

Kate McEnroe

C O N S U L T I N G



Opportunities in the Back Office Sector

June 2010

Kate McEnroe
770.333.6343
kate@katemcenroe.com

Agenda

- What kind of projects?
- Who has them?
- What do they look like?
- What do they care about?
- How do they make decisions?
- What decisions are they making?
- Why should you want them?
- How can you satisfy them?

What Kind of Projects?

Language Fails Us. . .

- Call Centers
- Back Offices
- Customer Contact Centers
- Customer Care Centers
- Support Centers
- Shared Services Centers
- Mail Service Pharmacies
- Tele-Nurse Centers
- Care Management Centers

NAICS Codes Are No Help

These are functions, not industries

Accounting, payroll

Care Coordination

Catalog, mail order

Check & payment processing

Claims

Credit/Collections

Customer Service

Legal Support

Mail Service Pharmacy

Medical Records Transcription

Paper & Electronic Transactions

Pre-Authorization

Reservations

Subscription Services

Telemarketing

Tele-Nurse

What do they all have in common?

- Labor intensive
- Phones and computers
- Communicating with internal or external customers

What don't they have in common?

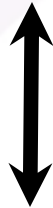
- Skill requirement
- Salaries
- Location Choices
- Ownership
 - In-house
 - Outsourced
- Turnover Rates
- Stability

Who Has These Projects?

Principles and Intermediaries

Intermediaries

- Unaffiliated Location Consultants
- Real Estate Brokers
- Construction Firms/Developers
- Lawyers



Corporate Project Team

- Real Estate
- Human Resources
- Line Management
- Finance

- CEOs
- Owners
- Boards of Directors

Active Sectors

Corporate

Outsourced



Financial Services

Health Care

Technology

Sales

Consultants

- Variety of fee structures
- Variety of experience levels
- Less specialization than assumed
- “Frequent Flyers” with back office projects
 - Wadley Donovan
 - Mohr Partners
 - CBRE (Phoenix; Atlanta)
 - JLL (Atlanta – former Studley group)
 - Site Selection Group

What Do They Look Like?

Characteristics of Typical Projects

- ✓ Sized by seats, not employees or square feet
- ✓ Most common range is 100-500 seats
- ✓ 150-200 square feet per seat
- ✓ Full and part time combination
- ✓ Lease space
- ✓ Few employees relocated
- ✓ Running behind schedule
- ✓ Internal training program
- ✓ Investment in telecom equipment, computer equipment
- ✓ How do you feel about home-based agents?

What Do They Care About?

Labor Preferences

General Projects	Specialty Projects
Large labor pool	Large labor pools
Keyboard and communications	Keyboard and communications
Community college/vo-tech	Professional skills and schools
Reliability and stability	Reliability and stability
Increasingly, bi-lingual	Increasingly, bi-lingual
Schedule flexibility	Schedule flexibility

Real Estate Preferences

- Leased space
- Existing Building
- Single story
- Class B
- Retail reuse possible but not preferred
- Open floor plans, large floor plates
- Free parking
- 7-10 parking spaces per 1,000 square feet
- Heavy electrical service
- Safe neighborhoods

Utility Preferences

- Redundant services
- On-site back up systems
- Constantly increasing telecom requirements
- Community broadband to support home agents
- Heavy power requirements (watts per square foot)
- 24 hour, 7 day use not uncommon
- Fast turnaround in installation, repair, expansion

Incentives

- Cash Preferred
- Tax credits not always helpful
- Training – reimbursement preferred
- May request non-compete from community

Other Preferences

- Quality of life only a problem if people are leaving
- Air access preferred - commuter to major center
- Some time zone preferences
- Local computer services
- Prefer no state tax on telecommunications service
- Prefer limited regulations on monitoring
- Industry specific regulatory and tax issues will arise
 - Pharmacist/pharmacy tech ratio issues
 - RN licensing compacts

How Do They Make Decisions?

