rental in future.

"Cash flow is always the factor - if a course of action shows gains in this area, we would do it"

"Less cash tied up in assets, and there's a degree of flexibility if we're expanding or contracting the business, both of which happen at the moment"

"The first point, the cash issue, would be the main one. Our company is constantly moving around so the flexibility would also help"

"The only thought that crossed my mind was that it might be a way of getting really, really good quality furniture that would have a feel good value for employees, make them feel valued"

2.3 Circumstances which might trigger consideration of Furniture Rental

Respondents were asked to consider a list of seven circumstances which might trigger a company to consider furniture rental and to say which they felt might be relevant to their company. Three stood out as being most relevant.

Company Expansion

At last a third thought this might be relevant to their company and even if they currently buy furniture this might prompt them to consider renting.

"We'd currently buy it but could consider renting - we do sometimes expand for a while and then contract"

"Yes, company may well have expansion needs where renting would give flexibility"

Restraints on capital expenditure

Around a third thought this might be an issue that could prompt consideration of renting although the value of furniture is seen as low. The overall relative costs between buying and renting would be key in the decision;

"I guess it would be an issue - we do have plentiful reserves of furniture though"

"Yes, would help, though never been a factor preventing company from buying furniture"

Setting up temporary or flexible customer project teams

This was definitely applicable to a number of the companies interviewed. Renting was seen as a good option in this circumstance with a key aspect being the longevity of the requirement.

"We do that - that's what I mean by expanding and contracting, rental could be useful for this situation"

"I can see the benefit of this. If it is really temporary then renting might make sense"

Ideas which were not so likely to trigger an interest in rental in their company were as follows.

Seasonal changes which mean more staff

For most this simply did not apply or was not relevant; changes in personnel were not seasonal

"Ups and downs in staff levels are a factor but these are not seasonal in this company"

"Not in the current climate"

On-site consultants

This only applied to two companies, and only one felt that renting was an option they would consider

"It is possible the company might use on site consultants, in which case, the leasing option might be considered"

Merger or acquisition teams or joint ventures

Whilst there was acknowledgement that this could happen, furniture would most likely be 'inherited' or bought where needed. However there was a possibility that renting could be an option in theory.

"Possibly - we'd have a look at their needs and our need - sometimes when you take over another company they want you to buy them stuff, we would probably just buy it if that were the case"

“At the moment we look to see if we need more furniture, if so we buy it - could rent if it would save money”

The lead time to source new furniture being too long

Most people did not have an issue with lead times and found them quite acceptable, although a small minority did admit that this could be a problem.

“The length of time to source purchased furniture is not a problem”

“It has been an issue in the past so good to have flexibility on timescales”

2.4 Changing Decision Maker views on Renting

Overall it was felt that only a compelling financial argument would make purchasing decision makers seriously consider furniture rental; it should be noted that in this study the likely costs of renting were not discussed with respondents. Although some respondents did feel that buying versus renting was a cultural issue, or that colleagues might be set in their ways or wary of change which could militate against consideration of renting.

Arguments which they felt were worth advancing were:

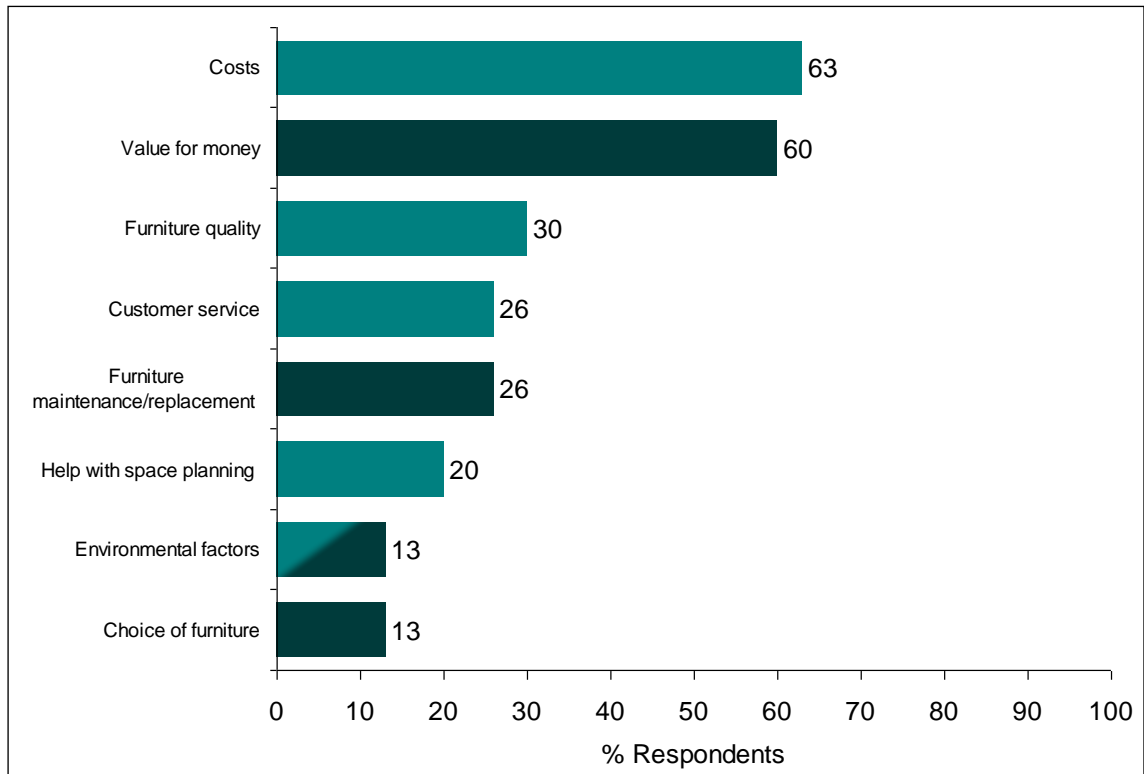
- Proof of being more cost effective with demonstration of the relative benefit in terms of cash flow
- Removal of the need to store surplus furniture
- Renting being more ‘hassle free’ than buying.

“Theoretically, I would not be afraid to make the switch, if I could see the benefits”

“If the numbers stack up in favour [we] would go for rental. Don't have any form of theoretical resistance to renting”

“A reasoned case for renting, including financial and flexibility implications need to be put to change minds”

Cost and Value for Money were also the most important factors when respondents were asked to rate eight attributes which they might consider when thinking about renting office furniture.



Equally, the perceived advantages of purchasing in terms of assets is also a factor which would need to be contended with in some companies:

“People will be wary or nervous of it - also, finance directors do not like renting or leasing any type of equipment - because there are positive ways of capitalising on new purchasing with regard to tax, etc- but this is not the case with rental”

“Financial controller views purchasing as having a beneficial impact on the accounts as showing as an asset”

2.4.1 Influential Messages

Asked what could potentially be the most influential messages to use with decision makers, a range of ideas were mentioned:

- “Like for like products... old furniture collected on renewal”
- “Access to excellent furniture”
- “Good track record”
- “Value for money”
- “Case studies”
- “Environmental advantages”

But the difficulty is catching companies at the right stage in the planning process so it may need to be ‘a continual, relentless onslaught!’

“Timing is important, around budget times. We do January to December so we are doing next year decision making process now, it’s the time

now. It's the flexibility you would need to promote, and probably speed of response and being able to do something quickly"

"As it happens I'm just about to refurb an entire building - you've got to get people at the start of the planning process for a move or a refit - three-six months in advance"

"They've got to get in everybody's face to let people know that furniture rental is coming to the UK....they've got to get my attention"

"The time for it to kick off would be before an immediate requirement that came up, so that would be unpredictable by definition"

2.4.2 The Overall Benefits and Disadvantages

Finally respondents were asked what, having considered all the features that had been discussed, they felt would be the main benefits and disadvantages of furniture rental to their company. Cash flow was again mentioned as a major benefit (although tempered by a need to know more about the likely costs), flexibility, and the possibility of having new and better furniture. For a few there were no obvious benefits and they did not feel that this was something they would ever consider.

