Insee
Mesurer pour comprendre
Pays de la Loire

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Mini presentation on

"Call centre services" in France

ISIC 4.0 : 8220
NACE rev.2 : 82.20

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Introduction

The purpose of this paper is to provide an overview of how the French statistical office (Insee) measures the activity of call centre services (82.20) and how it calculates the corresponding price indices.

1 Classification

1.1 European economic classifications (NACE and CPA 2008)

CPA has only 1 CPA 6-digits item: “82.20.10: call centre services”.

Nevertheless, the guidance on NACE content suggests two sub-activities (inbound, outbound):
NACE : : 82.20 : **This class includes** the activities of:
- inbound call centres, answering calls from clients by using human operators, automatic call distribution, computer telephone integration, interactive voice response systems or similar methods to receive orders, provide product information, deal with customer requests for assistance or address customer complaints
- outbound call centres using similar methods to sell or market goods or services to potential customers, undertake market research or public opinion polling and similar activities for clients

CPA: **This item includes:** This subcategory includes:

- taking orders for clients by telephone
- - soliciting contribution or providing information for clients by telephone
  - telemarketing

  This item excludes: This subcategory excludes:
    - sales promotion services, if no orders are received, see 73.11.19
    - -market research services, see 73.20.1
    - - public opinion polling services, see 73.20.20

1.2 borderline cases.

We can notice some borderline cases : automatic wake up by phone services would be classified in 82.99.12. and the provision of phone number or address (on the base of a directory or mailing list) by telephone would be classified in 82.99, but by paper or by internet in 58.12 (including advertising incomes in 58.12.20).

The fact that relationships with customers are increasingly "multi-channel" (ability to use several different media to reach customers, such as mailings, online web-sites, "chats", and now emails or social networking: twitter, facebook, linkedin, viadeo), entails that the "call centres" are more and more called "contact centres", and the activity could be named “customer relationship management”.

1.3 Other characteristics to be taken into account for a fine classification

Inbound/outbound

The only distinction made by the European classification guidelines in the definition of the activity is the inbound / outbound distinction. Professionals also make this distinction, which is quite important because these activities require different qualities and skills on the part of call centre operators.

By **inbound calls** which involve collecting and responding to customer calls (inbound) , we mean:

- The after-sales services
- Information services to the public or customers
- Inquires
- Account treatments
- New orders
- New appointments
- Hotlines
- Remote secretariat

In **outbound calls** generated by call centres, there are:

- Satisfaction surveys
- Surveys to gain new customers
- Distance selling
- Actions aiming at retaining existing customers

These outbound calls require more skills: they need to convince, to sell goods, to sell services, to agree on contracts, sometimes to conclude appointments between potential customers and sellers. The French professionals report that 84% of their business is inbound.

Onshore/offshore

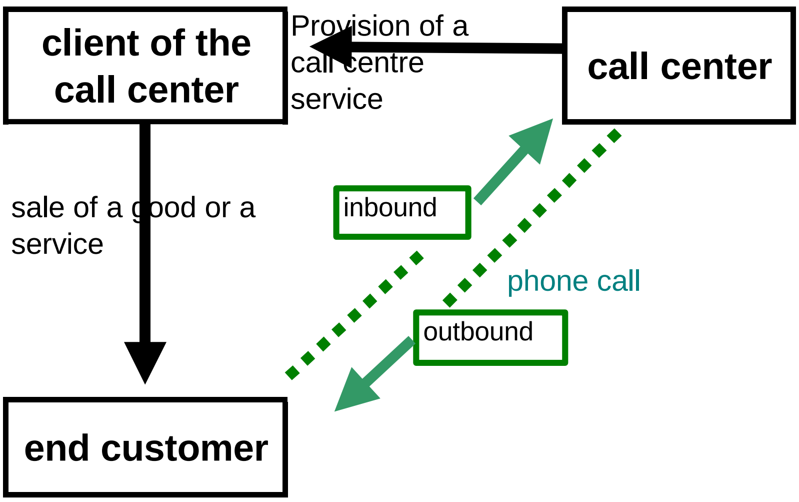
The call centre costs include a large share of labour. Because wages in this activity (especially inbound) are relatively low, as linked to low skills requested despite the often high level of education of employees, call centres are often perceived by the customers enterprises as having a high propensity to relocate in areas that have lower labor costs (SP2C trade union reports that 70% of the cost of customer contact centres are linked to compensation of employees, and salaries of most employees are about the minimum legal wage in France: “SMIC”).

