

***BACK OFFICE/CALL CENTER
ANALYSIS
of the
ROCKFORD, ILLINOIS AREA***

PREPARED FOR THE:
Rockford Area (IL) Economic Development Council

PREPARED BY:



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Introduction

The Rockford Area Economic Development Council (EDC) has commissioned Carter & Burgess, a major national site selection and architectural/engineering firm, to conduct this back office/call center analysis. The objective of this analysis is to:

- 1) Assist economic development officials in advising location/expansion prospects.
- 2) Advise officials regarding marketing needs and improvements.

The analysis examines the critical hiring and location factors facing a prospect, including salaries/wages, labor availability, labor quality, office properties, education/training, cost of living and other related factors. The analysis includes cost comparisons based on a hypothetical model for a technical support center. Finally, the analysis presents critical conclusions and useful recommendations.

In order to gather the best information, we interviewed a cross section of customer service-type companies and educators in the Rockford market in May 2007. This is the very method that we use for analyzing a community for a corporate client seeking a new location. Interviewed companies included:

Dial America
Honeywell
NCO Group
Rasmussen College
Rock Valley College

Rockford Business College
Thermo Fisher Scientific
Vision Financial Corp.
West Corp

The Cost Comparison Model

Carter & Burgess prepared a hypothetical customer service center project model (see following page). From this we prepared a spread sheet model (see pages 5-6) that compares the following cost items:

- Wages/salaries
- Fringe benefits
- Office lease costs
- Corporate income taxes
- Electric power costs

We compared Rockford costs against those in:

- Madison, WI
- Iowa City, IA
- Indianapolis, IN
- Naperville, IL
- Springfield, IL.

Project Model
Customer Support Center

Purpose: In-bound call center offering technical support and sales for insurance and financial services with a heavy emphasis on information technology capacity.

Hours of Operation: 16 hours per day (2 shifts); 7 days per week

Labor: 110 total
4- managerial
12- technical support specialists
4- customer service supervisors
40- customer service representatives
20- help desk representatives
30- data entry operators

Utilities: Electric Power- Demand: 100 KW; Energy: 50,000 Kwh/month (average).
Telecommunications- Fiber optics and electric switching providing high capacity capabilities

Building: 30,000 square feet, Class B+ office space.

Machinery and Equipment: \$3 million

Other Critical Factors: Good access to reasonably priced customer service and financial technical talent; innovative training programs, affordable cost of living and good quality of life.

Rockford Area Back Office/Call Center Analysis

CUSTOMER SUPPORT CENTER ANNUAL OPERATING COSTS

	Rockford, IL	Madison, WI	Iowa City, IA	Indianapolis, IN	Naperville, IL	Springfield, IL
Wages & Salaries						
Mgmt./Supervision						
Number	4	4	4	4	4	4
Annual Salary	\$68,123	\$66,805	\$62,745	\$66,530	\$71,292	\$64,906
Total Salary	\$272,492	\$267,220	\$250,980	\$266,120	\$285,168	\$259,624
Technical Support Specialists						
Number	12	12	12	12	12	12
Annual Salary	\$54,862	\$53,772	\$50,459	\$53,494	\$65,719	\$61,233
Total Salary	\$658,344	\$645,264	\$605,508	\$641,928	\$788,628	\$734,796
Customer Service Supervisors						
Number	4	4	4	4	4	4
Annual Salary	\$38,726	\$38,604	\$36,460	\$38,004	\$40,825	\$37,645
Total Salary	\$154,904	\$154,416	\$145,840	\$152,016	\$163,300	\$150,580
Customer Service Representatives						
Number	40	40	40	40	40	40
Annual Salary	\$22,381	\$25,063	\$23,591	\$24,503	\$25,264	\$23,756
Total Salary	\$895,240	\$1,002,520	\$943,640	\$1,010,560	\$950,240	\$950,240
Help Desk Representatives						
Number	20	20	20	20	20	20
Annual Salary	\$34,889	\$35,033	\$32,979	\$34,473	\$36,327	\$33,744
Total Salary	\$697,780	\$700,660	\$659,580	\$689,460	\$726,540	\$674,880
Data Entry Operators						
Number	30	30	30	30	30	30
Annual Salary	\$21,579	\$22,213	\$20,907	\$21,652	\$22,099	\$20,902
Total Salary	\$647,370	\$666,390	\$627,210	\$649,560	\$662,970	\$627,060
Total Annual Salary Costs	<u>\$3,326,130</u>	<u>\$3,436,470</u>	<u>\$3,232,758</u>	<u>\$3,409,644</u>	<u>\$3,576,846</u>	<u>\$3,397,180</u>
Fringe Benefits						
Medical/Dental/Vision @20 %	\$665,226	\$687,294	\$646,552	\$681,929	\$715,369	\$679,436
Disability @1.5 %	\$49,892	\$51,547	\$48,491	\$51,145	\$53,653	\$50,958
FICA @ 7.5 %	\$249,460	\$257,735	\$242,457	\$255,723	\$268,263	\$254,789
Life @ .75 %	\$24,946	\$25,774	\$24,246	\$25,572	\$26,826	\$25,479
Unemployment Insurance (UI) Rate	3.90%	3.40%	1.00%	5.40%	3.90%	3.90%
UI Cost	\$34,320	\$28,560	\$17,600	\$30,240	\$34,320	\$34,320
Worker Comp Rate-Office (per \$100)	\$0.60	\$0.51	\$0.43	\$0.28	\$0.60	\$0.60
Workers Compensation Cost	\$19,957	\$17,526	\$13,901	\$9,547	\$21,461	\$20,383
Fringe Benefit Load Factor	31.38%	31.09%	30.72%	30.92%	31.31%	31.36%
Total Annual Fringe Benefits Costs	<u>\$1,043,800</u>	<u>\$1,068,436</u>	<u>\$993,246</u>	<u>\$1,054,156</u>	<u>\$1,119,893</u>	<u>\$1,065,364</u>

