

dti

**THE UK CONTACT
CENTRE INDUSTRY**

A Study



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The UK Contact Centre Industry: A Study

REPORT BY
CM INSIGHT
CONTACTBABEL
CALL AND CONTACT CENTRE ASSOCIATION (CCA)
ON BEHALF OF THE
UK DEPARTMENT OF TRADE AND INDUSTRY

MAY 2004



CM Insight

CM Insight is a UK-based customer management consultancy focused on the contact centre, which they see as being absolutely central to their clients' customer management strategies. They are an independent consultancy, which enables them to be neutral to vendors, locations and technologies. Their consultancy work is supported by a robust set of tried and trusted methodologies.

CM Insight work with blue chip clients across all industry sectors and government to improve their customer service and reduce costs, thus improving bottom-line performance. They have worked on onshore, nearshore and offshore projects, giving them a clear understanding of the issues associated with all options. Consequently, as an independent commentator and subject matter expert, CM Insight is frequently asked by the media and industry for comment on offshore contact centre and outsourcing issues.

CM Insight's services embrace every area of contact centre operations and customer management strategy: contact centre and customer management planning, contact centre implementation and migration, nearshore and offshore strategy, performance management, and education and market intelligence.

CCA (Call and Contact Centre Association)

CCA was established in 1996 and is now recognised as the leading body representing the industry. As an independent, not-for-profit organisation it has over 600 members from both private and public sectors.

CCA provides valued services, at both individual and organisation level, encouraging the promotion of best practice and professional standards. The CCA Standard Framework for Best Practice is a guide to support and develop internal processes which ensure improved performance and increased customer satisfaction. The CCA Research institute provides independent information to the industry at large. Examples of types of work undertaken include quarterly industry surveys, employability for disadvantaged groups, and viability of rural locations. Professionalism is at the heart of the CCA agenda.

ContactBabel

ContactBabel was set up in late 2000 by Steve Morrell, a leading expert on the UK contact centre and CRM industries. It is a UK-based market analysis firm focusing upon the contact centre and CRM industries. Their main clients are contact centre and CRM solution providers, who use ContactBabel's industry expertise to investigate and understand their markets through research and analysis consultancy projects.

Increasingly, ContactBabel are working with contact centres wishing to understand the commercial benefits of technology-led applications. ContactBabel has recently released a number of reports based on robust and methodologically-sound primary research looking at all aspects of the contact centre industry.

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1 Introduction

The UK contact centre industry has been one of the undoubted success stories of the UK economy over the past ten years.

At the end of 2003, the contact centre industry directly employed around 790,000 people as customer service agents, telesales staff, management and in support functions. Spending on contact centre technology was around £200m.¹

Over the past few years, a number of options have emerged for UK businesses wishing to offer remote customer service and sales support to customers. One of these, the advent of the Internet and the emergence of web-based support and sales, was widely predicted to cause the demise of the UK contact centre industry. This has not yet happened, and shows no sign of doing so.

Another, offshoring, offers organisations a lower-cost way of providing live customer service. Following significant moves offshore of work such as back office processing and IT development, countries such as India, the Philippines and South Africa have had varying levels of success at attracting contact centre work, especially from the UK and US.

This dynamic has caused some concern amongst the citizens of the countries from which the work originates, and has moved offshoring up the political agenda. The UK contact centre industry now stands at a critical point in its development, and involved parties from government, industry, unions, employees and other connected organisations need to consider what they wish its future to be and how best to achieve it.

This report, commissioned by the DTI, is a key stage of the process, its remit being to provide a solid and credible base of information about all aspects of the UK and its competitive contact centre industries upon which decisions can be made, research developed and, ultimately, policies formed.

This detailed report draws upon a wide range of information from credible sources that aims to build an objective, fact-based assessment of conditions and developments in the contact centre industry. This consensus-based report, combined with other inputs and consultations, provides an opportunity for stakeholders to start to develop policy, ideas and initiatives that can build on the undoubted success and competitiveness that the UK contact centre industry has experienced to date.

¹Source: Datamonitor, "Contact Centre Component Technologies to 2007".

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This is not a macro-economic paper: international comparisons are based upon contact centre statistics rather than on social, political, economic and other factors unless relevant.

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2 Management Summary

Industry size and structure

At the end of 2003, the UK contact centre industry consisted of 5,320 contact centre operations with almost 500,000 agent positions. It has grown by almost 250% since 1995, and continues to add tens of thousands of agent positions each year. The industry is forecast to grow to almost 650,000 agent positions by 2007, directly employing over 1 million people. Continuing growth in the industry will be driven by growth in existing contact centres rather than new operations starting up.

The financial services sector has almost twice as many contact centre employees as the next largest vertical market, and is the most prone to offshoring, with many of the offshore decisions announced thus far coming from finance organisations.

Although fewer than 10% of contact centres are larger than 250 agent positions, such operations employ well over 56% of agents. Therefore, the offshoring of a relatively small number of contact centre operations could have a disproportionately large effect on the industry as a whole.

Those areas where businesses were encouraged to set up large contact centres in order to alleviate high levels of unemployment (including Scotland, South Wales, South Yorkshire, the North-East) now face a particular challenge. Organisations which moved to an area because of labour arbitrage are more likely to relocate based on the same criterion, and these areas are likely to be more dependent on contact centres.

Contact centre activity

Inbound calling accounts for two-thirds of agent positions, including sales, service and technical helpdesk calls. Outbound activity has grown strongly over the past few years, mainly as a result of calls to existing customers rather than cold calls. The increase in legislation and negative customer views of outbound could mean that this form of customer contact is under pressure.

The provision of customer service (rather than sales support) is the main activity of most UK contact centres. Organisations are trying to extract more value from each call through learning about the customer and cross- or up-selling where possible. However, the concept of value varies depending on the point of view taken: pure informational, routine calls can be extremely valuable to customers, although the organisation will not rate them. This disconnect between customer and organisation needs to be acknowledged.

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Non-telephony interactions (email, web, letter, fax) account for fewer than 9% of a typical contact centre's activities: the main skills required are still focused on listening and communicating through the telephone. Broadband uptake and customer familiarity will encourage non-telephony contact, although some organisations still do not allow email contact from customers (e.g. two-thirds of government contact centres).

Agent profile

The typical contact centre worker is female and in her mid-to-late 20s; at management levels, gender is split fairly equally. Average length of tenure is towards three years, rising to 4½ for managers.

Salaries for new agents start at around £12,000 - £13,000, with an extra £1,000 to £2,000 coming for experienced staff. Team leaders (who may supervise 10-15 staff) will earn around £18,000, with managers earning over £27,000 per year on average.

This would seem to suggest that the common perception of contact centre work being of ultra-short tenure is usually not true, although salaries are certainly well below the national average in most contact centres.

Contact centre profile

The outsourcing sector is the most dynamic, growing agent position numbers by 28% in 2003, with greater growth planned for 2004. Many UK outsourcers are developing offshore capacity to offer their clients as part of their portfolio.

UK contact centres are usually owned by UK organisations, although the larger the operation, the more likely it is to be owned by a non-UK organisation.

Half of UK businesses which have contact centre operations will have more than one site operation. This means that consolidation of contact centres for the purposes of maximising economies of scale is a possibility for half of UK operations.

Those contact centres set up in the boom of the mid-to-late 1990s may be more vulnerable to offshore relocation through expiring business leases, the need to upgrade technology or decreasing salary cost differentials. Additionally, recruitment in such areas may be more difficult.

These factors serve to strengthen the idea that there are specific types of contact centre which are at greater risk: large contact centres (often part of a large, possibly-foreign-owned group) which were built in the mid-to-late 1990s in areas of high unemployment, especially in the financial services

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industry. Such operations are prime candidates for offshoring, and a considerable number with many of these characteristics are under threat now.

Skills and training

Education and skills should not be confused. A university degree is not a prerequisite for most contact centre work and may not even be desirable.

Verbal communications and interpersonal skills are rated by employers as by far the most important abilities for contact centre staff to have, yet are also the ones most lacking. Many employers are happy to take on staff and teach them 'hard' skills (such as IT, systems and product training), but cannot do the same with 'soft skills' which need to emerge from the educational system.

The need for more training is widely felt, and although some detailed skills and qualifications frameworks have been put in place recently, the industry needs to be encouraged and educated in how best to use them. Some businesses do not support qualifications which improve – rather than develop – employees' skills, as they fear this will only make the employee more attractive to other organisations.

Labour dynamics

The contact centre industry becomes more important to local economies the further north one goes, although there are pockets outside the North where contact centres are vital to the local economy (South Wales in particular). In large part, contact centres are important in areas where there was high unemployment in the 1990s when organisations were encouraged and aided to set-up contact centres in these less well-off areas, which are now the most vulnerable to offshoring.

City centres and business parks are the most likely types of area to find contact centres, especially large ones, although some leading operators very successfully managed to run large operations in rural areas. As time has moved on and contact centres have become more sophisticated, factors such as grants and unemployment have become less important. Staff accessibility, suitable buildings and a good pool of skilled, low-attrition staff have become more important.

Customer attitudes to offshoring

Generally, UK consumers have a negative attitude towards offshoring, although most admit to not having experienced it themselves. A significant minority have either moved or plan to move suppliers away from those organisations which provide offshore customer service.

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Although there are many surveys available on customer attitudes to offshoring, questions can be leading depending on the agenda that the survey sponsor holds. Only a robust and ongoing survey of customers' actions can provide real insight into whether offshoring is succeeding or failing.

Staff attrition rates

Although high staff attrition is seen as a major issue for the UK contact centre industry in general, for most contact centres it is at manageable levels. There are certainly instances where attrition rates are a major problem: large, city-centre-based operations with a high proportion of outbound sales often suffer most. High staff attrition is linked closely to low pay and a high intensity of work (often through repetitive calls, or working on a predictive dialler).

It should be noted that those contact centres suffering the highest staff attrition rates are often ones with the highest risk of being offshored. The scale of the operation, linked with the primary drive to keep costs low and efficiency high means that high staff attrition levels are more likely; contact centre operators with these motivations are more likely to be looking at new ways to cut costs, often through offshoring.

Contact centre costs

Salaries account for over 72% of a typical UK contact centre's operating costs, compared to 59% in an Indian operation. The gap between the importance in agent salaries is even more noticeable: 64% to 39%.

Other elements of cost, such as IT, telecoms and rent is less noticeable and may even be more expensive offshore than in the UK. The main cost savings come through the difference in agent salaries.

The changing role of contact centres

"Low value" work – repetitive queries with little flexibility or opportunity on either side – is more prone to being offshored or moved to a voice or web self-service channel than the "high value" work such as cross- or up-selling, or developing customer relationships. However, there is no reason for the UK industry to be complacent and assume that it will automatically keep high value work here.

To develop the UK industry further, an attitude of agent empowerment needs to be developed, whereby agents will be provided with the tools, training and systems to provide a high quality customer experience. This implies that the way in which contact centre success is measured and

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managed needs to change. Rather than focusing purely upon (easy-to-measure) efficiency metrics, organisations should explore the customer experience: are issues resolved satisfactorily first time, has the customers a better opinion and knowledge of the organisation than before they called?

Just from their everyday work, contact centre agents learn a massive amount about their competition, how their organisation is perceived and the success or otherwise of marketing campaigns and strategy. Almost none of this valuable information ever makes it out of the contact centre into the wider business where it could be of immense use. Organisations need to release this value and put it to work to steer the wider business in the right direction.

In this way, contact centres themselves will start to be seen as more than just a cost centre, and the senior management of organisations will feel more secure about investing in contact centre operations if they can see tangible benefits emerging.

Customer demand and attitudes

Customers want their call to be answered as soon as possible, by someone who can deal with their issue quickly, without being passed around excessively or having to call back. Expectations continue to increase, with more customers than ever requiring “excellent” service. Complaints centre around the length of time taken to answer, and through poorly designed telephone IVR menus.

The telephone is still the channel of choice, even for interactions which the organisation might consider to be of low value. (This disconnect between the organisation’s and the customer’s view of value is at the heart of many potentially damaging decisions made). The vast majority of calls are dealt with successfully first-time by UK contact centres; a far higher proportion than is managed by Indian contact centres.

Offshoring

The offshoring of contact centres is generally assumed to save a large chunk of operating costs (around 30-40% in the case of India). Apart from carrying out existing interactions for less money, organisations can also run projects which would be uneconomic in the UK. Most of these cost savings are created through a sharp decrease in agent salaries. Indian contact centre agents are paid only 10-15% of what their UK equivalents receive.

There is very little robust evidence or data referring to the number of UK contact centre jobs actually lost to offshore contact centres. (It is important to remember that an offshore job created does not automatically mean a UK job lost).

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Anecdotal and a little hard evidence exists to indicate that some businesses running offshore projects have closed them down and returned to the UK. The extremely delicate commercial nature of these activities can mean that organisations are reluctant to discuss them. More investigation (if necessary of a confidential nature) is needed to understand the deeper issues.

The success or otherwise of offshoring is yet to be proven; more research of an objective nature is urgently needed. It should be noted that most offshore contact centre industries are still in an early stage of development, and that their relative advantages and disadvantages to the UK have not yet crystallised and are very much open to change.

Technology

Automation and offshoring will compete for a significant chunk of 'low value' work: self-service technologies can make offshoring look expensive. However, the flexibility that human agents can provide, plus the customer demand for live agents means that even low value work will not disappear from contact centres, especially in small-medium operations where economies of scale may be more difficult to find.

As more channels to and from the customer open up, organisations will have to support them all with an acceptable level of quality. This includes Internet-based channels, such as email and text chat; consumer broadband uptake will drive non-telephony contact, requiring new agent skills (written communications and IT system knowledge). However, for complex interactions where a high speed of response is required, a real-time human touch is required.

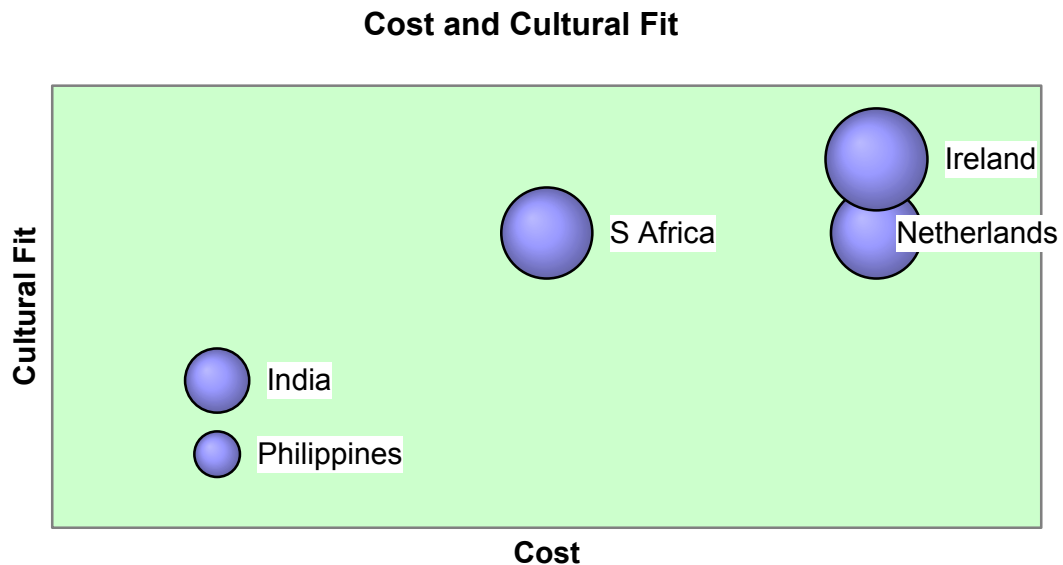
Contact centre technology has normally been closely linked to increasing efficiency and throughput, as decreasing customer contact costs was possibly the main reason for the existence of the contact centre in the first place. Solutions such as CTI and dialler technology still aim to improve efficiency, but many solutions today go some way to improving the quality of service to customers as well as the agent experience as well. With solutions available today, many contact centres can be linked together to form a single virtual contact centre (with the economies of scale that this implies), regardless of the operations' physical locations or sizes, allowing organisations an unprecedented level of flexibility.

International comparisons

The argument for outsourcing offshore is still focused on cost. The main cost benefits are human resource-related, although evidence also suggests that rental and office space costs are lower in most offshore destinations – often by a considerable margin. The cost benefits can vary widely, but there appears at present to be a direct and proportional relationship between cost and cultural fit, although not necessarily between cost and expertise. For example, India is able to supply a large number of

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qualified graduates for complex IT helpdesk functions. Indeed, in some areas, their expertise may exceed that which would be available to a UK-based call centre.



In addition, governments in offshore destinations have been keen to capitalise on the trend in offshoring, and have been proactive in their approach. Incentives range from taxation incentives at government level, economic assistance in the form of grants and subsidies, or support at an organisational level. However, it is the non-governmental bodies that have really been successful in attracting investment into the offshore regions – notably Nasscom in India, who have focused on ease of entry and mounted a PR offensive, ensuring that overseas organisations are well aware of the financial (and skills) benefits of India.

However, the compromising factor with offshoring is cultural fit. In the eyes of the customer, speaking with an agent who is 'obviously abroad' is sometimes an issue. This is where offshoring destinations such as Ireland, Netherlands and South Africa come into their own. They cannot compete with India and the Philippines on cost (because of the human resource cost differential), but they are able to offer cost savings over the UK without the same compromise on cultural affinity and accent.

In addition, and what some organisations fail to take into account when offshoring, is the cost – time and financial – of the exercise. Often, senior level management are temporarily re-located to the offshoring destination, which alters the remuneration package of the individuals concerned. There are also costs involved in flights, accommodation and redundancies that are not usually factored into the offshoring decision.

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Other considerations will include the level of reliability of telecoms and power in the offshoring destination. Where this is sub-standard, the organisation often faces higher-cost Business Continuity and Disaster Recovery planning.

Essentially, there are both advantages and disadvantages to outsourcing offshore. The organisation should be clear about what it wants to achieve (e.g. cost savings) and about what it is not prepared to compromise (e.g. service, quality, cultural fit). The UK should not attempt to compete on absolute cost, although its competitive position is worth addressing in terms of incentives. The UK has the absolute advantage of cultural fit for British customers, but should not neglect to support this advantage with highly skilled agents and a reputation for quality.

2.1 Conclusions and recommendations

While the UK contact centre industry has been an undoubted success it now stands at a critical point in its development. The dynamics and profile of the market are changing; customer demands and expectations are rising; and the industry is operating in an increasingly competitive global market.

To successfully meet these challenges and realise the full economic value and potential of the industry will require a partnership between all the involved parties: employers and employees, unions, business and professional organisations, educators and training organisations, and government.

In providing a comprehensive overview of the UK contact centre industry this report provides a reference point for all stakeholders to build on the industry's past success and secure its long-term future. Further debate and research will be needed but the following are recommendations on key issues and areas where stakeholders might focus their efforts.

Contact centre expertise and knowledge

The UK has an enormous pool of experienced talent at all levels of the contact centre industry, with over 790,000 people being employed directly. The industry is forecast to grow to almost 650,000 agent positions by 2007, directly employing over 1 million people. Continuing growth in the industry will be driven by growth in existing contact centres rather than new operations starting up.

While the UK industry is presently in a healthy state, it must not be complacent and believe that it has abilities that cannot be matched or exceeded by competing nations. Offshore contact centres are improving their levels of service, experience and skill very quickly, and there is no reason why they cannot perform complex, high value work in the medium-to-long term

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Contact centres offer businesses a competitive advantage through the knowledge and feedback which they can provide and their potential for strengthening brand alignment. It is of key importance that the full potential value of the knowledge held in the contact centre is recognised and supported by the wider organisation. Agent empowerment needs to be maximised, whereby agents are skilled and authorised to provide a high-quality customer experience.

Working practices

There are many centres of excellence but the quality message across the whole of UK plc is still weak. Best practice standards for contact centres exist, although take-up is slower than ideal. The acceleration of this process is necessary to move the UK industry as a whole up the value chain and away from unsuccessfully competing on cost.

Offshoring considerations

Organisations should be encouraged to consider all stakeholders, customers' employees and unions in the whole business case prior to making offshoring decisions. Further objective research and case studies should be considered to share knowledge on wider offshoring advantages and disadvantages, as well as costs, to better inform business strategies.

Skills and training

Most contact centre work does not require a degree, but does need empathy, listening skills, cultural fit and communications abilities. Soft skills, such as communication and empathy are judged more important than hard skills (IT and product knowledge, which can be taught more easily). Verbal communication abilities are reported by employers to be slipping.

In order to move up the value chain, the existing workforce needs to improve a wide variety of skills and capabilities. There is the need to co-ordinate, promote and encourage existing and new contact centre training and qualifications relevant to businesses which go from pre-job training up to senior contact centre management

Through skills, training, qualifications and advice, contact centres must be helped from focusing purely on call handling, towards the more complete and valuable action of customer contact management.

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Support and opportunity for developing skills and education relevant to contact centre work is not well understood throughout the industry. Contact centres should be encouraged to improve their knowledge about standards and development tools available to them

The view of the industry from outside

Media and public opinion has never been positive towards the contact centre industry, and has certainly put many people off working in the industry. There is a residual perception of call centres as sweatshops of the twenty first century. This needs to be addressed by industry stakeholders, along with the erroneous view that the industry is in decline. The industry is changing with many leading firms offering progression to management, training and development in highly transferable and marketable customer care, marketing, and communication skills, and flexible working. Resources could be provided to careers offices and schools about career pathways and opportunities within the industry.

Various offshoring destinations have been proactive in providing positive PR of their industry, notably India through NASSCOM (the Indian IT federation). Industry and government need to work together to promote the UK industry.

Government support and involvement

The government has a key role to play in promoting further debate and research, influencing and bringing parties together, and providing the right commercial and legislative framework to allow the industry to flourish in the longer-term. The government, as one of the largest users of call centres, can also lead by positive example.

Government support for the contact centre industry has generally been delivered at regional levels, through financial support for the setting-up of operations. As the number of new contact centres has dropped, the focus should now be on creating a commercial landscape to allow the industry to develop in the long-term, through improving skills, and supporting best practice. While there is advantage in delivering support at regional level, this needs to be done in a coherent manner, focused upon the needs of the UK rather than driven by inter-regional competition

UK organisations already have to comply with data protection and other regulations which impact upon telephone and email marketing: observance of these regulations can be more complex from outside the UK or EU, which can make these locations more attractive to foreign investors. The government needs to be sensitive to this and ensure that future legislation is aimed at supporting the future of the industry.

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As the future of the UK contact centre industry is ultimately in the hands of UK consumers, government and the industry itself should consider how it could reinforce consumer confidence in contact centres. For example, the ability of consumers to register with the telephone preference service to avoid unwanted marketing calls should be encouraged. Although this will reduce the scope of allowed outbound telephone activity, the long-term effect on the contact centre industry is that customers will feel more enfranchised and confident, decreasing the likelihood that blanket legislation against outbound calling will be necessary.

General

It is extremely difficult to get accurate figures on the number of contact centre jobs which have actually moved offshore. Information is limited and anecdotal. Further research and more comprehensive market monitoring may be appropriate.

Presently there are no data available on contact centre productivity as defined in the wider sense (i.e. using measures other than contact centre-specific ones) and further piece of work should be considered to measure this against other countries.

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3 Approach and Methodology

This report is a wide-ranging and data-driven analysis of the UK contact centre industry. Although there are methodologically-sound and credible analysts and consultancies who cover elements of the industry (e.g. salaries, technology, skills, customer attitudes, market sizing, etc.), the size, dynamism and complexity of the industry means that it is impossible to be unanimous about certain aspects.

We have therefore taken data, analysis and other relevant elements from third parties where we believe the methodology is sound and the findings unbiased. This analysis from industry experts has been compared and contrasted with primary research held within a detailed database of 3,200 UK contact centres (owned by ContactBabel) in order to give the most robust and wide-ranging view of the UK contact centre industry that has ever been attempted.

While we have made every effort to ascertain the quality and robustness of data used, the wide range of data contributors and the diverse, often proprietary nature of their research methodologies makes it impossible to guarantee the accuracy of data used. Readers should be aware of this, but note that the authors have used their best endeavour to provide the most comprehensive view of the contact centre industry available.

Analysts, consultancies, market research firms and others who provided key assistance to this report include:

Amicus – www.amicustheunion.org/
BT eLocations - <http://www.bt.com/btelocations/>
Call NorthWest - www.callnorthwest.org.uk/
Callcentres.net – www.callcentres.net
CB Richard Ellis - www.cbre.com/default.htm
CCA – www.cca.org.uk
CCF - www.callcentre.co.uk
CM Insight – www.cm-insight.com
Communication Workers' Union – www.cwu.org
ContactBabel – www.contactbabel.com
Cutting Edge Information - www.cuttingedgeinfo.com
Data Vantage - +44 (0)20 7291 4488
Datamonitor – www.datamonitor.com
Deloitte Consulting – www.dc.com
DFES – www.dfes.gov.uk

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East Midlands Regional Development Agency – www.emda.org.uk

EastWest Locations – www.ewlocations.com

e-skills UK – www.e-skills.com/

Gartner Dataquest – www.gartner.com

GVA Grimley - www.gvagrimley.co.uk

ICM Research - www.icmresearch.co.uk

IDC – www.idc.com

IDS – www.incomesdata.co.uk

IRS - www.irsresearch.co.uk

Merchants – www.merchants.co.uk

Mintel – www.mintel.com

MORI - www.mori.com

Nasscom - www.nasscom.org

NFIA - www.nfia.com

NOP – www.nop.co.uk

Ntl – www.ntl.com

OMIS – www.omis.co.uk

Outsourcing Warehouse - www.outsourcingwarehouse.com/

Outsourcingpolls.com – www.outsourcingpolls.com

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Prolog – www.prolog.uk.com

SA Telelink - www.satelelink.com

Sheffield University – www.sheffield.ac.uk

Silicon.com – www.silicon.com

Teleconomy – www.teleconomy.com

The Focus Group – www.thefocusgroup.org.uk

The Henley Centre - www.henleycentre.com/

The Office of National Statistics – www.statistics.gov.uk

Transversal – www.transversal.com

World Bank - www.worldbank.org

Sincere thanks are due to the above organisations and individuals for their help with this work. Our apologies to anyone who has been inadvertently omitted.

Sub-sections, because of their length, may have a summary box at the end of them.

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3.1 Definitions

For consistency of understanding, it is necessary to understand the key definitions of “contact centre” and “agent position”. Other definitions can be found in the glossary at the end of the report.

Contact centre / call centre

(Please note that “call centre” and “contact centre” are used to mean the same thing within this report).

For the purposes of this report, a contact centre will be said to exist where ten or more people work exclusively or for the majority of their time in a structured telephony environment (which may also involve electronic means of customer management), including either inbound and outbound operations. The operation will usually use an ACD (automatic call distributor) and this is a characteristic of a contact centre.

This definition includes groups of, or single, telephone-based workers who are located away from the main site (e.g. connected with the main system via ISDN, IP or other network-based means).

This figure of 10 agent positions has been chosen for the following practical reasons:

- The analyst firms which measure the size of the UK contact centre industry, usually do so from a minimum of 10 agent positions. As this report takes figures into account from numerous analyst firms, adopting this shared methodology is appropriate for this report.
- Below a certain figure of agent positions, businesses themselves do not consider themselves to have a contact centre and do not declare it in surveys, despite the fact that there may be eight people all working full-time on the phone. (The perception of contact centres is that they are large “warehouses” full of people, usually based in the North of England or Scotland. In fact the most common type of contact centre has around 20-40 agent positions and is based in the South-East of England).
- Structured telephony operations with fewer than 10 seats are less likely to experience the same commercial pressures than - for example - a 100 seat operation. That is, the smaller operation is less likely to use efficiency-enhancing technologies, face the risk of being closed in favour of offshore operations, be measured against typical key metrics such as call abandonment rates, or experience the same issues with rent, IT, staff attrition or other typical contact centre concerns. As such, these smaller operations have not been counted in this report.

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This definition will include SIC (2003) codes 74.86 (Call centres working on a fee or contract basis), where these contact centres have 10 or more agent positions as well as covering appropriate business activities - as described above - carried out in organizations whose principal business is classified to other SIC categories, and whose centres employ more than 10 people.

Agent positions

This is a commonly used unit of measurement in the contact centre industry, also known as a “seat”. It refers to a single workstation, usually comprising of a computer linked via a network to the business’s systems, a telephone/headset and the physical furniture required to allow the agent to work at the workstation.

A number of agent positions does not necessarily equate to the same number of people working in the contact centre. There may be more than one actual human agent per agent position, due to shift-working, part-time staff, support and management staff etc. (ContactBabel uses a ratio of 1.6 agents to 1 agent position, based on experience within the sector).

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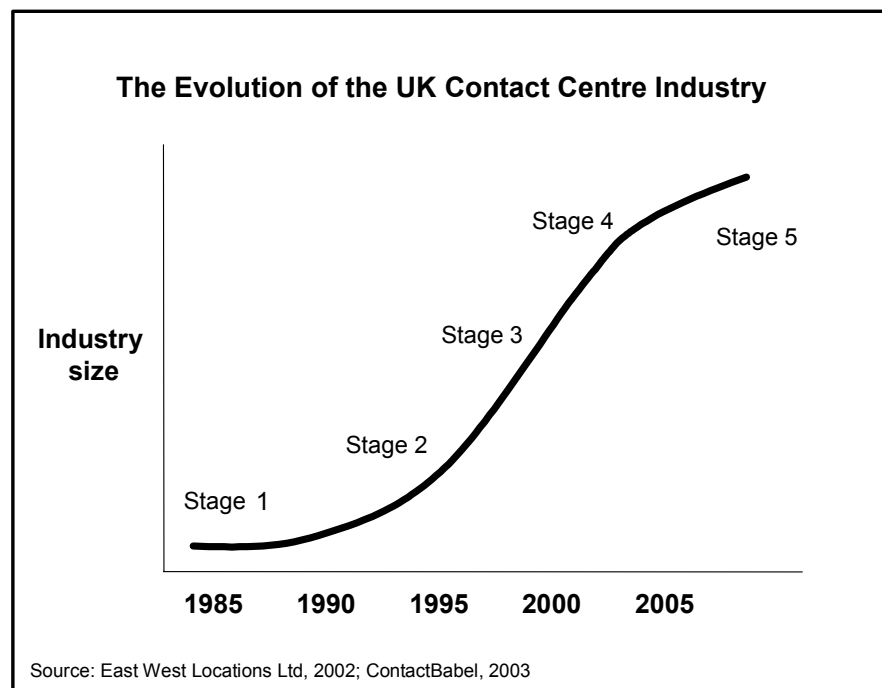
4 The UK Contact Centre Industry 1998 – 2004

4.1 Historical context

In many ways, the UK contact centre has imitated that of the US, which itself started in earnest in the 1970s, with a focus on outbound telemarketing - often cold-calls – but soon developed a large inbound customer service and sales activity as it was realised that costs could be decreased through remote customer service.

The deregulation of British Telecom (now BT) in 1984 offered cheaper telephone costs, and helped to launch the UK's contact centre industry. Amongst the major early adopters of contact centres were Direct Line (1985) and First Direct (1989), although British Telecom and mail order firms had been running significant contact centres before this.

We provide here a brief résumé of the development of the contact centre industry in the UK. The figure below represents the various stages of the UK call/contact centre market. The various stages are further explained below.²



² (Sources throughout section: East West Locations and ContactBabel).

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4.1.1 Before Call Centres

The development of call and contact centres in the UK market has progressed through four to five distinct phases beginning with the identification of specific business processes focused on contact with either suppliers or customers of the organisation around the 1980s and early 1990s. Internal business processes in certain larger firms were then migrated to their own cost centre or physical department within the business.

Many larger businesses had clearly operated as yet undefined 'call centres' for a large number of years before this. An increased ability to centralise customer-facing operations resulted from rapid technological change in both information technology and telecommunications systems during the previous decade. These developments led to the sector being specifically defined during the late 1980s and early 1990s.

The UK contact centre industry is indisputably the largest in Europe (with around 38% of overall agent positions³). At the beginning of the 1990s, specific economic, social and technological factors combined in the UK to provide the foundation upon which the industry's significant and rapid growth was based. Key early drivers for the UK contact centre market included:

Early deregulation of the telecommunications industry compared to the rest of Europe increased 'phone culture', dramatically lowered standard call costs and produced new services such as freephone and low-call rates

An increasingly shared business culture with the U.S. which has had a strong customer service and call centre industry since the 1970s

Increased competition in certain vertical markets - including banking, insurance, utilities and retail – driven by deregulation, merger and acquisition activity, product homogeneity, diversification and a need to decrease the cost of servicing customers

The UK's long tradition of remote shopping (mail order) companies, driven in part by the cool and wet climate compared to much of continental Europe

Mass unemployment in manufacturing, coal mining and shipbuilding in the 1980s created very significant pools of unemployment and lower-than-average labour costs in many parts of Northern England, Scotland and South Wales. While ex-miners remain scarce as employees of call centres, the newly-important female labour market quickly became a fertile recruitment ground in the former coalfields and heavy industry areas.

³ Source: Datamonitor

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4.1.2 Stage 1 – Proof of Concept (1990-1995)

During the late 1980s and early part of the 1990s, larger firms were quick to move operations into dedicated space, either within existing sites or to new call centre spaces, taking the opportunity to realise massive cost savings over other distribution and sales channels.

Also during this period, a number of US-owned outsourcing firms consolidated their positions within the UK market through organic growth, inward investment or takeover activity. These organisations brought with them operating processes and technological improvements that were quickly mirrored by UK businesses.

4.1.3 Stage 2 – The Drive to Growth (1995-2000)

Call centre growth in the UK took off strongly between 1995 and 2000. Growth was fuelled by a mixture of factors including:

an increased perception of the need for and ultimately demand for customer service within all forms of organisation, from those dealing with members of the public in the retail sector to business-to-business suppliers

a rise in the number of retail channels to market (home shopping, the start of Internet hopping, etc) and thus contact points for potential and existing customers

an increase in the acceptance and ready availability of credit, often delivered through plastic cards
rapid sophistication of enabling technologies allowing increased cost savings (e.g. automatic call distributors, interactive voice response, computer-telephony integration)

recent improvements in inter-organisation communications (supply chain rationalisation and the drive to electronic order and invoice processing)

further deregulation of the operating marketplace in growth sectors of call centre activity (telecommunications, utilities, financial services)

a drive in some sectors to reduce operating costs through an increased centralisation of functions and remote operations (utility sector customer billing operations, High Street banking and financial services being the clearest examples).

By 2000, and despite some of the key drivers for the proliferation of call centres being relatively new, the volume of centres open in the UK was significant.

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At this point financial services dominated the market by sector of activity and, as a result, the locations occupied tended to be clustered in and around major British city centres with a particular focus on the South East, North West, Yorkshire, Newcastle and Glasgow. Outside of financial services, low value outsourcers, utilities and telecoms contact centres began to focus on lower cost locations including former coalfields in the North East, South Yorkshire and South Wales. Scottish growth appeared to be across the board in terms of type of operation, but differed significantly between the Glasgow city centre market (featuring a high proportion of higher value business-to-business and IT sectors) and other locations.

4.1.4 Stage 3 – Increase in Outsourcing (1998-2001)

As call centres became major employment generators, a rapid professionalisation of the customer service function also occurred. This drove a subsequent, second-tier growth of third-party suppliers of customer service. These companies began to sell their outsourced solution into various sub-sectors by the end of the 1990s. By 2000 this trend was well underway and responsible for significant growth and geographic diversification in the sector as a whole.

Rapid successes in winning outsourced business by large, diversifying business process outsourcing companies (former mail order empires and utility companies being among the leaders) and the increasing number of 'home grown' small-scale operators in each regional market led to noticeable sectoral employment impacts.

4.1.5 Stage 4 – The Rise of Offshoring (2001-)

Beginning around 2001 but gathering momentum during 2002-3, one of the developments in the industry was the realisation that the UK now had an over-supply of dedicated third-party, outsourced contact centre operators.

Initial investments in very large operations and once bullish forecasts of growth by many operators had been hit by a decline in the number of contracts and individual contract values for the outsourced sector as the effects of a general slowdown in the UK and international economy had taken hold. As a result, since 2000 small and medium contact centres have remained the strongest growth segment of the market.

At the same time technological investments, in particular the true integration of telecommunications and information technology resources (customer databases and billing systems), have begun in many of the UK's contact centres.

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One of the most high-profile developments appears to be a rise in interest of UK businesses in using offshore contact centres, mainly due to the lower salary costs in these countries. Early success stories included British Airways and several blue chip billing systems being handled by centres on the Indian sub-continent. Indeed, indigenous private sector investment funding has provided India with new-build contact centre developments that are fully resourced to undertake third-party transactions similar to those undertaken in UK outsourcing operations. These have been marketed aggressively in the US and Europe.

Significant commercial issues (e.g. concerns over customer attitudes, hidden costs, negative PR and quality of service) have as yet limited the forecast flow of operations and jobs to India and other locations (including South Africa, the Philippines and Latin America). At this stage, many businesses that utilise or operate their own contact centres in the UK have simply piloted projects in India and other international locations, although some large banks and insurance companies have developed significant operations in India especially. However, very few have actually closed UK operations and migrated 100% of their customer service function to offshore locations, although this may well be the case in 2004 and beyond, though most popular discussions and business planning is based around a balanced spread of locations.

4.1.6 Stage 5 – Automation and High-Value Work (2005-)

Automation has been in contact centres since the very beginning. The much-maligned IVR system has few fans outside of the contact centre, yet has saved firms many millions of pounds in staff salaries, buildings and infrastructure. We are starting to see a new wave of automation being put in place, which has the potential to service the customer effectively, as well as reduce the operating costs.

Contact centres perform a range of roles: at the lower end, agents are used to do simple, repetitive tasks, such as taking meter readings and reading out bank balances. These tasks can be referred to as low value-add, in that using a person rather than a machine to do them does not much improve the experience for the customer or give the business any demonstrable gain from the interaction.

At the higher end of the contact centre spectrum, agents are engaged in helping with complex technical queries; cross-selling and up-selling based upon sales skills and knowledge of the customer's preferences and learning more about the customer so that future needs may be met.

With the widespread use of the Internet, there has been a significant drive towards automation through web self-service, potentially a greater cost-saver than offshoring.

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Clearly, automation has the potential to reduce costs drastically, but its development remains held back by user inexperience and negativity, poorly-designed and maintained knowledge bases, the considerable expense and resistance to change inherent in implementing new technology and risk aversion at all levels of the business.

Businesses that tried to automate their customer contact operations in totality have, in most cases, failed to realise the hoped-for benefits. There are several examples of internet banks which charged customers for calling their contact centre, but ultimately had to drop this approach because of customer demand for human reassurance and contact. The banks usually ended up adding more telephony operations to deal with the pent-up demand.

It is this desire for a 'human touch' that assures the future of the contact centre in some form. As we get more sophisticated in our use of technology, we realise the fallibility of systems, and prefer one-to-one contact for important or urgent interactions.

Where automation is likely to make a real mark is in the low value-add areas, where it is likely to be competing against offshore outsourcing. There can be little cost justification for employing tens of thousands of UK agents simply to provide very basic information or perform repetitive tasks: in the foreseeable future, some of these necessary but low value-add interactions will move to a cheaper channel.

If there is a successful drive towards more cost-effective ways of dealing with low value-add transactions, this then offers an option to improve the skills of low value-add agents into more important and profitable roles within the contact centre. Training needs are therefore likely to increase, and part of the savings made at the low value-add part of the business could be reinvested to move the contact centre onto a higher level. The net result could be improved customer loyalty and satisfaction through good quality multimedia interactions and a consequent rise in resell/up-sell/cross-sell rates –the so-called advent of 'super agents'. However, this depends in large part on the CRM vision beyond the contact centre at corporate level.

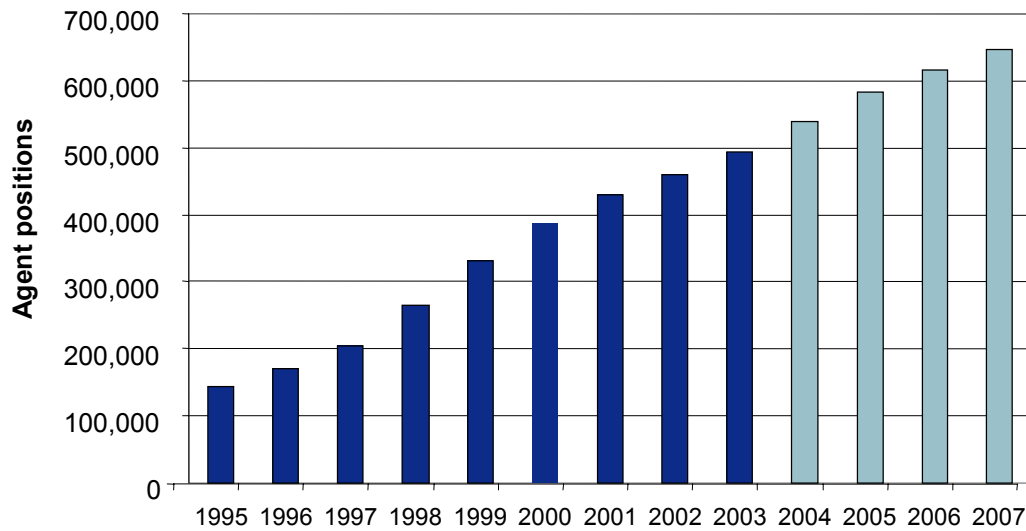
This stage could also point contact centres and organisations towards using the contact centre to support a position of distinctiveness and differentiation (brand alignment for commercial organisations) so that there is a consistent and reinforcing customer experience with every interaction.

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4.2 Market sizing

4.2.1 Agent positions

The UK Contact Centre Industry - agent positions, 1995 -2007



The UK Contact Centre Industry: A Study

Table 1: The UK Contact Centre Industry - agent positions, 1995-2007

Year	Agent positions (000s)	Growth rate
1995	143.9	n/a
1996	169.8	18%
1997	203.8	20%
1998	264.9	30%
1999	331.2	25%
2000	387.5	17%
2001	430.1	11%
2002	460.2	7%
2003	494.3	7%
2004	538.7	9%
2005	581.8	8%
2006	616.7	6%
2007	647.6	5%

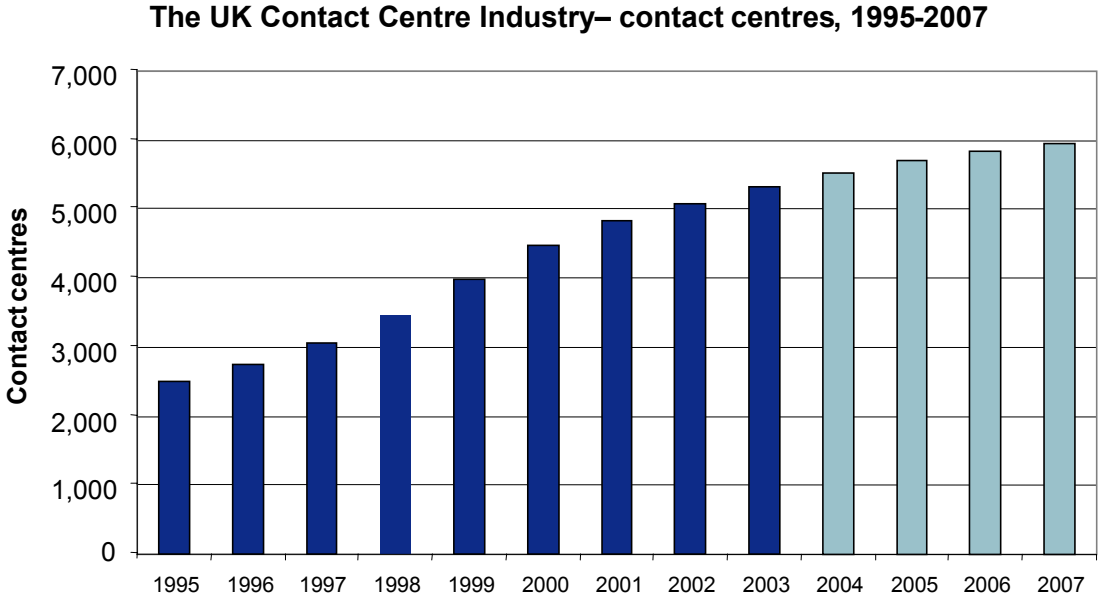
Sources: collation and analysis of data from Gartner Dataquest, Datamonitor and ContactBabel

The UK contact centre industry has grown by almost 250% since 1995, and continues to add tens of thousands of agent positions each year. The industry is forecast to grow to almost 650,000 agent positions by 2007, directly employing over 1 million people.

