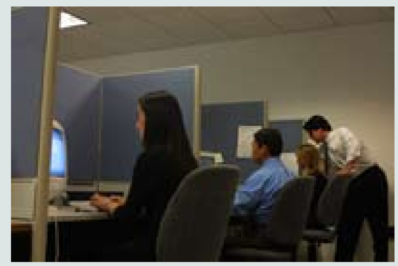
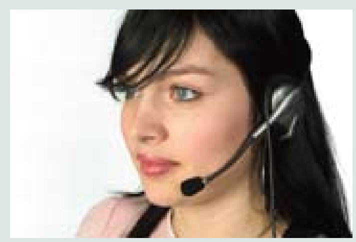
Issue Brief

November 2008

Reaching Out to Customers:

An Updated Profile of the Minnesota Call Center Industry





positively Minnesota
Department of Employment and Economic Development

Analysis and Evaluation
Thu-Mai Ho-Kim
Economic Analyst

1st National Bank Building, Suite E200
332 Minnesota Street
Saint Paul, Minnesota 55101-1338
651-259-7180 ■ www.PositivelyMinnesota.com

Introduction

Live and immediate customer service on phones is an increasingly critical service component to sales of products and services, as technology enables more rapid responses and as markets become increasingly competitive and global. This customer service covers a range of areas, from basic customer inquiries about products, services and orders, to trouble-shooting technical issues related to products and services and providing specialized services, such as health-related advice.

This report provides additional detail to the executive summary that was released by DEED in June 2008.

There are an estimated 400 independent businesses offering customer contact and calling services in Minnesota, in addition to many more businesses that manage in-house customer contact center and call center operations. According to a national survey on the call center industry done at Cornell University, in-house centers account for about five-sixths of call centers, while subcontracting call centers that serve one or more other client companies account for less than one-sixth of call centers.

This dynamic industry is facing many changes and challenges. To better understand the needs of the industry, the Minnesota Department of Employment and Economic Development (DEED) – with the assistance of Avtex, Call Center Network Group (CCNG), and Masterson Personnel – conducted a survey in 2007 to develop a profile of businesses that provide customer contact services, the industries they serve, the technologies they use and their use of public sector services. For the sake of brevity, these centers will be referred to as call centers, although some of these businesses may be also referred to as customer contact centers.

The survey instrument was designed partially based on “U.S. Call Center Industry Report 2004: National Benchmarking Report”, done by the Center for Advanced Human Resource Studies (CAHRS) at the School of Industrial and Labor Relations at Cornell University. The CAHRS report surveyed 472 business locations across the United States. The DEED survey did not address all areas examined in the CAHRS report to keep the DEED survey to a manageable length. In addition, overlapping areas between the national report and the DEED survey are not always directly comparable because DEED survey’s questions were mostly not open-ended and its answer options were mostly in a multiple choice format.

These results will improve our understanding of the needs and the business environment for this industry in Minnesota. DEED will use the results to better promote Minnesota as a location for call and customer service center-related businesses; to better understand the industry’s business, workforce, training, and technology needs; and to determine how the public sector can best assist in the industry's growth.

Results

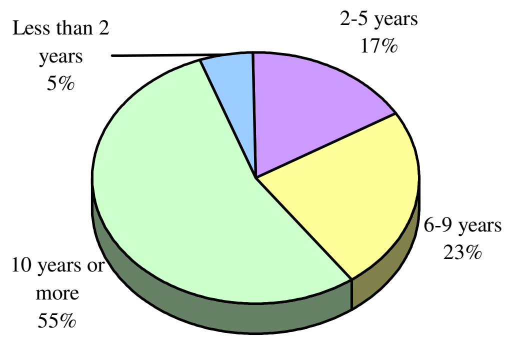
The survey was administered via the Internet and U.S. mail to an overall survey sample of 2,346 businesses (after adjustments for bad U.S. mail addresses) and produced 404 respondents, although only 285 of these respondents were call centers or customer contact centers in Minnesota. A response rate can not be calculated because the number of call center businesses in the full survey sample is not known. (Please see the methodology section for more detail.) Of the remaining respondents, 28 percent said there were no call center or customer contact operations at that business location or the location was not in Minnesota, and 1 percent said that they were not in charge of the call center/customer contact operations at that Minnesota location.

The following parts of the survey pertain only to those 285 respondents who were in charge of a call or customer contact center at the surveyed Minnesota location. However, not all questions were required, and as a result, some questions had fewer than 285 respondents. Although the response sample is large, the overall total number of call centers in the state is unknown. As a result, this report reflects the operations of respondents and may not reflect all call centers in the state.

Most of Minnesota's call centers have substantial business experience, provide services in-house and have a capacity of fewer than 100 seats.

Most of Minnesota's responding call/customer contact centers were quite experienced, with more than three-quarters having 6 or more years of business experience.

Figure 1. Business Experience (n=264)

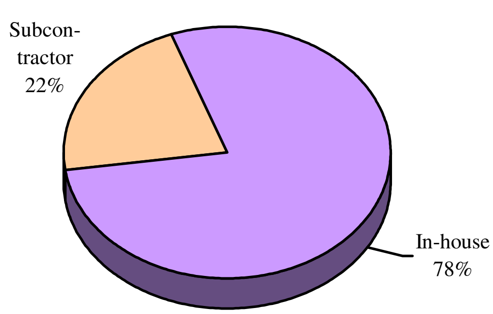


In-house call centers are those that are dedicated to providing call center/customer support services to an affiliate or parent company that provides other services or goods, while subcontracting or outsourcing call centers are hired by other businesses to provide call center and customer contact support services.

The DEED survey found that almost four-fifths (78 percent) of call center respondents in Minnesota identified themselves as in-house call centers rather than subcontractors or outsourcers, which represented the remaining 22 percent of call center respondents.

These results are consistent with the CAHRS report which found that nationally, in-house call centers far outnumber subcontracting centers and represent about constituted 86 percent of call centers while subcontracting centers comprised 14 percent of the call centers.

Figure 2. Type of Call Center (n=260)



The centers were asked to describe the size of their facilities in two different ways: by the number of seats, as a measure of capacity, and by square footage. Not all centers responded; there were 245 responses (of which 51 were from subcontractors) for the number of seats and 150 responses (of which 42 were from subcontractors) for the square footage at the center.

The centers varied from having one seat to 725 seats, with 72 percent having fewer than 100 seats. One outlier had 5000 seats.

Table 1. Seat Capacity of Call Centers

Number of seats	All respondents
Less than 20	35%
20-49	24%
50-99	13%
100-199	16%
200+	12%
Total	100%
Respondents	n=245

Most centers ranged from having about 100 square feet to 40,000 square feet, although there were a few outliers with 200,000 to 420,000 square feet. About 58 percent of respondents had centers with less than 4,000 square feet in size, with in-house and subcontracting respondents falling into this group in about the same proportions.

Table 2. Square Footage of Call Centers

Square Footage	All respondents*
Less than 1,999	29%
1,000-3,999	29%
4,000-9,999	17%
10,000+	25%
Total	100%
Respondents	n=150

*Includes three respondents whose type of center was unknown.

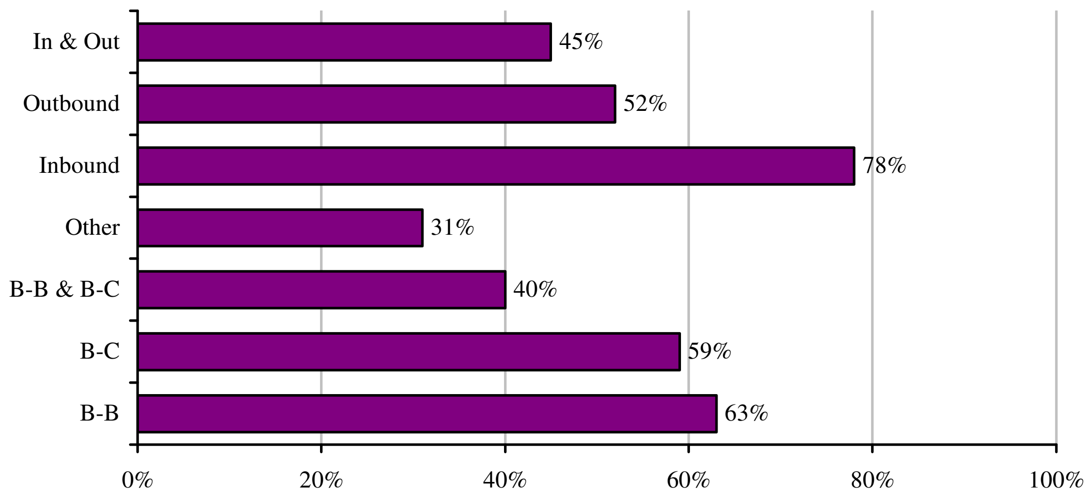
Most call centers were characterized by providing both business-to-consumer and business-to-business services; receiving inbound calls, primarily serving national markets and providing customer service.

The respondents were asked to describe whether their center primarily dealt with business-to-business or business-to-consumer services, and whether the center took inbound calls and/or made outbound calls. Respondents were permitted to select multiple options.