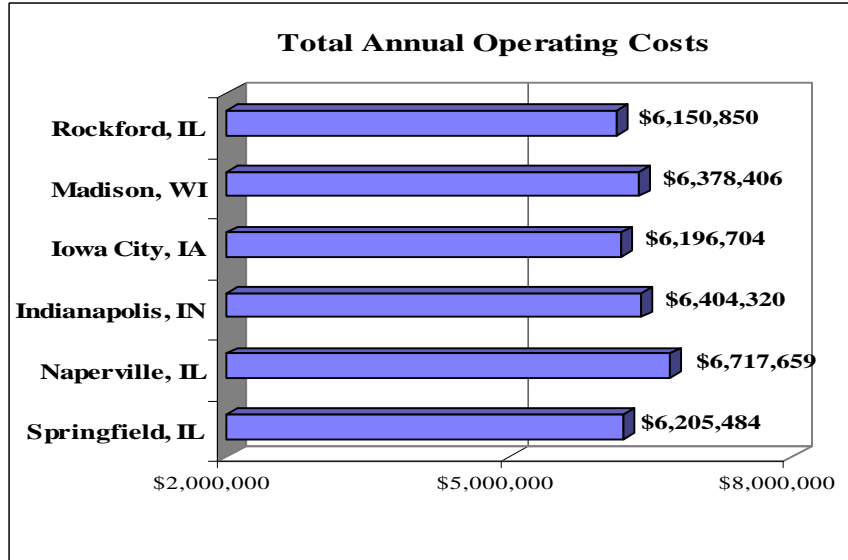
Rockford Area Back Office/Call Center Analysis

CUSTOMER SUPPORT CENTER ANNUAL OPERATING COSTS (Cont)

	Rockford, IL	Madison, WI	Iowa City, IA	Indianapolis, IN	Naperville, IL	Springfield, IL
Lease Costs (Class B+ Office)						
Square Feet Office	30,000	30,000	30,000	30,000	30,000	30,000
Cost per Square Foot of Office (NN)	\$15.50	\$18.50	\$18.00	\$19.77	\$23.50	\$14.50
<u>Total Annual Lease Cost</u>	\$465,000	\$555,000	\$540,000	\$593,100	\$705,000	\$435,000
State/Federal Corporate Income Taxes						
Adjusted Taxable Income	\$3,000,000	\$3,000,000	\$3,000,000	\$3,000,000	\$3,000,000	\$3,000,000
State Income Tax Rate	7.30%	7.90%	11.10%	8.50%	7.30%	7.30%
Federal Income Tax Rate	35.00%	35.00%	35.00%	35.00%	35.00%	35.00%
<u>Total State and Federal Income Taxes</u>	\$1,269,000	\$1,287,000	\$1,383,000	\$1,305,000	\$1,269,000	\$1,269,000
Electric Power Costs						
KW Demand	100	100	100	100	100	100
KwH/Month Usage	50,000	50,000	50,000	50,000	50,000	50,000
Cost/KwH	\$0.0782	\$0.0525	\$0.0795	\$0.0707	\$0.0782	\$0.0649
<u>Total Annual Electric Power Cost</u>	\$46,920	\$31,500	\$47,700	\$42,420	\$46,920	\$38,940
	Rockford, IL	Madison, WI	Iowa City, IA	Indianapolis, IN	Naperville, IL	Springfield, IL
Total Annual Operating Costs	\$6,150,850	\$6,378,406	\$6,196,704	\$6,404,320	\$6,717,659	\$6,205,484
<i>Amount greater (less) than Rockford</i>		\$227,555	\$45,854	\$253,470	\$566,808	\$54,634
<i>% Difference from Rockford</i>		3.70%	0.72%	4.09%	8.85%	0.81%

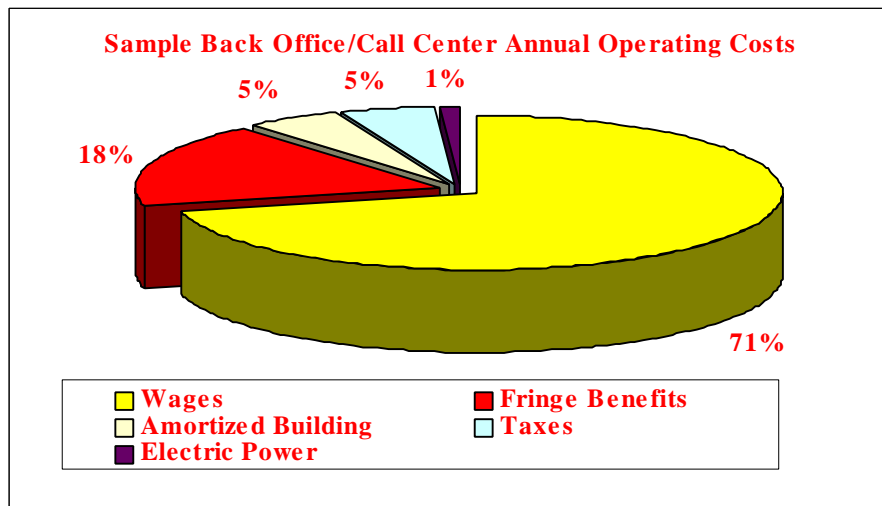
Annual Operating Costs

- **Rockford is the low cost location for this project.** Over \$560,000 could be saved over Naperville, IL and over \$250,000 could be saved over Indianapolis by locating in Rockford.