"The fact that the depreciation doesn't go through our books"

"Flexibility is going to be a prime benefit when we're setting up temporary project teams"

"Cash flow implications.... And be up to date with the latest furniture fashions"

"May help to keep office environment fresh for longer in terms of the state of the furniture and pleasant environment"

The main disadvantages were perceived to be the long term cost which they were afraid could work out more expensive in the long term than buying. There was also a fear that renting could add an administrative burden and also that the cultural obstacles might be difficult to overcome. But there were a number of respondents who did not see any major disadvantages to furniture rental.

"You'd have to put all five year's rental commitment in your books, which is not something you really want to disclose"

"I think the fact that it's probably going to cost you more over the long term, somebody else is effectively profiting"

"There is the feeling of not being in control in the rental situation as opposed to ownership: feel better owning assets"

"The managing of what is rented and what is owned, keeping track of that, and organising yourself so that you are not carrying on renting furniture unknowingly or unnecessarily. It requires extra labour to manage that."

3 SUMMARY AND RECOMMENDATIONS

There is lack of awareness of how a furniture rental service would work, but a significant interest in receiving more detailed information particularly with regard to the likely cost. Although some respondents mention there is a cultural barrier against office furniture rental in the UK, most seem open at least to listen to what CORT has got to offer and are willing to review information and assess the option should the opportunity arise.

The over-riding factor in making a decision to rent will be cost – but there are other messages that also resonate:

- Flexibility
- Ticking the environmental boxes
- Nice new furniture.

The type of circumstances which are worth focusing on in marketing the service are

- Company expansion
- Restraints on capital expenditure
- Temporary or flexible teams.

Some cultural barriers will need to be overcome but reassurance about cost and making it hassle free will be persuasive.

Other aspects that would help potential customers to make an informed decision would be length of the contract, terms and conditions, tax implications and the level of customer service available. The decision makers in bigger companies would be purchasing and procurement, with the involvement of the Finance Department. However in smaller companies, the MD, CEO or Head of Department would give the final green light.

A range of means of approach were mentioned (brochures, email or mail shots with a few preferring a phone approach or face to face meetings). However, key will be remaining top of mind as the 'purchase decision' for furniture is infrequent and unpredictable.

APPENDIX A

Questionnaire



Record no:

Introduction

Good morning/afternoon/evening. My name is from Accent and I am carrying out research for a company called CORT. We are looking at how companies manage their assets and measures which they take to save money. The research is government sponsored and will be reported back to Defra.

We would be grateful if you could spare the time to take part in a short questionnaire – it should only take around 10 minutes to complete.

Your views are of great interest to CORT and will help them to improve their offer and make it more appealing for companies like yours. Any answer you give will be treated in confidence in accordance with the Code of Conduct of the Market Research Society.

Questionnaire

Q1. First of all, just a couple of questions to check you are in scope for this survey. How many employees does your company have in the UK?

49 or fewer **THANK & CLOSE**

50 to 100

101 to 250

250 to 500

501 or more

Don't know **THANK & CLOSE**

Q2. Would you be involved at all in the purchase decision regarding expenditure on items such as IT, office equipment, buildings or furnishings?

Yes **INTERVIEWER NOTE – IN SCOPE AS LONG AS FURNISHING IS MENTIONED**

No **THANK & CLOSE IF FURNISHING NOT MENTIONED**

Q3. Thinking about your company's assets, are there any types of item which your company rents rather than buys? **PROBE FOR....**

Vehicles

IT

Office equipment such as photocopiers

Furniture

Office space

Anything else?

Q4. How do you decide what to rent and what to buy? What is the decision making process?