About 63 percent of the call centers provided business-to-business services, and a similar share provided business-to-consumer (59 percent) services. About 40 percent of all centers (106 centers) provided both business-to-business and business-to-consumer services. About 31 percent of the centers provided other services, such as an internal center or a helpdesk. Some centers (17 percent of respondents) operated in all three areas.

Most of the call center respondents received inbound calls (78 percent) while about half (52 percent) made outbound calls. Moreover, there were 119 respondents (45 percent of call center respondents) who operated both inbound calls and outbound calls services. In other words most centers making outbound calls also received inbound calls, but just less than 60 percent of those receiving inbound calls also made outbound calls.

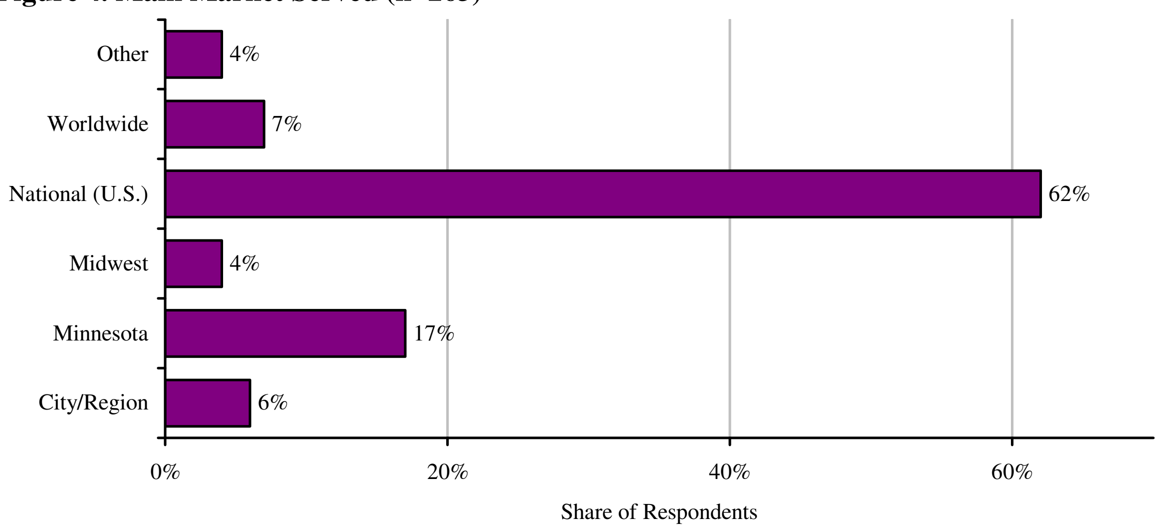
Figure 3. Operating Characteristics of Responding Call Centers



Note: B-B: Business to Business, B-C: Business to Consumer. n=264

The respondents were asked about their main market served (only one answer permitted). About 62 percent of call centers in Minnesota mostly served national markets, rather than state, regional or local markets. About 17 percent primarily served markets in Minnesota, and most of these centers were involved in medical insurance, financial: mortgage, and financial: banking industries. Respondents who provided additional detail on "other" markets served specified other U.S. states or "all the above."

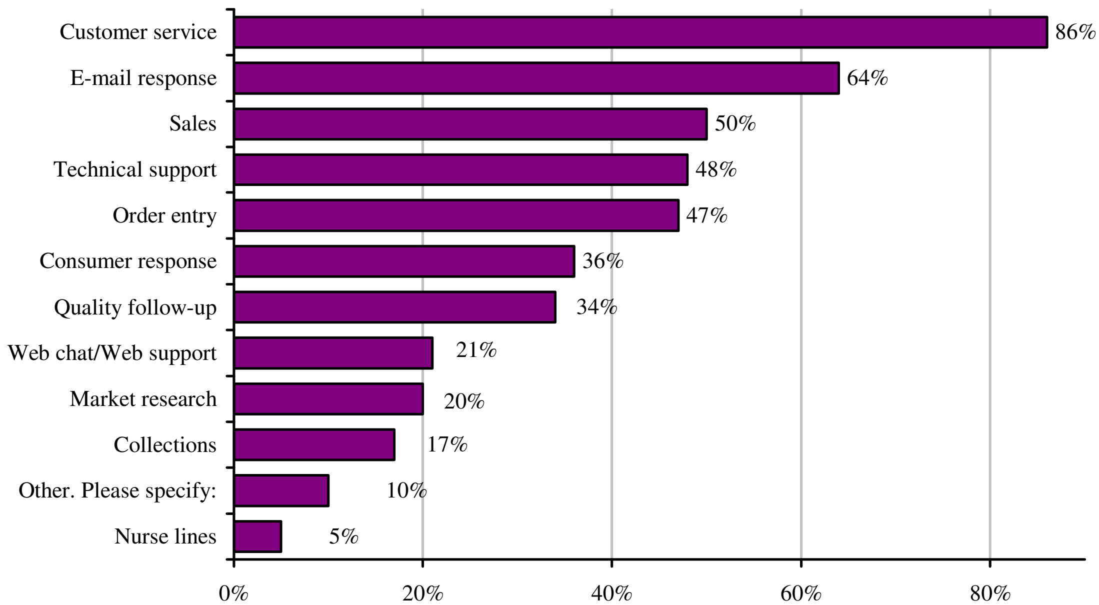
Figure 4. Main Market Served (n=263)



Call center respondents were asked how they contacted their customers or clients. In order of most commonly used methods, 100 percent used the telephone, 82 percent used e-mail, 71 percent used fax machines, and 68 percent used the Internet.

Respondents most commonly provided customer service (84 percent), e-mail response (64 percent), sales (50 percent), technical support (48 percent) and order entry (47 percent). Other services included consumer response (36 percent) and quality follow-up (34 percent). (Customer service includes services to customers checking on their order status, asking for information on products and services, and verifying their account status. Consumer response aims for customer satisfaction and includes addressing consumer complaints about products or services and responding to consumer inquiries or grievances.)

Figure 5. Services Provided at this Call Center Location (n=256)

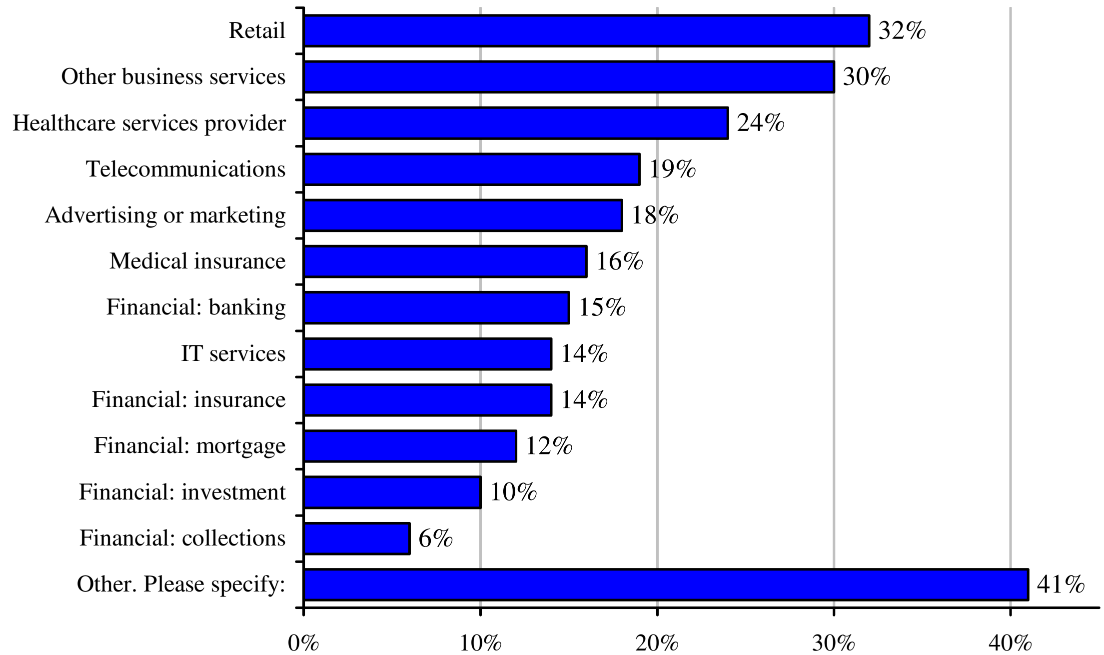


The most commonly served industries were retail services (32 percent of call center respondents), followed by other business services (30 percent), healthcare services (24 percent) and telecommunications (19 percent). A large number of respondents (42 percent of respondents) also indicated additional industries not listed in the question.

Respondents also specified additional industries they served, including (those with 5 or more respondents):

- “many industries” or “any industry” (14)
- manufacturing (7)
- public sector, non-profit (7)
- direct sales to consumer (6)
- education (6)
- utilities (5)

Figure 6. Industries Served by this Call Center Location (n=259)



Within the respective client industries, more than half (from about 52 percent to 69 percent) of the call centers mainly served national markets. Medical insurance, financial: mortgage, and financial: banking industries most commonly primarily served markets within Minnesota (about 30 percent of respondents).