Labor Costs

Wages/Salaries - represent the largest single element of the annual operating cost, often over 70% of total costs (see below).

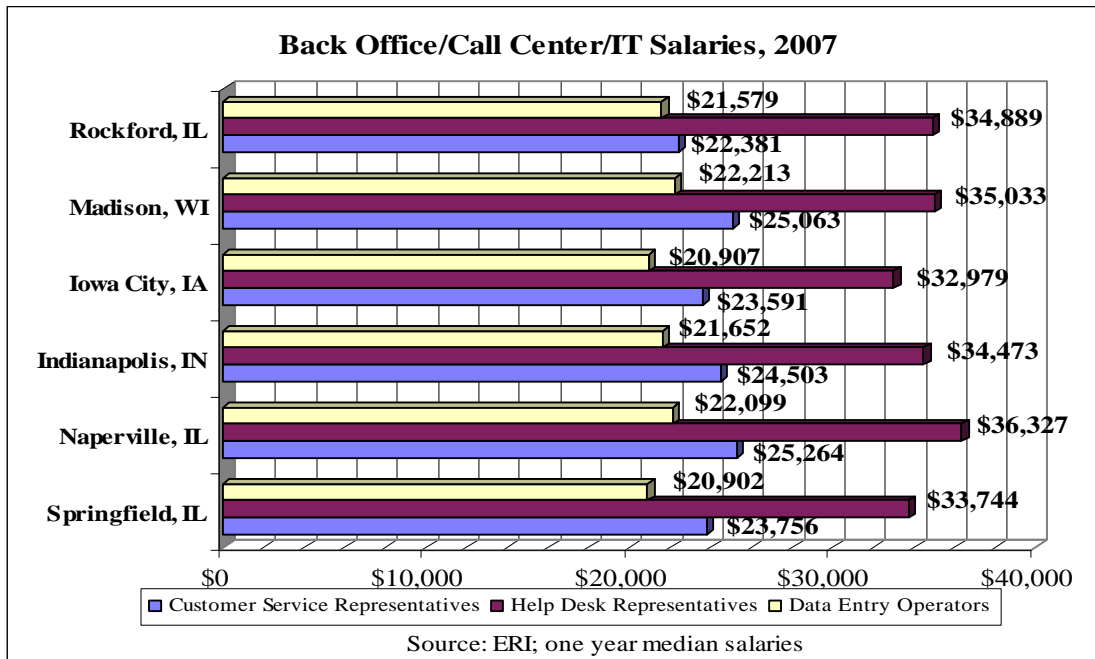


We used wages here are from our national wage database¹, except for customer service representative. *All wages are quoted as “median” with one-year experience.*

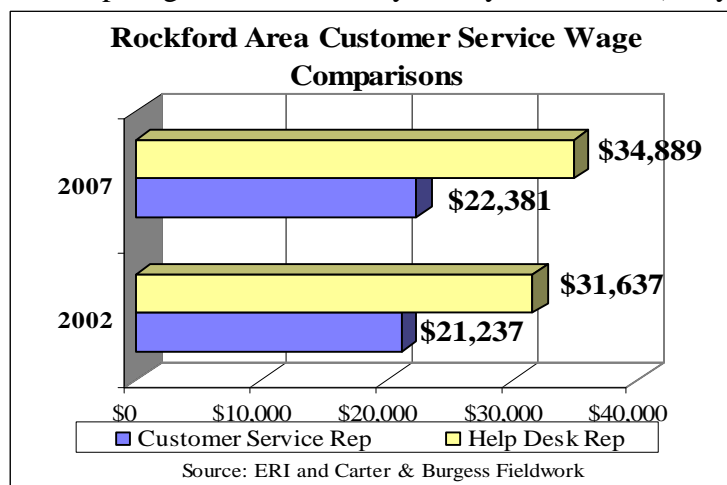
¹ Economics Research Institute (ERI), April, 2007.

Wage and salary costs represent 54% of the total operating costs for this project model. This is the largest single cost factor.

- **Rockford has the lowest overall wage/salary costs.** Over \$250,000 per year would be saved by locating this project in Rockford instead of Naperville.
- Rockford customer service rep wages are 13% less than Naperville and 12% less than the Madison.



