

contact centres
shared-services centres,
and the **Tees Valley**



EXCLUSIVE REPORT



business services centres: **a new generation**

A significant innovation in business practices over the last decade has been the growth in specialist business services centres – beginning with contact centres and today embracing shared services centres.

The Tees Valley is a natural home for business services centres, and has supported their introduction and growth very carefully. Development in the area has been planned to ensure that suitable staff and locations are available, that businesses can be guided to the right site or premises, and that help is offered with services such as recruitment.

The success of the Tees Valley has been based throughout on extensive research. Highlights of the latest studies have been assembled in this report. We are sure you will find the data interesting and valuable, and also, of course, that you will appreciate the advantages of locating a business services centre in an area that takes them so seriously.

New research shows a bright future for UK business services centres



Over the last decade, contact centres and shared services centres have become significant features of the British business landscape. Are they here to stay? How will they develop? Does offshoring threaten their future in the UK? What is the future for business services centres? What makes the ideal location for them?

In the Tees Valley, we've always given them special attention. Their future matters to us. And so we have completed three independent research studies. A 'survey of surveys' brings together the findings of the full range of private and public studies of the contact centre sector and its development. A second study looks at the current state of contact centres within the Tees Valley. And to complete the picture, a third study looks at the emerging shared services centres.

Briefly, the studies combine to show that

- there's a great deal of growth still to come in UK business services centres;
- the centres themselves are changing dramatically – in functions and services provided, size, quality and costs of staff, and technologies employed ...
- **And the right location is fundamental to the success of a business service centre.**

Which, of course, is good news for us in the Tees Valley! Our success so far means we really do offer the right location, and the report means that there's still a very bright future ahead for business services centres of all types – in the UK, and in the Tees Valley in particular.

Further copies of the report are available from us here, at Tees Valley Regeneration, or on the web at www.teesvalleyregeneration.co.uk. And of course, we're always happy to discuss at length any issues raised by the report, or any relocation plans you may be considering.

Just phone me, or ask to talk to any member of our business team.

Neil F. Etherington
Strategic Investment and Marketing Director



Executive summary

This report summarises three separate studies carried out for Tees Valley Regeneration. They cover the growth, current situation and future of contact centres in the UK; the experience of contact centres already established in the Tees Valley; and the emergence of shared services (back office) centres.

They show that:

- the number of agent positions and centres in the UK and globally will continue to grow, though at a reduced rate;
- the most significant criteria for locating centres are workforce availability and quality; premises availability, quality and cost; and local infrastructure (particularly local transport);
- the Tees Valley scores very highly with local contact centre managers on the significant criteria, and shows no sign of exhausting the resources on which contact centres rely;
- as the contact centre sector matures, the future is one of segmentation and specialisation;
- contact centres in the UK will tend to downsize, and concentrate on new technologies to support higher-value services;
- shared services centres, which move to low-cost locations to consolidate business-facing services, are emerging alongside contact centres, and share many of their criteria and characteristics.

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STUDY ONE

The evolving contact centre

The study comprises a survey of surveys. All surveys currently readily available in the public domain were studied and relevant data extracted. The objective of the study was to identify trends in the structure, functions and locations of contact centres, with particular attention to the future of offshoring. The findings are relevant to the senior management of commercial enterprises, government and local government organisations, and to the managers of in-house and outsourced contact centre operations.



1. GLOBAL TRENDS

1.1. Global growth by agent positions

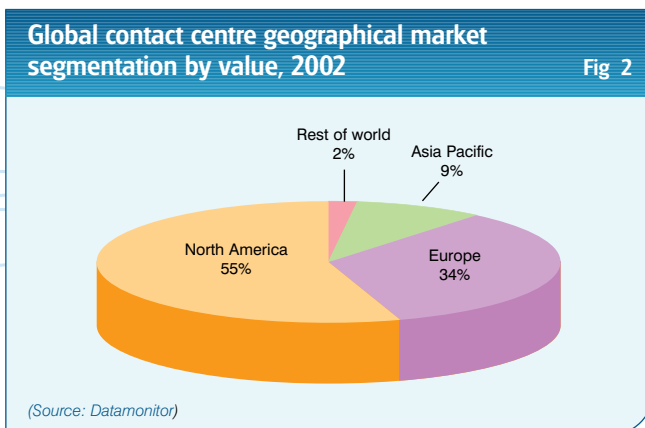
Globally, growth has been rapid since the late '90s and is expected to continue, though at a gradually reducing rate.

Year	Agent positions '000s	Agent growth rate
1998	2542	n/a
1999	2955	16%
2000	3254	10%
2001	3446	6%
2002	3632	5%
2003	3966	9%
2004	4278	8%
2005	4372	2%
2006	4435	1%
2007	4463	1%

(Source: Datamonitor)

1.2. Global contact centre market segmentation

Within the European sector, the dominance of English as the required language has given the UK by far the largest share.



2. UK TRENDS OVERALL

2.1. Current growth/decline trends

The UK contact centre industry has grown by 250% (number of agent positions) since 1995, and is forecast to grow to almost 650,000 agent positions by 2007. (NB ratios of positions to employees vary across forecasts.)

Year	Agent positions '000s	Agent growth rate	Growth rate in nos of contact centres
1995	143.9	n/a	n/a
1996	169.8	18%	9%
1997	203.8	20%	12%
1998	264.9	30%	13%
1999	331.2	25%	15%
2000	387.5	17%	12%
2001	430.1	11%	8%
2002	460.2	7%	5%
2003	494.3	7%	5%
2004	538.7	9%	4%
2005	581.8	8%	3%
2006	616.7	6%	3%
2007	647.6	5%	2%

(Source: Gartner Dataquest, Datamonitor and ContactBabel)

The ratio of employees to positions in some estimates implies 1 million employees by 2007 (from an estimated 0.8 million in 2004). However, the industry will continue to segment, with differing requirements in each segment. *DTI; ContactBabel – May 2004.*

There are an estimated 4,300 contact centres in the UK, of which only 16% employ more than 100 people. A further 900 new call centres are expected to open between 2004 and 2007, creating 66,000 positions. Average new contact centre size, based on this prediction, would be 73 seats. *ContactBabel; Cushman & Wakefield.*

Constraints on growth in the UK include industry maturity; the 'loss' of jobs to overseas locations, currently estimated at 200,000 by 2014; and a trend towards downsizing.

29% of existing call centres downsized in 2003 (*Call Centre Association*), attributable to increasing productivity; new technology – particularly automated voice systems; and the evolution of the industry towards more segmented (specialised) operations.

Of 900 new contact centres forecast, it is estimated that one third will locate in existing branches of the parent company, or alongside back office functions. (See Study 2.)



2.2. Size and growth by vertical sector

The distribution of contact centres by size varies very considerably by vertical market sector. Growth will also vary by sector, with Retail/Distribution and Public Services (including Government and Local Government) numbers expected to show the greatest growth.

