

Contact Center Pipeline

Where to Call and Contact?

Brendan Read / Apr 2024



The New Normal, like WFH, has shaken up contact center site selection strategies.

When contact centers seek to source their employees, once they have decided which, if any, of their agents will be outsourced, the choices have become increasingly bewildering.

Not only must center executives assess how many staff will be needed in light of both demand for their products and services but also of encroaching rapid – and artificial intelligence (AI)-driven – automation.

And once roughly decided where it is their agents will work? On-premise, work-from-home (WFH) or hybrid? Onshore, nearshore, or offshore? Large metro or small city?

And what about factors like disaster risks both natural and human i.e., crime, and also employee childcare, all of which are becoming problematic in this New Normal/Age of Anxiety era? Not to mention taxes and inflation?



To obtain insights, I had a virtual conversation with **John H. (Jack) Boyd, founder and principal, The Boyd Company**. He is a leading site selection expert who has been locating contact centers for clients since the 1980s and was one of the first to recommend nearshore and offshore countries for them.

Q. What do you expect to see the need for more or for fewer contact center agents?

Big picture economic headwinds are playing a role here. Historically high rates of inflation and higher finance rates dampening consumer demand and onerous new taxes and regulations, are combining to hold the line on new job growth at best case. And job reduction in the 5% to 8% range at worst case.

Another interesting (and potentially partially offsetting) site selection driver is the expanding electric vehicle (EV) industry in the U.S. and Canada, where the industry is expected to quadruple in market share over the next five years.

GM, Ford, and Hyundai are examples of companies expanding contact center capabilities specific to new EV and charging related demands.

We expect the move to EVs to generate additional contact center volumes as billions of dollars are being spent to build out North America's EV charging infrastructure and there will be a new demand for information and servicing from the driving public.

Q. Do you believe automation, and AI in particular, will significantly lower the number of people working in the contact center industry?

Few industries will be immune to the job-cutting impacts of automation and AI. The contact center industry is no exception.

AI is expected to have a growing impact on customer service, and we anticipate more complex applications being utilized in contact centers as the technology further develops.

For instance, speech recognition technology will allow customers to communicate with contact centers in new ways. Meanwhile AI-powered chatbots are expected to become increasingly reliable at addressing complex customer inquiries.

Keep in mind that AI will in no way completely replace human agents. The human connection will always be required for a number of reasons, not the least being demonstrating empathy and emotional support. The end result will be that human agents will be enhanced by AI, freeing them up to concentrate on higher-value functions in the contact center.

RTO AND WFH

Q. Let's discuss return-to-office (RTO). Are you seeing centers RTOing their WFH workforces and hiring agents on-premise?

Our site-seeking contact center clients are requiring less real estate and office space as the hybrid and WFH models increasingly become the norm. Frankly, we don't see these models retreating at all.

Contact centers are generally the laggards in any RTO initiative that a company may decide to roll out. Their functions, whether sales, customer service, or tech support, are well-equipped to stand alone in a remote environment. They don't require the level of oversight and interactions with staff and management that other administrative functions of the company do, like HR, Legal, Planning, Accounting, etc.

Our firm's BizCosts[®] data bank shows that some 2.1 million U.S. workers are employed in the contact center industry. (This is roughly 70% of the U.S. Bureau of Labor Statistics figure for the number of workers employed as customer service representatives).

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During the COVID-19 pandemic years of 2020 and 2021, WFH percentages in the contact center industry were as high as 90%. In late 2023, that percentage has moderated to the 60%-70% range and with expectations it will begin to rise again and flat line with long term percentages peaking in the 70% to 80% range.

Q. Let's deep dive into WFH. What trends are you seeing there?

First, WFH is on the upswing as clients are not at all experiencing declines in productivity but they are definitely seeing cost savings, primarily in office leases.

Currently, wage parity is pretty much the norm between WFH and in-house on-premise due to current labor shortages. But we expect companies will eventually see savings in WFH labor costs

as we put the COVID-19 pandemic further behind us and as management gains more of the upper hand in the hiring and retention tug-of-war.

