

Zagada Institute
Caribbean Call Center Report
2002

Sponsored by:

NORTEL
NETWORKS
(CALA)



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I. The Premise

Given current market conditions, Fortune 1000 companies are increasingly under pressure by their stakeholders to control costs, reduce capital expenditures and enhance quarterly performance. Outsourcing call center projects to lower cost markets has become a popular fiscal strategy among corporate managers. According to IDC, a Framingham Massachusetts research firm, “worldwide customer – care services represented a US\$34.9 billion market in 2001.” Experts project that the market will exceed US\$90 billion by 2006. Pressures from globalization, falling agricultural prices on world markets, and the persisting uncertainty in the hospitality sector, have spurred a renewed interest by Caribbean governments and companies to accelerate their efforts in expanding jobs and growing profits in the information, communication and technology (ICT) area.

Regional governments’ willingness to fund training and provide incentives to local and foreign operators fares well for corporate outsourcing priorities. While the market is expanding at an exponential rate, analysts are concerned with the low levels of success in making outsourcing work effectively. Research firm Gartner assesses outsourcing as a 50/50 proposition. Furthermore, they indicate that “a staggering 80% of IT outsourcing deals don’t achieve desired results.” In an attempt to promote efficient outsourcing, the Zagada Institute, with funding sponsorship from Nortel Networks, has examined the state and capability of the call center industry in the Caribbean.

This study serves as a guide to companies seeking to evaluate the viability of outsourcing their call center needs to the Caribbean. While India is often seen as the developing world’s prime benefactor of the move to go offshore – growing to US\$18.6 billion by 2008-09 from its US\$224 million 1998-99 figures – the Caribbean is emerging as a competitive force. Corporate decision makers are finding comparable or better value in the Caribbean predicated on proficiency, proximity and preparedness. While the study identified corporate run call centers, the main focus was on commercial call centers serving third party clients. While the large telecommunication companies play a fundamental role across the region and operate their respective customer support call centers, the study did not directly target these participants. The study sought to benchmark data based on the results from the following questions:

- i) the number of centers
- ii) the location of centers
- iii) the operational strength of centers

- iv) the industry and service focus
- v) the number of agents, employees, and seats
- vi) the technology in place, and
- vii) the disaster recovery preparedness of centers

This study, from its outset, aimed to be an “applied report,” to aid U.S. corporations and global businesses in the call center decision-making process. The concept of an applied report entails the analysis, assessment, and evaluation of data with the intent of creating and launching a “branded” solution for both public and private sector stakeholders. The Sphaero Alliance™ is this branded solution.

II. The Methodology

The study was conducted with the support of several regional government economic development agencies (EDAs). On some occasions, as in the case of Haiti, the economic development officer of the foreign embassy was interviewed. After the information was received from the EDAs, it was examined to ensure that the companies involved were bona fide operating call centers rather than data entry centers or other marginal operations.

A questionnaire was electronically distributed to call center management with a follow up telephone interview with senior call center executives. The interview process also sought to extract information relative to the call centers' commitment to sustain and grow business. The report attempted to substantiate each center's commitment by inquiring about four critical factors: years in business, parent company and investor backing, Fortune 1000 client accounts and technical infrastructure. Responses to these questions were used as key elements in identifying, selecting, and inviting the ten best call centers into the Sphaero Alliance™. The study identified two types of centers:

- a. **Corporate call centers**, which are owned and operated by regional and international corporation and to fulfill their intrinsic customer service needs, and
- b. **Commercial call centers**, which operate as a stand-alone business to serve third party clients.

III. The Results

The Caribbean is home to approximately 50 call centers varying from 7 to 800 agents per center with seating capacity ranging from 10 to 1000. The industry has created over 11,000 agents jobs, with regional seating capacity exceeding that same number. There are 12 corporate call centers which are located in the Dominican Republic, Trinidad and Puerto Rican markets. The remaining thirty-eight business call centers are scattered across the region.

Jamaica appears to be the most successful market thus far with 13 business call centers, providing in excess of 3,000 agents and seats. The Organization of Caribbean States (OECS) markets have eight businesses call centers with close to 1800 agents and a capacity of approximately 1500 seats. Three of Puerto Rico's six centers focus on business, with its market consisting of 1635 agents and 1350 seats. Trinidad's 1010 agents and 940 seats reflect the relative success of one major business call center (DirecOne, Paragon) and six corporate call centers including that of Federal Express and BWIA. Barbados's Caribaya business call center employs 200 of that market's 263 agents. Guyana has one business call center (Atlantic Teleservices) with 125 agents and seating capacity in excess of 400. Several new centers are set for expansion into Antigua, Jamaica, Trinidad, Guyana, the Dominican Republic and St. Lucia.