Table 3. Client Industries and Primary Market Served

Industry	n=	Region, Substate, or Local	Minnesota	Midwest	National (U.S.)	Worldwide	Other	Total
Overall	224	8%	16%	3%	62%	7%	5%	100%
Telecommunications	48	10%	19%	4%	52%	6%	8%	100%
Retail	74	5%	14%	3%	65%	11%	3%	100%
Advertising or marketing	42	5%	19%	2%	62%	5%	7%	100%
Other business services	69	9%	20%	3%	61%	4%	3%	100%
IT services	31	7%	23%	3%	55%	3%	10%	100%
Medical insurance	38	3%	32%	3%	55%	3%	5%	100%
Healthcare services provider	54	7%	24%	6%	52%	6%	6%	100%
Financial: mortgage	27	0%	30%	4%	59%	4%	4%	100%
Financial: banking	34	0%	29%	6%	56%	3%	6%	100%
Financial: investment	24	4%	25%	0%	63%	4%	4%	100%
Financial: collections	13	0%	23%	0%	69%	8%	0%	100%

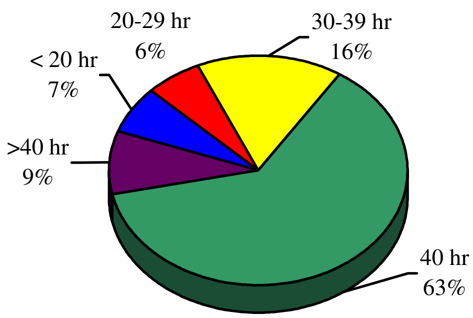
The national CAHRS report found that experienced call centers served the national market rather than local, regional or international markets. The exception was the telecommunications industry, where centers primarily served local or regional markets.

Typically, agents work full-time onsite and spend more than half of their time on the phone.

According to the responding call centers, the overall ratio of agents to supervisors was 12. There was a ratio of around 24 agents per person in charge of scheduling or staff management. Quality-related managers were in charge of an average of 35 agents, while trainers were hired at a ratio of one trainer per 41 agents.

Call centers described the work week for their typical (experienced) agents. Most call centers (63 percent) employed experienced agent full-time for a 40-hour week. At 16 percent of the call centers, the experienced agent worked part-time for between 30 and 39 hours per week and at 9 percent of the call centers, the experienced agent worked overtime (for more than 40 hours per week).

Figure 7. Hours Worked Per Week, All Respondents (n=228)



While the call center industry has been making inroads into a telecommuting workforce, the vast majority (79 percent) of respondents to this survey said that their entire workforce worked at the business location. A minority of respondents, 21 percent, had remote or telecommuting agents but these were limited to less than one-quarter of their workforce for most of these respondents.

Table 4. Share of Workers Onsite

Share of agents working onsite	Share of respondents*
100%	79%
75%-99%	13%
50%-74%	4%
25%-49%	2%
1%-24%	1%
None (0%)	2%
Total	100%

*Column total may not add to 100% due to rounding errors. (n=249)

Centers had a significant variation in handle times for inbound and outbound calls, ranging from less than 1 minute to more than 10 minutes.

The differences in handle time for inbound calls (for all respondents) and outbound calls (for all respondents) were statistically significant. Outbound calls were most likely to be of somewhat shorter duration than inbound calls.

Table 5. Handle Time of Inbound and Outbound Calls

Handle Time	Inbound calls*	Outbound calls*
Under 1.0 minute	2%	3%
1.0-2.4	12%	28%
2.5-3.9	31%	22%
4.0-5.4	25%	24%
5.5-7.4	13%	7%
7.5-10.0	10%	3%
Over 10 minutes	7%	12%
Total	100%	100%

*Column totals may not add to 100% due to rounding errors. Inbound calls: n=179. Outbound calls: n=116.

However, the differences in responses for average handle time (time on the phone) between in-house centers and subcontracting centers was not statistically significant whether for inbound calls or outbound calls.

More than half of an agent's time is spent on the phone according to almost 80 percent of respondents, half of whom spend 75 percent or more of their time on the phone.

Respondents were mixed as to their recording of calls. On one side of the spectrum, about half (53 percent) recorded less than 25 percent of their calls or no calls. On the other side of the spectrum, 39 percent of respondents recorded at least three-quarters of their calls. However, despite a range of recording incidence rates, three-quarters of respondents reviewed less than one-quarter of their calls for quality.

About half of respondents (47 percent) estimated that three-quarters of their calls were resolved in the first call.

About 75 percent of call centers reported that their experienced agents have some college education. In addition, almost 60 percent of call centers provide training of more than 10 days to new agents, usually with a supervisor.

New agents have less than one year of experience. Respondents largely had agents with more than one year of experience. Overall, 63 percent of responding call centers had an experienced workforce, meaning that less than one-quarter of the workforce consisted of new hires with less than one year of experience.

Table 6. New Agent Share of Workforce

Share of Agent Workforce with less than one year of experience	All Respondents (n=238)
Less than 25%	63%
25%-49%	23%
50%-74%	11%
75% or more	3%
Total	100%

Half of the respondents described their typical (experienced) agents as having some college experience, and about one-quarter indicated that their experienced agents were college graduates. About 6 percent had experienced agents holding an advanced degree, while 20 percent had experienced agents who were at most high school graduates.

The national benchmark survey asked a more detailed or open-ended question and found that the experienced worker had 1.5 years of college education (which would be consistent with the result that 51 percent of respondents to the DEED survey said their typical worker had "some college").

Table 7. Educational Attainment of Workforce

Highest Education Level Attained	Share of respondents
High school	20%
Some college	51%
College or 4-year degree	24%
Advanced degree	6%
Total	100%

*Column total may not add to 100% due to rounding errors. (n=251)

The table below shows a call center's typical agent's highest educational achievement (only one answer permitted) against the call center's client industries (multiple possible). Call centers whose typical agents hold at most high school degrees more likely work in other business services, retail and telecommunications. Call centers whose typical agents hold college or more advanced degrees tend to work for healthcare services providers, other business services, retail and medical insurance industries.

Table 8. Typical Agent's Highest Educational Achievement vs. Client Industry

Industry	High school	Some college	College or 4-year degree	Advanced degree
Healthcare services provider	28%	19%	27%	29%
Other business services	39%	30%	25%	14%
Retail	39%	36%	24%	14%
Medical insurance	15%	15%	22%	7%
Telecommunications	35%	19%	15%	7%
IT services	20%	12%	15%	7%
Financial: insurance	11%	13%	14%	21%
Financial: mortgage	15%	10%	14%	14%
Financial: investment	11%	9%	14%	7%
Financial: banking	28%	12%	10%	14%
Advertising or marketing	26%	19%	10%	7%
Financial: collections	7%	5%	7%	7%
Number of Respondents (n)	46	129	59	14

*Column totals do not add to 100% because call centers may work for clients from multiple industries.

Training is an important component of introducing new agents to their work environment and providing the necessary skills to new agents. Over all respondents, almost 60 percent of respondents provided more than 10 days of training to new agents. About 25 percent of respondents provided five or fewer days of training for new agents.

Table 9. Duration of Training for New Agents

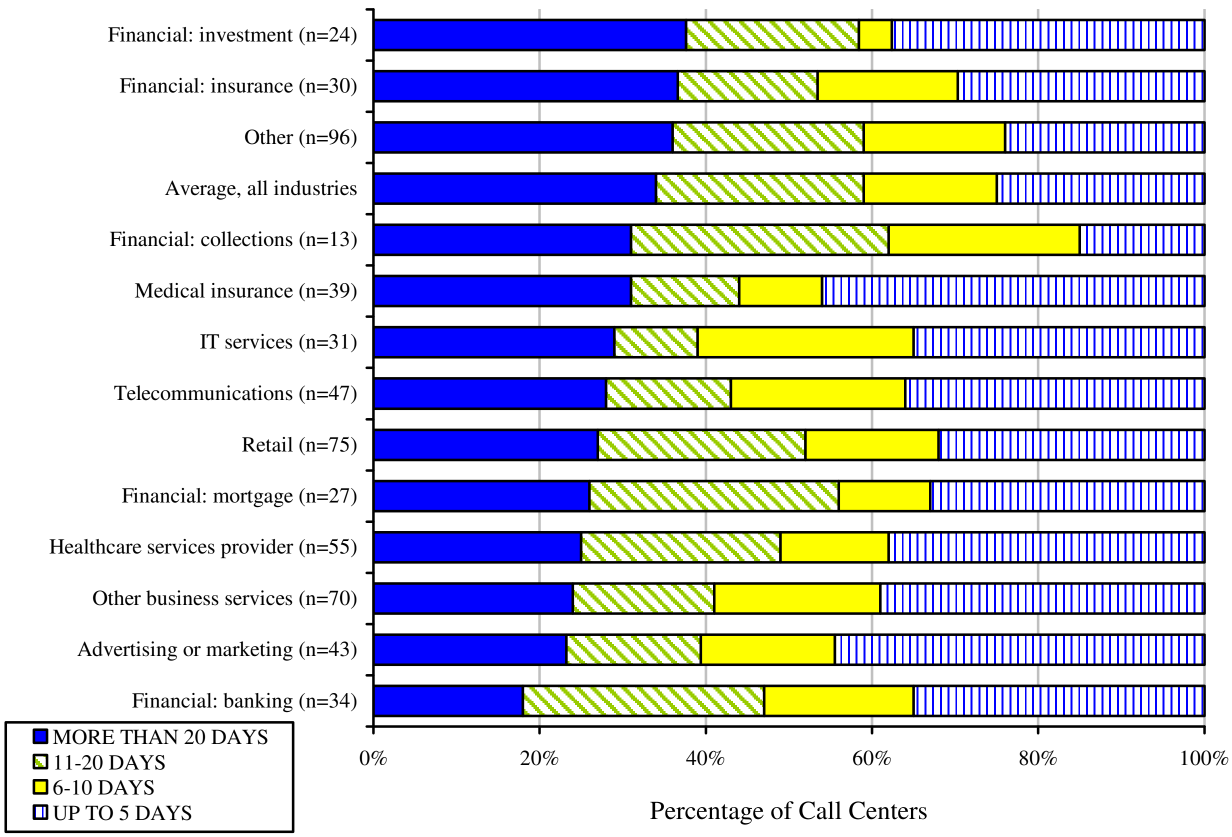
Days of Training for New Agents	All respondents (n=234)
Up to 5 days	25%
6-10 days	16%
11-20 days	25%
More than 20 days	34%
Total	100%

