

CONTACT CENTRES ECONOMIC UPDATE

MARCH 2004

Overview

The growth of contact centres in the Highlands and Islands provided a significant source of new employment during the 1990's, particularly to areas with relatively high levels of unemployment. The industry covers a wide range of activities including IT/technical helpdesks, call centres and back office processing – the common theme is the blending of people, process and technology to operate a remote service for a range of clients. The industry has progressed from a period of rapid growth to one of consolidation. In addition, the emergence of low labour cost countries in the industry brings the need to focus on knowledge-based and higher value activities to anchor key skills and retain employment. Nevertheless, there is still opportunity for rural and smaller towns to attract a greater share of industry investment. The current importance of the sector to the Highlands and Islands economy is summarised below:-

Employment

- Around 3,000 people are employed in contact centres in the Highlands and Islands, representing 2,724 FTE's¹, compared to around 2,330 employed in 2000 and 355 in 1995².
- Employment in this sector represents around 1.7% of total employment in the Highlands and Islands³.
- The average salary for a full-time worker in a UK call centre is £13,726 per annum⁴.

Units/Businesses

- There are around 10 companies operating contact centres in the Highlands and Islands across nearly 20 sites⁵.
- The industry is dominated by three large companies which between them account for over three-quarters of employment¹.

Output

- Contact centres in the Highlands and Islands handle c. 500,000 contacts per week¹.
- More than a third of employees are engaged in customer service/support/general helpline activities, 17% engaged in outsourced business processes, 11% in calls for mailing fulfilment/booking and 10% in technical helpdesk/IT support respectively¹.

Product Markets

- Over 90% of work undertaken in contact centres is for the private sector, with service contracts ranging from 6 months to 5 years¹.
- The UK (excluding Scotland) is the main product market, providing 66% of all work undertaken, followed by Scotland (22%) and overseas (11%)¹.

Workforce/Skills

- Attrition rates are generally higher in contact centres than other sectors, although rural contact centres have a good record for retaining employees⁶.

¹ Source: Highlands and Islands Contact Centre Forum Mapping Study 2002 (HIE)

² Source: Call Centres in the HIE Area 2000 (HIE)

³ Source: Contact Centres in the HIE Area 2002 (HIE)

⁴ Source: UK Call and Contact Centre Study 2001 (Mital Research)

⁵ Source: Growing Businesses Group 2004 (HIE)

⁶ Source: Successful Rural Contact Centres 2003 (Contact Centre Association)

SWOT Analysis

The following analysis illustrates the main issues facing the development of the contact centre sector in the Highlands and Islands.

Strengths	Weaknesses
<p>Existing workforce</p> <ul style="list-style-type: none"> - Low attrition levels and reliable service <p>Existing contact centre base</p> <ul style="list-style-type: none"> - Some large contact centre firms have UK-wide control for certain strategic functions located in the Highlands and Islands <p>Property availability</p> <ul style="list-style-type: none"> - Existing network property is available for contact centre use <p>Industry Grouping</p> <ul style="list-style-type: none"> - Highlands and Islands Contact Centre Forum established to facilitate collaboration between contact centre operators <p>Opportunities for workforce</p> <ul style="list-style-type: none"> - Fast-track career development opportunities on an industry-wide basis 	<p>Market saturation in some areas</p> <ul style="list-style-type: none"> - Sectoral growth is constrained by low unemployment levels and competition for staff <p>Varying local control</p> <ul style="list-style-type: none"> - Centres usually belong to a larger group of contact centres managed nationally
Opportunities	Threats
<p>Skills training development</p> <ul style="list-style-type: none"> - Apprenticeships and closer working relationships with schools and colleges will help grow skill levels <p>Expansion of existing firms</p> <ul style="list-style-type: none"> - Potential to encourage existing firms to locate more back office functions in the area <p>Growth in rural areas</p> <ul style="list-style-type: none"> - Rural and smaller towns can move towards attracting a greater share of industry investment <p>Niche markets</p> <ul style="list-style-type: none"> - Customer opportunities arising in the public sector, SME support services and business to business supply chain management <p>Centre for Strategic Outsourcing</p> <ul style="list-style-type: none"> - An applied research centre to create opportunities for developing techniques to provide added-value services - Funding commitment from industry and the University of Strathclyde is indicating commitment to the centre 	<p>Rapid pace of development</p> <ul style="list-style-type: none"> - Developments in technology may reduce the need for human intervention - Developments in technology introduce an erosion of the existing skills base <p>Infrastructure in rural areas</p> <ul style="list-style-type: none"> - Lack of trunk capacity in rural areas could constrain investment <p>Concentration of centres</p> <ul style="list-style-type: none"> - Danger of areas becoming over-reliant on one industry <p>Global competition</p> <ul style="list-style-type: none"> - High volume/low cost market is intensely competitive - High degree of client control over contracts introduces further uncertainty

Priorities for Action

Factors identified for positive development of the contact centre sector in the Highlands and Islands include the following:-

- Actions that develop contact centres into providing more value-added services
- Opportunity for the workforce to develop higher level skills
- Continual investment in rural infrastructure to encourage more industry investment
- Further development of the Centre for Strategic Outsourcing