IV. Analysis of Key Players

The study revealed an encouraging number of locally owned operators in these markets as well as a number of substantial U.S and internationally run companies. Also of note were a few operators that were jointly owned by international entities in partnership with local businesses and in some cases with local governments. In Jamaica, companies such as Sitel operate as a joint venture and benefit from the parent company's established U.S. network of centers. Alliance One, with about ten U.S centers, manages its Jamaica call center as a fully owned offshore operation. Teleservices of Jamaica runs a substantial business and recently announced a partnership with West Corporation, arguably the world's largest independent telemarketing firm. Several centers are locally owned and operated, reflecting a positive internal dynamic. Of note is Westcom Information Technology which may be the region's first developer of call center applications for resale into the Jamaican market. Westcom is currently positioning its application for regional and global marketing, distribution and sales.

Barbados's Caribaya is principally owned by the Neal & Massy, the English Caribbean's largest publicly traded company. The center is managed by U.S based Technion, who own and operate a number of major centers in North America. Caribaya's former venture with Barbados & Shipping and a British investment group was dissolved. In Trinidad, DirecOne operates as a fully owned subsidiary of the Gillette Group, a company with several media, technology and communication holdings. Paragon is an affiliate of a local technology firm CommNett and is growing its relatively new 80 agent operation. Guyana's Atlantic Telecenter is fully owned and operated by the St. Thomas based and NYSE(ANK) traded Atlantic TeleNetwork. This company is a beacon of light for IT job creation in the Guyana market. Currently 125 agents are employed with an existing capacity of 400 seats. In the OECS markets, the St.Vincent and St. Lucian centers are locally owned, while centers in Grenada, St.Kitts and Antigua have government participation. The Irish based CIT group is joint venture partners with the governments of St. Kitts and Antigua.

In Puerto Rico, AT&T, Cingular Wireless and Centennial operate corporate call centers. The two major Business call centers are operated by Direct Response which has close to 700 workers and also operates a business call center in the Dominican Republic with 80 agents. Lamda Communications also operates a business call center with 350 agents. In the Dominican Republic, Verizon/Codetel runs the largest corporate call center with 1600 agents and a 1600 seat expansion capacity. ACS Business Solutions, a U.S based company with both call and data center

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expertise, recently acquired NPC International, a local data entry operator with emerging calls center capabilities. ACS plans to substantially expand local capacity. Currently NPC has 1100 agents with a 1600 seating capacity. Most are data entry agents at this point.

Responses from Haiti, Belize and Surinam indicated an absence of a viable call center industry. The Dutch speaking islands of Aruba, Curacao and Bonaire are rumored to have a number of call centers serving the gaming industry, but could not be substantiated.

V. The Challenges

A. Cost of Access & Connectivity

It is well established that the number one inhibitor to growth in the information, communication and technology (ICT) space is the cost of access and connectivity. In the call center industry, that albatross is magnified, because communication is the essence of the business rather than an adjunct activity of the business. While it costs an average of 7 cents or less to call major European capitals from the U.S, calling the Caribbean from the U.S is often ten to fifteen times that cost. Furthermore, calls originating from the region are significantly high. Uncompetitive lease lines costs will continue to exacerbate the potential for region-wide success with call centers. Certainly, the momentum toward liberalization and the disenfranchisement of incumbent monopolies in many markets is key to regional ICT hegemony. It should be noted that costs vary widely across the region, and while an open and competitive marketplace is the ideal, governments also affect connectivity costs by the “rebalancing rates.”

B. Training

Apart from the problems associated with the cost of access and connectivity, perhaps the most persisting challenge for the industry is the training and development of agents, supervisors and managers. While the hospitality sector has been able to grow over time with a minimal focus on building human capacity, the call center industry is much more demanding. Workers often require ongoing training in technology, customer care and sales psychology, as well as an operating knowledge of a client’s business or marketplace.

While call center employees were not directly interviewed, management consistently indicated that training is their most challenging engagement. Some managers and consultants have also indicted their belief that Caribbean call center agents are better suited for inbound, customer service/support type of engagements rather than outbound-sales oriented assignments. However, some trainers and consultants working with the region argue, that with the proper training and support that centers can effectively do both. Regional companies such as FujitsuICL are already using citified workers to do higher level troubleshooting and support for their regional clients. U.S based FoneMed, is engaged in using trained nurses in their call center operations in Canada and other global markets to render remote medical care services to hospital and health care organization in the U.S. The company has now turned its attention to the English

speaking Caribbean, in attempts to launch a region-wide franchise of call centers with region-wide partners.

C. Securing & Retaining Clients

Larger operators with a well established history and market presence naturally extend their capabilities and client development prowess to grow their Caribbean call center subsidiaries or joint venture partners. Companies such as Sitel, Technion, Alliance One, TeleServices of Jamaica and their West Corporation partnership, reap the benefit of this relational capital. Size, however, is not an automatic panacea for exceptional customer care. Locally owned operators, on the other hand, confronted with the fundamental challenges of business development, marketing, training and operations. Their size and commitment to quality customer care can be mitigating forces. Given the competitive nature of the call center market, and the excessive demands for superior client care, locally owned businesses may have to explore strategic alliances and craft innovative solutions to sustain and grow their businesses.

