

## B. Corporate and IT Services

### 1. Back Office/Call Centers

**This industry includes any business support operation that interacts primarily through electronic communication. Typical operations would include inbound call centers (e.g., customer enquiries, internal helpdesks), outbound call centers (e.g., telemarketing, telerecherche), IT/data processing, and other administrative functions. Back office/call center operations may be subsidiary operations of a parent firm, or may be outsourced to an independent service provider.**

#### a) Representative Operation – Shared Services Center

The representative operation modeled is a corporate shared services center incorporating centralized accounting, customer call center, and internal IT support functions.

As illustrated in Exhibit 3.46, this operation is characterized by:

- Leased office space
- A workforce consisting mostly of lesser-skilled administrators, such as clerks, teleservice representatives, and helpdesk agents.

The business is assumed to operate as a fully owned subsidiary of a parent firm, with revenue allocated to the business on a “cost-plus-10 percent” basis.

#### b) International Results

International results are illustrated in Exhibit 3.47. These results reflect the combined impact of 26 location-sensitive cost components applied to the modeled operation. Detailed results, by key cost component, are presented in Exhibit 3.48.

#### c) Selected Cities

Exhibit 3.49 profiles results selected cities, by country, from among the 95 cities featured in this report. Results for all other featured cities can be found in Chapter 4, Exhibit 4.7.

EXHIBIT 3.46 – BACK OFFICE/CALL CENTERS

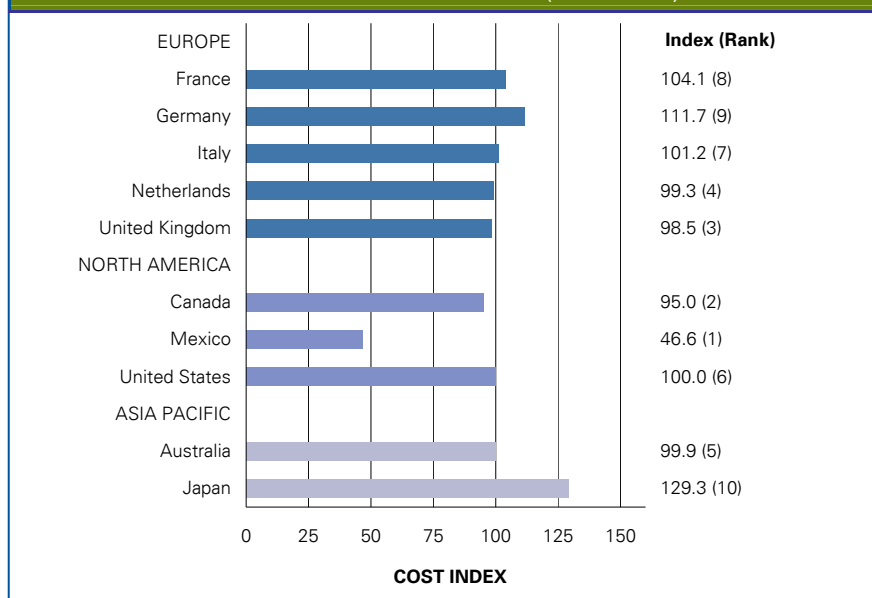
#### Shared Services Center – Summary of Operating Parameters

Facilities Requirements		
Class A office space leased	22,500 ft <sup>2</sup>	(2,090 m <sup>2</sup> )
Other Initial Investment Requirements		
Office equipment – US \$'000	\$3,000	
Equity financing – % of project costs	100%	
Workforce		
Management	10	
Sales and administration	88	
Customer support	42	
Other	5	
Total employees	145	
Energy Requirements		
Electricity monthly consumption/peak demand	125,000 kWh and 360 kW	
Other Annual Operating Characteristics		
Sales at full production – US \$'000	– <sup>1</sup>	
Operating costs – US \$'000	\$1,250	

<sup>1</sup> This operation represents a cost center. For taxation purposes, corporate revenue allocated to the operation is assumed to be cost-of-operation, plus 10 percent markup.