Contact centres by vertical sector and size										Fig 4
Vertical Sector	Agent positions								Total CCs	Total agents
	10-50	51-100	101-150	151-200	201-250	251-500	501-1000	1001+		
Finance	332	165	61	41	39	91	49	19	818	125,983
Retail/Distribution	439	68	19	20	12	41	15	14	621	64,816
Services	369	127	45	4	9	18	8	0	578	33,922
Transport/Travel	326	137	25	23	17	27	11	1	569	42,169
Manufacturing	374	41	21	6	3	2	1	0	437	15,948
Outsourcing/Telemarketing	213	81	20	14	12	27	19	8	398	49,244
IT	235	55	23	8	1	14	12	0	345	24,175
Public Services	219	31	10	6	4	6	2	1	274	14,620
Printing/Publishing	223	37	5	5	3	2	0	0	269	9,859
Telecoms	117	31	21	15	12	10	26	4	241	36,150
ISP	119	31	12	4	0	5	1	1	171	10,439
Entertainment/Leisure	93	31	9	7	2	7	4	4	157	16,266
Utilities	52	21	12	11	14	17	13	6	152	30,740
Food/Drink	77	24	7	0	0	0	1	0	110	4,897
Motoring	58	14	12	0	6	7	8	0	107	11,989
Medical	59	8	1	0	2	2	0	0	71	3,038
	3,304	904	303	165	138	277	170	59	5,320	494,255

(Source: ContactBabel. Not all columns add, and figures are not absolute. Estimates have been treated as real to give a perspective of relative importance.)

2.3. Geographical distribution

Some UK regions are weighted towards the smaller end of the industry. This may be because the smaller contact centres are often based around their head offices. Once a contact centre is so large that it cannot stay within its original building, it becomes a candidate for relocation to a lower-cost region.

In the Tees Valley, the average call centre employs over 200 staff. A third of the call centres in the area average 475 employees each: there is a large pool of experienced staff. See Study 2.

3. ONSHORE OR OFFSHORE?

3.1. The key decision factors

Clearly, a number of factors affect the decision to offshore or not. The following appear to be the decisive ones.

- Expertise
- Infrastructure
- Data-protection legislation and external factors
- Acceptability to users and potential staff
- Costs

3.2. Propensity to move offshore by sector

The factors in 3.1. are general. Closer analysis of individual market sectors identifies some sector-specific factors which are affecting the decision on whether or not to move offshore.

Vertical centre issues and propensity to go offshore			Fig 5
Sector	Commercial issue	Impact on contact centre and potential for offshoring	
Insurance	High level of claims and risks, reduced profits, merger and acquisition activity.	As revenue growth is low, there is high cost-cutting pressure. Most prone to moving offshore following back-office work out of the UK. Multiple contact centres with different systems means there is a need to consolidate, likely to lead to an increase in offshoring.	
Banking	Mergers and acquisitions.	Internet and SMS cutting costs and leading to branch closures and a rise in cost centre jobs. Global outlook means some banks are considering although others are ruling it out.	
Retail	Internet sales taking off and new competitors.	Mail order and retailers now have a web presence for live customer support. Offshoring gives out-of-hours and technical support.	
Government	eGovernment initiatives combined with cost-management and process improvement.	Edicts and financial support force local authorities and government to offer internet and phone access. Major growth area in last two years. Offshoring unlikely.	
Utilities	Deregulation driving competition. Emphasis on reducing costs, and CRM.	Consolidation means fewer, larger contact centres. Seem to accept the value of local knowledge, though some offshoring is likely.	
Telecoms	Telecoms crash and deregulation.	Massive flux and desire to grow customer base. Large contact centres, but little move offshore yet.	
IT and ISP	Increased IT and broadband usage.	Increased need for technical support, especially in the evenings. Possible target for offshoring, particularly when technical capability required.	

(Source: ContactBabel)

3.3. Commercial reasons for offshoring

Irrespective of sector, the types of company the most susceptible to moving overseas are those with high-volume, low-value, routinised, short-call-cycle activities or profound financial difficulties.

Some offshoring decisions have failed, and anecdotal evidence is that businesses are choosing a balance of locations and are not seeking to move everything offshore

Cost-reduction is the main reason for moving offshore. Such cost-reductions may have seemed particularly attractive to large-scale outbound operations with low-margin products or low-value customers.

In addition, a significant factor is that organisations may not have to pay VAT at offshore locations. This is especially important in the financial sector, where firms are unable to claim back VAT paid. Deloitte Research predicts that some two million finance jobs will be outsourced from Western economies to India by 2008.

4. THE EVOLVING CONTACT CENTRE

4.1. Evolution of functions

ContactBabel estimates that two-thirds of activity is inbound calling from customers, suppliers and partners.

Though the Telephone Preference Scheme has attracted 25% of British households, and regulation is constraining outbound growth, outbound calling continues to grow (*OMIS*). 57% of contact centres are capable of handling both inbound and outbound calls and 40% (mostly larger, older, simpler operations) handle only inbound.

The public sector is set to continue its adoption of contact centres, driven by announced Central Government targets for shedding jobs and increasing its reliance on 'e-Government'. Some South East-based local authorities have been driven by cost to open contact centres in remote regional locations.

4.2. Technology evolution

At the low-quality end of the market, voice automation systems (speech recognition, self-selecting transactions, etc.) are replacing low level call-centre functions. *ContactBabel*

1990s analysts predicted the growth of multimedia, but by December 2003 the volume of non-telephone contact stood at just 8.4%. Certainly, multi-channel contact centres have grown, with up to 50% of contact centres claiming a mix of web/email/voice options available (*Merchant*). However, incompatibility of systems from different providers is holding back true integration. Non-voice traffic is still mainly inbound (from customers) rather than originated by contact centres. VoIP and web-chat technology are expected to grow steadily (from around 5% in 2002/03).

4.3. The new contact centre profile

Overall the most likely future *new* UK contact centre profile is a mix of increased technology dependence (replacing low-level transactional voice traffic); added-value, or simply higher-quality, customer services; and a size smaller than the historical contact centre, perhaps averaging 70 seats.



5. UK LOCATIONS: CRITERIA FOR SUCCESS

5.1. The important location factors

One of the most consistent (and available) surveys of location criteria is published by Adecco (research by OMIS). The 2002/2003 survey gave the following rankings of criteria:

Important location factors: UK		Fig 6
Workforce	93%	
Premises	20%	
(Local) transport	13%	
(Operating) costs	7%	
(Local) amenities	6%	
Other infrastructure	5%	
<small>(Insignificant ratings for incentives, customer/market proximity or other call centre proximity)</small>		
<small>(Source: Adecco)</small>		

79% of contact centres are in towns or cities; 29% in suburbs. Less than 20% of properties had been purpose-built.

6. WORKFORCE

6.1. International comparisons

Employment levels in contact centres in the UK are higher than those in Europe, and similar to the US. The Tosca Call Centre Employment report of 2002 predicted that 1.3% of the European workforce would work in contact centres by the end of 2002.

Not surprisingly, contact centres in developing countries pay lower salaries. ContactBabel calculates salaries for new agents of £12,900 (UK), £12,000 (Netherlands) and £11,800 (Ireland) compared with £1,500 (India), £3,500 (South Africa) and £1,600 (Philippines).

UK staff attrition rates can be as high as 38%, but on average are better than those of India, the Netherlands and Ireland. In the Tees Valley, an independent survey has seen operators report rates below 10%. See Study 2.