VI. The Branded Alliance Response

As indicated previously, the goal was to produce an “applied” document, connected to actionable ideas. Zagada and Nortel have met and discussed several options relative to growing the call center business in the region and creating a win-win opportunity for all stakeholders. The first step was Nortel’s funding of this research to determine the region’s true capability to support call center industry’s expansion.

Approximately fifty (50) were identified and evaluated. To combat current market pressures in the telecommunication sector, it was determined that an alliance comprising of the ten best call centers could effectively sell the region’s capabilities. Initially packaging all fifty centers into a new venture was deemed operationally prohibitive.

Furthermore, given the varying capabilities and technological readiness of the centers, it was concluded that the project should be deployed initially with a select number of centers and then expanded to include other centers as the project becomes self-sustaining. This project is the Sphaero Alliance™. The Sphaero is the world’s smallest species of Lizard recently found in the Dominican Republic and Haiti. The conceptual framework defining the alliance is based on the importance of “branding”. The Sphaero Alliance™ was formed on the following principles:

- a. Select a globally recognized call center-telecommunication infrastructure player with vested regional expertise as a strong message to Fortune 1000 companies, and call center operators. Nortel Networks is the selected partner. www.nortelnetworks.com
- b. Select ten centers from a cross-section of the markets that clearly demonstrate marketable best practices and infrastructure readiness.
- c. Select an experienced professional integration partner that has worked with the lead infrastructure partner but is also system-agnostic. Telectronic Solutions & Communications is the selected partner. www.telectronic.cl
- d. Select a company with business development and strategic alliance expertise with an intimate understanding of regional markets coupled with established inroads with U.S Fortune 1000 companies. Zagada Markets is the participating partner. www.zagada.com
- e. Select a Request for Proposal (RFP) portal partner with an easily customizable and relatively inexpensive solution for digitizing the RFP-contractual process.

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- f. Pre-sell the Alliance to key center of influences to accelerate Fortune 1000 company participation. Negotiations have begun with Citibank for the promotion of the alliance to the bank's corporate U.S clients. Discussions have also begun with Knight Ridder/Herald Custom Publishing (publisher of American eagle's "Latitude" in-flight magazine). Promotions will initially target Florida's leading publicly traded companies.
- g. Launch, market and support a sustained promotion and branding strategy to accelerate RFPs and contract securitization. Create a win-win proposition for all stake holders. MarketMile is the partner of choice for the RFP integration.
- h. Florida, the fourth most populous state and an emerging leader in IT, will play a key role in the initial success of the Sphaero Alliance. Relationships are being forged with Enterprise Florida, the Florida International Affairs office, Florida Trend (the state's leading monthly business magazine), as well as Herald Custom Publishing (publishers of "Latitude" American Eagle's in-flight magazine).

VII. Summary & Conclusion

While IT-enabling job creation occasioned by call center expansion has become the new mantra for governments in the region, initial indicators suggest that governments serve better as enablers of these ventures rather than owners. The call center industry is a relatively new Caribbean phenomenon.

Certainly, many regional markets have longer histories in the data entry space and workers may find it easy to upgrade their skill sets to secure call center jobs. Well established successes in markets such as Ireland, India, and Canada are often pointed to as models to be emulated. It must, however, be pointed out that these economies spent decades investing in education and human capital and had the vision to establish a strategic development initiative.

The predicate for growing IT jobs and stimulating entrepreneurial opportunities in new-growth sectors has always been by investing in human capital. Investment in human capital, therefore, becomes the infrastructure of this knowledge-based economy. The Caribbean markets, with the exception of Haiti, are not plagued with “digital divide” issues as is the case in many parts of Africa.

For the most part the English speaking Caribbean has a literate and educated workforce with a fairly well established telecommunication infrastructure, particularly in its major cities. Their proximity to the U.S. markets and long established trading and business interaction with U.S. companies are factors to be exploited. Furthermore, favorable time zone considerations are natural advantages to be marketed in securing call center business. Despite these given advantages, persistent focus must be given to promoting a competitive marketplace by easing tele-connectivity costs. The momentum is progressively moving toward that end, but it should be accelerated to stimulate near term expansion and growth in the burgeoning call center industry.

While entry level call center jobs define the agent capacity in the region at present, a commitment to investing in training, certification, and human development will offer the region’s knowledge workers the opportunity to graduate to higher paying activities. The Zagada Institute’s white paper outlining its regional IT development hypothesis is called DigitalGNP™ and is scheduled for release in late 2002. The branded Sphaero Alliance™ strategy is one element of the DigitalGNP™ construct. With Nortel’s technical leadership and support, Teletronic’s professional services expertise, and Zagada’s alliance, marketing, and research skills, we believe that the Sphaero Alliance™ will play a signature role in accelerating the growth of jobs in the region while at the same time generating profits for its alliance partners.

