

NonMetro Areas for Contact Center Location

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Getting Started

At the outset, the contact center's project team needs to define operating requirements for the new facility. These include: first year and future staffing, office space, telecommunications, etc. Additionally, the geographic search region needs to be delineated (e.g., all U.S.). Locational criteria should also be assigned relative weights (e.g., availability of a qualified workforce, payroll cost, available office space, telecom redundancy, etc.).

Introduction

Contact centers for many businesses tend to be cost sensitive operations. The predominant expense dynamic, especially when considering geographically-variable costs, is payroll. Simply put, a major challenge facing contact centers can be stated as follows: recruiting and retaining qualified workers at an affordable cost both now and in the future.

Meeting this challenge has become increasingly more difficult in the United States. While the national labor shortage has eased somewhat due to the recession, this is only a temporary lull. When the economy improves, demand for qualified workers will again exceed supply. In fact, the U.S. Bureau of Labor Statistics forecasts a shortfall of 28 million workers by the year 2030.

Often, contact centers are near the bottom of the employment food chain in terms of job options for well-motivated workers possessing solid basic skills. The imbalance between supply/demand tends to be most severe in larger metro areas.

Consequently, many contact centers have been following new geographic deployment strategies. These include:

1. Establish operations in Canada
 - Lower cost, in part due to the exchange rate
 - Better supply
 - Outstanding quality
2. Locate offshore to countries where English is widely spoken (e.g., Caribbean Basin, India, and The Philippines)
3. Opt for small town locations in the U.S.
 - Frequently under 50,000 population
 - Less direct labor market competition
 - Lower payroll costs

This article focuses on location strategy for nonmetro U.S. areas (or small towns). But it should also be noted that even in Canada this has become a nascent trend, as most of the country's 25 official metro areas have become quite competitive from a labor market standpoint.

Once these building blocks are in place, then the search for a new contact center location can begin. A two phase process is typically followed. When focusing on nonmetro areas, the following process would often be followed.

Phase One: Shortlist Identification

In selecting nonmetro locations for contact centers, area size becomes a primacy criterion. Unfortunately there is a disconnect with readily available statistics and actual labor market conditions. A contact center will draw labor from a wide radius around a worksite. Typically, 80% of new hires will reside within 20 to 25 miles, depending on attractiveness of the job. But most labor market data is reported on a county level. Selected data can be purchased for radii but that is impractical at the outset of a location search, which might encompass the entire U.S. made up of 3,100 counties.

Therefore, when starting the location identification process apply a minimum size criterion. A good rule of thumb would be a workforce that is 50 times your maximum staffing level. So if you need 300 employees, a local workforce should total at least 15,000. Generally speaking, population is double the workforce. Therefore the initial screening criterion for a 300 employee contact center would be any county with 30,000+ population. Recognizing the radius factor, you might drop this target to around 25,000.

Realizing that your overarching objective is not to be in a super heated labor market, a maximum size criterion might also be applied. Nonmetro areas are generally defined as center cities under 50,000 population. To be sure a potentially good location is not overlooked you might relax this criterion at least initially to perhaps 75,000.

For the 300 employee illustration, the initial screening criterion would, therefore, be all counties with a population ranging from 25,000 to 75,000. Then apply additional criteria (e.g., population and labor force growth, distance to a point of presence, median customer service or teleservice rep salaries, etc.) to continue winnowing the field of candidates. The objective would be to create a longlist of 10 to 15 promising areas.

Once the longlist (10 to 15 areas) has been targeted, it's time to collect more customized information that is usually not available from published data sources. To obtain this information, it is worthwhile contacting state or local economic development agencies. You should also visit their websites.

When further studying the longlist, you should focus on gaining a better grasp of the competitive environment from a labor market standpoint. You also need to check on other key considerations such as competing employers, new/expanding/downsizing employers, telecommunications, tax policies/rates, possible incentives, and available buildings.

To gather this information, forward a brief questionnaire to be completed by the economic development agency within a couple of days.