The national survey by CAHRS reported that call centers provided an average of 21 days of training for new hires, with variations depending on industry.

More than 90 percent of providers, whether in-house centers or subcontracting centers, provided employee training in-house with the supervisor. This was by far the most common format of training among the respondents. The second most common format for training was e-learning or web/online-based training, provided by 37 percent of respondents. External providers were used by 16 percent of providers.

Duration of training provided to new agents varied by industry. While some industries had fewer respondents (e.g. financial: collections had 13), others had many respondents (e.g. retail and other business services had 70 or more). Thus while the results might not be robust due to small industry subsamples, they provide an interesting range of duration of training by industry.

Figure 8. Duration of Training for New Agents, by Industry



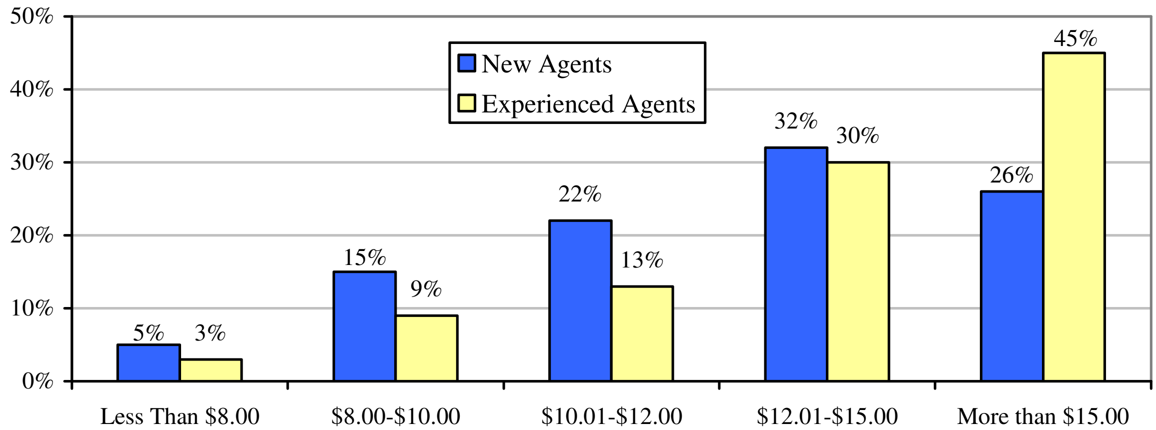
Financial areas such as investment, insurance and collections, as well as medical insurance, had among the highest rates (more than 30 percent) of providing more than 20 days of training to new agents. On the other hand, call centers for medical insurance (46 percent) and financial-investment (38 percent) industries tended to also exhibit the highest rates of providing up to five days of training to new agents. Other industries with among the highest incidence of shorter (up to five days) training periods included advertising/marketing (44 percent), other business services (39 percent) and healthcare services provider (38 percent). The appearance of some industries on both ends of the spectrum for duration of training is likely a result of the diverse nature of work for call centers in these industries.

About half of the call centers pay new agents between $10 and $15 per hour, while almost half of call centers pay experienced agents more than $15 per hour. Most employers offer a variety of benefits such as insurance and paid time off.

As expected, agents are compensated with higher wages once they gain experience. About 54 percent of new agents earned between $10 and $15 per hour. Only about one-quarter of new agents earned more than $15 per hour.

Experienced agents earned higher wages, with 45 percent earning more than $15 per hour and 30 percent earning between $12 and $15 per hour. A much lower share of experienced agents earned $12 per hour or less (25 percent, versus 42 percent for new agents).

Figure 9. Wages of New and Experienced Agents*



*New Agents: n=247; Experienced Agents: n=245

The results for Minnesota businesses are consistent with the national report by CAHRS in which researchers found that the experienced agent earned $16.25 per hour on average, but the wage rate ranged from a high of $21.67 at centers serving larger businesses to a low of $12.27 per hour in outsourced centers.

In addition to wages, additional compensation is provided in the form employee benefits. Many respondents provided a variety of employee benefits. A large majority provided paid vacation or time off (90 percent of respondents), retirement savings programs (86 percent), and insurance for medical (89 percent), dental (84 percent), life (77 percent), and disability insurance (73 percent).

Table 10. Non-wage Compensation

Benefit	Share of respondents (n=246)
Paid vacation/Paid time off	90%
Medical insurance	89%
Retirement/401(k)	86%
Dental insurance	84%
Life insurance	77%
Long-term disability	73%
Short-term disability	72%
Section 125 Flexible Spending (Daycare/medical care)	70%
Tuition reimbursement	64%

Flexible work schedule	51%
Stock options or profit sharing	30%

The majority of respondents (81 percent) do not pay commissions to their agents. About the same proportions of subcontractors (75 percent) and in-house respondents (83 percent) did not pay commissions to their agents.

The national benchmarking report by CAHRS does not specify the share of centers that paid commissions, but found that the experienced agent earned about 10 percent of their compensation in the form of commissions. (For purposes of brevity, the DEED survey did not ask the proportion of compensation accounted for by commissions for those who did pay commissions.)

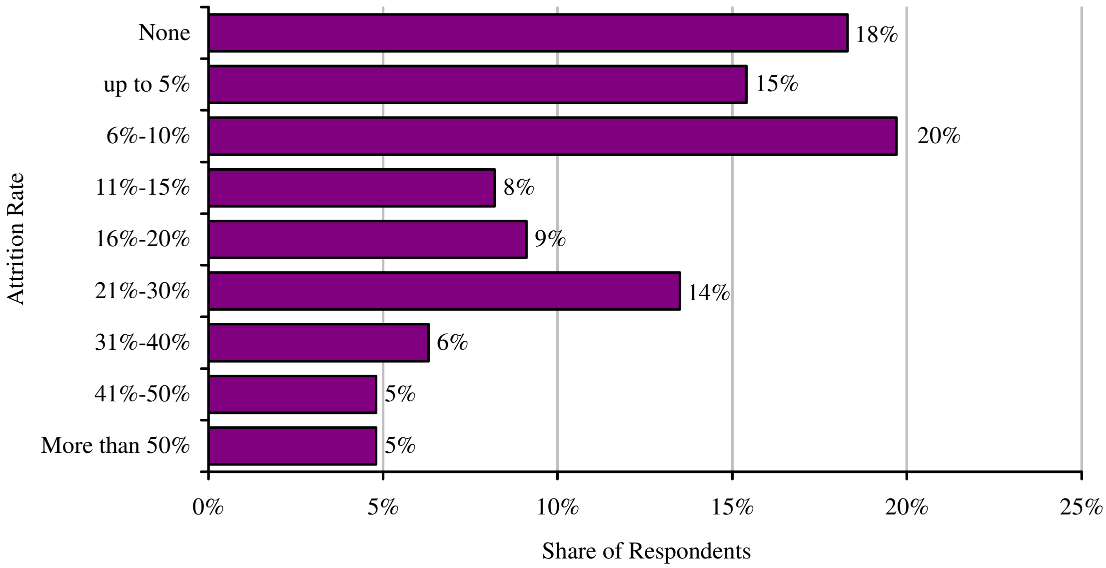
Respondents were split on salary caps for agents: 54 percent did not have salary caps but 46 percent did. Subcontractors (65 percent) were less likely to have salary caps than in-house respondents (50 percent).

About one-third of call centers reported annual attrition rates of no more than five percent, while a slightly smaller share reported annual attrition rates exceeding 20 percent – mostly due to voluntary departure of agents. Wage increases and peer recognition are the most commonly used tools to motivate the workforce.