Steps in the Site Selection Process

- Objectives and motivations
- Project specifications
- Location criteria
- Universe of communities
- Multi-level screening
- Field investigations
- Recommendations
- Client tours and negotiations
- Implementation

Objectives and Motivations

- Consolidation
- Expansion for new business
- Competition reduction
- Cost reduction
- Turnover reduction
- Strategies
 - Center size
 - Community size
 - Full-time versus part-time
 - At home

Specifications and Criteria

- Labor force size
- Targeted costs
- Targeted turnover
- Skills
- Shifts
- Facility size
- Utility requirements
- Access requirements
- Time zones
- Timeline

Initial Unit of Analysis

Metro/Micropolitan Area

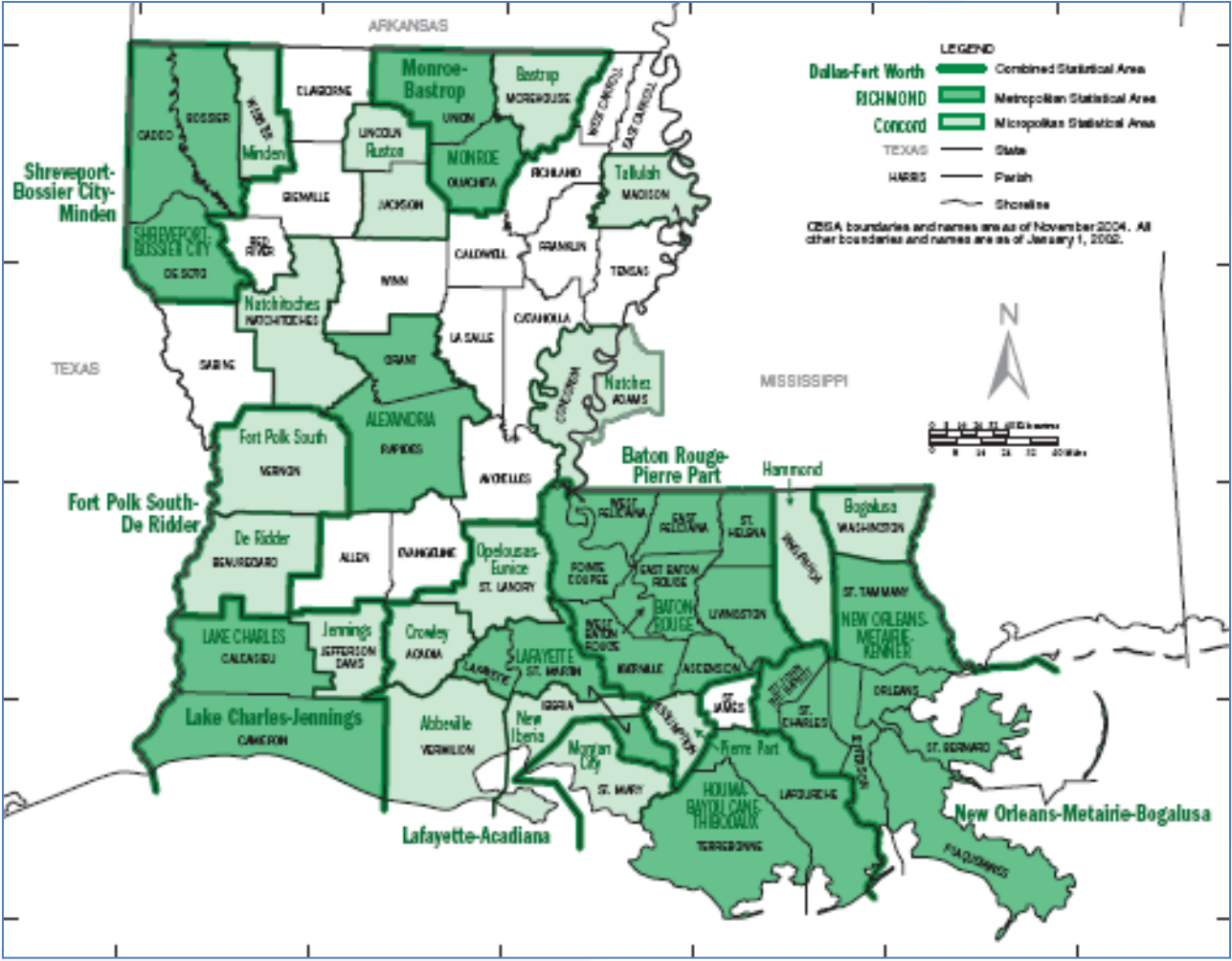
County

typically not

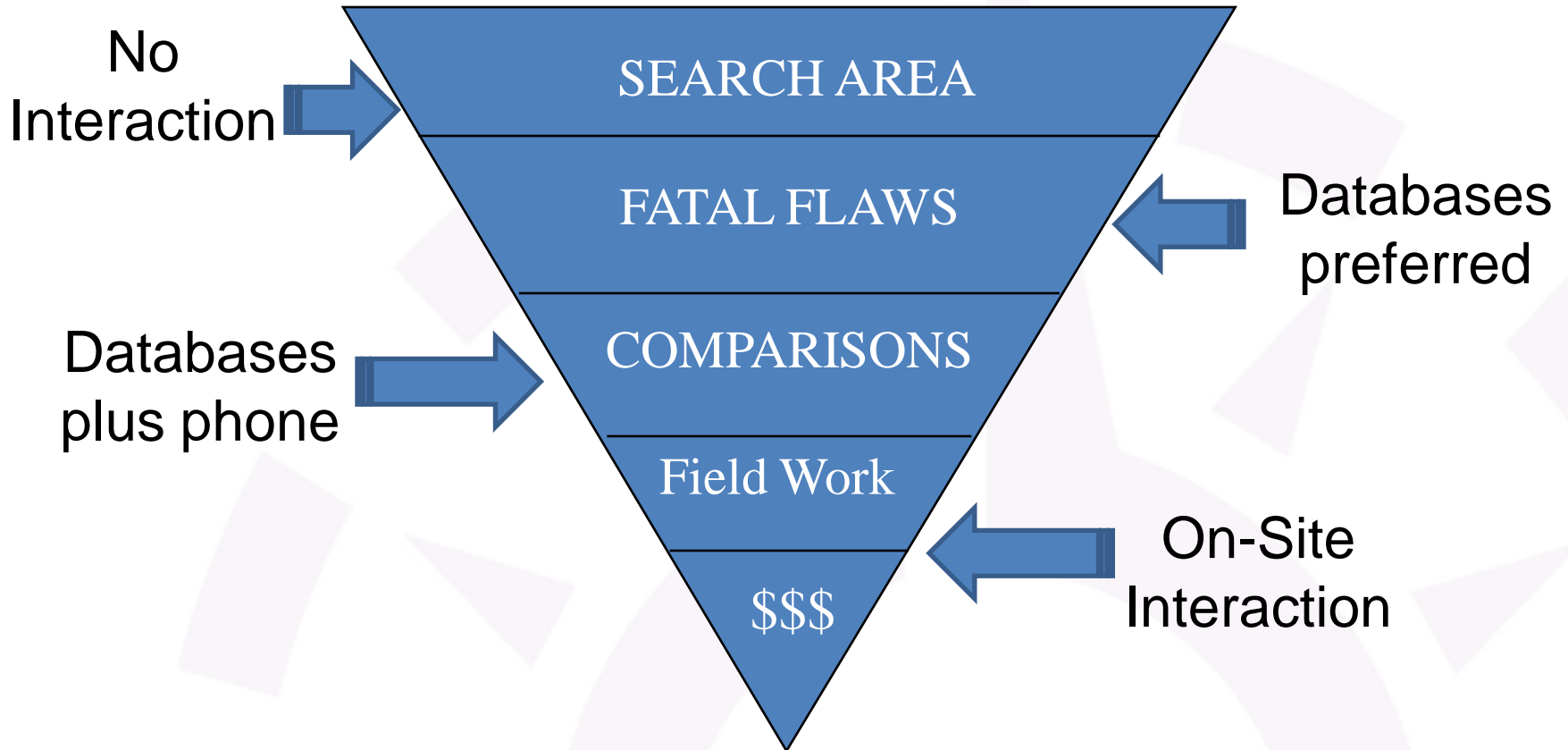
State

City

Louisiana Metro/Micropolitan Areas



Process of Elimination with Limited Interaction



About RFPs

- Designed to save consultants/company's time
- Used to supplement have limited internal resources
- Used to validate other sources of data
- Used to generate apples-to-apples data
- Used to impress clients with thoroughness

Common Search Area Definitions

- Time Zones
- Community Size – Labor Market Size
- Specialty – Occupation Supply & Density
- Cities with Existing Operations
- Access to . . .
- Avoidance of . . .

Fatal Flaw Possibilities

- “Saturation”
- Insufficient Perceived Access