It is impossible to put an exact value on the worth of the UK contact centre industry, as most operations are in-house cost centres whose cost is absorbed into the business. The value of the outsourcing sector – charging as it does for its services – can be estimated. Datamonitor puts this at £795m at the end of 2003. (Further figures and references available in section 4.4.6).

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4.2.2 Contact centres



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Table 2: The UK Contact Centre Industry - contact centres, 1995-2007

Year	Contact centres	Growth rate
1995	2,515	n/a
1996	2,740	9%
1997	3,070	12%
1998	3,470	13%
1999	3,990	15%
2000	4,470	12%
2001	4,825	8%
2002	5,065	5%
2003	5,320	5%
2004	5,535	4%
2005	5,700	3%
2006	5,845	3%
2007	5,980	2%

Sources: collation and analysis of data from Gartner Dataquest, Datamonitor and ContactBabel

Looking at the graph and table above, we can see that the continuing growth in the industry will be driven by growth in existing contact centres rather than new operations starting up. Many of the new contact centres from now on will actually be small (presently sub-10 seat) operations which grow into “real” contact centres.

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4.2.3 Contact centre size

Table 3: Agent positions and contact centres by size of contact centre, end-2003

Size band (agent positions)	Number of contact centres	% contact centres	Number of agent positions	% of agent positions
10-50	3,304	62.1%	69,228	14%
51-100	904	17.0%	56,721	11%
101-150	303	5.7%	34,364	7%
151-200	165	3.1%	27,348	6%
201-250	138	2.6%	29,748	6%
251-500	277	5.2%	83,520	17%
501-1,000	170	3.2%	105,125	21%
1,001+	59	1.1%	88,200	18%
Total	5,320	100.0%	494,254	100%
Source: ContactBabel				

Although conventional wisdom has it that a contact centre is a massive warehouse full of people, the typical contact centre has perhaps only 20-30 agent positions. Over 62% of UK contact centre operations have fewer than 51 seats, and almost 80% have fewer than 101.

However, the large contact centres (over 250 seats) account for 56% of employment overall.

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4.2.4 Vertical markets

Contact centres by vertical market

Table 4: Contact centres by vertical market, end-2003

Vertical market	Contact centres	Percentage
Finance	818	15.4%
Retail and Distribution	621	11.7%
Services	578	10.9%
Transport and Travel	569	10.7%
Manufacturing	437	8.2%
Outsourcing and Telemarketing	398	7.5%
IT	345	6.5%
Public Services	274	5.2%
Printing and Publishing	269	5.1%
Telecoms	241	4.5%
ISP	171	3.2%
Entertainment and Leisure	157	2.9%
Utilities	152	2.9%
Food and Drink	110	2.1%
Motoring	107	2.0%
Medical	71	1.3%
Total	5,320	100.0%
Source: ContactBabel		

Each business sector (vertical market) has its own distinct character and place within the UK contact centre industry.

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Financial services organisations run the most contact centres of any business sector in the UK. This vertical market consists mainly of banks, credit card companies, insurance companies, building societies, collection agencies and credit reference agencies. The first three sub-sectors are amongst the largest users of contact centres, and many of the largest operations are within this vertical market (over 33% of 500+ agent position contact centres are finance operations). Several suppliers of contact centre solutions have estimated that the finance sector provides between 40% and 50% of their total revenues. It should be noted that most of the high-profile offshoring decisions have come from finance companies, including Prudential, Abbey, HSBC, GE Capital and American Express.

The retail and distribution sector has the second-largest number of contact centre operations. This vertical market includes catalogue/direct mail retailers (which tend to be the largest in this sector), package couriers, High Street retail support and niche retailers.

The transport and travel vertical market includes travel agents (both High Street and web-based), public transport companies, airlines, and car hire firms. Almost 11% of the UK's contact centres are run by these types of organisation.

Manufacturing companies account for 8% of UK contact centres, although they are generally relatively small operations, dealing with customer support and sales to other companies rather than the public.

The services sector is a broad category taking in those contact centres which do not fit in easily elsewhere. It includes home security, directory services, private housing associations and home improvements companies.

The IT sector is made up of both technology sales and external helpdesk operations. This report does not include the large numbers of internal helpdesks which support employees.

The outsourcing and telemarketing vertical market consists of telemarketing companies and market research agencies, often focused upon outbound calling, as well as larger, full-service outsourcers.

Public services contact centres are very much in the news at the moment, pushed by the many central and local government contact centres being started or formalised owing to the Government's edicts for contactable government.

Printing and publishing contact centres include newspaper and magazine subscription and advertisement operations, along with a few book publishers.

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The telecoms vertical market accounts for only 5% of operations, but has a much bigger impact on the industry as a whole, as many telecoms contact centres are a considerable size (13% of 500+ agent position contact centres are in the telecoms sector). This vertical market includes both fixed line and mobile operators.

Agent positions by vertical market

Table 5: Agent positions by vertical market, end-2003

Vertical market	Agent positions	Percentage
Finance	125,983	25.5%
Retail and Distribution	64,816	13.1%
Outsourcing and Telemarketing	49,244	6.0%
Transport and Travel	42,169	8.5%
Telecoms	36,150	7.3%
Services	32,024	4.7%
Utilities	30,740	6.2%
IT	24,175	4.9%
Entertainment and Leisure	16,266	3.3%
Manufacturing	15,948	3.2%
Public Services	14,620	3.0%
Motoring	11,989	2.4%
ISP	10,439	2.1%
Printing and Publishing	9,858	2.0%
Food and Drink	4,897	1.0%
Medical	3,038	0.6%
Engineering and Construction	1,898	0.4%
Total	494,254	100.0%
Source: ContactBabel		

The prevalence of the finance industry is clearly shown in the following table, having almost twice as many agent positions as its nearest vertical market, retail and distribution.

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Telecoms contact centres have over 36,000 agent positions: 7.3% of the total, despite only having 4.5% of the contact centres. The utilities sector also accounts for a larger slice of the industry than might be thought: over 6% of agent positions, with fewer than 3% of the physical contact centres.

Contact centre size by vertical market

Perhaps a realistic picture of what the UK contact centre industry is really like can be seen in the following table, which shows the actual number of contact centres in each size band (please read the note at the bottom of this table).

With the exception of the financial services industry, which manages to have a reasonable split between the three wide size bands (100 or fewer agent positions, 101-250 agent positions and over 251 agent positions), most of the other vertical markets are dominated by smaller operations. The exceptions are telecoms, utilities and response centres, which have a high proportion of large contact centres. However, the majority of operations in every vertical market have fewer than 100 agent positions.

Table 6: Contact centres by size and vertical market

Vertical market / Agent positions	10-50	51-100	101-150	151-200	201-250	251-500	501-1000	1001+	TOTAL CCs
Finance	332	165	61	41	39	91	49	19	818
Retail and Distribution	439	68	19	20	12	41	15	14	621
Services	369	127	45	4	9	18	8	-	578
Transport and Travel	326	137	25	23	17	27	11	1	569
Manufacturing	374	41	21	6	3	2	1	-	437
Outsourcing and Telemarketing	213	81	20	14	12	27	19	8	398
IT	235	55	23	8	1	14	12	-	345
Public Services	219	31	10	6	4	6	2	1	274
Printing and Publishing	223	37	5	5	3	2	-	-	269
Telecoms	117	31	21	15	12	10	26	4	241

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ISP	119	31	12	4	-	5	1	1	171
Entertainment and Leisure	93	31	9	7	2	7	4	4	157
Utilities	52	21	12	11	14	17	13	6	152
Food and Drink	77	24	7	-	-	-	1	-	110
Motoring	58	14	12	-	6	7	8	-	107
Medical	59	8	1	-	2	2	-	-	71
Total	3,304	904	303	165	138	277	170	59	5,320
Please note that <u>this table does not state categorically the exact number of contact centres</u> within each vertical market and size band. Estimates are shown as “real” numbers as this gives a better understanding of the <u>relative</u> size and importance of each sub-sector (both vertical and size band), than using percentages in each case.									
Source: ContactBabel									

Agent position distribution by size and vertical market

The table below shows the number of agent positions within each size band by industry. It is obvious that employment within the finance sector is heavily-weighted towards the larger contact centres, which is also the case with sectors such as telecoms, utilities and outsourcing.

Employment patterns in sectors such as services, transport and travel and public services are all weighted more towards the smaller operations.

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Table 7: Agent positions by contact centre size and vertical market

Agent positions	10-50	51-100	101-150	151-200	201-250	251-500	501-1000	1001+	TOTAL CCs
Finance	6,966	10,366	6,897	6,708	8,436	27,360	30,450	28,800	125,983
Retail and Distribution	9,207	4,234	2,178	3,268	2,664	12,240	9,425	21,600	64,816
Transport and Travel	6,831	8,614	2,783	3,784	3,552	8,280	6,525	1,800	42,169
Telecoms	2,457	1,971	2,420	2,408	2,664	2,880	15,950	5,400	36,150
Utilities	1,080	1,314	1,331	1,892	3,108	5,040	7,975	9,000	30,740
IT	4,914	3,431	2,662	1,376	222	4,320	7,250	-	24,175
Services	7,722	7,957	5,082	688	1,998	5,400	5,075	-	33,922
Outsourcing and Telemarketing	4,455	5,110	2,299	2,236	2,664	8,280	11,600	12,600	49,244
Entertainment and Leisure	1,944	1,971	968	1,204	444	2,160	2,175	5,400	16,266
Manufacturing	7,830	2,555	2,420	1,032	666	720	725	-	15,948
Public Services	4,590	1,971	1,089	1,032	888	1,800	1,450	1,800	14,620
Motoring	1,215	876	1,331	-	1,332	2,160	5,075	-	11,989
ISP	2,484	1,971	1,331	688	-	1,440	725	1,800	10,439
Printing and Publishing	4,671	2,336	605	860	666	720	-	-	9,858
Food and Drink	1,620	1,533	847	172	-	-	725	-	4,897
Medical	1,242	511	121	-	444	720	-	-	3,038
Total	69,228	56,721	34,364	27,348	29,748	83,520	105,125	88,200	494,254
Please note that this table does not state categorically the exact number of agent positions within each vertical market and size band. Estimates are shown as “real” numbers as this gives a better understanding of the <u>relative</u> size and importance of each sub-sector (both vertical and size band), than using percentages in each case.									
Source: ContactBabel									

The mean average sizes of contact centres by vertical market are listed below, although care should be taken when analysing these figures. The mean average may not be the most representative

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measure of average contact centre size: dividing total agent positions by total number of contact centres gives a mean average industry size of 93 agent positions, yet over 62% of contact centres have fewer than 51 agent positions. Using a mean average approach, the relatively few very large operations skew the results upwards.

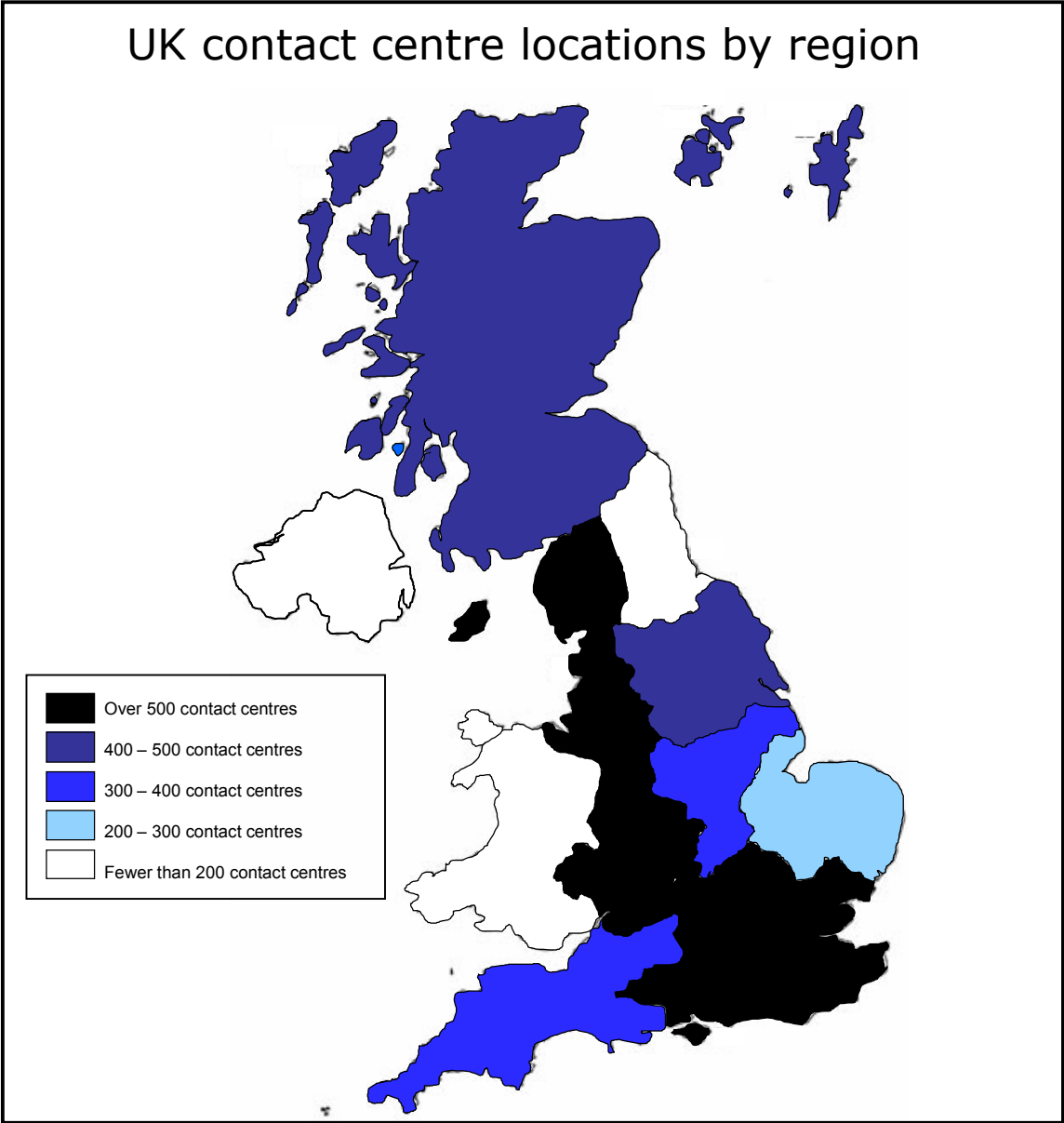
However, this table is useful for looking at the relative importance of a single contact centre to the sector as a whole. For example, the closure of ten typical utilities or finance contact centres would impact the industry much more than the disappearance of the same number of manufacturing or printing/publishing contact centre operations.

Table 8: Median contact centre size by vertical market, end-2003

Vertical market	Median size (agent positions)
Utilities	68
Finance	59
Telecoms	51
Outsourcing and Telemarketing	47
Motoring	47
Transport and Travel	45
Entertainment and Leisure	44
Services	41
IT	39
ISP	39
Food and Drink	39
Retail and Distribution	38
Public Services	35
Medical	34
Printing and Publishing	34
Manufacturing	33
Median (all vertical markets)	42
Source: ContactBabel	

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4.2.5 The structure of the UK contact centre industry by region



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The South-East and London, West Midlands and North-West have the greatest number of contact centres, with very significant numbers in Yorkshire and Scotland as well. The North-East, Wales and Northern Ireland have the fewest. ⁴

Table 9: Contact centres by region and size band

Agent positions/ Region	10-50	51-100	101-150	151-200	201-250	251-500	501-1000	1001+	TOTAL
East Anglia	170	40	13	11	5	13	4	1	256
East Midlands	198	45	13	9	11	30	5	4	314
London	375	85	23	9	13	13	5	1	519
North-East	85	26	9	2	6	13	15	7	164
Northern Ireland	31	5	2	2	-	4	5	1	50
North-West	295	113	28	28	30	51	33	12	599
Scotland	219	72	21	13	11	33	32	8	414
South-East	1,032	256	89	56	25	38	26	4	1,516
South-West	168	63	30	9	8	21	7	-	310
Wales	82	22	6	-	6	7	7	4	135
West Midlands	362	130	47	11	13	26	12	1	605
Yorkshire	286	48	23	15	6	27	19	16	438
Total	3,304	904	304	167	136	278	168	59	5,320
Source: ContactBabel Note: rounding errors may occur Note: The "South-East" region does not include London									

⁴ Source: ContactBabel

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Looking at the location of agent positions, the South-East still has the greatest number. However, Scotland, the North-West and Yorkshire all have over 50,000 agent positions.

Northern Ireland and East Anglia have the fewest, with the former especially offering scope for further expansion.⁵

Table 10: Agent positions by region and size band

Agent positions/ Region	10-50	51-100	101-150	151-200	201-250	251-500	501-1000	1001+	TOTAL
East Anglia	3,573	2,514	1,442	1,844	1,075	3,872	2,145	2,520	18,985
East Midlands	4,147	2,828	1,442	1,536	2,509	8,850	3,218	5,040	29,571
London	7,848	5,342	2,643	1,536	2,867	3,872	3,218	2,520	29,847
North-East	1,787	1,571	961	307	1,434	3,872	9,654	10,080	29,666
Northern Ireland	638	314	240	307	-	1,106	3,218	2,520	8,344
North-West	6,189	7,070	3,124	4,609	6,451	15,487	20,381	17,640	80,953
Scotland	4,594	4,557	2,403	2,151	2,509	9,956	19,309	12,600	58,078
South-East	21,630	16,026	10,093	9,218	5,376	11,615	16,091	5,040	95,090
South-West	3,509	3,928	3,364	1,536	1,792	6,637	4,291	-	25,058
Wales	1,723	1,414	721	-	1,434	2,212	4,291	5,040	16,835
West Midlands	7,593	8,170	5,287	1,844	2,867	7,744	7,509	2,520	43,533
Yorkshire	5,998	2,985	2,643	2,458	1,434	8,297	11,800	22,680	58,295
TOTAL	69,228	56,721	34,364	27,348	29,748	83,520	105,125	88,200	494,254

Source: ContactBabel

Note: The "South-East" region does not include London

⁵ Source: ContactBabel

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Northern Ireland (82%), the North-East (80%) and Scotland (72%) have the highest proportion of their agent positions based in large contact centres (over 250 agent positions). The South-East (34%) and London (32%) have the lowest proportion.

The economics of offshoring are such that organisations are more likely to move larger contact centres overseas. As such, regions with a higher proportion of large contact centres would seem to be more vulnerable.

(See Appendix for the list of postcodes which are included within each region).

Table 11: Median agent positions by region

Region	Median agent positions
North-West	51
North-East	49
Scotland	48
South-West	47
Wales	43
West Midlands	43
Northern Ireland	42
East Midlands	42
Yorkshire	41
East Anglia	40
South-East	39
London	38
Median (all regions)	42
Source: ContactBabel	
Note: The "South-East" region does not include London	

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As the table above shows, South-Eastern contact centres are considerably smaller on average than those in the North and Scotland. One possible reason for this is that many contact centres in the South-East are set up within the same building as their Head Office (many businesses have their main operation in and around London). Once the contact centre becomes of such a size that adding an additional room is no longer an option, the business will look further afield to the lower-cost areas, as there is a considerable cost difference between running a 500-seat contact centre in Sunderland, or Glasgow and doing the same in Central London.

Summary

The financial services sector has almost twice as many contact centre employees as the next largest vertical market, and is the most prone to offshoring.

Although fewer than 10% of contact centres are larger than 250 agent positions, such operations employ well over 56% of agents.

Therefore, the offshoring of a relatively small number of contact centre operations could have a disproportionately large effect on the industry as a whole.

Those areas where businesses were encouraged to set up large contact centres in order to alleviate high levels of unemployment (including Scotland, South Wales, South Yorkshire, the North-East) are now in most danger of closure through offshoring. Organisations which moved to an area because of labour arbitrage are more likely to relocate based on the same criterion, and these areas are likely to be more dependent on contact centres.

The UK Contact Centre Industry: A Study

4.3 Contact centre activity

4.3.1 Inbound and outbound activity

Around two-thirds of contact centre activity is inbound calls from customers, suppliers and partners.⁶ Calls include reservations, sales, account enquiries and other service requests, as well as queries to technical helpdesks.

Outbound calling has grown considerably as a percentage of contact centre activity since the mid 1990s, despite the increase in data protection and marketing regulations. It is estimated that £3bn worth of goods and services are sold every year in the UK through outbound telemarketing.⁷ As well as the increased competition in the telecoms and utilities sectors, much of this growth has come from “warm calling” – calls to existing customers in order to gain further revenues. Cold calling is still present, but untargeted campaigns are increasingly being seen as less economic than targeted outbound work.

⁶ Source: ContactBabel

⁷ Source: CM Insight, “The Death of Outbound...?”, unpublished as of March 2004

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Inbound call volumes

Table 12: Inbound call minutes by vertical market

Vertical market	Minutes inbound per year (millions)	% of all inbound activity
Finance	12,476	28.9%
Retail and Distribution	5,396	12.5%
Transport and Travel	4,142	9.6%
Telecoms	3,744	8.7%
Response Centres	3,722	8.6%
Utilities	2,799	6.5%
IT	1,977	4.6%
Entertainment and Leisure	1,819	4.2%
Services	1,706	4.0%
Motoring	1,134	2.6%
Sales and Marketing	964	2.2%
Manufacturing	946	2.2%
Public Services	906	2.1%
ISP	761	1.8%
Printing and Publishing	540	1.3%
Food and Drink	262	0.6%
Medical	235	0.5%
Consultants	234	0.5%
Engineering and Construction	120	0.3%
Recruitment and Training	118	0.3%
Legal Services	107	0.2%
TOTAL	43,144	100.0%
Source: ContactBabel		
Note: "per year" refers to 12 months of June 2002 – June 2003		

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Table 13: Inbound call minutes by size of contact centre

Size band (agent positions)	Minutes inbound per year (millions)	% of all inbound activity
10-50	4,639	10.8%
51-100	4,269	9.9%
101-150	2,854	6.6%
151-200	2,439	5.7%
201-250	2,725	6.3%
251-500	7,622	17.7%
501-1,000	10,037	23.3%
1,001+	8,559	19.8%
TOTAL	43,144	100.0%
Source: ContactBabel		
Note: "per year" refers to 12 months of June 2002 – June 2003		

The preceding tables are estimates of the amount of inbound call minutes per year into UK contact centres. They are based upon proportions of inbound and outbound activity and agent position numbers from this report, with estimates of call volume and duration from various published studies of the UK contact centre market.

There are around 43 billion inbound call minutes per year into UK contact centres. Outbound call statistics have not been included, as it is more difficult to estimate the number of outbound minutes. Opinion is divided on whether to count unconnected calls and calls to answer-phones, and the length of outbound calls also varies enormously, making average call lengths misleading.

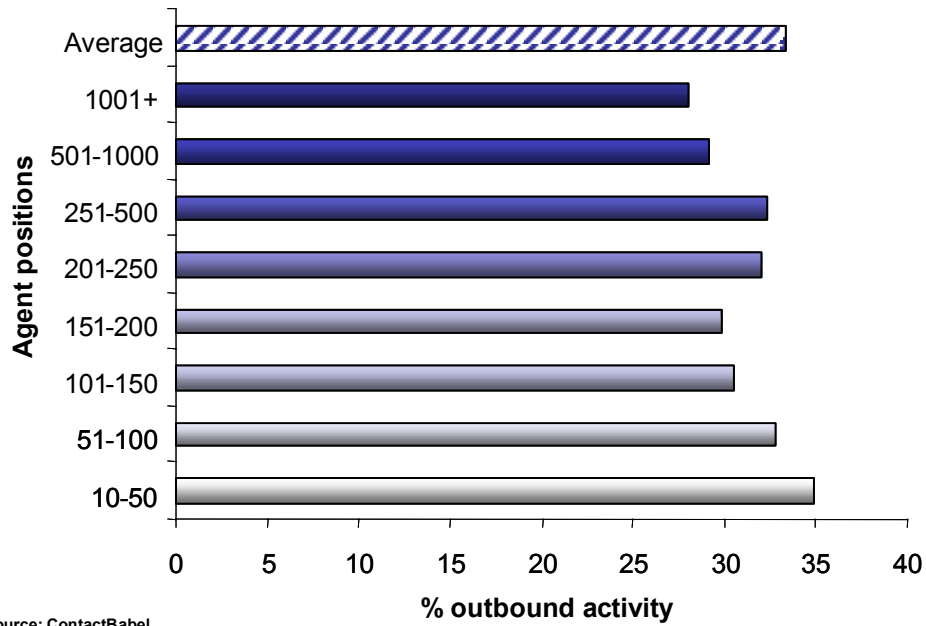
The finance vertical market has almost 29.7% of all inbound traffic, with the retail & distribution, telecoms and transport & travel sectors all playing significant roles.

By size band, the largest contact centres are most important, with over 60% of inbound traffic terminating in contact centres with more than 250 agent positions. However, the sub-51 agent position band accounts for over 4.6 billion minutes per year (10.8%), and is a market relatively untapped by service providers.

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Outbound Call Volumes

Proportion of outbound activity by size of Contact Centre



Source: ContactBabel

Table 14: Outbound activity by size of contact centre

Agent positions	% of activity which is outbound
10-50	34.9
51-100	32.8
101-150	30.5
151-200	29.8
201-250	32.0
251-500	32.3
501-1,000	29.2
1,001+	28.0
AVERAGE	33.3
Source: ContactBabel	
Note: figures refers to 12 months of June 2002 – June 2003	

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There is a slight negative correlation between the size of the contact centre and the proportion of outbound activity, although as the following figure shows, the *absolute* amount of outbound calling is greatest within the smallest and largest contact centres.

(The term “outbound agent equivalent” describes the number of exclusively-outbound, full-time agents required. In practice, not all outbound work is done by outbound-only agents, hence the need for “outbound agent equivalents”).

Table 15: Outbound agent positions (equivalent) by size of contact centre

Size band (agent positions)	Outbound agent positions (equivalent)
10-50	24,168
51-100	18,618
101-150	10,470
151-200	8,149
201-250	9,534
251-500	26,970
501-1,000	30,656
1,001+	24,696
TOTAL	164,605
Source: ContactBabel	

There are a large number of smaller contact centres which perform market research and outsourced telemarketing activities on behalf of other clients. (Large outsourcing companies are likely to be heavily involved in inbound client care as well).

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The continued decrease in telephony costs means that outbound activity is not especially costly, and small organisations can afford to market to their prospect base proactively. As call costs fall further, this deflationary pressure on prices will continue, making outbound calling even more prevalent, although this will be balanced by the Telephone Preference Service (TPS) which allows people to block their number to marketing calls. TPS has attracted 25% of British households (3.9m telephone numbers) since its inception in 1999.⁸

Since 2002, the reported outbound activity has increased from 29.8% to 33.3%⁹. In large part, this is an effect of CRM processes such as relationship-building calls, cross- and up-selling and customer satisfaction calls taking place. As data protection becomes more of an issue, businesses are increasing the effort they make to sell more to their existing or past customers. However, some commentators believe that there is an increasingly negative view taken of outbound calling by consumers, which along with the increased uptake in TPS registrations and an anecdotal increase in 'silent calls' received will reduce the number of outbound calls in future years. This is an issue which has been mentioned in Parliament:

"There should be no predictive power dialling, and that pernicious form [of marketing] should be completely stopped. Companies should not be allowed to withhold their numbers when they ring people up to sell them something and there should be rapid action taken against an abuse of that. Telephone preference scheme registration should also be included when somebody registers as ex-directory...".¹⁰

⁸ Source: CM Insight, "The Death of Outbound...?", unpublished as of March 2004.

⁹ Source: ContactBabel

¹⁰ Source: Kevin Brennan MP to the House of Commons on 26 May 2002.

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Outbound activity by vertical market

Table 16: Equivalent outbound agent positions by vertical market

Vertical market	Outbound activity	Outbound FTEs
ISP	22%	2,322
Entertainment and Leisure	23%	3,837
Utilities	26%	8,156
Public Services	26%	3,898
Transport and Travel	27%	11,545
Motoring	30%	3,610
Legal Services	31%	526
Medical	32%	976
Finance	32%	41,000
Retail and Distribution	32%	21,382
IT	34%	8,267
Telecoms	34%	12,630
Services	35%	8,472
Manufacturing	36%	5,911
Engineering and Construction	39%	747
Food and Drink	43%	2,126
Outsourcing and Telemarketing	44%	21,294
Consultants	45%	2,089
Recruitment and Training	47%	1,130
Printing and Publishing	47%	4,686
Telemarketing	52%	10,455
Average	33%	164,605
Source: ContactBabel		

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The finance vertical market has the largest number of outbound agents, involved in debt collection, persuading customers to change financial products (e.g. credit cards) and increasingly, cross-selling and up-selling to existing customers. Businesses are aware that one of the key moves towards increased profitability is to get customers purchasing multiple products, e.g. a personal loan, a current account, a credit card and insurance from the same provider.

Vertical markets which do not follow the typical 67% inbound / 33% outbound pattern include public services, entertainment & leisure, printing & publishing, recruitment & training, ISP and sales & marketing.

There is a low level of outbound calling in public services, as many of these operations are non-sales, reactive helpdesk environments, which answer the public's queries. As such, proactive outbound campaigns are rarely needed.

Entertainment & leisure has fairly low levels of outbound activity. This vertical market is heavily involved in reservations and ticket booking, both of which are almost exclusively inbound activities.

ISPs normally deal with inbound customer service issues, and have very limited needs for outbound activity.

Printing & publishing has a higher level of outbound activity than most other vertical markets, caused by the large number of calls made by newspapers and magazines in order to sell advertising space.

The telemarketing sector (smaller outsourcing/telemarketing companies) has the highest proportionate level of outbound calling, due to the work which its clients ask it to do. This vertical market has a great deal of outbound sales work and also does a significant amount of client satisfaction checking and market research, all of which are outbound activities.

Recruitment & training contact centres tend to concentrate on outbound calls to companies to enquire about their recruitment and training needs.

Much of the work being done offshore at the moment is outbound. Coupling this with the very real possibility that outbound cold calling will drop in the near future, we are left with a scenario where a significant piece of the UK outbound sector is in danger of shrinking.

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Summary

Inbound calling accounts for two-thirds of agent positions, including sales, service and technical helpdesk calls. Outbound activity has grown strongly over the past few years, mainly as a result of calls to existing customers rather than cold calls. The increase in legislation and negative customer views of outbound could mean that this form of customer contact is under pressure.

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4.3.2 Contact centre activity

The activities of contact centres can be measured by looking at exactly what contact centres do most of.

The following diagrams cover these key areas:

Call centre – a mixture of activities, inbound/outbound, sales/service

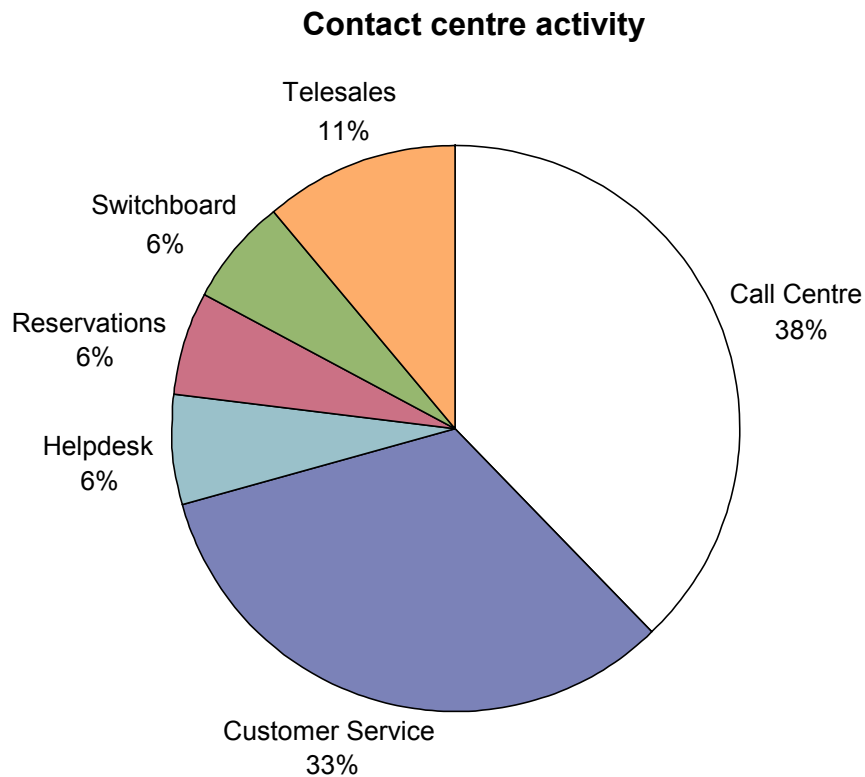
Customer service – mainly inbound, dealing with existing customers' requirements

Telesales – often outbound, calling to either existing customers or new prospects

Switchboard – transferring calls to individuals or departments

Helpdesk – inbound, often technical or IT queries. May be from within the organisation (internal) or from customers (external)

Reservations – usually inbound sales order taking, often in transport/travel or entertainment/leisure sectors



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Table 17: Contact centre activity

Contact centre activity type	Proportion of operations
Call Centre	38%
Customer Service	33%
Helpdesk	6%
Reservations	6%
Switchboard	6%
Telesales	11%
TOTAL	100%
Source: ContactBabel	
Note: source is survey of 3,200 contact centres, December 2003	

UK contact centres deal with far more service queries than receive or make sales calls. One-third of calls are made by existing customers with a query to their supplier – only 17% are either inbound reservations or outbound telesales calls. The largest segment – 38% of contact centres – deals with a wide mix of activities.

There is much talk about low-value and high-value services, which, although difficult to define, is a very important issue when considering the reasons for offshoring.

Low value-add work consists of activities where the agent acts as an interface between the back office systems and the customer. Examples include taking utility meter readings, account balance enquiries, change of address notifications and timetable enquiries.

High value-add work offers the agent a chance to interact with the customer in a less structured way to add value to the call and to the business. Examples include technical helpdesk queries, help and suggestions with booking holidays, sales advice and cross-selling new products. In fact, many organisations are taking the opportunity to turn low value-add calls into higher value interactions; a routine balance enquiry for example, can be turned into an opportunity to find out more about a customers' requirements and situation, with a chance to cross-sell or up-sell new products, or help the customer proactively. Such work is more empowering for the agents, and can be rewarding for the customer too, although to do this successfully requires a organisation which is enlightened enough to trust their staff with non-scripted conversations, and which can provide the agent with real-time information about the customer and any relevant products.

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Many commentators see the short- and medium-term future for offshore outsourcing to be these low value-add interactions. The reasoning being, if the agent is acting only as an interface, why not use a cheaper human interface (an offshore agent) or even automate the process entirely, through IVR, speech recognition or through web self-service?

What businesses will realise (as customers do already) is that what might be low value-add to the business (i.e. is a cost without any chance to increase revenues directly on that call), can in fact be extremely high value-add to the customer. For example, a directory enquiries call may be extremely important to the caller, as they may need a taxi number urgently to call a cab to take them to a job interview, but to the directory enquiries provider, a call of dubious quality still brings the same revenue as an accurate enquiry. In the same way, a call to bus timetable enquiries is just a cost to be minimised to the business, although the caller might have a desperate need for accurate and timely information.

It is too easy to say that all low value-add work will go either offshore or to self-service. The propensity and temptation to organisations to do so is certainly stronger at the moment, but it would be facile to look purely at costs and ignore the reasons that customers call in the first place.

Summary

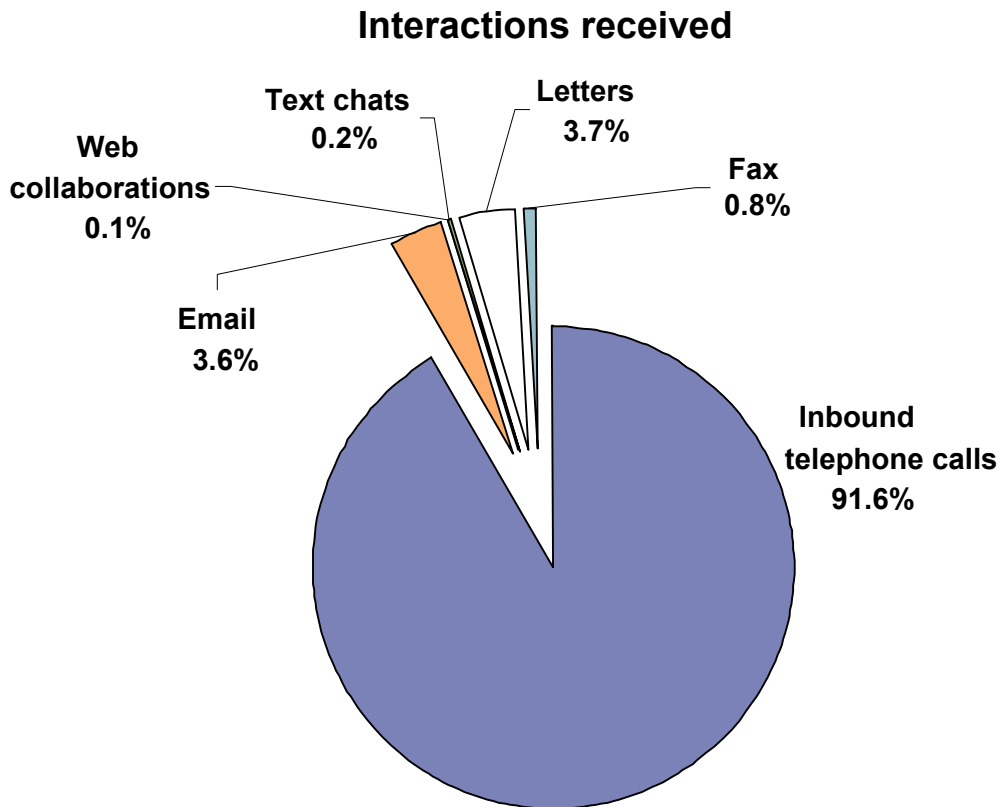
The provision of customer service (rather than sales support) is the main activity of most UK contact centres. Organisations are trying to extract more value from each call through learning about the customer and cross- or up-selling where possible. However, the concept of value varies depending on the point of view taken: pure informational, routine calls can be extremely valuable to customers, although the organisation will not rate them. This disconnect between customer and organisation needs to be acknowledged.

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4.3.3 Use of multimedia

Bullish predictions of the growth in multimedia contact made by analysts in the late 1990s now look a little premature. Respected forecasters expected between 25% and 35% of interactions into the contact centre to be via email, through real-time 'text chat' or through online web collaboration.

A recent survey of 290 UK contact centres shows a different picture.



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Table 18: Interactions received

Interaction type	% of interactions
Inbound telephone	91.6%
Email	3.6%
Web collaborations	0.1%
Text chats	0.2%
Letters	3.7%
Fax	0.8%
Source: ContactBabel Note: source is survey of 290 contact centres, December 2003	

The outsourcing and IT sectors receive large quantities of email, but other sectors have not really been affected greatly. Almost half of financial services operations, which have to consider security in everything they do, do not accept emails from customers at all.

Most emails are requests for service, and a large proportion are aimed specifically at IT helpdesks, where wait times and conversation lengths can be prohibitively long for customers, and extremely expensive for businesses.

However 78% of UK contact centres now deal with some customer email, even though volumes are still very low. (This figure has grown from 57% in 2002 and 73% in mid-2003).¹¹

It seems that contact centres of all sizes and business types have come to the conclusion that email is a channel which can no longer be ignored. As a result, the majority of contact centres in every vertical market and size band now deals with customer email. This is a step in the right direction: now businesses need to focus upon making email a viable and usable alternative to phoning a contact centre, by improving the accuracy and response time of this channel.

Currently, there is strong anecdotal evidence that customers are feeling the need for multimedia contact because of failings in getting accurate or timely responses from any one single channel. If they do not get an answer from their email, they will call, creating two sets of costs for the organisation for one basic issue.

¹¹ Source: ContactBabel

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Table 19: Use of email within contact centres, by vertical market, 2003

Do you deal with customer emails within your contact centre?	No	Yes
IT	19%	81%
Entertainment and Leisure	20%	80%
Retail and Distribution	21%	79%
Transport and Travel	22%	78%
Printing and Publishing	22%	78%
Food and Drink	23%	77%
Motoring	24%	76%
Outsourcing and Telemarketing	25%	75%
Recruitment and Training	25%	75%
Consultants	27%	73%
Manufacturing	28%	72%
Engineering and Construction	30%	70%
Medical	31%	69%
Finance	31%	69%
Services	32%	68%
Telecoms	32%	68%
Public Services	33%	67%
Utilities	34%	66%
Legal Services	36%	64%
AVERAGE	27%	73%
Source: ContactBabel Note: source is survey of 3,200 contact centres, December 2003		

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Vertical markets most likely to have separate operations or departments for their emails are those which have the largest and most established telephony contact centres: finance, utilities, telecoms and response centres (outsourcers). This suggests that these larger operations may be extremely focused upon telephony, and do not wish to add another layer of complexity to existing operations, or may be running out of physical space in which to accommodate new agents. It may also be the case that some of these businesses have not integrated email with telephony yet, as the project cost and size can be substantial for large operations.

Generally, those vertical markets which are not the traditional users of contact centres will tend to have telephony and email dealt with in the same place. The most significant vertical markets with the largest uptake are:

IT (helpdesks more than sales), where fault logging via email is an accepted and encouraged method of contact, preferred in many cases to telephony

Response centres / outsourcing, where multimedia capabilities are a competitive advantage

Entertainment & leisure and retail & distribution, which deal with order confirmation and enquiries via email

Some government contact centres seem to be missing out on this potential benefit for customer and contact centre, as still one-third do not offer customers a chance to send email.

Summary

Non-telephony interactions (email, web, letter, fax) account for fewer than 9% of a typical contact centre's activities: the main skills required are still focused on listening and communicating through the telephone. Broadband uptake and customer familiarity will encourage non-telephony contact, although some organisations still do not allow email contact from customers (e.g. two-thirds of government contact centres).

