

San Antonio poised for relocating call centers

By DAVID HENDRICKS
March 3, 2017



San Antonio Economic Development Foundation CEO and President Jenna Saucedo-Herrera

After decades of outsourcing customer call centers to Asia and other continents, corporations across the globe are starting to move their telephone operations back to U.S. where costs have dramatically dropped in recent years.

San Antonio — where J. Crew placed its new call center in 2011 — is poised to capitalize on the trend, according to a study by consulting firm of The Boyd Co. Inc. in Princeton, New Jersey. The Alamo City is the third-cheapest city out of 10 U.S. markets that dominate the call center industry, according to the report.

“Companies (needing call centers) are finding hidden costs in the Philippines, India and China in training and high rates of turnover,” John Boyd, a principal at The Boyd Co, said during a recent San Antonio visit. Wages also are rising in developing countries, he added.

While most of President Donald Trump’s emphasis on creating jobs and bringing work back to the U.S. has centered on the better-paying manufacturing sector, the call center industry will follow in the same footsteps, Boyd said.

In addition to J. Crew, Marriott International operates a large call center here, as well as Southwest Airlines, Allstate Corp., Bank of America, Capital One, JPMorgan Chase, Citibank, Humana, Alorica Inc., Ibex Global and Transcom Worldwide.

Columbus, Ohio-based Alliance Data recently announced it will hire 150 people this year for its San Antonio credit-card services center that already employs 75 people.

“There is branding value in coming back to the United States. Companies in highly regulated industries like finance, information technology and banking, have incentives to bring jobs back on shore under President Donald Trump’s administration. They want government contracts, and they want to influence regulatory policy,” Boyd said.

U.S. companies that have re-shored call centers include IBM, Microsoft Corp. and General Electric, Boyd said. Foreign-based companies that have chosen the U.S. for call centers include Germany’s Deutsche Bank, Australia’s Macquarie and the Netherland’s Monster.com, he said.

Mergers and acquisitions will likely surge if corporate income taxes are cut from 35 percent. “New deals and mergers will mean more brick-and-mortar call centers,” Boyd said.

“The question with call centers is: Where will they go? It will be the low-cost markets that are not unionized. Texas and South Carolina will be at the top of the lists,” Boyd said.