EXHIBIT 3.47 – BACK OFFICE/CALL CENTERS

#### Shared Services Center – International Results (US = 100.0)



## EXHIBIT 3.48 – BACK OFFICE/CALL CENTERS

## Shared Services Center – Costs, by Major Component, US \$'000

	Europe					North America			Asia Pacific	
	France	Germany	Italy	Netherlands	UK	Canada	Mexico	US	Australia	Japan
<b>Revenues</b>	14,943	16,051	14,174	14,354	14,213	13,733	6,632	14,269	14,348	18,391
<b>Costs</b>										
- Salaries & Wages	6,347	8,795	6,843	7,772	6,983	7,564	2,749	7,562	7,785	9,967
- Statutory Plans	2,907	1,551	1,502	1,028	655	669	194	636	1,031	975
- Other Benefits	1,330	1,864	1,966	2,037	2,354	1,750	827	2,267	1,780	2,579
- Total Labor & Benefits	10,584	12,209	10,311	10,837	9,991	9,982	3,770	10,464	10,595	13,520
- Facility Lease	1,092	635	614	454	1,169	717	424	582	741	1,312
- Transportation	-	-	-	-	-	-	-	-	-	-
- Utilities	110	166	278	162	171	130	214	138	188	163
- Interest & Depreciation	340	332	376	340	340	389	318	391	270	397
- Non-Income Taxes	208	-	56	7	-	16	54	146	-	75
- Location-Insensitive Costs	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250
<b>Profit Before Income Tax</b>	1,359	1,459	1,289	1,305	1,292	1,249	603	1,298	1,305	1,675
- Income Taxes <sup>1</sup>	450	462	758	343	357	326	254	510	421	721
Effective Rate	33.1%	31.6%	58.8%	26.3%	27.6%	26.1%	42.1%	39.3%	32.3%	43.0%
<b>After-Tax Profit</b>	909	998	532	962	936	923	349	787	884	955
<b>Total Annual Costs</b>	14,034	15,053	13,642	13,392	13,277	12,810	6,283	13,482	13,465	17,436
<b>Index (US=100.0)</b>	<b>104.1</b>	<b>111.7</b>	<b>101.2</b>	<b>99.3</b>	<b>98.5</b>	<b>95.0</b>	<b>46.6</b>	<b>100.0</b>	<b>99.9</b>	<b>129.3</b>
<b>Rank</b>	<b>8</b>	<b>9</b>	<b>7</b>	<b>4</b>	<b>3</b>	<b>2</b>	<b>1</b>	<b>6</b>	<b>5</b>	<b>10</b>

1 Income taxes may be either positive or negative, irrespective of whether profit before income tax is positive or negative, due to the impact of specific expense deduction rules, minimum taxes, and refundable income tax credits. Effective tax rates are not shown where results are not meaningful because of low profitability.

## EXHIBIT 3.49 – BACK OFFICE/CALL CENTERS

## Shared Services Center – Results for Selected Cities, by Country

Country and City	Index	Rank <sup>1</sup>	Country and City	Index	Rank <sup>1</sup>	Country and City	Index	Rank <sup>1</sup>
<b>International Locations – All Cities</b>						<b>North America – Lowest Cost Cities</b>		
<b>AU</b> Adelaide	95.0	59	<b>JP</b> Osaka	126.6	94	<b>CA</b> Moncton, NB	82.6	5
Brisbane	95.9	61	Tokyo	132.0	95	Fredericton, NB	83.7	8
Melbourne	97.6	71			Charlottetown, PE	83.9	9	
Sydney	102.1	82	<b>MX</b> Mexico City	47.4	2	Sherbrooke, QC	84.7	15
			Monterrey	45.8	1			
<b>FR</b> Lyon	96.0	62	<b>NL</b> Amsterdam	100.6	79	<b>US</b> McAllen, TX	79.1	3
Paris	112.1	92	Brabant Stad	99.2	76	Cheyenne, WY	81.9	4
			The Hague	98.1	73	Shreveport, LA	82.7	6
<b>GE</b> Berlin	108.9	90	Utrecht	98.4	74	Sioux Falls, SD	83.1	7
Frankfurt	114.4	93			Fargo, ND	84.0	10	
			<b>UK</b> London	105.3	88	Charleston, WV	84.1	11
<b>IT</b> Milan	99.4	77	Manchester	91.7	45	Billings, MT	84.1	12
Rome	103.0	84			Little Rock, AR	84.5	13	

1 Rank among 95 cities.