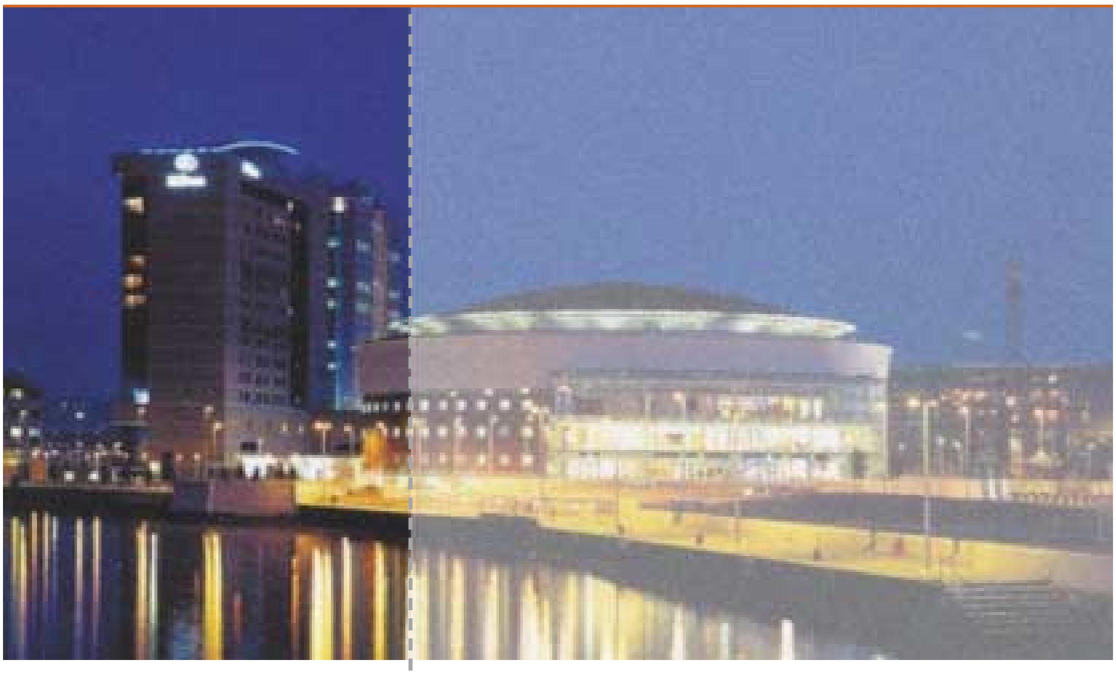
NorthernIreland
fresh talent at work



AUGUST 2003

An Assessment of Belfast, Northern Ireland, as a location for Call and Contact Centres

This White Paper shows that Belfast has the lowest attrition rate in the UK, very low supervisory management costs and an increasingly sophisticated workforce.

Belfast continues to represent the best possible value for money for call centre operators seeking to service customers from a familiar onshore base.

Prepared by
MITIAL INTERNATIONAL

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NATIONALsituation

The key issues identified for the call centre industry for 2003 and beyond are as follows.

Installed Base

The UK's call centre installed base will reduce from 3100 to 2100 by the end of 2004. The main reasons for these changes in priority order are:

- Over-capacity in specific verticals
- A move to multimedia contact centre/internet service driven by an empowered/IT educated consumer
- Economic downturn
- Offshore transfer

Vertical Markets

The UK's largest call centre vertical continues to be Financial Services. It will contract in 2003 due to:

- Merger and Acquisition activity
- Falling demand for mortgages
- Continued lack of stock-market investment opportunities
- Burgeoning consumer debt

However, this vertical will have renewed demand for call centre activity in the form of debt collection.

The Telecom vertical will continue to contract due to investment and solvency problems.

The growing consumer confidence in the Internet will reduce demand for call centres in the Hotel, Holiday & Leisure verticals.

E-Government investment will see more public sector call centres. However, many of the vendor and outsourcing suppliers have completely over-estimated the scale of opportunity in this area. There will not be enough outsourcing work in this area to sustain the over-supply situation in outsourcing.

Consumer

Consumer use and adoption of Internet, e-mail and SMS continues to rise. Aggressive marketing by mobile operators to raise revenue per user will guarantee greater use of thin appliances.

Therefore, the consumer's ability to use and demand multimedia service will grow without question. This will create a belated demand for multimedia ACD capability on the supply side.

There is clear evidence that the UK consumer is becoming resentful of financial services businesses serving them from India.

Location

The scale of offshore redeployment has been hyped, but does represent a significant threat to UK employment.

Large-scale redundancies of personnel from within the large outsourcers have created a plethora of intermediaries whose revenue now comes from brokering seats offshore and, notably, India.

South Africa and the Philippines were seen to have the potential to rival India. However, South Africa's monopolistic telecom market is restricting growth. A lack of European marketing on behalf of the Philippines seems to be preventing any meaningful development.