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4.4 Agent profile

Around 790,000 people presently work within the UK contact centre industry¹², and agent profiles vary from school-leaver to post-retirement age workers, from those with no formal qualifications, to those with doctorates and MBAs.

This section analyses the age, gender, salaries and length of service of contact centre workers. Further detail on skills and qualifications can be found in the next chapter, Factors impacting the UK Contact Centre Industry.

4.4.1 Nature of employment

Looking at the type of activities which contact centre staff perform, contact centre agents account for around 83% of staff:

Table 20: Employment of contact centre staff by job role

Job role	% of contact centre workers
Sales advisor – inexperienced	10%
Customer service advisor – inexperienced	17%
Sales advisor – experienced	19%
Customer Service advisor – experienced	36%
Sales team leader	3%
Customer service team leader	5%
Product specialist	2%
Coaches	2%
Resource/scheduling manager	1%
Contact centre manager	2%
New entrant (pre-training)	2%

Source: eSkills UK, “Contact Centre Survey” (2003)

¹² Source: ContactBabel

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4.4.2 Age

According to Merchants, the average age of a contact centre agent is 28, although this can vary by industry sector:

Table 21: Average age of contact centre agents, by vertical market

Interaction type	% of interactions
Business Services	27
Consumer Products	29
Distribution and Transport	29
Entertainment and Leisure	24
Financial Services	27
Food and Drink	32
Healthcare	24
Information Technology	28
Retail	29
Telecoms/Cable	26
Travel/Tourism	25
Utilities	31

Source: Merchants International Call Centre Benchmarking Report (2000)

There are three main profiles for agent age and qualifications.

The backbone of the industry is young women in their mid-to-late 20s, who often do not have higher education qualifications but who have often worked in the industry for some years. Young men of similar age and educational background are also present, but not in the same numbers.

Returning workers are another significant segment, usually made up of women returning to either part-time or full-time work after their children go to school.

In some contact centres, especially those in large cities or in locations with a large student base, students and new graduates can make up a significant proportion of the workforce. This section of the workforce rarely stays within the contact centre industry for long, and can lead to high staff attrition rates.

An increasing number of businesses are taking on some older staff, the theory being that this will reduce turnover.

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4.4.3 Gender

It is widely believed that a high proportion of contact centre agents are women, and studies back this theory up.

Table 22: Contact centre employee gender

Type of Employee	Average tenure in years/ months	% female
Customer Contact Employees	2/8	69
Team Leader/First-Line Supervisors	3/7	63
Managers (i.e., above Team Leaders)	4/8	54

Source: CCA/Sheffield University – “Human Resource Management in Call Centres”; Holman and Wood

Supporting this, another large-scale primary-research study found that 63% of contact centre agents in in-house contact centres are female.¹³

Internationally, this generally seems to be the case:

“There has been little evidence of a shift from the employment primarily of younger females in their mid-to-late 20s, predominantly as agents and supervisors. In more traditional sectors, it appears the ‘glass ceiling’ still exists and slows the progress from agent ranks to management. Figures indicate that this ensures that management positions do not reflect the gender proportions of the agents.”¹⁴

¹³ Source: Data Vantage, “Dial Skills for Success”

¹⁴ Source: Merchants, “International Call Centre Benchmarking Report” (1999/2000)

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The position is slightly different in management roles within the UK, as the following shows.

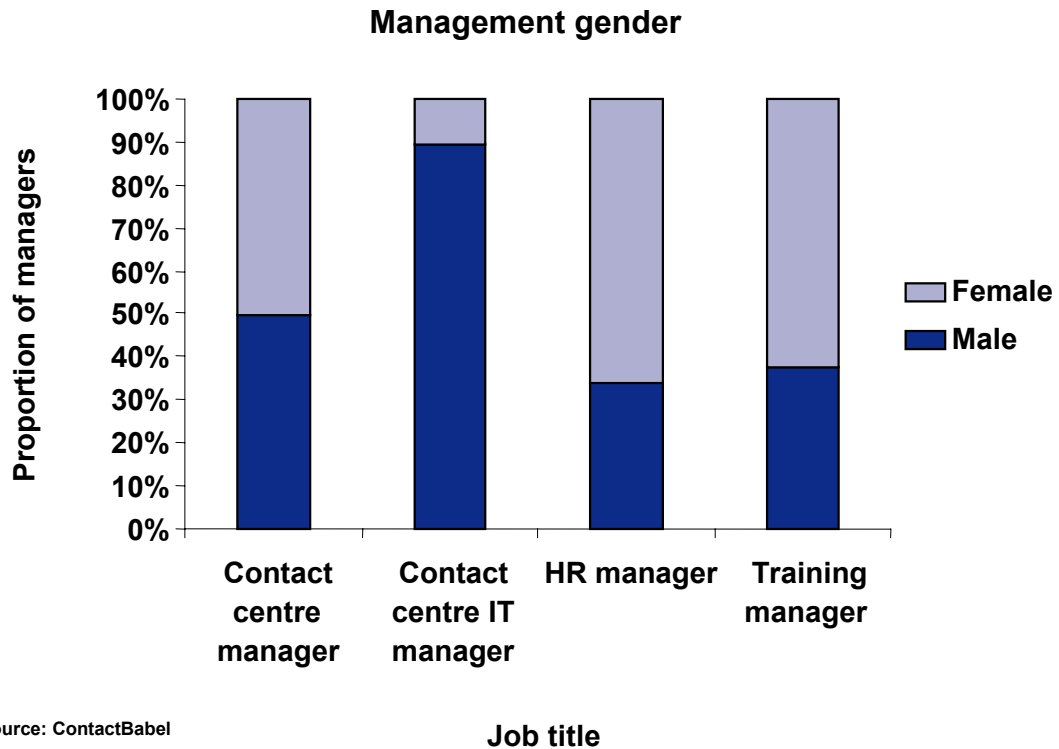


Table 23: Management gender

Job title / gender	Male	Female
Contact centre manager	50%	50%
Contact centre IT manager	89%	11%
HR manager	34%	66%
Training manager	38%	62%

Source: ContactBabel

Note: source is survey of 3,200 contact centres, December 2003

Men and women share the roles of contact centre managers 50-50 across the UK. IT management is still a predominantly male area, while the perceived “soft-skills” required in HR and training means women are more likely to be running these areas within contact centres.

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Looking specifically at the contact centre management role, there is a significant difference in parts of the UK and Ireland. In the traditionally more-patriarchal regions, such as Scotland and Ireland, male contact centre managers are more common. Wales and East Anglian contact centres have a larger proportion of female contact centre managers.

The technical, male-dominated industries (IT, ISP, engineering, manufacturing) tend to employ a higher proportion of male contact centre managers. Medical, printing & publishing, entertainment & leisure and public services contact centres employ the highest proportion of female contact centre managers.

4.4.4 Salaries

Getting job grading and salary structures right are critical to attracting suitable staff, retaining them, and ensuring appropriate career progression opportunities. Grading schemes are usually complicated, and because they are often introduced after a centre has been operating, they are frequently designed to accommodate existing custom and practice, rather than to reflect a current or progressive perspective.

For reference, around 45% of Scottish contact centres recognise unions for the purposes of collective bargaining.¹⁵

Where contact centres are located in the country and which market they are in impacts salary at all levels. The mean average agent salary of £12,945 masks two significant extremes. In Northern Ireland the average starting salary is £10,550, closely followed by Scotland at just over £11,000. London tops the table at £16,309.¹⁶

Outsourcers pay the lowest starting salaries and IT the highest and this remains the case when you gain more experience in the job. Small centres tend to offer more money than the largest centres.

The picture changes when examining team leader salaries. Outsourcers are still trailing at the bottom, but the lead has changed. Finance, followed by telecoms, rank highest, with IT in third place. The highest team leader salary found in the survey is £45,000, the lowest, £9,100, with the mean at £17,964. Location-wise, Northern Ireland is still bottom and London top.

¹⁵ Source: Taylor and Bain (2003)

¹⁶ All sources on this page are ContactBabel unless stated otherwise

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Looking at management salaries, and in terms of vertical markets, the highest payers remain the same - telecoms, followed by IT, then finance. Some of the lowest-paid managers are in the cost-conscious outsourcing companies.

Contact centre managers in East Anglia are paid least, and in London, most. Managers in contact centres of between 25 and 100 employees are paid most, at around the £28,000, with the remainder all hovering around the £25,800 - £26,800 mark.

In terms of activity, helpdesk staff at all levels are consistently earning more than their sales or service counterparts, probably due to the higher levels of knowledge and expertise required for these roles.

Agent starting salaries

Table 24: Agent starting salaries by vertical market

Vertical market	Median
Outsourcing	£11,000
Transport and Travel	£12,000
Retail & Distribution	£12,200
Telecoms	£12,250
Finance	£12,500
Utilities	£12,500
Public Services	£13,000
IT	£13,250
All contact centres	£12,520
Source: ContactBabel	

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Table 25: Agent starting salaries by region

Region	Median
Northern Ireland	£11,100
Scotland	£11,500
Yorkshire	£10,900
East Anglia	£11,875
East Midlands	£11,448
North-West	£12,000
West Midlands	£12,000
Wales	£12,500
North-East	£12,500
South-West	£12,500
South-East	£13,500
London	£15,250
All contact centres	£12,520
Source: ContactBabel	

Table 26: Agent starting salaries by contact centre size

Agent positions	Median
10 to 25	£12,800
26 to 50	£12,250
51 to 100	£12,750
101 to 250	£12,000
250+	£11,700
All contact centres	£12,520
Source: ContactBabel	

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Table 27: Agent starting salaries by contact centre activity

Activity	Median
Helpdesk	£14,000
Mix	£12,000
Sales	£12,450
Service	£12,500
All contact centres	£12,520
Source: ContactBabel	

Newly competent agents' salaries

Table 28: Newly competent agents' salaries by vertical market

Vertical market	Median
Outsourcing	£12,000
Retail & Distribution	£13,000
Utilities	£13,000
Finance	£13,100
Telecoms	£13,500
Transport and Travel	£13,500
Public Services	£14,000
IT	£15,000
All contact centres	£13,360
Source: ContactBabel	

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Table 29: Newly competent agents' salaries by region

Region	Median
Northern Ireland	£11,500
Yorkshire	£12,000
Scotland	£13,150
East Midlands	£12,250
East Anglia	£12,938
Wales	£12,720
West Midlands	£13,000
North-West	£12,300
North-East	£14,000
South-West	£13,000
South-East	£15,000
London	£16,500
All contact centres	£13,360
Source: ContactBabel	

Table 30: Newly competent agents' salaries by contact centre size

Agent positions	Median
10 to 25	£14,000
26 to 50	£13,500
51 to 100	£13,000
101 to 250	£12,750
250+	£12,000
All contact centres	£13,60
Source: ContactBabel	

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Table 31: Newly competent agents' salaries by contact centre activity

Activity	Median
Helpdesk	£15,250
Mix	£12,750
Sales	£13,300
Service	£13,200
All contact centres	£13,360
Source: ContactBabel	

Team leader salaries

Table 32: Team leader salaries by vertical market

Vertical market	Median
Outsourcing	£16,000
Retail & Distribution	£16,000
Transport and Travel	£17,000
Utilities	£17,000
Public Services	£17,384
IT	£17,625
Telecoms	£17,750
Finance	£19,000
All contact centres	£17,225
Source: ContactBabel	

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Table 33: Team leader salaries by region

Region	Median
Northern Ireland	£15,500
Yorkshire	£16,000
East Midlands	£16,000
East Anglia	£17,000
Scotland	£16,750
Wales	£16,944
North-West	£17,000
West Midlands	£17,000
North-East	£18,000
South-West	£17,500
South-East	£18,250
London	£21,500
All contact centres	£17,225
Source: ContactBabel	

Table 34: Team leader salaries by contact centre size

Agent positions	Median
10 to 25	£17,000
26 to 50	£18,000
51 to 100	£18,000
101 to 250	£17,000
250+	£17,250
All contact centres	£17,225
Source: ContactBabel	

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Table 35: Team leader salaries by contact centre activity

Activity	Median
Helpdesk	£18,500
Mix	£17,500
Sales	£16,750
Service	£17,500
All contact centres	£17,225
Source: ContactBabel	

Management salaries

Table 36: Management salaries by vertical market

Vertical market	Median
Outsourcing	£22,000
Transport and Travel	£22,000
Retail & Distribution	£24,000
Utilities	£25,000
Public Services	£25,125
Finance	£27,250
IT	£29,000
Telecoms	£30,000
All contact centres	£25,200
Source: ContactBabel	

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Table 37: Management salaries by region

Region	Median
East Anglia	£23,000
Yorkshire	£21,750
Scotland	£25,000
East Midlands	£25,000
North-West	£25,000
North-East	£24,500
South-West	£26,500
Wales	£25,000
Northern Ireland	£25,000
West Midlands	£26,000
South-East	£28,000
London	£30,000
All contact centres	£25,200
Source: ContactBabel	

Table 38: Management salaries by contact centre size

Agent positions	Median
10 to 25	£25,000
26 to 50	£27,231
51 to 100	£26,500
101 to 250	£25,000
250+	£25,000
All contact centres	£25,200
Source: ContactBabel	

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Table 39: Management salaries by contact centre activity

Activity	Median
Helpdesk	£30,000
Mix	£25,000
Sales	£25,000
Service	£25,200
All contact centres	£25,200
Source: ContactBabel	

Although salary figures from differing surveys can vary, these additional figures from respected analysts find similarly that:

Starting salaries appear to have risen steeply for some grades, for example, by 5.7% to £11,000 a year for frontline staff.

Median (midpoint) salaries include £13,000 a year for lower/standard grade agents, £14,820 for higher grade agents, £18,000 for team leaders, £27,420 for managers, and £12,000 for trainees. Basic pay deals were worth 3%, while pay bills involving a merit element rose by 3.5%.¹⁷

Customer Advisers – in 2002:

The average starting salary for a customer adviser was £12,400

The average midpoint or spot rate salary was £14,000

The typical (median) pay range for a customer service adviser starts at £12,000, has a midpoint of £13,500 and a maximum of £15,500

Team Leaders – in 2002:

The average starting salary for a team leader was £16,700

The average midpoint or spot rate salary was £18,900

A typical pay range for a team leader starts at £16,500, has a midpoint of £18,200 and a maximum of £21,000¹⁸

¹⁷ Source: IRS/CCA RI Report: Call Centres 2003

¹⁸ Source: IDS - Pay & Conditions in Call Centres 2002

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4.4.5 Length of agent service

It is widely believed by those outside the industry that contact centre agents do not stay in a job for any length of time. Average agent tenure is 32 months, with team leaders longer (43 months) and managers longer still (56 months).¹⁹

The following figures back up this assertion.

Table 40: Length of agent service by vertical market

<i>Vertical market</i>	<i>Length of agent service (months)</i>
Telecoms	26
Outsourcing	28
IT	35
Finance	41
Transport and Travel	43
Utilities	44
Retail and Distribution	46
Public Services	51
Mean average (all contact centres)	39
Source: ContactBabel	

Agents in government contact centres have worked within the same organisation longest, followed by retail/distribution and utilities agents.

Telecoms and outsourcing have the shortest average length of agent stay, although both are over 2 years. Outsourcing (particularly the telemarketing sub-sector) tend to have very high staff turnover. However, this can be as much to do with the nature of projects and campaign-based work in general that may stop and start, requiring staff flexibility in a way that suggests higher staff turnover.

¹⁹ "Human Resource Management in Call Centres" (CCA/Sheffield University - Holman and Wood)

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Table 41: Length of agent service by contact centre size

Agent positions	Length of agent service (months)
10 to 25	45
26 to 50	34
51 to 100	34
101 to 250	31
250+	50
Mean average (all contact centres)	
39	
Source: ContactBabel	

Table 42: Length of agent service by contact centre activity

Activity	Length of agent service (months)
Helpdesk	31
Mix	45
Sales	34
Service	43
Mean average (all contact centres)	
39	
Source: ContactBabel	

How long staff are retained is critical to the effective operation of a contact centre. How long businesses wish to retain them depends on the complexity of the work they do, how much intention there is to invest in them in terms of training, and how easy it is to replace them. Moderate staff turnover is not a bad thing, whereas staff stagnation is.

Outsourcing and particularly telemarketing outsourcing bureaux tend to have very high staff turnover. However, this can be as much to do with the nature of project and campaign based work that may stop and start, requiring staffing flexibility in a way that can be interpreted as higher staff turnover. On the other hand, how long staff choose to stay can say a lot about how operations are run. Their opinions can assist or damage word-of-mouth employer reputations, increasing the difficulty in finding new staff.

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The average time an agent remains in one job is 39 months, with a telecoms agent moving on after 26 months, but a public service agent remaining for 51 months. Based on other data which we have seen, this may come as no surprise, and we would expect agents in the more performance-driven environments to move around more frequently. Interestingly the very largest and smallest operations hold on to staff the longest.

Summary

The typical contact centre worker is female and in her mid-to-late 20s; at management levels, gender is split fairly equally. Average length of tenure is towards three years, rising to 4½ for managers.

Salaries for new agents start at around £12,000 - £13,000, with an extra £1,000 to £2,000 coming for experienced staff. Team leaders (who may supervise 10-15 staff) will get paid around £18,000, with managers earning over £27,000 per year on average.

This would seem to suggest that the common perception of contact centre work being of ultra-short tenure is usually not true, although salaries are certainly well below the national average in most contact centres.

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4.4.6 Companies' profiles and the origin of work

This section investigates where contact centre work comes from – is it domestic in origin, or driven by inward investment? Where are organisations owned and how long have they had contact centres in the UK?

The UK contact centre outsourcing sector

There are three main types of outsourcer: traditional, diversifying and emerging.²⁰

Traditional outsourcers have some of the best-known players in the sector. A large part of the traditional outsourcing sector in the UK consists of large, multiservice companies which may deal with telephone calls, email and query fulfilment (e.g. sending out brochures or bills). It may well be part of a multinational group, whether US- or European-owned. Additionally, the large number of smaller telemarketing companies should also be considered, which take on *ad-hoc* outbound sales contracts to both consumer and business sectors. (These are likely to be affected negatively by allowing businesses to register for the Telephone Preference Service, which prevents sales calls being made to numbers registered on it)

Diversifying outsourcers include large system integrators, consultancies and telcos

Emerging outsourcers include businesses involved in hosting, hoteling, which are often venture-capital funded, and are often found offshore.

It can be difficult to get an accurate and complete picture of this sector as it is so dynamic, and also because of the nature of the emerging/diversifying outsourcer sectors (it is difficult to gauge how much of a large system integrator's revenue is due specifically to contact centre outsourcing).

Estimates of numbers of outsourced contact centres and agent vary. Datamonitor puts the 2003 figure at 34,200 agent positions in 470 contact centres²¹. ContactBabel finds 49,250 agent positions in 398 contact centres for the same time²². The sector is estimated to account for 8.3% or 10.0% of agent positions respectively. Datamonitor puts the value of the sector at US\$1,475m (£795m) in 2003, growing to US\$2,402m (£1,295m) by the end of 2007.

Growth predictions are bullish. Datamonitor expects a further 18,800 agent positions and 382 new contact centres to emerge from the outsourcing sector by 2007.

²⁰ Source: Mike Havard, CM Insight

²¹ Source: Datamonitor, "Call Centre Outsourcing in EMEA" (2003)

²² Source: ContactBabel, "UK Contact Centres in 2003"

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A primary research survey finds that respondents from the outsourcing sector grew agent position numbers on average by 27.8% in 2003, and expect a further 34% increase in agent positions in 2004, by far the highest growth segment of the whole UK contact centre industry.²³

Foreign ownership

It has proven difficult to find reliable details of the ultimate ownership of UK contact centres. However, we can make some observations from the ContactBabel database of 3,200 UK contact centres to which we have access:

The majority of UK contact centres are owned by UK businesses

Where businesses and contact centres are ultimately foreign-owned, the majority of owners are US-based

Banks, former building societies and airlines are most likely to be owned by foreign companies.

Utilities companies are likely to be owned by a larger holding company, which may be foreign-owned

A significant number of retailers and entertainment & leisure companies have owners with multinational connections, even if they are owned by UK companies

A large proportion of the very largest outsourcers have foreign owners. (There are seven Pan-European outsourcing companies operating in the UK).²⁴

The larger the contact centre is, the more likely it is to be owned by a non-UK organisation.

Multiple contact centres and consolidation

Half of UK businesses which have contact centre operations will have more than one site operation.

18% of contact centres are part of a group which runs at least five contact centres.²⁵

This means that consolidation of contact centres for the purposes of maximising economies of scale is a possibility for half of UK operations.

²³ Source: ContactBabel, "The UK Contact Centre Operational Review" (2003)

²⁴ Source: Datamonitor - "Call Centre Outsourcing in EMEA" (2003)

²⁵ Source: ContactBabel

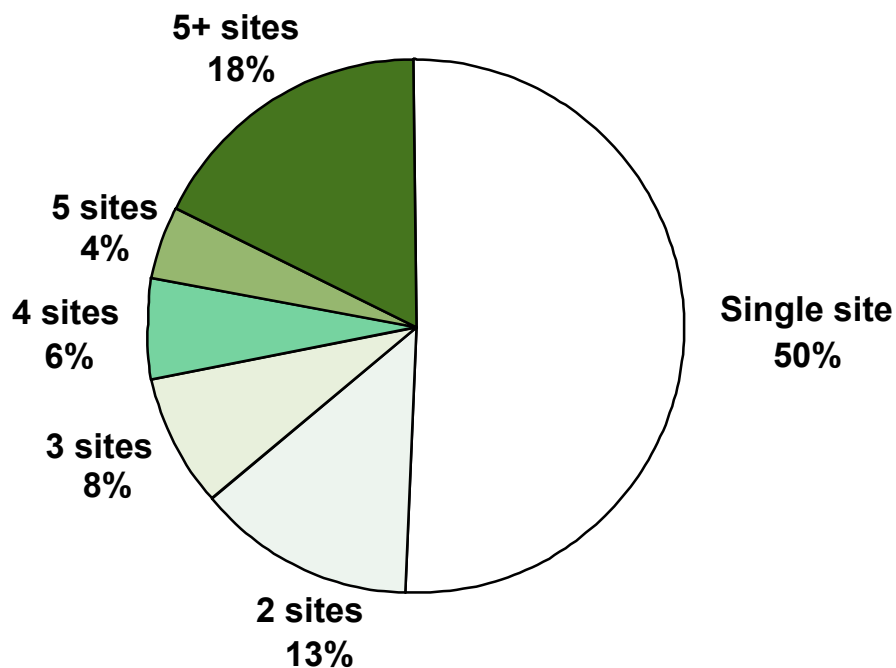
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There are arguments for and against consolidation:

Advantages of consolidation	Disadvantages of consolidation
Should provide economies of scale	Closure of contact centres impacts local economy and creates wider union pressure
Fewer management resources required	Can cause upheaval which lowers productivity
Helps to build new identity in cases of merger and acquisition	Smaller contact centres have lower staff attrition rates
Reduce telephony and technology costs associated with moving calls and data between sites	Large contact centres can suffer from problems with staff recruitment, especially in locations where other contact centres exist

Businesses which have multiple contact centres will look at consolidation at some point, especially as tenure contracts on specific sites come to an end, offering the possibility of closing the contact centre without paying penalty clauses. This can be a dangerous time for contact centre employees, as the possibility of offshoring is more likely to be raised when things are in flux.

Multisite contact centres



Source: ContactBabel

Table 43: Multisite contact centres

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No. of contact centres	% of businesses having this many contact centres
Single site	50%
2 contact centres	13%
3 contact centres	8%
4 contact centres	6%
5 contact centres	4%
5 or more contact centres	18%
Source: ContactBabel Note: rounding errors may occur Note: survey of 3,200 contact centres, December 2003	

Finance, response centres / outsourcers and telecoms are all large, well-established sectors in the UK's contact centre industry, and are much more likely than average to be part of a large group (more than 5) of contact centres, often as a result of acquisition.

Smaller contact centres, such as those in sectors like ISPs, legal services and consultancy are likely to need only one operation.

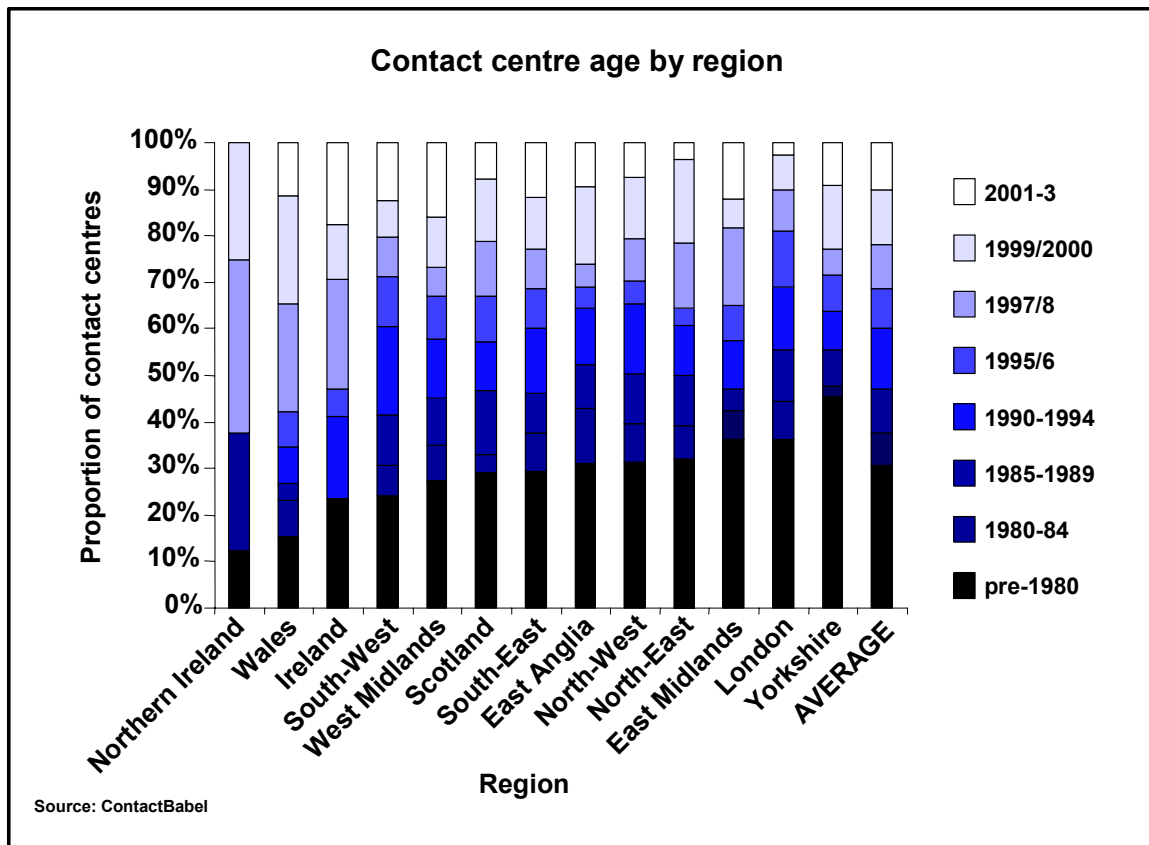
Contact centre age

The age of contact centres shown below can be a little deceptive, as small telephony operations may have existed for many decades before the larger 'typical' contact centre emerged. Such operations are likely to show up as being pre-1980s, and less emphasis should be placed on these.

We can speculate that an older contact centre is more likely to be run by a business with deep roots in the local area, and a hypothesis can be made that these types of contact centre are less likely to be attracted offshore. Contact centres which are very new (post-2000) seem also less likely to close down – they have rental contracts to honour and technology which is still relatively new and almost certainly still on the balance sheet.

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Those contact centres set up in the boom of the mid-to-late 1990s may be more vulnerable to offshore relocation. Such contact centres may be coming up to the end of the lease on their buildings, or have technology which needs updating or replacing. Those larger contact centres which were set up at this time are more likely to have been located where they are due to the cost differential present at the time. They may be based in areas with lots of other contact centres, making recruitment more difficult and pushing salaries up. An assumption can be made that, on average, these contact centres are more prone to being offshored than very new or very old ones.



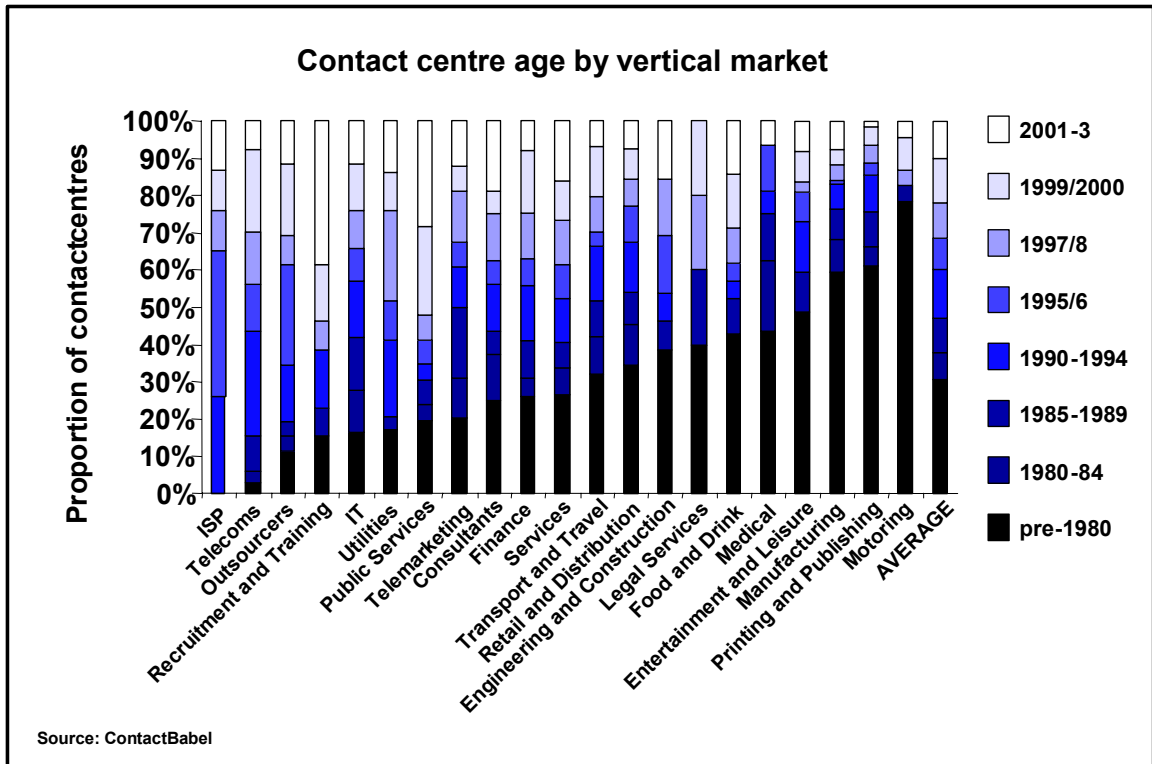
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Table 44: Contact centre age by region

Set-up year / Region	pre-1980	1980-1984	1985-1989	1990-1994	1995/1996	1997/1998	1999/2000	2001-2003	TOTAL
Northern Ireland	13%	0%	0%	0%	25%	38%	25%	0%	100%
Wales	15%	8%	4%	8%	8%	23%	23%	12%	100%
Ireland (as comparison)	24%	0%	0%	18%	6%	24%	12%	18%	100%
South-West	24%	7%	11%	19%	11%	9%	8%	13%	100%
West Midlands	28%	7%	10%	13%	9%	6%	11%	16%	100%
Scotland	29%	4%	14%	11%	10%	12%	14%	8%	100%
South-East	29%	8%	8%	14%	9%	8%	11%	12%	100%
East Anglia	31%	12%	10%	12%	5%	5%	17%	10%	100%
North-West	31%	8%	11%	15%	5%	9%	13%	7%	100%
North-East	32%	7%	11%	11%	4%	14%	18%	4%	100%
East Midlands	36%	6%	5%	11%	8%	17%	6%	12%	100%
London	36%	8%	11%	14%	12%	9%	7%	3%	100%
Yorkshire	45%	2%	8%	8%	8%	6%	14%	9%	100%
Average	31%	7%	9%	13%	9%	10%	12%	10%	100%
Source: ContactBabel									
Note: survey of 3,200 contact centres, December 2003									

Northern Ireland (88%) and Wales (66%) are the regions where the highest proportion of contact centres are new (built since 1995). The most developed region is London, where only 31% of contact centres are less than 8 years old.

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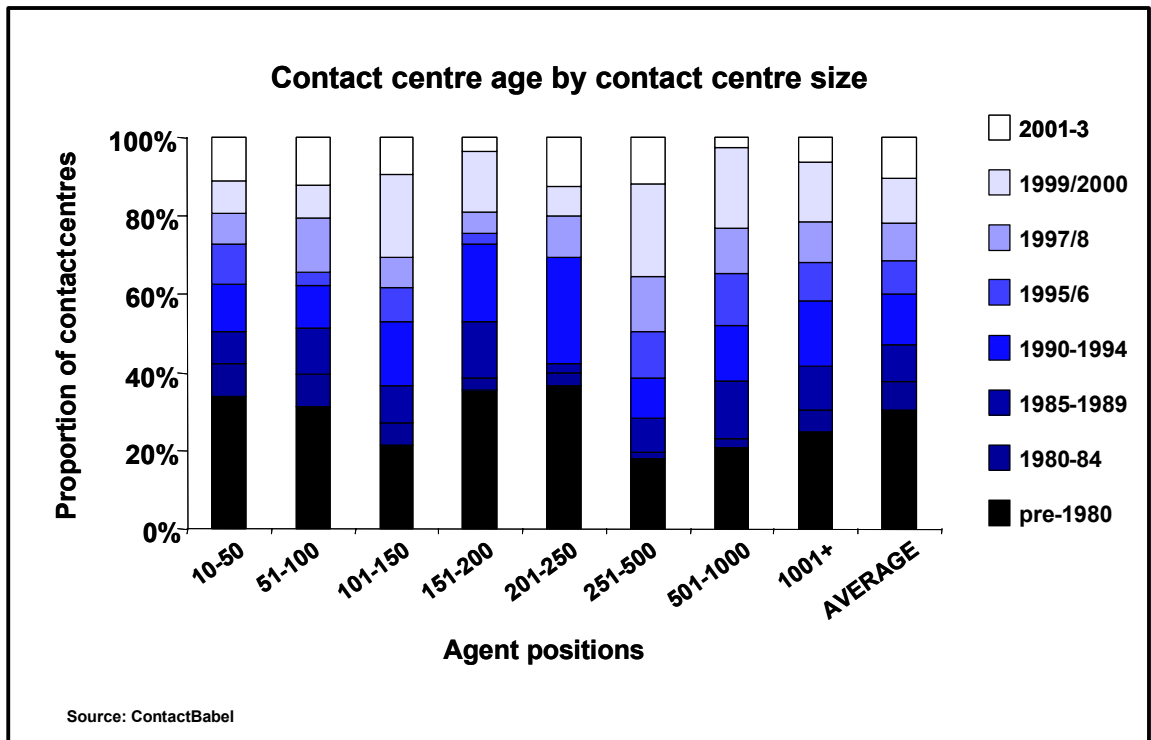
Table 45: Contact centre age by vertical market

Set-up year / Region	pre- 1980	1980- 1984	1985- 1989	1990- 1994	1995/ 1996	1997/ 1998	1999/ 2000	2001- 2003	TOTAL
ISP	0%	0%	0%	24%	41%	11%	11%	13%	100%
Telecoms	3%	3%	9%	28%	13%	14%	22%	8%	100%
Outsourcing	12%	4%	4%	15%	27%	8%	19%	12%	100%
Recruitment and Training	15%	0%	8%	15%	0%	8%	15%	38%	100%
IT	16%	11%	14%	15%	9%	10%	13%	11%	100%
Utilities	17%	0%	3%	21%	10%	24%	10%	14%	100%
Public Services	20%	4%	7%	4%	7%	7%	24%	28%	100%
Telemarketing	20%	11%	19%	11%	7%	14%	7%	12%	100%
Consultants	25%	13%	6%	13%	6%	13%	6%	19%	100%
Finance	26%	5%	10%	15%	7%	12%	17%	8%	100%
Services	27%	7%	7%	12%	9%	12%	10%	16%	100%
Transport and Travel	32%	10%	9%	14%	4%	9%	14%	7%	100%
Retail and Distribution	34%	11%	9%	14%	9%	7%	8%	7%	100%
Engineering and Construction	38%	0%	8%	8%	15%	15%	0%	15%	100%
Legal Services	40%	0%	20%	0%	0%	20%	20%	0%	100%
Food and Drink	43%	0%	10%	5%	5%	10%	14%	14%	100%
Medical	44%	19%	13%	6%	13%	0%	0%	6%	100%
Entertainment and Leisure	49%	0%	11%	14%	8%	3%	8%	8%	100%
Manufacturing	59%	9%	8%	7%	1%	4%	4%	8%	100%
Printing and Publishing	61%	5%	10%	10%	3%	5%	5%	2%	100%
Motoring	78%	4%	0%	0%	0%	4%	9%	4%	100%
Average	31%	7%	9%	13%	9%	10%	12%	10%	100%
Source: ContactBabel									
Note: the outsourcing sector has had telemarketing separated out to show the differences in when large full-service and smaller outbound operations were set up									
Note: survey of 3,200 contact centres, December 2003									

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The ISP (internet service provider) sector's contact centres are the newest, although 24% claim to have been set up before 1995 (perhaps their parent organisation – a telco or retailer, for example – had a call centre at this time). The deregulation of the telco industry and the massive growth of mobile telephony in the 1990s means the telecom sector's contact centres have the second-highest proportion of new contact centres.

Motoring organisations (often breakdown helplines or sales) have been in the UK for a long time, with 78% of contact centres in this sector being set up before 1980. Printing and publishing contact centres (often selling advertisement space outbound) have also done business by phone for a long time.



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Table 46: Contact centre age by size of contact centre

Set-up year / Agent positions	pre- 1980	1980- 1984	1985- 1989	1990- 1994	1995/ 1996	1997/ 1998	1999/ 2000	2001- 2003	TOTAL
10-50	34%	9%	8%	12%	10%	8%	9%	10%	100%
51-100	31%	8%	12%	11%	3%	14%	8%	11%	100%
101-150	21%	6%	9%	16%	10%	8%	21%	10%	100%
151-200	35%	3%	15%	20%	3%	5%	16%	3%	100%
201-250	38%	3%	3%	26%	0%	11%	8%	13%	100%
251-500	17%	1%	10%	12%	12%	13%	23%	11%	100%
501-1000	20%	3%	14%	14%	14%	11%	20%	4%	100%
1001+	25%	6%	12%	16%	10%	10%	15%	6%	100%
Total	31%	7%	9%	13%	9%	10%	12%	10%	100%
Source: ContactBabel									
Note: survey of 3,200 contact centres, December 2003									

A high proportion of large contact centres (251-1,000 seats) were set up in the mid-to-late 1990s. This size band of contact centre is more prone in any case to being considered for offshoring due to more easily recognised economies of scale.

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Summary

The outsourcing sector is the most dynamic, growing agent position numbers by 28% in 2003, with greater growth planned for 2004. Many UK outsourcers are developing offshore capacity to offer their clients as part of their portfolio.

UK contact centres are usually owned by UK organisations, although the larger the operation, the more likely it is to be owned by a non-UK organisation.

Half of UK businesses which have contact centre operations will have more than one site operation. This means that consolidation of contact centres for the purposes of maximising economies of scale is a possibility for half of UK operations.

Those contact centres set up in the boom of the mid-to-late 1990s may be more vulnerable to offshore relocation through expiring business leases, the need to upgrade technology or decreasing salary cost differentials. Additionally, recruitment in such areas may be more difficult.

These factors serve to strengthen the idea that there are specific types of contact centre which are much more vulnerable to offshoring: large contact centres (often part of a large, possibly-foreign-owned group) which were built in the mid-to-late 1990s in areas of high unemployment, especially in the financial services industry. Such operations are prime candidates for offshoring, and a considerable number with many of these characteristics are under threat now.

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4.4.7 Government support and involvement

Government support for the contact centre sector has usually extended to offering grants for UK and foreign businesses to set up operations in economically under-performing areas such as the North-East, Scotland and South Yorkshire. Such assistance is now less common – there are a decreasing number of areas in the UK which qualify for European aid, but financial assistance is now aimed more at improving staff skills, qualifications and training rather than for helping with capital expenditure or rent.

Due to the complexity of the process for grant applications, it could take businesses 1-2 months to put the proposal forward, and a further 3-4 months to find out if funding has been granted. This delay has been seen as an inhibitor by regional development agencies who point to the relative speed of decisions made in Ireland and India.

The VAT regime had allowed businesses to outsource without paying VAT in many cases, although the March 2004 Budget meant that partly-exempt VAT groups that have entered into joint venture arrangements with outsource providers are likely to be hardest hit by these new rules and may find that their arrangements are subject to VAT at 17.5% after 1 August 2004. Customs and Excise are also considering taxing services in the *customer's country*. Such a change would achieve taxation in the country of consumption, levelling the VAT playing field for call centre services. The VAT treatment would be the same irrespective of where the services were sourced. For example, a UK business buying in call centre services would be charged UK VAT whether its supplier was based in the UK, another member state or India. Moreover, a UK call centre would be able to supply its services free of UK VAT to businesses based outside the UK.²⁶

Organisations such as UKTI (UK Trade and Investment, formerly InvestUK) have helped to attract foreign inward investment (especially from US businesses wishing to establish a base within Europe), including contact centre work from non UK-owned companies such as Thomson Travel Group, Excell, Orange, National Australia Group and TSL.

However, sources within regional development agencies state that they believe the future of the contact centre industry within their region is more driven by improvements in the type of roles and skills, rather than in winning much new business. Some go so far as to state that a dispersal of low value jobs either offshore or through replacement by higher value contact centre work would be beneficial in the long-term to all.

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The role of regional development agencies in the contact centre industry has changed significantly, with many now wishing to retain and improve the contact centres they have now. This is a change from the late 1990s, when they were competing with each other and driving prices down, focusing businesses' deliberations on cost rather than quality. Actions like these run the risk of commoditising contact centre work, making it more prone to being offshored.

The Telephone Preference Service (TPS) is a central opt-out register whereby individuals can register their wish not to receive unsolicited sales and marketing telephone calls. It is a legal requirement that organisations do not make such calls to numbers registered on the TPS. The original legislation was introduced in May 1999. It has subsequently been updated and now the relevant legislation is the Privacy and Electronic (EC Directive) Regulations 2003. At the moment limited companies and PLCs cannot register their numbers on TPS. The Government has indicated that they will be publishing new Regulations later this year which will allow businesses to register their numbers.