To that last point, we also expect to see the C-suite positioning WFH as a perk underscoring WFH advantages like greater personal flexibility, saving money on commuting, dining out, and office attire. As well as staying healthy by avoiding contagions from fellow workers.

Contact centers in the U.K. are out of the starting blocks first in instituting a WFH pay differential in the 5% to 7% range. This kind of differential is in addition to savings in labor costs companies can also achieve by tapping less expensive remote labor market pools.

Second, we are also seeing more uniform policies being rolled out as we get further and further away from the disruptions caused by the pandemic.

That is to say, the hybrid model is not being embraced by our contact center clients to the extent other office clients are, say in financial services and tech, which are rolling out hybrid schedules that are typically three days at home and two days in the office (Tuesday – Thursday).

Instead, in the contact center world, it tends to be one model or the other: WFH or RTO. That is to say, in the majority of the centers that we deal with, agents either work all the time in a WFH format or at the call center model, but not both.

CHILDCARE COSTS AND SHORTAGES

There have been reports of childcare shortages and skyrocketing rates. So if true is this issue impacting hiring and retaining contact center agents?

“Few cost of living items have risen faster than childcare whose costs have soared over 30% over the past three years alone,” says Jack Boyd. “So yes, it is impacting greatly the hiring and retaining of contact center agents both on-premises and also WFH agents as they too have to mesh childcare with their daily at home and work schedules.

“Childcare costs and scarcity are expected to go from bad to worse as states are facing deep cuts in federal childcare support due to the expiration of pandemic-era funding from Washington, D.C., and mixed political signals on how to fund moving forward. Currently, more than three-quarters of all licensed providers in the U.S. receive childcare grants to help pay bills and raise wages for staff.”

RESHORING

Q. Let's discuss reshoring. Are you seeing businesses reshore their contact centers, to what extent, in which verticals and functions, and why?

The answer is yes. Historically, the contact center industry has been well-known for offshore and nearshore outsourcing: sending jobs overseas to places like India, the Philippines, and the Caribbean as well as to Canada from the U.S.

The Province of New Brunswick was a classic case study in Canada led by its high-profile former Premier Frank McKenna some 30 years ago. The province, along with telco provider NB Tel, attracted a "Who's Who" of contact centers from the U.S. like IBM, Xerox, Marriott, RMH (now Alorica), and others to provincial cities of Moncton, Saint John, and Fredericton.

However, offshoring to Asia and in less developed countries often comes with hidden costs of poor work habits and low customer satisfaction, not to mention very high turnover rates. Also, these workers are rarely subjected to the same vetting requirements as U.S. and Canadian employees, raising concerns about data security and privacy.

At the same time, increased geopolitical tensions, even war conditions like we are now seeing in Ukraine and in the Mideast are giving contact centers pause when considering offshoring their operations.

All told, these issues create huge operational and even branding reasons for companies to reshore and nearshore (like to Canada) their contact centers: particularly for data-sensitive industries like banking, healthcare, and leading-edge tech.

Q. You mentioned Canada. But isn't Canada no longer popular for U.S. contact centers given the taxes there and the fluctuating Canadian dollar?

In this new era of reshoring and nearshoring, we see Canada getting a second wind in attracting contact center investment from the U.S. and Europe.

While the favorable exchange rate for Canada has its fluctuations, other fundamental site selection factors hold strong. These include Canada's educated workforce, its lower turnover rates (a fraction of many offshore locations, and 10% to 20% on average lower than in the U.S.) and cultural affinities with the U.S. consumer which cannot be matched overseas.

Canada is also seeing reshoring, with Rogers Communications as an example. Rogers is known for its stance on operating Canada-based contact centers: in fact, it has become part of the company's brand. Rogers is extending that approach to those Shaw facilities that had been outsourced and are now under its umbrella with significant new hirings planned in Manitoba, Alberta, and British Columbia.

In sync with Canada's more open immigration policies, the Canadian federal government has opened an operations center to enhance immigration processing in the Indo-Pacific region.

The new facility of Canada's Immigration, Refugees and Citizenship Department is located in Manila in the Philippines: which houses one of the world's greatest concentrations of call centers. And as a result it will be a likely source of incoming agents, managers, and tech support to Canada with experience in call center operations.

