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Mini-presentation for SPPI on:

**NACE 82.2 Activities of call centres  
in Sweden**

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## **1. Definition of the survey being priced**

In the Statistical Classification of Economic Activities in the European Community (NACE Rev. 2) Group 82.2, Activities of call centres are only comprised of Class 82.200.

Price indices for 82.2 are under development in Sweden during 2013 and 2014. The results presented in this paper have come from meetings with enterprises and trade organisations and from a pilot survey that have been conducted for two quarters. More information will probably become available over time then this industry will be implemented in the Swedish SPPI's and the regular price collection will begin.

## **2. Unit of measure to be priced**

Within this industry there are three sub product categories, Customer support, Switchboard services and Telemarketing, there Switchboard services account for a nearly insignificant part of this industry.

For Customer support, as well as Switchboard services, enterprises charge a unit price per active minute on the phone. The price per minute for Customer support is influenced by skill level and time of day. Customer support is generally divided into exceptional support (called, First line) and advanced support (called, Second line) that requires qualified staff. Further the price per minute depends on which extent the services are performed during office hours respectively evenings and weekends. Invoices are usually recognized on the price per minute for different time of day (office hours, evenings and weekends) and for different skill level (First line and Second line).

Telemarketing are priced mostly per order, or based on a combination of a fixed hourly rate plus a commission per executed order. Some telemarketing services are sold based on a fixed price per hour worked.

## **3. Market conditions and constraints**

There are 6 large enterprises which have more than 5 percent of the total turnover in this industry. Together they represent approximately 40 percent of the industry's total turnover. The remaining part of industry consists of small and medium sized call centres there each enterprise represents a small part of the industry's total turnover. The majority, about 85 percent, of firms in the industry are call centres suppliers that perform services on behalf of external customers. The remaining part is corporations with own call centres subsidiaries.

## **4. Standard classification structure and product details**

On the class level Activities of call centers in NACE Rev. 2 conforms to ISIC Rev. 4.

The Swedish version of NACE Rev. 2, called SNI 2007 (Standard för svensk näringsgrensindelning 2007) has no 5-digit subclasses within 82.2.

**Table 1: Industrial classification of Call centre services**

| NACE Division | NACE Group | NACE Class | SNI 2007 5-digit level | Name                       | ISIC Rev. 4 |
|---------------|------------|------------|------------------------|----------------------------|-------------|
| 82            | 82.2       | 58.20      | 58.200                 | Activities of call centres | 8220        |

## 5. Evaluation of standard vs. definition and market conditions

What characterizes Customer support is labour cost intensity, which means that the largest part of the production cost consists of labor costs. The market is also characterized by intense competition among call centres enterprises (mainly among call centres in Sweden but to some extent from call centers abroad with Swedish speaking staff) and low profit margins. The price level in the market for these services is affected thereby mostly based on the general wage level. Call centres with longer contracts thereby regulate their minute prices with Labour cost indexes.

The market prices for Telemarketing is also affected by the general wage level, but unlike Customer support the market price level is also affected by variations over time in the severity of selling various goods and services. A trend for Telemarketing is that more and more telemarketing services been sold on hourly rates and subsequently the market prices are affected in the same way as Customer support

## 6. National accounts concepts and measurement issues related to GDP

Since National Accounts is the main user of SPPI's, the demand for service producer price indices within NACE 82 initially came from them. The development work started in the autumn of 2013. A pilot survey, with price collection, was started during 2014. The plan is to include the index in the overall SPPI in first quarter 2015. For this reason, National Accounts will not be able to use the SPPI for some years to come. Instead they are using SPPI's 69.2 Accounting and bookkeeping as deflator.

## 7. Pricing methods and criteria for choosing various pricing methods

The development of an SPPI for NACE 82.20 is a part of a larger project funded partly by Eurostat Grants that is conducted in 2013 and 2014 at Statistics Sweden. Prices have been collected for two quarters in a pilot survey. Customer support and Switchboard services being both sold in form of projects there the customer pay a price per active minute on the phone, with different prices for various skill level and time of day. Through meetings with enterprises and trade organisations we got that the minute prices customers pay for various skill level and time of day are available on orders and contracts. Thus the most suitable pricing method for Customer support and Switchboard services is Unit price measurement, but broken down by skill level and time of day based on orders and/or contracts, depending

on where an enterprise has its sales volume, on contract or orders. This method can then been applied without risks of substantial mix problems.

Telemarketing also being sold in form of projects there customers either pay a price per order or a fixed hourly rate plus a commission per executed order. These services are therefore problematic to measure due to price mix between target groups and product offerings that differ in the severity of selling. Fixed hourly rates for telemarketing services are quite unusual, but the trend is that it becomes more and more common. Due to these conditions the most suitable pricing methods to be considered for telemarketing is Unit price per order for a repeated transaction and (in some cases) Direct use of hourly rates. Unit price per order for a repeated transaction is only suitable for projects where the same product been sold to the same target group for a longer period of time, because a sold order otherwise is a unique transaction.

## **8. Evaluation of comparability of price indexes with turnover/output data**

Data from the Structural Business Survey was used as sample frame for this industry during the project. Usually the Business Register is used as sample frame for SPPI's in Sweden, but in this case the SBS data seemed to have better quality. Thus turnover data is aligned with the price data.

As soon as price indices will be available they will be used as deflators in ISP (Index of Service Production) as well as in National Accounts.

## **9. Summary**

A Service producer price index for 82.2 is under development in Sweden during 2013 and 2014, as a part of a larger project concerning both NACE 82 and 74 on a whole. Therefore no price indices have been produced for this industry. Although, a pilot survey with prices for two quarters have been conducted. The most valuable information gathering from meetings with enterprises and trade organisations are mainly three things;

- The industry consists of three sub product categories, Customer support, Switchboard services and Telemarketing, there Switchboard services account for a nearly insignificant part of this industry.
- Customer support (Switchboard services as well) are priced per active minute there the price level depends on skill level (First line or Second line) and time of day (office hours or evenings and weekends).
- Telemarketing are priced mostly per order, or based on a combination of a fixed hourly rate plus a commission per executed order, but fixed hourly rates become more and more common in telemarketing.

On the basis of these conditions, the most suitable pricing method for Customer support (even for Switchboard services) was considered to be Unit price measurement broken down by skill level and time of day based on orders and/or contracts. The most suitable pricing

methods to be considered for telemarketing is unit price per order for a repeated transaction and (in some cases) Direct use of hourly rates.