A Graph Worth a Thousand Acres?

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Pictures are generally considered to be worth around a thousand words, give or take a few! Does the same apply to business graphics as well? In the case of a multinational based in Lahore, a particular graphic may be worth a thousand acres of land in Jia Bugga. That graphic has to do with a recent survey of US call centers conducted by the Center for Customer-Driven Quality at Purdue University.

![Distribution of costs for running a call center in the US](image.png)

The attractive part of this graphic (from the thousand acre point of view!) is the left hand slice. The salaries and benefits of the employees of a call center (on average) take a 57.29% slice out of the total cost.

According to TeleManagement Search, average salaries for inbound call center supervisors are about $30,000, while managers earn, on average, in the low $60,000 range. Call center directors in consumer operations earn an average of $92,700 and those in business-to-business operations earn $83,100. These folks, however, do not form the bulk of the above-mentioned 57.29%. A lion’s share of that figure goes towards the individual customer service representatives (CSRs). According to The Association of Support Professionals, average salaries for CSRs were $27,000 in 1999 and $26,130 in 1998 in software support organizations. The average salary for other, less demanding industries like catalog sales and financial services are considerably lower and this year will be around the $20,000 mark.

Compare the $20,000 figure with that for a similarly employed person in Lahore. That individual will be earning in the range of Rs10,000-12,000 per month. That is $2,000 per annum. Keeping this 10:1 ratio in mind if we think about the 57.29% number, the value-proposition of Pakistan-
based call centers for US clients becomes crystal clear: the use of attractively priced Pakistani workforce shaves a full 50% off the cost of running a call center.

Some would argue that yes, the salary difference is attractive, but it would require a lot more to acquire and train Pakistani personnel as compared to the ones in the US. Here, another statistic provides encouragement: in the Purdue study, it was found that the cost to acquire and train a new CSR ranged from $4,335 to $7,336, for order taking/tracking and technical support, respectively. In Pak rupees, the two figures become 280,000 and 480,000. One can say with some confidence that this level of investment in local individuals can turn them into world-class CSRs.

So far we have discussed the attractiveness of the idea; what about the size of the global opportunity?

Call Center Week reports a 24% annual growth rate for call centers in Canada, and estimates the number of Canadian call centers to be 6,500. According to a Datamonitor study, spending on call center outsourcing in Europe was $7 billion in 1999 and will be approximately $15.1 billion in 2003. According to TeleManagement Search, there are 7 million call center agents in the US, and the annual growth rate is expected to be 20%. The number of call centers is estimated to be 69,500 and will grow to 78,000 in 2003. The global call center market will have a value greater than $56 billion by 2003, according to a study by International Data Corporation.

The global economy as a whole, especially the US economy is depressed, resulting in squeezed revenues for almost all companies. To meet their profitability targets, most companies have no option but to cut costs. Pakistani companies can benefit from this situation by offering US companies the very attractive opportunity of reducing their call center costs by 50%. Because of the downturn in the US, Pakistani call center’s value-proposition has become even more irresistible. These will be the best of times for Pakistani companies.

Now back to the story of a graphic that is worth a thousand acres. A multinational based in Santa Clara, CA and Lahore has reportedly acquired a piece of land measuring 1,000 acres in Jia Bugga, a village located 40 km from Lahore. They are constructing a 100,000-person call center at that location to profit from the 1:10 wage-ratio between the Pakistani CSRs and their US counterparts.