- Sites/Building Availability

Community Screening

Economic Factors

- Salaries
- Fringe Benefits
- Occupancy Costs
- Property Taxes
- Sales Taxes
- Utilities

Community Screening Operating Environment Factors

- Labor Supply
 - Size, growth, income, age, etc.
- Competitive Labor Demand
 - Other employers, unemployment rate
- Labor Quality/Education
- Labor Management Relations
- Training Availability
- Access requirements
- Telecommunications Infrastructure
- Tax and Regulatory Structure
- Incentives

Weighting, Rating, Scoring

	Screening Analysis			
	Weighting	Community 1	Community 2	Community 3
Labor Cost	40%	10	8	5
Rental Rate	10%	3	7	10
Labor Availability	50%	8	6	5
SCORE		8.3	7.7	5.5

	Screening Analysis		
	Community 1	Community 2	Community 3
Labor Availability	●	●	○
Operating Costs	●	○	●
Site	●	●	○
Overall Rating	●	●	●

	Screening Analysis		
	Community 1	Community 2	Community 3
Labor Supply	Preferred	Preferred	Acceptable
Labor Demand	Marginal	Acceptable	Preferred
Labor Cost	Acceptable	Marginal	Acceptable
Overall Labor Rating	Marginal	Acceptable	Preferred

What sources are used?

Frequent Searchers

- In-House GIS
- In-House Databases
 - Demographics
 - Power Costs
 - Real Estate Costs
- On-Line Third Party Data
- On-Line Site & Building Databases
- On-Line State, Region, Community Web Sites
- RFP Responses

What sources are used?

Occasional Searchers

- Government Data
- Perception, Rumor, Assumption
