

2000 Call Center Location Survey

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**Deloitte
& Touche**

Introduction

Organizations looking to establish successful call centers might do well by locating in off-the-beaten-path locations. Deloitte & Touche's 2000 survey of new call center announcements confirms that this once unusual location strategy has now gone mainstream and we expect that it will accelerate. Though this strategy might not be appropriate for every organization, we have found that if a call center enters a small market early enough, and busily cultivates its reputation, they have the opportunity to become an "employer of choice," and thus to compete for that scarcest of resources – a well-qualified workforce.

In the survey that follows, we will provide an overview of this, and other, recent call center location trends. We will open with a summary of new North American call center investments, looking at the most recent year as well as the activities that have taken place in the four years since we started monitoring this "industry." We will then tighten our focus by examining specific trends in the US and Canada and within the major cities and small towns across English-speaking North America.

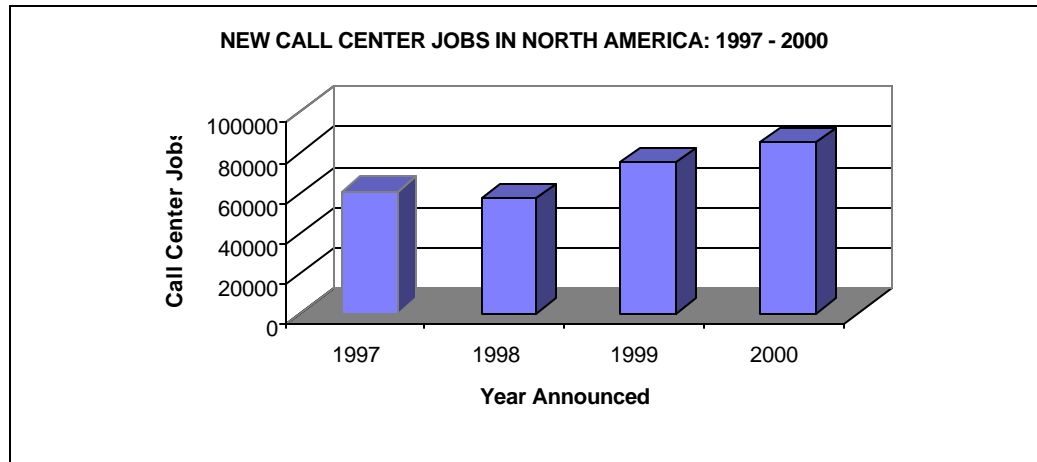
Our observations are based upon the experiences of Deloitte & Touche's Fantus practice unit as well as our *Telechronicle*[™] a data base of new job announcements at new or existing call center operations. We use *Telechronicle*[™] to monitor call center locations trends, buttressed by over 300,000 new jobs which have been identified across several hundred cities, towns and villages in the US and Canada over the past four years.

North American Growth

New call center jobs in the US and Canada identified by Deloitte & Touche Fantus totaled 84,855 in 2000, a 12% jump compared to the previous year. At the same time, the number of new call centers created has actually slowed a bit, from 176 in 1999 to 167 in 2000. Reflecting on these divergent trends, we speculate that we are actually witnessing the beginning of the maturation of the North American call center market, a development that was first identified by industry analysts late in the last decade.

Canada's share of new investment in 2000 was 9%. This proportion has remained constant over the past two years: 7,522 call center jobs were destined for Canadian cities in 2000 compared with 6,947 in 1999. As recently as 1998 Canada had only a 6% share of all new call center jobs in North America. Much of this recent surge can be attributed to internally – generated growth (new centers to serve the Canadian market). We also have been witnessing heightened levels of inward investment by US companies attracted to the favorable cost climate created by the deeply discounted Canadian dollar, and by pockets of high unemployment in places such as the Maritime provinces.

Overall call center job creation is up 40% since 1997, having risen each year except 1998, when the service bureaus were not as active. North America remains the dominant call center location, with various analysts' estimates ranging from 70,000 to almost 90,000 call centers. Europe, the second leading venue, boasts perhaps one-fifth the number of call centers as North America, though growth rates are projected to be significantly higher in the coming years. Asia appears to be the strongest emerging market. In countries such as India analysts expect over one million call center jobs to be created over the next seven years. As the numbers grow, call centers everywhere are expected to change significantly as they evolve into multimedia contact centers capable of responding to customers anywhere in the world, 24 hours per day via new contact channels such as e-mail, internet chat and voice over IP (internet).



SOURCE: DELOITTE & TOUCHE LLP

State & Provincial Trends

In 2000 the South-central United States emerged as the most popular region in North America for new call center investment. More than one-quarter of all new jobs were destined for Texas, Oklahoma and Louisiana last year. Florida, a perennial, favorite destination for call centers remained near the top of our list for the fourth consecutive year. West Virginia, new to our list in 2000, has exhibited strength attracting call centers. In Canada, the province of Ontario was the most attractive call center destination in 2000. This year marks the first time that any

Canadian province has ranked with US states as a leading location for call center development. Nova Scotia (1,470 new jobs) and British Columbia (1,300 new jobs), were other leading provincial destinations for call centers in Canada last year.