Some suggestions made by interviewees in the government sector on how government at all levels could help to develop the contact centre industry include:

Provide a pre-employment package aimed at proving that applicants have the skills to do the job – most qualifications (e.g. NVQs) are done by people who have to be in a job first

Provide resources to careers offices and schools about the career pathway within customer care and telephone sales

Continue to focus upon core skills for customer care: verbal and written communication and IT being especially important

Provide aftercare for businesses who have been attracted to an area. Help them to form links with the local community to settle the business and decrease any recruitment problems

It is interesting to see how the Swedish contact centre industry is seen to have changed, and the help that the Swedish government has given to its industry, where subsidies are only offered to those organisations which meet certain labour standards, such as wages, hours, working conditions and are solely handed out to organisations hiring permanent staff. Unionisation, graduate jobs and a generous amount of personal space is reported to be becoming the norm.²⁷

²⁶ Paragraph Source: Customs and Excise

²⁷ Source: "Call centre outsourcing: It's just not an issue", Silicon.com February 11 2004 by Jo Best.

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Summary

Government support for the contact centre industry has generally been delivered at regional levels, through financial support for the setting-up of operations. As the number of new contact centres has dropped, the focus should now be on creating a commercial landscape to allow the industry to develop in the long-term, through improving skills and driving legislation aimed at supporting the future of the industry.

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4.4.8 The media's perspectives on contact centres

The contact centre or call centre has not had the easiest of rides from the national media. Perhaps the most famous description of the industry referred to some as being 'dark satanic mills'.

Other less-than-generous descriptions of the industry include 'customer service factories', 'the sweatshops of the twenty-first century' and 'battery sheds'. While it is true that some contact centres do still provide poor staff facilities and working conditions, many have striven to train and empower their staff and improve the standard of working environment.

Stories abound of the rigid working practices that some employers insist upon, such as agents having to put up their hands before being allowed a toilet break, and then being timed. Working practices such as these are the exception rather than the rule, but this image is prevalent and certainly has not helped the industry find high-calibre recruits.

The media has traditionally had a negative and jaundiced view of contact centres, only recently stirring itself to defend them against possible closure due to offshoring.

The media's view of the industry does matter. Business opinion and decisions and employee attitude and motivation is altered by what the media says about contact centres. Stakeholders such as government, businesses and the contact centres themselves should try to engage positively with the media and push positive successes and stories. However, it's important to remember:

There is little interest in a good, positive story

The media rarely looks to compliment

Opinion and comment can be positively managed with the media, but takes effort

In the end, it is almost impossible to remove customer dissatisfaction completely, as the ubiquity, high (and increasing) customer expectations and the challenges of managing a cost-controlled environment mount up, especially against a background of apathy and ignorance which contact centres experience from their wider organisations.

However, we should note that India's media is very interested in its contact centre industry. It is not always entirely complimentary, but most articles reflect (or create) the pride and determination to succeed and protect the sector that runs through the whole Indian contact centre industry.

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5 Factors impacting the UK contact centre industry

5.1 Human aspects

5.1.1 Skills and training

Skills today

It is vital that education and skills do not get mixed up. The Indian contact centre industry proudly points out that graduates are available for a fraction of the salary cost that a UK school-leaver would be paid, but the reality is that a degree makes no difference to how well most contact centre jobs are performed.

It is not thought that offshoring is connected to any skills gaps in the UK contact centre industry. Any skills requirements are caused (and can be alleviated) more effectively by workplace training and education in schools.

The key skills which employers consider essential in their staff are:²⁸

Verbal communication skills	–	95%
Interpersonal skills	–	81%
Keyboard skills	–	68%
Work experience in customer care	–	66%
Experience in telephone working	–	53%
Educational qualifications	–	43%

58% of contact centres take on new staff without the skills required to do the job; 83% of them said they could train the staff themselves. The most frequently-lacking skills include communications (35%), IT (27%), using contact centre systems (21%), and customer care ability (17%).²⁹

17% of contact centre staff had done a contact centre-related NVQ, the most common being the NVQ Level 2 in Call Handling. 71% of staff said they would like additional training, primarily induction training or a call handling-related NVQ.³⁰

²⁸ Source: The Merchants International Contact Centre Benchmarking Survey (2000)

²⁹ Source: The eSkills UK Contact Centre Survey (2003)

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The average agent receives 12 days training per year (including both internal and external), although this increases to 18 days per year for outbound operations.³¹

Away from vocational qualifications, core employees are typically educated to GCSE/'O' level standard; the majority of team leaders are educated to GCSE/'O' or 'A' level standard; and half of Call Centre Managers typically have degrees.³²

Table 47: Typical educational attainment

Type of Employee	% of contact centres reporting typical educational attainment		
	GCSE/'O' Level	'A' Level	Degree
Core Employees	77%	10%	13%
Team Leader/First-Line Supervisors	45%	33%	20%
Managers (i.e., above Team Leaders)	17%	27%	50%

Source: CCA/Sheffield University – “Human Resource Management in Call Centres” (2002) Holman and Wood

The following organisations are amongst those which provide accreditation and/or qualifications to those in the call and contact centre industry:

NVQ Awarding Bodies

Scottish Qualifications Authority

Institute of IT Training

The Institute of Management

The Institute of Direct Marketing

The Institute for Supervision and Management

The National Examining Board for Supervision and Management

Information Systems Examinations Board

Service and Support Professionals Association

The Chartered Institute of Bankers in Scotland

Edexcel

³⁰ Source: The eSkills UK Contact Centre Survey (2003)

³¹ Source: ContactBabel, “The UK Contact Centre Operational Review (2004)

³² Source: CCA/Sheffield University – “Human Resource Management in Call Centres” (2002) Holman and Wood

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Oxford, Cambridge and RSA (OCR) Universities

The Open University

Nottingham Trent University

University of Central Lancashire

Sunderland University

Anglia Polytechnic University

Liverpool John Moores University

CCA³³

The skills frameworks

There are several frameworks in place to develop and nurture best practice and skills development in the contact centre industry.

The CCA Standard Framework for Best Practice

The CCA Standard Framework for Best Practice is a unique, commercially neutral and annually reviewed process that establishes guidelines around organisation practices in areas including staff training, attrition, customer service and career progression. It includes an option to be independently assessed through the British Standards Institution to ensure Best Practice criteria are being met. The review involves a two or three day visit and takes around 12 weeks from the date a centre feels ready to go forward. Around 35 centres currently have this national accreditation and it has proved helpful and cost effective in attrition terms and for external promotion.

The Framework is monitored and kept relevant by a board of industry experts who have full control of its development. This is one of a number of standards available in the UK including those of the British Quality Foundation, ISO 9000 and Investors in People. It is the most relevant to customer contact centres, having been designed specifically as an operational standard for that medium. The Standard is already used by a significant proportion of the UK industry as a sense check on their contact centre and the processes in place to ensure it is running efficiently. Covering twenty-five key areas of activity but not setting or suggesting targets (an organisational responsibility) the Standard focuses on delivery through people. It is a framework for excellence and therefore has been used within the private and public sectors in constructing the model call centre and its supporting activities.

³³ Source: CCA and DFES, 2001: "An Investigation of the Skills Level in the Industry and of Training Requirements"; additions by ContactBabel

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Portable Professional Qualifications

Through its Professional Qualifications Awards Programme CCA offers access to supported training and industry recognised qualifications. It provides a climbing wall of knowledge designed to give access at all levels to improved professionalism within contact centres. Through its support for selected courses and through endorsement of the E-skills framework CCA seeks to bring a level of clarity to UK qualifications and training. Training generally within UK is a complicated area and CCA intends to simplify routes to qualification through the clarity of its open access programming and to provide portable qualifications recognised throughout the profession. In addition, a web based assessment process is being developed which will lead to the nationally recognised Professional Certificate qualification

CCA is developing further its existing support process to identify suitable externally provided courses and accredit training provided in-company. Within the framework, a universally recognised Professional Qualification can be achieved through the Contact Centre Professional Programme. CCA approved courses will earn Continuing Professional Development points to progress holders of the CCA Professional Certificate to Diploma level. Many CCA supported courses also earn university credit points that can accumulate towards a Degree or other university qualification. The CCA web based assessment process, available soon, is intended for training, which is either not assessed at all or assessed in a manner which does not meet CCA requirements and will enable candidates to evidence learning through independent assessment.

CCA recognise that there is a need to identify learning that supports building a profession. This therefore is a process that will continue to be developed as needs are identified. CCA is currently seeking to build CCA supported learning in four groupings:

Courses, which already carry accreditation by an appropriate awarding body. These would generally provide quality and maintenance processes approved to a university or Qualifications Authority standard. Courses in this category would be endorsed by CCA as suitable for development of contact centre employees.

Courses for which the content, delivery and support processes have been reviewed as satisfactory by CCA and which are considered to support the CCA Standard operational framework. Such courses would be approved by CCA.

In Company training courses which can be mapped across to the CCA Professional Certificate or Diploma at agent level will be accredited by CCA.

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For courses, which fall outside of the above definitions, or for which CCA support has not been sought directly CCA will provide a web based assessment process in which success in assessment will be rewarded with the CCA Contact Centre Professional Certificate in the first instance.

The Professional Certificate is targeted at agent level and is an entry-level qualification. Subsequent progress is through continuing professional development to the Diploma and on to university level qualifications if that is required. There is a range of training options from vetted providers also available.

E-Skills Framework

The Career and Skills Framework identifies a comprehensive set of contact centre competencies linked to role and career routes of a contact centre professional. It highlights the competencies required to deliver exceptional customer service, acquire and retain customers, and manage effective contact centre operations.

The Framework offers practical support to contact centre employers in developing the multi-skilled, technology literate contact centre professional of the future. The intention is to help employers build a talented and professional contact centre workforce able to add value to each customer interaction across multiple channels and products.

The competency framework allows employers to view any gaps in their abilities and to organise the right training. At the highest level, these are made up of:

- Customer care
- Service delivery
- Market to customer
- Acquire customer
- Forecasting and scheduling
- People management
- Quality management
- Environment, health and safety
- Operations and planning
- Using technology
- Using contact centre systems
- Communication skills
- Professional skills
- Personal aptitudes

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These top-level skills are further broken down into 63 sub-categories, each with an estimate of the skill level which a role might require.

Central to the qualifications aimed at contact centre staff is the National Occupational Standard, which is a description of what someone should be able to do at that level. NVQs actually demonstrate these skills in practice. eSkills UK also offer a skills audit for prospective employees to identify their needs for training, which can then be satisfied by government-funded training courses.

British Quality Foundation

The British Quality Foundation (BQF) is Europe's largest corporate membership organisation promoting performance improvement and excellence.

The Foundation promotes business excellence through numerous activities, but at the core of all the programmes is the Excellence Model. Thousands of organisations in the UK now use this Model to plan their improvements and monitor progress through regular self assessment.

The nine elements of the Model have been identified as the key components of business excellence. These have been verified by extensive research and the Model has been validated by several hundred organisations throughout Europe.

The Enablers are concerned with what is done to run the organisation and how it is operated.

The Results are concerned with what the organisation has achieved and is achieving as seen by the stakeholders i.e. customers, employees, the community and those who fund the organisation.

The Excellence Model, which is an overarching framework under which all improvement activities and initiatives fit, is based on the following premise:

Customer Results, People Results and Corporate Social Responsibility are achieved through Leadership driving Policy and Strategy, People, Partnerships and Resources leading ultimately to excellence in Key Performance Results

International Organisation for Standardisation

ISO is a network of the national standards institutes of 148 countries, on the basis of one member per country, with a Central Secretariat in Geneva, Switzerland, that coordinates the system.

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ISO is a non-governmental organization: its members are not, as is the case in the United Nations system, delegations of national governments. Nevertheless, ISO occupies a special position between the public and private sectors. This is because, on the one hand, many of its member institutes are part of the governmental structure of their countries, or are mandated by their government. On the other hand, other members have their roots uniquely in the private sector, having been set up by national partnerships of industry associations.

Therefore, ISO is able to act as a bridging organization in which a consensus can be reached on solutions that meet both the requirements of business and the broader needs of society, such as the needs of stakeholder groups like consumers and users.

Investors in People

Investors in People is a national quality standard which sets a level of good practice for improving an organisation's performance through its people.

Since 1991 tens of thousands of UK employers, employing millions of people, have become involved with the Standard and know the benefits of being an 'Investor in People'. With the continued growth and up take of the Standard in the UK, international interest has been stimulated and continues to grow.

The way forward

Many contributors to this report believe that the way forward for the UK contact centre industry is to improve the general level of skills which UK agents hold, in order to focus upon the work with the greatest need for skilled staff: complex interactions and those which require a high level of empathy and knowledge.

It was suggested that the level of "experienced agent" should be recognised as an end in itself, rather than as a stepping-stone to team leader and thus to management.

It seems that employers are asking for basic skills (communication, IT) and personal aptitudes (understanding of customer requirements and empathy) rather than contact centre-specific skills. For outbound calls, the most important attributes for an agent to demonstrate were clarity, professionalism and friendliness. Being pushy, reading from a script and insincerity were the worst attributes.³⁴

³⁴ (Source: The Henley Centre, "Outbound Teleculture").

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At the moment, many employers prefer to offer their own in-house courses, rather than send staff on external courses. As well as improving the relevance and accessibility of external courses, it may be desirable to channel funding to in-house courses which match or exceed the required standards.

It is expected that NVQs will become more modular and specific to tasks or industries (e.g. adding pieces such as compliance to courses aimed at financial services agents).

In most businesses, there is a disconnect between the contact centre and the wider business which is negative for both the contact centre and the aims of the whole organisation. Agents who understand the role they play within the wider enterprise will be more likely to act in a way which supports the organisation's strategy. As they move up through the ranks, their knowledge of the business outside the contact centre should allow some to move into the wider business, while retaining their knowledge of the use and potential that the contact centre has. As such people move into positions of influence, they will have a more realistic understanding of how the contact centre can be used for improving the wider business, helping both the contact centre and the business reach their potential.

It would be interesting to see how the industry would develop if all management joiners on graduate training schemes were to work for six months in the contact centre before moving into the wider business. It would be akin to the old idea of the boss's son working on the factory floor, or fast-track police graduates walking the beat before they specialise.

Many interested parties have mentioned the need for pre-job qualifications – NVQs are only available to people already in work, and as they are there to prove what the employee already knows, some employers see them as simply making their staff more prone to being poached by other contact centres without teaching the agent anything new.

Pre-job qualifications such as the NCFE Certificate in Call Handling Level 1 have recently been launched with a view to extending them nationwide through JobCentre Plus. They can be delivered through approved private training providers via LSC, or through HE establishments. While JobCentre Plus can presently offer some soft skills training, as a non-specialist, it does not know exactly what contact centres need.

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There is also widespread concern that qualifications and training stop after team leader level, leaving senior supervisory and management positions almost unsupported. This risks poor performance extending through the sector, especially from staff who have risen through the ranks but do not have the support to learn about techniques and purposes of management. There is some work being done by eSkills UK on developing foundation degrees in Customer Management (being delivered at UCLAN, Thames Valley and Sunderland Universities), but NVQs do not count towards being accepted onto a degree course.

(An interesting aside is that it has been indicated that the majority of attendees on a call centre degrees course at Nottingham Trent University are Indian – in the UK to get relevant qualifications and experience before going back to India to spread their skills and knowledge).

Finally, a lateral-thinking idea for improving skills gaps in IT as well as contact centres³⁵ is that UK citizens (for example, new graduates who are most likely to want to travel) could work in countries such as India and Malaysia as contact centre or IT personnel to fund their travel experience. The workers would improve their IT and commercial skills and return to the UK with significant and useful work experience. (eBookers and Tecnovate do something similar to get European language capabilities by offering 12-month placements to foreign nationals who wish to reside in India. They are provided housing and travel opportunities, but are paid only local wages).

Summary

Education and skills should not be mixed up. A university degree is not a necessary prerequisite for most contact centre work, and may not even be desirable.

Verbal communication and interpersonal skills are rated by employers as by far the most important abilities for contact centre staff to have, yet are also the ones most lacked. Many employers are happy to take on staff and teach them 'hard' skills (such as IT, systems and product training), but cannot do the same with 'soft' skills, which need to emerge from the educational system.

The need for more training is widely-felt, and although some detailed skills and qualifications frameworks have been put in place recently, the industry needs to be encouraged and educated in how best to use them. Some businesses do not support qualifications which prove – rather than develop – employees' skills, as they fear that these only make the employee more attractive to other organisations.

³⁵ Source: David Wheeler of the Focus Group

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5.1.2 Recruitment – Best Practice

According to the CCA Standard for Best Practice, a key element of best practice application is the culture in which policies are applied. Culture is the bedrock on which successful best practice is founded. It is fundamental that organisations will develop what they consider to be best practice but efforts can be undermined if attitudes are wrong.

As an absolute minimum a legally-compliant recruitment policy must exist by taking account of and applying all legislation relating to the employment of people. In its simplest form a recruitment policy is a statement of the options available for employing people, plus standardised employment documentation including contracts and a schedule of contract terms and conditions which may be applied.

There must also be a commitment to provide an honest forecast of potential for progression or development since flat structures, potentially repetitive tasks, rotas, some pressure and some stress do not differentiate the contact centre industry. These conditions exist in abundance elsewhere. It is essential though that recruits know what to expect and particularly essential that no false expectations are raised. It is suggested that, in part, false expectations are one source of high attrition and as such, best practice would say that a true picture should be presented to new people. There is sometimes no suggestion that the future is other than bright.

For established staff, performance review should identify the real chances of progression or development based on displayed skills. It is common to confuse progression with promotion. In this setting progression could be a move to a more interesting, demanding or challenging role or to a role where promotion potential is greater. It could mean a move to a different area of the call and contact centre but need not mean promotion. Promotion is simply a move up the scale in terms of grade or level or title, and is usually - but not always - accompanied by a salary increase.

Finally, development should mean development for progression or even promotion. People do not universally wish to progress but those who wish to do so and have the ability should be given the opportunity. Those who clearly do not have the ability in a particular role may have talents which lie elsewhere but no false expectations should be given.

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A development planning process should be in place covering all employees, meaning there should be a process which fulfils at least four major objectives. At some levels the process need not be formal but it should be documented. For example it may be possible to informally assess temporary staff against requirements for a more permanent role:

It should identify and equip people with the skills which will help them to become more proficient at the job they do.

It should identify people with potential for progression and/or promotion and equip them for the next role.

It should identify people with no potential but who are doing a good job at their existing level or who are satisfied in their present role and provide the motivation for their continued satisfaction.

It should identify people who are unsuited to the role and deal with them in accordance with employment legislation and organisational policy.

Having dealt with recruitment and progression, culture needs to provide parameters which are clear and are understood by staff. Measures should be set for attrition and attendance and plans must be in place to achieve or maintain these. There may be a single plan focused on one or other or both of these areas or there may be parts of other activities within the call and contact centre which address these issues and could, if collected together, represent a plan. The issue is, an acceptable level of attrition and attendance should be decided and tracked and work done to achieve desired levels.

Benefit and Welfare processes may vary between individuals and organisations. Generally these would represent an in-kind supplement to income or access to medical or social benefits such as debt counselling and can form a key part of a best practice culture. Where such benefits exist, there should be a process for ensuring that new and existing employees are aware that access is available.

Rotas are often an area of potential concern for staff. These are shift patterns or other terminology which describe the function allowing the contact centre to operate for periods in excess of or outside of normal business hours. The rationale for rotas and their application should be communicated to and understood by all staff in support of a best practice culture.

Thus, a focus on the softer as well as the more practical elements of best practice application is required for a centre to achieve complete satisfaction.

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5.1.3 Labour dynamics

This section looks at certain factors and indicators concerning the movement and scale of employment in the contact centre industry which have not been covered elsewhere, in order to provide a fuller picture of the most important element in contact centre work: people.

Clustering

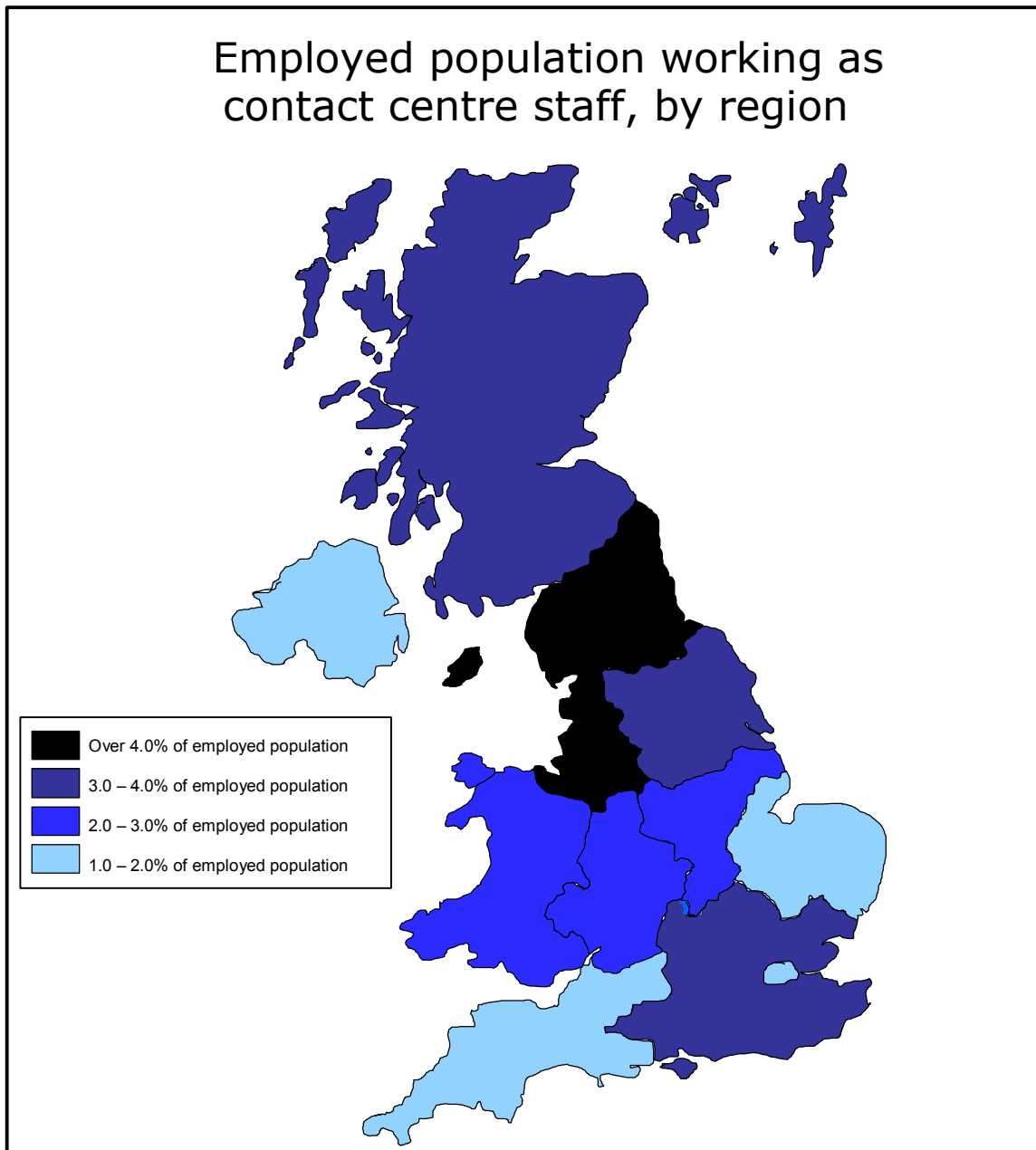
Contact centre clustering is a feature of the industry: what makes an area attractive for one contact centre will often make it a magnet for others. Additionally, the presence of one or more significant contact centres will sometimes be enough to get a specific area onto a shortlist of possible locations, the theory being, “if the area is attractive for them, it must be for us too”.

Factors such as good transport and telecoms infrastructure, a wide selection of suitable buildings and low cost and plentiful labour attract organisations looking to set up contact centres. When inducements such as tax breaks and grants are being offered too, clusters of contact centres can be found in specific areas. Examples include the Dearne Valley in South Yorkshire and Doxford International in Sunderland.

This increases the flexibility of labour movement, where agent can sometimes literally just cross the road to another contact centre for a small increase in salary. This puts pressure on salaries and attrition, leading to increased costs and decreased standards of work. This is particularly the case in city centre locations, where contact centres have to compete not only with other contact centres, but also with non-contact centre businesses located in the same area.

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Working population employed in contact centres



Both the North-West and North-East have over 4% of their employed populations working in the contact centre industry, with Scotland and Yorkshire both having over 3.9% of their employees in contact centres.

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The contact centre industry is least important to East Anglia, London, the South-West and Northern Ireland.³⁶

Table 48: Contact centre employment by region

Region	Actual workers employed in contact centres	Total in employment (000s)	Contact centre staff as % of employed population
East Anglia	30,376	1,812	1.68%
East Midlands	47,313	2,012	2.35%
London	47,755	3,435	1.39%
North-East	47,466	1,101	4.31%
Northern Ireland	13,351	741	1.80%
North-West	129,524	3,043	4.26%
Scotland	92,925	2,373	3.92%
South-East	152,143	5,024	3.03%
South-West	40,093	2,388	1.68%
Wales	26,935	1,265	2.13%
West Midlands	69,653	2,447	2.85%
Yorkshire	93,271	2,335	3.99%
Total	790,806	27,976	2.83%
Source: ContactBabel			
Note: "South-East" does not include London as London is addressed separately			

It is interesting to examine the importance of the contact centre industry to a region by comparing the number of people working in the contact centre industry to the actual number of employed people. To get the figure for actual contact centre workers, the figure for agent positions is multiplied by 1.6. This means that, on average, for every 10 seats a contact centre has, 16 people will be employed.

³⁶ Source: ContactBabel

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This number factors in management, supervision, IT support, and part-time or shift-working, and is based upon typical UK contact centre employment demographics.³⁷

Employed population per region is based on 2003 figures from the Office of National Statistics – (www.statistics.gov.uk), focusing upon those who are actually economically active and in employment. We believe this gives a clearer and more realistic picture of the important of contact centres to UK employment.

Areas which suffered the most through the decline of heavy industry, shipbuilding and mining throughout the 1980s and 1990s (Scotland, the North-East, South Wales and parts of the North-West and Yorkshire) have mobilised their previously-hidden female workforce and seized the opportunities that contact centres have brought. These are now amongst the most vulnerable to the nascent offshore outsourcing industry, due to the number of very large contact centre operations which (in the main) were originally encouraged to move there with the promises of grants and cheap labour. Now these labour cost advantages have moved offshore, leaving these contact centres in a precarious situation.

Factors influencing contact centre location today

A BT eLocations/CCA report, “*Town and Country: Changing Views on UK Call Centre Location Types*” explored the attitudes and motivations behind the location of 100 UK call centres. The results show how much UK organisations have moved away from just chasing cheap labour and grants, and reveal a more mature attitude to sustainable contact centre growth.

Accessibility for staff, whether via private or public transport, scored the highest with respondents, many of whom have explained that without the means to get the necessary numbers of staff to and from the location with a minimum of fuss, a call centre simply cannot succeed.

A good quality of life was also important. This does not just mean locating in the countryside, although many interviewees mentioned their personal wish to do this: a short, stress-free commute, an ergonomically-designed working environment and the often-quoted “relaxing atmosphere” were suggested as providing a good quality of working life.

³⁷ Source: ContactBabel

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This links in with the next most-desired factor: suitable buildings, which add enormously to desirable working environments. By “suitable”, respondents most often mention scalability, easily accessible IT and telecoms infrastructure, natural light sources, a feeling of space, adequate parking for staff and ergonomic design. Often, the phrase “purpose-built” implies these factors having been pulled together.

A highly-skilled labour pool and low staff attrition come next in desirability. They are perhaps rated lower than some other factors because the call centre has some influence over them. By contrast, public transport and good road links are external to the operation, and cannot be added or improved by the call centre itself.

While important, a good telecoms infrastructure should by now be a UK contact centre birthright. Strides have been taken in many rural locations which now support isolated contact centres, and there are many excellent working examples of this.

Cheap rent is still something to be aimed for, but respondents had a realistic view that you get what you pay for. The more popular goal is value for money, rather than simply the lowest cost.

It is very interesting to note that what conventional wisdom would have us believe are still the critical factors in choosing call centre location – high unemployment, an untapped labour market, low salaries and grants and support – were ranked lowest by respondents. In case any further evidence were needed that the UK contact centre market has changed, this is it.

The respondents to this survey did not see their call centres as being cost-obsessed, cheap options, a mantle which the media so often thrusts upon the industry as a whole, which admittedly has been true in the past and is perhaps still present in some old-fashioned operations today.

Contact centres now compete for the same scarce resources: skilled staff, suitable buildings, and accessibility to markets and labour pools. The answers provided by the respondents to this particular question show that they are very aware of the reality of contact centres today: the three most important factors now involve making it easier and more pleasant for staff to work in their call centres - employee-centric factors.

The least important factors are old-fashioned and employer-centric: lots of cheap labour and handouts. It is now the case that in many cases, the contact centres are chasing the workers, rather than the other way around.

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Summary

The contact centre industry becomes more important to local economies the further north one goes, although there are pockets outside the North where contact centres are vital to the local economy (South Wales in particular). In large part, contact centres are important in areas where there was high unemployment in the 1990s, when organisations were encouraged and aided to set up contact centres in these less well-off areas, which are now most vulnerable to offshoring.

City centres and business parks are the most likely types of area to find contact centres, especially large ones, although some leading operators very successfully manage to run large operations in rural areas. As time has moved on and contact centres have become more sophisticated, factors such as grants and unemployment have become less important. Staff accessibility, suitable buildings and a good pool of skilled, low-attrition staff has become more important.

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5.1.4 Customer attitudes to offshoring

The case can be made that the greatest influence on the impact and scale that contact centre offshoring will have on the UK's industry is in the hands of the consumer. Put simply, if UK consumers abandoned businesses which offshored customer care, then there would be no way that offshoring could be successful, because the lost revenues from the departed customers could more than outweigh cost savings from agent salaries, thus decreasing profits.

But is this really likely to happen? After all, the UK consumer did little to stem the movement offshore of the country's manufacturing or textiles industries. There is a difference: with manufacturing, the UK consumer got quick payback in the form of cheaper goods. With offshore customer service, they presently receive little or no discernable advantages, and many surveys indicate that customers believe service to be worse from offshore than it is in the UK.

Generally, there is a negative feeling about offshoring, which may not be based on actual experience:

- 47% of UK consumers felt more negative about organisations which offshored³⁸

But those which have actually talked with offshore contact centres generally prefer UK operations:

- 73% of customers who have dealt with an offshore contact centre found them worse than the UK³⁹

Customers seem to wish to know whether they are dealing with an offshore or UK contact centre:

- 79% thought that they should be told whether customer service was being delivered from an offshore location⁴⁰
- 69% want to know if they are being called from, or calling to an offshore location⁴¹

Customers state that offshoring is a factor they consider when deciding which supplier to use:

- 63% of UK consumers would take contact centre employment migration into account when making purchasing decisions⁴²

³⁸ Source: ContactBabel, "Elective Offshoring", unpublished as of March 2004

³⁹ Source: ContactBabel, "Elective Offshoring", unpublished as of March 2004

⁴⁰ Source: Amicus / Performance House, (2003)

⁴¹ Source: ContactBabel, "Elective Offshoring", unpublished as of March 2004

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- 10% of consumers said that they changed supplier in the past 12 months mainly because of offshoring and 26% say they will change suppliers in the next 12 months⁴³

There is confusion as to whether consumers actually mind from where they are being communicated with:

- two-thirds of people did not mind where their calls were handled as long as they were done properly⁴⁴
- 26% did not mind speaking with offshore agents⁴⁵

However, only 37% of UK customers have knowingly dealt with an offshore contact centre⁴⁶, so much of the negative feeling seems to be driven by circumstances which have nothing at all to do with the quality of the service they have received from offshore contact centres.

The broad pattern seems to be that UK consumers are generally unhappy about offshoring, although this is based on feelings other than experience. A survey in 12 months' time will need to be undertaken to see how many of those 26% who now plan to move from the offshoring organisations actually did so.

Summary

Generally, UK consumers have a negative attitude towards offshoring, although most admit to not having experienced it themselves. A significant minority have either moved or plan to move suppliers away from those organisations which provide offshore customer service.

Although there are many surveys available on customer attitudes to offshoring, questions can be leading depending on the agenda that the survey sponsor holds. Only a robust and ongoing survey of customers' actions can provide real insight into whether offshoring is succeeding or failing.

⁴² Source: Amicus / Performance House, (2003)

⁴³ Source: ContactBabel, "Elective Offshoring", unpublished as of March 2004

⁴⁴ Source: MORI survey for the Gauteng Economic Development Agency (GEDA) of South Africa

⁴⁵ Source: Amicus/Performance House

⁴⁶ Source: ContactBabel, "Elective Offshoring", unpublished as of March 2004

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5.1.5 Staff attrition rates

Annual attrition (generally defined as the number of agents who leave within a 12-month period of time, taken as a proportion of the workforce who were employed in the contact centre at the beginning of the 12-month period) is generally seen as being a particular problem for the contact centre industry. While some large, high-profile contact centres certainly experience major turnover, most contact centres seem to have attrition under control. This is positive and needs to be maintained, as quite apart from the cost of recruitment and induction training, new starters have been found to have only 16% of the productivity of an experienced agent.⁴⁷

CCA/IRS 2003 found that labour turnover is running at 18% amongst private sector call centres and just under 9% amongst those in the public and voluntary sectors. Median staff turnover is therefore 15%. Staff turnover is highest in telecoms and information technology sectors and the banking and financial services sector.

In comparison, CCA/IRS 2002 found the median turnover rate from the sample was 24%. A fifth of employers said their attrition rate had risen in the past year, but the rest reported that it was static or had decreased. This would seem to indicate that staff attrition is becoming less of an issue for most contact centres.

By contrast, a 2002 report by CCA and Sheffield University's Institute of Work Psychology found that average labour turnover was 13%. For 50% of call centres the rate was 8% or below. In the 10% of call centres with highest attrition rates, they ranged from 28% to 82%.

Incomes Data Services' *"Pay and Conditions in UK Call Centres, 2003"* found staff attrition rates of 25.1%, highest in the retail and transport sectors, lowest in the public sectors. Pay is identified by 46% of respondents as the key factor, with the intensity of work seen as a cause by 42% of organisations.

A ContactBabel survey (*"The UK Contact Centre Operational Review"*) of 290 contact centre managers and directors in December 2003 found the following:

Attrition rates change as different factors are considered:

Market sector: outsourcers show an annual agent attrition of 35.7%, by comparison with IT at 8.6%, with the mean average at 14.5%

Regional: Scotland fares worst with a mean of 19.7%, while the North East is best at 7.8%

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Size: in the 100-250 person operations the average is 20.5% and in 10 – 25 person operation it is 10.6%

Activity: attrition in a sales function runs at 28.4%, while helpdesk operations experience attrition rates of 8.1% p.a.

Salary: new agents in centres with a sub-10% attrition rate are paid on average 16% (over £2,000) more than those in centres with a staff attrition rate of 30+%.

Each of these issues must be understood in depth, in order to control and reduce attrition rates.

We can conclude from this that staff attrition does not seem to be a problem for most contact centres. An annual staff turnover of 10-20% seems to be the case for the majority of operations, although attention must be drawn to the small proportion of (often high-profile) operations which suffer damagingly-high attrition rates.

Generally these days there are sufficient opportunities for agents to move around. In regions where there are numerous contact centres, they will have little difficulty in securing new employment, particularly if they have taken advantage of all available training. Only in areas with higher unemployment might we see a more static call centre environment.

Pressure to perform is another important factor. If targets are reasonable and properly explained, then agents have a better chance of being successful. If management pressure becomes unreasonable, for example due to lack of planning or their own inadequate people skills, then staff will not stick around.

Everything else apart, possibly the main reason staff leave is for more money. It is vital that contact centre managers keep abreast of what the local competition is paying, because this may directly impact their attrition rates.

Interestingly, management attrition is less likely to be caused by salary levels and more by their ability to influence the decision-making process within the contact centre and in a wider business arena.

The majority of UK contact centres do not have problems with staff attrition rates, the median being only 10% p.a. Merchants Group describes a 10% attrition rate as being “acceptable and may be healthy to ensure an injection of vitality”.⁴⁸

⁴⁷ Source: Data Vantage, “Dial Skills for Success”

⁴⁸ Source: The International Call Centre Benchmarking Report (2000)

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However, this figure hides the severe problems a small proportion of contact centres have with attrition. As the following figures will show, large contact centres have, on average, double the staff attrition rates of smaller operations, which of course indicates that this is more of a major issue within the industry than the figures above suggest. One of the reasons that conventional wisdom has it that the industry suffers from high staff attrition, is that it is the large, high-profile contact centres in the main who are suffering worst from it.

Table 49: Annual agent attrition rate by vertical market

Vertical market	Mean
Outsourcing	35.7%
Telecoms	15.3%
Transport and Travel	12.9%
Retail and Distribution	12.7%
Finance	11.5%
Utilities	10.4%
Public Services	9.8%
IT	8.6%
All contact centres	14.5%
Source: ContactBabel	

The outsourcing sector has staff attrition rates far in excess of any other sector, certainly driven in part by the campaign-based nature of much of the business. This sector pays agents least, and often deals in work which is proven to increase staff attrition: high-volume, outbound cold calling on a dialler.

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Table 50: Annual agent attrition rate by region

Region	Mean annual agent attrition rate (%)
Scotland	19.7%
London	18.3%
Northern Ireland	16.7%
South-West	16.3%
North-West	15.9%
Yorkshire	15.1%
West Midlands	14.1%
South-East	14.1%
East Anglia	13.7%
Wales	10.1%
East Midlands	9.7%
North-East	7.8%
All contact centres	14.5%
Source: ContactBabel	

There is no real pattern to the staff attrition rates we see here. The contact centre industries in Scotland and the North-East are similar in structure (lots of very large operations which settled in the regions due to cost differentials), but occupy the opposite ends of the staff attrition scale.

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Table 51: Annual agent attrition rate by contact centre size

Agent positions	Mean annual agent attrition rate (%)
10 to 25	10.6%
26 to 50	10.4%
51 to 100	17.0%
101 to 250	20.5%
251+	18.1%
All contact centres	14.5%
Source: ContactBabel	

Larger contact centres tend to have higher staff attrition rates. The reasons for this are not fully understood, but may have to do with a flat structure holding ambitious staff back; a likelihood of the contact centres being based in locations where there is alternative employment and difficulties with the effective management of operations over a certain size.

Table 52: Annual agent attrition rate by contact centre activity

Activity	Mean annual agent attrition rate (%)
Helpdesk	8.1%
Mix	12.2%
Sales	28.4%
Service	11.2%
All contact centres	14.5%
Source: ContactBabel	

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Sales-orientated contact centres have the highest staff attrition rates, as employees are under pressure to make targets. The stress of these jobs, coupled with the likelihood of working under efficiency-enhancing technologies such as diallers means that voluntary attrition is likely to be higher. Coupled with this, termination of contract due to underperformance is likelier in a sales environment than in a service scenario.

Table 53: Annual agent attrition rate and the use of outbound technology

Outbound technology employed	Mean annual agent attrition rate (%)
Uses outbound technology	17.0%
Do not use outbound technology	13.0%
Predictive dialler	25%
Preview dialler	10%
Progressive dialler	9%
Source: ContactBabel	

Following from the comments made about sales attrition rates, the correlation between predictive diallers and high attrition must be noted. Predictive diallers push calls through to agents extremely rapidly, offering management the option to increase the numbers of calls made. This comes at a cost: staff attrition is much higher than in non-predictive dialler situations. However, preview and progressive diallers – less aggressive ways to increase call throughput – seem to be linked with lower staff attrition rates, as staff make more live contacts without being exhausted.

Table 54: Annual agent attrition rate and new agent salary

Mean annual agent attrition rate (%)	New agent salary (mean average)
<10%	£14,598
10 to 20%	£14,343
20 to 30%	£12,660
Over 30%	£12,581
Source: ContactBabel	

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Not unexpectedly, there is a positive link between higher salaries and low staff attrition.

Management attrition rates

Management attrition rates tend to be much lower than agent rates, with a mean average of 6.6% per year.⁴⁹ Few operations have high management attrition rates.

Summary

Although high staff attrition is seen as a major issue for the UK contact centre industry in general, for most contact centres it is at manageable levels. There are certainly instances where attrition rates are a major problem: large, city-centre-based operations with a high proportion of outbound sales often suffer most. High staff attrition is linked closely to low pay and a high intensity of work (often through repetitive calls, or working on a predictive dialler).

It should be noted that those contact centres suffering the highest staff attrition rates are often ones with the highest risk of being offshored. The scale of the operation, linked with the primary drive to keep costs low and efficiency high means that high staff attrition levels are more likely; contact centre operators with these motivations are more likely to be looking at new ways to cut costs, often through offshoring.

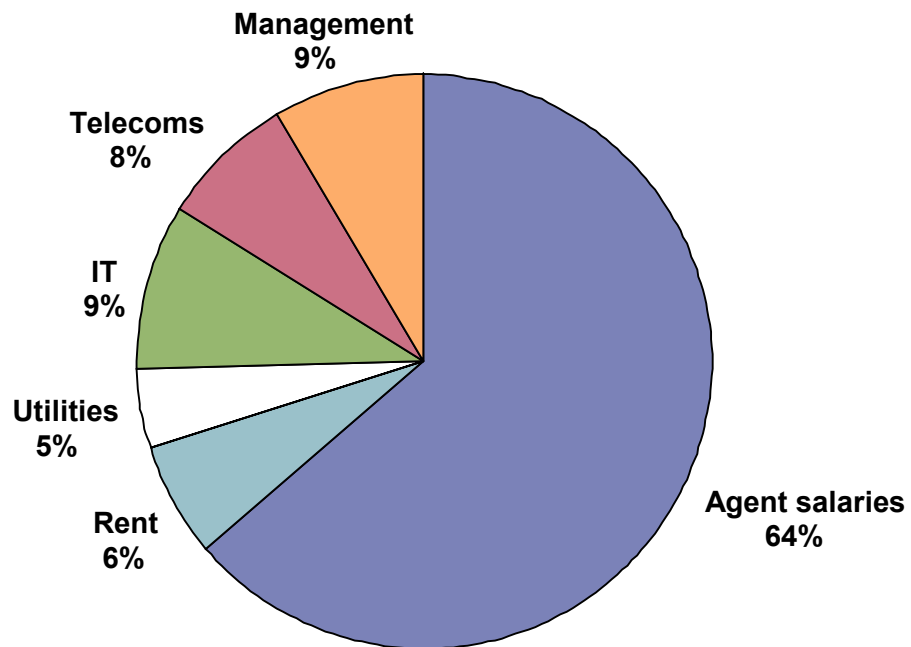
⁴⁹ Source: ContactBabel

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5.1.6 Contact centre costs

The contact centre has often been seen as a cost, and it is now axiomatic that two-thirds of a contact centre's operating costs are agent salary. This is the piece of the budget that offshore contact centre operators mainly focus upon reducing, the effects of which can be seen in the following graph.