The attrition rate or turnover rate is the number of agents who are replaced each year as a percentage of the total number of agents. High attrition rates and a continually changing workforce is costly in terms of hiring and training; can disrupt business operations, and can result in overworked staff, inability to completely provide services, and low morale among remaining staff.

About one-third of the responding centers (34 percent) reported either no attrition or low attrition rates of no more than 5 percent. A slightly larger share of respondents (37 percent) reported attrition rates of between 6 percent and 20 percent, while 29 percent reported relatively higher attrition rates of more than 20 percent.

Figure 10. Annual Employment Attrition Rates (n=208)

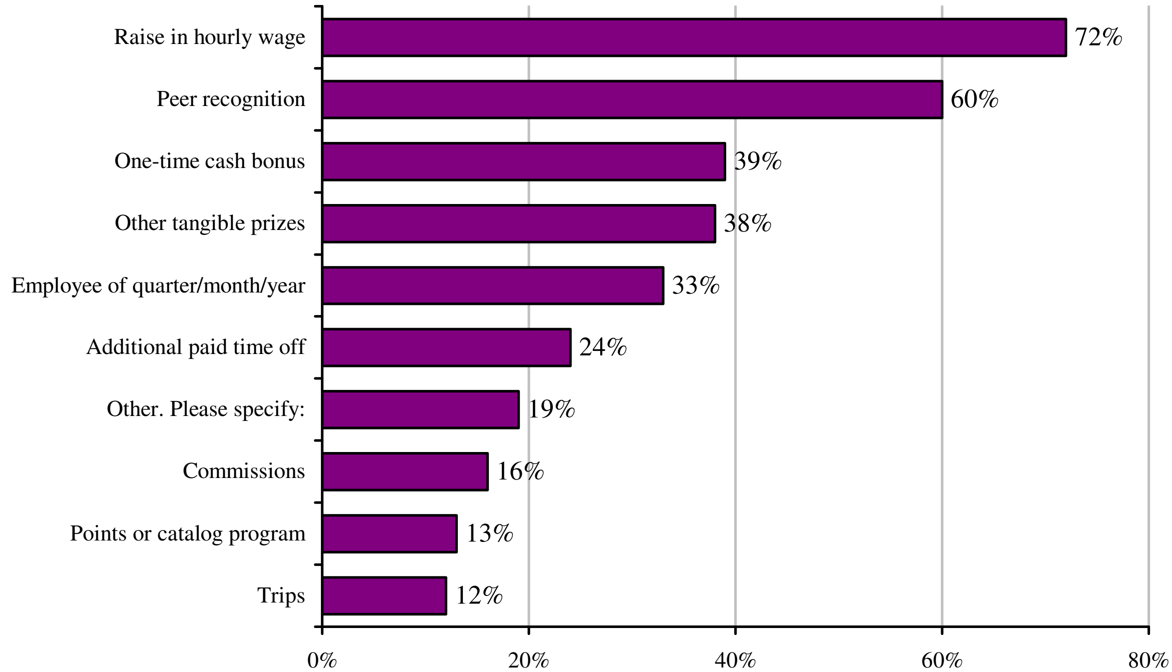


By far, according to two-thirds percent of respondents, voluntary departure of agents was the primary reason for attrition and turnover of the workforce at call centers and customer contact centers. Transfers and promotions, and dismissals were ranked by similar proportions of respondents as the next most common reasons for attrition and turnover.

Respondents also reported that absenteeism was the main reason for dismissing agents, followed by quality, policy violations and layoffs.

Respondents most commonly increased hourly wages (72 percent of respondents) and recognized peers for their work (60 percent) to motivate their workforce. Other commonly used measures were one-time cash bonuses (39 percent), other prizes (38 percent) and recognizing an employee of the quarter, month or year. (The differences in subcontractors' and in-house centers' responses were not statistically significant.)

Figure 11. Incentives, Rewards and Recognition Offered to Motivate Agents (n=224)



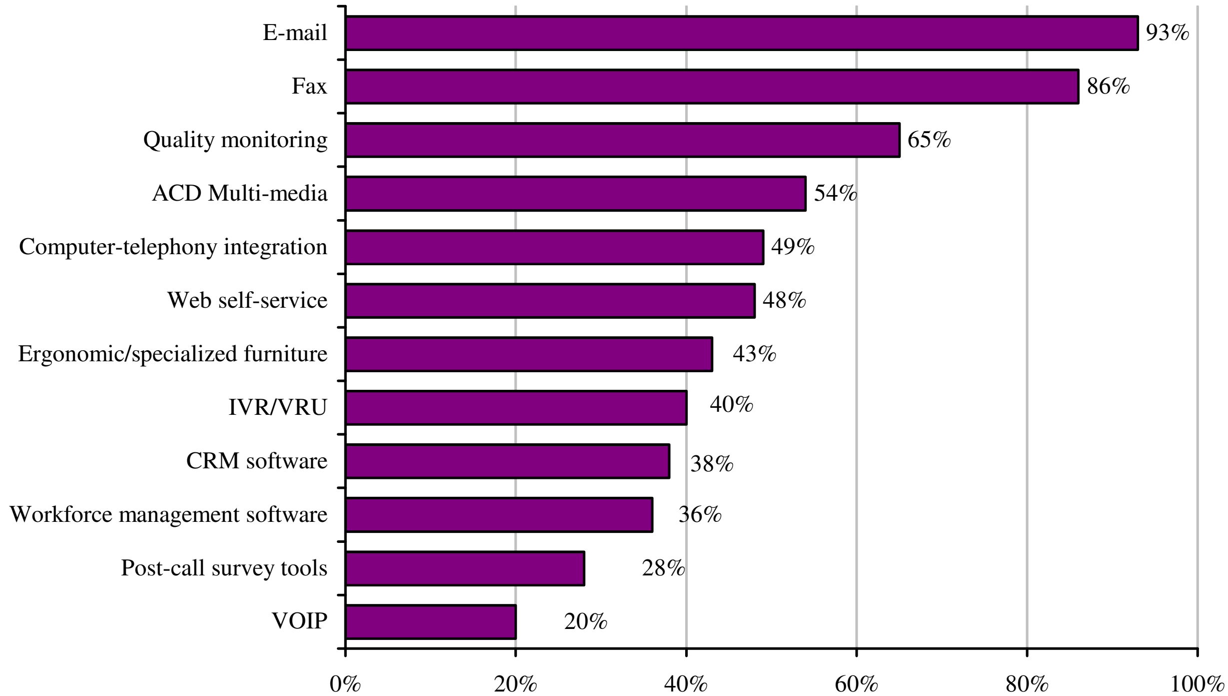
Among Minnesota call centers, the most commonly used technologies are e-mail, fax, and quality monitoring. ACD multimedia (automatic call distribution), computer-telephony integration and web self-service were also frequently used, by about half of the call centers.

Not many respondents had centers in which calls were completed by VRU (voice recognition units). About half (51 percent) had no calls completing VRU, and 30 percent had less than one-quarter of their calls completed by VRU.

Currently, the most commonly used technologies by more than half of all respondents were e-mail (93 percent of respondents), fax (86 percent), quality monitoring (65 percent) and ACD (automatic call distribution) multimedia (54 percent). Other frequently used technologies (at least 40 percent of respondents) were computer-telephony integration, web self-service, ergonomic or specialized furniture and IVR/VRU (interactive voice recognition/voice recognition units). VOIP (voice over internet protocol) and post-call survey tools are still relatively new among these respondents, with less than 30 percent of respondents using them.

(The differences in proportions between the subcontractors' and in-house centers' responses were not statistically significant.)

Figure 12. Technologies Currently Available at the Call/Customer Contact Centers (n=201)



Minnesota call centers were optimistic about the next 12 months, with most expecting stable or increased employment or technology budgets.

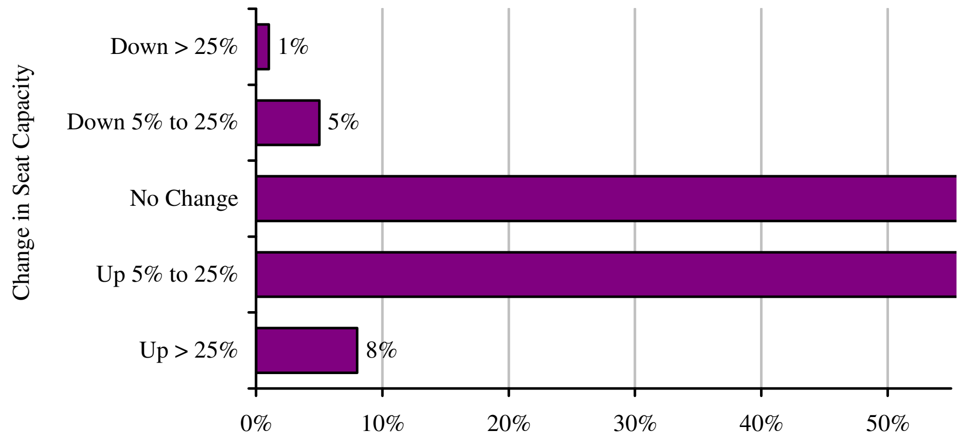
Most respondents were optimistic about the next 12 months (from winter 2007 to winter 2008), expecting their employment levels to be stable (52 percent) or increasing (43 percent). (Excluded from the table below were 16 respondents who said "Don't Know.")

