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.

CONTENTS

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

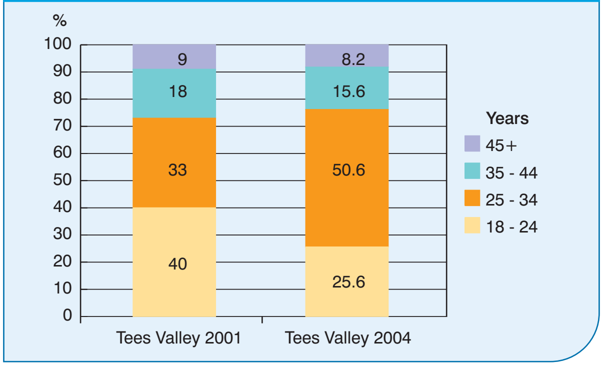
1.1. Functions

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

Age profile of Tees Valley contact centre agents Fig 1



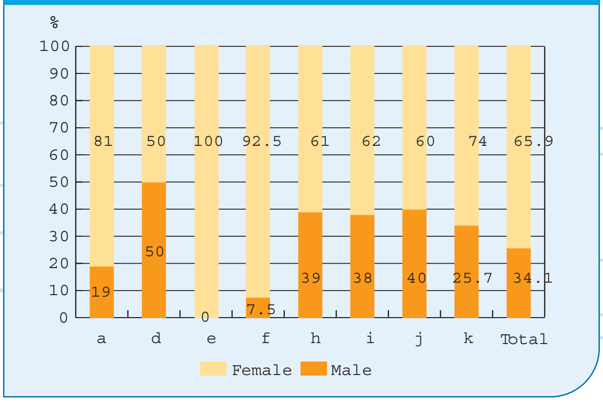
Over 75% of agents are under 35 years old, though all but one of the respondents employ staff over 45 years old (characterised by two respondents – who would like to employ more of them – as most reliable, flexible and worldly-wise, and more likely to stay with the company).

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).

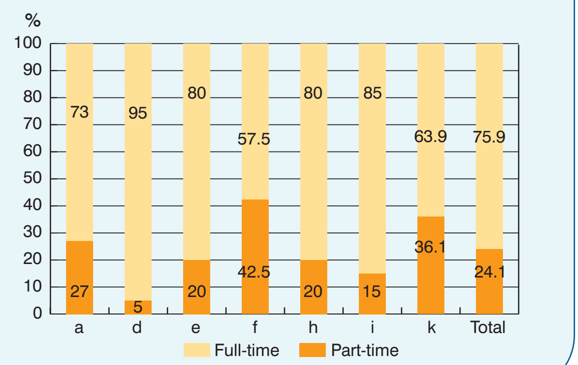
Gender profile of eight Tees Valley contact centre agents Fig 2



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%.

Part-time/full-time profile of 7 Tees Valley contact centres Fig 3

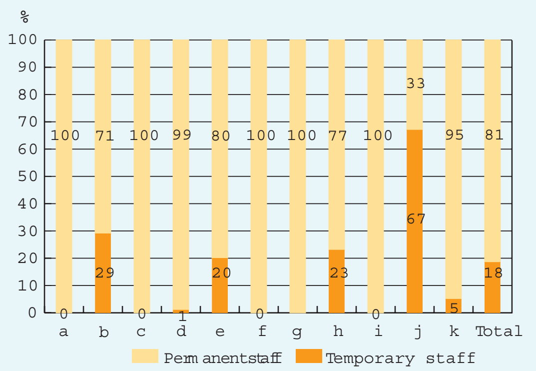


Typically, centres establish a core of full-time workers, supplemented by part-time staff. This appears to be a response to the preferences of staff, rather than to a deliberate management policy.

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.

Temporary/permanent profile of 11 Tees Valley contact centres (2,820 jobs) Fig 4



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 and desirable recruitment criteria Fig 5

	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
GCSEs (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%.