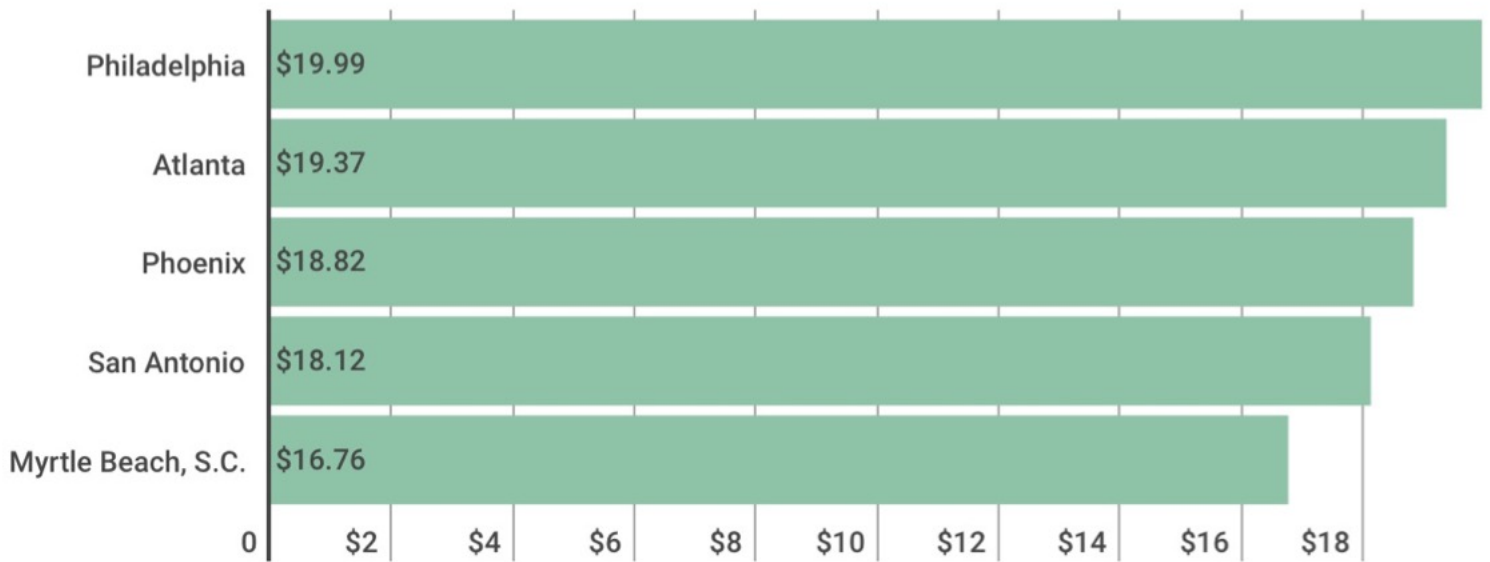
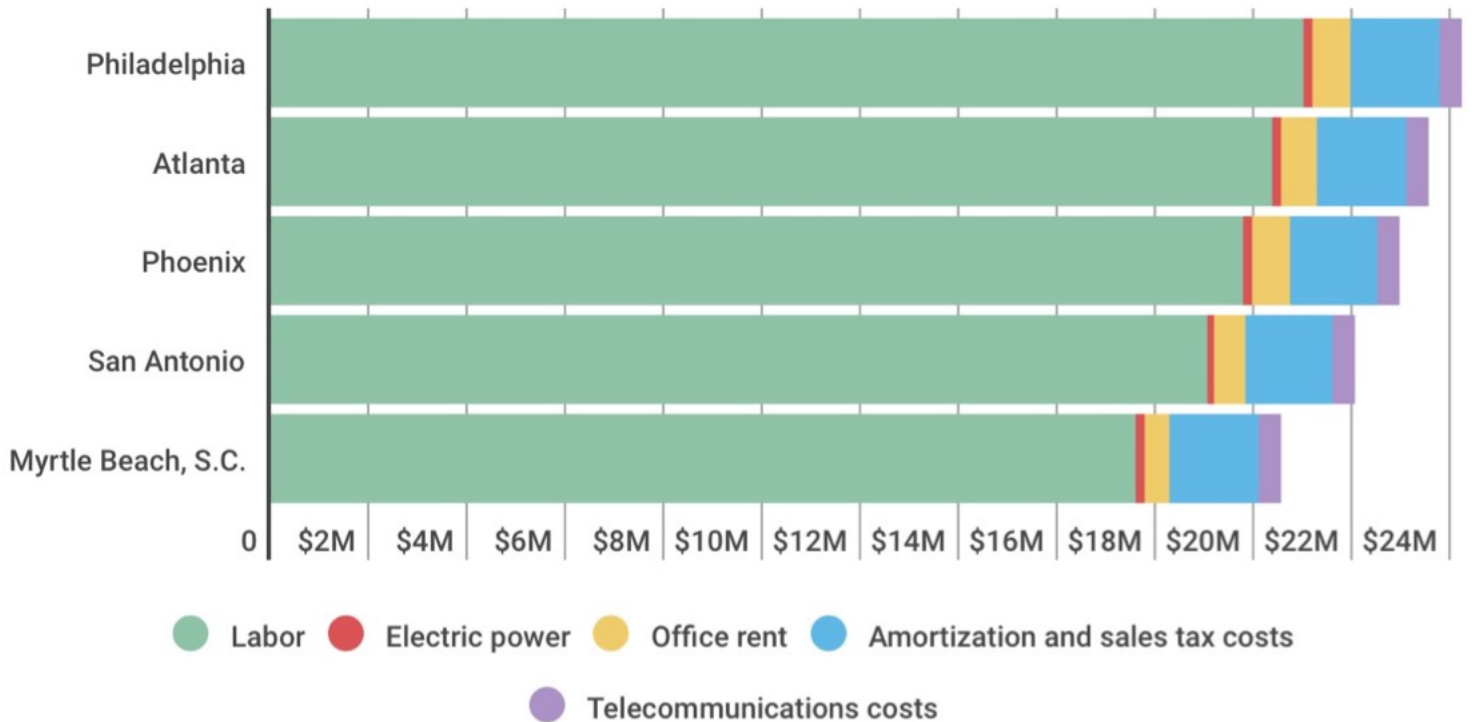
The Boyd Co. study compares costs in 10 markets for labor, electric power, office rents, amortization and sales tax and telecommunications. The study ranked the 10 markets by adding up the costs for a 40,000-square-foot call center employing 400 people, or one employee per 100 square-feet.