Q5. Who in the company would get involved in making those type of decisions? Does it differ by different type of purchases?

Q6. Thinking about the furniture in your company, is any of it rented? If yes – what do you rent? What sort of quantities? Why do you rent? What are the advantages?

Q7. **IF NO AT Q6** Have you ever rented office furniture? Or considered renting? Have you ever been approached about that possibility?

Q8. Renting furniture is quite common in the USA and other countries but not so common in the UK as yet. Why do you think it's popular in other countries? What would you see the advantages as being?

Q9. I'm going to mention some possible advantages of renting and I'd like to know which ones you think might be definite advantages to your company? **PROBE FOR THOUGHTS & COMMENTS ON EACH**

Less cash tied up in assets

Rented furniture doesn't depreciate in value

Greater flexibility to respond to changing company needs

Broken furniture is replaced at no cost

Furniture is reconditioned and reused – more environmentally sound than throwing it away

Q10. Are any of those issues which you think might make your business think about furniture rental if you had a need for new furniture?

Q11. Who would need to know about them? Who would drive through a decision to do this? **PROBE FOR ROLES, INFLUENCE ON DECISION MAKING**

Q12. I'm now going to run through some of the occasions or circumstances which might trigger a company to think about office furniture rental. I'd like to know which ones are things that might be relevant for your company. **PROBE FOR WHAT THEY NORMALLY DO IN THIS CIRCUMSTANCE AND WHETHER FURNITURE RENTAL MIGHT BE A SOLUTION THEY COULD USE**

- Seasonal changes which mean more staff
- Merger or acquisition teams or joint ventures
- Company expansion
- The lead time to source new furniture being too long
- On-site consultants
- Setting up temporary or flexible customer project teams
- Restraints on capital expenditure

Q13. **IF ANY OF THESE RELEVANT TO THEIR COMPANY:** Who would need to consider furniture rental in these circumstances? Who would drive through a decision to rent in these circumstances? **PROBE FOR ROLES, INFLUENCE ON DECISION MAKING**

Q14. Previously it's been found that facilities managers often get involved in these types of decisions but seem reluctant to make the change from buying to renting? Why do you think that is? What might make them change their minds?

Q15. How important are the following attributes if you were thinking about renting office furniture? Please tell me how important you feel each one is on a scale of one to five where one means not at all important and five means very important.

INTERVIEWER – ROTATE ORDER

	Not at all		Very		
	important		important		
	1	2	3	4	5
Costs	1	2	3	4	5
Value for money	1	2	3	4.....5	

Environmental factors	1	2	3.....4	5
Help with space planning	1	2	3.....4	5
Choice of furniture available	1	2.....3	4.....	5
Customer service	1	2	3	4.....5
Furniture quality	1	2	3	4.....5
Furniture maintenance/replacement	1.....2	3.....	4.....	5

Q16. Overall, what benefits do you think renting office furniture instead of buying could bring to your company?

Q17. What disadvantages do you think renting office furniture rather than buying could bring to your company?

Q18. What sort of messages would a furniture rental company need to use to get the attention of decision makers in your company? When would they need to do this? Using what mechanisms? **PROBE FOR SALES APPROACHES, MARKETING MATERIAL, WHO TO TARGET, WHAT TO SAY**

Q19. Are there any other comments or suggestions that you would like to make in respect to this type of furniture rental service?

Classification

Q20. Finally, what type of industry do you work for?

Q21. Where are your offices located?

4.1.1.1.1 Thank you for your help in this research

This research was conducted under the terms of the MRS code of conduct and is completely confidential. If you would like to confirm my credentials or those of Accent please call the MRS free on 0500 396999.

Please can I take a note of your name and where we can contact you for quality control purposes?

Respondent name:

Job Title

Thank you

I confirm that this interview was conducted under the terms of the MRS code of conduct and is completely confidential

Interviewer's signature:

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Time Interview completed: :