- Public Access GIS
- RFP Responses
- *MAYBE:*
 - On-Line Third Party Data
 - On-Line Site & Building Databases
 - On-Line State, Region, Community Web Sites

Demographic Data Source Examples

- ✓ EASI Analytic Software – The Right Site
 - Woods and Poole
 - Claritas
 - Zoomprospector.com
 - EMSI – Economic Modeling Specialists
 - What about Census, BLS?

Existing Employer Data

- Community Profiles (usually bad)
- Databases (always incomplete)
 - D&B Marketplace
 - Harris Directory
- When all else fails, call economic development agency

Labor Cost Data Examples

- Bureau of Labor Statistics
- Salary.com
- ✓ Economic Research Institute

Education Institution Information

- Directories (Peterson's)
- Rating Surveys (US News, Carnegie)
- State, regional, local on-line community profiles
- When all else fails, call economic development agency

Word of Warning

GIS and Sites & Buildings Systems

- Garbage in/garbage out
- Dated information
- Poor search parameters
- Inability to see “close calls”
- Notoriously poor for “call center” searches

Incentive Program Information

- Magazine Directories
- State, Regional, Local Web sites
- When all else fails, call economic development agency

Short List Analysis

- Same factors, tighter standards
- Refined and expanded cost comparisons
- Qualitative Factors

The first rule for site visits

**Ask them what they want to do and see,
then listen to them**

Why do they visit?