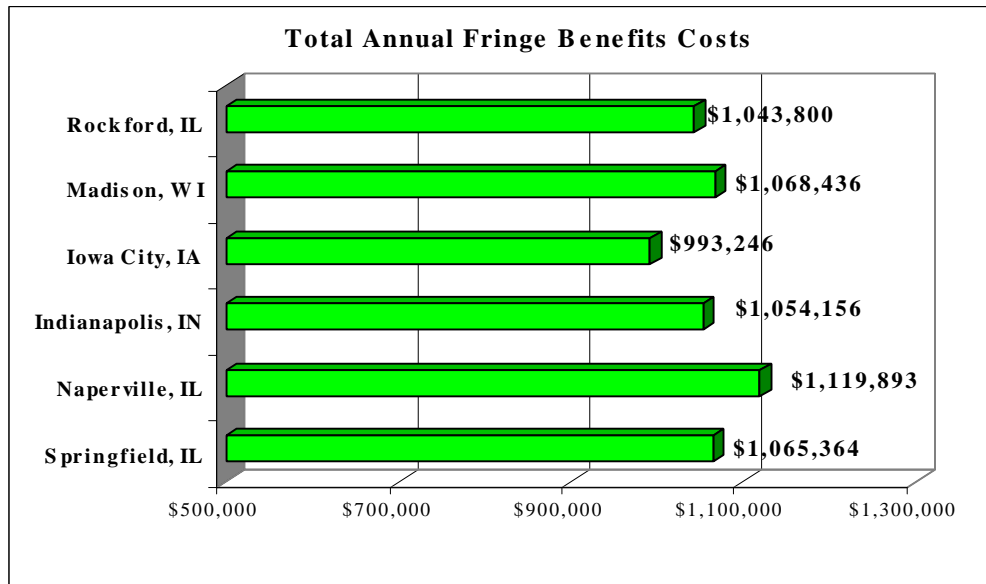
- Customer service rep wages have risen very slowly since 2002 (1%/year).



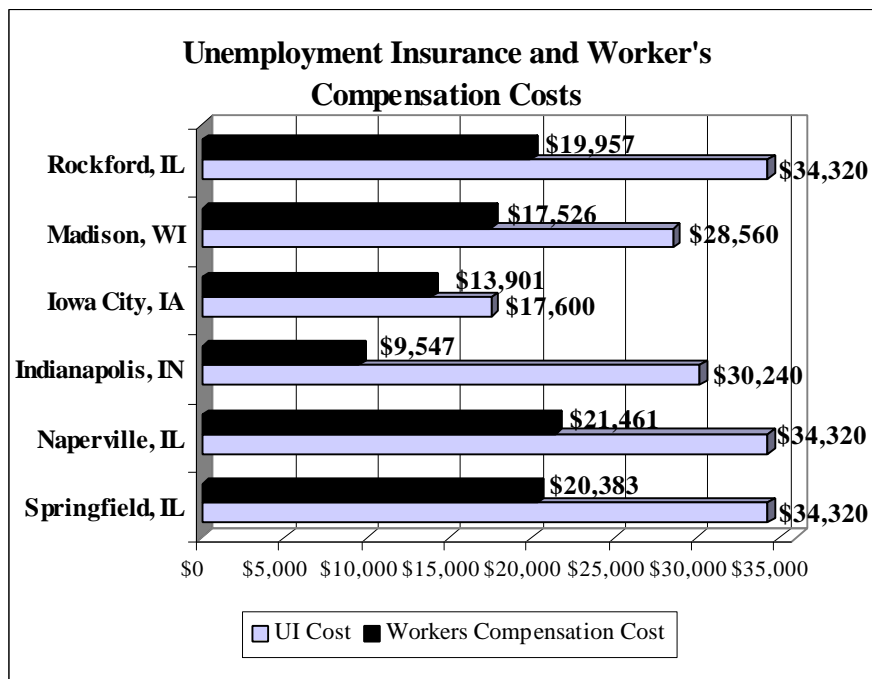
Fringe Benefits

Fringe benefits represent approximately 17% of the total annual operating costs for this project. Fringe benefits include: medical insurance, disability, Social Security taxes (FICA), life insurance, unemployment insurance and workers compensation.

- **Rockford has the 2nd lowest fringe benefit costs behind Iowa City.**



- Illinois' unemployment insurance and worker's compensation rates are higher than the neighboring competitor states, but these costs are minor in the project model.

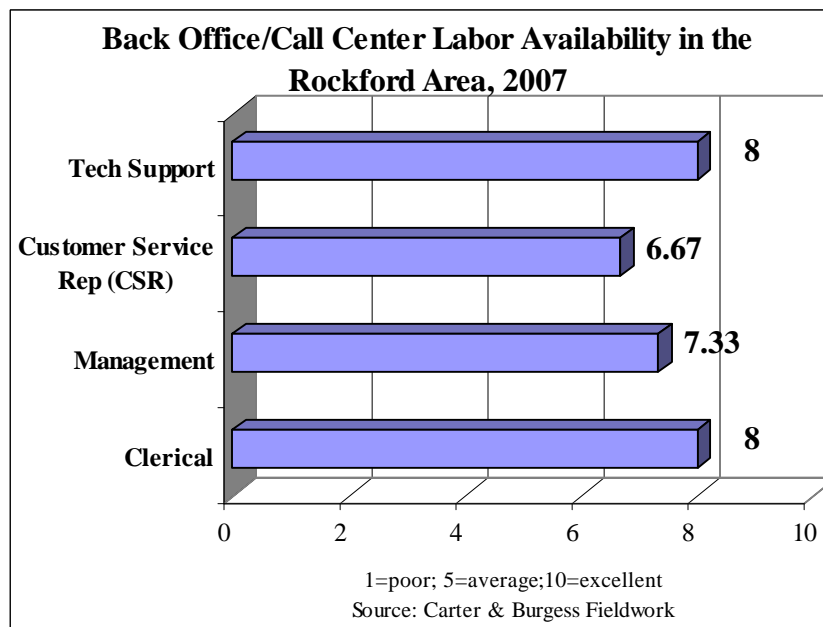


Labor Availability in Rockford

The ability to find qualified customer service representatives (CSRs) and related talent is critical to the success of any back office/call center-type project. Availability of CSRs is dictated by the size of the market and wages/fringes offered.