Globally, the UK is the second-largest player in the market, with around 790,000 agents.

6.2. UK workforce: profile

- **Importance of workforce**

Workforce availability, quality, retention, suitability and flexibility remain the most important considerations for locating UK contact centres (OMIS 2003). Around 790,000 people work in the UK contact centre industry.

- **Agent skills required**

The single dominant factor for agents is general communications skills (stated by over 70% of contact centres in virtually all published surveys).

Skill sets said to be in growing demand are written skills, technical skills and specific industry knowledge. Verbal communication skills are considered most important. No specific educational qualifications are sought in most contact centres (49% of staff have none – OMIS).

- **Training is essential**

Training, both in-house and bought-in from training providers is critical to nearly all contact centres. 80% plus give 4 to 6 weeks training, mostly prior to any 'hands-on' work – all surveys confirm. In-house courses are generally preferred to external courses.

- **Typical agent profile**

The typical contact centre employee is female, aged 20-29, without higher education but with contact-centre experience, and employed either full-time or part-time on a permanent basis. 70% of contact centres employ part-time staff. Returning workers, and older staff (to reduce churn) are frequently employed. In cities with a large student base, students form a significant proportion of the workforce. Low (but still substantial) use of temporary staff (25% of contact centres – OMIS) may reflect an easing of the labour market in contact centre locations.

Though numbers are smaller, the male profile is similar to the female. CCA/Sheffield University states that some 69% of customer contact staff and 63% of team leaders/first line are female. For contact centre managers, ContactBabel states there is a 50/50 female/male split.

- **Churn rates not dramatic**

CCA/Sheffield University calculates the average agent tenure as 32 months, team leaders 43 months, and managers 56 months.

Government, retail/distribution and utilities agents stay the longest. Telecoms and outsourcing has the shortest average stay, although both are over 2 years.

ContactBabel believes that the smaller centres (10-25 agent positions) have a longer length of service of 45 months, and the largest (250+ positions) have a 50-month length of service.

Average churn rates are 15% (*ContactBabel 2004*) but may still be as high as 38% in some locations (*OMIS 2003, Mitial 2003*).

• UK salaries

Wage costs remain in the region of 70%-80% of total costs and hence provide a powerful motivator. (All surveys confirm.)

Region	Median (£)	Region	Median (£)
N. Ireland	11,100	W. Midlands	12,000
Yorkshire	11,500	Wales	12,500
Scotland	10,900	N. East	12,500
E. Anglia	11,875	S. West	12,500
E. Midlands	11,448	S. East	13,500
Tees Valley	12,000	London	15,250
N. West	12,000	All contact centres	12,520

(Sources: ContactBabel, Tees Valley Regeneration independent research)

Note: starting salary figures for the Tees Valley begin at around £10,500 plus shift allowances after 9:00 pm.

Outsourcers pay the lowest starting salaries (£11,000) and IT the highest (£13,250). Small centres tend to pay higher salaries (10 to 25 agent positions: £14,000) than the largest centres (250+ agent positions: £12,000). (*ContactBabel*)

• Quality, availability, recruitment

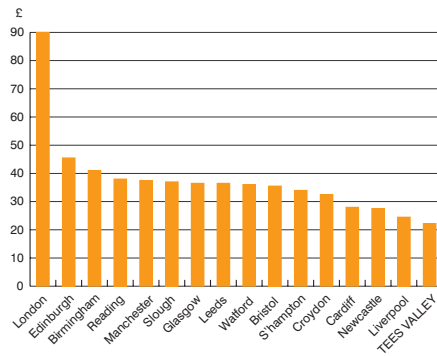
Cost is surpassed by concerns about workforce availability and quality (93% of contact centres).

Recruitment problems have eased recently (*OMIS 2003*). 50% of contact centres are experiencing recruitment difficulties (still high) compared to 70% in 2001. However 70% of contact centres in the same survey said they were 'broadly satisfied' with workforce availability.

The great majority of contact centres in the Tees Valley rate labour availability as good, very good or excellent. See Study 2.

7. BUILDINGS AND PREMISES COSTS

Comparative combined rent and rates for UK centres: £ per sq ft per week Fig 8



There is a very wide variation in rent, service charges and rates from area to area in the UK. Clearly, the Tees Valley offers opportunities for very substantial savings. GVA Grimley states that new contact centres are in the 30,000 sq ft to 50,000 sq ft category. A 50,000 sq ft office development in a prime location in the Tees Valley would accumulate overall accommodation costs of £1.11 million p.a. compared with £4.5 million in central London or £1.87 million in, say, Manchester.

The Tees Valley currently has over 200,000 sq ft of immediately available prime office space, with more due to come on stream over the near future, and the capacity for bespoke requirements at a number of sites where developers are already engaged.



STUDY TWO

Contact Centres in the Tees Valley

This study is part of an independent survey conducted in late 2004 following an initial study in 2001. The objective of the survey was to provide information on the structures, staffing, success and requirements of contact centres already operating in the Tees Valley, to update previous data and anticipate future needs and changes in operation predicted by senior managers. External surveys (e.g. Adecco 2002/03) are sometimes referred to for national comparisons.

1. OPERATIONS AND PRINCIPAL ACTIVITIES

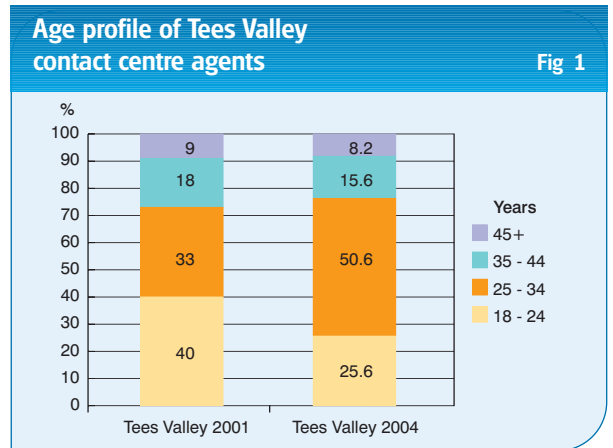
1.1. Functions

All Tees Valley centres provided customer service as the principal activity. Four (of eleven) respondents handled telemarketing/telesales. Two provided helpdesk/technical support. Other activities mentioned included mail order sales processing, reservations, acquisitions and sales verifications, debt recovery and billing – indicating the beginnings of overlap with shared-services centre functions (see Study 3). (Adecco 2002/03: 75% customer service, 43% telemarketing/telesales, 37% helpdesk/technical support, 33% mail order processing or reservations.)



2. STAFFING STRUCTURE

2.1. Age profile

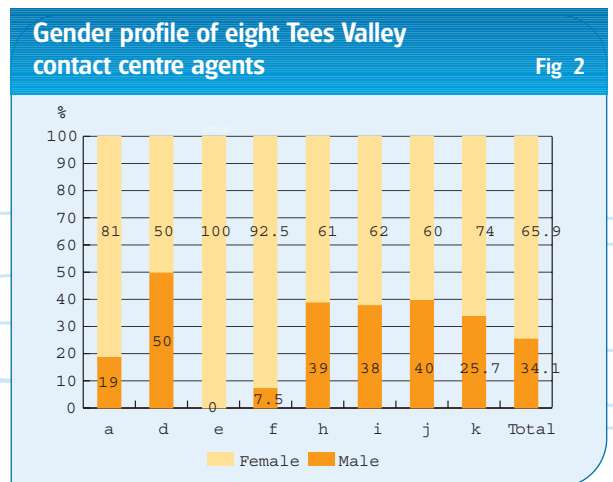


Over 75% of agents are under 35 years old, though all but one of the respondents employ staff over 45 years old (characterised by two respondents – who would like to employ more of them – as most reliable, flexible and worldly-wise, and more likely to stay with the company).