VIII. Appendices

Appendix A. Call Centers Study Results By Markets

CARIBBEAN CALL CENTER PROFILE

Market	# of Centers	# of Agents	# of Seats
<i>Jamaica</i>	13	3153	3153
<i>Dom Rep</i>	7	2821	3665
<i>Puerto Rico</i>	6	1985	1600
<i>Trinidad</i>	7	1010	940
<i>Barbados</i>	3	263	243
<i>St Kitts</i>	2	128	178
<i>Grenada</i>	2	725	450
<i>St Lucia</i>	1	600	450
<i>Guyana</i>	1	125	400
<i>Antigua</i>	1	200	226
<i>St Vincent</i>	1	144	228
TOTALS	44	11154	11613
CARICOM	31	6268	6266
Caricom %	75%	56%	53%

Appendix B. Selected Markets GDP Call Center Multiplier

Selected Call Centers GDP Multiplier Impact

	Hourly Wages	Daily Wages	Annual Salary \$US	Total Agents	Multiplier	GDP Impact \$US
Jamaica	2.05	16	6,000	3,000	9	162,000,000
Trinidad	2.95	24	8,800	1174	5.5	57,000,000
St.Lucia	2.86	23	8,000	600	5	24,000,000
Dom. Rep.	0.99	7.92	1,900	2821	(upper) 9 (lower) 5	48,239,100 26,799,500

Notes: To estimate the operative multiplier for the economies of Jamaica, Trinidad and St. Lucia we used estimates of the Marginal Propensity To Save(MPS). These are as follows:

Jamaica = MPS= 0.11, Trinidad= MPS=0.18, St.Lucia=MPS=0.20

NB: The estimates for Trinidad and St. Lucia uses total income. Whereas Jamaica uses only labor income

The estimates for the expenditure multipliers are:*

Jamaica = $1/MPS=1/0.11=9$, Trinidad = $1/MPS=1/0.18=5.5$, St. Lucia = $1/MPS=1/0.20=5$

*** Credits:**

MPS figures were based on the following country studies:

Jamaica: Borne, Compton "The Properties to Wages and Property Incomes in The commonwealth Caribbean." The Journal of Development Studies, Vol.22, No. 3, 1986,pp584-598

Trinidad:Ekanayake,Ekanayke and E.B.A St. Cyr, "Savings Function for Trinidad and Tobago," Institute of Social and Economic Research, The UWI St. Augustine, 1991

St.Lucia: Watson, Patrick, "Estimates of Savings Functions for the OECS States (and the Dangers of the use of Data Methods) Department of Economics, The UWI St. Augustine, 1993

Dom. Rep. (Dominican Republic): The lack of estimated MPS for the Dominican Republic led to the use of two proxies. The Jamaican MPS of 0.11 was use as a lower bound and the St Lucian estimate of 0.20 was use as an upper bound. The Jamaican and Dominican Republic's per capita income levels are quite close, which allows for the lower bound. Thus the multiplier should be between 5 and 9.

Appendix C. Fortune 500 Call Center Case Study Outsourcing Project Analysis

The case study results below reflects the critical outsourcing phases from a Fortune 500 company outsourcing project with which one of Zagada's consultants was previously engaged.

Situation Analysis:

- Increase cost pressures
- Declining revenues from various Business Units due to poor contracts
- Company forced to explore alternative cost solutions

Research & Assessment

- Company explores cost benefit analysis – in-house vs. outsourcing
 - Outsourcing found to be viable option

Phase I

- Internal customers of call center interviewed to determine company's needs and special considerations
- Needs and special considerations charted and weighted against revenue potential of business unit
 - Some functions were determined to be kept in-house due to specialized sales efforts
 - Company determined the need to retain small in-house call center
- Determining factors/criteria developed
 - Must haves vs. nice to have
- RFP drafted and sent out to key user community for additional input
- Final RFP drafted

Phase II

- Invitations to bid process sent to potential service providers
 - List comprised of:
 - Referrals
 - Known sources
 - Researched companies
- RFPs evaluated based on criteria
- Key potential vendors identified

Phase III

- Visits to key potential vendors to meet management, key personnel and evaluate outsourcing capabilities
 - Evaluation of vendor corporate culture, in-house recruiting policies, employee policies and incentive programs became critical in overall evaluation
 - Reporting capabilities also important
- Final internal meeting to determine final choices
- Final two vendors chosen

Summary of key learning

Phase IV

- Primary vendor never grasped how closely aligned company's over the phone operations was to its core business
 - Vendor did not spend enough time learning about company's business
- Learning curve time frame had to be established before cost efficiencies were realized
 - Initially not taken into consideration

