

Labor Guides The Site Selection Process

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What are the questions that go into the process of choosing a location for a new call center these days? Voice over IP, with its telecom-switch-killing promise of cheap phone service from Bangalore to Omaha and Canada to Argentina, has leveled the field: now any locale on earth, given enough investment, can have all of the technological infrastructure necessary to provide a business with an advanced and secure multi-channel contact center. As evidence, look at Egypt's dazzling new office park in the desert, the "Smart Village," which Call Center's Keith Dawson visited last year. Now that Cairo has the exact same technology and shiny new workstations one can find in the West, and indeed in India, the outsourcing and offshoring landscape has officially taken on global proportions -- well beyond the familiar Canadian, Indian and Philippines sites.

Labor is the key. It has always been key, of course, but now that a call center can be built anywhere, the labor question has many more options. It's a matter of nuance, not simply a matter of cheap versus high-quality. A center in the Philippines or in India can save huge amounts on labor. But the price of the occasional public backlash against offshoring is difficult to quantify. An Indian center may have a terrible time scheduling repair visits for ornery appliance owners, but do brilliantly with tech support.

Amid all the rumors of repatriation, we've heard about corporations that have gotten much smarter about the types of transactions they have their offshore agents doing. It's important to understand exactly what kind of work your agents will be doing before you seriously consider one location over another.

This article will concentrate on some of the trends in domestic and Canadian site selection. We'll provide comprehensive coverage of offshoring in our October issue.

The Market is Hot

Call centers are opening in North America at a rate unseen since before the dot com bubble burst. Everyone we spoke to told us that the market is really hot right now. "I'm having more activity with site selection this year than I have probably seen in six or seven years," Laura Grimes, CEO of the [Harrington Consulting Group](#) told us.

"It's more active than what it was in 1999," said King White, founder and president of the Dallas-based [Site Selection Group](#) (SSG). "And the deals are more real," he continued. "We had a lot of the dot com stuff which was crazy back then and the deals were just a little more flakey." He's also noticed a return to mega-centers, like the 4,000-seat Washington Mutual center in San Antonio, Texas.

As a part of its call center site selection and construction service, White's firm tracks all the openings, closings, and expansions of call centers in North America and around the world. His clients want to know where the vacated call centers are for various reasons -- what center in a good labor market has just left a nice building lying empty? What center failed because the area couldn't support it?

Moving into a vacated call center can save a new operation precious weeks and months in getting up and running. But if the center closed because of a tight labor market, there's no point in reopening a center there.

White's team does a call center saturation survey of the various regions their client is considering. "We're actually projecting out the number of jobs that each market has left available in it. Typically, we do not like to put clients in markets with greater than 2% saturation, meaning 2% of the labor force is working in the call center sector."

Wanted: High Quality Agents

Laura Grimes sees corporations looking for a different kind of agent that they ever did in times past. "Before, I used to find clients who would say, 'give us the cheapest labor market you can,'" she explained. "I would have to say, okay, well, what is it you need your agents to do? Because not everyone can do everything. There are certain pockets that you want to take a look at. So I used to have to educate them about why they may not want the cheapest, they may want the cheapest that offers that labor pool." Now, Grimes told us, companies want to open call centers in places with a high quality of life because that's where the happy, well-educated and loyal agents are.

"Bricks and mortar is a necessary evil," King White told us, underscoring the importance of labor over real estate. Does that mean that home-based agents are taking away from new call center seats? White and his team aren't worried about being put out of business by at-home agents, but they do acknowledge that the model is here to stay. "It basically curbs the growth a little bit," he admitted.

Deborah Clark-Forster, a consultant with Ontario's Ministry of Economic Development and Trade has noticed it too, but she isn't worried either. "There certainly is a level of interest, but to date we have not seen a significant number of home-based agents. So I think there is interest, but we have yet to see that in force."

To get an idea of what a market holds for a call center, firms like White's SSG will look at every aspect possible. They'll do wage comparisons among existing call centers and

interviews with local employers. Different types of agents -- telemarketers, help desk agents, customer service reps -- all have different skill sets and different pay scales.

SSG will give a full demography report to its clients. "We bring together all the demographics," White said. "The employee characteristics to the military installations, to university presence, to cost of living, and we put into a very comprehensive decision matrix to help weight and identify what markets have the highest score for what the client's looking for."

Low Unemployment

While low unemployment is good for nations, it isn't always good for call centers. It's been affecting American and Canadian growth. In fact, says Grimes, "I have had two Canadian companies call me in the last six months and say 'we need site selection and we're thinking about going to the U.S.,' which is the first time I've ever heard that."