Expenditure of the operating budget, UK, end-2003



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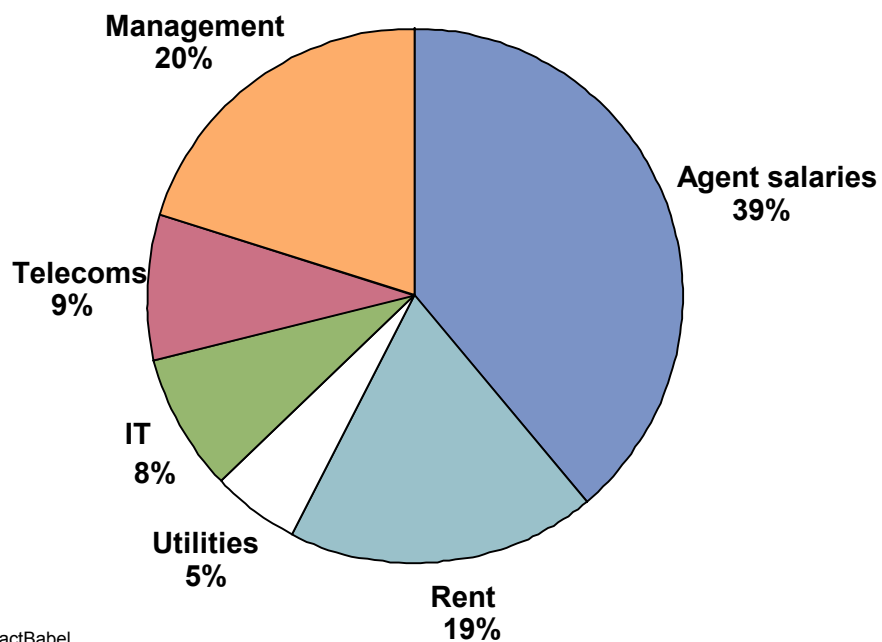
Table 55: Operating budget expenditure - UK

Expenditure type	% of operating expenditure – end 2003	% of operating expenditure – mid-1998
Agent salaries	63.7%	55%
Rent	6.2%	6%
Utilities	4.5%	
IT	9.5%	31%
Telecoms	7.5%	
Management	8.6%	8%

Source: ContactBabel, "The UK Contact Centre Operational Review" (2004) survey of 290 contact centres; Datamonitor "The 100K Review" (1998), survey of c. 300 contact centres

It is worthwhile looking at how the structure of a contact centre's operating costs has changed in the past five years: proportionally, agent salaries have grown in importance, expenditure on telecoms and utilities costs (due to lower charges) has decreased, rent has increased slightly, and management costs have remained the same.

Expenditure of the operating budget, India, end-2003



Source: ContactBabel

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Table 56: Operating budget expenditure – India and UK, end-2003

Expenditure type	% of operating expenditure (Indian respondents)	% of operating expenditure (UK respondents)
Agent salaries	38.9%	63.7%
Rent	18.6%	6.2%
Utilities	5.3%	4.5%
IT	8.4%	9.5%
Telecoms	8.8%	7.5%
Management	20.1%	8.6%
Source: ContactBabel		

This graph and table really serve to show just how different the UK and Indian contact centre industries really are. That agent salaries account for two-thirds of a UK operations' budget is accepted. However, less than 40% of an Indian operation's expenditure is on agent salaries (although the Indian respondents spend proportionally more than twice as much on management as UK contact centres, perhaps as a result of a new industry having to buy in experienced talent from elsewhere).

Summary

Salaries account for over 72% of a typical UK contact centre's operating costs, compared to 59% in an Indian operation. The gap between the importance in agent salaries is even more noticeable: 64% to 39%.

Other elements of cost, such as IT, telecoms and rent is less noticeable and may even be more expensive offshore than in the UK. The main cost savings come through the difference in agent salaries.

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5.2 Commercial aspects

This section looks more closely at why businesses actually run contact centres and what they are there for. When contact centres were originally set up, most were seen as purely a cheaper channel than face-to-face communications. Over the past few years, some businesses have realised that the contact centre has become the main place that the customer and the business interact – for many businesses, most, if not all of the customers' views of the business come through interactions with the contact centre.

Not only should this have an impact on the importance that businesses place on their contact centres, but they should also be looking at how the knowledge gained in the contact centre can be passed into the wider business and acted upon. Unfortunately, most of the valuable feedback from customers which contact centre agents hear everyday never makes it to the desk of those empowered to make major decisions. If the contact centre industry wants to be seen as being more than just a Cinderella – being valued, rather than merely tolerated – this dislocation between what they actually offer and what they could provide needs to be addressed with some urgency.

5.2.1 Changing roles of contact centres

The contact centre has typically been a cheap channel to the customer, and mainly viewed as a cost centre rather than a profit centre.

The UK contact centre industry will have to change its role if it wishes to survive and thrive. Specifically, this means:

The move to high value work

Increasing the sophistication of outbound calling

Increasing agent empowerment and training

Supporting the new reality: what is success?

Selling the contact centre internally: the key to an industry's future

The demise of low value work

Contact centres answer and make calls from and to customers and prospects. Correct - up to a point. What is important, and what the industry really needs to understand, is the reason that customers use a contact centre.

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Customers ring a contact centre because they need information or to perform an action. With self-service (via voice or Web) becoming more sophisticated and powerful, the number of simple-enquiry live calls should decrease in the long term, as automation and offshore outsourcing are apt channels for much of this work.

This “low value-add” work seems ripe for moving away from the UK live agent base. However, many customers will prefer to speak to a human operator at some point, and may have a negative view of job exporting. In a significant number of cases then (especially where the operation is running smoothly and/or union issues are present), the operation may stay with a live UK environment, even though there may be commercial reasons to change. It should also be noted again that what is “low-value” for a business may in fact be critically important for the customer, who may defect from the business if they do not receive a satisfactory response.

This low value-add work will always be at risk though. This is where UK businesses have started to try to increase the value per call to the business, by collecting information on customers which can be used for marketing purposes, or by cross- and up-selling on a standard service call. Without this evolution up the value-chain, low value-add, live UK work seems certain to decrease.

Changes in outbound activity

The past few years have seen a big rise in outbound calling. A primary research survey of European contact centres found that the contact centre industry in 1996 was made up of 79% inbound and 21% outbound, whereas in 2000 it was expected to be made up of 72% inbound and 28% outbound.⁵⁰

Around 30% of activity in 2002 was outbound⁵¹. In 2003, that figure increased to over 33%.⁵²

A massive increase in bulk cold calling cannot account for this:

Cold calling from the UK is an expensive way to generate new business: lower email marketing and direct mail costs allow much wider campaigns

The Telephone Preference Service and Data Protection Act have both curtailed the opportunity to cold call

There is greater antipathy towards cold calling from the public

⁵⁰ Source: Datamonitor, “The 100K Review” (1998)

⁵¹ Source: ContactBabel, “UK Contact Centres in 2002”

⁵² Source: ContactBabel, “UK Contact Centres in 2003”

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The answer to the growth in outbound calling has to be that a large amount of warm calling is taking place: relationship-building calls to existing customers; proactive sales calls asking for annual renewals (based on data provided by the customer over the phone or website some time in the past); customer satisfaction surveys and cross- and up-selling calls to existing customers.

Solutions are available now that support a greater level of knowledge about customers, and provide succinct information to agents at a suitable time. These analysis tools can unlock the massive vaults of customer data and make something out of them. It is also the case that growing a customer relationship is more difficult if businesses rely totally upon hands-off channels such as junk mail or broadcast SMS. The personal touch will never go away, and could become a major competitive differentiator in the near future.

However, opinions are divided on whether this growth in outbound will continue. Anecdotal evidence from customers and businesses involved in outbound work indicate that customer dislike of outbound calls is increasing, as the growth in the use of the consumer Telephone Preference Service implies. It is thought that the number of silent calls is increasing (caused by the over-aggressive use of dialling technology, leading to the scenario where a customer picks up the phone but no agent is available). BT currently receives 112,000 calls per month from individuals concerned with silent calls.⁵³ Making organisations reveal their calling line ID would reassure customers that these were not sinister calls.

This should be of concern to organisations: such calls can be deeply disturbing to customers who do not realise that these “crank calls” are only the result of poorly-applied technology. Consumer pressure against outbound calling could grow to such an extent that harsh new legislation is needed which, if history is to be learned from, will not be discriminatory, and will damage other types of outbound calling too. The extension of the Telephone Preference Service to organisations is a case in point, as it has the potential to damage legitimate business severely.

Agent empowerment and training

As has been shown, recruitment has become a real and very expensive headache for some operations. It has been estimated the cost of recruitment and selection of a call centre agent at £2,500, while the turnover cost per agent is £2,244.⁵⁴ The high staff turnover may also mean that the quality of service which customers receive is lower than ideal, which is likely to have an impact upon profits. A new agent is only 16% as productive as an experienced agent.⁵⁵

⁵³ Source: CM Insight, “The Death of Outbound...?”, unpublished as of March 2004

⁵⁴ Source: Blue Sky Consulting, quoted by CCA

⁵⁵ Source: Data Vantage, “Dial Skills for Success

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Considering that stress and boredom are major reasons for agents leaving a job, the replacement of low-value-add tasks by automation and overseas outsourcing should theoretically decrease overall staff turnover just by removing many of the dull, high turnover jobs. The industry as a whole is unlikely to see a wave of job losses, as a significant proportion of contact centre staff view their involvement in the industry as temporary and would move to other areas in any case.

Experienced agents are a scarce resource, and there will be a wave of re-skilling existing agents to provide them with the ability to deal with multimedia interaction types, cross-selling & up-selling and relationship-building: the rise of the super-agent. One hypothetical scenario is that the effect will be a gradual slowing in the rate of growth of agent positions: fewer jobs will be created, but they will be of a higher quality and better paid.

Empowerment in the contact centre means providing the agents with the tools, training and systems to do the job (i.e. support the customer fully), and encourage a culture of issue ownership, where passing the customer around the contact centre is discouraged. Agents dislike having to pass calls on, as it makes them feel inadequate, and businesses should be aware that even the brightest and most enthusiastic of new recruits will very soon become jaded if they cannot take full responsibility for a customer in most cases. Obviously, there is a benefit to the customer in being dealt with by one person which can only have a positive effect on the business as well.

Supporting the new reality

Ways of managing agents will have to be looked at afresh. Most contact centres focus upon the efficiency of the operation (measured by call throughput metrics), which can treat the contact centre as a standalone unit, divorced from the wider aims of the business. However, some business leaders view the contact centre as an integral and strategic part of their business, and question whether a successful contact centre is necessarily the most efficient. Indeed, there is increasing evidence, both anecdotal and academic (e.g. Aston University Business School) that has shown a negative correlation between performance management of contact centres and their effective performance, as measured by outputs such as value, customer satisfaction, employee satisfaction etc.

When businesses look at their total cost of each interaction with a customer or prospect, it may be that the contact centre portion is relatively small compared to other costs such as advertising, direct marketing or fulfilment. In such cases, agents may be encouraged to spend as much time as is necessary talking with customers and prospects, as building relationships and learning about demand can more than repay the extra costs incurred. This is especially true if the executive level of a business becomes involved and the information learnt in the contact centre is actually acted upon.

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Obviously, this approach is not suitable for all businesses, especially those whose work is servicing large numbers of low-value customers. Yet any movement towards empowering agents may pay off in reducing the cost of staff attrition.

A significant potential gain for the contact centre industry is if contact centres rewrite their business rules in order to offer a complete, up-to-date and formal process of feeding commercial information directly to the executives and teams which actually need it. Many contact centres are set up with the primary (and in some cases, sole) task of reducing customer contact costs while offering an acceptable standard of service. What if one of the primary roles of the contact centre was to feed commercially-useful customer feedback directly to the departments who should know (and can act upon) it?

For example:

Situation	Present action	Possible future action
Customer desires car insurance quote	Quote given	Probe how the customer is making their choice about the organisations chosen to quote. Feed back customer views on effectiveness of advertisements, perceived competition, etc. to marketing department
Outbound sales call to change energy supplier	Talk to householder, quote if possible, send literature, chase-up	Understand how price-sensitive customers are; feed back on changing sales preferences and conversational styles of customers; address concerns over ease of change of supplier; understand the importance of reliable telephone-based service: feed this back to commercial divisions for improving pricing strategies and sales campaigns
Negative comment made about website search facility on successful inbound sales call	Sale closed, conversation logged but not used	Comment added to weekly report to marketing and IT; once threshold of similar comments made, issue escalated for decision and resolution

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Selling the contact centre internally: the key to an industry's future

There is a critically important act that people who wish to see the UK contact centre industry survive can make. That is to persuade their executive and board-level management that the contact centre is a key, strategic piece of their business, and vital to the organisation's future welfare.

Numerous research reports and experiences with contact centres point out the obvious: a bad experience with a contact centre can make most people consider using a competitor, and a particularly good one can make them more loyal. Yet persuading the senior executives that the contact centre is absolutely core to everything they are trying to do with their organisations is still a major struggle.

To survive and thrive, UK contact centre professionals have to pull together to dispel the unhealthy obsession that non-experts have of contact centres as modern-day sweatshops. The industry needs to begin again with different, higher aims if it wishes to carry on being such a key part of the UK's economy:

Contact centres cannot afford to be entirely cost-focused: overseas outsourcers and automation can do simple, low value-add tasks more cheaply

Change the rules: the contact centre must move into doing more high value-add work, feed back commercially-valuable information to the parts of the business that need it (and be seen to be doing it) and get customer satisfaction ratings higher than the alternatives can manage

Educate the rest of the business about the information and opportunity that the contact centre can provide if it is allowed to feed back to the rest of the business

Empower and train agents to build up a pool of efficient expertise that would have been unimaginable a few years ago

Measure success differently: effectiveness as well as efficiency: make first-time resolution a key metric, and customer satisfaction goes up and cost comes down. This allows the organisation to move to a position of distinctiveness and differentiation (brand alignment for commercial organisations) so that there is a consistent and reinforcing customer experience.

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Summary

“Low value” work – repetitive queries with little flexibility or opportunity on either side – is more prone to being offshored or moved to a voice or web self-service channel than the “high value” work such as cross- or up-selling, or developing customer relationships. However, there is no reason for the UK industry to be complacent and assume that it will automatically keep high value work here.

To develop the UK industry further, an attitude of agent empowerment needs to be developed, whereby agents will be provided with the tools, training and systems to provide a high quality customer experience. This implies that the way in which contact centre success is measured and managed needs to change. Rather than focusing purely upon (easy-to-measure) efficiency metrics, organisations should explore the customer experience: are issues resolved satisfactorily first-time, has the customers a better opinion and knowledge of the organisation than before they called?

Just from their everyday work, contact centre agents learn a massive amount about their competition, how their organisation is perceived and the success or otherwise of marketing campaigns and strategy. Almost none of this valuable information ever makes it out of the contact centre into the wider business where it could be of immense use. Organisations need to release this value and put it to work to steer the wider business in the right direction.

In this way, contact centres themselves will start to be seen as more than just a cost centre, and the higher echelons of organisations will feel more secure about investing in operations if they can see tangible benefits emerging.

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5.2.2 Customer demand and attitudes

When the contact centre industry first emerged, the typical UK consumer did not embrace them with open arms. Banks were amongst the first companies to offer telephone-based service, which meant that the banks could save money by closing High Street branches. There were a few years of high-volume outbound telesales, with double-glazing firms being the most often-cited culprits. The widespread and unpopular use of IVR menus and the general negative perception of contact centre work means that customer attitudes to the UK contact centre industry have rarely been positive, although they are often critical to the success or otherwise of the wider business:

Some 53% of respondents said their opinion had fallen on certain brands after contacting call centres, says a Transversal survey. Financial Services firms were viewed worst of all.

When asked about ways to improve call centres, 57% said: "Employ agents who know more and are able to handle my call quickly", followed by 35% saying: "Reduce the number of automated menus.

76% of those questioned said that they would pay extra for better customer service."⁵⁶

Customers want their call to be answered as soon as possible, by someone who can deal with their issue quickly, without being passed around excessively or having to call back. These seemingly-simple elements have a lot behind them - they imply, amongst other things, that:

the contact centre is staffed correctly at the time they call

the accent of the caller and agent is mutually comprehensible

the agent both understands and is empowered to help the caller with their specific query, not merely reading from a script

the contact centre has systems in place to move calls and relevant data to the correct person at the right time

the agent and caller are able to build a sufficient rapport to communicate the relevant information to each other

the business allows the agent to spend as much time talking to the customer as is necessary.

Putting these assumptions down in writing shows that the simple demand of the customer for service is anything but easy to deliver; the business of course has its own agenda too, which often begins (and ends) with cutting costs.

⁵⁶ Source: Transversal, quoted in Call Centre Focus and BrandRepublic (2003)

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A key dynamic that needs to be understood is how the customers' views of contact centres is changing:

Over the last five years, customer expectations of contact centres have increased dramatically – 32% of customers now expect 'excellent' service (24% in 1998)⁵⁷

Satisfaction with advisers stands at 76%, with care, knowledge and resolution being the most important skills⁵⁸

The use of the telephone as a channel depends more on customer emotions than the complexity of the enquiry: 78% of customers changing details (e.g. their address or bank details) used the phone, regardless of other channels which were available. The customer is looking for reassurance and confirmation that the details have been altered correctly – the human voice is essential in communicating this. A disconnect occurs here – businesses are more likely to offshore or automate these routine, low-opportunity enquiries, but most customers want a high level of service here, because these enquiries are important to them.⁵⁹

Some surveys of customers' attitudes towards contact centres reveal serious issues for a substantial minority of the public, although all figures should be turned around – if 1 in 6 customers is furious, then 5 in 6 are not.

As many as one in six consumers say they are irritated, annoyed or furious with the way in which they're treated by call centres - a figure that has increased since 1998⁶⁰

The biggest consumer complaint when telephoning a call centre is the time spent waiting on hold, with some 60% of adults frustrated about having to hang on for long periods of time before someone answers their call.⁶¹

50% of adults claim that the music played while they wait on hold annoys them.⁶²

44% of consumers find that IVR menus do not offer the correct option to them.⁶³

Over one third of consumers dislike the synthetic or automated voice used in many IVR systems.⁶⁴

Poor customer service led 45% of customers to change service providers⁶⁵

53% say that solving an enquiry first-time is more important than a friendly or helpful manner⁶⁶

⁵⁷ Source: Teleconomy, "It's Your Call", (2003)

⁵⁸ Source: Teleconomy, "It's Your Call", (2003)

⁵⁹ Source: Teleconomy, "It's Your Call", (2003)

⁶⁰ Source: Teleconomy, "It's Your Call", (2003)

⁶¹ Source: Mintel, quoted by callcentres.net

⁶² Source: Mintel, quoted by callcentres.net

⁶³ Source: Mintel, quoted by callcentres.net

⁶⁴ Source: Mintel, quoted by callcentres.net

⁶⁵ Source: Cutting Edge Information, quoted by callcentres.net

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However, research into one of the key areas for success finds that UK contact centres are in the main, doing a good job:

85% of calls are dealt with successfully first time⁶⁷

The median average for first-time call resolution in the UK is 87%, against 60% in India⁶⁸

Summary

Customers want their call to be answered as soon as possible, by someone who can deal with their issue quickly, without being passed around excessively or having to call back.

Expectations continue to increase, with more customers than ever requiring “excellent” service. Complaints centre around the length of time taken to answer, and through poorly-designed telephone IVR menus.

The telephone is still the channel of choice, even for interactions which the organisation might consider to be of low value. (This disconnect between the organisation’s and the customer’s view of value is at the heart of many potentially-damaging decisions made). The vast majority of calls are dealt with successfully first-time by UK contact centres; a far higher proportion than is managed by Indian contact centres.

⁶⁶ Source: Dimension Data, “Achieving customer satisfaction” (2004), quoted in CCF

⁶⁷ Source: NOP Research provided by CCA - 2003

⁶⁸ Sources: ContactBabel “UK Operational Review” (2004); “Indian Operational Review” (2004)

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5.2.3 Sector-specific issues

The UK contact centre industry is not a homogeneous entity. It is driven by the needs of the wider businesses which own them. Some of the more important issues facing UK and global businesses which impact contact centres include:

Vertical market	Commercial issue	Impact on contact centre and potential for offshoring
Insurance	Significant, high-profile claims and risks, decreased profits, merger and acquisition activity	Massive pressure to cut costs in a market where revenue growth is sluggish. Most prone to moving offshore, following back office work out of UK. Many large insurers have multiple contact centres with different systems which they need to consolidate. Likely to lead to increased offshoring.
Banking	Internet, M&A, competition from non-traditional sources	New channels to customer (SMS, internet) now available, cutting costs. Continuation of branch closure means more contact centre jobs. Global outlook makes some banks consider offshoring, although others have ruled it out
Retail	Internet sales take off, non-traditional competition	Mail order and traditional retailers having to gain web presence, which still requires live customer support. May require technical assistance too – offshoring supports out-of-hours and technical support
Government	eGovernment initiatives, cost management process improvement, “joined-up government”	Edicts and financial support force local authorities and central government to offer Internet and phone access to citizens. The major growth area for UK contact centres in the past 24 months. Low likelihood of offshoring
Utilities	Deregulation driving competition; managing customer growth and demand while containing service costs; acquisition cost of sale	Consolidation means fewer, larger contact centres. Pressure on costs means that some offshoring is possible, although utilities companies seem to accept the value of local knowledge
Telecoms	3G mobile, telecoms crash, deregulation	Massive flux, desire to cut costs balanced by need to grow customer base. Some mobile operators struggle to provide effective service to customers. Many large

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		contact centres in this sector, although little move offshore yet
ISP and IT	Increase in IT usage, especially following surge in broadband use from technically-unsophisticated consumers	Increased need for technical support, especially in the evenings (difficult to staff UK contact centres out-of-hours). Possible target for offshore operators, especially those with complex technical capabilities

5.2.4 Offshoring

Commercial reasons for moving offshore

The main reason that businesses consider offshoring contact centres is to reduce the 60-70% of their operating expenses which are spent on agent salaries. For a 500-seat contact centre, agent-driven expenses alone can approach £8m per year.⁶⁹ Payback time for a 50-seat contact centre operation moved to India would be achieved in 3 months.⁷⁰

This reduction in cost also allows businesses to enable projects to begin which would not be economically viable in the UK: for example, large-scale outbound operations aimed at selling lower-cost items or to lower-margin customers. This could improve a company's revenues and profits, and enable more customers to benefit from products and services that they might not otherwise be aware of. Clearly, if done ineffectively, this would not only undermine that particular business case, but also damage the brand and other forms of communication with the customer, regardless of where it originated.

⁶⁹ Source: ContactBabel

⁷⁰ Source: CM Insight "The Call for India"(2001); "Seizing the Offshore Opportunity"(2002)

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The case can certainly be made that lower salary costs mean that offshore contact centres do not have to be staffed as carefully as in the UK, where over-generous scheduling means much higher costs. In countries such as India, a more relaxed attitude to staffing can benefit customers: the average speed to answer calls in India is under seven seconds – more than twice as fast as in the UK.⁷¹ This does not take into account the quality of the call though, which is explored later in this section.

Offshore contact centre industries are as a rule, very keen to get themselves up the quality ladder as quickly as possible, in order to prove themselves worthy of higher value-add business from their clients (which, of course, is also more profitable). The result is that there is genuine support from the industries' governments in terms of financial, marketing and legislative aid, as well as the leading contact centres themselves being keen to prove themselves against global standards:

"Some UK clients and call centres have little idea about the quality of Indian operations, which, in many cases, is superior to anything found in this country. In India, many (over 50%) of the operations we visited either had or were seeking to be accredited with COPC, 6-Sigma (the GE developed quality system) or an ISO standard, and were committed to the benefits and advantages such quality systems and awards offered.

"As of July 2002, four Indian call centres had been accredited with COPC, compared with one in the UK and two in Ireland."⁷²

Organisations which have moved offshore state on record that the service provided by their Indian operations is comparable or better than that provided by their UK operations:

"They're quicker at answering the phone, highly numerate and keen to come to work every day," he said. "Staff are hugely enthusiastic about their jobs, they dress well. A lot have degrees." He continued, "The quality of work overseas is exceptionally high."⁷³

⁷¹ Source: ContactBabel, "The Indian Contact Centre Operational Review"

⁷² Source: CM Insight, "Seizing the Offshore Opportunity"(2002)

⁷³ Source: HSBC Chief Executive Sir Keith Whitson, quoted in the Guardian (6/8/02)

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In addition, organisations which outsource offshore may not have to pay VAT. This is especially relevant to financial services organisations, who do not charge VAT to their customers, and so are unable to claim back the VAT paid. There is presently debate on changing VAT law to apply to the customer's country. The VAT treatment would be the same irrespective of where the services were sourced. For example, a UK business buying in call centre services would be charged UK VAT whether its supplier was based in the UK, another EC member state or offshore. Moreover, a UK call centre would be able to supply its services free of UK VAT to businesses based outside the UK.⁷⁴

Anecdotal evidence from businesses who are offshoring suggests that a balance of locations is being sought. This implies that even more organisations which are pro-offshoring are not looking to move everything offshore.

The offshore contact centre industry today

Conventional wisdom has it that "over the past two years nearly 30 big firms have outsourced around 50,000 jobs to India".⁷⁵

7% of Scottish businesses operating contact centres said that they saw themselves having an offshore presence by 2008; 79% said they did not. There was a definite correlation between the size of the contact centre and the propensity to offshore.⁷⁶

However, it is extremely difficult to get accurate figures on the number of contact centre jobs which have actually been moved offshore. There are several reasons for this:

A reported closure of a contact centre does not equate to actual job losses – these are often staggered over a period of some time. However, Amicus claims 1,000 UK jobs a week are lost to offshoring and believes 200,000 UK jobs, especially in IT support, will be offshored by 2008 (based on Deloitte Research's predictions that two million financial services jobs will be outsourced from Western economies to India by 2008)

Announced job losses often include IT and back-office staff as well as contact centre workers (see following examples)

Figures reported are often from organisations with a vested interest in the success or failure of offshoring

⁷⁴ Source: Customs and Excise 2003

⁷⁵ Source: The Guardian, (6/12/03)

⁷⁶ Source: Taylor and Bain (2003)

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Actual jobs created offshore are not transparent; outsourced service providers are not bound to provide figures; they often quote growth expectations – for marketing purposes – rather than actual people employed or seats commissioned. Definitions are not clear or agreed upon, and business accounts have different degrees of openness and validation in different regions

Contact centre workers may be offered jobs at other sites owned by the business – no information is freely available to show how many of these offers are taken up, and how many not

There is a common misconception that jobs created in offshore locations equate to jobs lost (or at least, not created) in the UK. This is not necessarily the case: it is certainly possible to open a contact centre in an offshore location to provide a new service (e.g. to sell a low-price product proactively) which would not be economic to attempt within the UK.

Information is limited and anecdotal, so further research may be appropriate to ascertain the actual number of contact centre jobs that have been moved offshore.

We have found the following uncorroborated information, but cannot vouch for its accuracy:

ABBEY NATIONAL established an IT development presence in Bangalore in September 2002, employing 100 skilled IT staff. This provides software development, maintenance, testing and support services. A further 500 front and back office positions were outsourced to Bangalore at the end of 2003.

ABN AMRO CENTRAL ENTERPRISE SERVICES (ACES) has call centres in Gurgaon and Delhi with more than 2,000 employees. It handles credit risk management and authorisation of payments.

AMERICAN EXPRESS first outsourced work to India in 1994. It now has 4,000 employees there, handling financial accounting, data management, information analysis and control, administration, recruiting and staffing and payroll services.

AVIVA announced plans to outsource 2,350 jobs to India, where it already employs 1,200 workers.

AXA INSURANCE has moved 100 back office jobs to Bangalore.

BARCLAYS cut around 150 UK jobs at its business banking and credit card businesses to start using Indian workers

CITIBANK employs 3,000 people in Bombay and Chennai. They handle wholesale banking, retail banking products, billing services, customer care, transaction processing, payroll services and accounting.

DEUTSCHE NETWORK SERVICES PVT LTD, a division of Deutsche Bank, employs 50 people in Bangalore to work on payment and cash management processing.

FIDELITY INVESTMENTS set up its business process outsourcing centre in Gurgaon, near Delhi in July. The centre serves as the hub for all of Fidelity Investments' international businesses and employs 200-250 people, which will gradually increase to around 1,000.

GOLDMAN SACHS announced in July that it is set to create 250 administrative and IT jobs in India.

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HSBC first outsourced to India in 2000, and now has more than 2,000 employees in Bangalore and Hyderabad who deal with accounting transactions and transaction processing. In October 2003 it announced plans to outsource 4,000 jobs from the UK to India, Malaysia and China within the next two and a half years.

MORGAN STANLEY employs around 1,600 staff in Bombay who provide transaction support for operations in the UK, Europe and Australia.

PRUDENTIAL hopes to have a call centre in Bombay by the end of 2004, employing 850 people.

STANDARD CHARTERED BANK first outsourced to India in 2002 and now has 4,500 employees there, dealing with trade services, payments and messaging services, credit operations to account services, data administration and credit card services.

JP MORGAN CHASE first outsourced to India in 2001 and now has 3,000 employees there who deal with transaction processing services.

CAPITAL ONE first outsourced work to India in 2002 and now has 1,200 employees there who deal with customer services, risk operations, production services.

LLOYDS TSB announced plans in October to close its call centre in Newcastle-upon-Tyne and outsource the 986 UK jobs to its centre in Hyderabad.

Organisations from non-finance sectors outsourcing to India:

ACCENTURE first outsourced work to India in 2001. It currently has 1,000 employees in Bombay and aims to more than double its Indian software and back office staff to 2,500 within two years, providing third-party services.

AOL ONLINE MEMBER SERVICES INDIA in Bangalore has 1,500 staff. The centre, a wholly in-bound server centre, provides customer acquisition and support services out of Bangalore for AOL members globally and handled 10 million member calls in the year up to June.

BRITISH AIRWAYS has 2,400 employees in Bombay who manage passenger accounting, error handling and frequent flier miles tracking for BA and other airlines. BT plans to create 2,200 jobs in India by 2004 but has indicated that more than 7,000 positions could eventually be moved.

DELL INTERNATIONAL SERVICES has about 3,800 employees in Bangalore and Hyderabad, supporting PC customers worldwide.

D-LINK has commissioned a sophisticated global technical support centre in Bombay to provide voice-based technical support for its products to English speaking D-Link overseas business units worldwide. The centre has a capacity of 100 seats and is presently manned by a team of 50 engineers.

GE has 11,000 employees in Bangalore, Gurgaon and Hyderabad who provide network support and risk management to more than 30 GE businesses globally.

IDEAL SHOPPING CHANNEL is relocating its order-taking operation to India.

NATIONAL RAIL ENQUIRIES announced in October 2003 plans to move call centre jobs to India via their outsourcing partners

TESCO is to transfer 350 jobs to a call centre in India.

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VERTEX, the customer services arm of United Utilities, announced in July that it had signed a new deal with Powergen and will use part of its call centre operations in India to service the contract.⁷⁷

While the number of contact centre jobs going offshore is very difficult to estimate accurately, the number coming back is almost impossible to calculate. In the course of this research, interviewees hinted at there being a number of UK businesses (which they had worked with in a consultative capacity) that had offshored considerable amounts of contact centre work, but who now wished to bring it back to the UK as the experiment had failed. Some of these organisations would experience great embarrassment to admit the failure of their strategy, especially as significant UK redundancies occurred as a result.

However, there is strong anecdotal evidence that the reasons for failure are less to do with offshoring and the regions in question, and more to do with governance and the ability of organisations to manage and control their investments effectively. Based on how many UK contact centres have suffered in this respect, it is not surprising that it has been difficult to manage fast-growing operations many thousands of miles away.

Again, we recommend that more research and advice (of a confidential nature if necessary) is undertaken with these organisations in order to understand their issues more fully.

The most high-profile return of contact centre work is this example:

“Shop Direct tonight announced that it was to close a call centre in India and move it back to its six call centres in the UK, based in Worcester, Burnley, Bolton, Widnes, Preston and Newtown in South Wales.

“An official said the call centre in India, opened in Bangalore in 2002, switching 250 jobs from Britain, had been a trial, but the level of customer service was not up to the standard the company wanted.”⁷⁸

An interesting dynamic at the moment is the way in which financial services companies are polarising. Often, banks and insurers tend to follow each other closely, unwilling to let one get competitive advantage for long. In the case of offshoring, there is no industry-wide line which is agreed upon. HSBC, Lloyds, American Express, Aviva and Prudential are amongst those which are positive about

⁷⁷ Source for list of companies: Communication Workers' Union (CWU)

⁷⁸ Source: TimesOnline, (January 22, 2004)

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offshoring. RBS, HBoS, Northern Rock and Nationwide are amongst those which are presently and publicly negative.

One would imagine that similar competitive pressures and dynamics are working upon the financial services industry as a whole, yet similar businesses have made entirely different decisions.

The results

It is as yet too early to say whether offshoring is a success for anyone other than the offshore outsourcers themselves. Cost savings in some cases are achieved, yet in others, hidden costs swallow up the top-line salary savings. Reports of customer feedback in some cases are positive, yet for others, they are unacceptable. There is no single answer to this question, although both Aviva and eBookers claim that their current financial success is directly attributable to being able to exploit the offshore position.

Even genuine and indisputable cost savings don't come free – risks are often beyond what businesses would face in their domestic markets (for example, managers may be wary about personal safety in some countries).

A major piece of research⁷⁹ suggests that, at the moment, Indian contact centres may not be offering quite the same level of performance as the UK industry in some areas, although outperforms it in others:

average starting salaries for an Indian call centre agent are £125 per month, less than 12% of their UK equivalents' salaries (almost £13,000 p.a.)

Indian agents answer calls more than twice as quickly as UK workers, and work 6 hours a week longer than UK agents

on average, UK agents answer 25% more calls each hour than Indian agents, and resolve 17% more of these calls first-time

British call centre workers tend to stay with their organisation for well over 3 years. On average, Indian call centre workers move on after only 11 months in the job.

McKinsey (2002) estimates that every \$1.00 offshored brings the US back \$1.12 - \$1.14 through reinvestment, new jobs and increased efficiency. (This figure does not specifically refer to contact centres).

⁷⁹ Source: ContactBabel, "The Indian Contact Centre Operational Review" (2004)

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Although the question of the success or otherwise of contact centre offshoring cannot be answered definitely, this example of a head-to-head competition on cost and effectiveness between an Indian and UK contact centre operation shows that even the 'accepted facts' – such as India's cost advantage – cannot be relied upon:

"O2 requested both parties (LBM - a Cheshire-based outsourcer, and a Mumbai-based supplier) make initial welcome calls to O2's pre-paid customers and generate sales on items such as text packages, insurance and upgrades over a three month period. *LBM claims it delivered a 10 percent lower cost per sale than its Indian competitor (despite higher salary costs).*

"Following subsequent research, O2 now claims that outsourcing is "problematic" and can result in cultural barriers. The operator believes customers have a better affinity with (UK-based) staff. (There are also questions about) the practicality of managing a remote business."⁸⁰

⁸⁰ Source: Precision Marketing

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Summary

The offshoring of contact centres is generally assumed to save a large chunk of operating costs (around 30-40% in the case of India). Apart from carrying out existing interactions for less money, organisations can also run projects which would be uneconomic in the UK. Most of these cost savings are created through a sharp decrease in agent salaries. Indian contact centre agents are paid only 10-15% what their UK equivalents receive.

There is very little robust evidence or data referring to the number of UK contact centre jobs actually lost to offshore contact centres. (It is important to remember that an offshore job created does not automatically mean a UK job lost). Tracking the number of contact centre jobs actually lost may be a useful exercise at this stage in the UK contact centre industry's development.

Anecdotal and a little hard evidence exists to indicate that some businesses running offshore projects have closed them down and returned to the UK. The extremely delicate commercial nature of these activities can mean that organisations are reluctant to discuss them. More investigation (if necessary of a confidential nature) is needed to understand the deeper issues.

The success or otherwise of offshoring is yet to be proven; more research of an objective nature is urgently needed. It should be noted that most offshore contact centre industries are still in an early stage of development, and that their relative advantages and disadvantages to the UK have not yet crystallised and are very much open to change.

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5.3 Technological aspects

The UK contact centre industry witnessed a massive increase in the use of efficiency-enhancing technology in the mid-to-late 1990s, aimed at pushing through as many calls as possible.

Most technologies (e.g. interactive voice response, computer telephony integration, automatic call distribution) were geared towards cutting the length of the call, or even dealing with the request without recourse to the agent at all.

Recently, technologies aimed at offering customers multiple routes to the business (often web self-service and email) were implemented, with mixed results. Technology such as call recording were implemented for security and training purposes, and workforce management software allowed managers to staff their operations more effectively.

CRM (customer relationship management) applications were fashionable for a while, purporting to allow agents to view all aspects of the customer's history and requirements on a live call. This is still the aim for many organisations, as it allows the business to learn more about their customers, which will lead to increased loyalty, and of course, being able to sell new products while on an ostensible sales call.

Perhaps the most far-reaching technology is that which could theoretically place the UK contact centre industry under a greater threat than it faces from offshoring: automation.⁸¹

5.3.1 Automation and self-service

Automation has been in contact centres since the very beginning. The much-maligned IVR system has few fans outside of the contact centre, yet has saved firms many millions of pounds in staff salaries, buildings and infrastructure. We are starting to see a new wave of automation being put in place, which has the potential to service the customer effectively, as well as reduce the operating costs.

Contact centres perform a range of roles: at the lower end, agents are used to do simple, repetitive tasks, such as taking meter readings and reading out bank balances. These tasks can be referred to as low value-add, in that using a person rather than a machine to do them does not much improve the experience for the customer or give the business any demonstrable gain from the interaction.

⁸¹ All sources in this chapter are ContactBabel except where specifically stated

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At the higher end of the contact centre spectrum, high value-add agents are engaged in helping with technical queries; cross-selling and up-selling based upon sales skills and knowledge of the customer's preferences and learning more about the customer so that future needs may be met.

With the widespread use of the Internet, there has been a big push towards automation through web self-service. The table below shows the attraction that automating interactions can bring.

Table 57: Cost of interaction per channel

Type of interaction	Relative Contact Cost Factors
IVR	0.08
Voice Portal	0.10
Proactive E-Mail	0.15
Web Self-Service	0.25
E-Mail Response	0.40
Live Agent (telephone)	1.00
Text chat	1.00
Blended Live/Web (web collaboration)	1.25

Source: Gartner Group, Listen to Customers' Demands for Better Service, 2001.
 Note: if the cost of using a live telephone agent is 1.00, an IVR session costs 8% of this, and a blended live/web session costs 125%.

Clearly, automation has the potential to cut costs drastically, but it is being held back by user inexperience and negativity, poorly-designed and maintained knowledge bases, the expense and upheaval of implementing new technology and risk aversion at all levels of the business.

Businesses which tried aggressively to automate their customer contact operations failed in most cases. There are examples of Internet banks which charged their customers for calling the contact centre, but which had to drop this approach because of customer demand for human reassurance and contact.

It is this desire for a human touch which assures the future of the contact centre in some form. Even as we get more sophisticated in our use of technology, we realise the fallibility of systems, and prefer one-to-one contact for important or urgent interactions.

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Where automation is likely to make a mark in the future is in the low value-add areas, where it is likely to be competing against offshore outsourcing (although this is not to say that offshore outsourcers will restrict their offering to low value-add work). There can be little obvious cost justification for employing tens of thousands of UK agents simply to provide very basic information or perform repetitive tasks: in the foreseeable future, many of these necessary but low value-add interactions will move to a cheaper channel, although they will never disappear totally: consumer demand and the need to provide failsafes when systems cannot provide the flexibility and intelligence of humans will see to that.

This is not necessarily a bad thing for the long-term future of the UK contact centre industry. Low value-add work can be dull and repetitive for agents, and is most likely to be managed through aggressive throughput and efficiency measures. This causes stress for agents, which along with boredom is a major reason for staff attrition, itself a significant and growing cost for some businesses.

If there is an uptake in more cost-effective ways of dealing with low value-add transactions, there is the option to up-skill low value-add agents into performing a more important and profitable role within the contact centre. Training needs are likely to increase, and part of the savings made at the low value-add part of the business could be reinvested to move the contact centre onto a higher level, improving customer loyalty, satisfaction and resell/up-sell/cross-sell rates.

Some companies however, are likely to put the cost savings straight on the bottom-line, which may be short-sighted. This could be alleviated by the strategy of educating the board about the potential that contact centres have to increase profit in the long-term.

There will be a fight between overseas contact centres and automation solutions in the next few years to take business away from the low value-add agents in today's large UK contact centres. The UK cannot compete on cost – it must compete on quality and experience.

It is unlikely that the smaller UK contact centres will have as much upheaval, as potential cost savings are so much less than in large contact centres. It is more likely that such operations will augment their low value-add parts of the contact centre with automation, rather than move them overseas or replace them totally.

A key metric for the contact centre of the future will be “first time resolution”. Whether in a sales or service environment, first-time resolution is key to developing a positive customer relationship and keeping costs down without managing by average call length (which stresses staff and can make the customer think the business does not value them). Additionally (although perhaps more difficult to gauge), measuring customer experience will also be critical. The implication is that organisations need to manage what matters most.

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For many businesses, the contact centre is now the shop-floor or High-Street branch: it is the main or only place where customers meet and judge a business. What real-life store manager would seriously measure the amount of time a salesperson spent with a customer, judging them successful and effective sales staff only if they get rid of a customer as soon as possible? Yet that is what happens in most contact centres today: businesses must stop thinking about contact centres as if they are in some way removed or different from the rest of the business or its channels.

5.3.2 The impact of the Internet

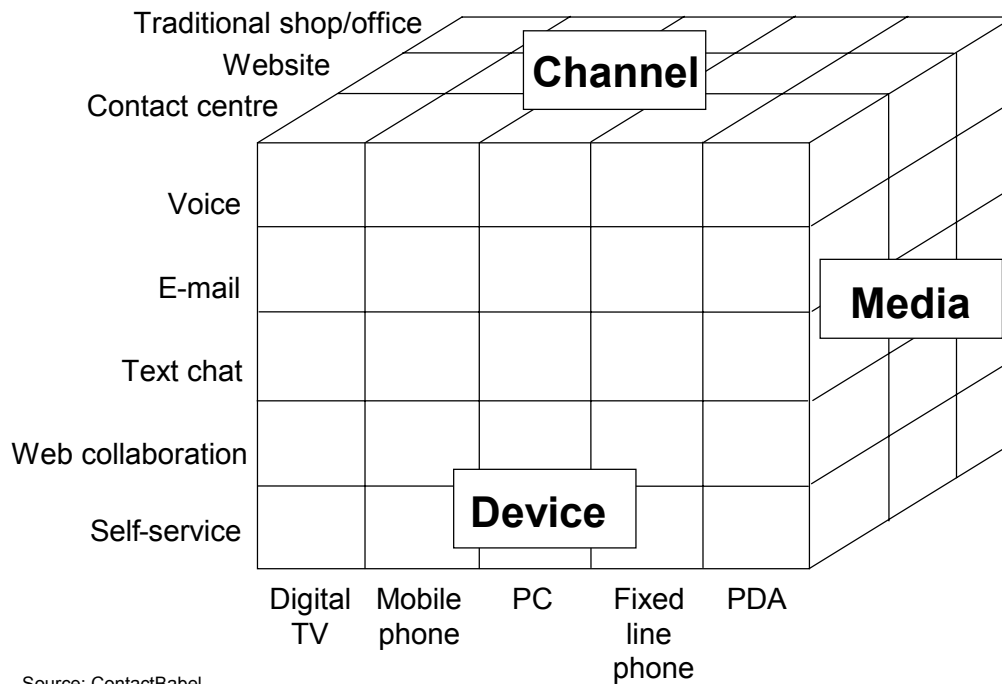
Most organisations, even those which actively encourage customers to use e-mail and web self-service, are only at the beginning of the road to providing true multimedia customer contact.