Table 11. Anticipated Employment Trend

12-Month Employment Trend (winter 2007 to winter 2008)	Share of respondents (n=230)
Up more than 25%	7%
Up 5%-25%	36%
Stable (Between down 5% and up 5%)	52%
Down 5%-25%	5%
Down more than 25%	0%
Total	100%

Just more than half of the respondents did not anticipate any changes in capacity as measured by the number of seats at their center over the coming 12 months (i.e. between spring 2007 and spring 2008). About 35 percent of respondents expected growth exceeding 5 percent, and among these, almost one-quarter expected growth to exceed 25 percent. (Excluded from the chart below were 21 respondents who said "Don't Know.")

Figure 13. Expected Change in Capacity (n=241)



Most respondents (79 percent) said that they did not intend to outsource work from their business during the coming 12 months.

Concerning their budgets for future investments or upgrades, about 80 percent of the respondents knew how their technology budget would change during the next 12 months. Among the remaining respondents to the survey, some did not have a budget (8 respondents) and others did not know about budget changes (37 respondents).

Of those who knew about changes in their technology budget, about half (49 percent) of these respondents expected their budget for investing in new technologies or upgrading from current technologies to stay about the same (changing by no more than 5 percent) during the upcoming 12 months. A promising industry sign is that more than 45 percent of these respondents expected to increase their technology by more than 5 percent during the upcoming 12 months.

(The differences in proportions between the subcontractors' and in-house centers' responses were not statistically significant.)

Table 11. Anticipated Trend in Technology Budget

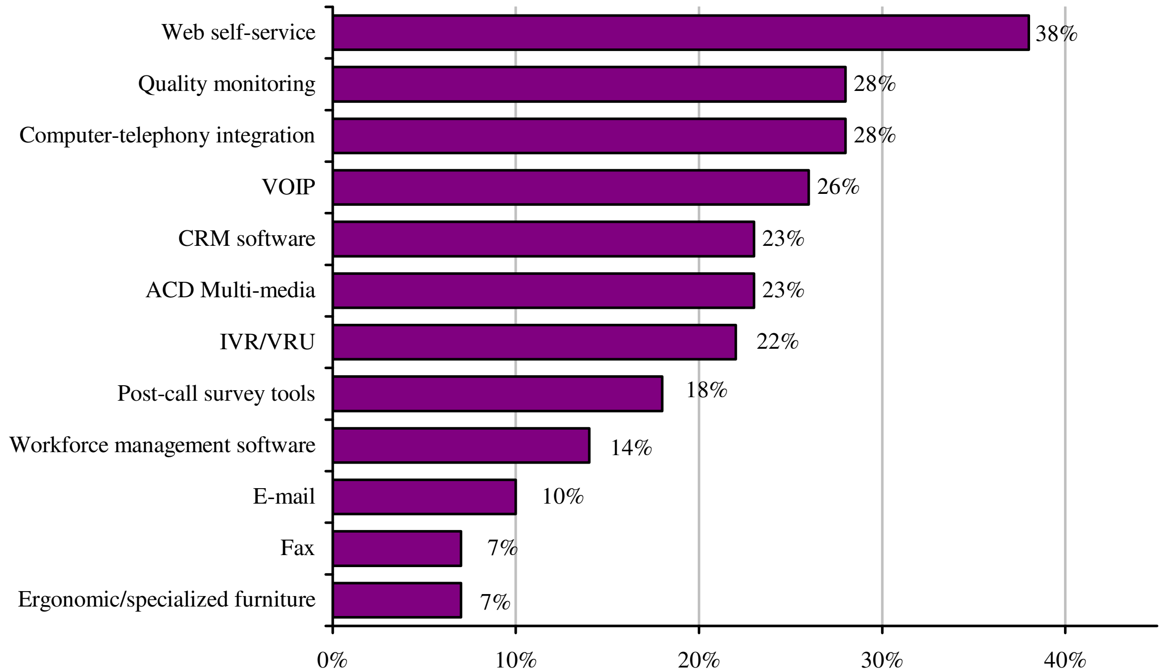
12-month Trend in Technology Budget	Share of Respondents
Increase of more than 25%	9%
Increase of 5% to 25%	38%
No change (Between down 5% and up 5%)	49%
Decrease of 5% to 25%	4%
Down more than 25%	1%
Total	100%

*Column total may not add to 100% due to rounding errors. (n=187)

As a follow-up, the survey asked the call centers about their future technology investments. Among all respondents, web self-service was one of the main areas that centers were planning to invest in or upgrade during the next 12 months, according to 38 percent of respondents. Quality monitoring, computer-telephony integration, VOIP, CRM (customer relationship management) software, ACD multimedia and IVR/VRU were the next most frequently chosen areas, according to more than 20 percent of respondents.

(The differences in proportions between the subcontractors' and in-house centers' responses were not statistically significant.)

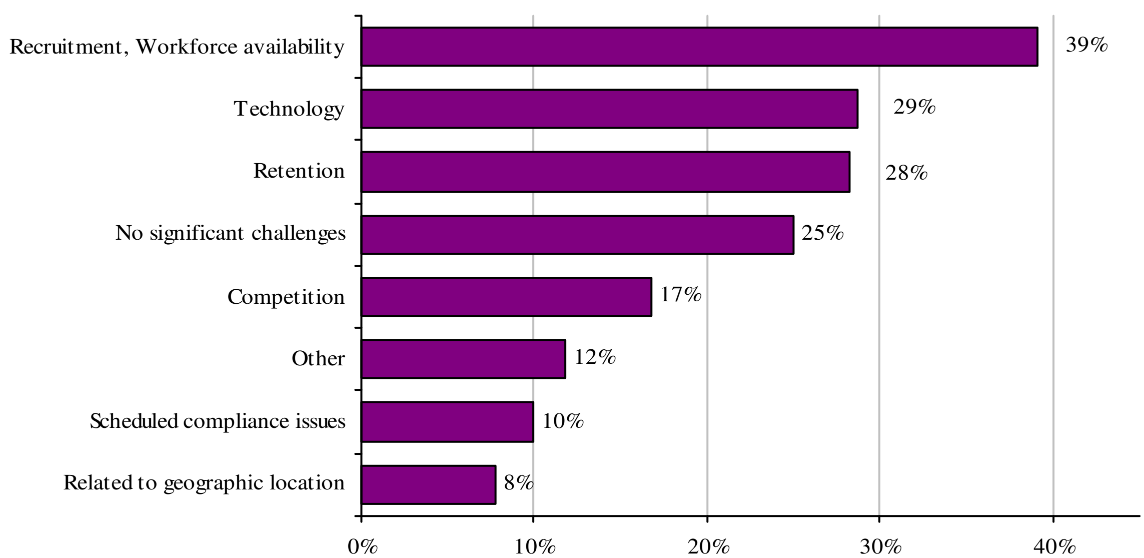
Figure 14. Technologies Investment or Upgrade Areas (upcoming 12 months) (n=124)



The call centers face a variety of challenges.

Overall, one quarter of respondents said they faced no significant challenges currently. The most commonly cited challenge was workforce availability and recruiting (39 percent), followed by technology (29 percent) and workforce retention (28 percent).

Figure 15. Challenges the Center is Currently Facing (n=230)



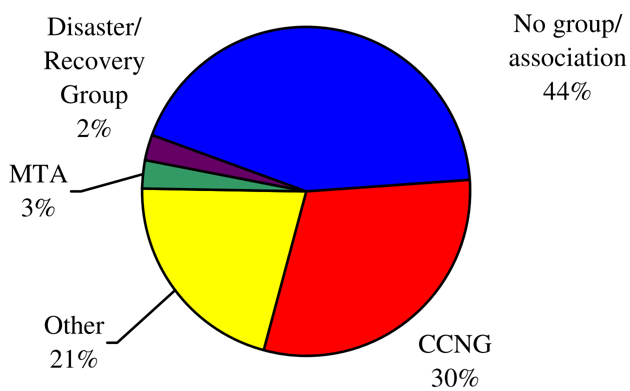
Most call centers did not receive public financial support and did not frequently use government services such as job placement or technical assistance.

Almost all respondents (93 percent) had no public financial-related support of any type, such as tax incentives; site location assistance; government subsidies, loans or other funds; incentives for location in a targeted zone; and training-related grants or loans.

Most respondents also did not use any other types of government services – such as job recruitment/placement, technical assistance, financial assistance, training-related assistance, site location assistance. The most commonly used service was job recruitment and placement services, by about one-quarter of respondents (53 respondents). The four other types of government services were used by less than 7 percent of respondents (13 to 19 respondents).