Adecco’s 2002/03 study found agents nationally are typically 20-29 years old. Very few centres employ staff in their 40s or older.

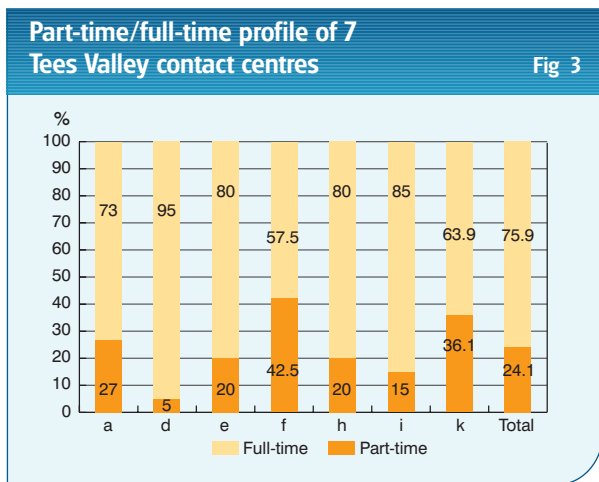
2.2. Gender profile

Adecco 2002/03 reports only a slight national bias towards female agents. The picture is quite different in the Tees Valley, where in 2004 females still account for 68% of agents (down from 78% in 2001).



2.3. Part-time/full-time profile

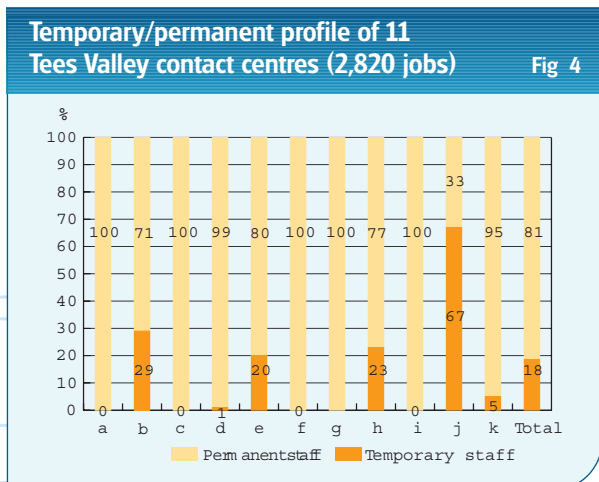
All responding Tees Valley contact centres employ part-time and full-time staff. The average for part-time staff is 24%.



Typically, centres establish a core of full-time workers, supplemented by part-time staff. This appears to be a response to the preferences of staff, rather than to a deliberate management policy.

2.4. Use of temporary staff

Adecco 2002/03 showed 75% of UK contact centres employing very few or no temporary staff. Tees Valley contact centres match this profile.



18.5% of all agents employed were temporary employees. Established centres preferred a committed permanent workforce. Temporary staff tend to be recruited through agencies.

3. SHIFTS AND OPERATING HOURS

3.1. Shift patterns

There is no standard pattern. Typically, shift patterns allow staff 4 – 8 weeks' prior knowledge of their shift times, but one company frequently had to alter shift patterns at a day or two's notice, calling for great staff flexibility (with no impact on staff turnover).

4. RECRUITMENT

4.1. Recruitment criteria

Virtually all contact centre surveys report that contact centre jobs do not require formal qualifications and 49% of staff have none. Over half of contact centres employ very few university or college graduates. Tees Valley centres agree: only four of eleven respondents regarded four or more GCSEs as essential. Two companies reported that they frequently recruited undergraduates, and the close proximity of Durham University's Stockton Campus was helpful.

	Essential	Desirable	Essential or Desirable
Good telephone manner	10	0	10
Computer service experience	7	4	11
Computer/keyboard skills	6	5	11
Numerical skills	6	4	10
Verbal reasoning skills	6	4	10
GC SEs (4 or more)	4	1	5
Call centre experience	2	8	10
Other educational qualification	1	4	5
Degree/A Levels	0	1	1
Foreign language skills	1	1	2
Other	1	2	3
No. of Contact Centres	11	11	11

In the Tees Valley as elsewhere, key criteria are good telephone manner, customer service experience, computer/keyboard skills, numerical skills and verbal reasoning skills.

4.2 Staff Availability

Study 1 shows that nationally 50% of contact centres were experiencing recruitment difficulties in 2003, and only 70% of contact centres in the same survey said they were 'broadly satisfied' with workforce availability.

In 2004, none of the Tees Valley respondents was experiencing difficulty in recruiting agents.

5. STAFF RETENTION

Nationally, 31% of operators had an attrition rate of at least 37% p.a. Churn was highest after 6-12 months' employment, though many centres also lost staff earlier.

In the Tees Valley, half had a churn rate below 10%. Three companies reported a rate of less than 7.5%, but three (all of whom paid starting salaries below £12,000) reported 25%. While turnover rates varied greatly across the board, the average across eight typical companies, as the table following shows, is 13%.

	No. of Companies	
What level would you estimate your staff turnover (external)?	1%	1
	4%	1
	6.5%	1
	8%	1
	10%	1
	25%	3
Total		8

Salaries were not generally regarded as the cause of staff turnover, nor was competition between centres. Staff left to go into a different kind of work. The keys to low churn were regarded as careful initial selection and training, good terms and conditions of employment, a good working environment, a concentration on qualitative performance measures, and support from peers and team leaders.

Nearly half the operators surveyed reported absenteeism rates of less than 5%. Rates of all respondents were well below 10%.

6. TRAINING

Nationally, new recruits receive induction training for anything between two and 39 weeks. More than 40% of operators take at least six weeks to train recruits up to competence. Ongoing staff training takes between one and 30 days a year. Training is generally in-house. (Adecco 2002/03.)

The Tees Valley pattern is in line: induction training takes from 1-12 weeks, but typically lasts at least three weeks (average 23 days, though longer in the larger companies), and ongoing staff training a further 11-25 days a year. Part-time employees are expected to take part in the full-time training programme. Programmes vary from company to company, but all include company induction, health and safety, operating systems and product knowledge. Training takes place outside the work area, and employees are introduced to the front line gradually.

Ongoing training is tailored to performance gaps and personal development, identified through continuous assessment processes and formal appraisal. Personal development includes NVQs (six companies), employee access to a company's 'learning university', internal supervisory and management development training.