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- On-site company representative needed on a full time basis
- Need to build up loyalty of outsource vendor staff towards company
- Need to promote this outside staff to internal users of company
- Need to establish extended trail period before turn over of full scale operations
- Need to have clear understanding of relationship expectations

Appendix D. Sacramento Bee Call Center Industry Grows Abroad

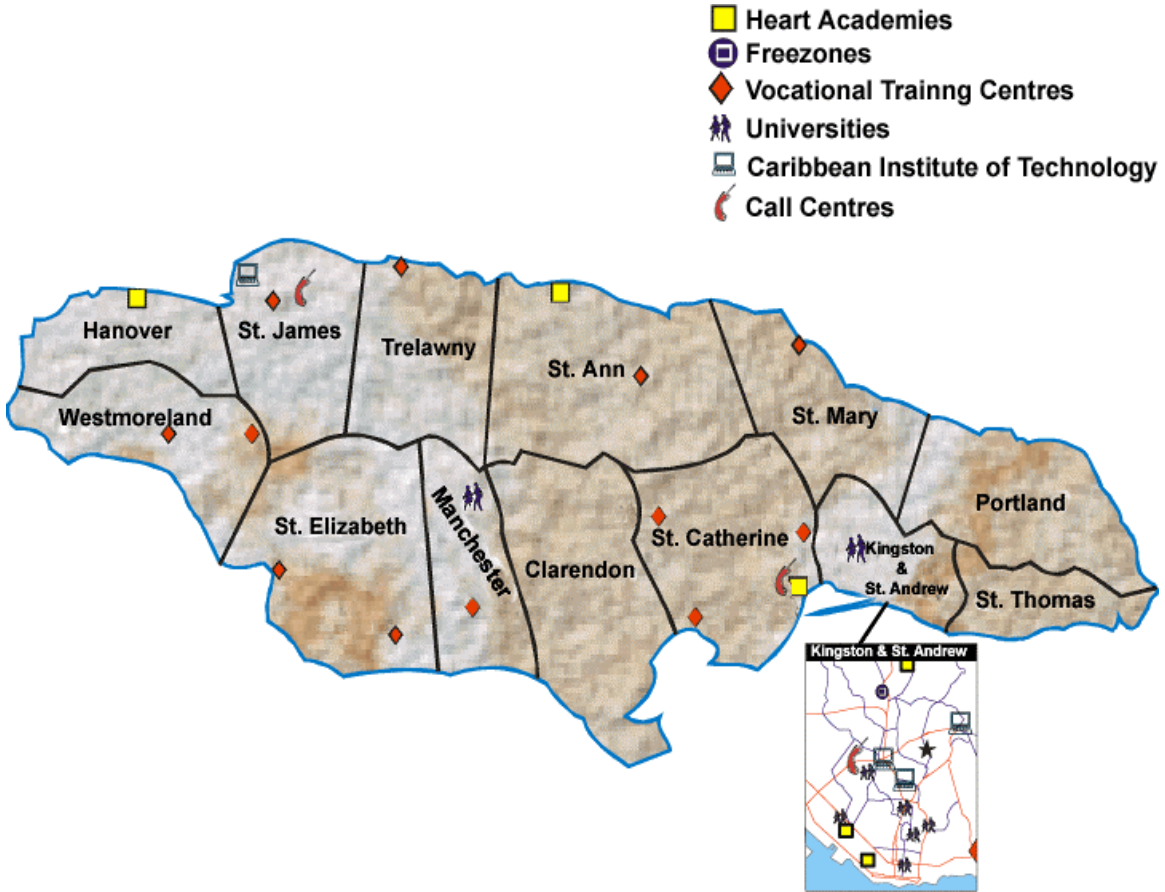
Source: The Sacramento Bee ,Publication date: 2001-07-02

While the multibillion-dollar call center industry is growing in the United States, it is also growing abroad.

Industry experts are divided on whether foreign competition will weaken the industry's growth domestically. "A lot of traffic is being routed to India," which has a large English-speaking population, said Paul Stockford, chief analyst at Saddletree Research in Scottsdale, Ariz. The research firm focuses on the call center and e-commerce industries. Stockford said India has become a call center destination because of inexpensive labor and an educated work force looking to get into the technology industry. *While a U.S. information technology professional in the United States may earn up to \$50,000, that same job in India would pay \$20,000 to \$30,000, said Linda Harden of Incoming Calls Management Institute.*

In an interview with National Public Radio, Esfee Romachandron, general manager of the National Association of Software and Service Companies, estimated that *15,000 people in India are employed in call center activities, and that number is likely to increase to almost 200,000 by 2008.* Harden, and some other industry experts said that competition abroad won't harm the U.S. call center industry. "I don't see offshore outsourcing having a negative impact on the growth in the U.S. I believe that the major challenges with offshore outsourcing is quality and expertise," said Harden.