A large group of respondents (44 percent) was not a member of any industry group of association. The most commonly mentioned membership group was Call Center Network Group (CCNG), by 30 percent of respondents. Small shares of respondents were members of Minnesota Telecomm Alliance (MTA) (3 percent) and disaster/ recovery planning groups (2 percent). About one-fifth of respondents were members of other groups.

Figure 16. Professional Affiliations (n=223)



In-house and subcontracting call centers differ on various factors, including work hours, wages, work force experience and training hours for new agents.

The customer contact and call center industry includes centers dedicated to businesses who manage their own in-house customer contact and call center operations and subcontracting call centers that serve one or more other client companies. According to a national survey on the call center industry done at Cornell University, in-house centers account for about five-sixths of call centers.

An analysis of some differences between in-house centers and subcontracting centers showed interesting distinguishing characteristics.

- In-house centers tended to more likely hire workers on a full-time (and overtime) basis, more likely provide a variety of insurance and other benefits, pay higher hourly wages, and provide more days of initial training.
- Subcontracting centers tended to provide more flexibility in terms of both the number of hours worked and in scheduling work periods, and to employ a less experienced workforce. Subcontractors were more likely to face challenges related to workforce availability, workforce retention, and competition.

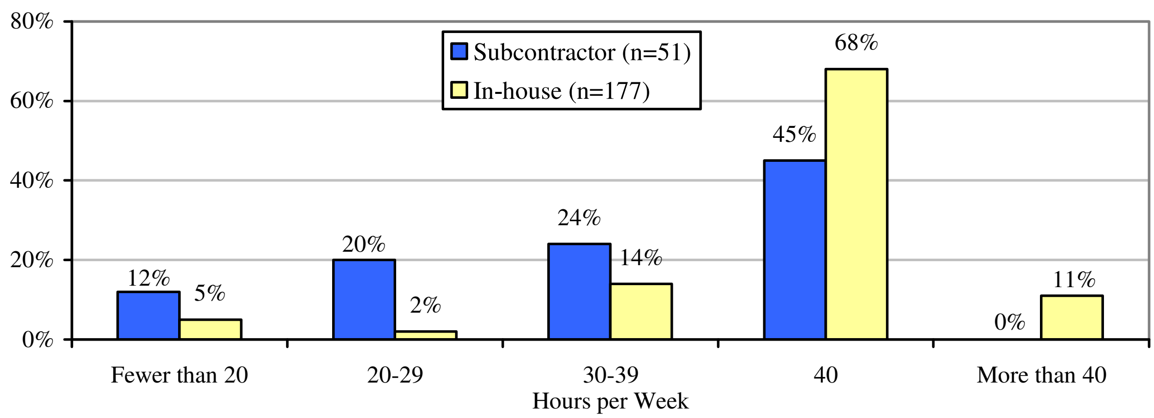
Many of these results from Minnesota businesses (although not all) are in some way validated by comparable results in the report by CAHRS. The CAHRS report found that compared to subcontractor call centers, in-house call centers tended to more commonly hire workers on a full-time basis, pay a higher median hourly wage, provide a higher level of benefits (as a percentage of annual pay), provide more weeks of initial training, and electronically monitor a smaller share of calls.

An asterisk (*) in the analysis below indicates that the differences in proportions between the in-house call centers and the subcontracting call centers were statistically significant according to a chi-square test at a 95 percent level of confidence.

Detailed analysis of differences

When broken down by type of call centers, the in-house call centers were far more likely to employ experienced agents for a 40-hour week or more (79 percent) than subcontracted call centers (45 percent).* Subcontracted call centers had a higher proportion of experienced agents working part-time with more than half (55 percent) working fewer than 40 hours per week, compared to in-house call centers (21 percent).

Figure 17. Weekly Hours Worked, by Type of Call Center

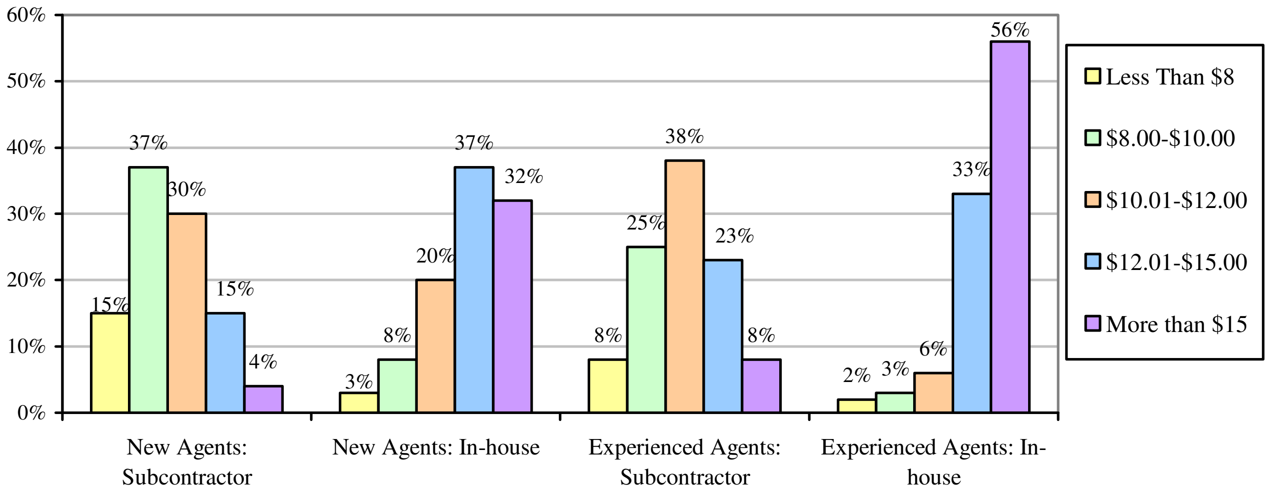


When analyzed by type of customer contact center, the in-house centers tended to pay higher wages than subcontractors, whether to new agents or experienced agents*.

For new agents, about 69 percent of in-house respondents paid more than $12 per hour, while less than 19 percent of subcontractor respondents paid these rates. More than 50 percent of subcontractor respondents paid at most $10 per hour for new agents, compared to just less than 11 percent of in-house respondents.

For more experienced agents, 56 percent of in-house respondents paid more than $15 per hour, while a much smaller share of subcontractors (8 percent) paid this rate. The most commonly paid range for experienced agents was $8.00 to $12.00 per hour for 62 percent of subcontractor respondents, compared to 10 percent of in-house respondents.

Figure 18. Profile of Hourly Wage Rates, by Agent Experience and Call Center Type



Note: In-house: n=188; Subcontractors: new agents (n=54), typical agents (n=53). Group totals may not add to 100 percent due to rounding errors.

When benefits are analyzed by type of customer contact center, the two groups also differed. A larger proportion of in-house centers than subcontractors offered many experienced insurance and leave benefits*. The exception was work schedule flexibility, which was offered by a much larger share of subcontractors than in-house centers.

In-house center respondents were far more likely (by a margin of 25 percent or more) to offer tuition reimbursement, pre-tax accounts for daycare and medical expenses, short- and long-term disability insurance, life insurance, retirement savings programs and dental insurance. On the other hand, subcontractors offered much more work schedule flexibility (75 percent), compared to in-house center respondents (46 percent).

Table 12. Non-Wage Compensation, by Type of Call Center

Benefit	Subcontractor (n=54)	In-house (n=188)
Paid vacation/Paid time off	81%	93%
Medical insurance	71%	94%
Retirement/401 K	63%	94%
Dental insurance	63%	90%
Life insurance	52%	85%
Long-term disability	44%	82%
Short-term disability	42%	81%
Section 125 Flexible Spending (Daycare/medical care)	40%	80%
Tuition reimbursement	29%	74%
Flexible work schedule	75%	46%
Stock options or profit sharing	27%	34%

Subcontractors were more likely to have a less experienced workforce than in-house centers*. About half (51 percent) of subcontractor respondents had less than 25 percent of their workforce possessing less than one year of experience, compared to two-thirds of in-house respondents. Further, about one-quarter of subcontractor respondents characterized 50 percent to 74 percent of their workforce as having less than one year of experience, compared to 7 percent of in-house respondents.

Table 13. New Agent Share of Workforce, by Type of Call Center

Percentage of Agents with Less than One Year of Experience	Subcontractor (n=53)	In-house (n=180)
Less than 25%	51%	67%
25%-49%	19%	24%
50%-74%	23%	7%
75% or more	8%	2%

*Column total may not add to 100% due to rounding errors.

Concerning business operations, the differences between in-house and subcontracting respondents were statistically significant terms of the tendency to record calls* and review calls for quality.* A larger share of in-house centers were likely to record a smaller proportion of calls (less than one-quarter) of calls, while a larger share of subcontractors were likely to record the majority (three-quarters or more) of calls. A larger share of in-house centers also had a tendency to review a smaller share of calls for quality.

With respect to time on the phone, agents at subcontracting centers, compared to those at in-house centers) had a greater tendency toward spending three-quarters or more of their time on the phone (58 percent vs. 35 percent) and a lesser share spent between one-quarter to three-quarters of their time on the phone (38 percent vs. 60 percent). However, this difference was statistically significant only at a 90 percent level of confidence (i.e. barely not statistically significant at a 95 percent level of confidence).

