



Canadian Customer Contact Centres: The Evolution of the Industry and the Impact on Real Estate Decisions

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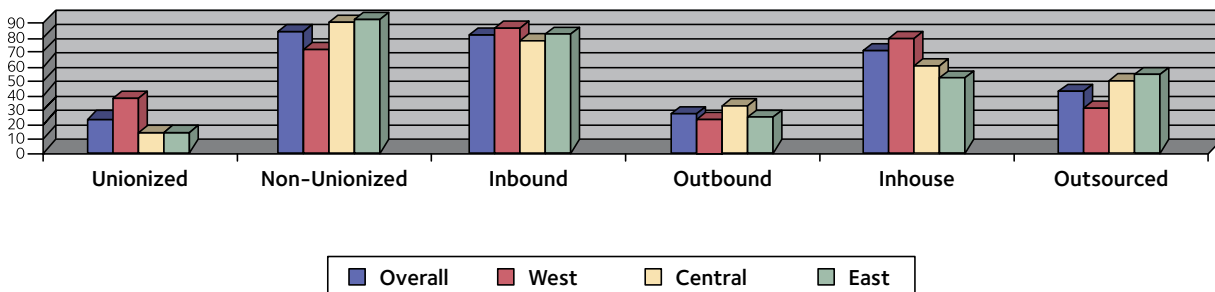
When you think of a call centre, what do you visualize? A dismal room packed with inexpensive furniture and operators who are low paid workers? In fact the reality today is very different. Call centres in their infancy provided basic customer service via the telephone and have now evolved into technologically advanced, multimedia 'customer contact centres' (CCC). **The multiple methods of contact communication** include some of the following technologies: VoIP, Internet Transactions, Voice to Text Files, Electronic Mail, Fax/Fax-back, and Unified Messaging.

If you want to meet the site selection requirements of prospective CCC tenants or better understand the issues landlords have to manage then read on. Or you may just want to stay up to date on an evolving industry and Canada's position accordingly.

Demographics and Distribution of Centres: Myth Busting

The antiquated view about contact centre jobs is that they are often low-skilled or clerical in nature, yet in many cases contact centre jobs have transitioned to highly skilled positions. It is essential that employees regularly upgrade their knowledge and skills in order to meet changing needs of their clients. *The industry is predominantly client driven as evidenced by research showing 77% of contact centres handle inbound calls (see chart below).*


Distribution of Centres by Category and Region



Source: Adapted from the Global Call Centre Industry Project

According to the Canadian Global Call Centre Industry Project, contact centres located in Western Canada serve a primarily local customer base, while Central Canada has the highest share of contact centres that serve a national market. Eastern Canada has roughly twice as many centres serving an international market compared with Central and Western Canada. These findings partially correlate to evidence that the scope of the customer base differs by organizational characteristics. The West has highest percentage of unionized centres and evidence shows that unionized centres tend to serve a local customer base versus non-union centres. As well, research shows that Inhouse centres serve a national market whereas outsourced centres predominantly fulfill the needs of an international customer base, which is the case for the East - 50.8% of its centres have an outsourced client service structure.¹

¹ Danielle VanJaarsveld et al., "The Canadian Contact Centre Industry: Strategy, Work Organization and Human Resource Management- The Global Call Centre Industry Project," 2007.



Why do we see these patterns? Central Canada, located in heart of the North American marketplace is in the Eastern Time zone which has a maximum of a three-hour time difference to anywhere in North America. Central Canada also boasts a high-level of multi-language capabilities coupled with unemployment rates typically higher than the Canadian average which provides a large pool of qualified workers.

In Eastern Canada, the government and development agencies have offered numerous financial incentives to attract call centres. The region is well-situated for international trade and commerce due to easy access to major American and European markets. With the greatest percentage of the largest centres in Canada, they have the ability to handle a global customer base.

A Brief Look into Contact Centre Locations in Canada

Canada is the key beneficiary of US firms transferring contact centre work outside of the US. It is estimated that roughly half the positions in Canada are serving the US domestic market. Canada's attractiveness stems from a variety of factors which include the proximity to the US, common time zones, a skilled workforce, cost savings associated with a national health care system, and although it is not currently the case, a historically low exchange rate with the US.