Philadelphia has the highest total costs at \$24.2 million per year. The cheapest market is Myrtle Beach/Cheraw, South Carolina, at \$20.5 million. The second least expensive market is Omaha, Nebraska, at \$22 million with San Antonio just above that.

The breakdown of costs show that labor wages are the biggest factor in the cost differences. Only 4 percent of nonexempt workers in Texas are in unions. South Carolina has the lowest union percentage in the country at 1.6 percent, Boyd said.

Contact center costs

San Antonio remains attractive as a call center location because of costs, including labor availability, office space rent, taxes and telecommunications. Some foreign call centers soon may migrate to the United States.



Includes all major geographically variable operating costs for a 40,000-square-foot call center employing 400 hourly workers.

San Antonio is particularly well-positioned for the industry because of its bilingual workforce, corporate-friendly labor laws, low taxes, advanced telecommunications infrastructure and ready access to labor pool pockets such as military spouses, seniors and students.

Another draw for San Antonio that's less widely known is a broad tourism industry. Hospitality workers develop customer service skills that translate well for call center jobs. It's an advantage that San Antonio shares with Myrtle Beach, Boyd said, as well as other cities, including Orlando, Florida; Las Vegas; and Phoenix.

But San Antonio city and county officials have generally had little interest in attracting call centers. They've been trying to lure other, higher-paying industries with tax breaks and other incentives, specifically targeting information technology, cybersecurity, new energy, bioscience, aerospace, financial services and advanced manufacturing.

"We have limited resources" to lure business investments, said David Marquez, Bexar County economic development executive director, "so we have narrowed our focus to the target industries. We welcome call centers if they are offering good jobs, putting folks to work, but we will not be proactive in pursuing them."

The local economic development foundation would assist call centers relocating here in finding office space and cutting red tape. But prevailing wages in the call center industry usually fall below the wage levels that trigger cash incentives from the city and Bexar County.

"Call centers have played a role in San Antonio's economy, but the city is not actively targeting or recruiting call centers," said Jenna Saucedo-Herrera, CEO and president of the San Antonio Economic Development Foundation.

"Jobs are jobs," Saucedo-Herrera stressed. "We would never turn away investments in San Antonio. We're charged with diversifying the local economy, so we are shifting to our target industries," Saucedo-Herrera said.

The city and county both help fund SAEDF under a contract. New and incoming jobs become eligible for incentives if they pay \$50,000 or more for county incentives and 5 percent above that for city incentives, Saucedo-Herrera said.

The Boyd Co. operating costs survey lists average pay at San Antonio call centers at \$18.12 an hour, or about \$37,000 a year.

Of the more than 100 active business investment prospects that SAEDF now is working with, there are no call center proposals now. The biggest number of prospects now are in the manufacturing and financial services sectors, Saucedo-Herrera said.

A few, but not many, call center jobs can qualify for cash incentives, such as those in information technology and banking, Boyd said.

But the noncash incentive that call centers crave are job-training programs.

“Texas is a Cadillac state in workforce training,” Boyd said, along with South Carolina and Georgia. “Community colleges have access to job-training funding,” Boyd explained.

Marquez said call centers would get more attention if they locate operations in areas that have fewer employers. Call centers, he said, tend to cluster in San Antonio along Interstate 10 and Texas Hwy. 151.

Because of San Antonio’s large population, a segment of the area’s workforce is suited to call centers more than other sectors requiring higher skills.

“San Antonio has a large density of call centers. For some, it’s a good way to start a career,” Marquez.