Competition is actually quite strong between the call centres located on the national territory and call centres located in foreign countries, which provide often identical services. French companies, with rare exceptions, sell both kinds of services: onshore and offshore. These companies usually have foreign affiliates that easily take over from French stakeholders when necessary. Customers often require offshore services for price reasons.

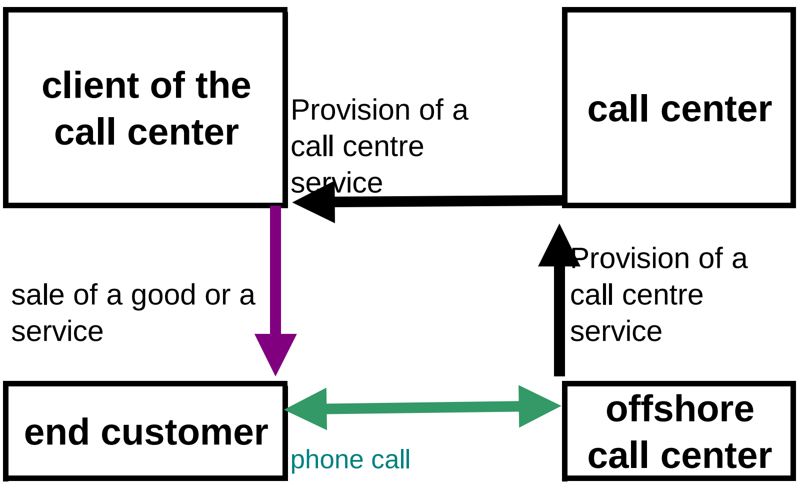
2 Market characteristics

The call centre is at the origin an economic model born in the USA thirty years ago. **The use of call centres** is one of the methods that companies have devised to maintain a relationship with their clients, to earn their loyalty so that they may, in theory, provide a better service... The goal is also to make them purchase new items. Some companies have chosen to manage these call or contact centres themselves (inhouse), others have instead entrusted these activities to specialized companies (outsourcing). We consider that in France 25% of activities are outsourced call centres, and therefore 75% are still internalized.

In the case of a onshore call centre, the economic cycle is as follows:



In case the national call centre purchases the services from an offshore call centre, the situation is:

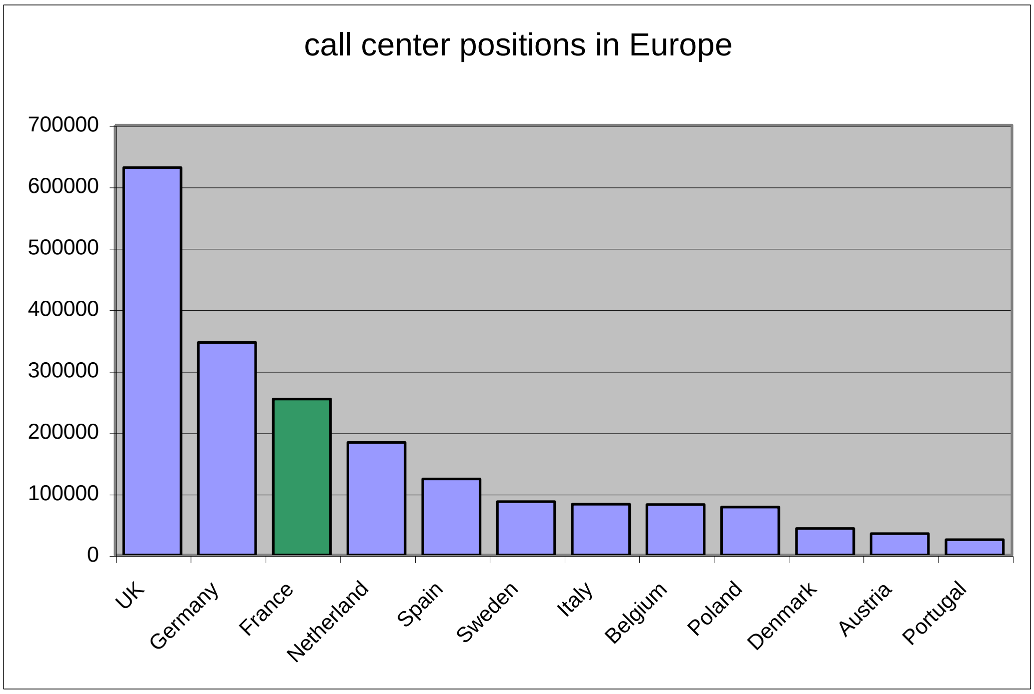


The call centres sector usually connects three players: the call centre, the client company and an household, who questions (inbound) or is interrogated (outbound) by the call centre. In some cases, a fourth partner is involved: the offshore call centre, which is usually a subcontractor of the onshore call centre located on the national territory.

A fifth participant sometimes exists: the phone company, which invoices to the household the initial phone call, or part of the call.
It often takes a long time before hearing a call centre agent on the line, and this period of waiting was not only paid, but overtaxed until 2008. This phenomenon stopped with Chatel Act (2008): the telephone number by which a consumer tries to obtain the proper execution of a contract with a phone company can no longer be overtaxed. Not only the waiting time, but also and especially the provision of assistance are now free. The usual tariff of 0,34 € per minute is totally banned since the enactment of this Act.

Which price for which production? Because of the significance of internal call centre (inside groups), it is necessary to clearly target the production of which we want to measure the price. Orange Business Service (the biggest phone operator in France) is for example both the largest in-house call centre and the biggest buyer of external services. Trade unions have an approximate knowledge of the number of “positions” in call centre, quite more than measured by the statistical system, which targets only the outsourced industry.

This sector is still under-sized in France: the French activity of “Customer Relationship Centres” is lagging behind the European countries of similar size. One million jobs in UK for an equivalent population, versus about 260 000 in France (including internal centres). By number of jobs (positions), France is third in number, but much further when taking into account the size of the working population.



source ECCBP 2012 [1]

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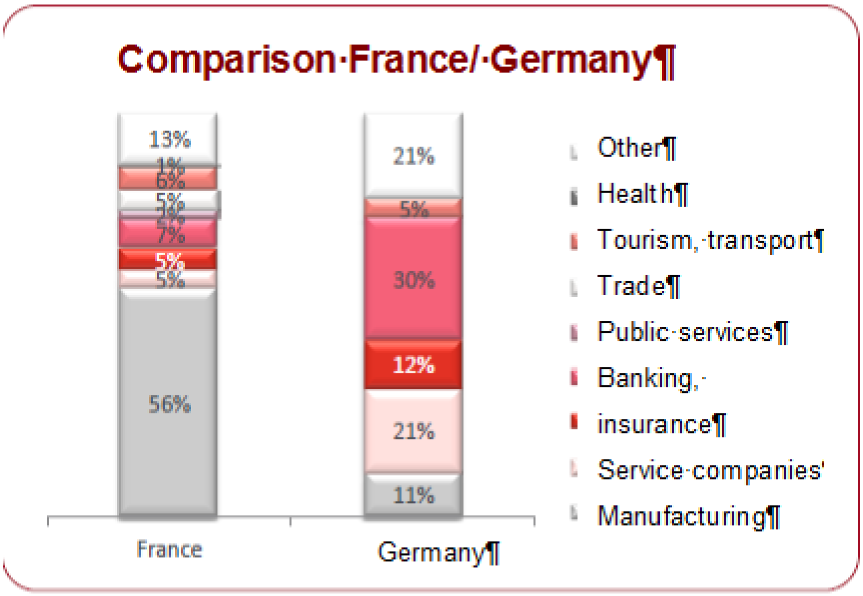
1 [1] Focus sur les Centres de contacts en France – Etude, ECCBP 2012 'European Contact Centre Benchmark Platform 2012 is the first large scale study on the European market of call centres.