The call center industry is highly entrepreneurial in nature, does not require vast amounts of start-up capital and is comprised of thousands of small, privately held companies.

In New Brunswick, an initiative of the New Brunswick Business Immigrant Association, Inc. is focusing heavily on immigrant-driven economic development and making it easier for newcomers to settle in and establish small businesses. It is a timely move that fits well with New Brunswick's call center pedigree.

Q. What factors would be holding back reshoring?

Labor shortages and rising costs for labor will continue to be mitigating factors, especially in the U.S. where tax-and-spend policies, high mandated minimum wages, rising taxes on telecommunications services, and soaring crime are growing issues.

Labor supply concerns are more tempered in Canada where the population last year grew by more than a million - a 2.9% rate - the highest since the 1950s. And one that outstrips by a wide margin the U.S. and every other G7 country, according to Statistics Canada. Canada's more open immigration policy is another HR plus for contact centers seeking to fill positions in requiring multiple languages.

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Another stumbling block to reshoring in the U.S. is the inroads the Communications Workers of America (CWA) are making in the contact center industry with the aggressively pro-union National Labor Relations Board (NLRB) under the current Biden administration. In fiscal year 2022, petitions for union representation increased 53% over the year before, according to NLRB figures.

Another roadblock to reshoring worthy of mentioning here is the fact that inflation is at an historic high in the U.S. Cost of living pressures, especially for housing in booming Sunbelt markets like Miami, Tampa, Phoenix, Tucson, and Orlando which are all well-established hubs for the contact center industry can be a significant recruiting hurdle.

A final location factor here is specific to the insurance industry, which employs thousands of agents in contact center sales, policyholder servicing and claims processing.

Insurance companies are curtailing and even ending operations entirely in California and Florida in the wake of hurricanes, floods, droughts, and earthquakes: as well as man-made disasters like out-of-control violent crime, shoplifting, and no-bail policies in many big cities.

This is resulting in significant layoffs in insurance industry contact centers serving those two huge and impacted states, the largest and third-largest states in America, accounting for 18% of the entire U.S. population.

Q. For contact center offices, what overall trends are you seeing in their location, onshore, nearshore, and offshore, and their drivers?

Access to a bilingual (English-Spanish in the U.S.) workforce, access to AI assets, and ESG (environment, social, and governance) opportunities are especially important site selection drivers today.

As the Hispanic population here in the U.S. continues to soar, our clients are prioritizing this capability more than ever before. Over the past decade, the 26% increase in the Hispanic population was three times faster than the nation's overall 8% growth rate as per the latest U.S. Census data.

We also see this bilingual dynamic in play in a number of similar small market cities in Farm Belt communities in the U.S. Midwest that have also attracted large numbers of Spanish-speaking residents.

The availability of green power like in the Columbia River Basin in Eastern Washington State is another location variable that our ESG-sensitive contact center clients are prioritizing. The well-defined and controlled environment of the contact center makes the industry well-suited to hire ex-offenders for entry level positions as an additional way to enhance ESG and social impact metrics.

With the current tightness of the labor market, justice-involved individuals can be an added resource for some contact center HR managers struggling to fill openings.

Keep in mind that the WFH model can help a company with their ESG and social impact metrics. WFH facilitates the hiring of disabled, single moms, diverse, and disadvantaged workers that don't have the means to commute to a contact center.

In terms of geography, these trends are impacting location trends favoring smaller market locations -- historically short on labor and real estate assets -- in the U.S. as well as in Canada. Especially as online and cloud technologies have advanced and with internet-driven connectivity becoming ubiquitous.

The ReConnect Program funding from U.S. President Biden's Bipartisan Infrastructure Law is providing an historic \$65 billion investment to expand affordable, high-speed internet to underserved, small market communities across the U.S.

For many companies, these dynamics have greatly lessened the need for large and costly office infrastructure: and in many instances made the economic incentives associated with an offshore contact center less compelling.

Also, a smaller contact center footprint due to off-site WFH operations scores well on the environmental front due to the use of less air conditioning and heating, and lower CO2 emissions from employees driving to work. There is a similar play, but without the language component, in rural Alberta and British Columbia in Canada.