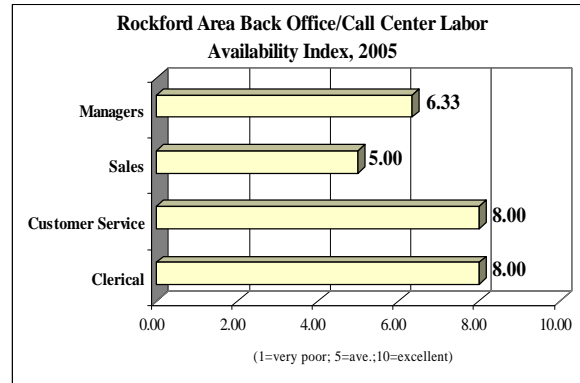
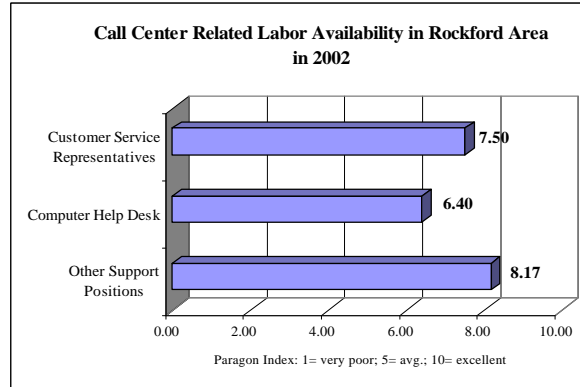
Through interviews, we were able to determine customer service-type availability in the Rockford market. We use the Carter & Burgess Index which measures availability on a one to ten point scale (1= very poor; 5=average; and 10=excellent). We use the same index in all of our labor market analysis nation-wide and this gives a true “apples to apples” comparison of different communities. Generally, scores of 5 to 6 are “high average”; 6 to 7 are “above average”; 7 to 8 are “good”; 8 to 9 are “very good” and 9 and over are “excellent”.

- **Currently, customer service availability is generally “good to very good.”**



We have had the opportunity to assess customer service availability in Rockford in the past. The following depict customer service availability in 2002² and 2005.³

- **Generally, the availability of customer service representatives was slightly better in 2002 and 2005 than it is today.**
- However, tech support (help desk) availability appears to be better today than in 2002.
- Underemployed workers appear to be abundant in this market today.



² 2002 Paragon Study

³ 2005 Carter & Burgess Target Industry Analysis

The following are availability-related facts that we learned in our interviews:

- Criminal back ground checks have proven to be an effective method of “weeding” the applicant pool.
- Workers do not have to commute far; 93% of employees live within 15 miles of their job; 100% within 30 miles.
- Employers need to give themselves adequate time to “staff-up.”
- Relocation of employees is a challenge, but easier once you get them here to look around.
- Chicago, Madison and Milwaukee are good markets from which to recruit technical talent.
- This market is becoming much more wage sensitive.
- Most employers are recruiting successfully using standard methods: newspaper, radio, TV, Internet and “word of mouth”.
- Availability is good now, but there is concern over the saturation of the customer service market here.
- Rockford must compete with “more attractive” college town markets.
- Relatively low turnover means less talent on the streets currently.

The “Wage Threshold” in Rockford

The “wage threshold” is the ideal wage for attracting and retaining employees. Offering below the threshold will result in poorer recruiting and loss of employment to better paying local companies. Offering above the threshold will result in excellent recruiting (including “pirating” from other local companies) and retention, but will be too costly to the company. We determined the local CSR wage through interviews, from the ERI wage database and current availability data.

- **The current annual wage threshold for CSRs in the Rockford market is \$22,880⁴ (\$11.00 per hour).**
 - This is above the current average CSR wage of \$22,880 (\$10.76 per hour).
 - This is below the published wage⁵ of \$24,539 (\$11.80 per hour).
 - This is up from \$20,280 (\$9.75 per hour) in 2002 which was at the time below the published median salary of \$21,237.
 - Availability is currently only “above average”(6.67) and this wage threshold would improve attraction.

⁴ For worker with one-year experience.

⁵ ERI, April, 2007

Labor Quality in Rockford

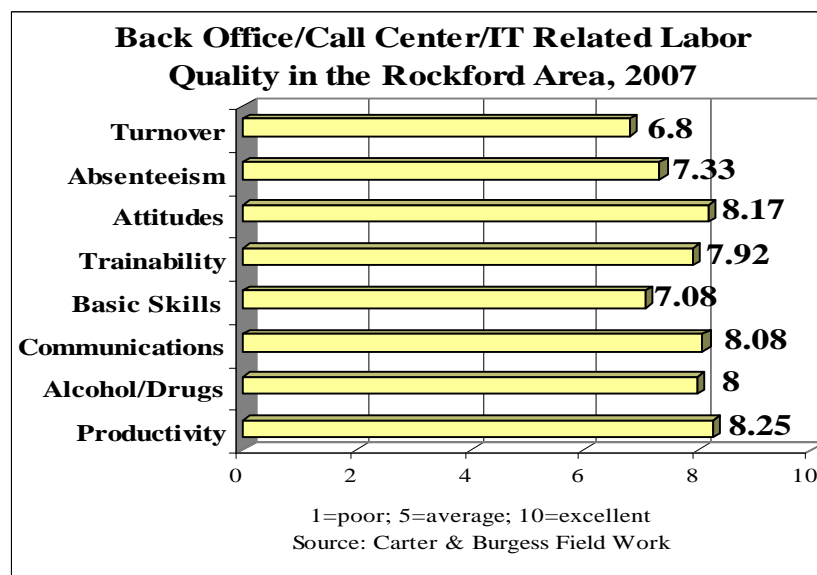
Good quality workers will be essential to the success of any project. Through interviews we were able to determine labor quality in the Rockford market.