Appendix E. • Jamaica – A Call Center Market Profile



1. Market Overview

Jamaica has a population estimated at 2.6 million (July 2000). Kingston, the island’s capital and administrative centre, has a population of approximately 800,000. Its GDP per capita is US\$2,519.00 (2000). Jamaica is on Eastern Standard Time, which is five hours behind Greenwich Mean Time (GMT). More than 16 airlines offer scheduled flights into Jamaica.

Air Jamaica, the major carrier, is responsible for approximately 60% of total passenger arrivals and departures. Other international carriers include American Airlines, Air Canada, British Airways, BWIA, Copa, ALM, Cubana, USAir, Northwest Airlines, Cayman Airways, Condor Airlines and Continental Airlines. Air Jamaica is also the main provider of domestic air

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travel with other small domestic carriers offering charter services. Helicopter services are offered out of Ocho Rios in St. Ann.

Jamaica has two international airports, Norman Manley International Airport located in Kingston and the Sangster International Airport in Montego Bay. The Donald Sangster International Airport is now the hub of Jamaica’s national airline, Air Jamaica. The airport is undergoing major refurbishing and expansion, and when complete is designed to handle 1,242 passengers per hour. Both international airports offer cargo services.

Flight Connectivity Schedules:

Flights to the US		
AIRPORT NAME	CARRIER NAME	NUMBER OF FLIGHTS PER WEEK
A. Donald Sangster International	American Airlines	21
Montego Bay	Air Jamaica/Delta Airlines	>186
	Northwest Airlines	8
	TWA	2
	US Airways	7
	Continental	7
B. Norman Manley International	Air Jamaica	>176
Kingston	American Airlines	21
There are five flights per week to Los Angeles from both Kingston and Montego Bay		

Air Jamaica has a code sharing agreement with Delta Airlines. There are 176 Air Jamaica Flights that share Delta’s code. The Delta code share cities include Los Angeles, Phoenix, New York, Atlanta, Miami as well as New York/Eastern Caribbean routes. Conversely Air Jamaica code shares with 70 of Delta Airline’s weekly flights. These include destinations such as Los Angeles, Phoenix, Memphis, Cincinnati and Nashville.

Flights to the UK		
AIRPORT NAME	CARRIER NAME	NUMBER OF
		FLIGHTS PER WEEK
A. Donald Sangster International	Air Jamaica	5
Montego Bay	British Airways	4
B. Norman Manley International	Air Jamaica	5
Kingston	British Airways	3

For both Air Jamaica and British Airways the same flights operate between Kingston and Montego Bay so the total weekly number of Air Jamaica flights is 5 and not 10 and similarly for British Airways 4 and not 8

2. Industry Overview

Over the last 18 – 24 months, the Jamaican IT industry has experienced unprecedented growth in its call center sector. Today the country has 13 call centers with approximately 3,000 agents and the same number in seating capacity. This growth has not been incidental but has been largely fueled by the government’s decision to create a knowledge society driven by increased foreign investment in information technology services as well as nurturing and supporting its local call center entrepreneurs.

A hybrid strategy was formulated involving all the major support sectors such as Education/Training, Marketing, Real Estate Development and Telecommunications. Two years after the Information Technology Employment Creation (INTEC) project was launched by the Government, six new additional call centers have been established. Today, Jamaica hosts a number of internationally recognized companies such as SITEL Caribbean, Apple Vacations, Teleservices Direct and Alliance One. All these centers invest directly in facilities. Others simply outsource to existing call centers. One of the country’s own home-grown successes is, Westcom Jamaica Ltd., located in Westmoreland, which has grown from 20 to 115 persons over the period. Westcom’s software developing has recently developed and deployed an SQL call center solution within its own operation as well as outside centers. The company is positioning its solution for local, regional, and international distribution.

3. Labor Availability and Operational Costs

According to the Statistical Institute of Jamaica (2002 figures), as of October 2001, Jamaica has a 16% unemployment level with 63% of which falls in the 20-34 age range. The 20-24 age

range has an unemployment figure of 54,300 while the 25-34 age group has 47,500 unemployed. Given the country's available educational and training centers, these unemployed are an available pool of trainable persons for the call center industry.

Labor typically accounts for up to 2/3 of the cost of running a call center, so the cost and availability of suitable Labor are of vital importance. Labor productivity is also another crucial factor, which affects the decision to invest. While there are no available statistics on Labor productivity levels for Jamaican Call Centers, the feedback from investors suggest that Jamaica is a competitive location, with productivity levels sometimes exceeding those enjoyed in more developed countries. Prospective investors are encouraged to meet and speak with existing call center operators to obtain an objective view of the opportunities in Jamaica.