Outsourcing is permanently increasing, due to the willingness of companies to refocus their activities on their core business and the cost difference can be very significant: about 70 € per hour for an internal employee against 25-28 € in an outsourced call centre, and 15 € in a call centre located in the Maghreb, even 10 € in Senegal. The use of offshore is obviously very different from one country to another, and depends on the ability to find operators abroad who have a good knowledge of the customer's language. If it is possible for France (in the Maghreb), but less possible in Germany, where offshore is consequently very weak.

Outsourcers sectors: the phone sector is, by far, the largest customer of the call cente services: 56% of sales of call centres (according to survey SP2E Bearing Point) is made in telephony and internet services, while the telecommunications sector has already internally its own call centres, with its own employees. Any disruption of the telecommunications sector will have automatically a significant effect on the functioning of the market for call centres (which happened recently in France with the emergence of an operator producing extremely cheap rates: that disrupted the call centres industry, with a strong downward pressure on prices).



Sources : données de l'étude BearingPoint - SP2C, Etude CCV sur le secteur des call center

The only telecommunications sector employs nearly 50 000 people in the call centres, with different policies regarding outsourcing.

	call centres workorces by phone operator		
	internal workforce	**external workforce in France**	**external workforce abroad**
Orange	16 000	5 000	4 000
SFR	2 500	9 000	4 500
Bouygues Telecom	2 000	700	1 800
Free	4 300 of which 1 800 abroad		

3 Measure of turnover/output

ESA (annual structural business survey) results

	2010	2011	2012
Number of companies (legal units)	1 443	1 540	2 458
Turnover	**2 873,69**	**2 820,17**	**3 130,20**
Full time salaries	39 473	42 031	44 958
Value added (without VAT)	1 526,64	1 551,61	1 795,90
Payrolls	1 430,15	1 339,40	1 646,00
Investments*	53,47	35,19	43,20

The scope of 2012 has been extended in consideration of 2010-2011 (hence, the growth of the activity between 2011 and 2012 is more an artefact than a statistical evidence).

type of customer/ percent	2011	%	2010
Intra-group companies	1 001,97	35,5%	34,2
Extra-group companies	1 590,23	56,4%	51,8
Administration, others	227.96	8,1%	14,0
TOTAL	2 820,17	100.0%	100.0

According to ESA, a little more than a 1/3 of sales relate to intra-group services. Note that intra-companies services are of course not described, as no internal transactions exist, by definition. The amount of 1,8 billions € of call centre services sold to extra-group companies, administrations and others is consistent with the approximative figure of 2 bilions € of “outsourced call centres services” communicated by SP2C trade union.

The fine definition of services (NAF7 specific to the ESA survey) provides a detailed breakdown of turnover, but with a lot of too generic answers:

Industry : NAF 7	Turnover in €
8220Z31 Customer service centres (consumer services, utilities	934 812
8220Z32 Support Centre (help desk, hotline and customer service)	638 941
8220Z10 general contact centre (outsourced Web Call centre: email treatment centre, chat, co-browsing)	503 496
8220Z00 call centre services wo other information	226 885
8220Z90 call centre services (to precise)	184 873
8220Z.. telemarketing and client relationship management	5 338
8220Z23 other telemarketing centre (telephone canvassing,...)	210 627
8220Z21 Telemarketing centre for opinion poll	6 164
8220Z22 Telemarketing centre for advertising (telemarketing campaign, cold calling,...)	268 439
8220ZO0 Telephone answering services (call centre)	12 559
TOTAL	2 992 134

This allows a first approach of breakdown between inbound and outbound:

inbound calls	1 573 753	53%	77%?
outbound calls	485 230	16%	23%?
not defined	933 151	31%	
	2 992 134	100%	100%

Which countries for offshore?: they must be essentially French speaking, on time zones quite close to that of France and offer lower prices than those prevailing in the country. Morocco is at the top of these countries, followed by the other Maghreb countries.

pays	percent
Morocco	40%
Tunisia	23%
Mauritius	18%
Madagascar	7%
Algeria	4%
Spain	3%
Romania	2%
South Africa	1%
Moldavia	1%
India	1%

The French market for call centre is now "mature" and professsionals no longer expect significant increases in business volumes. The phenomenon of outsourcing continues, but the big companies have already done. The market trend is downward pressure on prices by increasing offshoring.