We asked employers to rank select factors on the one to ten scale. We created the Carter & Burgess Index from these scores. We use the same factors in all of our labor analysis, in order to get an “apples to apples” comparison of communities in different regions. Factors included:

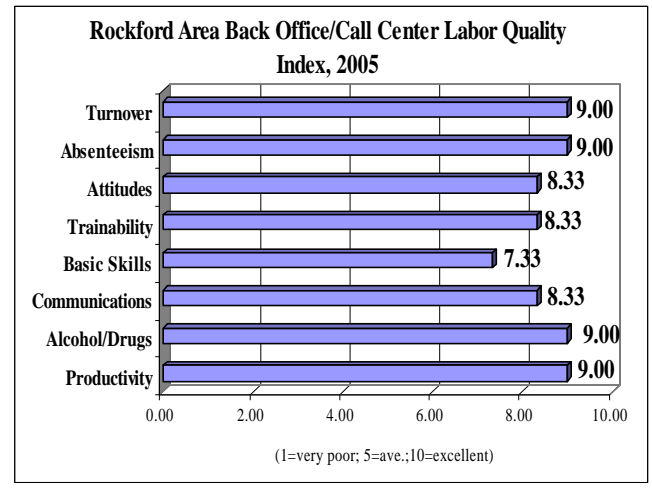
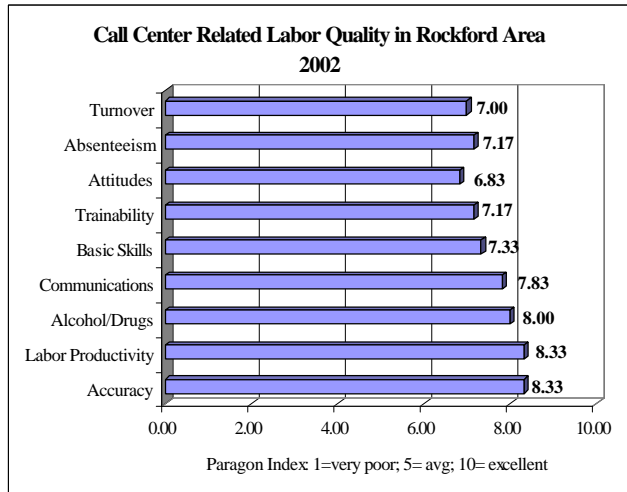
- Turnover
- Absenteeism
- Attitudes – on-the-job
- Trainability – employees response to training
- Basic skills – math, English, grammar, commuter use, etc. of applicants.
- Communications – Employer/employee and employee/employee on-the-job.
- Alcohol/drugs – Perceived situation
- Productivity – Employer’s measure

Generally, scores of 5 to 6 are “high average”; 6 to 7 are “above average”; 7 to 8 are “good”; 8 to 9 are “very good” and 9 and over are “excellent”.

- **The overall quality of the workforce is rated “good”.**
 - Attitudes, communications and productivity are rated very good.
 - Turnover is rated “above average.”
 - Turnover, basic skills, and productivity have declined slightly since the 2002.
 - Absenteeism, attitudes, trainability and communications have improved since 2002.
 - All items have declined slightly since the 2005 study.



Rockford Area Back Office/Call Center Analysis



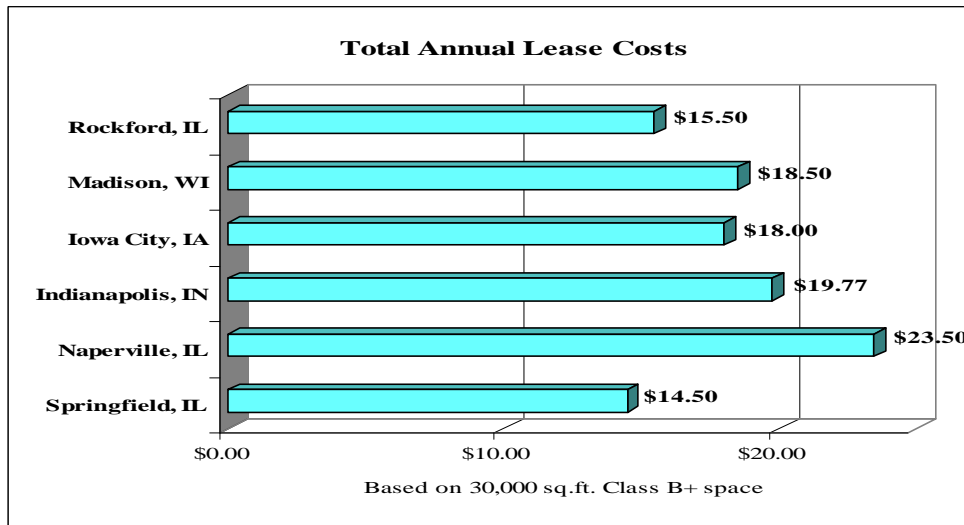
The following are quality-related facts that we learned in our interviews:

- Turnover is only in the 20% range, well under the industry average (100%).
- Alcohol/drugs are not a problem. Drug testing is commonplace.
- Basic skills of applicants are deteriorating; employers would like to see better CS skills, better communication skills and more drive/determination.
- Employees are generally eager to learn.
- Productivity is very good overall.