Churn rate variations — Fig 6

		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

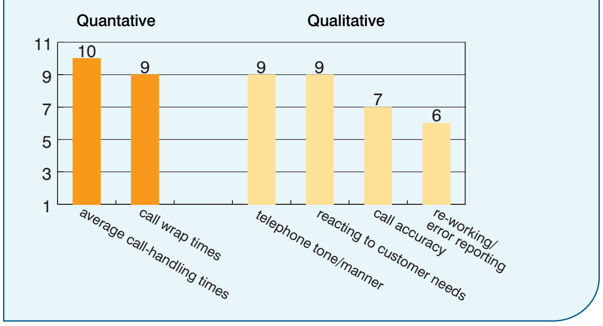
7.1. Performance measurement

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

Frequency of performance monitoring — Fig 7

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

Quantitative and qualitative measures employed **Fig 8**



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

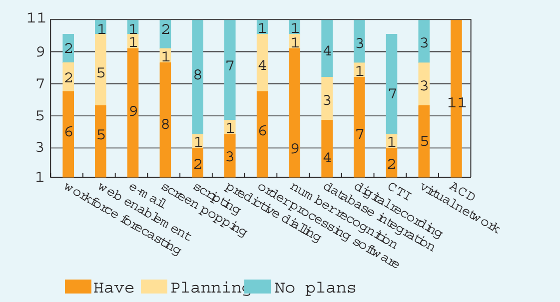
'Packages' appear to have widened in scope over the last three years in the Tees Valley, to include company-wide bonus schemes, share option or share save schemes, company pension schemes, medical plans, staff suggestion schemes and individual bonuses. These schemes are quite elaborate: six centres, 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.

Current and planned technology usage **Fig 9**



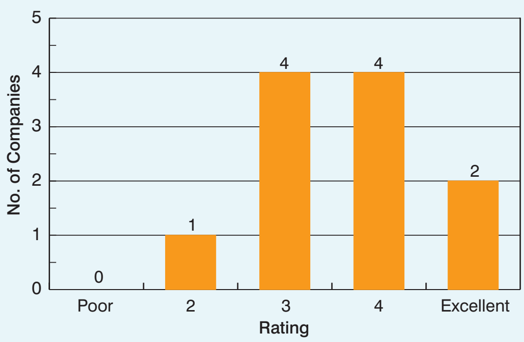
10. PERCEPTIONS OF THE TEES VALLEY AS A CONTACT CENTRE LOCATION: HIGHLIGHTS

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.

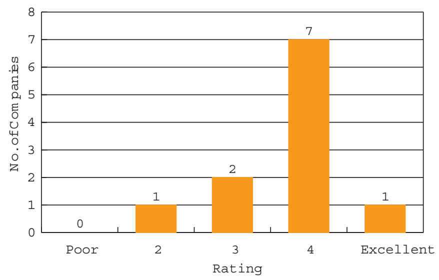
Tees Valley labour availability: ratings by eleven contact centres Fig 10



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 of Tees Valley contact centre agents: ratings by eleven contact centres Fig 11



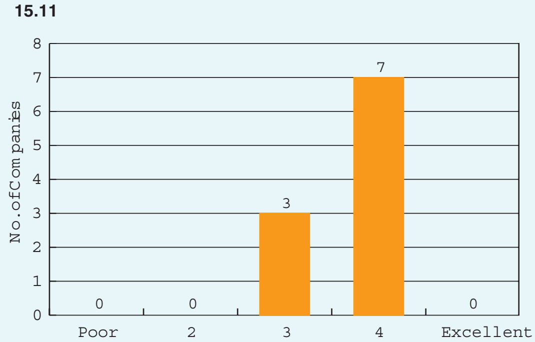
Flexibility is crucial for the staff of contact centres, where shift and rush work usually come with the territory.

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).

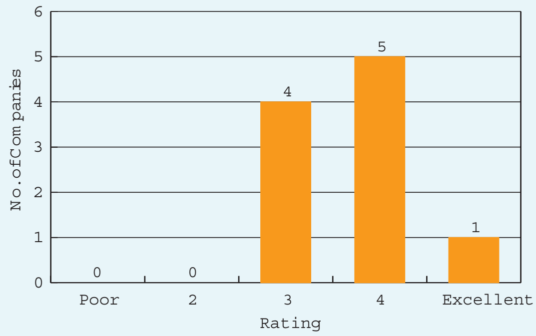
Acceptability of Tees Valley accent: ratings by ten contact centres Fig 12



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.

Availability of suitable buildings: ratings by ten contact centres Fig 13



SOURCES USED IN THIS REPORT

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DTI/Contact Babel: Contact Centres 2004

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Independent surveys commissioned by Tees Valley Regeneration

Business services centres in major companies: JSGL Partnership/Benchmark Research

Tees Valley Contact Centres: NWA Social Research

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