- **Canada's greatest contact centre activity is concentrated in Ontario with the GTA having the highest density of contact centres throughout Ontario.** The manufacturing industry has the largest concentration of call centres followed by financial services and utilities/technology and telecommunications.
- The contact centre industry is growing in North Eastern Ontario with **Dell adding a three-storey 148,222 sq. ft. building at 1001 Farrar Rd. adjacent to its existing 150,000 sq. ft. building in Kanata.** Kanata's attraction stems from a large labour pool of technology professionals.
- Numerous call centres have located in BC since 2000; these include companies such as eBay and JP Morgan Chase. **Now over 30,000 people are employed in this sector in BC.** According to the CEO of eBay, Meg Whitman, the deciding factor for choosing Burnaby, BC was a combination of a skilled workforce, the area's quality of life, and the proximity to its headquarters in San Jose, California.
- **Manitoba has close to 100 contact centres employing well over 10,000 people;** the highest percentage of the call centres focus on customer service followed by telesales, research, and technical help desk.
- **Nova Scotia has over 50 contact centres and Business Process Outsourcing (BPO)² centres** with a workforce of over 17,000 people.

Site Selection Criteria - Impact on Landlord and Tenant Decision Making

Locational Aspects to Consider

- Geographic considerations include **access to major arteries and mass transit and proximity to shopping, dining, and banking.**
- Since Tenant Improvement costs for call centres are very high, **some look for financial assistance from local governments/economic development agencies.** Incentives vary from job development tax credits, waiving building fees, offering low-interest loans, paying for infrastructure improvements, and direct subsidies.
- There is a **Hub-and-Spoke approach to site selection.** The hub call centre could be in a rural area or an urban area and the "spokes" could be in adjoining areas up to 50 to 60 miles away – taking advantage of multiple labour markets.
- The following are **examples to keep in mind when selecting a site:**
 - Former Military Bases – Attractive lease rates
 - Current Military Bases – Access to labour pool of spouses and dependents of military personnel
 - Shopping Centres – Access to a variety of amenities and an abundance of parking
 - Closed ("Mothballed") Contact Centres – Ready-made facility which may decrease investment costs
 - Educational Campuses – Access to young ambitious labour pool
 - Former Retail Facilities – Large floor plates with access to a lot of parking
 - Information/Business Parks – Usually significant telecommunications infrastructure

² Business Process Outsourcing (BPO) is the contracting of a specific business task, such as payroll, to a third-party service provider.

Physical Aspects to Consider

- A neighbourhood must have fiber optic cables in place to meet centres' **massive communication demands as well as a reliable source of power and backup power** in case of an emergency.
- Parking is another crucial consideration. Call centres have very high density and they need to be prepared for shift changes. **Industry professionals recommend a ratio of five to six spaces for every 1,000 sq. ft. of workspace.**
- **Avoid multi-tenant buildings with more than two stories** because the high number of call centre employees puts too much strain on elevators, stairways, restrooms, and other common areas.
- Call centre system requirements quickly add to the cost of conversion. **You need at least 14 inches of space either above the ceiling or below the floor to carry all the lines.**
- The amount of machinery and density of employees create **greater HVAC requirements than most office, retail, or warehouse buildings.**
- Basic acquisition and construction costs, whether converting or building new, probably run about the same as those for a high-tech research and development structure.
- **Taking over an existing call centre does not always save money because technology advances so fast and individual company requirements vary so widely.**

How much workspace do contact centre agents have?