It's low in the U.S., too. "When you look at the way the market is right now, we've got, probably 35 of the states that are at 4.2, 4.3% unemployment or less -- they're nearly fully employed -- and just a handful of states that aren't." Some of those states have employment issues that make call centers avoid them, Grimes said. "They are not so much looking for cheap labor markets right now, as [much as they are for] a good labor supply with a stable employee base." Consequently, many labor markets must compete on the basis of incentives. For a closer look at a healthy call center market, we spoke to a representative of the Canadian province of Ontario's economic development agency.

Call Center Market Spotlight: Ontario, Canada

Ontario, Canada's largest province, has a population of about 12.2 million people. There are more than 225 communities with a population of more than 7,500 people in Ontario, all of them potential sites for call centers. While all of Canada remains vulnerable to the problem of the weak American dollar, the market still grows, thanks to big incentives and a reliable, well-trained workforce.

"Ontario's contact center market continues to experience very solid growth and it's well positioned for the future," said Deborah Clark-Forster, a senior business consultant with the Ontario Ministry of Economic Development and Trade. "In fact, last year, we attracted 24 new investments. The sector is evolving into higher value contact center applications, combined with the emergence of business process outsourcing (BPO). And, specifically, we're seeing a lot of finance and accounting and human resource and IT applications moving into the province."

Clark-Forster estimates Ontario's share of the Canadian call center market in number of centers to be just over 50%. The growth in Ontario, Clark-Forster says, has been in the smaller communities, but the call center business continues to be robust in major urban centers like Toronto, as well.

We asked Clark-Forster why call centers, most of them run by American companies, choose to locate in Ontario. "We have lower operating costs as compared to U.S. companies," she told us. "We're able to save U.S. companies anywhere from 15 to 30% on their bottom line. And how we do this is our health care costs are the lowest of the G7 [Canada, France, Germany, Great Britain, Italy, Japan, and the U.S.], with employers saving nearly 60%, as compared [to regions] within the U.S. Our statutory benefits are low, again, 30 to 50% lower. With respect to workers' compensation, pension and unemployment taxes, we have one of the lowest corporate income taxes in North America, sitting at a combined rate of 36.12%." The nuts and bolts of doing business is simply cheaper in Canada than it is in the United States.

But what about the labor pool? "Ontario has access to an educated workforce with 58% of the population having post-secondary education. These are the highest education levels among the G7. We have linguistic capabilities and a culturally diverse society with 20% of Ontario's workforce speaking a second language, and more than 100 languages spoken in Ontario alone. We have a large and professional labor pool of almost 7 million people in Ontario. An extremely loyal employee base, with low turnover rates of less than 20% in this sector. And there are a lot of similarities between Ontario and the U.S. Our country is politically stable, we have cultural similarities to our neighbors south of the border, we offer accent neutrality and ease of access from our U.S. counterparts to Ontario. Approximately 60% of U.S. populations are within a two-hour flight to Toronto. So, certainly cost is a consideration, secondly, labor, and the availability and sustainability of an educated labor force makes a very big difference in this business case."

One of the most compelling reasons call centers locate in Ontario is a combination of economic incentives that creates a highly-skilled workforce: training subsidies. Clark-Forster explains: "Ontario offers a number of different training subsidies. The apprenticeship training program specifically targets the contact center sector, from an IT perspective (being a help desk) as well as inside sales and customer care. And essentially, what it does is it provides access to prospective employers a maximum tax credit per apprentice of \$5,000 per year for a period of three years." Ninety percent of the training is done in the center, on the job.

Focus on Labor

Now that voice over IP has opened nearly every region of North America to call centers, focus on the regions that offer the best labor pool. "If you're a manufacturing plant or a distribution center, then you want to look for transportation and access points and things like that. If you're retail, you're looking for dollars. But in this particular case, you're looking for labor skills. It's quite a different market," said Laura Grimes.

The question of real estate comes much later in the process for most site selection consultants. For that reason, it's important that your site selection team have experience beyond mere real estate consulting.

The biggest take-away for call centers: Labor is the key to site selection. "Anyone who's letting real estate drive their decision is going down the wrong path," King White told us.

Select a Consultant or a Location

Here are some consulting firms that can help you find a place for your next center, along with a few sites around the world that are eager for new business.

Binswanger

215-448-6000

www.cbbi.com

CB Richard Ellis

800-368-8976 x5599

<http://ccsg.cbre.com>

Guatemala

www.investinguatemala.org

Harrington Consulting

248-650-9165

www.harringtonconsultinggroup.com

Ontario Ministry of Trade and Economic Development

800-819-8701

www.2ontario.com

Raya

703-288-5249 x1032

www.rayacorp.com

Site Selection Group

866-938-SITE

www.siteselectiongroup.com

Wyandotte Development/Kansas City

913-422-1020 x1309

www.kumc.edu/wcedc

Xceed

202-776-3000

www.xceedcc.com

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