- You are on a short list
 - You already survived a screening process
 - They already know something about you
 - You may have already had contact and provided information, either directly or through a consultant
- “They heard” you were a good candidate location
 - Possibly little previous information
- You invited them
 - Consultant events, etc.

Key components of a visit

- Employer interviews
- Site and building inspections
- Utility meetings
- Tax and Incentive discussions
- Quality of life tours/discussions

Who gives testimonials if you have no call centers?

- Hospitals
- Banks
- Local insurance companies
- Staffing agencies

What Decisions are They Making?

Factors Impacting Location Decisions

- Reduce internal real estate portfolio vacancy
- Regional or local full employment
- Rising costs
- Shortage of key skills
- Rising turnover
- Congestion

Is technology
killing these projects?



Is offshoring killing these projects?

Successful Communities

- Have an educated labor force
- Have attractive economics
- Have existing buildings
- Have existing training programs in customer service
- Have existing training programs in specialty skills
- Document their benefits
- Have “success stories”
- Target the industry
- Respond quickly
- Stop before they become overheated

Appeal of Smaller Communities

- Push factor - other areas are saturated
- Expectation of moderate wage pressure
- Expectation of lower turnover due to less competition
- Expectation of premier position in the market
- Expectation of better work ethic due in part to fewer opportunities

Concerns about smaller areas

- Tapping out the labor market - what is the ultimate size
- Real estate availability
- Real estate exit strategies
- Training infrastructure
- Telecommunications infrastructure
- Access to support services
- Access to convenient travel options

NELP's

Potential Vulnerabilities

- Self-designed geography
 - 2 Metro areas
 - 4 micro areas
 - 4 “orphan” counties
- Access

NELP's

Potential Strengths

- Resources of self-designed geography
 - Larger population base
 - More training institutions
 - Room to establish employer of choice positions

Why Should You Want Them?

Service Center Myths

- Low paying jobs
- No benefits
- High turnover
- Fly by night operations
- No economic benefit to the community
- Outbound pays less than inbound
- Not “knowledge” jobs

2008-2018

Highest Growth Occupations

- Registered Nurses
- Customer service Representatives

Direct Economic Impact

100 Basic Service Center Jobs

- Payroll: \$2.25 million annually
 - 80 nonmanagement jobs @ \$18,000
 - 20 management jobs @ \$40,000
- Personal Property Investment
 - Potential Property Tax Revenue
 - Potential Sales Tax Revenue
- Bank Deposits
- Management Level Homes Sales

Positive Labor Market Impacts

- Full time jobs with benefits
- Part time jobs with some benefits
- Entry level jobs
- Promotion opportunities
- Computer training
- Multiple shifts
- Specialty: alternative workplace

Positive Community Impacts

- Retention of talent
- Upgraded computer literacy in the population
- Occupancy of empty office or retail space
- Increased use of telecommunications infrastructure
- Even, increased use of electric power
- Banking business
- Supplier business

This market will not

- Solve central business district challenges
- Employ the unemployable
- Allow you to cherry-pick functions and skills

How Can You Satisfy Them?

How can the process be influenced

Better information Quality & Availability

Capacity Building

Interfere with the Process – Market your Stories

Have a Great Process

Better & More Accessible Information

- Web, web, web
- Existing employer detail
- Aggregate your demographics

Capacity Building

- Talent/population recruitment
- Population making smart education choices
- Strong Community Colleges
- Strong relationships with your local employers
- Regional cooperation
- Wider variety of sites and buildings
- Infrastructure expansions
- Argue with each other before I get there

What is your marketing job?