Labor Costs (Estimate)

CALL CENTER- STAFF	Number	Unit costs (US\$)	Total Costs (US\$)
Call Center Manager	1	80,000	80,000
Supervisor	4	15,000	60,000
Network Administrator	1	25,000	25,000
Systems Analyst	1	30,000	30,000
Programmer	1	23,000	23,000
Office /HR Manager	1	25,000	25,000
Call Center Agents	100	6,000	600,000
Accountant	1	25,000	25,000
Admin Assistant	1	8,500	8,500
Payroll Clerk	1	7,000	7,000
Receptionist/ Telephone Operator	1	5500	5,500
Office Attendant	1	2000	2000
LABOR COSTS	114		891,000
Fringe Benefits (25 % of Labor Costs)			222,750
TOTAL LABOR COSTS			<u>1,113,750</u>

Source: JAMPRO 2002

In 2001, noted international call center consultant Philip Cohen, conducted a competitive review of the pricing per Agent/Hour for selected locations, including Jamaica. The study included some of our competitors including India, Ireland and the United Kingdom.

The outcome indicates that Jamaica fares favorably vis-à-vis our competitors and, with the exception of India, proved more competitive. Significantly, both Jamaica and India peak at US\$16.50 per Agent/Hour. Ireland, which up to a couple years ago was one of the most competitive locations for multilingual call centers, is now more expensive as they move up the value chain and find it difficult to pay their nationals relatively low wages. The below table illustrates the comparison:

Comparative Pricing per Agent /Hour

<i>Country</i>	Price per agent hour (US \$)
India	10.00 – 16.50
Ireland	27.00 – 28.00
Jamaica	15.50 – 16.50
United States	27.00 – 29.00
United Kingdom	29.00 – 30.00

Source: Philip Cohen, 2002 – International call center consultant

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The Boyd Company of Princeton, New Jersey (www.theboydcompany.com), a recognized authority on call center site selection criteria, also conducted comprehensive research on selected North American locations in 2001. When JAMPRO performed a comparative analysis against those locations (see following table), Jamaica's cost of doing business was significantly lower:

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Comparing American, Canadian & Jamaican Locations							
	San Diego, CA	Dallas, TX	Toronto, ON	Montreal, QUE	Edmonton, AB	Saint John, NB	Jamaica*
Weighted Average Monthly Earnings	\$2,375	\$2,360	\$1,956	\$1,828	\$1,687	\$1,574	\$560
Annual Base Payroll Costs	\$8,550,000	\$8,496,000	\$7,041,600	\$6,580,800	\$6,073,200	\$5,664,000	\$2,016,000
Fringe Benefits	\$2,821,500	\$2,803,680	\$1,337,904	\$1,250,352	\$1,153,908	\$1,076,616	\$504,000
Total Annual Labour Costs	\$11,371,500	\$11,299,680	\$8,379,504	\$7,831,152	\$7,227,108	\$6,743,016	\$2,520,000
Electric Power Costs	\$61,639	\$41,832	\$33,417	\$25,909	\$24,320	\$32,631	\$76,618
Office Rent Costs	\$718,148	\$644,988	\$348,100	\$389,400	\$247,800	\$312,700	\$360,000
Equipment Amortization Costs	\$1,132,800	\$1,132,800	\$1,132,800	\$1,132,800	\$1,132,800	\$1,132,800	\$1,132,800
Heating & Air Conditioning	\$23,140	\$41,116	\$43,346	\$38,559	\$38,739	\$47,008	\$20,000
Telecoms Costs	\$1,209,437	\$1,203,246	\$1,249,974	\$1,249,974	\$1,249,974	\$1,249,974	\$2,268,000
Total Annual Geographically Variable Operating Costs	\$14,516,664	\$14,363,662	\$11,187,141	\$10,667,794	\$9,920,741	\$9,518,129	\$6,377,418

Notes: Includes all major geographically-variable operating costs. Reflects a 36,000 sq.ft. call centre in the financial services sector employing 300 workers and having a monthly call volume (inbound) of 2.7 million minutes. All figures are in US dollars

Source: The Boyd Company, Inc, Princeton, NJ; Sept 2001

* based on JAMPRO calculations

Assumptions

Labour costs of US \$3.50/hour

Fringe benefits = 25% of payroll

Office rental of US \$10 sq.ft.

Telecoms costs of US 0.07c/min

4. Telecommunications Costs and Services

Jamaica is progressively emerging into a competitive market as telecom access costs continue to fall. Prior to April 2000, Cable & Wireless enjoyed a monopoly on all telecom services. Since then, however, the government has moved to liberalize the telecom industry beginning with mobile cellular services. To date there are two new providers for cellular telephone services. In addition, domestic voice services have also opened up to competition and full liberalization is expected to take place by March 2003. Additionally, companies that are involved in the export sector (call centers) can apply for a VSAT license and can operate their own satellite technology telecoms system, bypassing Cable & Wireless.