Office Costs and Availability

Annual office lease costs represent about 8% of total annual operating costs in the model.

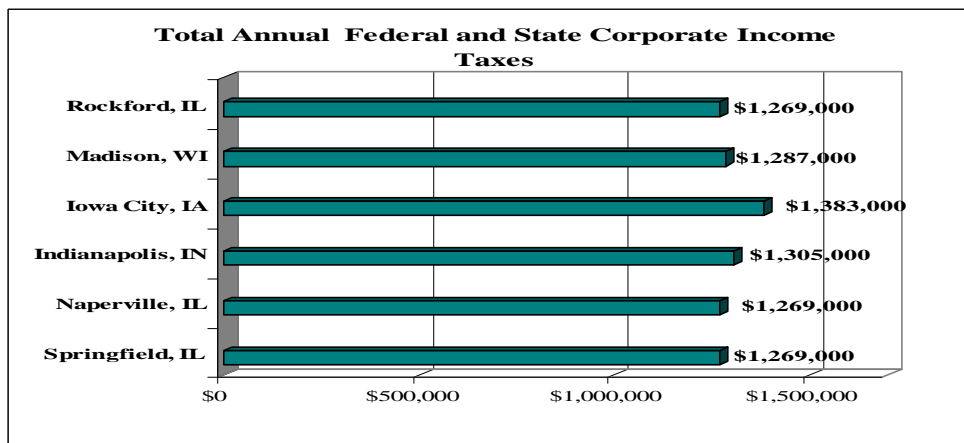
- **Rockford lease costs are the 2nd lowest behind Springfield.**
- Class B & C office availability appears fairly good, however, there is very little if any true Class A space.



Select Taxes

Corporate income taxes represent about 20% of the annual operating costs of the project, assuming a federal tax rate of 35%. No property taxes come into play here since this is a lease deal.

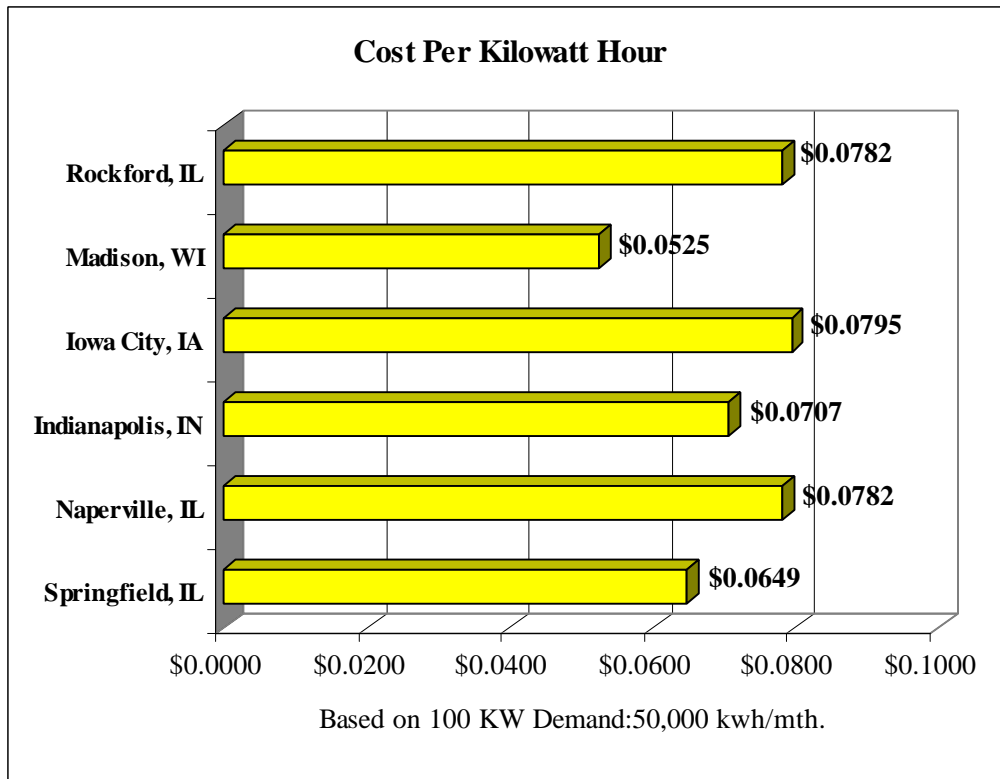
- **Illinois corporate income taxes are lower than the competitor states.**



Electric Power

Power costs are a minor cost in this model, only approximately 1%.

- **Exelon/Commonwealth Edison’s rates are the highest, but they do offer some flexible programs, including economic development incentive rates for select projects (not our model).**



Telecommunications

- **Telecommunications infrastructure is excellent in Rockford.** There are numerous local carriers offering: broadband; sonic fiber rings (with OC3-OC48 fiber cables), dark fiber, ATM (asynchronous transfer mode), DSL, virtual private networks, and a multitude of POPs (points of presence).

Higher Education Opportunities

- **There are number of institutions of higher education in the Rockford area that can offer assistance to back office/call center/IT companies.**

Rock Valley College

Rock Valley College is a highly rated two-year institution offering courses/services in a number of administrative areas, such as.