4 Price mechanisms

4.1 Industry description

Prices of contracts between service providers and their customers are mainly established at the beginning of contracts, and mostly defined per act. Typically, 70% of the turnover relies on a fee per act, and 30% on hours worked, even if the call centres prefer to be paid on the base of hours worked (in order to control their costs and margins). Even in case of price per act, the call centre always recalculates the equivalent hourly rate. There is a difference between **worked time** and **productive time**: Productive time is time worked in full, without stops, without breaks. It is 100% phone to your ear. Larger businesses can calculate these indicators, and practice the price for productive time. An operator cannot for example work “productively” more than 42 minutes per effective hour.

The hourly price varies according to the kind of phone call. Professionals make distinction between:

a. **Customer Service**: 50% of calls according to professionals (claims, case tracking, subscription change, customer life modifications, change of address ...) this type of work does not require much technical expertise
b. **Technical assistance**: 20% of calls. It is more difficult, more technical skills are requested. There may be connection problems here, problems of implementation of software, service hotline, helpdesk.
c. **Telemarketing** . 25-30% of calls. These are outbound calls (the call centre contacts the household). Objective here is to sell new subscriptions, new configurations of our call centre packages ... There are also calls for statistical studies or surveys .
d. **Bak Office** (epsilon) like the file processing

Operators often work for several companies in the same day, and have to adapt to many business environments.

Offshore prices are between 12 and 15 € per hour, twice lower than in France.

The price measured by professionals as the most relevant is the **HWP** (hourly worked price). The average breakdown of this price in France would be as follows :

Hourly wage paid to salary	9.75 €
Employer payroll	5.17 €
Structural costs	2.50 €
Local (office)	2.60 €
Lifelong training	1.58 €
Staff turnover	1.49 €
Investments	1.80 €
Total costs	24.89 €
EBIT (margin)	1.49 €
HPP	26.38 €

The APT (average processing time) depends on the type of call received or transmitted. This duration is calculated in accordance with the customer (for the provision of a phone number or address, it is 40 seconds, for the technical hotline, it is 7 minutes).

$$\textbf{Price per act} = \left(\underbrace{\textbf{HWP / occupation rate}}_{\textbf{HPP}}\right) \textbf{/ APT}$$

The agreement with the client is based on this type of calculation. If this calculation is theoretical, there are also bonus levels (*vs.* malus), which can change the target value to the actual value. An average price per worked hour is probably not sufficient (the quality adjustment required may vary depending on the client, as the time required before the hook).

4.2 Sample design

The meeting with the professional organizations is essential for determining a good sample. In France, there are two unions involved: AFRC concerned about customer relations, then has a good knowledge of the profession (even when call centres are internal to the company), and SP2C, concentrated mainly on outsourced services.
The French sample includes 17 companies (of which 2 internal to a group) for a total annual turnover of 1,3 billion €.

5 Main pricing methods

Companies buy contacts with customers. The purpose of these contacts, decided between the company and the call centre depends on whether the call is inbound (to answer a question, give a telephone number, update a bank file ...) or outbound (get a signature contract, get an appointment with a commercial, sell a property, fill out a questionnaire ...).
The selling price for this service can be measured by **the unit price** of this service (price per act), or the corresponding average **hourly worked price**, either the **hourly productive price**.

If the act price obviously varies according to many criteria (depending on the qualification of the operator and the technical nature of the subject matter: *eg* a response of a veterinarian to a refined question on bird flu), the transition to an average hourly worked (or productive) price allows switching to a more homogeneous unit of work.

The price levels are quite different between the onshore and offshore. An important question is whether these services are the same or not. They are similar, there is no doubt, and every call, inbound or outbound, can theoretically be provided by one or the other. Insee has answered to this question**: yes, it is the same service, but there is a quantitative difference in quality**. For comparison / aggregation, offshore services prices are divided by a coefficient corresponding to a lower quality: 80% compared to the same service provided onshore (this coefficient of 80% as an “expert judgement” has nevertheless not been discussed and endorsed by the professional unions). The reasons often cited by the professionals themselves on these quality differences invoke poorly integrated processes, language problems, cultural differences... One of the main problems come from the staff turnover, this rate annual reaches 19% to 25% in France, but until 70% or 80% in offshore call centres.

