

Call Center Economics

September 10, 2004

Much heat, and little light, is emanating from this season's political debate about call centers and outsourcing of American jobs to low cost countries like India and China a.k.a. off shoring. Like three blind men trying to describe an elephant by touching and describing various parts, researchers and commentators have come up with very different assessments and conclusions and there is evidence to support most opinions.

IS OFF SHORING WORKING?

Off shoring service is certainly one way for companies to save money, but the savings are nugatory without happy customers. Some people point to the growing list of companies that are taking back some or all of their off shored call center positions as proof that this concept lacks something in the reality department. Dell Computer took back call center operations from an Indian outsource vendor late last year when CIO Randy Mott determined there were too many complaints from customers of fast growing Optiplex desktop and Latitude laptop product lines.

In one article posted at CNN.com a Dell customer complained that the agents on the other end of the line were unable to help. He called their service "sponge listening" because the agents just soak in the complaint but nothing happens. And Dell wasn't alone. In July Delta Airlines took back services it had contracted to two Indian call centers because some customers were not thrilled with the service they got due to hard to understand accents.

Lastly it's not just big companies that are taking back big call center functions.

Newsday reported on September 9 that North Fork Bank was taking back 80 call center jobs from India because the new CEO, John Kanas said his bank has a bias for doing things in-house. Kanas is something of a fanatic about customer service and according to Newsday has his office on the floor above the call center along with a direct line to listen in on calls, all so that he can know what his customers' minds. The man deserves a Nobel Prize.

WHAT'S THE EFFECT ON THE ECONOMY?

Perhaps the most important question about off shoring is the effect on the economy and in that regard there is little agreement. While some say the US will generate more jobs than it loses others point out that losing jobs can not go on indefinitely without adverse effects.

One of those in the latter group is the distinguished economist Paul A. Samuelson. At 89 years old the emeritus professor of economics at the Massachusetts Institute of Technology is still an active participant in economic debates and according to the New York Times he will publish an article in the Journal of Economic Perspectives later this month. The Times says that Samuelson's article challenges the assumption that the economy will benefit in the long run from off shoring service jobs like call center and software development. Historically the gains to the American economy have offset the loses from trade and moving jobs abroad, but not without considerable dislocation in the short term. A case in point is the off shoring of manufacturing that started in the 1960's and accelerated to the point where foreign competitors now stand on an equal footing

in industries like auto manufacturing and where other industries like electronics have been virtually completely moved off shore. While the US economy filled in with high tech and service jobs, many of the new service jobs paid substantially less leading to a now decades old stagnation in the spending power of the average pay check. Low cost countries today like China and India are building an increasingly skilled and technologically savvy work force which has many US workers worried about job security.



But economists have a penchant for seeing both sides at once and the phrase “one the other hand” has resonated throughout the field for decades once prompting president Harry Truman to ask his staff to find, “a one handed economist”.

Other economists take a more sanguine view of off shoring. In an interview in the New York Times a Samuelson protégé Jagdish N. Bhagwati, a professor at Columbia University and a respected international economist, said he disagrees with Samuelson and in fact he has written a book on the subject “In Defense of Globalization” (Oxford University Press, 2004).

But it will be years before we know the truth and then we could find that another industry has left these shores.

CAN OTHER COUNTRIES KEEP UP WITH OUR DEMAND?

Looking at it from the other side of the equation you have to wonder if any society or culture has a lock on doing call center work well. According to the BBC News even Indian call center agents get burned out. In an article titled “Greying of India’s call centres” reporter Sunil Raman says that despite the relatively high wages young educated Indians get for working in call centers turnover rates can reach as high as 50% — a number that will not shock managers of American call centers. Working 7,000 miles away from your customers means getting used to working at

night — a sure recipe for burn out. Other familiar complaints are the lack of status or promotion and insufficient training. One fallacy pointed out in the Times article by Bhagwati is that no country is brimming with people waiting to be call center agents. His point — that we generalize due to the high quality of foreign technology workers that make it to these shores. As a partial fix the BBC article states that some Indian call centers have resorted to hiring older workers because many are well educated, they have work and life experience, and they tend to be more stable in their jobs. Older workers also tend to be harder to train according to the BBC article.

WHAT TO DO IN THE LONG RUN?

John Maynard Keynes once observed that “In the long run we are all dead” and possibly that’s the good news. In the short run we can see the economic dislocation that off shoring can cause US workers, we can also see the dissatisfaction many customers feel when their service calls are magically routed around the world and their service issues are not realistically addressed.

But it is the intermediate term that grabs — or should grab — our attention. Anyone wanting to make the case that for off shoring this time is different should have to explain away a lot of historic experience.

In the intermediate term the US needs good paying jobs that are enriching and that do not burn out the employee — and that’s true wherever the employee punches the time clock.

There is no doubt that off shoring will continue to be an alternative that companies turn to when they need to lower costs or handle overflow. Despite the advent of CRM as both a technology and a way of doing business, many call centers still focus on lowering costs especially by increasing throughput.

The best way to achieve all these sometimes contradictory goals may not be with simple efficiencies but instead by turning

to in line training and to making better use of technologies that can deliver the right answer to the representative's screen. Without better and timelier answers, customers will not be satisfied with service wherever it comes from and workers will get no job satisfaction, and places like India might start exporting jobs they no longer want.



About the Author



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Denis Pombriant is a well known thought leader in CRM and he is the founder and managing principal of the Beagle Research Group, a CRM market research firm and consultancy. In 2003, CRM Magazine named Pombriant one of the most influential executives in the CRM industry. Pombriant's latest white paper, "The New Garage" discusses the emerging new enterprise software industry business model.

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