- Customer service/sales
- Conflict management
- Leadership

Degrees are offered in business accounting, computer and information systems, financial services, and marketing/sales and management. Seamless four-year degree agreements with many colleges and universities are also offered.

Northern Illinois University

Northern Illinois University has a branch campus in Rockford and its main campus is in nearby DeKalb. NIU offers a multitude of degrees and courses in management, finance, and other administrative areas.

Rockford Business College

Rockford Business College is one of the oldest institutions in the Midwest and offers a number of customized programs that could assist a locating company:

- CS related
- Telephone training
- Business
- HR/Office management
- MCI courses
- Externships

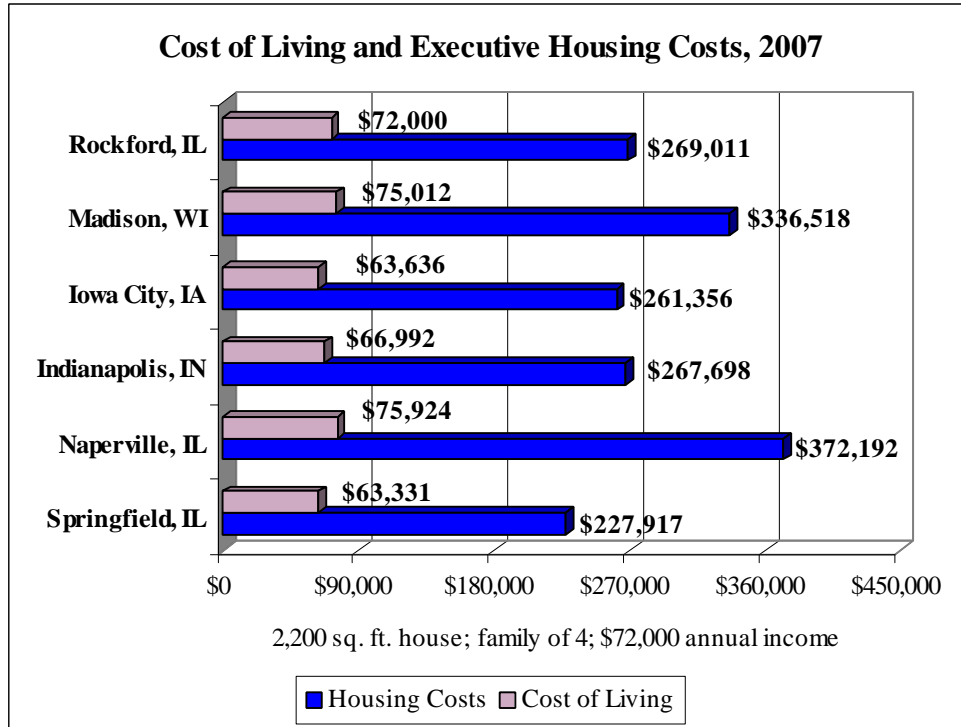
Rasmussen College

The newest college in Rockford offers a number of courses that could be helpful to new or expanding call center-type businesses:

- CIT/Help Desk
- Customer Service
- Marketing.

Cost of Living/Housing

- **Rockford is the 4th lowest cost of living locale, much less expensive than Madison or Naperville.**



Critical Conclusions

- The Rockford customer service market is very positive.
- It could be the low cost Midwest location (as it is in our model).

Labor Costs

- Customer service (CSR) wages have risen very slowly in recent years, but recent demand will require this wage to move closer to the “wage threshold” of \$11.00 per hour from the current \$10.76.
- Expect CSR wage increases over the coming year. Demand should be high in the near future for customer service positions based on recent new project locations/expansions.

Availability

- Availability is generally good to very good, but there is concern regarding market saturation as evidenced by the slip in CSR availability.
- The Rockford customer service market is reaching critical mass meaning “higher end” (i.e. tech support) functions may take a closer look.
- This market could support a mid-sized (200-300 seat) “higher-end” customer service center, such as financial and technical support.

Quality

- Overall labor quality is “good.”
- Basic skills and the lack of “soft” skills of applicants are still the greatest addressable challenges since basic skills ratings have slipped since 2002.
- Turnover is well below the national average annual for the industry, but ratings have slipped a bit.

Recommendations

1) Stress your good availability and quality with prospects. Advise them to:

- Hire CSRs (with one-year experience) at the wage threshold of \$11.00.
- Explore new and unique fringe benefits for this market such as tuition reimbursement, on-site day care or health club, to improve availability.

2) Plan an aggressive marketing campaign.

- Recruit inbound call center operations and “higher end” projects.
- Plan telemarketing/direct mail/prospecting trip campaigns into Chicago, Minneapolis and Indianapolis.
- Continue to promote through testimonials and add this report to your web site.
- Attend select trade shows. We suggest:

Call Center 2.0

September 10-12, 2007

Los Angeles Convention Center

Los Angeles, CA

www.tmcnet.com

ITEXPO East

January 22-25, 2008

Miami Beach Convention Center

Miami Beach, FL

www.tmcnet.com

Communications Developer Conference

May, 2008

TBA

www.tmcnet.com

3) Help to develop a call center training program stressing higher-end support services.

4) Conduct a detailed building inventory and “spec building” needs analysis.

5) Develop a relocation incentive program designed to assist expanding companies to move key employees to Rockford.

6) Educate the business community using this report and continuously monitor wages, availability and quality. Update this report at least annually (don't wait another five years).

Carter & Burgess is available to assist you with these recommendations.

For More Information Regarding This Report, Please Contact:

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