The majority of “contact centres” today are little more than call centres which do a little e-mail and perhaps the occasional text chat.

Providing e-Service – high-quality customer support outside the traditional telephony model – is a major challenge to be faced. The motivation for change is simple: increasing customer loyalty and satisfaction, and growing revenues.

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Multidimensional customer contact



Source: ContactBabel

As the following diagram shows, businesses need to support multiple customer channels (such as the contact centre and website), along with multimedia interactions (e-mail, text chat etc.), in a multi-device environment: multidimensional customer contact. Gaining a single view of the customer, along with their preferences and requirements is a complex task, but one which businesses need to address.

Many businesses are not yet prepared for true multidimensional customer contact, but their customers are increasingly demanding the ability to communicate effectively with them regardless of physical location, media or device.

Looking at the fraction of customer contacts which are e-mail, we would expect that these would not create much of a problem for a business.

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Yet, there are serious problems. Because e-mail transactions are not being tracked and handled appropriately, businesses are failing to understand the scale of the losses that they are incurring. In fact, many millions of pounds are lost each year through poor management of the few non-telephony contacts organisations receive.⁸²

Unless rapid action is taken to implement e-Services solutions, businesses will decrease in competitiveness as a result of lost sales and the inability to handle multimedia contacts.

UK broadband customers are being added at the rate of around 20,000 per week, allowing over 1 million more consumers every year to use the Internet as a valuable resource to research, purchase and be serviced online by businesses as a realistic alternative to using the telephone.

Broadband will provide a shot in the arm to online service. Even email will prove easier to use as the Internet connection is always on, and emails will be as quick to send as dialling a telephone number. Web collaboration and text chat will become real options, as will the “call-me” button, the potential of which is more likely to be realised in an environment where it is not necessary to have two phone lines to browse and talk simultaneously.

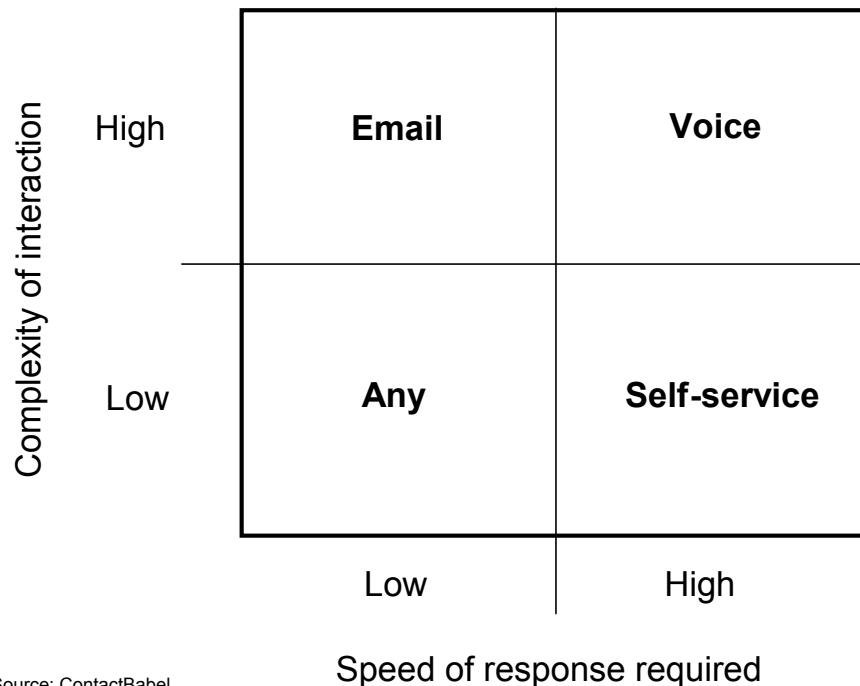
There will always be a proportion of people who are unable or unwilling to use online service, but it seems evident that making the Internet more usable will encourage people to use online self-service, lowering the proportion of live calls made.

This analysis assumes that businesses will make rapid and intelligent investments in email service functionality, making the service levels for email a 1-hour answer, which is what many sophisticated consumers now expect. This uplift in email service quality will have a positive effect on unnecessary call volumes: calls about unanswered emails (which often evolve into multiple calls) should be negligible.

⁸² Source: ContactBabel, “20:20 CRM” (2001)

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Channel of preference



Source: ContactBabel

So where does this leave voice interactions? Some commentators have predicted the death of live voice communications, but once again, the preference of customers will ensure that demand for contact centre voice communication will be maintained.

When a customer has a complex interaction, an interaction with a human often can't be beaten for flexibility and comprehension. As for the speed of response required, most people will only be satisfied with immediate answers, even if there is no real need for this, so most interactions fall into this bracket by default. Hence, person-to-person interaction will continue to flourish, as it is the best tool for the job.

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5.3.3 Efficiency-enhancing technologies

Outbound technology

There are three main types of outbound technology analysed, each with its own characteristics and use:

Preview diallers: As the name implies, the agent previews the contact information before the call is placed. The agent then initiates outbound dialling by pressing a key

Progressive diallers: This method is similar to preview dialling; however, the call is launched automatically by the system after a predetermined amount of time. It bridges the gap between preview dialling and predictive dialling

Predictive diallers: a predictive dialler is a system that automatically calls a list of telephone numbers in sequence and screens out no-answers, engaged tones, answering machines, and disconnected numbers while predicting at what point a human caller will be able to handle the next call. There is a risk of a live connection being made to a customer without an agent available to talk.

Preview dialling is often used in higher-value business-to-business environments where productivity can be increased without the risk of dropped calls which is a hazard of predictive dialling. Those in the IT and transport & travel vertical markets have particularly high usage rates of preview dialling.

Predictive dialling is a more aggressive form of an efficiency-increasing technology. It is used in one-third of outsourcing companies, where cost and productivity is particularly critical to the business's success. A considerable proportion of utilities and telecoms companies – which often have large contact centres and many millions of customers – use predictive dialling as well. Public service and the retail & distribution sector are less likely to use outbound dialler technology of any kind.

Unsurprisingly, the largest contact centres are most likely to use predictive dialling. This technology is not cheap, and only large centres with high levels of outbound calling can justify the expenditure. However, preview dialling is used by a higher proportion of sub-50 seat contact centres than in 250+ seat operations.

Some form of dialling technology is used in almost half of sales-orientated and mixed (sales/service) environments, with predictive dialling being used in 22% of sales contact centres.

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There is a weight of anecdotal evidence to suggest that dialling technology can work agents so hard that they burn out, increasing staff attrition rates. Vendors of outbound technology argue the opposite – that providing the agent with a constant source of live contacts gives them a better experience: no more waiting around to talk to someone, as they get so many more live contacts.

The truth, as is so often the case, lies somewhere in between. The statistics show that attrition rates run at 17% annually when contact centres use diallers, compared to 13% without. A difference, certainly, but hardly conclusive. More interesting is when we look at the exact type of outbound technology being used: those using predictive diallers experience annual agent attrition rates of 25% on average, compared to 10% (preview dialling) or 9% (progressive dialling), which are below average.

It seems that using outbound technology to increase productivity can have an impact on staff attrition for better or worse. Of course, it may be in some businesses' plans to work staff as hard as they can on a predictive dialler and just accept the high staff attrition rates. Contact centres with flat management structures based in large cities with high levels of student employment may find this a workable business model: the students aren't long-term workers anyway and there may be fewer opportunities for career progression in any case. High staff attrition through overworking agents isn't necessarily a bad thing for a business (although it gives a bad name to the industry as a whole), so contact centre managers need to work out whether the cost of new staff recruitment and training is worth the extra productivity that a predictive dialler can give.

It's important to understand that predictive diallers in themselves are not "good" or "bad" – it is more how they are used. When confronted with a piece of technology that promises to increase call volumes by 300% or more, it can be tempting to see just how high the metrics can get. Yet predictive dialling can be a productivity tool which helps agents, as long as the ethos, business processes and cultures are there to protect the agents from overwork at the hands of an over-enthusiastic manager who wants to see just how many calls per hour it is possible to make. This can lead to the very significant issue of 'silent calls'. There is presently a DMA (Direct Marketing Association) proposal to lower their abandonment rate threshold from 5% to 3% in their industry dialler use guidelines. The bigger issue is the misuse and abuse of this technology to the detriment of the consumer.

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Computer Telephony Integration (CTI)

It is the various applications of CTI that benefit the contact centre, from the perspectives of both efficiency and effectiveness. There are six main forms of CTI application:

Screen pop: a caller's record is identified (either through IVR capture of account details or through CLI) and automatically delivered to the agent's screen along with the call

Intelligent queuing and routing: delivers calls based on what is happening in the contact centre(s) or from pre-defined rules

Warm voice/data transfers: calls between agents are passed along with the relevant data screen(s) to save the caller from having to repeat information

Caller line identity (CLI): the telephone from which the customer is calling is identified, allowing the details to be brought up for the agent without having to ask

Skills-based routing: automatic routing of calls is possible based upon the actual skills of agent groups or individuals (e.g. product knowledge, language spoken, etc.)

Call blending: automatically allows outbound calls to be made in less-busy times by normally-inbound agents

CTI applications of one sort or another are used by one-quarter of UK contact centres, with half of telecoms operations using CTI. It is perhaps surprising that so few finance contact centres use CTI, as this vertical market has traditionally been at the head of the queue for new technology. It may be that the confidential nature of the business means that capture of customer identity by automated means – a requirement for many CTI applications - is unacceptable.

There is a distinct increase in the use of CTI as contact centres get larger: for example, the few seconds per call that screen popping can save really adds up when annual call volumes run into many millions, and proves CTI's return on investment very easily. Service-based contact centres are most likely to use CTI: obviously, they have the customers' records to leverage, where a sales contact centre may not.

It is interesting to note the effect that skills-based routing seems to have on a contact centre. Putting the right call through to the right agent is the purpose of skills-based routing, and it seems to have a positive impact, with 84% of calls being successful completed without internal transfer and 86% being successfully resolved first-time in contact centres using skills-based routing. (Non-users experienced rates of 75% in both cases).

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Touchtone interactive voice response (IVR)

IVR is a technology which has never been popular with customers, but saves organisations so much money that it can hardly be ignored. IVR in itself is not the problem for consumers: correctly implemented, self-service applications can speed up the process for customers as well as freeing up agent time. Yet still too many organisations use IVR excessively, forcing customers down path after path without any easy way to get to where they want. Speech-enabled IVR will be discussed in the next section, and promises to increase the power and flexibility of IVR self-service, but for now, touchtone IVR is how most telephone self-service is achieved.

Those contact centres which use IVR considerably more than average are likely to be found in the finance, transport & travel, utilities and telecoms sectors: often very high volume environments where a couple of seconds shaved from a call or a reduction in misrouting can save considerable amounts of money.

As we would expect to find, there is generally a positive correlation between the size of the contact centre and the use of IVR. As IVR is a solution which provides major cost savings in volume-based environments, we would expect to find more of the larger contact centres using it. While this is certainly the case, it does not seem that IVR suppliers have reached saturation point in any sector of the market.

Automated speech recognition (ASR)

Speech recognition offers the cost savings that IVR and other self-service can achieve, but with more flexibility and functionality than touchtone IVR. Several large investment banks offer speech functionality to their customers so that stock prices can be relayed automatically at a fraction of the cost that a live agent could handle the call, even if the talk time was cut to the bone. Doing this with touchtone IVR would be next-to-unworkable (10,000 stocks would either require 10,000 IVR choices, or for some form of alphanumeric word to be built up from key presses, either being much more effort than simply speaking the stock name or symbol).

Only 8% of contact centres use even simple speech recognition at the moment. Telecoms, finance and IT companies are ahead of the game, the first two having the opportunity to save considerable amounts of money by opening their databases up to the customer by putting a powerful self-service front-end in place. As with IVR, the number of interactions a contact centre receives is of critical importance: the larger the contact centre, the more likely it is that it will use speech recognition.

We believe that speech recognition has the power and functionality to be one of the most important contact centre applications of the next ten years. The technology itself has improved greatly since the

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false dawn of the late 1990s, and well-implemented and maintained speech recognition applications have the potential to save massive amounts of money while improving the customers' lot as well.

Workforce management systems (WFM)

The purpose of WFM solutions is to make sure the right agent is in place to take the right call at the right time. Sophisticated WFM does not operate on a 'warm body' policy of all agents being equal and the same: it tries to take into account the skills and abilities that agents have and match them to the expected volume, duration and type of calls that are expected to be received or made. WFM can significantly improve the quality of service to the customer, improve staffing levels and save the scheduler a lot of time and effort.

It is perhaps surprising then to find so many contact centres still staffing without automated WFM solutions. Only 27% of contact centres used third-party WFM solutions; finance, telecoms and utilities were the most likely. There is a significant increase in WFM usage rates as we go up through the contact centre size bands, although 40% of those in the 250+ seat category still do their scheduling without recourse to third-party WFM solutions, which is difficult to understand.

A correctly-staffed contact centre should experience lower levels of call abandonment than an operation staffing on a less-scientific basis. This is what operations find: those using WFM have call abandonment rates over 13% lower than those of non-WFM environments. Studies that benchmark the same contact centres before and after WFM implementation have seen a drop in abandonment rates of over 100%.

Customer relationship management (CRM)

CRM as a buzzword has tailed off in the past two years, but many of its tenets - winning, knowing and keeping profitable customers - are quietly being moved forwards: hence the focus upon improving customer satisfaction that contact centres report themselves to be aiming for.

Despite the fact that CRM is a technology-enabled business process, rather than a technology itself, it is commonplace to refer to CRM software: sophisticated applications which provide a full view of a customer's interaction across the enterprise, their purchases and interests, and potential products which they should consider purchasing.

Such software is used by 26% of contact centres, mainly in the telecoms, finance and outsourcing sectors: those which undergo a large amount of competition, have many customers and a large product portfolio to cross- and up-sell. There is a big jump in CRM usage once we get to the largest contact centres, with over 70% using CRM applications. Those contact centres which have a mix of

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activities (across sales, service and helpdesk activities) are more likely than average to use CRM, possibly as they have the opportunity to cross-sell or at least learn something useful about the customer on the end of a positive service call.

5.3.4 IP and virtual contact centres

Traditional call centres operate their telephony functions in a circuit-switched telephony environment, where a fixed, dedicated line is left open between caller and agent.

Running alongside this, a packet-switched data network breaks up any data (e.g. a customer record to go along with the phone call), sends it in packets along many routes, and reassembles it at the destination in the right order.

IP contact centres differ from traditional PBX-centric operations in that voice traffic can be converted into packets of data and carried around the contact centre (or between contact centres) on a data network, rather than a voice network.

Some of the key benefits that IP-enabled contact centres can expect are:

- Enables homeworking and remote office model, supporting an offshore option
- Promotes the successful take-up and management of multimedia customer interactions
- Use of common protocol (IP) allows rapid development of new functionality
- More affordable functionality available to smaller contact centres
- Reduces cost of maintaining two networks
- Flexibility of adding and changing agents
- Reduction in call charges between sites via IP trunking
- Reduced staff attrition
- Boundaries between contact centre and the wider business break down
- IP infrastructure may be cheaper to upgrade than circuit-switched platform
- Reduced call costs in a hosted environment

The ability to develop multimedia channels more fully comes a clear second to proof of ROI as the main reasons for implementing IP. Other factors, such as homeworking, the need to replace infrastructure and IP implementations from competitors play less of a role generally, although they can be critical on a case-by-case basis.

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However, there is a reluctance amongst many contact centre decision-makers to implement IP, for a number of strongly-felt reasons (ranked in order):

- Reliability
- Expense
- Don't know enough about IP
- Security
- Lack of advantages over existing systems
- Wasted existing investment
- Internal politics
- Upheaval
- Risk of early adoption
- Little multimedia interaction planned

When IP telephony was first taken onto the market, there were (justifiable) concerns about its reliability and security. Today there is no reason why, in a well-managed and designed quality of service (QoS) network, IP telephony should not have the same levels of resilience as circuit-switched telephony, yet the same concerns are still aired. Larger contact centres are most concerned about both reliability and security, with 65% citing fears about reliability as having a 'considerable' or 'major' effect on their decisions.

The expense of the implementation can be an inhibitor, but for greenfield sites and operations looking to replace their switch, the cost of IP implementations may compare favourably to traditional implementations. Cost is believed by respondents from the largest contact centres to be less of a future issue.

There is concern at all levels that IP may not bring any advantages to the contact centre. In a way, this has some truth to it: an IP infrastructure may save some money through IP trunking and reducing management overheads, but its main advantage is as an enabler to provide superior multimedia service, greater flexibility of workforce, improved functionality which is easy to deploy and – a fundamental asset – the opportunity to future-proof the contact centre as far as it can be.

Contact centres are reasonably evenly divided amongst those who had or were definitely implementing IP, those who were researching the option, and those who had no foreseeable plans to implement IP. Even amongst those respondents who have not yet made any final decision on IP, more than two-thirds expect that they will have implemented IP by 2005.

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In the longer term, most interested parties feel that IP-based contact centres are likely to be the norm. However, due to the potential cost of upgrading, a widespread movement towards IP is not likely in the short-term, but contact centres with the following characteristics are more likely to see benefits from IP sooner than most.

Characteristics of contact centre	Key IP solution aspect	Potential benefit level
Small contact centres, in cases where there is less investment in existing infrastructure and a low level of functionality. Operations which are considering moving up to big-league functionality, and are perhaps not mission-critical	Packaged solutions allow exceptional contact centre functionality in a box for relatively low prices. (A leading solution provider to all levels of the market says ROI achieved for small contact centres in 6-18 months)	High
Large strategic contact centres (especially in the outsourcing sector), which see IP as a competitive advantage	May be using IP trunking between sites already, including offshore locations. Can offer integrated multimedia solutions to clients and customers	High
Greenfield sites (entirely new contact centre)	Lack of existing circuit-switched infrastructure means cost avoidance possible	High
Visionary businesses wishing to become knowledge-led, and to break down the boundaries between contact centre and the wider enterprise	IP communication can roll-out throughout the enterprise and mean the right person is always available if needed. Applications can be more quickly developed and deployed in an IP environment	High

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Characteristics of contact centre	Key IP solution aspect	Potential benefit level
Sophisticated multimedia interaction with customers is a key part of future plans (banking and IT may be key vertical markets)	Integrated multimedia control, and opportunities to use new media (video, web collaboration etc.)	High
Virtual contact centre with overseas or domestic sites	Reduce call costs by IP trunking (esp. overseas)	Medium
Having major problems with staff recruitment and retention	Depending on the cause of the problems and the nature of the business, homeworking may prove to be useful, especially in the cases of highly-skilled staff	Medium
Doubled infrastructure management (telephony and IT)	Writing-off the telephony network will save money on salaries and maintenance, but it is important to make sure your network staff understand voice as well as data	Low-Medium
Brownfield (existing contact centre) sites in the right stage of technology refresh cycle (switch end-of-life)	Cost avoidance for switch, but still need to consider how applications will sit on an IP PBX, and cost of upgrade to the network	Low-Medium

Actual implementations of IP contact centre solutions are relatively few and far-between at the moment. However, the technology is available today to offer real options for operations which have reached the PBX end-of-life stage, wish to develop virtual contact centre functionality, offer sophisticated multimedia interactions to customer, or break down the boundaries between business and the contact centre.

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To summarise:

Implemented carefully in an environment which supports a quality-of-service (QoS) network, the reliability of IP telephony can rival traditional circuit-switched infrastructures

Except in greenfield environments, IP contact centre solutions are unlikely to be any cheaper to purchase overall, as the cost of network upgrades can be very substantial

IP is an enabler, not an end in itself. As such, the decision to move to IP is likely to be a strategic choice taken at the higher levels of the business, and may focus more upon the contact centre's long-term position, rather than short-term cost savings

Contact centres looking to implement IP must have a clear vision of what they want to achieve, and be looking to move the contact centre to a higher level. Those operations only interested in immediate cost reduction are unlikely to see the full potential benefits

There is a lot of interest in what IP can do, but many seem to be being held back by fears about security, resilience and cost. Solution providers must do more to educate the market, show their success stories, and try to answer questions about cost vs payback

There is unlikely to be a rush towards IP implementations. Many businesses are either trialling the technology on a small basis, or researching their options. It is unlikely that IP will become mainstream before 2005, but it seems highly probable that IP contact centre solutions will be the interaction routing benchmark after this time.

In terms of offshoring, IP is likely to break down another barrier: businesses will find it easier to run a single, virtual contact centre operation having a single (IP) network which deals with all voice and data traffic. Costs of putting calls offshore diminish greatly, and logically, the wider contact centre becomes easier to manage.

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Summary

Automation and offshoring will compete for a significant proportion of 'low value' work: self-service technologies can make offshoring look expensive. However, the flexibility that human agents can provide, plus the customer demand for live agents mean that even low value work will not disappear from contact centres, especially in small-medium operations where economies of scale may be more difficult to find.

As more channels to and from the customer open up, organisations will have to support them all with an acceptable level of quality. This includes Internet-based channels, such as email and text chat; consumer broadband uptake will drive non-telephony contact, requiring new agent skills (written communications and IT system knowledge). However, for complex interactions where a high speed of response is required, a real-time human touch is required.

Contact centre technology has normally been closely linked to increasing efficiency and throughput, as decreasing customer contact costs was possibly the main reason for the existence of the contact centre in the first place. Solutions such as CTI and dialler technology still aim to improve efficiency, but many solutions today go some way to improving the quality of service to customers as well as the agent experience. With solutions available today, many contact centres can be linked together to form a single virtual contact centre (with the economies of scale that this implies), regardless of the operations' physical locations or sizes, allowing organisations an unprecedented level of flexibility.

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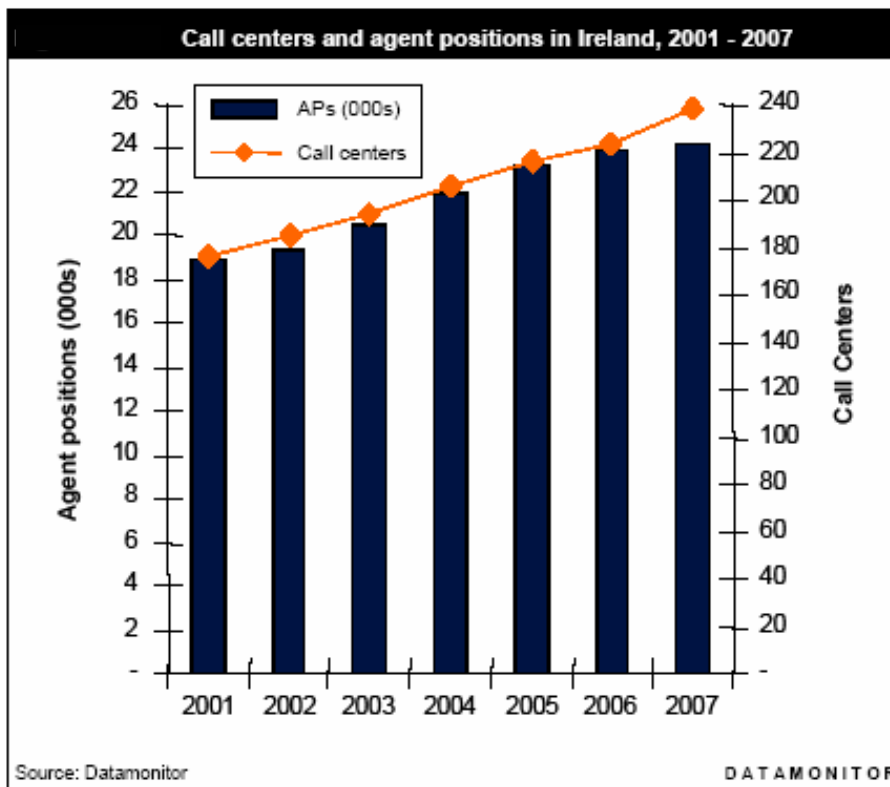
6 Key competitor markets by country

6.1 Ireland

Size – revenue, agent positions etc

Ireland has a well-established contact centre industry and is a key player in the outsourced market.

It is not clear just how many seats there are in the industry as a whole – data for Ireland is often amalgamated into UK statistics, and obviously separate reports cover Northern Ireland and the Republic of Ireland. Datamonitor calculated 19,500 agent positions in 185 centres in their 2003 report, of which approximately two thirds work on behalf of about 60 overseas organisations.

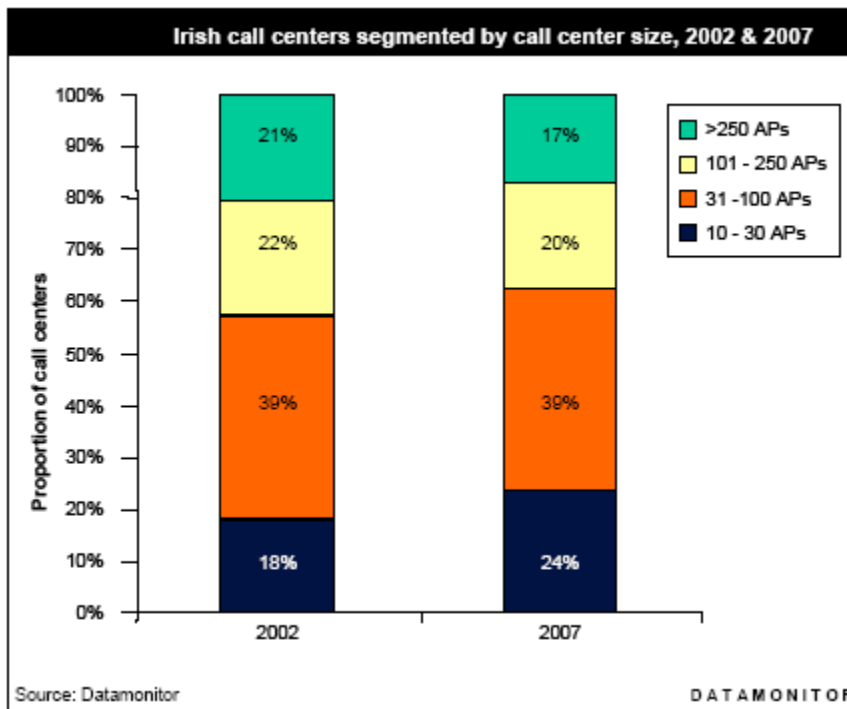


Source: Datamonitor Call Centres in EMEA to 2007.

Figures are actual 2001-2003 and forecast for 2004 onwards.

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Ireland's working population has the highest proportion of call centre staff of any European country at 3.6% - compared to its nearest peer countries of the Netherlands, which has 2.5% and the UK, which has 2.83%.



Source: Datamonitor Call Centres in EMEA to 2007

Activity – types of calls handled

Ireland attracts more high-value, less price-sensitive contact centre activity than other offshore locations. The activity covered includes (predominantly) telesales and marketing, customer service and technical and software support for a variety of industries.

41% of all agent positions in Ireland are in the technology vertical market. Other significant vertical markets include travel and tourism, and financial services⁸³. In 1999, Ireland played host to many technology call centres, including IBM, Intel, 3Com, Creative Labs, Compaq, Dell Gateway 2000 and AOL Bertelsmann⁸⁴.

⁸³ Source: Datamonitor's report Call Centre and CTI markets in Europe: Perspective 2003

⁸⁴ Source: Datamonitor's report Call Centre and CTI markets in Europe: Perspective 2003

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The number of hours over which centres are open varies considerably – however, a quarter of Irish centres now offer 24x7 services, no doubt principally focused on the international market.

Factors driving growth in competitor markets

The contact centre industry in Ireland has grown most rapidly in Dublin. Secondary areas of growth and popularity include Cork, Limerick, Galway and Waterford⁸⁵. Ireland competes against the UK on cost, but has equal cultural quality and fit. Wages appear to have a slight advantage over the UK but absenteeism is also lower, which can represent a significant cost saving.

The importance of the call centre industry to Ireland's employment and economy suggest that it will recognise the importance of remaining competitive in this market. Ireland's acknowledged expertise in the technology sector, coupled with the willingness of US firms to invest in Ireland suggest that there will still be growth in the Irish market as a whole. Financial services will also be boosted strongly as the success of companies such as Barclaycard, GE Capital and MBNA become well-known, attracting more Financial Services companies into Ireland, as well as growth within existing call centres⁸⁶. However, escalating labour and land costs (particularly in and around Dublin) have caused the market to approach saturation point over recent years.

Cost profiles

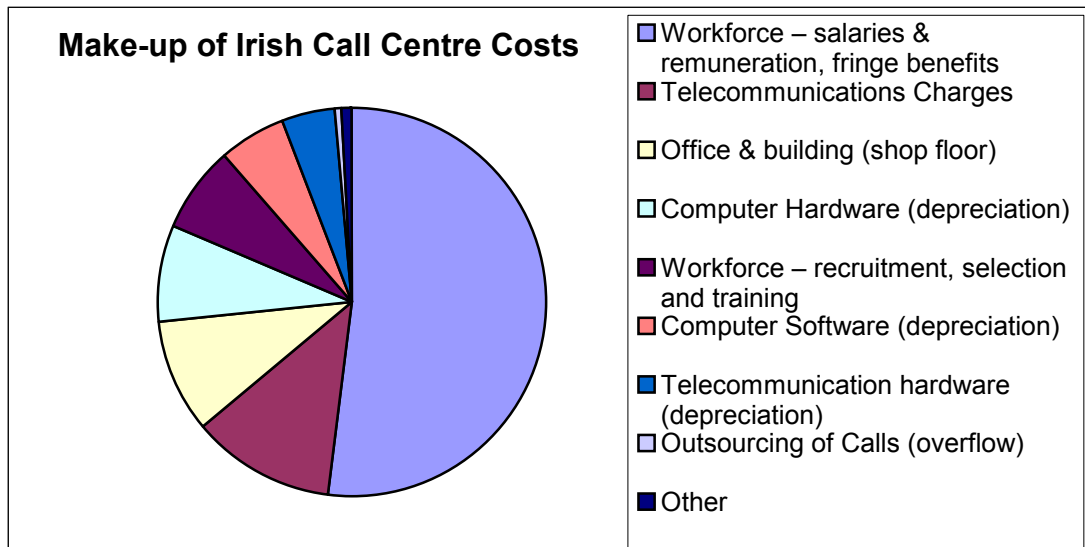
Staff costs in Ireland are marginally lower than in the UK. Although data varies, various sources suggest that salaries have a marginal competitive advantage over UK at around £12,500. Figures on agent attrition⁸⁷, a significant strain on call centre revenues, also vary but the average is estimated at 22%.

⁸⁵ Source: Synstar International and Sabio: The New Business Imperative for the Irish Call Centre Industry June 2002

⁸⁶ Source: Datamonitor's report Call Centre and CTI markets in Europe: Perspective 2003

⁸⁷ Jargon Buster: Agent attrition is the opposite of the retention rate. It is the percentage of agents who leave the each year and therefore, ceterus paribus, the % of new agents that the call centre must employ to replace those lost.

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Source: FEDMA⁸⁸ Call Centre Report Ireland 2000

Quality profiles/perspectives

There is evidence that contact centres in Ireland have a mature and polished image. The fact that Ireland attracts high-end services (e.g. technical support) supports its quality image. In addition, a higher ratio of team leader to agents suggests either a focus on quality (as more time can be dedicated to monitoring individual agent performance) or suggests a more complex contact centre function (e.g. less scripted, more 'agent-centric' interaction as opposed to simple functions or scripted responses).

Agent profiles

Ireland has a high availability of relatively youthful workforce – between 35% and 40% of the Irish workforce (of 1.65 million in 2000) is under the age of 25, compared with a European average of 30%.⁸⁹

⁸⁸ FEDMA: Federation of European Direct Marketing

⁸⁹ Source: Synstar International and Sabio: The New Business Imperative for the Irish Call Centre Industry June 2002

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Following the call centre boom of the 90s, growth in Ireland has slowed considerably in what is now one of the most mature call centre markets in EMEA; the number of Irish agent positions is expected to grow at a CAGR of just 4.1% between 2001 and 2007 – leading to 24,200 agent positions in 2007⁹⁰.

Company profile – in-house vs. outsourced, ownership etc

Approximately 3,000 agents were working on behalf of outsourced operations in 2003⁹¹. Currently, around 13,600 agents (two-thirds of total) are working on behalf of overseas companies (both in-house and outsourced call centres) – the majority of these American. A smaller number of call centres are run either by indigenous companies serving the local population, or by outsourcing companies that provide call centre bureau facilities to their clients.

Ireland is also very active in the area of shared services. At least 30 leading international companies have located Shared Services operations in Ireland. Some stand alone, whilst some complement existing manufacturing or service operations already in Ireland. The functions carried out at Shared Services centres in Ireland broadly include financial administration, information technology, sales and marketing procurement, logistics management and personnel administration.

Origin of work – UK, US, global etc

Ireland was once considered the first choice for outsourcing in EMEA, but recent growth in the Indian and, to some extent, other markets (Philippines, South Africa) has challenged this position. Despite this, Ireland is the centre for an increasing number of pan-European and even global contact centres that provide 24x7 support for a range of business sectors.

The majority of call centres in Ireland are run by companies from overseas, particularly from the USA. The common language and long-standing cultural relationships between the two countries make Ireland attractive to US companies looking to establish a bridgehead in Europe. However, it is not just the US that recognises Ireland's expertise in this area - Ireland has more multi-lingual contact centres than any other European country.⁹²

⁹⁰ Source: Datamonitor Call Centres in EMEA to 2007

⁹¹ Source: Datamonitor Call Centres in EMEA to 2007

⁹² Source: Synstar International and Sabio: The New Business Imperative for the Irish Call Centre Industry June 2002

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Growth profile

Despite its established position, growth predictions look reasonably promising, with Datamonitor predicting a rise from 21,000 agents in 2003 to around 24,700 by 2007. The technology sector will continue to account for well over one-third of agent positions⁹³.

Datamonitor⁹⁴ believes that the Irish outsourcing market has essentially reached saturation point, but does not expect that the country will be deserted although growth is expected to come mainly from the domestic market. The infrastructure and expertise that remain in the market mean a number of outsourcers still have a presence in the country. These include: Client Logic, SITEL and Sykes, The ICT Group, Merchants, MM Group, Gem and Zomax.

Size-wise, Datamonitor expects the average size of call centres in Ireland to fall over time as a result of the changing dynamic of the Irish market. There are currently two main types of call centre in Ireland: large, advanced pan-European centres, often occupied by technology companies and outsourcers, and smaller, less sophisticated centres serving the domestic market.⁹⁵

Government support for the industry

Ireland's success in the contact centre market is due in part to the political will and determination by the Irish government, the Investment & Development Authority (IDA), Enterprise Ireland and the European Union.⁹⁶

The Irish Government has been very clear in its strategy to provide generous grants to companies that want to invest in technology infrastructure and facilities. Incentives include low corporate taxes.⁹⁷ Ireland is generally seen as a first-world economy technologically, but in addition Ireland has invested millions of dollars in a fully digital telecommunications system, and has embraced targets for e-government and broadband access.⁹⁸

Four types of grants are available from the Irish Government: Capital Grants, Employment Grants, Training Grants and Research and Development Grants.⁹⁹

⁹³ Source: Datamonitor's report Call Centre and CTI markets in Europe Perspective 2003

⁹⁴ Source: Datamonitor EMEA Call Centre Outsourcing Report 2003

⁹⁵ Source: Datamonitor Call Centres in EMEA to 2007

⁹⁶ Source: Synstar International and Sabio: The New Business Imperative for the Irish Call Centre Industry June 2002

⁹⁷ Source: Synstar International and Sabio: The New Business Imperative for the Irish Call Centre Industry June 2002

⁹⁸ Source: Synstar International and Sabio: The New Business Imperative for the Irish Call Centre Industry June 2002

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Perceived advantages over the UK

Ireland has a well-educated and service-oriented culture, including a high level of technical and language skills due to its diverse cultural make-up. Ireland has cost advantages over the UK (in terms of staff salaries, land costs and sickness levels) without losing any cultural empathy or sophistication, making it the UK's tightest competitor on a like-for-like comparison.

Ireland has a comparable quality of life to the UK, and has strong cultural, music, arts and social appeal. Its accessibility to European Industry, particularly its proximity to the UK, makes it attractive to European and especially UK companies. One of the disadvantages to geographically distant offshoring options (for example India or the Philippines) is the cost and time involved in sending personnel to the outsourced call centre.

Ireland is also accessible to working migrants due to its EU status. This makes it easy for Ireland to manage (from a legal perspective) the import of languages or expertise it may need in a call centre. The UK shares this advantage, although Ireland's multi-lingual make-up is actually more diverse.

In addition, Ireland has a proactive approach demonstrated by the region's economic development agencies and authorities, including favourable tax incentives, to attract contact centre activity. Ireland appears to have captured the high value business with sophisticated service functions, whereas the cost savings in cheaper environments (e.g. India, Asia) could be negated by lack of cultural fit or business empathy.

Perceived disadvantages versus UK

Ireland has relatively high telecommunications costs. Office rental costs in Dublin, although slightly lower than London, are considerably higher than UK's other main call centre areas of Birmingham, Glasgow and Cardiff.

⁹⁹ Source: FEDMA Call Centre Report Ireland 2000

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6.2 The Netherlands

Size – revenue, agent positions etc

As of mid-2002, there were approx. 1,000 contact centres in the Netherlands, of which 150 were third-party centres¹⁰⁰. Of those 1,000 contact centres, some 120 were multilingual, of which around 25 were third-party¹⁰¹. The Dutch outsourced call centre industry is worth £180million, represented by 127 outsourced call centres¹⁰². The Netherlands has the second largest percentage in Europe (after Ireland) of its population employed in the call centre industry at 2.5%¹⁰³.

The Netherlands has 70,000 agent positions¹⁰⁴.

Activity – types of calls handled

Most Dutch contact centres are engaged in financial and telecom services, consumer products and catalogue sales, travel and tourism. They handle customer support, technical support, sales, reservations, lead generation and marketing research¹⁰⁵.

One of the most mature and innovative outsourcing markets in EMEA, outsourcers in the Netherlands have moved to new pricing models and service offerings more quickly than most. By 2007, almost two-thirds of outsourcing traffic in the Netherlands will be service traffic, with another 10% helpdesk traffic, reflecting the strength of the technology vertical in the country¹⁰⁶.

¹⁰⁰ Source: NFIA Netherlands Foreign Investment Agency 2004

¹⁰¹ Source: NFIA Netherlands Foreign Investment Agency 2004

¹⁰² Source: Datamonitor: EMEA Call Centres to 2007

¹⁰³ Source: NFIA Netherlands Foreign Investment Agency 2004

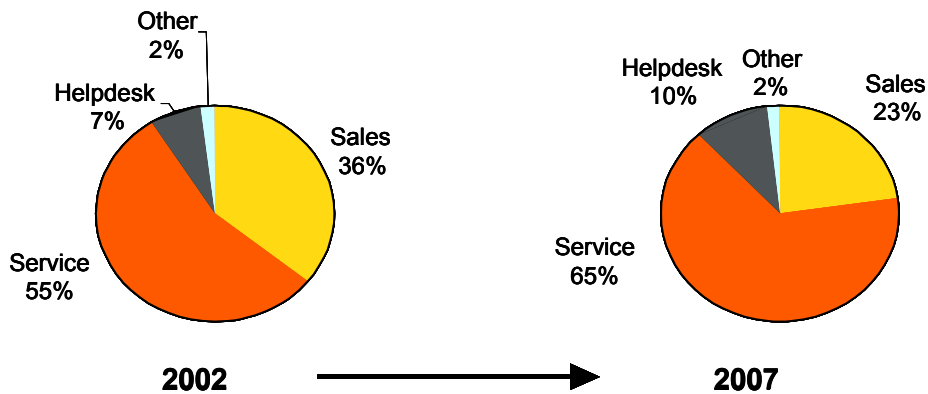
¹⁰⁴ Source: NFIA Netherlands Foreign Investment Agency 2004

¹⁰⁵ Source: Datamonitor: EMEA Call Centres to 2007

¹⁰⁶ Source: Datamonitor: EMEA Call Centres to 2007

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Outsourced contact centre traffic in the Netherlands segmented by business function, 2002 & 2007



Source: Datamonitor EMEA Call Centres to 2007

In terms of verticals, the Dutch market very much reflects the EMEA average, although utilities, while still small, are a more significant market than the average. This is a reflection of the maturity of the Dutch market, and not only do outsourced call centres in the Netherlands tend to be multilingual, they also tend to be relatively high tech. In addition, Dutch companies and organisations are more willing to risk outsourcing, and consequently the public sector is better represented in the Netherlands than elsewhere.

Factors driving growth in competitor markets

Because they are often multilingual and pan-European centres, call centres in the Netherlands tend to be relatively large by EMEA standards. Although Datamonitor¹⁰⁷ expects the Netherlands to remain a key location for pan-European centres, a certain amount of the high-volume traffic will move to cheaper locations – South Africa, for example – and as a result some Dutch centres will become more specialist and less labour-intensive. Datamonitor expects the number of outsourced call centres in the Netherlands to grow faster than the number of agent positions over the next five years, and consequently the average size of centres to reduce.

¹⁰⁷ Datamonitor are a key source of call centre reports and statistics

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According to the Economist Intelligence Unit, which publishes a global ranking model measuring the quality of the business environment in 58 countries, the Netherlands is expected to be the best place in Europe (and 2nd in the world) to conduct business over the next five years (2003-2007, Global Outlook July 2003). Factors cited in this report are the stable political environment, sound regulatory framework and close trading relationships with its regional neighbours.

Cost profiles

The Netherlands compare to UK for average agent salaries – albeit marginally lower. Office rents, however, are significantly cheaper than UK – renting call centre office space in Amsterdam comes in at 30% of London office rental costs and 64% of Birmingham office rental costs.¹⁰⁸

Corporation tax in the Netherlands is at the lower end of the European spectrum – beaten only by Ireland, Hungary and Switzerland, although at 29% it is only marginally less than UK (30%)¹⁰⁹.

The Netherlands benefits from relatively low cost of international calls – at the lowest end of the European spectrum again – where only France is cheaper. However, the average cost of a 64KB leased line to the US costs more from the Netherlands (£13,500pa) than the UK (£11,800) and the difference is even more marked for a higher-speed 2MB leased line – where the Netherlands' cost is over twice the annual cost from UK¹¹⁰.

Quality profiles/perspectives

In the cost versus quality debate, the Netherlands, like the UK and Ireland, would market themselves on agent quality and cultural affinity. Although there are some cost savings (notably land rental costs), the Netherlands are able to offer high-quality agents who are likely to offer more than one language (usually Dutch, English, French and German). This may be more economical than Ireland, where it is the multi-national make-up of the population that is able to offer these skills, whereas in Holland, a pan-European call centre is likely to be able to benefit from skills-based routing where one single agent may be able to offer as many as four fluent languages. The excellent working attitude of the Dutch leads to their deploying of their knowledge and skills effectively. Statistics show that Dutch employees are highly motivated and receptive to learning new skills. As a result, the Netherlands workforce has higher productivity than the workforces in most other European countries.¹¹¹

¹⁰⁸ Source: NFIA (Netherlands Foreign Investment Agency) 2004

¹⁰⁹ Source: NFIA (Netherlands Foreign Investment Agency) 2004

¹¹⁰ Source: NFIA (Netherlands Foreign Investment Agency) 2004

¹¹¹ Source: NFIA 2004

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Agent profile

There are currently 7,200 outsourced agent positions in the Netherlands, a growth of 11% since 2003¹¹². Datamonitor suggests a CAGR of 11.3% between 2002-2007, reaching 11,100 outsourced agents by 2007. The Netherlands represent 4.4% of all EMEA outsourced agents – a testament to its skills given the relative size of the population. The average Dutch person speaks two or more foreign languages, and about 80% of the population speaks fluent English.