Security fears have become issues again recently with bombings in Mumbai (one of India's leading call centre locations) and in Manila in the Philippines. These events have raised basic security questions.

Outsourcing

In the UK, the USA and in other markets, most outsourcers are operationally challenged, meaning that to date no single player, or small group of players has managed to grow by achieving distinct competitive advantage over its/their rivals.

Many UK outsourcers will have no choice but to offer services from outside the UK in order to survive. However, their customers, the in-house call centres, can see the cost-advantages for themselves and seem to be using outsourcers in a limited way.

Mitial International forecast that 150 outsourced sites will be lost in the UK in 2003.

An analysis of UK outsourcers carried out by Mitial International for a client in September 2002 shows that the classic voice operator is now relatively unprofitable. By contrast, marketing agency groups such as Omnicom, offering voice, database marketing, white mail, distribution, in-store promotions and so on are winning larger, more profitable contracts at the expense of the low cost operators.

The poor profitability of some outsourcers also means that they will fail to pass scrutiny during the bidding process and as a result, fail to win critical contracts and then close down.

Salary & Attrition

It is becoming clear that the quality of the working environment and personal development are the most important issues to call centre staff.

It seems clear to Mitial that much attrition is caused through boredom in the workplace and the introduction of multimedia at the desk is proven to reduce attrition markedly. We also have a situation where the consumer is desirous of a more rounded style of contact.

Regional salary levels do not relate to generally held views. The most expensive linguists are now in the Northwest and not London and the most expensive inbound agents are in the Northeast.

Technology

2003 looks set to be the year for multimedia ACD adoption. The anticipated 2000 boom in this area did not materialise due to unrealistic vendor pricing, unproven consumer usage levels and conflict with other investments. The "stars now seem to be in alignment."

The need for sales proactivity and debt recovery will see a growth in adoption of diallers. The CRM systems market looks set to collapse in 2003 as customers move into more shared-risk development projects and become more confident about internally developed CRM solutions as providing a better ROI.

PEOPLE

Population

Northern Ireland had a mid year population of 1,697,000 on June 30th 2002. 61% of the population are of working age. This equates to over 1 million (1.04) people.

Belfast's population is almost 300,000 and draws on County Antrim and County Down travel to work areas.

According to the NI Annual Abstract of Statistics, over 503,000 people work in services in Northern Ireland.

Northern Ireland's demographics indicate a large increase in population over the next ten years.

Salary Levels and Attrition

Belfast has long had a reputation for low salary levels. In the last twelve months salary levels have moved towards (but still stayed below) a more typical UK average. Mitial believe this to be as a result of the workforce becoming increasingly skilled and climbing salary scales in key call centres rather than because of any type of labour competition.

Belfast salaries have increased in the last twelve months, but there has been no meaningful increase in attrition. The attrition level within Belfast is now 15% per annum, which is the lowest attrition level in the British Isles. Only Cardiff has a comparable level of attrition amongst leading cities.

Attrition in Belfast is half the level of that in both Glasgow and Dublin.

The Table opposite shows that Belfast carries a small premium for staff compared with the rest of Northern Ireland, but when compared to the UK average salary costs it compares very well.

Inbound agents are on a par with the UK average with basic salaries 2% lower than average.

Outbound salary levels in Belfast are 5% lower than the UK. Blended agents are not that common in Belfast, but are paid almost 10% less than the UK average.

Upon examining Team Leader and Supervisory salary levels, we found that Belfast salaries are much lower than UK average.

Team Leaders are 12% less expensive and Supervisors are almost 20% lower.

We noticed that Belfast call centres tend to have a higher Team Leader to Agent ratio than in the UK, with an average of 8 Agents to one Team Leader.

Absenteeism

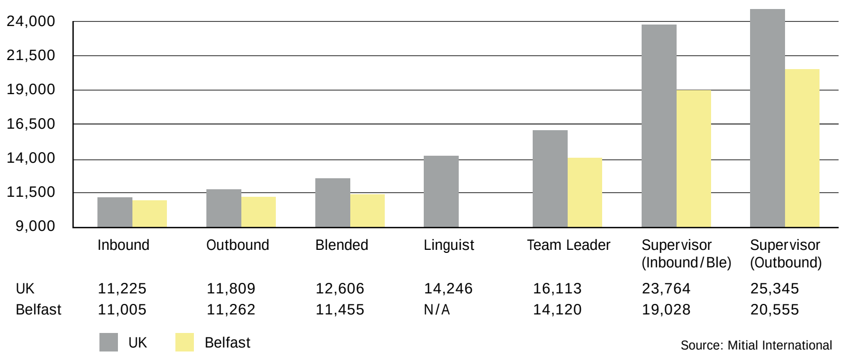
An interesting feature of NI's workforce is its low level of absenteeism. Call centres in Belfast enjoy very low absenteeism levels compared with other parts of the UK as the Table below shows. Belfast call centres enjoy the lowest levels of absenteeism in the British Isles, with an average of just 2% of days lost per annum compared with 5% or one day in twenty in Birmingham and 3.5% in greater Glasgow and Hull.