- “Data” is everywhere
- “Data” shouldn’t make the decisions but mo does
- If the “data” is misleading, your job is to correct impressions *before* a project is in play
- Testimonials are one of the most powerful expressions of success

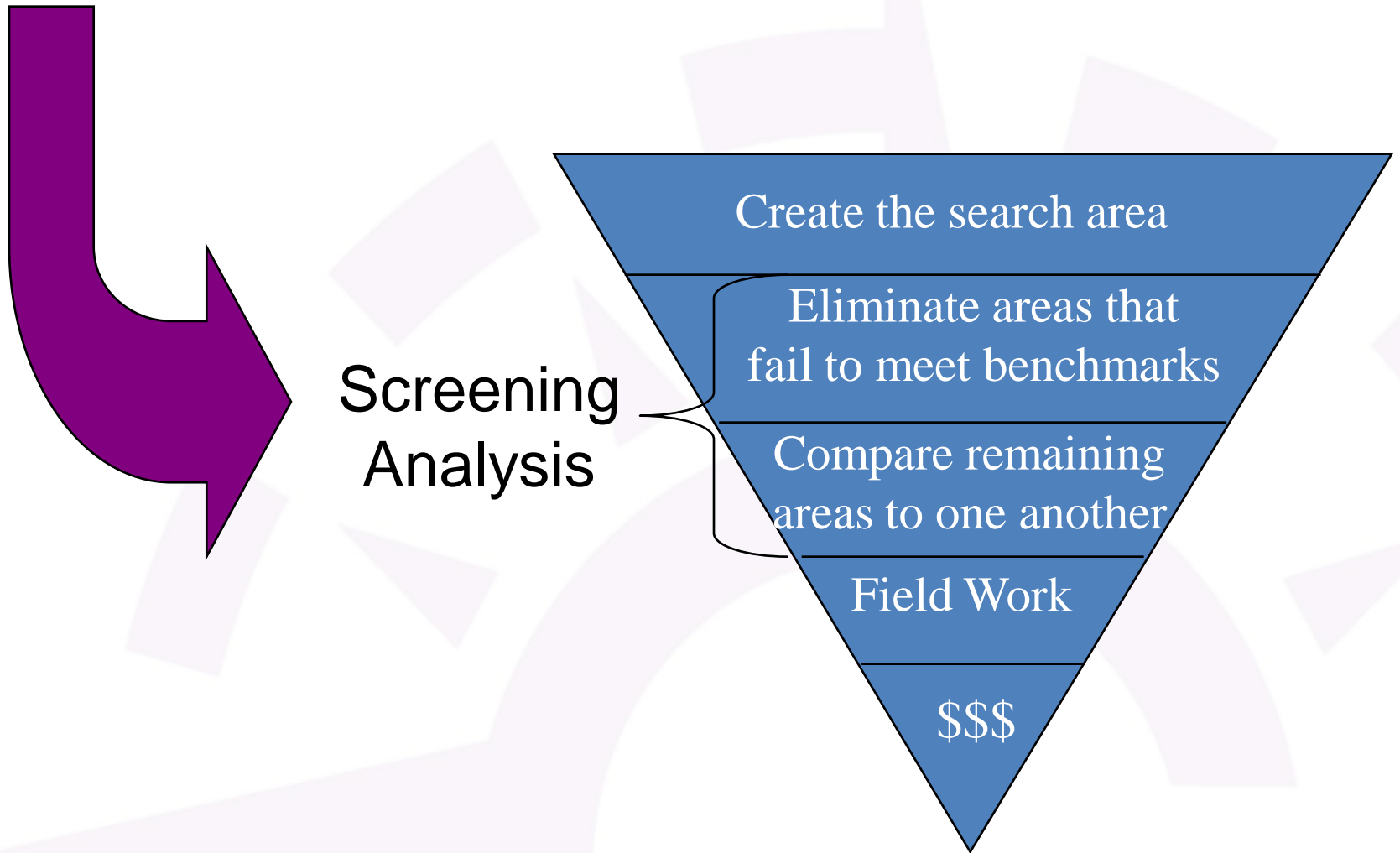
Consultants

- Personal relationships
- Don't waste building flyers marketing the building
- Communicate local announcements
- Make the web site complete