Industry Sector	Average space (net m2)
Healthcare/ Pharmaceutical	6
Government	5
Utilities/ Fuel	5
Banking/ Finance	5
Information Technology	5
Insurance	4
Telecommunications	4
Outsourcing	4
Transportation/ Travel	4
Consumer Products	3
Manufacturing/ Chemicals/ Construction	3
Retail	2

Source: *The 2005 International Contact Center Benchmarking Study, ContactCenterWorld.com*

According to findings from the 2005 International Contact Center Benchmarking Study, agent workspace does vary considerably depending on which industry sector the contact center is supporting. With the average size being approximately 6 net square meters (54 net sq. ft.) per agent in the healthcare/pharmaceutical sector compared with an average of 2 net square meters (9 net sq. ft.) in the retail sector.

The Future of Contact Centres

One of the most interesting developments in contact centres today is how technology is impacting the decline in centralized call centres through the evolution of remote agents. JetBlue, a US Airline Carrier, is a perfect example of this trend. JetBlue has equipped its agents with computers to enable them to work from home, eliminating the need for a large expensive call centre. However, this will not be conducive for everyone as there is expensive set-up and telecom costs involved.



Despite advances in technology and development of the industry it still remains a fact that contact centres may not be the most suitable tenant for every landlord as it is a very dense operation with high operational costs. In addition, the industry in Canada contends with the strengthening dollar, which impacts the attractiveness of outsourcing call centres to Canada and also impacts the ability of landlords to retain call centres as long-term tenants. Essentially, finding the appropriate contact centre tenant that complements the space and the business plan for the asset will continue to be of utmost importance.

Source: Claricom

Credit and thanks goes to the following sources:

James Boyce, GWLRA; The Global Call Centre Industry Project; Greater Toronto Market Alliance; Canadian Marketing Association; Invest BC; CIRE Magazine; HRSDC; Customer Inter@ction Solutions; Contact Centre World; Claricom.

Industry Resources/Links and Major Contact Centres

Contact Centre Canada – <http://www.contactcentrecanada.com>
Call Centre Careers – <http://www.callcareers.com>
Call Center Magazine – <http://www.callcentermagazine.com>

British Columbia

Resources

Invest BC – <http://www.investbc.com>
BC Call Centre Association – <http://www.bccallcentre.com>

Contact Centres*

eBay
Telus
Pacific Blue Cross
Rogers Communications Inc.
Accenture Business Services of BC
JP Morgan Chase
Enquiry BC
Logical Software Corporation
Air Canada
Synovate
PeopleSoft

Ontario

Resources

Ontario Canada – <http://www.2ontario.com>
(see call centre brochure for further details)

Contact Centres*

Acrobat Research
Dell Canada
Hewlett-Packard
IBM Canada
Microsoft Canada
AGF Financial Management
Bell Mobility
Sun Life Assurance
StarTek
Rogers Communication
Research in Motion

Nova Scotia

Resources

Nova Scotia Business Inc. – <http://www.novascotiabusiness.com>
Service Canada – <http://www1.servicecanada.gc.ca>

Contact Centres*

ADP
Convergys
Xerox
ICT Group
EDS
Minacs Worldwide
On-Line Support Inc.
Neiman Marcus

Quebec

Resources

Investissement Quebec – <http://www.investquebec.com>

Contact Centres*

Rogers Communications Inc.
National Bank of Canada
UPS Canada
Desjardins Groupes d'assurances generales
Bank of Montreal
IBM
Croix Bleue du Quebec
ADT Security Services of Canada

Alberta

Resources

Alberta Call Centre Association – <http://www.abcallcentre.com>
Alberta Government – <http://www.innovation.gov.ab.ca>

Contact Centres*

Convergys Corp
Ford Credit Canada
Neiman Marcus
TD Waterhouse

Manitoba

Resources

Manitoba Customer Contact Association – <http://www.mcca.mb.ca>

Contact Centres*

Great West Life
RBC Royal Bank Customer Contact Centre
Ipsos Reid Direct
Canada Post Winnipeg
Canada Drugs
Social Development Canada

Saskatchewan

Resources

Saskatchewan Contact Centre Association –
<http://www.saskcontactcentre.ca>
Government of Saskatchewan – <http://www.ir.gov.sk.ca>

Contact Centres*

CIBC
Minacs Worldwide Inc.
Staples
StarTek

**Not a complete list of call centres*

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