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A recent project of ours in the Pacific Northwest, e.g., - a center designed to serve California, other Pacific Time Zone states as well as British Columbia, Canada – focused on the small market community of Othello, in Eastern Washington State -- that is leveraging these trends.

That center and project also includes the community's large Spanish-speaking workforce that has developed there due to the region's large agricultural and food processing industries.

A further examination of Othello revealed to us that it had some of the lowest taxes and surcharges on VoIP telecommunications in the Pacific Northwest.

These taxes are significant and greatly differentiate one candidate contact center site from another as VoIP rates from carriers are constant by geography but state and local taxes on these telecommunications services vary greatly.

CONTACT CENTER FACILITIES IN THE NEW NORMAL

With some contact centers continuing to have their agents work on-premise, we asked Jack Boyd "are there any changes in the site, connectivity, building design, density, layout, security, and parking/access in the new office contact center post-COVID-19 pandemic as compared with pre-pandemic?"

"We are seeing a greater emphasis on continuity of operations considerations and avoidance of both weather-related natural disasters and man-made disasters associated with crime and agent security on-premise, in the parking lot, and the environs of the contact center," says Jack.

"Overall, post-pandemic New Normal centers are also more amenity-laden with the goal of keeping on-premise agents safe, happy, healthy, and focused. State-of-the-art fitness offerings,

coffee bars, wine bars, designer art, and fine and healthy dining options are all becoming more common in the modern contact center setting.”

Q. What are the key factors in deciding on where to locate contact centers and have they changed since before the COVID-19 pandemic and why?

1. Labor availability and cost: new mandated minimum wages by a number of states as well as competition from the booming warehouse sector are having an inflationary impact on contact center wages overall.
2. Disaster risk - continuity of operations – some 24/7, 365 days in the year – is fundamental for successful contact center operations.

It is not just recent hurricanes in Florida that are of growing concern. Localized flooding in many parts of the East and Midwest – including historic flood disruptions in New York City - requires a heightened level of due diligence on site-specifics and a contact center’s exposures to flooding from local rivers and streams.

All of this in the backdrop of global warming issues have raised the stakes in disaster risk assessments.

3. Crime – “urban doom loops” like San Francisco, Philadelphia, and Chicago – are proving themselves to be inhospitable to not only major retailers but also contact centers. Cities where unsafe public transit is a preferred mode of transit for employees.
4. Taxes: VoIP taxes and surcharges are major parts of any operating cost evaluation, and they vary significantly from city to city.
5. Social policy – an important factor – however, companies can find some kind of ESG and Social Impact platform to embrace in most U.S. or Canadian cities today.

Q. What are your recommendations to contact centers deciding how and where to locate their operations (on-premise versus WFH, onshoring, nearshoring, and offshoring)?

From 30,000 ft. – and keep in mind that all contact center site selection projects are different-- we like the WFH template for onshore/reshore since it brings so much to the table. Namely cost savings, maintenance of productivity levels, and expanding our clients’ recruiting horizons.

For on-premise we expect the “Go Small, Young Man” site selection mantra to gain steam in the months and years ahead for the reasons expressed previously.

As for nearshoring, the contact center field, we also see Mexico gaining in influence as a nearshoring location. Particularly the Mexico City environs where our BNP Paribas banking client has successful contact center operations.

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Other clients with successful nearshoring operations include HP in Costa Rica, Marriott in Colombia, and KPMG in Jamaica. Also in the Caribbean, Trinidad and Tobago where IQor has recently expanded operations is increasingly on short lists.

Peru’s capital of Lima is also gaining in stature where our clients Dell and AT&T and Spanish contact center giant Atento all have large and successful operations.

If you would like to contact Jack Boyd, you can reach him at jhb@theboydcompany.com

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Brendan Read is Editor-in-Chief of Contact Center Pipeline. He has been covering and working in customer service and sales and for contact center companies for most of his career. Brendan has edited and written for leading industry publications and has been an industry analyst. He also has authored and co-authored books on contact center design, customer support, and working from home.