One might wonder why, if the services are the same, companies continue to use onshore services, while the price is twice lower in foreign countries. Beyond the quality effect, it can be argued on grounds of economic patriotism (jobs in France), or approval of social norms (there is a label on the training and working conditions themselves as compliance with ethical codes on the protection of privacy, lighting, heating, breaks, rest areas, telephone equipment…). Also, it is perhaps easier to convert internal call centres into onshore outsourced services, and in a second step onshore to offshore.

Thus, if one considers that the services provided are identical (within the meaning of the end user utility, given the variation in quality), we have to measure the average hourly (worked or productive) price sold through call centres, for each category of service regardless of the place of production of the service:

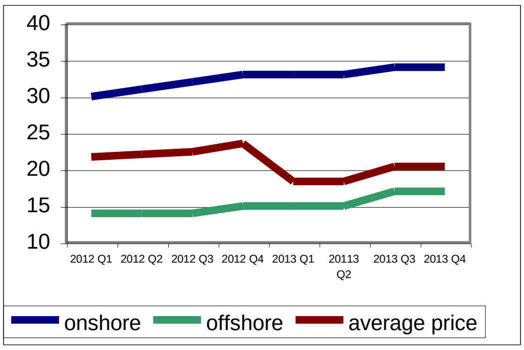
· hourly average price for customer service
· hourly average price for technical helpdesk /online
· hourly average price for telemarketing / studies
· hourly average price back office
· hourly average price for other servcies

The companies are unfamiliar with this indicator or really do not measure this indicator, which mixes the onshore and offshore prices. They know the selling price of the service when performed in France (onshore) and the selling price of the service when performed abroad, possibly country by country (offshore). We then need to recalculate an average price for each category of service, depending on the distribution of their sales in each territory. We need therefore to apply every year the relative shares of each company, service by service, in order to recalculate an average price for each quarter.

· The different items on the questionnaire used in France for SPPI:

		turnover in France	**turnover offshore**
	1 call centre services		
inbound	**10 :** : **Customer Services** (welcome, inform, direct clients, bank statements, pre-sales info ...)	Xf1	Xo1
Inbound	**20 : Technical assistance** / hotline and helpdesk. (call centre with services that require in-depth technical knowledge)	Xf2	Xo2
outbound	**30 : Telemarketing** (sell or promote a service or product, establish a business contact, constitute or enrich databases ...)	Xf3	Xo3
outbound	**40: Telemarketing and studies**	Xf4	Xo4
…	**50 : Back office** (processing files ...)	Xf5	Xo5
	60 : other (recovery, crisis centres, collecting donations ...)	Xf6	Xo6
	TOTAL GENERAL	X	

EXAMPLE		turnover 2012				turnover 2013			
			onshore	10 000			onshore	5 000	
			offshore	5 000			offshore	10 000	
helpdesk		hourly price							
		2012 Q1	2012 Q2	2012 Q3	2012 Q4	2013 Q1	20113 Q2	2013 Q3	2013 Q4	index
	onshore	30	31	32	33	33	33	34	34	**113,33**
	offshore	14	14	14	15	15	15	17	17	**121,43**
	hours	690	680	670	636	818	818	735	735	
	average price	21,72	22,07	22,40	23,57	18,33	18,33	20,40	20,40	**93,90**



Calculating the average price per hour billed is highly dependent on the distribution of revenues between the two types of territories. There is a very clear threshold effect at the time of the introduction of the new breakdown of sales. While unit price of onshore and offshore grow, the average price may decrease due to the change in the structure of sales (example -).

The main types of monitored services are (by increasing accuracy):

