

# THE BUFFALO NEWS

## How Buffalo Niagara became a hub for back office jobs



*Workers in the Institutional Clients Group Banking Operations settle trades after they are made at Citi's office at Crosspoint in Amherst. (Derek Gee/Buffalo News)*

By Matt Glynn Jun 9, 2017

Citi started out with a 10-employee check-clearing office in Cheektowaga more than 40 years ago, and now has more than 2,000 people in its high-tech Getzville facility.

Geico began with just 75 people at temporary space in Amherst in 2004, and now has 3,000 people at its complex in Getzville.

Strategic Financial Solutions wants to follow their path. The New York City-based debt consolidation firm aims to start with 150 employees in its first year in Amherst and grow to a workforce of 1,500 people in about five years.

The Buffalo Niagara region has become a magnet for the type of financial services jobs that don't have to be at a company's headquarters. Employers say the region has a number of factors in its

favor, such as a low-cost, available workforce, a reliable telecommunications infrastructure and a lower-than-average turnover rate for employees.

"You put it all together, it's a compelling proposition," said Thomas Kucharski, president and CEO of Invest Buffalo Niagara, which recruits businesses to the region.

For Strategic Financial Solutions, CEO Ryan Sasson said tax incentives were not pivotal in choosing the Buffalo Niagara region. Instead, Strategic Financial Solutions liked the region's labor pool, collection of universities and its population of millennials.

The jobs at Geico, Citi and other financial services offices in the region supplement the work performed at a company's main offices, through employees who staff call centers and computer networks. Within the industry, these types of jobs are generally referred to as "back office" or "advanced corporate services."

In the case of Strategic Financial Solutions, its jobs will include salespeople as well as employees who work with creditors to negotiate settlements with creditors, along with people in information technology and management roles. The company already has 500 employees in Manhattan, but was looking for somewhere to expand its operations.

Cost is one factor companies analyze, and a recent study by the Boyd Group, a consulting firm, illustrates why Buffalo is in the mix. The Boyd Group compared the annual cost of operating a hypothetical 30,000-square-foot corporate back office in the financial services sector, with 125 jobs, in 20 U.S. markets. Buffalo came out as second cheapest, at \$9.7 million, behind only Jacksonville, Fla. New York City ranked second most expensive, at \$12.1 million.

### **Workforce cited in growth**

While Strategic Financial Solutions' growth plan is ambitious, some other companies in the region illustrate such big numbers are possible.

Citi and Geico are neighbors in CrossPoint Business Park in Getzville. Both began with modest headcounts here and turned into mammoth employers.

Citi built up the small operation it had in Cheektowaga, moving to the Amherst Commerce Center in 1980 as its services expanded. The company made a big leap in 2006, moving to an \$18.5 million building in CrossPoint. A second building, valued at \$32 million, soon followed.

Citi developed its local operation into a sophisticated financial hub, with a range of corporate and investment banking functions. Company officials have praised the local workforce as dependable and productive, and use advanced technology to perform the same work that it could in a bigger city. Citi also has built connections with local universities to tap into a labor pool that fits its needs. Its 2,000 workers include some temporary employees and contractors.



*Workers in Citi's office at CrossPoint in Amherst. (Derek Gee/Buffalo News)*

Geico set a bold job target for its Amherst site – 2,500 people – and surpassed it. The center is considered a top performer within Geico, and has received congratulatory visits from Warren Buffett, chairman of Berkshire Hathaway, which owns Geico as well as The Buffalo News.

The local operation started in temporary space in Amherst in 2004 before moving into its current home the following year. Geico's automotive insurance business has fueled the growth, and the company has praised the region's work ethic and educated workforce.

"As Geico continues to grow, the company is proceeding with its hiring plans to fill positions in sales, service and claims and in the company's product and service areas, as well as in the company's management development programs," said Chris Tasher, a Geico spokeswoman.

HSBC Bank USA sold off its upstate branch network years ago, which took away its street-level visibility in the region. But the bank still has about 3,000 employees at two locations, in Depew and downtown Buffalo.

As HSBC has sought to reduce operating costs in its U.S. operations, it has shifted some of its work to places like Buffalo. HSBC is shutting down an operation in Delaware and has said some of those jobs will move here.

HSBC Bank USA's CEO Patrick Burke has cited the skilled workforce the bank already has here as a plus, giving HSBC an opportunity to build on business segments in the Buffalo region.

Not every financial services company has lived up to its lofty job projections.

PHH Mortgage Corp. in 2012 agreed to take over mortgage operations and loan servicing from HSBC Mortgage Corp. in Depew. PHH pledged to keep 400 jobs and create 400 new jobs, and prepared to move into a new building built by Zaepfel Development.

Instead, PHH has steadily cut its local workforce, to a projected 30 people by the end of June, and is moving out of the Wehrle Drive building.

Seneca Mortgage in 2014 pledged to create 165 jobs and protect 270 jobs in exchange for incentives from the Erie County Industrial Development Agency that were tied to an expansion in Elma. Instead, the job count at Seneca Mortgage dropped and the business was sold to a competitor last year.

### **Low turnover and reliable technology**

Those that help recruit businesses here say two other factors have helped financial services grow in Buffalo Niagara: low turnover and reliable technology. As Strategic Financial Solutions starts to ramp up its operations, the company wants to take advantage of some of the same factors that have helped other financial services companies grow.



*Strategic Financial Solutions expects to bring 1,500 jobs to this building in Amherst.*

Kucharski said the turnover rate for "advanced business services" employees here is about half the national average. "You're making an investment in people, and they're likely to stay here and be with you longer at a greater rate than other places," he said.

And don't underestimate the importance of the region's "very strong reliable redundant IT infrastructure throughout the whole region," he said. "That's big. You don't have down time. Down time for these types of operations, even for a short amount of time, is a lot of money."

Howard Zemsky, president, CEO and commissioner of Empire State Development, said financial services companies based in New York City that are planning to expand often look to places like New Jersey, the Carolinas and Pennsylvania. The Buffalo Niagara region's "cluster" of financial services firms helps attract attention from similar companies looking to grow.

Jordan Levy, a local investor in Strategic Financial Solutions, helped make the case for the company to expand to Buffalo. He said the company would have more than back office jobs at its new Amherst location.

"We're going to have our sales team here, we'll have management, negotiations. Every job we have in New York [City] will be here with the exception of the C-level executives," said Levy, referring to chief-level positions.

Levy said the region is well suited for what the company will bring to Amherst, with its array of nearby colleges and universities, and Erie County's large population.

"There's a great workforce potential and not a lot of headquartered companies to compete with," Levy said. "So that's why it's good to be here."