Given high employment in the service sector, the Netherlands has the highest percentage of people working as temporary employees in Europe. This gives employers the opportunity to screen potential long-term employees within the work environment while they are on a flexible contract. In fact, most of the recent growth in employment is generated through flexible contracts.

Agent attrition is higher in the Netherlands than UK averages, at around 25%.

Table 58: Length of agent service – Netherlands¹¹³

Length of service	In-house	Third-party	Total
<1 year	15%	36%	25%
1-2 years	26%	28%	27%
2-3 years	27%	13%	21%
3-5 years	17%	9%	13%
>5 years	15%	13%	14%

Company profile – in-house vs. outsourced, ownership etc

The Netherlands has (equal to France), the largest number of pan-European outsourcers¹¹⁴. The Netherlands in particular is an attractive location for pan-EMEA call centres because of the number of languages spoken there.

¹¹² Source: Datamonitor EMEA Call Centres to 2007

¹¹³ Source: NFIA 2004

¹¹⁴ Source: Datamonitor EMEA Call Centre Outsourcing Report 2003

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A number of Dutch cities and regions have developed state-of-the-art business parks with super-advanced telecommunications facilities. These parks take into account the special needs of modern business: extra telecom infrastructure capacity (quickly expandable), located at public transport junctions and in most cases in the vicinity of an airport. Most of these business parks are linked to the so-called City Rings of KPN Telecom: high-quality and high-capacity double glass fibre rings that connect important economic centres¹¹⁵. As a result, many international contact centres can be found in these parks.

Approximately 40% of all international contact centres in the Netherlands are operated through third-party providers¹¹⁶. Examples of outsourced call centres located in Holland include Clientlogic (in The Hague) and Pink Roccade.

Origin of work – UK, US, global etc

Because of the Netherlands's almost unique skill in languages – it is able to offer fluency in Dutch and English, thereby serving the British, American and South African markets. In addition, many agents would be fluent in German and/or French, and therefore the Netherlands represent a good choice for pan-European organisations wanting a representation of all these languages.

Growth profile

According to Datamonitor, there will be 80,000 agent positions by 2005. Relative growth is highest for e-mail agents. In the near future, the greatest impetus may come from new technologies like e-mail management, speech-based IVR, web self-service and voice-over IP.

The Netherlands is a mature and technically advanced market, although it is reaching saturation point. As such, it will experience minimal growth between 2001 and 2007¹¹⁷. In 2002, the Dutch call centre outsourcing market alone was worth £145 million, making it the smallest of the major European markets, but large in relation to the size of the country¹¹⁸. Over the next five years it will grow at a CAGR of 12.6%, lower than the EMEA average, and will be worth £262 million by 2007¹¹⁹.

¹¹⁵ Source: NFIA 2004 (Netherlands Foreign Investment Agency)

¹¹⁶ Source: NFIA 2004 (Netherlands Foreign Investment Agency)

¹¹⁷ Source: Datamonitor EMEA Call Centre Outsourcing Report 2003

¹¹⁸ Source: Datamonitor EMEA Call Centre Outsourcing Report 2003

¹¹⁹ Source: Datamonitor EMEA Call Centre Outsourcing Report 2003

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Government support for the industry

The Netherlands' trade and investment policy is among the most open in the world. Foreign investment is actively encouraged. Its stable political and economic environment makes it a favoured nation for foreign investors in certain sectors, with about 7,000 foreign organisations present in The Netherlands. Most of the investment activity is in assembly, distribution, sales offices, call centres and shared service centres.

The Netherlands support for the call centre industry is less about cost/revenue driven incentives than about ease of entry and assistance. The Netherlands Foreign Investment Agency (NFIA) is responsible for foreign direct investment, and within The Netherlands there are regional and local development organisations. The NFIA provides organisations with a range of basic economic, financial, statistical and technical information on which to decide if The Netherlands is a suitable location. It maintains a computerised database of all suitable Dutch industrial sites with descriptions, and will organise fact-finding trips to selected sites. Its services are confidential and free of charge.

In addition to Government support, there are many proactive call centre bodies present in the Netherlands¹²⁰:

The Vereniging Contactcenters Nederland (VCN) is a branch organization for both in-house contact centres as well as suppliers of outsourced services. VNC assists member organisations with the setting up and keeping up to standard of competitive contact centres. (www.vcn.cc - Dutch only). The Call Center Managers Association (CCMA) is an independent association of in-house customer care centre managers. Its purpose is the exchange of knowledge and experience.

(<http://www.ccma.nl/> - Dutch only)

The Dutch Dialogue Marketing Association (DDSA), drafter of the Telemarketing Code, has instituted a number of Councils, one of which is the Council Telecommerce. Members are organizations involved in the management of in-house and third-party customer care centres.

(<http://www.ddma.nl/ddma/home/home.php>).

The Help Desk Institute Benelux (HDIB) is part of the international HDI organization headquartered in Colorado Springs, USA. Members are organizations that, by means of a helpdesk, service desk or customer care centre, want to improve the service level for their customers. To this end, the HDIB organizes training courses, workshops, seminars, conferences and shows.

(<http://www.hdibenelux.com/>)

¹²⁰ Source: NFIA 2004

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The sTN is an association of telecom users. This association informs and advises its members, keeps an eye on the quality of service of the telecom providers, and negotiates lower tariffs for its members.

(www.stn.nl - Dutch only)

The Association of Top Contact Center Managers (TCCM) is an association of managers who are responsible for the operation as well as the budget of large in-house customer care centres. It looks after the economic, commercial and strategic interests of its members, facilitates the exchange of knowledge and experience, and stimulates mutual consultation as well as consultation with non-member organizations. (<http://www.tccm.nl/> - Dutch only)

The WGCC is an association of third-party customer care centre employers. This association is concerned with conditions of employment, the development of education and training, collective labour agreements, and image building. (<http://www.wgcc.nl/> - Dutch only)

Perceived advantages over the UK

The Netherlands has strong language skills – but these tend to be as a result of a skilled rather than multinational population – and as such is able to attract large pan-European call centres.

Cost-wise, the Netherlands benefits from much lower office space costs than the UK – Amsterdam being more than three times cheaper than London for office rent. With comparable agent costs, and overall competitiveness in telephony costs (i.e. lower international call costs, but higher bandwidth costs), it represents a cost saving overall. In addition, much, if not all, of the cultural affinity is kept, as the Netherlands is second only to Ireland in cultural fit and accent neutrality (within the Offshore call centre markets).

In terms of Industry support, the Netherlands has made considerable efforts to advance its call centre industry, both through government incentive and assistance, and through pro-active national call centre bodies and associations.

Perceived disadvantages versus UK

The Netherlands is not so much at a disadvantage versus the UK – its closest competitor really is Ireland. If a company is looking to retain much cultural affinity and accent neutrality yet save (albeit not significantly) on labour and land costs, Ireland would almost certainly be its first choice.

In addition, the Netherlands is a mature call centre market reaching saturation point. With the lowest unemployment level in Europe, this is likely to bring an upward pressure on wages, reducing its competitive advantage over the next few years.

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6.3 India

Size – revenue, agent positions etc

India currently has over 1,560 call centres employing 92,000 agents. There is currently massive overcapacity suggesting that only 48% of seats are active¹²¹.

In terms of the outsourcing model, according to Datamonitor, there are currently over 250 outsourced call centres and 51,000 agent positions devoted to offshore outsourcing. According to NASSCOM, the Indian customer relationship outsourcing market was expected to be worth £389 million by the end of 2003.

Activity – types of calls handled

Current hot spots include Bangalore, Mumbai and Delhi (including Gurgaon). Emerging areas include Hyderabad, Ahmedabad, Chennai, Kolkata, Pune and Trivanderum.

Much of the activity exported to India from the UK is extremely cost-sensitive, such as outbound sales campaigns and short, transactional-based contracts as well as back-office activities.

¹²¹ Source: Outsourcing Insight Call for India Review

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Table 59: Agent activity per hour

Activity	Indian respondents	UK (all respondents)	UK outsourcers only
Call time	76.2%	69.7%	73.3%
Wrap-up	9.1%	11.5%	10.3%
Administration	7.0%	11.3%	11.0%
Idle	7.7%	7.5%	5.4%
TOTAL	100.0%	100.0%	100.0%
Source: The Indian Contact Centre Operational Review 2004, Contact Babel ¹²² .			

Generally, Indian agents spend around 76% of their time on calls, with around 9% and 7% of time spent on wrap-up and administration respectively. Idle time accounts for 4.6 minutes in the hour¹²³. The differences between the UK and India can be explained by the typical activities of the Indian contact centres: namely, outbound sales calls, which have few gaps between them as agents are fed calls from diallers, and little administration or wrap-up as most replies will be quite simple: "not interested"¹²⁴.

The largest horizontal sector in Indian outsourcing activity is Customer Service, representing 34%, and closely followed by Helpdesk facilities at 27%. Sales operations represent 21% of activity, back office processing (non-voice related) 13% and collections just 5%¹²⁵. In terms of growth, however, Datamonitor expects the biggest increase in activity to come from back office processing functions, either a signal of faith in the back office processing expansion, or a comparative lack of expectation of growth in the outsourced voice-based call centre market, possibly due to cultural and accent backlash.

¹²² Call time: amount of time actually spent on the call

Wrap-up: after-call data input and actions driven specifically by that call

Administration: general administration and keyboard- or paper-driven work which may be for internal purposes only (e.g. timesheets) or for external work as well (e.g. sending faxes). Also includes desk-based training

Idle: time spent not taking calls or doing other work

¹²³ The Indian Contact Centre Operational Review 2004, Contact Babel

¹²⁴ The Indian Contact Centre Operational Review 2004, Contact Babel

¹²⁵ Source: Datamonitor 2003

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Factors driving growth in competitor markets

India is considered a mature offshore market, and has experienced high growth in organisations establishing themselves as call centres, sparking expectations of a large industry shakedown and period of consolidation over the coming years. Currently India is the most popular outsourcing destination abroad from UK, Ireland and the US, and the comfort factor of the 'known' and 'proven' is very powerful. 80% of the world's largest 500 companies already outsource at least one function to India, which will make extending the scope of their outsourced activity easier and more accepted.

According to the University of Kent, by 2005 India will have more IT graduates than in the entire UK, further increasing their ability to both technically support their call centres and effectively recruit in technical support call centres. In fact, India has a well-developed IT sector – Mumbai is served by multiple optical fibre terminations, although electricity and telecoms have yet to contribute to infrastructure reliability. Efforts are underway to drag the telecoms infrastructure into the 21st century, but the government faces serious liberalisation issues and its network improvements timetable has already slipped. International traffic, delivered via IPLC¹²⁶, still needs to mitigate last mile risks via diverse routing and cannot be connected to domestic networks in any form.

With its enormous English-speaking population, India is the next step in the labour arbitrage ladder after Ireland. Cost reduction was the main driver for initial demand in this market. A recent Datamonitor study of 250 call centre managers identified labour costs as the main driver for offshore outsourcing.

India is four to five hours ahead of Europe, and 10-13 hours ahead of North America. This makes it an ideal location for the 'follow the sun' model, where call centres are open in shifts so as to allow customers to call 24 hours a day. Rather than pay North American or European agents overtime salaries to work at night, agents in India can handle calls during their daytime. In addition, the cost advantage is great enough that many Indian call centres also open in the night to service daytime offshore customers although this is attracting criticism based on the impact this has on staff welfare, and consequently attrition of staff who continuously work unsocial hours.

Cost profiles

¹²⁶ IPLC: International Private Leased Circuit

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India's chief cost advantage is labour. On average, the Indian call centre agents earn an estimated £1,502 per year – 85 to 90 per cent lower than agents in North America or Europe. Managers in Indian contact centres can expect to earn £5,000 per annum¹²⁷.

Contact centre wage differentials in UK and India

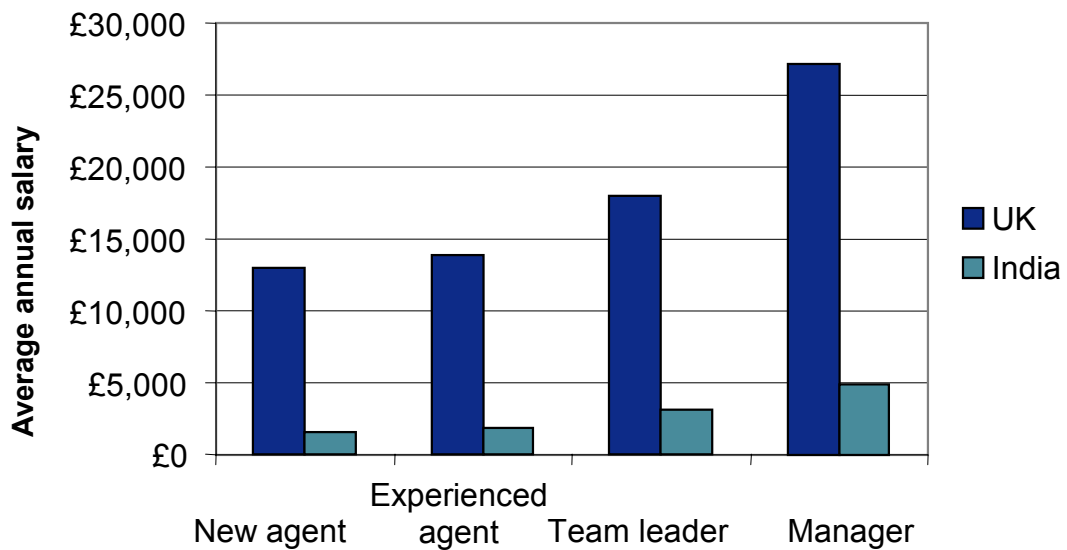


Table 60: Contact centre wage differentials

Mean annual salary (£)	UK	India
New agent	£ 12,945	£ 1,502
Experienced agent	£ 13,891	£ 1,859
Team leader	£ 17,964	£ 3,160
Manager	£ 27,166	£ 4,855

Source: ContactBabel, "The Indian Contact Centre Operational Review"

¹²⁷ Source: The Indian Contact Centre Operational Review 2004, Contact Babel

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The average inexperienced Indian agent earns somewhat less than one-eighth of a new UK agent's salary; the lowest annual salaries for new agents were only just above the £1,000 mark. Whilst this seems incredibly low against UK cost of living standards, there is no shortage of applicants for contact centre jobs in India. The average salary of £1,500 a year actually has a reasonable purchasing power in India, especially for employees who still live with their families, as many young Indians still do until they are married. In fact, according to GDP figures from the CIA World Factbook (www.cia.gov/cia/publications/factbook/), new Indian contact centre agents earn 104% of their country's average GDP per head, compared to the 90% of average GDP per head that new UK agents earn¹²⁸.

Indian agents can be seen as better-off relative to their countrymen, although UK agents are still much better-off in terms of what their money can buy them, even if their pay is fairly low compared to the rest of the UK. For example, what UK consumers would consider an entry-level car – small and economical - in India will cost around £3,500 to £5,000, which is 2-3 years' wages. Compare that to the equivalent UK new car price of £6,000 to £7,000, which is around 6 months' wages for a new UK agent¹²⁹.

Wage rates, however, are showing a healthy rise of about 10% a year on some estimates¹³⁰, which is squeezing margins on competitive outsourcing deals. There are other cost pressures too – the appreciation of the rupee against the dollar over the past two years and the inadequacy of Indian infrastructure. This is such that most firms provide their own back-up electricity supplies and telecommunications links, and even full-scale bus-services to compensate for the failings of the public transport system¹³¹.

In addition, the India boasts relatively low electricity and network costs.

128 Source: The Indian Contact Centre Operational Review 2004, Contact Babel

129 Source: The Indian Contact Centre Operational Review 2004, Contact Babel

130 Source: Economist India Review, February 2004

131 Source: Economist India Review, February 2004

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Quality profiles/perspectives

The impression of call centre quality in India varies between those who feel they have bought cost savings and benefited from unexpected quality improvements, to those who feel that the accent issue and cultural fit will always be a compromise. India ranks favourably¹³² as an offshore location for contract enforcement, English proficiency and labour cost. It scores less favourably, however, in ease of business entry, political and economic stability and corruption. Average scores were recorded in sophistication.¹³³

Whilst outsourcing to India may be acceptable for back-office and relatively simple functions, there are some applications that would be wholly inappropriate for outsourcing to India. Examples of these would be emotionally-sensitive conversations (e.g. support helplines) and culturally-charged issues (e.g. pet issues, healthcare, political helplines or poverty issues).

In terms of infrastructure quality, generally, staff facilities are superior to UK operations, as a result of being purpose-built recently. The incidences of car parking, staff restaurants and self-teaching labs are far higher than in the UK¹³⁴. The amount of training given tends to be slightly higher in India as well, although this can be attributed to the need to incorporate cultural training (based on understanding both the consumer, and also the company brand within the marketplace, both of which would be a given in a UK call centre).

Table 61: Contact centre service levels

Service levels	Proportion of respondents having this service level
More challenging than 80% in 20 seconds	32%
80% in 20 seconds	9%
Less challenging than 80% in 20 seconds	0%
No service level	59%
Source: The Indian Contact Centre Operational Review 2004, ContactBabel	

Although Call-Answer Service Levels (number of calls answered within a certain period of time) is a quantitative measure, for consumers it can be a measure of quality, as the longer they have to wait

¹³² World Bank 2001

¹³³ World Bank 2001

¹³⁴ Source: The Indian Contact Centre Operational Review 2004, Contact Babel

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before reaching an agent, the more frustrated they are likely to be when they get through. To this end, it is somewhat surprising that nearly 60% of Indian call centres have no such service level in place when only 15% of UK Call Centres report not having such a service level. However, this figure must be taken in context, and figures affecting this would include the proportion of outbound call centres where, of course, no such SLA is necessary.

Table 62: Quality assurance methods

Respondents	Scripting	Listen-in	Customer surveys	Call recording	Buddies	Mystery shopper
Indian (all)	18%	77%	14%	77%	0%	5%
UK (all)	44%	77%	60%	54%	3%	4%
UK (outsourcers)	77%	87%	54%	62%	5%	8%

Source: "The Indian Contact Centre Operational Review", ContactBabel (2004)

In terms of qualitative measuring methods, only call recording has greater representation in India than in UK. However, recording calls is not in itself a contribution to call quality – it is only the extent to which calls are replayed and analysed that measures quality monitoring. In addition, as many Indian call centres are recently built, it is not uncommon for them to have a full suite of call centre technology, including call recording. Further, as many Indian call centres are outsourced centres reporting to UK or US companies, it is often stipulated in the contract that calls are recorded.

In all other methods of quality capture, the UK call centres reported a greater percentage of usage, notable differences occurring in scripting (which would control the content of the call) and customer surveys (which remains the purest measure of how the call is actually received).

Table 63: Staff facilities

Respondents	Restaurant	Break room	Garden	Gym	Lockers	Crèche	Self-teach lab	Smoking room	Staff parking
India	95%	95%	50%	18%	55%	0%	73%	27%	100%
UK	46%	88%	34%	16%	39%	1%	36%	32%	78%
UK:outsourcers	31%	79%	33%	13%	33%	0%	13%	33%	72%

Source: "The Indian Contact Centre Operational Review", ContactBabel (2004)

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Expectations of the working environment have changed dramatically over the years. Particularly in contact centres, space planners and managers have tried to move away from the regimented battery hen operations of the eighties. The facilities provided to staff can become fundamental in a call centre's ability to retain them, or persuade them away from the opposition, especially in the highly competitive mature contact centre locations in the UK.

However, the Indian contact centre industry, with its new investment money and purpose-built offices, offers far more facilities to its staff than do most UK operations. Only smoking rooms are found in more UK contact centres than Indian ones (and there are a higher proportion of UK smokers than in India) and crèches, which tend to be infrequently provided anywhere in the world.

There have recently been a few reports of 'insourcing' – of western firms taking back services previously outsourced to India. Both the two most publicised cases – Dell, a computer firm, and Lehman Brothers, an investment bank – involved call centre help-desks and only affected part of their Indian operation. However, many are seizing on these examples as the beginning of the backlash and are anticipating heavily-interactive voice functions to start insourcing over the next few years, in response to consumer or media reaction.

Agent profile

Indian call centre agents generally have a higher education qualification – usually at degree level, although increasingly at MBA level. However, cracks are starting to appear in this apparent over-qualification for fairly repetitive and unempowering tasks. Call Centre bosses claim that most fresh graduates don't stay for more than 12 to 18 months (only 11 months, according to ContactBabel's "The Indian Contact Centre Operational Review"), and booming attrition levels are bearing out this claim. India has so many potential contact centre staff that they have little or no need for temps or part-time agents. Organisations used to concentrate recruitment on the 18-24 age group from cities, but are now looking for older people, or graduates from smaller towns or poorer backgrounds, who might not be so dissatisfied so quickly.¹³⁵ It is common practice for companies to recruit from these areas and offer incentives such as subsidised housing.

The average reported agent attrition rate in India is 24.3%, nearly 10% higher than the UK equivalent, although much less than the UK outsourcing sector, which is high in comparison with other UK sectors. It should be noted however, that the UK outsourcing median attrition rate is the same as the Indian median (25%), suggesting some similarities in most operations¹³⁶.

¹³⁵ Source: New Statesman November 2003

¹³⁶ Source: The Indian Contact Centre Operational Review 2004, Contact Babel

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Table 64: Quartile ranking: annual agent attrition rate

Quartile ranking	Annual agent attrition rate (%): India	Annual agent attrition rate (%): UK	Annual agent attrition rate (%): UK outsourcers
1st quartile	14%	4.5%	n/a
2nd quartile (median)	25%	10.0%	25.0%
3rd quartile	35%	18.5%	n/a
High	80%	200%	n/a
Low	4%	1.0%	n/a
Mean average	24.3%	14.5%	35.7%
<p>Source: "The Indian Contact Centre Operational Review", ContactBabel (2004) Note: attrition rate can be over 100% e.g. agents who stay on average only a few months will have to be replaced more than once each year</p>			

However, the increasing sophistication of call centres means that agents are required to accomplish a broader range of functions over more than one channel (most commonly, telephone and email). India has the advantage of having a highly educated population, especially with regards to IT and engineering. For this reason technical helpdesks will retain the most global market share in the face of rising Indian wages and cheaper labour elsewhere.

Organisation profile – in-house vs. outsourced, ownership etc

The outsourcing sector is the strongest vertical market, accounting for 75.5% of the market. The next biggest sectors are financial services at 6.9%, technology at 6% and communications at 5.4%¹³⁷

The past three years have seen exponential growth in the Indian call centre market. Offshore outsourcing initiatives led the way and are still the largest slice of the Indian call centre pie. More recently, enterprises in North America and the United Kingdom have also started to set up their own captive call centres¹³⁸, essentially cutting outsourcers out of the deal.

¹³⁷ Source: Datamonitor Opportunities in Asia Pacific call centre markets to 2008

¹³⁸ Jargon Buster: Captive centres are those centres that are operated for servicing their own clients and not third party clients (i.e. the 'opposite' of outsourced call centres).

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The domestic market in India is small but growing, and Datamonitor predicts that it will be the most powerful engine of growth for the Indian call centre market.

Average call centre size in India is larger than most of AsiaPac. In general, outsourcers have larger call centres, and the dominance of outsourcers in the Indian market gives rise to a larger than average call centre size.

The top Indian outsourcing players by revenue are Wipro Spectramind, WNS Group, Daksh e-services Pvt Ltd, ExiService Pvt Ltd and HCL Technologies BPO Services Ltd.¹³⁹

Origin of work – UK, US, global etc.

Much of India's growth to date has been outsourcing from United Kingdom and North America. Datamonitor believes that some future growth will come from blossoming domestic demand for call centre services.

Growth profile

India's growth in the call centre sector has been prolific. In 1999, there were just over 20,000 agents employed in this sector. In 2003 this number had quadrupled to just under 100,000¹⁴⁰. Growth estimates are at a CAGR of 20.7%, indicating that there will be 237,000 agents by 2008¹⁴¹.

In 2003, £177 million of green-site¹⁴² investment was scheduled and by the end of 2003, India has confirmed its place as leader with 70% share of Asia's call centre business¹⁴³.

Many sources think that the growth spurt is far from over. There are currently 1,561 call centres in India. According to Financial Times, India could have 6,000 call centres by 2008 compared to 40 in 1999. Datamonitor, however, estimates this figure at a less optimistic 3,920 call centres in 2008. And although The Asian Age could reasonably expect to be bullish over India's economy, their estimate that a fifth of all insurance call centre jobs in UK are expected to be outsourced to India by 2010 seems less fantastical given the recent exodus of British banking functions to India.

¹³⁹ Source: Datamonitor 2003

¹⁴⁰ Source: Nasscom

¹⁴¹ Source: Datamonitor Opportunities in Asia Pacific call centre markets to 2008

¹⁴² Jargon Buster: Green-site refers to a call centre build from scratch, including the building itself, infrastructure, technology, and recruitment. Also referred to as Greenfield.

¹⁴³ Source: International Data Corporation

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The equally bullish Financial Express supports this optimism, predicting Indian call centre growth at 68% from June 2003 to June 2004, touching 158,000 seats. If this growth materialises, India will overtake Australia as the largest call centre country across Australasia.

Although outsourcing currently represents 75.5% of the market, this is expected to decline over time as off-shoring to captive centres gains popularity. There is also expected to be growth in the domestic market – especially in the technology, financial services and communications sectors.

The competition for skilled agents will be a battle amongst India-based outsourcers, global outsourcers who have a presence in India, consulting firms and enterprises that are domestic captive call centres in India. Datamonitor believes that the growth in captive call centres will drive much of the overall growth over the next two years. For example, GE Capital is opening a new BPO centre in Hyderabad, while British Telecom is opening call centres in Delhi and Bangalore, with a third planned for Mumbai.

Agent positions in Indian contact centres more than doubled last year, at a rate only very slightly less than its call volumes, suggesting that call volumes increased mainly as a result of added agent numbers, rather than increased productivity per agent¹⁴⁴.

In the UK, call volumes increased by nearly 20%, but agent positions grew by only 7.4%¹⁴⁵. This suggests that an increase in productivity per agent and/or increased automation meant that many more calls could be dealt with without the attendant rise in agents in the UK. This productivity effect was felt less in the UK outsourcing sector: suggesting that in UK, where outsourcers are cost-conscious, they are already running at close to maximum efficiency¹⁴⁶.

In terms of growth in the offshore outsourcing sector, there are currently over 250 call centres and 51,000 agent positions¹⁴⁷. As additional capacity is needed, the number of call centres and agent positions will grow at a 9% and 19% CAGR respectively to reach 387 outsourced call centres and 121,000 outsourced agent positions by 2007.¹⁴⁸

¹⁴⁴ Source: The Indian Contact Centre Operational Review 2004, Contact Babel

¹⁴⁵ Source: The Indian Contact Centre Operational Review 2004, Contact Babel

¹⁴⁶ Source: The Indian Contact Centre Operational Review 2004, Contact Babel

¹⁴⁷ Source: Datamonitor

¹⁴⁸ Source: Datamonitor

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Over the next two years, Datamonitor expects back office processing to be the fastest growing outsourced activity as traditional IT services companies make efforts to extend beyond offering voice services.

Government support for the industry

The government adopts an interventionist and centralised approach to the economy, and has been keen to capitalise on interest in off-shoring to India. There are significant incentives and concessions for start-up operations, including corporation and sales tax, and import duty holidays, capital investment subsidies, land subsidies and employment flexibility. In the upcoming Indian election year, call centres will be a key platform, especially as US elections are making anti-India protectionism its own platform on both sides of the political divide.

Perceived advantages over the UK

India's great advantage over the UK is cost – an advantage of somewhere between 30%-40% of running a UK call centre. The primary source of the cost differential is human resources, and there is no shortage of supply. Other cost factors may include taxation issues – where VAT may be chargeable on a UK organisation employing a UK-based OSP, this is not the case when outsourcing abroad (unless the offshore country has its own VAT requirement).

Call centres in India are perceived to be a positive career choice and, along with a high wage relative to other sectors (albeit much smaller than UK), this obviously attracts quality candidates. That said, attrition rates are beginning to reveal themselves as high, which could be attributed to the over-qualification of agents and resulting boredom and stress of the job. However, it still appears to attract greater numbers of highly-qualified staff than the UK call centre industry.

Technically, most Indian call centres offer hi-tech, robust, quality operations, with a business process familiarity to the UK. There are over 45 serious international OSP players in India, making India a credible location to place business. Many call centres are purpose built and have excellent facilities.

Average speed to answer is superior to the UK: calls to India get picked up in around seven seconds, more than twice as fast as in the UK¹⁴⁹. This is a function of both the opportunity for increased labour allocation without the UK cost impediment (allowing greater resourcing flexibility) and suspected improved processes in call forecasting and staff scheduling.

Perceived disadvantages versus UK

¹⁴⁹ Source: Article in Call Centre Europe 2004 Issue 52 – UK vs. India: the Facts by Steve Morrell of Contact Babel

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There is a perceived business culture and style dissonance with the UK - with UK consumers noting the accent difference however westernised the call centre tries to be. The geographical distance and time difference (GMT +5.5 hours) are less appealing to companies wishing to adopt a transparent or hands-on approach to their outsourced call centre.

Other pitfalls in the Indian market include geopolitical risk, the variable reliability of local outsourcers and the infrastructure inadequacies. Oversupply in the Indian market is also a phenomenon that technology vendors and enterprises must look out for. The boom in this industry has attracted many entrepreneurs who race to build call centres without clients or even call centre management experience. In addition, wages in India have risen the most quickly of any country in AsiaPac, and poaching of agents is believed to be widespread, fuelling growing attrition levels. This in turn will ultimately raise call centre costs. There is an anti-poaching agreement in place between various suppliers, but in practice this is not enforceable and anecdotal evidence questions its effectiveness.

Although India boasts a highly developed IT sector, there is weak telecoms and electricity reliability, with regular power-cuts and interruptions to service. Voice and data bandwidth are also restricted. Cost wise, the tariffs for long-distance and international calls offset some of the labour cost advantages.

In addition, although intellectual property rights are enforced by the government and Nasscom, this area still presents a risk to international firms entering India. There is question over data protection as India does not come under UK or European legislation and, although in practical terms there should be no higher possibility of data theft, there is evidence of low-paid Indian workers being enticed to sell data or data access on to criminal activity, although the sources and intent of this information are unclear.

In terms of performance, there are clear leagues of variation in business competence and trustworthiness of players – an element that is difficult to govern at such a distance. In some ways, India is even threatened by its own growth, as, should the predicted growth arise; there may be a middle management void compromising quality.

Not all business managers are happy that the cost advantages are worthwhile. Some UK companies feel that although the cost benefits may be real, capital recovery could take a long time, and that the customer experience may deteriorate.

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Statistically, callers are more likely to have to ring back if they are calling an Indian call centre – i.e. first-call resolution levels are lower than UK (60% in India versus 87% in UK)¹⁵⁰. This pushes costs up, reduces customer satisfaction and has a demoralising effect on the agent taking the call. Although reasons for this figure are not documented, it is possibly due to lack of agent empowerment – where the agent simply does not have the training or the responsibility to clear the call satisfactorily first time. UK businesses are still wary about giving their offshore call centre agents a free hand with customers, and this may be holding down the call resolution rate. There is also the possibility that customers and agents can find it hard to understand each other: there is a wealth of strong regional accents in the UK, which an inexperienced Indian agent can find difficult to comprehend; accent is not just a one-way issue.

In addition, UK agents answer 25% more calls per hour than Indian agents, who take an average of one minute per call longer. Unnecessarily long call times are not just a concern for Indian call centres because of the additional cost – they will also have a negative effect on customer satisfaction¹⁵¹. However, customer satisfaction is only measured by 68% of Indian call centres versus 81% of UK operations¹⁵².

¹⁵⁰ Source: Article in Call Centre Europe 2004 Issue 52 – UK vs. India: the Facts by Steve Morrell of Contact Babel

¹⁵¹ Source: Call Centre Europe 2004 Issue 52 – UK vs. India: the Facts by Steve Morrell of Contact Babel

¹⁵² Source: Call Centre Europe 2004 Issue 52 – UK vs. India: the Facts by Steve Morrell of Contact Babel

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6.4 Philippines

Size – revenue, agent positions etc

The call centre industry in the Philippines is a relatively new market for outsourcing from the UK, although slightly more mature for the American market. It is currently estimated that there are 24,000¹⁵³ call centre seats in the Philippines, operating in 401 call centres¹⁵⁴. The call centre industry currently employs around 27,000 FTEs, and produces revenue of £98m to £109m per annum¹⁵⁵.

Activity – types of calls handled

The main type of calls a Philippine agent handles are on behalf of outsourcers. In-house centres represent less than 20% of total calls, and the major areas within this sector are financial services, communications and technology.¹⁵⁶



¹⁵³ Source: Datamonitor December 2003: Opportunities in Asia Pacific Call Centres

¹⁵⁴ Source: RPI 2002

¹⁵⁵ Source: RPI 2002

¹⁵⁶ Source: Datamonitor 2003: Opportunities in Asia Pacific call centres

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Factors driving growth in competitor markets

The Philippines suffers from unreliable telecoms and electricity, although Filipinos are avid users of cellphone technology, with a market saturation of over 100%. This means that Filipinos are comfortable with the telephone as a medium. However, the cities are better connected than the rural areas. Similar to other Asian nations, the Philippine telecommunications market was dominated by government protected monopolies up to the late 1980s. The most prominent was PLDT, which had a monopoly over international and domestic calls. Now, however, there are many new players including partnerships between Philippine and international companies. Foreign ownership of telecommunications companies is limited to 40%. International companies involved in partnerships in the Philippine market include Singapore Telecom, Deutsche Telekom, First Pacific of Hong Kong, NTT from Japan and Nynex from the US.

Cost profiles

Labour is the significant cost saving over UK. The average Philippine agent salary is around £1600 per annum¹⁵⁷. Depending on the type of project, this can vary between £1200 per annum up to £2040 per annum for a more sophisticated requirement¹⁵⁸. The demand for agents is getting increasingly more difficult as the industry matures and this may push costs up over the next few years. Indeed, there is already evidence of wage inflation among outsourced call centres¹⁵⁹. A team leader can expect an annual salary ranging from £2880 to £4032. An Operations Manager can expect to earn from £8052 per annum¹⁶⁰.

Real Estate costs approximately £6 per square foot per annum, compared to £61-£82 in London and £21 in New Delhi, India.¹⁶¹

Quality profiles/perspectives

As a preferred offshore location, the Philippines score highly for political and economic stability and labour costs, averagely for contract reinforcement, ease of business entry and English proficiency, but score badly for sophistication and corruption.¹⁶²

¹⁵⁷ Source: Outsourcing Warehouse, Asia 2004

¹⁵⁸ Source: Outsourcing Warehouse, Asia 2004

¹⁵⁹ Source: Outsourcing Warehouse, Philippines, 2004

¹⁶⁰ Source: Outsourcing Warehouse, Philippines, 2004

¹⁶¹ Source: Global Market Rents Report by CB Richard Ellis, January 2003 (End 2002 Survey)

¹⁶² From World Bank, Swiss Re, World Forum, Deloitte Consulting, UBS and Transparency International Preferred Offshore Location Score.

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Agent profile

The Philippine call centre industry tends to employ young people between the ages of 18-30¹⁶³. This is a reflection of the fact that, relative to other jobs available within its peer group, call centre positions pay well, and tend to offer pleasant working environments.

Organisation profile – in-house vs. outsourced, ownership etc

Most call centre facilities are located around Manila, in hub environments. Most global vendors who do not have a presence in the Philippines are currently in talks to expand into this market. Filipino call centres are above the average size for AsiaPac. This is largely due to the fact that the market is founded on outsourcing, which traditionally relies on large call centres to satisfy end-user demand.

Outsourcing is the largest vertical market in the Philippines, claiming 83% of the country's agent positions¹⁶⁴.

Origin of work – UK, US, global etc

Much of the Philippines' outsourcing industry serves the American market. Due to American's close historical ties, the cultural affinity (accent, culture, TV) is closer to America than Europe. Major clients with call centre representation in Philippines include General Motors, Intel, MCI, Microsoft, American Express and Sony.

Growth profile

The growth in the Philippine call centre is projected to be high. In 2002, RPI projected a 100% growth rate for 2004. From 2000 to 2002, the contact centre industry did indeed grow by more than 200%¹⁶⁵. Datamonitor estimates are more conservative, with a CAGR of 24.9% between 2002 and 2008 – although within that figure is a declining growth after 2005. This means that by 2008, there is estimated to be 1227 call centres employing 74,000 agent positions in the Philippines. According to Philippine Trade Secretary, Manuel Roxas II¹⁶⁶, the call centre industry will employ 100,000 Filipinos by 2005.

¹⁶³ Source: Outsourcing Warehouse, Philippines, 2004

¹⁶⁴ Source: Callcentres.net 2003

¹⁶⁵ Source: Nasscom Feb 2003

¹⁶⁶ December 2003

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Government support for the industry

In recent years, government support of call centre expansion in the Philippines has been constant and essential. Since entering office, President Gloria Macapagal Arroyo has had an active approach to supporting offshore outsourcing to the Philippines. Her administration has worked towards deregulation and privatisation of telecom and energy utilities to spur competition and growth in the country. President Macapagal also leads annual trade delegations to the US in order to promote the benefits of outsourcing in the Philippines. The Philippines government has taken numerous initiatives to make it viable for MNCs and local vendors to set up contact centres, including the following:

Provided a tax holiday for Contact Centres, ranging from 4 to 6 years depending on the size of the investment and the technology used

In addition to offering tax incentives and heading trade missions, the DTI has proposed allowing telecommunication providers to build an information highway linking Metro Manila's cyber parks to fast-track creation of an ICT corridor in the country

A school curriculum conforming to the Contact Centre industry's requirements, with more emphasis on English, Maths and Science, is also being pushed by the Government

Created a sound telecom and power infrastructure, provided good roads, and transport services. Cities such as Metro Manila, Makati, Fort Bonafacio, Eastwood City, Northgate Filinvest, Laguna, Batangas and Subic are stated to have the requisite infrastructure and manpower pool to support contact centres.

Perceived advantages over the UK

The appeal of the Philippines is its western (albeit American) style culture and low-cost labour (labour costs in the Philippines are up to 80% cheaper than US labour). It is not as popular as India, but is emerging as a close competitor. The Philippines has a strong customer service orientation, and this can make for a pleasing experience with an agent. Cost benefits include low cost labour and relatively cheap operating costs, backed by low staff turnover rates (less than 10%)¹⁶⁷.

The Philippine Congress has tried to support the Industry by passing data protection laws – covered under the E-Commerce Act 2000.

The Profit After Tax margin is typically between 5 to 10 percent for a Contact Centre in the US and Europe but as high as 20-25 percent for locations with significant wage differentials like the Philippines, albeit with a lower revenue base.

¹⁶⁷ Source: Nasscom 2002

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Perhaps surprisingly, the Philippines is the 3rd largest English-speaking nation in the world¹⁶⁸, giving it high levels of English proficiency. However, much of the English speaking accent neutralisation is located in cities like Manila.

Perceived disadvantages versus UK

The Philippines is politically stable, but its terrorist activity is a cause for concern for investors. Economically it is under-developed, with evidence of corruption – another challenge to UK business practices. On paper, the Philippines scores well with a relatively high level of graduates, but the standards are not comparable with first-world qualifications.

Like India, the Philippines has a good IT development heritage, but is also let down by its public telecoms and utilities infrastructure. Power interruptions are common, forcing international operations to rely on robust private dual supply and continuity planning.

From a quality perspective, the immaturity of the market and a relatively low management experience, makes the Philippines a poor rival to the UK. Companies operating in the Philippines can find themselves coming across unexpectedly bureaucratic employment regulations. For example, employees must be paid at least once every two weeks and have an imposed maximum of 48 hours work per employee per week. In addition, there is a mandatory 13th month payment, seen by many as a compulsory Christmas bonus. However, although bureaucratic, foreign employment is allowed to bring in non-domestic skills.

Like its main offshore competitor – India – the Philippines are geographically distant and UK companies may find the cost and time of travel, and the time-zone inconvenience (GMT + 8 hours) a factor that could inhibit close management of their offshore provider.

Finally, the Philippines' outsourcing market is dominated by US companies (due to their close historical ties and cultural influence over the Philippines) and the country may therefore have little real appeal to the UK.

¹⁶⁸ Source: CIA World Fact book 2004

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6.5 South Africa

Size – revenue, agent positions etc

Statistics on the South African call centre market are limited, and much of the information is dated. In addition, in this report we are limited by access to authorised material. However, South Africa's economic position has changed significantly over the past few years (with currency fluctuation and growth in the call centre industry), and there has been no definitive updated study.

However, what is known is that the South African call centre industry is of similar size to the Philippines, and therefore significantly smaller than India.

South Africa has a reasonably mature domestic market with a small but emerging outsourced industry and has established itself via domestic demand whereas India and the Philippines have tended to establish themselves on an offshore outsourcing basis.

It is reasonable to assume that call centres are focused on the main business area of Johannesburg, but Cape Town is emerging as a call centre market area with the promotion of such enterprises as 'Calling the Cape' – a regional body set up to encourage foreign investment into the Cape Town region.

Activity – types of calls handled

South Africa has always had a strong financial services sector, and there is evidence of large and established call centre presence in this sector. The government has recently further supported this industry sector via its tightening of controls of overseas investors and regulation. According to Quest Data, call centre size in South Africa tends to be large – showing a smaller number of sites with a relatively high number of seats. As mentioned, there are relatively few full-size outsourcers in South Africa: Dimension Data (Merchants), Sykes (the US-owned business) and Mindpearl (Swiss-owned) are present. However, companies such as Sitel, Teleperformance and Teletech are not represented in South Africa.

Factors driving growth in competitor markets

In terms of the call centre facilities, generally, call centres are comparable with European standards. South Africa benefits from low labour-intensive costs (such as the design and construction) but has, until recently, been penalized by a weak exchange rate, bumping up the cost of technical infrastructure and technology from abroad. This balance is now levelling out, with the recovery of the rand, but the history of a weak rand has led to call centres that are inclined towards human

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interaction, rather than employment of imported sophisticated call centre technologies such as IVR¹⁶⁹ and speech recognition.

In terms of growth, South Africa is now well placed to build on its domestic experience and attract growth from overseas. Ironically, just as South Africa is establishing itself as a mature and experienced call centre industry to the offshore community, the strengthening rand is pushing up costs for foreign investors. However, there are still significant cost advantages over UK, Europe and North America and South Africa's greatest opportunities for development are likely to come in the offshore outsourcing market.