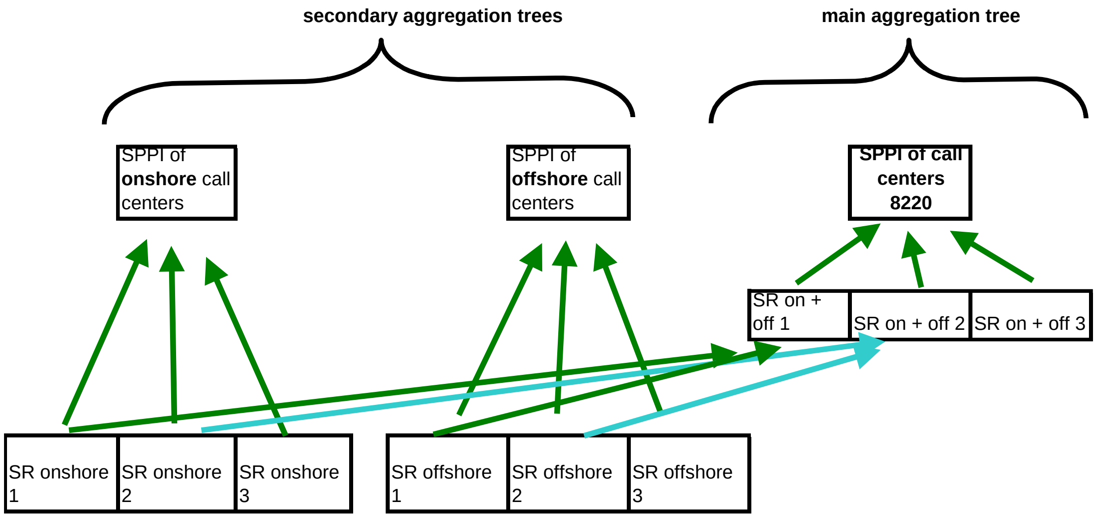
Average hourly price by country
Average hourly price inbound: outbound by country
Average hourly price inbound/outbound by kind of service, by country
Average hourly price inbound/outbound by kind of service, by country , by client

Price by kind of phone call

Remark 1 : The threshold effect between the indices of each calendar year could be avoided by a quarterly estimate of the distribution of sales of each company between offshore and onshore. But this breakdown cannot really be known before the end of each financial year.

Remark 2 : Calculating an average price of service (onshore + offshore) requires that the calculation of this average price is possible: the knowledge of both average hourly (worked or productive) prices and the breakdown of turnover is sufficient.

Aggregation trees :



6 Costs and benefits of the alternative methods

An alternative method would be to consider onshore and offshore services as two separate products, because of different qualities. But we would then not describe a decreasing price for this activity, while all stakeholders explain this phenomenon by more relocation.

7 Quality issues

7.1 Quality indicators for the professionals

Quality control within the call centre is a particularly strong concern, which is often characterized by measuring both quantitative indicators (waiting time before it is picked, number of interrupts during the call) and qualitative (smiling and courteous welcome, prompt identification, understanding of the demand, empathy, appropriate response, compliant leave …).

Call centre certification: certification of the call centre is already a step in the recognition of the quality of services provided by businesses. Businesses can choose their type of certification according to their quality strategy. **ISO 9001** establishes an obligation of means and organization internally while the **NF** certification highlights the quality delivered to the end client and establishes an obligation of results and not just an obligation of resources.

For the **NF** certification, the indicators requested - although defined by the standard - are often already present in call centres that measure the quality of contact (with, for example, the shape of the reception phase, the level of listening and the quality of the reformulation, conclusion and taking off, the time limit for answer calls, etc.). ISO 9001 certification gives the choice of indicators to companies that define them case by case

Some **key performance indicators** (KPI) for call centres are well known by professionnals:

Pick up rates and waiting time are the two essential KPI. NF reference 345 also mixes these two indicators: in fact, certified contact centres are expected to answer 80% of calls in less than 1 minute 30 seconds. In practice, the level of demand varies with the value assigned to the customer and the urgency of the call;

the average processing time (APT) for a call is today increasingly replaced by the **first call resolution rate.**

These elements are difficult to assess, and to follow in time series. They are not used in the SPPI calculation process.