LEADING STATES AND PROVINCES: 2000	
<u>STATE/PROVINCE</u>	<u>JOBS</u>
Texas	12,392
Florida	10,575
Oklahoma	5,567
Illinois	4,575
Louisiana	4,500
Virginia	4,400
California	4,200
Pennsylvania	3,600
Ontario	3,125
West Virginia	2,750

SOURCE: DELOITTE & TOUCHE LLP

Metro Developments

Not surprisingly the four leading job-generating metro areas were in the South-central United States in 2000. Many of these were in second- and even third-tier cities (these will usually lack a major air hub or a very large media market, etc.) and not the principal urban centers that had tended to dominate call center growth in the past. Baton Rouge, LA, for example, benefited in 2000 from major commitments from two of the largest call center outsourcers. Offering some of the lowest labor costs in the nation and a still-available supply of labor, the McAllen, TX metropolitan area grabbed four big call centers in 2000. In fact over 5,800 call center jobs were created in southern Texas from El Paso to McAllen in 2000 and going back two years, we can track over 14,000 call center jobs that were announced along the Mexican-US border from Arizona to Texas.

LEADING METRO AREAS: 2000	
<u>METROPOLITAN AREA</u>	<u>JOBS</u>
Baton Rouge, LA	4,500
Oklahoma City, OK	3,717
Dallas-Fort Worth, TX	3,600
McAllen, TX	3,315
Tampa-St. Petersburg, FL	3,300
Chicago, IL	2,150
West Palm Beach, FL	2,091
St. Louis, MO	1,745
Charlotte, NC	1,700
Las Vegas, NV	1,625

SOURCE: DELOITTE & TOUCHE LLP

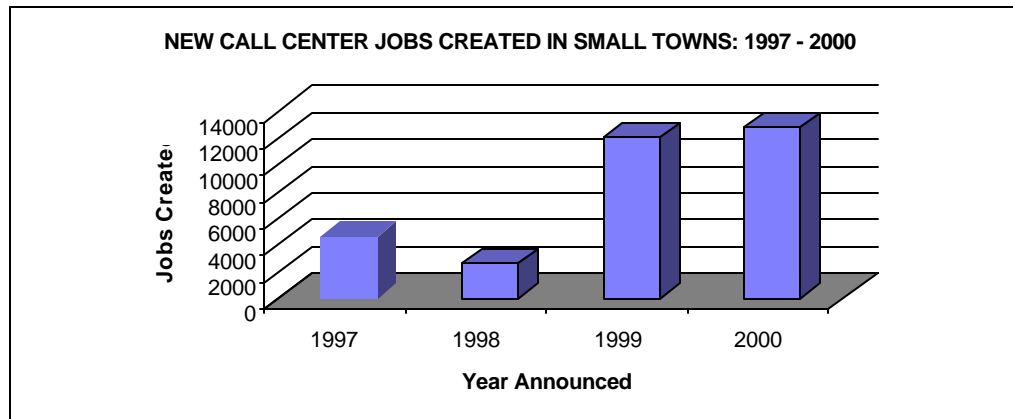
For the period 1997 – 2000 the top job-getter was Tampa-St. Petersburg, Florida which also was the only metropolitan area in North America to make our list of leading communities for all four years. Some of these cities may now have so many call center jobs that the hiring climate has become absolutely inhospitable. Phoenix, for example, features an estimated 100,000+ call center jobs and a labor market most recently described to us as “mercenary.”

LEADING METRO AREAS: 1997 - 2000	
<u>METROPOLITAN AREA</u>	<u>JOBS</u>
Tampa-St. Petersburg, FL	11,080
Dallas-Ft. Worth, TX	8,880
Kansas City, MO/KS	8,730
Norfolk (Hampton Roads), VA	8,480
Jacksonville, FL	7,400
St. Louis, MO/IL	6,945
Oklahoma City, OK	6,517
Albuquerque, NM	5,540
Baton Rouge, LA	5,500
Phoenix, AZ	5,225

SOURCE: DELOITTE & TOUCHE LLP

Small Town Strategies

One of the most striking trends that we have witnessed in recent years is the flight of call centers to small cities and towns in both the US and Canada. These are places that generally feature populations of less than 50,000 and that are not located within a metropolitan area (as commonly defined in the US by the Office of Management and Budget). This migration mirrors the move to lower tier metropolitan areas discussed earlier. Between 1997 and 2000 these investments have grown almost three-fold, from just 4,655 jobs in 1997 to more than 12,800 new jobs announced just three years later. There are a number of significant reasons why call center organizations are stepping off the beaten track.



SOURCE: DELOITTE & TOUCHE LLP

Call center organizations will employ a “Rural Strategy” to circumvent the stiff labor competition and high prices typical in larger cities or urban areas. Deploying a customer service center or help desk to a small town also provides an opportunity to stand out as an “Employer of Choice.” This is a relatively common tactic among the service bureaus and telemarketers whose ability to offer attractive wages and benefits is frequently limited by the terms dictated for a particular calling “campaign.”

Using a “Networked” location strategy to tap into specific skill sets can also drive some call center organizations to smaller towns. For example, a software company that needs to staff its help desk with programmers or network technicians might choose to locate adjacent to a small state college in hopes of tapping into a dedicated pool of college students and college-educated workers who might not have any attractive, local career alternatives.

In the “Hub and Spoke” strategy a primary call center and management team are based centrally, perhaps in a large city, while satellite centers are typically deployed in the surrounding area. This strategy, used in urbanized, suburban and rural areas, can lower overhead by centralizing management, support functions and perhaps technology, while lowering costs and improving employee retention by not forcing workers to relocate.

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