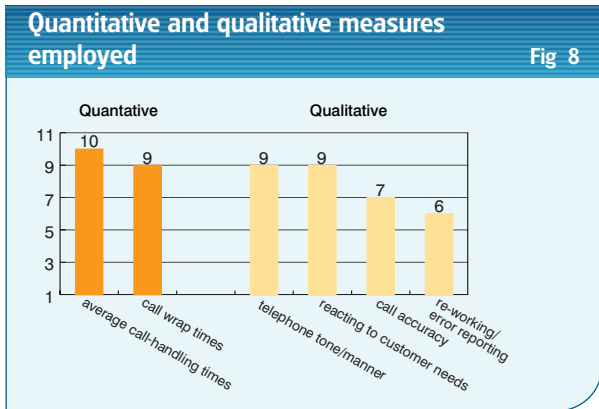
All or most of the training is in-house, to reflect local standards of performance and organisational culture.

7. STRUCTURE, MANAGEMENT AND PROMOTION

7.1. Performance measurement

Stringent performance measurement processes are in place in all Tees Valley respondents' centres. Monitoring is frequent, and covers quantitative and qualitative criteria.

	No. of Companies	
Are individuals agents' performances monitored regularly?	Daily	3
	Twice-weekly	1
	Weekly	6
	Monthly	1
Total		11



7.2. Structures

Inevitably, these are individual to particular centres, but typically involve four or five tiers from agent to Centre Manager. Team leaders are important.

7.3. Promotion

Again, there is considerable variation from centre to centre. One centre, staffed by recruitment agency staff, advertised all internal vacancies, and existing agents were expected to compete for them. All the rest increasingly found that they could recruit internally for promotion opportunities from their existing agents.

8. REMUNERATION

8.1. Salaries and inflation

Adecco 2002/03 confirmed that the biggest single cost element of all contact centres remains agent salaries and benefits. Some centres reported wage inflation of over 20%, and it averaged 6.3% across the country and sector as a whole.

The Tees Valley Regeneration 2004 survey showed that local starting salaries had risen at only about 3% per year for the previous three years. While the median salary for the Tees Valley is £12,000, starting salaries are as low as £10,400, with a modal average well under £12,000.

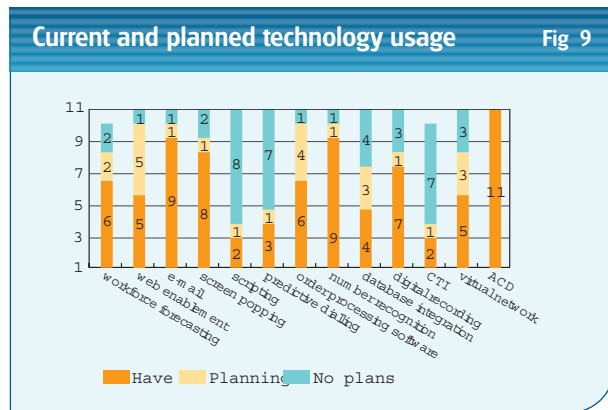
8.2. Additional rewards

'Packages' appear to have widened in scope over the last three years in the Tees Valley, to include company-wide bonus schemes, share option or share save schemes, company pension schemes, medical plans, staff suggestion schemes and individual bonuses. These schemes are quite elaborate: six centres, for example, operated a company-wide performance-related payments scheme, linked to profit and individual performance against either targets or required standards. Five of them also operated an individual bonus scheme.

9. USE OF TECHNOLOGY

National surveys report widespread use of modern computer and telecoms technologies.

As the chart shows, these are naturally also in wide use in the Tees Valley. The technology used is specifically chosen to support the particular activities of each contact centre.

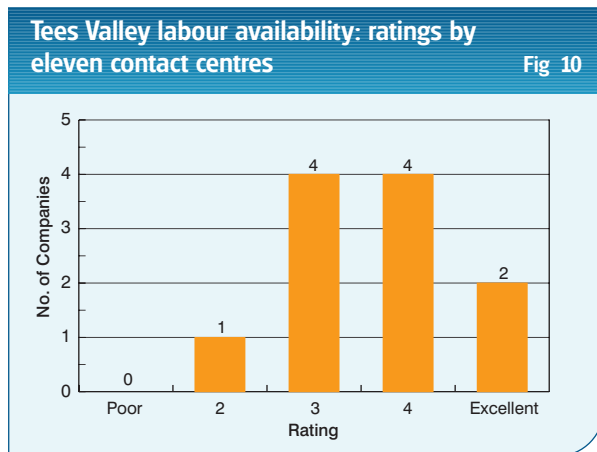


10. PERCEPTIONS OF THE TEES VALLEY AS A CONTACT CENTRE LOCATION: HIGHLIGHTS

Tees Valley Regeneration carries out detailed research on an ongoing basis into the requirements of its contact centres, and how well it is meeting them. This research is then used as a basis for planned development of the area. This section contains some of the key findings in the areas of staff and premises.

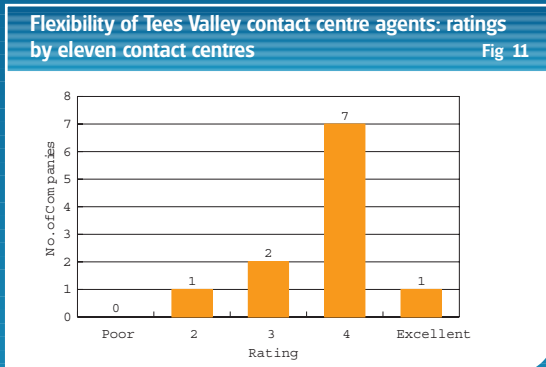
10.1. Labour availability

The great majority of contact centres in the Tees Valley rate labour availability as good, very good or excellent.



10.2. General attitude of contact centre agents

Staff attitude was viewed as a significant criterion in the recruitment and selection process, and a significant factor in relation to the consolidation of the business and the capacity to respond to changing client or service demands. Staff in the Tees Valley were highly rated.

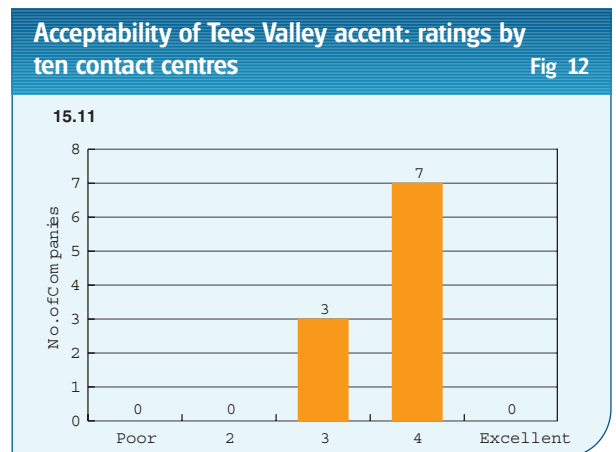


Flexibility is crucial for the staff of contact centres, where shift and rush work usually come with the territory.

Staff in the Tees Valley receive exceptionally high ratings for flexibility, the vast majority of respondents rating them good, very good, or excellent.