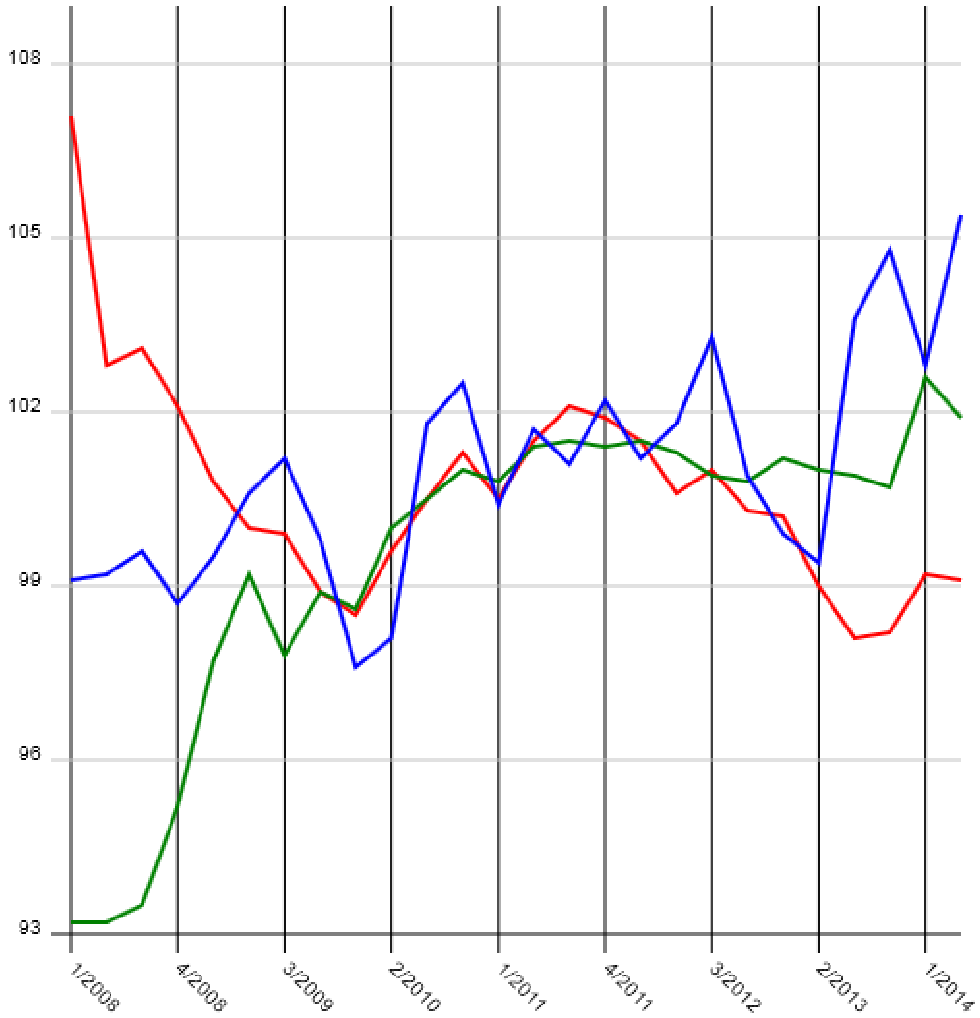
7.2 Are onshore and offshore comparable products ?

Calculating the average price of a service mixing items produced in the country and others produced offshore contradicts the commonly accepted theory (OECD-Eurostat methodological guide for developing producer price indices, page 20 : *« Notice also that the SNA/ESA rules identify location as a product determining factor. Conceptually, therefore, prices of "same" services provided by an enterprise in two locations should not be averaged but treated as different services. This requirement is met if establishments/LKAUs are used as elementary units in an SPPI. How closely this requirement can be followed, will depend on the type of service and specific conditions in a country »*

Our calculation method does not preclude to calculate price indices specifically for onshore and offshore. But the global index calculated and disseminated to National Accounts for instance is not be a simple aggregation of these two indices. We have used an average price as for "price discrimination" in order to reflect properly the "**theory of consumer utility**." Outsourcing is understood by the customer as lower prices, and National Accounts should show that, but they would not if the products were treated as non-comparable.

8 Calculation and dissemination

French services sell price indices to French businesses (BtoB) - Purchaser's price for contract escalation - Level divisions, groups and classes of CPF rev. 2



Series 001664541 : French services sell price indices to French businesses (BtoB) - Market price - CPA 82.20 - Call centre services - Reference 2010

Series 001664542 : French services sell price indices to French businesses (BtoB) - Market price - CPA 82.20 - Call centre services implanted in France - Reference 2010

Series 001664543 : French services sell price indices to French businesses (BtoB) - Market price - CPA 82.20 - Call centre services implanted offshore - Reference 2010