Comparison of Salaries

	UK Average	NI Average	Belfast Average
Inbound	11,225	10,900	11,005
Outbound	11,809	11,105	11,262
Blended	12,606	11,455	11,455
Linguist	14,246	13,892	N/A
Team Leader	16,113	14,770	14,120
Supervisor (Inbound/Blended)	23,764	18,590	19,028
Supervisor (Outbound)	25,345	20,002	20,555

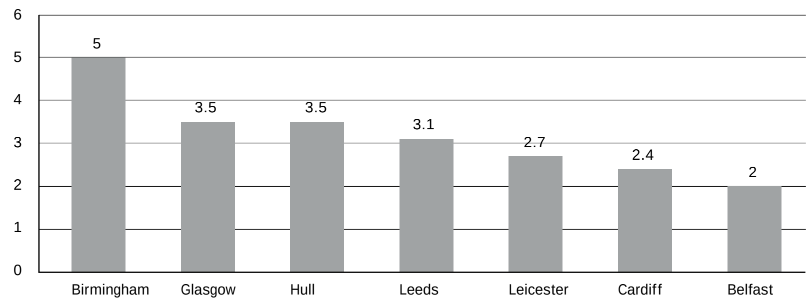
Source: Mitial International

Comparison of UK and Belfast Averages



Source: Mitial International

Staff Absence Levels % Per Annum 2003 Midyear



Source: Mitial International

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INSTALLEDbase

Belfast is home to a very mixed group of contact centres as the Table shows below.

Belfast's Installed Base of Call Centres August 2003

Company	Vertical	Function	Projected Employees
Abbey National Banking Centre	Financial Services	Customer Services	550
ACER Ireland	ICT	Technical Support	100
Bass Ireland Limited	Catering	Customer Service, Telesales	20
Belfast Telegraph	Telecoms	Telemarketing	12
British Airways	HHL	Telesales	120
BT	Telecoms	Telesales, Billing, Customer Service	200
Capita Group (BBC)	Outsourcing	Helpdesk	120
Child Support Agency	Government Customer	Service	16
Childline	Healthcare	Helpdesk	100
First Choice Holidays	HHL	Reservations	20
First Trust Bank	Financial Services	Customer Service	40
Fujitsu Services	ICT	Technical Support	55
gem	ICT	Customer Service, Telemarketing	200
HBOS	Financial Services	Cust Service, Telemarketing/Sales/Billing	1,500
HCL Technologies	Outsourcing	Various including BPO	820
Insurance Advisory Service	Financial Services	Telesales	250
National Bank of Australia	Financial Services	Debt Factoring	70
Nortel Networks	Telecoms	Technical Support	55
Northern Ireland Electricity (SX3)	Utilities	Billing, Helpdesk, Customer Service	100
NTL Home & Business	Telecoms	Customer Service & Sales	550
Police Authority For Northern Ireland	Government	Emergency Services	30
Prudential Assurance	Financial Services	Customer Service	350
Royal Mail Customer Services	Post &Courier	Customer Service	e25
Segue Software	ICT	Technical Support	34
Teletech	ICT	Technical Support	900
Ulster Bank	Financial Services	Customer Service	130
		Total Known	**6,342**
		Total Estimated	**6,400**

Source: Mitial International NB: This is not a census

EXECUTIVEsummaryANDconclusion

Belfast has the lowest attrition rate of Agents in the British Isles with a 15% annual churn. It also has the lowest level of absenteeism in the UK with just 2% of man-days lost to absence.

Salary levels are now approaching UK average for Agents, but Team Leaders and Supervisors provide particularly good value for money.

Belfast's population of almost 300,000 and a working population of over 1 million in Northern Ireland means that there is plenty of room for growth. The relatively recent establishment of a shared service centre by Regus shows that Belfast is capable of developing up the value chain in shared service and advanced contact centre working. The close proximity of software development and customer service has long been a feature of Belfast. Openwave's 150-person software development centre is a good example.

Belfast's installed base is very mixed and not dependent on any specific verticals. However, considering the size of the installed base, there is strength and depth in knowledge-based businesses and the massive output of graduate software engineers from the two universities is thought to be a major reason for successes in this area.

Belfast is one of the very few cities in Europe to see reverse investment from India. HCL Technologies took over and have subsequently developed the BT Apollo call centre.

Clearly, Belfast is equal to or better than any other call centre location in the British Isles. Low overall staff costs (due to average agent and very low supervisory management costs), the lowest attrition in the British Isles and a large feed of specialist technology graduates mean that Belfast should continue to expand it's share of Europe's advanced call and shared service centres.

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