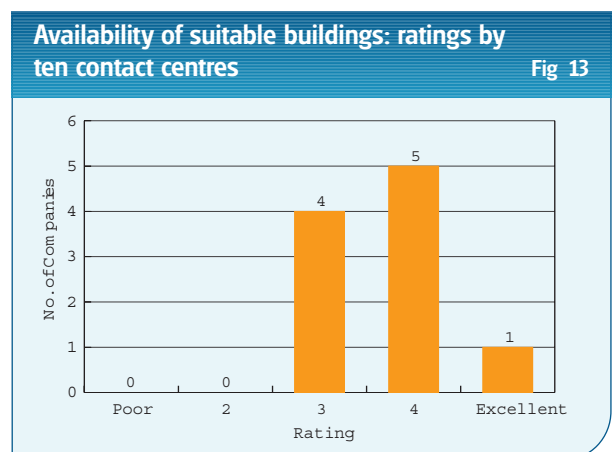
10.3. Tees Valley accent

The Tees Valley accent was regarded as an asset by the majority of contact centres (all of whom are operating in a national market).



10.4. Availability of suitable buildings

The majority of contact centres rated the availability of suitable buildings as good or excellent. More than 50% occupied newly-built premises.



STUDY THREE

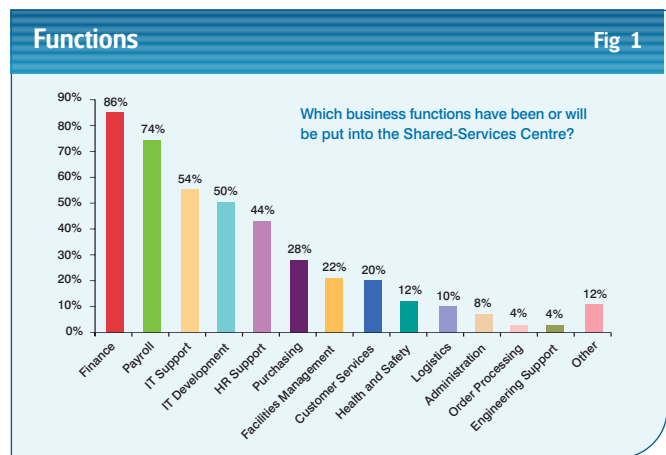
The emergence of shared-services centres

This study concentrates on the business services departments most companies maintain. These services – accounting, IT, facilities management, HR and other similar services – are essential to the smooth functioning of an enterprises. Yet they need not be located in expensive head-office premises, or even replicated from Division to Division or location to location. By stripping them out, consolidating them when they are replicated, and locating them in cheaper, dedicated – often remoted – shared-services centres, considerable cost savings are possible. And the concentration of expertise in these dedicated centres often means a marked improvement in the service provided.

The study was carried out in 2003 among randomly selected Managing Directors, Financial Directors and senior financial managers of the UK's top 1,000 companies by turnover. Respondents were restricted to those who had or intended to set up shared services centres. Its objective was to discover the characteristics of the new shared services centres and examine how far the concept has penetrated. The study is still unique. Highlight results below are of particular interest to Managing and Financial Directors.



1. WHAT SERVICES DO COMPANIES CONSOLIDATE?

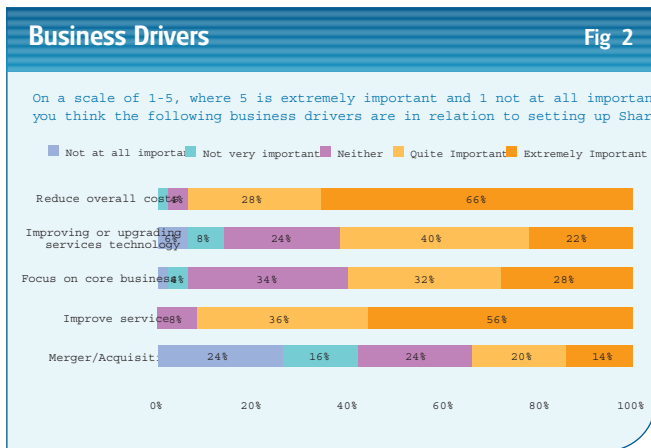


Not surprisingly, financial functions and payroll get most mentions. Financial processes are so uniformly regulated and standardised as to be almost entirely independent of an organisation's core business processes, and are a natural subject for consolidation.

Today, the same applies to IT processes and development. The data processed and the uses made of it will vary hugely from organisation to organisation, but the architectures of the networks and devices involved are now, ideally, uniform across the entire enterprise.

All the functions mentioned in the chart, including the management of facilities – though not, of course, hands-on systems maintenance – can be performed anywhere, by anybody with the right skills. They are undifferentiated, and not specific to any core business.

2. WHY DO COMPANIES CONSOLIDATE SERVICES?



The main driver is naturally cost-saving. Nearly two thirds of all the correspondents who had implemented or were considering shared services identified it as ‘extremely important’. It is followed very closely by the expectation of improved service – an outcome of focused function management, shared expertise, and freedom from distractions by core-business activities and people. Over 90% of respondents see these benefits as quite or extremely important.

Next in line is the major benefit in the freedom that managers of the core business get to concentrate on that business when the administrative management is taken care of elsewhere.

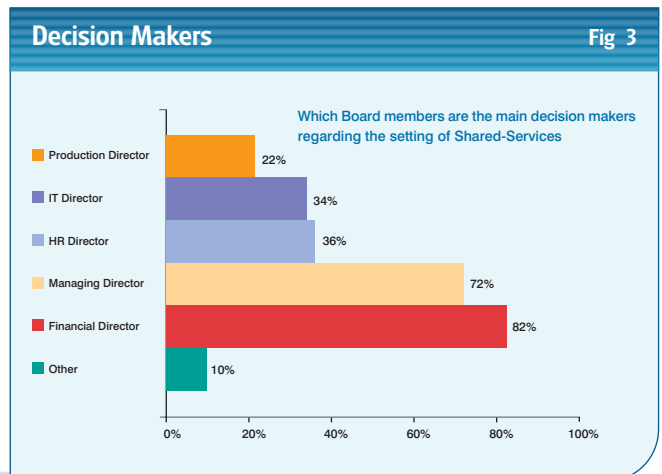
The opportunity to improve or upgrade technology rationally ranks next. Plenty of companies are still hampered by islands of different and incompatible IT systems, preserved in individual divisions and departments. There is no incentive at a departmental level to change the system – and plenty of incentive not to undergo the disruption of doing so.

Finally in the top five drivers come the problems brought by mergers and acquisitions, when both (or several) parties bring their existing systems in their baggage. An independent department allows for objective rationalising, and cutting out replication.



3. WHO DECIDES?

The main decision-makers are predominantly MDs and FDs. The involvement of other function heads shows how far-reaching the decision to share services is regarded as being.