Deregulation in the Telecoms market can only support this growth. Although this deregulation has been slow and undermined by global economic slowdown, second network operator possibilities are emerging. In terms of infrastructure, South Africa has a reliable internal telecoms infrastructure, and additional investment into fibre optic connections.¹⁷⁰

Cost profiles

The main cost advantage for a foreign investor into South Africa will be human resource salaries. According to Quest data, the average agent salary is £3500pa. This obviously represents an enormous saving on the cost of a UK equivalent agent (at around £13,000). However, South Africa's fluctuating currency issue should not be ignored. When dealing with hundreds of agents at any time, the strengthening of the rand from R15 to R12 to the pound (as between 2001 and 2004) would represent a cost escalation to a British organisation of £112,000 per annum based on 100 agent salaries, without accounting for any other factors.

Other human resources cost advantages in South Africa are employer taxation. In South Africa, the employer does not have to pay National Insurance Employer tax, although there is a 1% unemployment and 1% skills development tax. Some of the 1% skills development tax can be reclaimed by companies who are proactively developing employee skills and qualifications according to Government guidelines. However, corporate tax rates are on a par with UK at 30%.¹⁷¹

In addition, Eskom, South Africa's national electricity supplier, produces the second lowest cost electricity in the world.

¹⁶⁹ IVR: Interactive Voice Response (the option to press phone buttons in response to proffered options)

¹⁷⁰ Source: South Africa at a Glance 2003-2004

¹⁷¹ Paragraph Source: South Africa at a Glance 2003-2004

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Quality profiles/perspectives

South Africa scores¹⁷² highly on many areas as a preferred offshore location. It received the highest score in contract enforcement, sophistication, political and economic stability and English proficiency. It also returned average scores in ease of business entry, labour cost and corruption. It was, overall, a high scoring destination, receiving no negative marks in any section.

Culturally, South Africa is a close match to the UK, and agents would be expected to need only minimal cultural orientation. The accent tends toward neutral, and is commonly understood by British consumers.

Agent profile

As with most call centre industries, the agent profile tends to be young, although there is greater agent retention in South Africa due to its high unemployment level at 29.4% (defined as those actively seeking employment)¹⁷³.

Organisation profile – in-house vs. outsourced, ownership etc

Call Centres in South Africa tend to be large in terms of average numbers of agents. Overseas organisations with a call centre presence in South Africa include Ford, Tiscali, Lloyds of London, London Underground, BT and Abbey. OSP¹⁷⁴ presence includes Dialogue, CCN, Dimension Date, Mindpearl and Sykes.

Origin of work – UK, US, global etc

Much of South Africa's call centre market has traditionally served the domestic market – in particular financial services and telecoms. There is evidence that overseas investment is on the increase but to date, foreign direct investment has been very limited in the call centre industry.

There are relatively few overseas investors at present, the exceptions being organisations such as Sykes and Mindpearl, although there are domestic OSPs in the form CCN, Call Centre City and Spescom.

While other markets (e.g. Philippines) may have more cultural appeal to an American market, South Africa has closer cultural affinity to the U.K. Its accent, history and culture make it a prime outsourcing

¹⁷² From World Bank, Swiss Re, World Forum, Deloitte Consulting, UBS and Transparency International Preferred Offshore Location Score.

¹⁷³ Source: South Africa at a Glance 2003-2004

¹⁷⁴ OSP: Outsourced Service Provider

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market for the United Kingdom and the Netherlands, with Afrikaans-speakers being able to serve a Dutch-speaking market.

Growth profile

With the exception of prolific growth between 1997 and 2000, South Africa's growth has been high, but steady. This growth is expected to continue and it is likely that a major part of this growth may come from overseas markets, especially if South Africa is able to galvanise its PR message in the way the India has been able to do.

Although Cape Town has a highly multi-cultural make-up, large-scale multi-lingual call centres are unlikely to be suited to South Africa.

Government support for the industry

There has been concerted effort on the part of national government in South Africa to promote and encourage call centre development. However, there is no massive lobbying group comparable to India's Nasscom, and South Africa does not seem to have marketed itself on the international scene to the same scale as India.

In fact, South Africa's taxation policies may have put the foreign investor at a disadvantage, as resident organisations are taxed on their worldwide income. The government has, however, disbanded its currency exit controls, allowing income to be repatriated, although in many cases of call centre investment this would not be an issue, as money is more likely to flow in through payment to an OSP than flow out as revenue, unless the OSP is foreign-owned or the call centre in-housed abroad.

Tax incentives are limited essentially to tax holidays and accelerated depreciation. Tax-free grants, relocation grants and some export incentives are available under prescribed circumstances¹⁷⁵. Within this, the Learnership Programme allows employers to have part of the 1% skills tax refunded in exchange for providing and funding qualifying education and skills training for its employees¹⁷⁶. Notwithstanding these incentives, when it comes to call centre investment, South Africa's ROI case will generally be based on low labour, electricity and property costs.

¹⁷⁵ Source: South Africa at a Glance 2003-2004

¹⁷⁶ Source: Quest Data

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Perceived advantages over the UK

From an international perspective, the devaluation of the Rand had previously made South Africa a very attractive investment destination in cost terms and the exchange rate is still favourable to UK investors. However, fluctuation of the Rand is an issue, and according to Alec Erwin (DTI Minister) its days as a low cost currency are over.

There is a large labour pool in South Africa. Literacy is 30 percent higher than India. Attrition is very low at 5%-10%, almost certainly due to high unemployment. In terms of diction, South African call centre agents do not generally present the same issues as other offshore (particularly Asian) locations. Independent assessment by speech experts confirms this intelligibility and generally 'sympathetic' pronunciation.

A practical advantage is that South Africa is GMT + 2 hours. This is seen as particularly significant in terms of quality control and management logistics compared to other offshore destinations. In addition, South Africa's time zone means that it does not suffer the same unsocial hours impact on recruitment and retention (for UK business hours operations) as India or the Philippines.

Perceived disadvantages versus UK

Telkom is the public utility that currently has a monopoly on the telecommunications industry. 30% of Telkom has been sold by the government to Malaysain Telecom and Southwestern Bell of the USA. Another 20% is available to the public, and Telkom's initial public offering marks the start of its privatisation plans. Its monopoly is expected to end by creating a second phone company with 51% of shares offered to independent investors. As with other state-owned utilities, Telkom's planned privatisation has been delayed by the world economic slow-down. However, this competition is important to South Africa's call centre industry, as Telkom is currently uncompetitive on a global scale.

Crime problems do exist, compromising international faith in investing in and travelling to the region, but the situation is improving and working environments are secure. The cost – financially and from a time perspective, of flying UK personnel means that close management of their offshore function would not be practical.

South Africa is currently under a programme of positive discrimination. This may impact on productivity and quality, as employment or promotion may not always serve the organisation in terms of best resource available, but may be designed to adhere to legal guidelines. In addition, adhering to the positive discrimination rules requires a costly compliance process, which is likely to raise operating costs which must, of course, be passed on to the client.

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6.6 Summary Country Comparison

Table 67: Key contact centre statistics by country

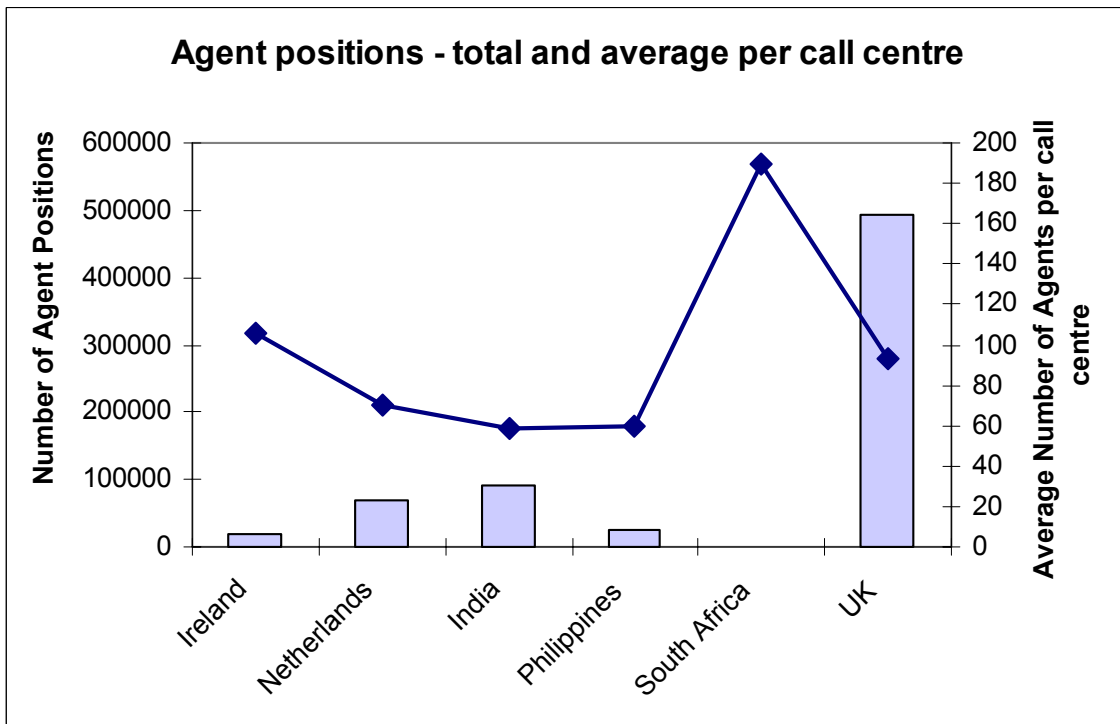
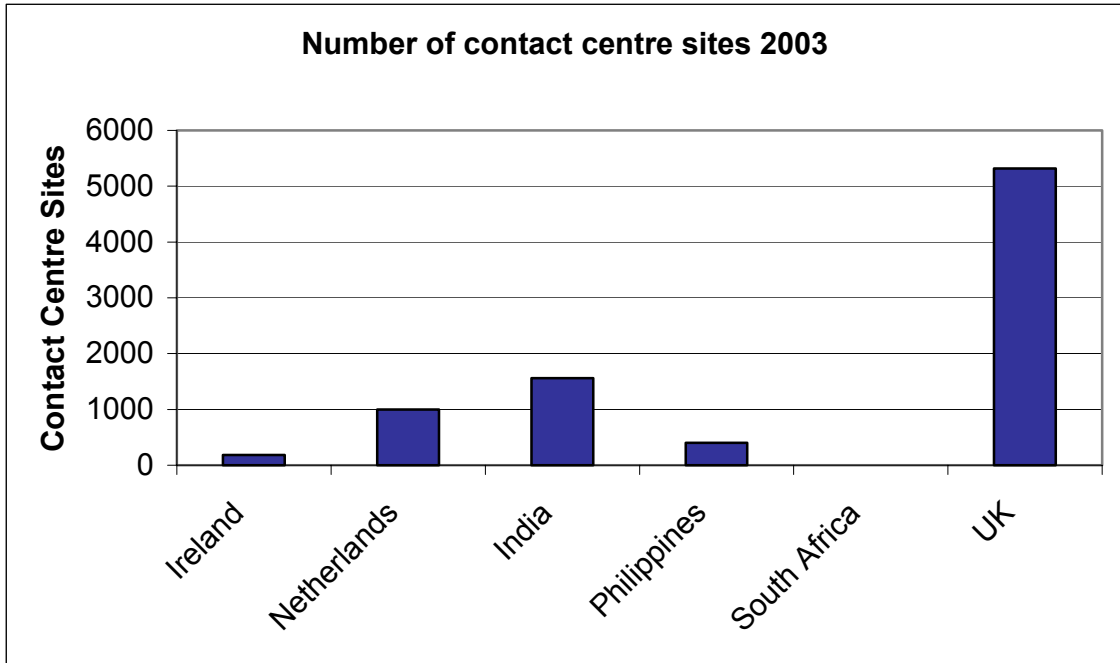
	Ireland	Netherlands	India	Philippines	South Africa	UK
Contact centres	185	1,000	1,561	401	Not Available	5,320
Agent positions	19,500	70,000	92,000	24,000	Not Available	494,254
APs per CC	105	70	59	60	190 (estimate)	93
Average agent starting salary	£11,827	£12,000	£1,502	£1,600	£3,500	£12,945
Agent attrition rate p.a.	22%	25%	29%	10%	8%	15%
Prime office rents	€475 per m ² (Dublin) £323 per m ²	€320 per m ² (Amsterdam) £217 per m ²	€92 per m ² (New Delhi) £62 per m ²	€104 per m ² (Makati) £71 per m ²	€108 per m ² (Jo'burg) £73 per m ²	€446 per m ² (Stockley Park) £303 per m ²
Sources as used previously in this section; office rent examples courtesy of GVA Grimley						

The statistics show a huge gulf between the mature Western industries and those outsourcing-based countries which are growing rapidly. Agent salaries in the UK, Ireland and Netherlands are similar, but there is a huge drop down to the salaries being paid in India, South Africa and the Philippines.

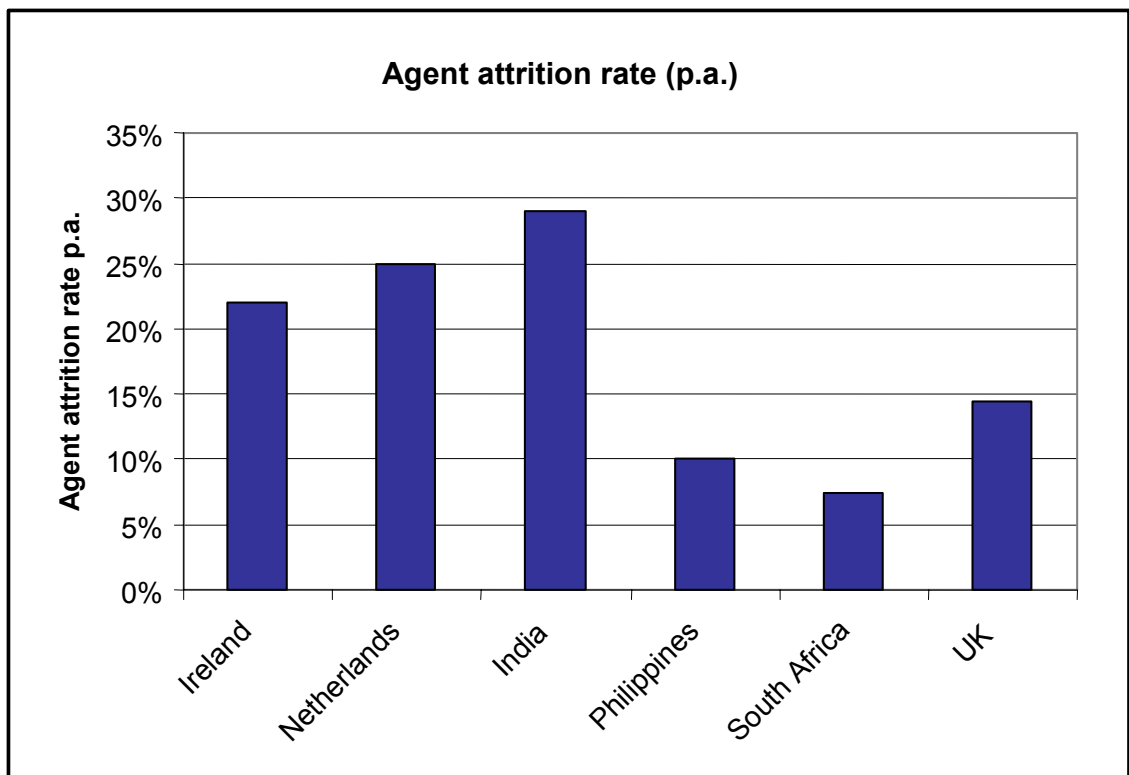
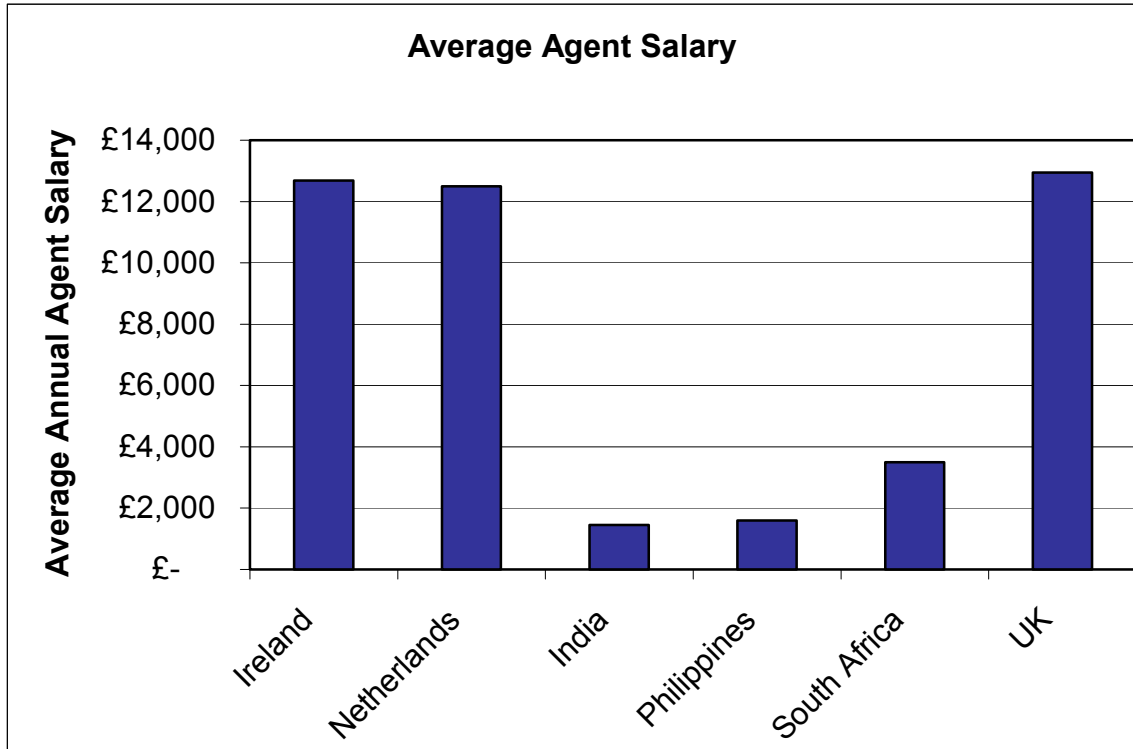
The UK's staff attrition rates are manageable in general, better than those in India, the Netherlands and Ireland, but do not match up to the low staff turnover rates in the Philippines and South Africa.

In terms of size, the UK dwarfs the other countries being compared to it, having almost twice as many agent positions as the other five countries combined.

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International Preferred Offshore Location Score	India	Ireland	Philippines	South Africa
Contract Enforcement	2	5	3	1
Ease of Business Entry	7	1	4	3
Insurance Industry relative sophistication	4	2	6	1
Political and economic stability	6	3	2	1
Financial Services business English proficiency	1	1	4	1
Corruption	5	1	6	3
AVERAGE	4.2	2.2	4.2	1.7
1: Most Favourable and 7: Least Favourable				

Source: World Bank, Swiss Re, World Forum, Deloitte Consulting, UBS and Transparency International Preferred Offshore Location Score.

SECTION NOTES

Unless otherwise stated, all currency conversions are dated 09/03/2004 and sourced via <http://www.xe.com/ucc/convert.cgi>

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7 SWOT analysis and Key Issues (UK)

7.1 SWOT analysis

Strengths

- Large pool of experienced staff and management
- Strong and competitive telecoms and data industries
- Massive existing investments in contact centre infrastructure and expertise
- English language skills superior to elsewhere
- Global financial services expertise, along with telecoms, healthcare and utilities experience
- Comply with Data Protection Act and EC Directives
- Stable political and commercial structure
- Cultural fit with target market
- Strong quality control frameworks (both at national and organisation levels)
- Good educational standard of UK citizens
- Flexible working practices and regulations help dynamism of the industry

Weaknesses

- Relatively high operating costs – salaries, office rental and land costs, total taxation responsibilities
- An initially slow take-up of formal qualifications and standards means higher staff attrition and lower performance than possible
- Contact centre work generally viewed as being low status and short-term: a career in the industry is not yet seen as very desirable or possible
- Cross-cultural and language skills comparatively weak
- Contact centre clustering can lead to high levels of attrition and small pools of available labour at specific locations, which is exacerbated by competition for contact centres at regional, rather than national, level

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Opportunities

Encouraging organisations to view the contact centre as a positive resource for building and developing customer relationships, retention and value

Persuading senior business figures to capture and use the knowledge held within the contact centre will improve the perception of the industry and improve the organisation's performance

Upskill existing workforce to deliver higher value-add work

Cultural fit with target market allows greater empathy and effectiveness

Broadband access and an increasingly technically-literate population will increase demand for skilled assistance from contact centres

Improving the image of contact centres will attract higher-quality recruits

Technological innovations enabling remote working allow disenfranchised workforce (rural, women returners, the disabled) the opportunity to enter the contact centre industry

Threats

Offshore outsourcing offers opportunities for labour cost savings

Automation and self-service means need for live agent contact could be reduced

Complacency can be a danger if wrong assumptions are made about the present and future offshore abilities

Media image of a declining industry could have negative effect on existing and potential UK contact centre workforce regardless of the reality

IP-based contact centre technologies reduce inter-country telecoms costs and allow single virtual contact centre to exist regardless of physical location

High-profile offshoring projects will automatically make other organisations consider it too

Increasing customer distrust of outbound calling could force harsher legislation or increased movement offshore which impacts negatively on the UK contact centre industry

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7.2 Key issues

The results of the SWOT analysis can be grouped together to emphasise particular themes, subjects and patterns:

Contact centre expertise and knowledge

The UK has an enormous pool of experienced talent at all levels of the contact centre industry, with over 790,000 people being employed directly. This makes the UK contact centre industry the second largest globally. There are some hotspots within the UK where competition for staff is more fierce than organisations would like, but generally, the industry is not over-heated. While telephony skills will continue to remain key, contact centres should begin to develop their text-based capabilities as well. While the UK industry is presently in a healthy state, it must not be complacent and believe that it has abilities which cannot be matched or exceeded by competing nations, as this is not the case.

Infrastructural support and quality

Deregulation and competition within the telecoms industry has driven down costs, increasing the use of contact centres. After a slow start, broadband is being rolled out across much of the UK, and will encourage people to contact organisations via email and other web-based media. The stable political and commercial structure within the UK is a strong supporter of contact centre inertia: running a contact centre in the UK is relatively low-risk. Technological innovations allow remote working practices, both within and outside the UK; the technical elements of where to base agents has become less of a factor than previously.

Working practices, legislation and external influences

UK organisations have to comply with data protection and other regulations which impact upon telephone and email marketing: observance of these regulations can be more complex from outside the UK or EU. Incentives (e.g. grants and relaxed legislation) to set up contact centres are more prevalent outside the UK, which can make these locations more attractive to foreign investors.

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Cultural and communication factors

Naturally, the UK's language skills are most acceptable to UK consumers, and a good cultural fit is more likely to be present. Accent issues are less of a concern than some might think: the UK has a wide variety of UK and non-UK accents, and this usually causes little problem. Shared culture is more likely to be present in Western operations, where agents experience similar issues to callers. Communication abilities are possibly the UK's major advantage over other countries, and should be supported strongly.

Wider commercial background

The UK has global and domestic expertise in many commercial areas, meaning the basis of the need for contact centre work is very strong. It is of key importance that the potential value of the knowledge held in the contact centre is recognised and supported by the wider organisation, otherwise the industry has to compete purely on cost, which it cannot do against many offshore contact centre industries.

Education and skills

Relevant skills are more important than formal educational qualifications where most contact centre work is concerned. Soft skills, such as communication and empathy are judged more important than hard skills (IT and product knowledge, which can be taught more easily). A general lack of take-up of contact centre-specific qualifications and training is a cause for concern, reducing performance across the sector. In order to move up the value chain, the existing workforce needs to improve a wide variety of skills and capabilities if it is not to be overtaken by ambitious offshore operators and agents.

The view of the industry from outside

Media and public opinion has never been positive towards the contact centre industry, and has certainly put many people off working in the industry. This perception needs to be addressed by industry stakeholders, along with the erroneous view that the industry is in decline. While it is conventional wisdom that offshore agents would like nothing better than to have a contact centre career, the reality is that many (who are usually ambitious graduates) are using contact centres until something better comes along, similar to a significant number of UK graduates.

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Cost issues

UK contact centres cannot compete on top-line cost with offshore contact centres, although anecdotal evidence suggests that there are a large number of hidden costs associated with offshoring. The UK pays high salaries compared to offshore operators, but salaries are low compared to many UK careers and cannot and should not be trimmed further. Rent of buildings is often more within the UK than in many other locations. Efficiency-enhancing technology and self-service channels are being used to decrease costs, offering a chance to retain staff for higher-value tasks.

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8 Findings and Implications for the UK

This summary section attempts to answer the following key questions:

What does the future hold for the UK contact centre industry?

How will offshoring affect the UK?

What should the government do about this?

The future of the UK contact centre industry is bright, at least in the short-to-medium term. A net gain of over 70,000 jobs is expected in 2004, with no overall drop in agent numbers predicted over the next few years.

Growth will be driven predominantly from organic expansion within existing contact centres, driven by a steadily-growing economy and the continuing realisation that contact centres provide an acceptable level of service to customers at a reasonable cost-per-transaction. There will be relatively few new contact centre operations setting up, either from businesses outside the UK or from UK-owned companies.

There will be some turmoil within specific industry sectors. Insurance and banking contact centres are the most likely to experience rapid changes due to offshoring, as these are often high-volume, low value-add environments which are traditionally prone to cost-cutting exercises. However, there is a schism developing between those financial services companies which are pro-offshoring and those which have rejected it for the time being. This situation can be viewed as indicating that the flight offshore is not yet a given, and will in the end be determined by consumer experience.

Much of the success of the contact centre industry depends on how the contact centre is viewed within the wider business. If it is seen merely as a cost centre, then it is likely to be undervalued and prone to relocation offshore. If senior executives understand the massive potential hidden inside the conversations that customers have with agents, then they will strive to support the contact centre and make it a strategic part of the enterprise.

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In large part, this massive undervaluing of the contact centre is a legacy left by the original reasons for starting these operations. Contact centres were set up – usually as separate operations away from the large business - to reduce the costs associated with dealing with customers, allowing organisations to shut branches and high street operations. As such, contact centres have been seen as cost centres, and investment in them has usually been made begrudgingly, by people in the wider business who are nervous about the high costs that large contact centres generate. People who understand the value that contact centres can make to the organisation's brand, revenue and future direction are still very rare. Such attitudes mean that the decisions on whether to offshore contact centre operations may begin and end with the cost element.

In fact, contact centres play a vital role in building customers' trust and confidence: for many businesses, the contact centre is the main – if not only – channel that the customer actually deals with the business. Much talk around offshoring is seen from the side of the business, in particular, its costs. Very little notice is taken of how offshoring can possibly disenfranchise the customer.

Offshoring is most often viewed as a feasible option by large contact centres which have a global reach and which deal with very large numbers of customer interactions. This includes many telecoms, credit card, banking, insurance, utilities and retail companies. The salary savings to be made from switching operations to India, the Philippines, South Africa or other low-cost nations are indisputable.

However, factors which weigh against offshoring are significant:

- there are doubts about hidden costs and what the offshore future holds
- there is an increasing amount of negative PR and customer reaction to organisations which offshore customer service, which may manifest itself in customer defection and decreased revenues
- union opposition to plans is well-organised, although does not usually extend to strike action. Positive engagement has been seen and constructive compromise agreements have been reached
- some businesses have strong links to the local area and economy, which offshoring would damage
- there are question marks raised against the quality of some offshore customer service, especially as it relates to culture and shared experience with the UK customer. To use commercial terms, in offshore interactions, the conversation is the process and the product is the customer experience.

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Although at first glance, one can see the similarities, the offshoring of customer service is actually very different to what has happened with the UK's textile and manufacturing industries, and to a lesser extent, with IT and back office processes.

In the case of textiles and manufacturing, the customer gained directly and perceptibly from the offshoring process, through being offered cheaper goods.

While it is difficult to link the offshoring of IT and back office UK jobs with any advantage to the UK consumer, the reverse is also true. Except for the people who lose their jobs, the UK consumer base remains almost unaware of the movement offshore – they see no advantage directly, but neither do they receive a worse product or service. The analogy between contact centres and manufacturing breaks down further if we consider that calls cannot be 'remade' if they are faulty (like a batch of clothes can, for example). As such, there is a real-time risk to brand perception in every phone call, regardless of location.

With the offshoring of contact centre work, the UK consumer is provided with service which – if not actually inferior – can be different to that which they have received before. They also do not see any immediate and obvious benefit to themselves. The argument can be made that cost-cutting allows the business to cut prices, but it is disputable that the savings get passed to consumers, and in any case, the link between offshore service and lower prices is too long-winded for customers to attribute one to the other.

There are certainly some instances where customers see immediate and measurable benefit, most notably in the organisation's ability to extend their support hours (especially helpful for evening IT support) and also to offer their customers quicker answer times, as a more generous staffing pool can be offered. The UK industry should guard against complacency: it should also be noted that there is no reason why offshore contact centres should deal only with low value-add work. There are examples of specialised offshore contact centres staffed entirely with people with PhDs in relevant disciplines: a scenario unimaginable in the UK.

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The prevalence of offshore customer contact lies in the hands of the UK consumer. Put bluntly, if they do not like what they are receiving, they will go elsewhere. A survey (published in April 2004) finds that 26% of UK consumers are planning to change one or more of their suppliers this year, based on their negative feelings towards organisations' use of offshoring.¹⁷⁷ While it would be very surprising to see this many people actually go through with their threat, one should be aware of the depth of feeling about this issue. If even 5% of an organisation's customer base went through with this threatened defection to another supplier, in most cases it would more than wipe out any cost savings made through offshoring.

The jury is still out on whether offshoring will prove to be a long-term piece of the UK contact centre industry jigsaw. We need to remember that these are very early days for the concept. We can expect the offshoring industry to stabilise and for a core of high-quality suppliers to come to the top. The Indian contact centre industry in particular is very focused upon winning the high-value work that many UK commentators presently see as their birthright. The key long-term defence for the UK industry is to recognise customer value in its broadest sense, rather than to play the cost game. UK businesses might also consider strengthening their position by engaging with offshore companies to develop their own portfolio of offerings.

What is certain is that the offshore industry will continue to improve the quality of the service it offers to UK businesses, and the cost differentials between the UK and offshore are not going to go away in the near future. This leaves offshoring as a long-term viable option for many UK businesses. Consumer reaction and action to offshoring is less certain, and concerted rejection of this option could actually lead to offshoring of customer-facing work being financially unviable.

Direct action by the government against UK organisations which offshore has been discounted strongly. In any case, there is no justification for stopping businesses making lawful profits. We believe the UK government's role in this issue is to enable businesses and employees to alter the nature of the UK contact centre industry to make it a long-term viable option, which it needs to be as there is currently little that is placed to take over from the service sector.

¹⁷⁷ Source: ContactBabel, "Elective Offshoring" (unpublished as of March 2004)

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In the long-term (>10 years), there seems little real future for routine, low value-add UK contact centre jobs in general. A combination of technology (the Internet and voice self-service first amongst them) and offshoring will be able to provide the majority of this service through much cheaper means than are available to most labour-intensive businesses today. Some leading businesses will reconsider the purpose of their contact centre, and will try to get more value (e.g. knowledge of customer demand and competitive intelligence) from their operations rather than just continuing to focus upon cost-based metrics.

For years, there have been predictions of the Internet destroying the contact centre industry, but in fact, the new channel has (in the main) encouraged people to contact businesses that they might not otherwise have known about. Very few businesses have seen a drop in contact volumes over the past few years and we are sceptical that the Internet will destroy the demand for live agent help, regardless of whether this is via text, voice or even video.

This means that it is likely that there will still be a great need for live customer support for the foreseeable future. Such support is likely to be generally of a more complex nature, although for trustworthiness, immediacy and accuracy of response (regardless of the level of 'value-add'), we believe consumers will continue to prefer live voice communications over other channels.

An increase in the complexity of interactions means that agents will need to be more empowered to make decisions and actions, will have to be supported by decision-making systems and will require stronger intellectual abilities than contact centre agents have traditionally needed. Businesses can support their existing agents through improved IT systems, training (both hard and soft skills), supporting empowerment and decision-making, and learning from what agents are actually hearing from their customers.

As leading contact centres have moved beyond purely efficiency to consider effectiveness and quality as well, we should consider what the next stage could be. The opportunity exists for contact centres to offer customers a distinct experience which is aligned to the organisation's wider brand and also to the type of customer who is calling. Interactions could be tailor-made to fit both caller and the message the organisation is trying to give. The result could be interactions which strengthen the customer's positive view of the brand, and become part of the product/service/experience which the customer actually buys or chooses.

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Above infrastructure, experience or efficiency, communication skills are the best advantage the UK contact centre industry has. However, it is taken for granted: we do not recognise it and do not support it. Recent focus on training and skills has moved towards technical and technological skills, supporting a tacit belief that the future is online. There is evidence from employers' groups indicating that new entrants to the workforce at school-leaver and graduate level are less able to hold a conversation than ever before¹⁷⁸. There is a need for long-term programmes in schools aimed at improving communication skills (including listening), not just for the benefit of the contact centre industry, but to support all industry, especially the service sector.

It is also a real point of note that so few senior contact centre professionals have qualifications directly relevant to their jobs. This is a result of the contact centre being a very new industry, which grew with little formal guidance beyond the edict "cut costs". If businesses wish, the contact centre can become more than this, but a definite career path with credible and useful qualifications along the way is a 'must-have' if the industry is to develop further. In parallel with this, a best practice framework for contact centres as a whole exists and is increasing take-up steadily, although this needs to be accelerated.

¹⁷⁸ Source: CBI February 2004

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Appendices

Glossary

Contact centre / call centre

(Please note that “call centre” and “contact centre” are used to mean the same thing within this report).

For the purposes of this report, a contact centre will be said to exist where ten or more people work exclusively or for the majority of their time in a structured telephony environment (which may also involve electronic means of customer management), including either inbound and outbound operations. The operation will usually use an ACD (automatic call distributor) and this is a characteristic of a contact centre.

This definition includes groups of, or single, telephone-based workers who are located away from the main site (e.g. connected with the main system via ISDN, IP or other network-based means).

This figure of 10 agent positions has been chosen for the following practical reasons:

The analyst firms which measure the size of the UK contact centre industry, usually do so from a minimum of 10 agent positions. As this report takes figures into account from numerous analyst firms, taking advantage of this shared methodology is appropriate for this report.

Below a certain figure of agent positions, businesses themselves do not consider themselves to have a contact centre and do not declare it in surveys, despite the fact that there may be eight people all working full-time on the phone. (The perception of contact centres is that they are large "warehouses" full of people, usually based in the North of England or Scotland. In fact the most common type of contact centre has around 20-40 agent positions and is based in the South-East of England).

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Structured telephony operations with fewer than 10 seats are less likely to experience the same commercial pressures than - for example - a 100 seat operation. That is, the smaller operation is less likely to use efficiency-enhancing technologies, face the risk of being closed in favour of offshore operations, be measured against typical key metrics such as call abandonment rates, or experience the same issues with rent, IT, staff attrition or other typical contact centre concerns. As such, these smaller operations have not been counted in this report.

This definition also includes (but is not limited to) SIC (2003) codes 74.86 (Call centres working on a fee or contract basis), where these contact centres have 10 or more agent positions.

Agent positions

This is a commonly-used unit of measurement in the contact centre industry, also known as a “seat”. It refers to a single workstation, usually comprising of a computer linked via a network to the business’s systems, a telephone/headset and the physical furniture required to allow the agent to work at the workstation.

An “agent position” differs from a person employed in a contact centre: there may be more than one actual human agent per agent position, due to shift-working, part-time staff, management and support staff, etc.

“Call-me” button

An eServices technology which allows a customer to click on a button on a website which schedules a call from an agent at a specific time.

CRM

Customer relationship management has been a major business concept in the past five years. It is rooted in the idea that it is more effective and profitable to sell more products to existing customers than it is to win new ones. Customer loyalty is key to its success. Although CRM is a business concept rather than a set of technologies, technology plays a strong supporting role, through providing agents with relevant sales and customer information in real time, as well as providing a single view of the customer throughout the enterprise.

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Diallers

These are efficiency-enhancing technologies for outbound contact centres, which work on a principle of automatic dialling and call presentation to agents, saving the time needed to dial the number, then wait for the call to be picked up. Diallers also filter out no-answers and answerphone messages, providing the agent with only live contacts. More on diallers and their effects on productivity and staff attrition can be found in the sections on technological aspects and staff attrition.

eServices

eServices technologies consist of text chat, call-me buttons, web collaboration and email – they are the founding blocks of multimedia contact centres. eServices allow customers to talk to agents via a website rather than purely using a telephone.

High value-add work

Offers the agent to interact with the customer in a less structured way to add value to the call and to the business. Examples include technical helpdesk queries, help and suggestions with booking holidays, sales advice and cross-selling new products.

IP contact centre

Most contact centres have two networks – one to carry voice and one to carry data. An IP contact centre avoids the need and expense of a voice network by converting voice into data before it enters the contact centre. The customer call is then routed to the agent via the data network, to be reconverted back to voice as it leaves the contact centre.

IVR and ASR

Interactive voice response and automated speech recognition technologies are key to the efficiency of many large contact centres. IVR is the more prevalent, and most people who have used contact centres will be aware of it: it is most often manifested as a touchtone menu where customers make choices before (usually) being passed to an agent. ASR is a newer version of a similar concept – the ASR system recognises speech and ‘translates’ it into a format which the business systems can understand. In this way, more complex processes such as account management, change of address and stock prices can be offered to the customer without an agent being needed.

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Low value-add work

Consists of activities where the agent acts as an interface between the back office systems and the customer. Examples include taking utility meter readings, account balance enquiries, change of address notifications and timetable enquiries.

Text chat

An eServices technology whereby the agent and customer send text messages to each other via a website.

Virtual contact centre

A virtual contact centre consists of a number of agents at separate physical locations which act and can be managed as a single contact centre. This implies that the contact centre systems can “see” all agents as if they were at the same premises, and can route calls to them accordingly. Virtual contact centres allow economies of scale, and also support single workers at home, or even multiple physical contact centres in different countries.

Web collaboration

An eService process where the agent and customer share information via a website, usually while still on the telephone. The agent may drive the interaction by taking the customer to the relevant places on the website, or by displaying information on the customer’s screen.

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Regional analysis

Region	Postal areas
East Anglia	CB, CM, IP, NR, PE, SS
East Midlands	DE, LE, LN, NG, NN
London	E, EC, N, NW, SE, SW, W, WC
North-East	DH, DL, NE, SR, TS
Northern Ireland	BT
North-West	BB, BL, CA, CH, CW, FY, IM, L, LA, M, OL, PR, SK, WA, WN
Scotland	AB, DD, DG, EH, FK, G, HS, IV, KA, KW, KY, ML, PA, PH, TD, ZE
South-East	AL, BN, BR, CO, CR, CT, DA, EN, GU, HA, HP, IG, KT, LU, ME, MK, OX, PO, RG, RH, RM, SG, SL, SM, SO, SP, TN, TW, UB, WD
South-West	BA, BH, BS, DT, EX, GY, JE, PL, SN, TA, TQ, TR
Wales	CF, LD, LL, NP, SA, SY
West Midlands	B, CV, DY, GL, HR, ST, TF, WR, WS, WV
Yorkshire	BD, DN, HD, HG, HU, HX, LS, S, WF, YO

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Sources of information

Organisation	Details
Amicus	Interview with David Fleming, National Secretary for the Finance sector
Blue Sky Consulting	Estimates of costs to recruit and train agents
BT eLocations	"Successful Rural Contact Centres" and "Town and Country" (2003)
Call NorthWest	Interview with Alison Owen, CEO
Callcentres.net	Various published stories
CB Richard Ellis	
CCA	Numerous published reports and analysis
CCF	Published articles
CM Insight	Numerous published reports and analysis, including "A Call for India" and "Seizing the Offshore Opportunity"
Communication Workers' Union	Details of companies presently with offshore capacity
ContactBabel	Numerous published reports and analysis, including "UK Contact Centres in 2003"; "The UK Contact Centre Operational Review"; "The Indian Contact Centre Operational Review"; "Elective Offshoring" and "The UK Contact Centre Operations Directory"
Cutting Edge Information	Research on customer service attitudes, quoted by callcentres.net
Data Vantage	"Dial Skills for Success"
Datamonitor	Numerous reports, including "Contact Centre Component Technologies to 2007"; "The 100K Review"; "Call Centres in EMEA to 2007"; "Global Offshore Call Center Offshoring" and "The eServices Survey"
Deloitte Consulting	Survey of top 100 financial services companies
DFES	"THE STATE OF THE CENTRES: An Investigation of the Skills Level in the Industry and of Training Requirements" with CCA
East Midlands Regional Development Agency	Interview with Nicola Kidd, Head of Inward Investment and Trade Development
EastWest Locations Ltd	Published reports by Paul Nunn, (MD, EWL)
e-skills UK	Interview with Andrew Palmer, "Career and Skills Framework"
Gartner Dataquest	"Listen to Customers' Demands for Better Service"; UK ACD market sizing
GVA Grimley	Data provided on typical rental costs by location, from Jeremy

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	Brookes and Katy Peacock
ICM Research	Unpublished research commissioned by ContactBabel on UK customer attitudes and reaction to offshoring
IDC	Indian market share data (public domain)
IDS	"Pay and Conditions in Call Centres"
IRS	"Call Centres 2003: Reward & Flexible-Working Strategies" with CCA
Merchants	The International Call Centre Benchmarking Report, 2000
Mintel	Customer attitudes, quoted by call centre.net
MORI	Study of customer attitude for Gauteng Development Agency, South Africa
Nasscom	Estimates of Indian contact centre growth
NFIA	Dutch contact centre information
NOP	"Call Check 2003" on behalf of CCA.
ntl	Alexa Collinson, Customer Service Director at ntl, quoted in Wythenshawe Insider
OMIS	Assistance with location costs
Outsourcing Warehouse	Philippines agent salaries
Outsourcingpolls.com	Data showing expenditure of money saved through offshoring
Performance House	Customer attitudes survey (2003) with Amicus
Peter Bain (University of Strathclyde)	"Call Centres in Scotland and Outsourced Competition from India" (2003)
Phil Taylor (University of Stirling)	"Call Centres in Scotland and Outsourced Competition from India" (2003)
Philip Cohen Consultancy	Interview on continental contact centre offshoring
Port@l	UK contact centre statistics
Prolog	"Review" 2003
SA Telelink	South African contact centre information
Sheffield University	"HUMAN RESOURCE MANAGEMENT IN CALL CENTRES" Dr David Holman and Professor Stephen Wood - The Institute of Work Psychology (with CCA)
Silicon.com	Various comments and reported data
South Africa at a Glance 2003-2004	2003-2004 Guide on South Africa published by Editors Inc
Teleconomy	"It's your call", consumer research
The Focus Group	Interview with David Wheeler

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The Henley Centre	"Outbound Teleculture"
The Office of National Statistics	Working population statistics
Transversal	Consumer survey on attitudes and satisfaction, quoted in Call Centre Focus and BrandRepublic
World Bank	Indian competitive information