Telecommunication services for call centers located in export free zones are largely provided by Jamaica Digiport International (JDI) a fully owned Cable & Wireless subsidiary that, until recently, enjoyed monopoly status. The lowest rate offered by JDI is 7¢ per minute for companies generating traffic to the US in excess of 3 million minutes per month.

For companies utilizing less than 3 million minutes per month an introductory rate of 15¢ per minute is offered which may be revised downwards based on volume. JDI's fully digital network with fiber and satellite connectivity supports a range of services including International Long Distance, International Toll Free, International Private Line Circuits, Internet, Automatic Call Distribution (ACD) and Centerx Services. Call center operators who are granted single entity free zone status may apply for Free Trade Zone carrier and service provider licenses, which enable them to establish their own telecommunications infrastructure using VSAT or other technologies.

Jamaica Digiport International Ltd Telecommunications costs

MAYAS/CJFS Fibre International Private Line Circuits

Bandwidth (Kbps)	Installation Charge (US\$)	Month-by-Month Term (Per month US\$)	One Year Term (Per month US\$)
512	3,800.00	12,445.00	8,075.00
768	3,800.00	15,325.00	9,025.00
1544 (T1)	5,950.00	25,605.00	14,500.00
(E1)	5,950.00	N/A	17,500.00

Notes:

- The above prices include the Jamaican ½ channel charges only.
- Prices do not include the U.S. local loop charges and applicable state taxes.
- Customers are required to sign a contract for a minimum of one year.
- A 25% discount on the local loop charges will apply to one and two year contracts.

In addition to the above, Cable & Wireless will provide additional services including DSL and ADSL at negotiated rates. There are also a number of service providers who offer a range of wired and wire line data services for companies including Virtual Private Networks. JAMPRO will facilitate meetings between investors and appropriate service providers as needed.

5. Incentives, Training and Office Space

Incentives

Incentives are available to call centers operating in export free zones whether in a traditional enclave or as a single free standing unit. The incentives include 100% relief from import duties and General Consumption Tax, full repatriation of earnings and preferential customs clearance facilities. To qualify, companies must:

- (i) be registered according to the provisions of the Companies Act
- (ii) export at least 85% of their product/services.

The full text of incentives is available on the JAMPRO website: www.investjamaica.com

Training

Employers are also eligible for a reimbursable Training Grant, which is administered by the Human Employment And Resource Training (HEART) Trust which is the state agency responsible for vocational training. Companies may access training grants up to a maximum of J\$20,000 per employee. HEART has introduced a call center curriculum in its training programs. The modular outline for the technical area includes the following broad topic areas: Orientation to the Occupation, Customer Service, Developing Telephone Skills, Selling Products & Services, Basic Computer Technology, Introduction to Database Management (approximately 280 hours).

Additional support modules are also included which includes: Language and Communication, Calculations and Computations and General Studies (Employability Skills). (approximately 100 hours). It is planned that several of the HEART Academies and Vocational Training Centers situated in close proximity to call center operations, will begin the program in

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September 2002. This network will include GARMEX and Portmore Academies (Kingston, St. Catherine) as well as Kenilworth near Montego Bay.

Office Space

Call Center operations qualify for free zone status. This means that they can be located in one of the established free trade zones or have their location designated as a single entity free zone. There are two government-owned free trade zones, which are located in Kingston and Montego Bay. In addition, there is the 65,000 sq ft **Cazoumar Free zone**, the first privately owned free zone in the English Speaking Caribbean. (www.cazoumar.com). The **Factories Corporation of Jamaica** a state-owned entity, also provides office space for information technology companies by outfitting existing state-owned facilities, in locations across the island. There is also ready availability of office space from private real estate owners.

Appendix F. Acknowledgements

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About Nortel Networks

Nortel Networks is an industry leader and innovator focused on transforming how the world communicates and exchanges information. The company is supplying its service provider and enterprise customers with communications technology and infrastructure to enable value-added IP data, voice and multimedia services spanning Metro and Enterprise Networks, Wireless Networks and Optical Networks. As a global company, Nortel Networks does business in more than 150 countries. For more information, please visit Nortel Networks at www.nortelnetworks.com.

About Zagada Markets

Zagada Markets is a consultancy focused on strategy and innovation in the Caribbean. Formerly founded as The Peters Group in 1989, Zagada is recognized for its strategic innovation practice. The company uses a combination of creative and analytic approaches to help corporations, governments, and various agencies unlock latent assets. Zagada is recognized for helping organizations conceptualize, nurture, and birth revenue generating ideas. The company executes its business model through three distinct units, 1) Markets- focusing on the strategic launch of digital Caribbean marketplaces, 2) Institute- committed to research, creativity, and applied thought, and 3) Labs - translating ideas into marketable products and services through alliances. For more information, please visit Zagada Markets at www.zagada.com