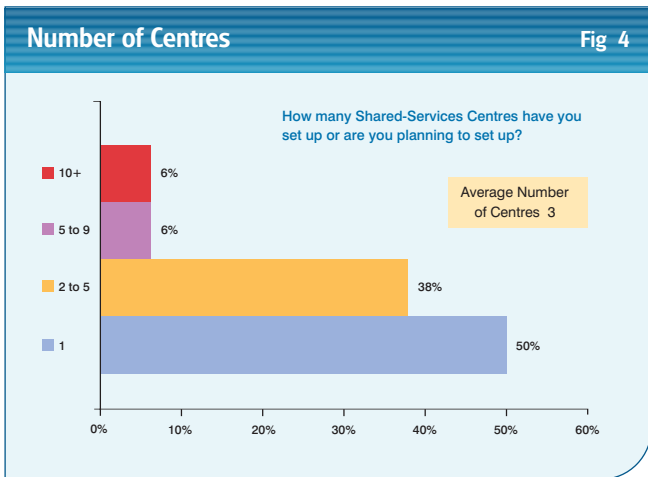
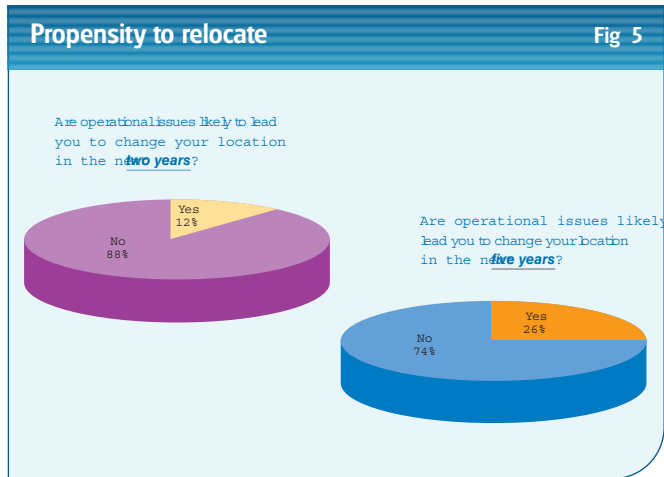
4. HOW ARE THEY APPROACHING IT?

There are naturally variations in the way different organisations have approached the setting up of shared service centres, but in the charts that follow there are some clear patterns. Most – but not all – respondents have set up a single centre. Most – but not all – expect to keep the centres where they are now. Most – but not all – have set up substantial units with 100 or more staff. And so on.

4.1. How many centres?

Consolidation doesn't necessarily mean taking all business services and locating them in a single shared-services facility.

4.2. How likely are they to change location?

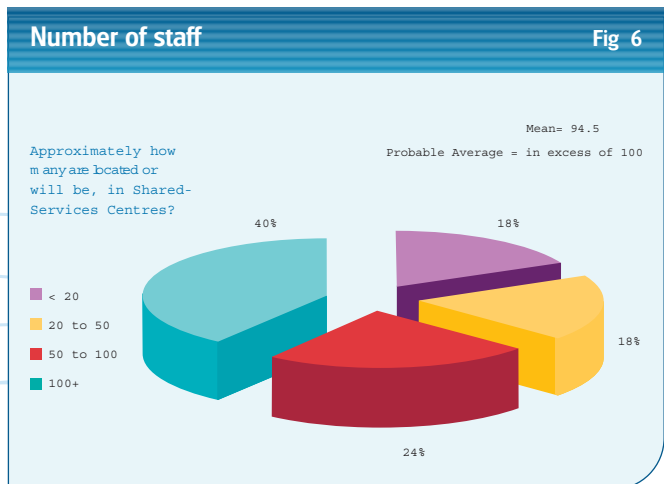


Setting up a shared services centre is a substantial project. Detailed feasibility planning of both logistics and systems, 'selling' the proposal internally, location-finding, installing and testing new advanced hardware and software, recruiting ... the ramifications are very wide, and the level of investment high.

But business plans are necessarily dynamic. Anyone familiar with the history of contact centres will remember that many of them were set up initially in the nearest, cheapest buildings available. Experience, and the growth in importance of call centres soon established that they call functioned most effectively in optimised premises, and many moved on within a year or two.

Though most respondents had done just that, others had established anything up to 10 or more centres. The reasons could be sheer volume of work, a desire to keep associated services (e.g. finance, pensions and payroll) together but separate (a sort of shared services within shared services), geography, local shortages of staff or skills, or a mix of these and other factors.

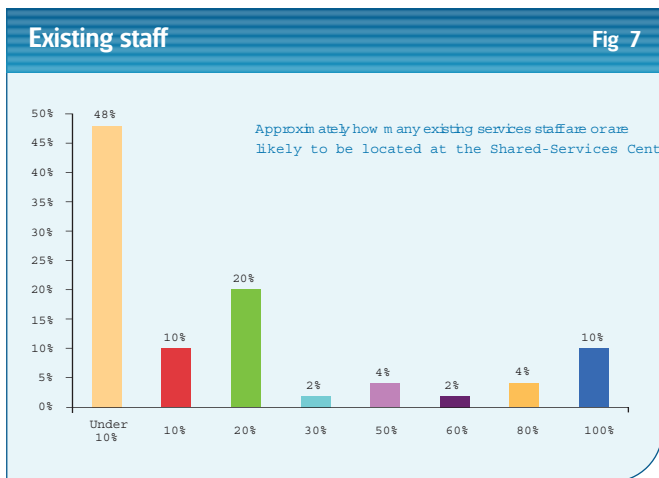
4.3. How big are the centres?



The sample was drawn from the UK's biggest companies. Given that fact and the general tendency, as we have seen, to set up only one centre, it is not surprising that the centres are rather large units. In some areas of the UK, housing and staffing units of this size is not easy.

Study 1 shows that the average new contact centre houses only around 70 operators. Both their size and the sectors and services they represent give large contact centres a propensity to relocate off-shore. Shared-services centres are somewhat easier to staff, since staff are not customer-facing and tend to have more widely-available qualifications. Nevertheless, if shared services centres are to reduce costs they must themselves cost as little as is consistent with a quality service. This will tend to mean remoting them, at least from prestige head-office locations.

4.4. Where will the staff come from?

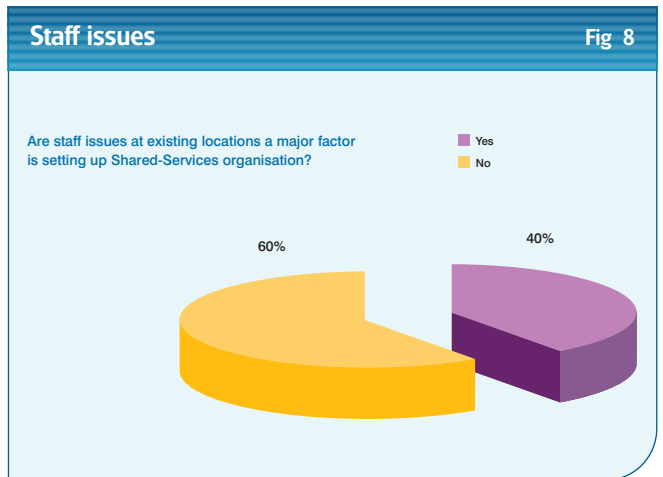


Setting up a shared-services centre displaces existing staff within a company's various Divisions and units. It might be expected that companies would try to staff the centres from these displaced staff.

In fact, most centres are largely staffed by new people. 78% of respondents have moved 20% or fewer of their existing staff into shared-services centres.

As a result, shared-services centres tend to create new jobs and will usually be welcomed into areas of high unemployment, provided there is an adequate supply of skills available (or core skills can be imported).