Table 14. Selected Work Characteristics, by Type of Call Center

	Recorded Calls*		Reviewed For Quality*		Time On Phone	
Percent Range	**Subcontractor (n=46)**	**In-House (n=153)**	**Subcontractor (n=48)**	**In-House (n=164)**	**Subcontractor (n=50)**	**In-House (n=176)**
0%	17%	23%	8%	13%	0%	0%
1%-24%	22%	33%	67%	78%	4%	6%
25%-49%	0%	8%	13%	7%	14%	16%
50%-74%	4%	1%	8%	0%	24%	44%
75% or more	57%	35%	4%	1%	58%	35%

*Column total may not add to 100% due to rounding errors.

The frequency distribution of training days provided by all responding businesses masks stark differences in the number of training days provided at subcontractors and at in-house call centers. Subcontractors tended to provide training for new agents of much shorter durations than in-house call centers*. However, it is possible that the difference in the type of work performed by subcontractors and in-house centers explains the varied levels of training required for new agents.

While 47 percent of subcontractors provided up to five days of training to new agents, only 19 percent of in-house centers provided training with this duration. In contrast, 40 percent of in-house centers provided more than 20 days of training to new agents, compared to 12 percent of subcontractors for training of this duration. Overall, about two-thirds of subcontractors providing training to new agents lasting 10 days or less, and two-thirds of in-house centers providing training to new agents lasting more than 10 days.

Table 15. Training for New Agents, by Type of Call Center

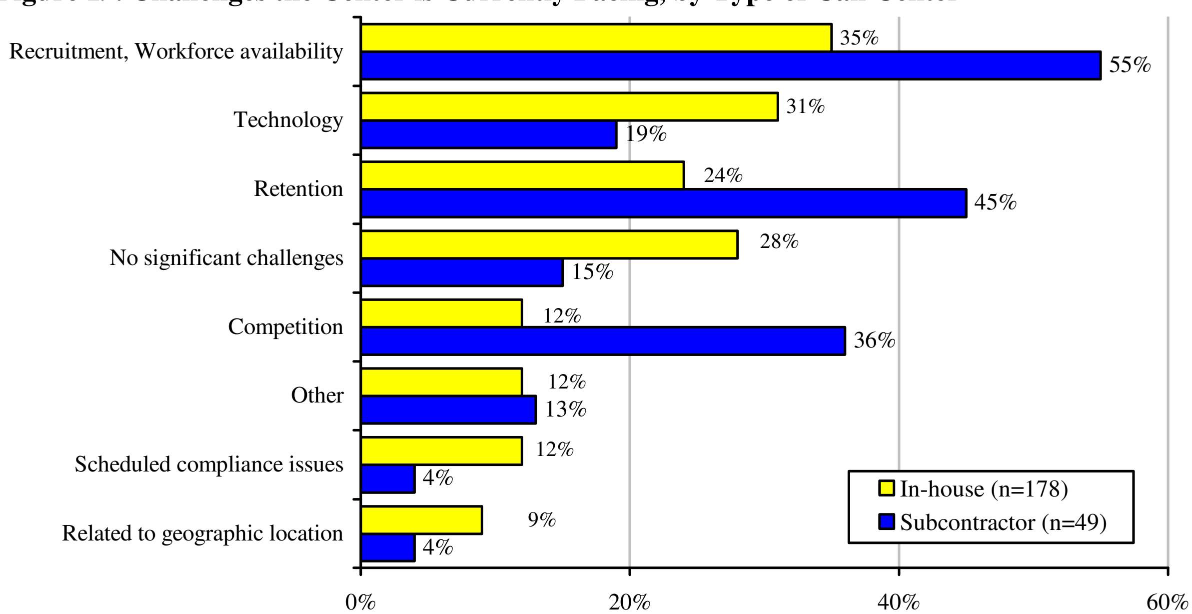
Days of Training for New Agents	Subcontractors (n=49)	In-house (n=180)
Up To 5 Days	47%	19%
6-10 Days	22%	14%
11-20 Days	18%	27%
More Than 20 Days	12%	40%

*Column total may not add to 100% due to rounding errors.

Offering formats other than in-house training with supervisors differed depending on whether the center was an in-house center or subcontracted centers. In-house centers were more likely to offer e-learning opportunities (44 percent, vs. 17 percent) and training by external providers (18 percent, vs. 8 percent), but subcontracting centers were more likely to offer CD-ROM training (19 percent, vs. 11 percent)*.

Business challenges faced by the centers differed depending on the type of center*. Subcontractors were more likely to face challenges related to workforce availability, workforce retention, and competition. On the other hand, in-house centers were more likely to say they faced no significant challenges at this time, or if they did, their challenges were more likely to involve technology, and to a lesser extent, geographic location or scheduled compliance and related issues.

Figure 19. Challenges the Center is Currently Facing, by Type of Call Center



Inbound and outbound call centers had fewer differences; the main difference involves the duration of training for new agents.

About 78 percent of call centers received inbound calls while about 52 percent made outbound calls. Further, most centers making outbound calls also received inbound calls (87 percent), but just less than 60 percent of those receiving inbound calls also made outbound calls.

The proportion of subcontracted and in-house centers was similar between inbound and outbound centers.

Inbound and outbound centers offered benefits (e.g. medical insurance, paid sick/vacation leave, pension benefits) in about the same proportions, and had similar wage distributions, whether for new and experienced workers.

Outbound call centers were more likely to offer shorter trainings of up to five days (33 percent vs. 18 percent for inbound) and less likely to offer longer trainings of more than 10 days (56 percent vs. 66 percent for inbound)*.

Market research was done by a larger share of outbound centers (26 percent) than inbound centers (14 percent), while e-mail response was done by a larger share of inbound centers (69 percent) than outbound centers (58 percent).

APPENDIX
Methodology

The survey was sent out using paper surveys sent through regular mail and the Internet (via e-mail invitations) during December 2006 and the spring of 2007. The pool of surveyed businesses included both major types of call centers and customer contact centers: subcontracted and in-house service centers. Because of the difficulty involved in identifying call centers by North American Industry Classification Codes (NAICS), business lists provided by survey collaborators Avtex, Call Center Network Group (CCNG), and Masterson Personnel were used, in addition to a more standard business list source (ReferenceUSA database).

The survey collaborators provided business or membership lists that contained contact information and e-mail addresses. However, unknown factors were the frequency of updates or revisions to the lists and the criteria for being included in the lists.

The first stage of the survey involved publishing the survey online. An Internet link to the survey was sent to 2,001 e-mail addresses (adjusted for undeliverable addresses) in early December 2006. The survey was hosted by Zoomerang. After one month, which included two survey reminders sent by e-mail, there were 191 responses, for a response rate was 9.5 percent. The holiday season and DEED's lack of prior contact with the businesses were possible adverse factors in the response rate. About 80 percent of the responses were from in-house call centers and 20 percent were from subcontracting call centers.

The second stage of the survey involved a paper survey sent through the mail. Given the low response rate from the e-mail invitations and based on DEED's previous experience with paper surveys when collecting business information, it was decided that a traditional paper survey might increase the response rate. This was also done to diversify the responses to include more results from subcontracting businesses.

The paper survey was sent to 1,545 businesses composed of two sources. There were 345 (adjusted for undeliverable addresses) businesses identified from ReferenceUSA based on the primary industry classification NAICS 56142 Telemarketing Businesses. In addition, there were 1,200 businesses from the e-mail list for which addresses were also available. The paper survey was sent out twice. The surveys sent by mail generated an additional 213 responses.

In other words, prospective call centers were not contacted the same number of times. Some were contacted twice, while others were contacted up to four times. While the 1,200 businesses with postal addresses from the e-mail list received both paper and online surveys, the 345 businesses based on NAICS 56142 (Subcontractors) only received the paper survey. Some tests of proportions compared the subcontractor call centers who responded to the online survey (28 respondents) with those who responded to the paper survey (28 respondents).

Generally, the two sets of subcontractor respondents were similar, despite the different data collection method. The differences between two sets of subcontractor respondents were not statistically significant when based on hours worked per week, the number of training days for new agents, client industry profile, experience, seat capacity, current technology and business characteristics (inbound vs. outbound, business-to-business vs. business-to-consumer). Of the major characteristics examined, the two sets only differed (statistically significant differences) based on the wage profile for new and experienced agents. The online respondents had a higher proportion of new and experienced agents in higher wage categories than did mail respondents.

The response rate for the businesses identified from the ReferenceUSA database was about 24.9 percent. The response rate for businesses from the e-mail list was about 10.6 percent (similar to the first stage online survey).

With a total of 404 responses from a sample of 2,346, the survey's overall response rate was 17.2 percent. The paper survey achieved the aim of increasing the response rate but the overall distribution for in-house and subcontracting call centers remained about the same as for the online survey alone. However, the paper survey doubled the number of responses from subcontracting call centers (to 56), which helps to validate their results.