Companies

- Have a business case not a laundry list of features
- Meet the people
- Target closest low unemployment/high cost large cities
- Target human resources departments
- Market labor force not buildings

Stories Interfere with the Invisible Process



What's the point?

Get to them with information before
there is a project at stake

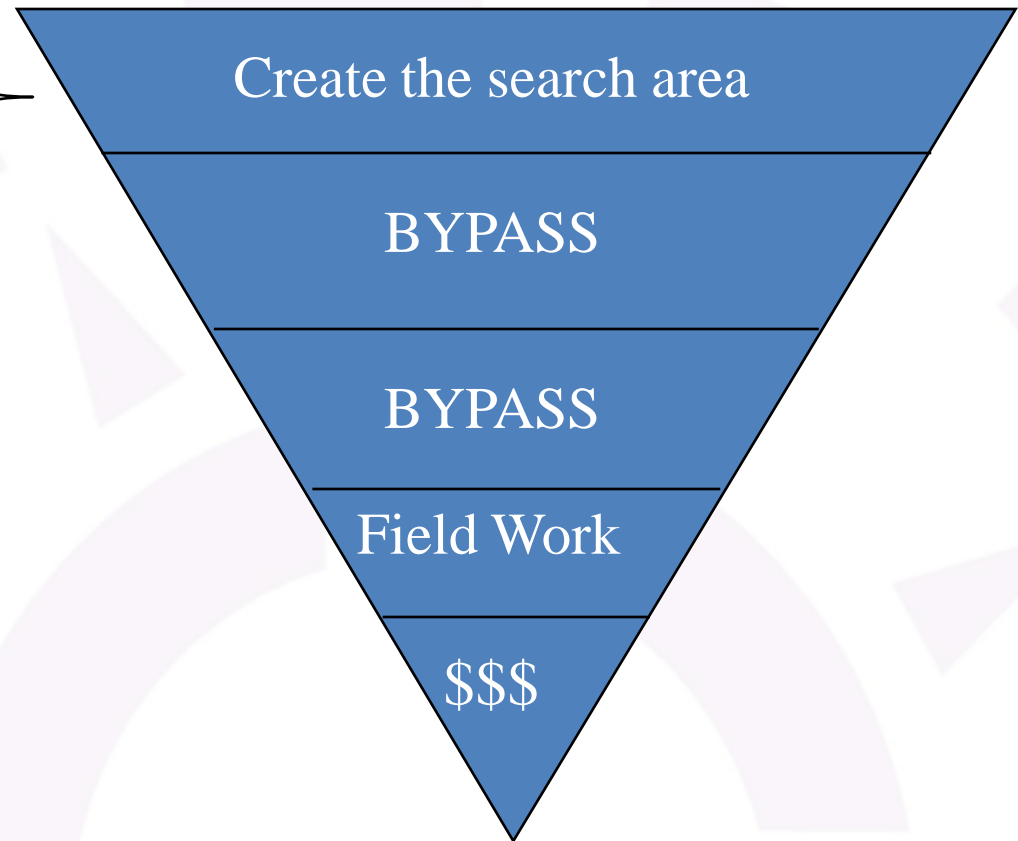
(That Means Marketing & Promotion)

Process issues

- Response time
- Single point of contact
- Private sector participation
- Relevant information

How can the process be circumvented?

- Relationships
- Referrals
- References



Closing Thoughts

It's a noisy world

It's a brutal process

Don't be reduced to someone else's data