4.5. Relocation to resolve staff issues



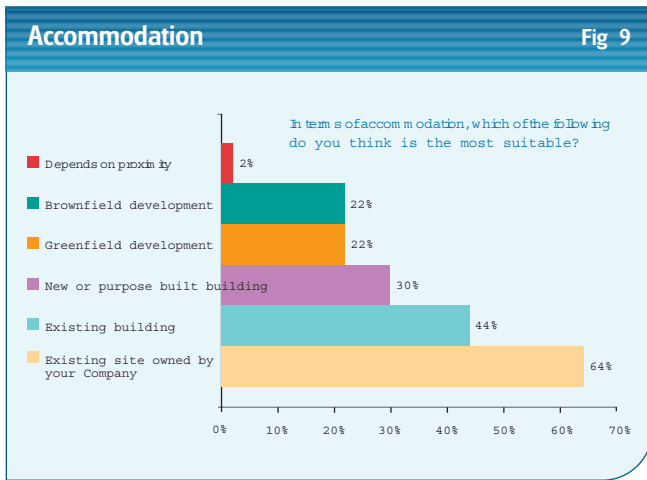
Staff issues at existing locations loom large in the decision to set up separate shared-services centres. The three most important issues are labour costs, local travel problems and skills availability.

Contact centres tend to rank staff availability and quality ahead of staff costs as factors in the decision to relocate. The main driver for shared services centres is cost-saving, and for them, staff costs are also very important. Remoting services often allows an organisation to tap sources of staff where competition has not distorted realistic wage structures.

Next is the issue of local transport, increasingly common in large conurbations – and possibly a function of interview bias towards the top 1,000 companies. By a careful choice of areas outside these conurbations, companies can enlarge their catchment areas for staff, while still easing the length and cost of their journeys to work.

The third issue is that of skills. Most areas that are seriously trying to encourage inward investment have recognised the need to develop a supply of people with the most usually demanded skills, and have invested in a range of local training initiatives.

4.6. What sites are suitable for shared-services centres?



Most desirable – because easiest to manage, though not necessarily cheapest in the long run – are naturally an existing site owned by the company or at least an existing building. And of course, any rational company is going to review its current resources before investing in more real estate.

Nevertheless, nearly a third of respondents would choose a new or purpose-built building. Again, this perhaps parallels the early development of contact centres noted above, which soon realised that maximum efficiency meant locating a building that suited their specific needs.

5. PULLING IT ALL TOGETHER

The first chart below brings together all the criteria for the location of shared-service centres. The second answers the most important question of all: do they work?

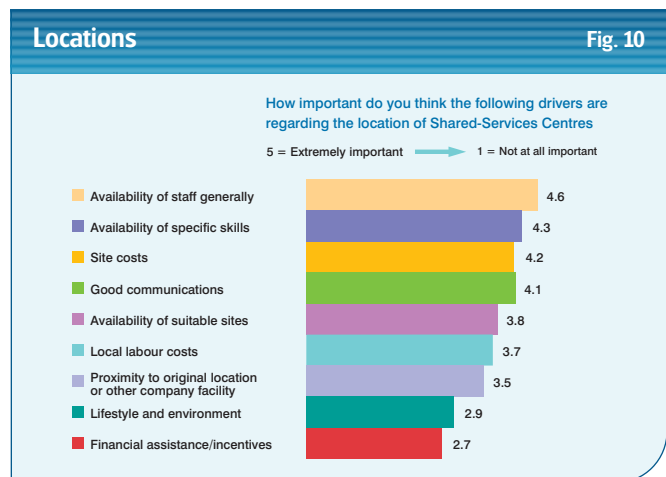
5.1. The ideal location

Not surprisingly, staff availability, skills availability, site costs and good communications emerge as the front runners.

Close behind come the availability of suitable sites and local labour costs.

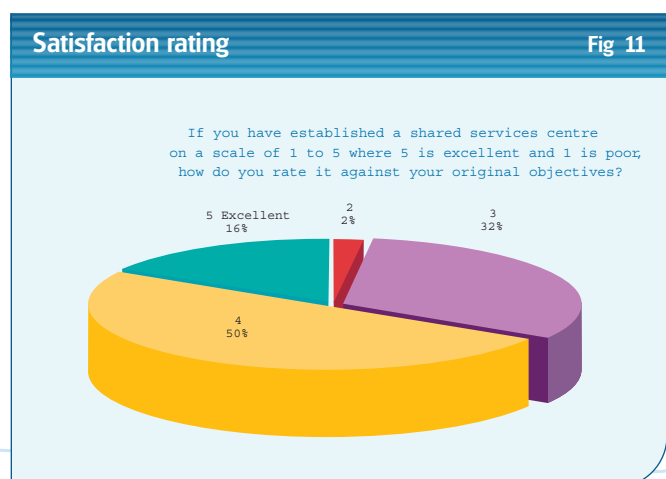
So a good location will be one where the staff with the necessary skills are easily available at comparatively low cost, and where there are suitable sites with good communications – again, at comparatively low cost.

All these things matter more than proximity to original location or other company facility (though this still receives a rating above 3), lifestyle, environment and financial help.



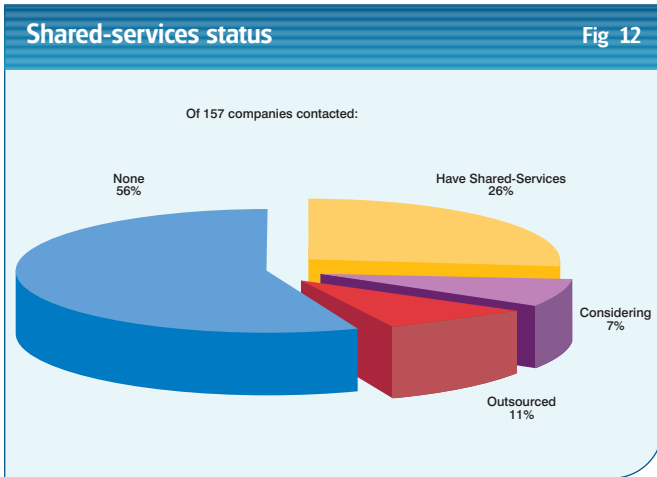
5.2. Do shared-services centres work?

On a scale of 1 to 5, where 5 is 'Excellent', two thirds of the sample rated their satisfaction level as 5 or 4. Almost a further third rated their centres as average in achieving the original objectives.



But if that is the case, and the advantages are so clear and the level of satisfaction so high, we might expect the solution to have been adopted almost universally. In fact, that is not the case ...

5.3. How deeply has the shared services approach penetrated?



For this final chart, respondents were not restricted to companies with shared services already in place or under consideration. The sample represents all companies.

In January 2003, a third of the sample were taking shared services very seriously. Over a quarter had already implemented the process and a further 7% were actively considering it.

11% had pursued an alternative approach and were outsourcing the provision of business services. (For some companies, this may well be the right approach, though other questions in the research identified worries about loss of control, and doubts about the cost.)

But though, as we have seen, 66% of the enterprises with shared-services centres were enthusiastic about them, 56% of all companies had still to implement them or even consider them, implying considerable scope for future growth.



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Tees Valley Contact Centres: NWA Social Research



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