Once this information is gathered, create a factor weighting/area-scoring model. Aggregate individual factors into major categories, such as:

- Labor market
- Business costs
- Operating environment
- Quality-of-life
- Composite

Rank each location, based on the weighted score. In developing scores, apply your judgment as to how each area should be rated. The results will often produce a clustering of candidates (e.g., top tier, middle tier, and bottom tier).

Review results with your project team. Then reach concurrence on the final shortlist, frequently three areas.

Phase Two: Location Evaluation/Selection

The most immediate task is to assemble a team to visit each community. Team members should include human resources, real estate, information technology, and operations. Contact each economic development agency to arrange the field visits. Plan on spending about 2 days in each area.

Your objective in this phase is to ascertain which location can best support the contact center's key requirements both over the immediate and foreseeable future. Most critical is differentiation among the shortlisted areas on competitive labor demand/supply and consequent impact on wages/turnover. You also need to uncover *red flags* on other key issues such as telecom infrastructure, electric power cost/capacity/reliability, and taxes.

Remember that when evaluating a labor market, focus on the primary commute zone (20 to 25 miles) as opposed to the specific community. Field investigation should be composed of the following.

1. Interviews with contact centers and other employers to learn of their operating experiences and opinions on future conditions.
2. Interviews with other organizations who can shed light on business operating conditions, e.g., (job service, personnel agency, telecom representatives)
3. Tours of sites/buildings and the immediate area (e.g., incentives, types of companies looking at the area, residential concentrations of targeted labor pools, etc.)
4. Discussion with the economic development agency

Upon completion of fieldwork, analyze and compare each area on pivotal locational concerns, such as:

1. Labor market
2. Real estate
3. Telecommunications
4. Electric power
5. Natural disaster risk
6. Tax policy/rates
7. Incentives
8. Total business costs (e.g., ten year NPV)
 - Payroll
 - Occupancy
 - Taxes
 - Travel
9. Air service/cost
10. Quality-of-life/transferee appeal

Prepare a report summarizing the differences among the three areas. Include supporting documentation in a series of exhibits.

You will now be ready to enter the decision implementation mode. This will probably necessitate adding expertise to your team. Next steps will include final negotiations (real estate/incentives), tax/legal due diligence, telecommunications negotiations, preliminary space planning, equipment ordering, recruiting plan, and employee relocation/recruitment plan.

Conclusions

Nonmetro areas can comprise outstanding locations for contact centers. But a thorough analytical process must be followed to ensure that the proposed center will flourish in the finally selected area.

One proviso for nonmetro areas is that there is little margin for error relative to labor market dynamics. You must look at initial staffing, replacement staffing, and future growth. Then it is imperative to determine if the nonmetro area has sufficiently deep labor resources to sustain the center's human resource needs. Basically it boils down to: (a) your requirements; (b) competitive demand for labor; (c) size of the pool for qualified employees; (d) salary levels/benefits; (e) likelihood of other similar companies moving to the area; and (f) when all is said and done whether you will be viewed as an "employer of choice" in the area. Of course, you must also be sure that there are no dealbreakers on other issues (e.g., telecom).

But even the best location can turn disadvantageous if other similar companies move to the area. Your best protection from this possibility is to establish the center as a preferred place of employment from day one. Nonetheless, you cannot control the future. So when locating in a nonmetro area, be sure you have an exit plan. Key to the plan will be flexibility in vacating your office space. Short-term leases are therefore preferable.

We have seen an increasing number of companies follow the above guidelines and successfully operate in small towns/rural areas. A sampling of such operations appears in Chart Two.

About the Author

Dennis J. Donovan is Director of Global Site Selection for The Wadley-Donovan Group, A Grubb & Ellis Company based in Edison, NJ. Grubb & Ellis is a worldwide real estate advisory firm offering a full complement of consulting, transaction, and property management services. The company's Wadley Donovan unit specializes in corporate location for all industries and has developed considerable expertise in the contact center field. Annually WDG performs some 25 contact center location studies both for corporate and third party clients.