

D. Corporate 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 3.66, 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 3.67. These results reflect the combined impact of 27 location-sensitive cost components applied to the modeled operation. Detailed results, by key cost component, are presented in Exhibit 3.68.

c) Leading Cities

Exhibit 3.69 profiles results for the leading (lower-cost) cities, by country, from among the 102 cities featured in this report. Results for all other featured cities can be found in Chapter 4, Exhibit 4.10.

EXHIBIT 3.66 – BACK OFFICE/CALL CENTERS

Shared Services Center – Summary of Operating Parameters

Facilities Requirements	
Class A office space leased	22,500 ft ² (2,090 m ²)
Other Initial Investment Requirements	
Office equipment – US \$'000	\$1,800
Equity financing - % of project costs	100%
Workforce	
Management	10
Sales and administration	105
Customer support	29
Other	1
Total employees	145
Energy Requirements	
Electricity monthly consumption/peak demand	125,000 kWh and 410 kW
Other Annual Operating Characteristics	
Sales at full production – US \$'000	– ¹
Operating costs – US \$'000	\$1,250

¹ 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 3.67

Shared Services Center – International Results (US = 100.0)

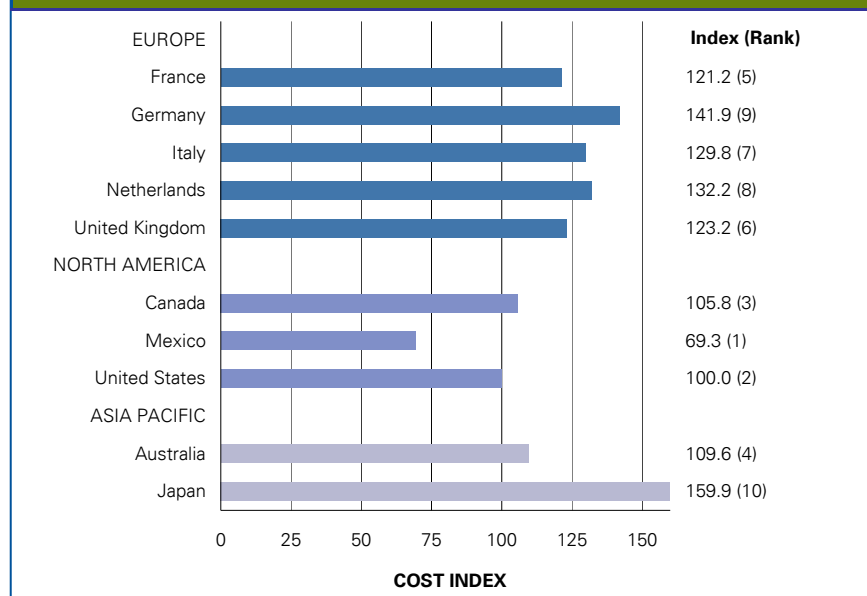


EXHIBIT 3.68 – BACK OFFICE/CALL CENTERS

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

	Europe					North America			Asia Pacific	
	France	Germany	Italy	Netherlands	UK	Canada	Mexico	US	Australia	Japan
Revenues	14,589	17,100	15,252	16,018	14,930	12,782	8,328	11,977	13,213	19,051
Costs										
- Salaries & Wages	6,498	9,733	7,076	8,266	7,832	7,293	3,516	6,578	7,024	8,806
- Statutory Plans	2,800	1,583	2,254	1,050	945	555	440	561	919	846
- Other Benefits	1,305	1,982	2,070	2,937	2,453	1,386	765	1,474	1,441	2,508
- Total Labor & Benefits	10,603	13,298	11,400	12,253	11,229	9,234	4,721	8,613	9,383	12,160
- Facility Lease	635	437	264	430	713	634	346	496	767	841
- Transportation	-	-	-	-	-	-	-	-	-	-
- Utilities	667	508	721	571	413	341	1,165	278	635	2,735
- Interest & Depreciation	79	53	134	51	(32)	84	51	124	(23)	270
- Non-income Taxes	29	-	97	7	-	79	38	127	-	65
- Location-insensitive Costs	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250
Profit Before Income Tax	1,325	1,555	1,387	1,456	1,357	1,162	757	1,089	1,201	1,729
- Income Taxes ¹	446	502	811	381	353	344	263	418	381	756
Effective Rate	33.7%	32.3%	58.4%	26.2%	26.0%	29.6%	34.7%	38.4%	31.7%	43.8%
After-tax Profit	879	1,052	576	1,075	1,005	818	494	670	820	972
Total Annual Costs	13,709	16,048	14,676	14,943	13,925	11,965	7,834	11,307	12,393	18,078
Index (US=100.0)	121.2	141.9	129.8	132.2	123.2	105.8	69.3	100.0	109.6	159.9
Rank	5	9	7	8	6	3	1	2	4	10

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 3.69 – BACK OFFICE/CALL CENTERS

Shared Services Center – Results for Leading Cities, by Country

Country	City	Index	Rank Among 102 Cities	Country	City	Index	Rank Among 102 Cities
France	Toulouse	116.2	84	Canada	Charlottetown	95.2	21
	Mulhouse	117.0	86		Sherbrooke	95.4	23
Germany	Halle	134.1	95		Moncton	96.1	26
	Erlangen	141.4	97		Fredericton	97.4	30
Italy	Vicenza	127.4	90	Mexico	Reynosa	64.1	1
	Livorno	130.8	92		Aguascalientes	69.1	2
Netherlands	Utrecht	132.2	94	United States	San Juan	79.3	6
United Kingdom	Barnsley	114.9	81		McAllen	84.6	7
	Plymouth	119.0	87		Shreveport	87.0	8
Australia	Adelaide	105.8	60		Little Rock	87.4	9
	Melbourne	109.8	67		Oklahoma City	88.0	10
Japan	Hamamatsu	159.3	100		Montgomery	91.2	11
	Fukuoka	159.4	101		Greenville-Spartanburg	91.5	12
					Jackson	91.6	13
			Bangor	92.2	14		