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# Call centers and shared service centres in the Euro-Mediterranean region

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ANIMA PAPERS & STUDIES

# Call and Shared Service Centres in the Euro-Mediterranean Region

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## References

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## Acronyms

- ANIMA: Euro-Mediterranean Network of Investment Promotion Agencies
- IPA: Investment Promotion Agency
- CC: Call Centre
- CRM: Customer-Relationship Management
- SSC: Shared Service Centre
- FDI : Foreign Direct Investment
- MEDA: All 12 European Union partner countries: Algeria, Cyprus, Egypt, Israel, Jordan, Lebanon, Malta, Morocco, the Palestinian Authority, Syria, Tunisia, Turkey (Malta and Cyprus joined the EU in May 2004)
- MIPO: Mediterranean Investment Project Observatory (ANIMA), an FDI observatory of FDI in MEDA countries established by the ANIMA-AFII team
- CEEC: Central and Eastern European countries (of which 8 joined the UE in 2004 with Cyprus and Malta)
- UE: European Union
- WIR: World Investment Report (UNCTAD publication)

# Contents

# Summary

The quest for better cost efficiencies has led multinational companies to cluster in specialised sites a number of non-core operations formerly scattered throughout their systems – customer relationship or internal support centres (also called « call centres » or CCs), for functions such as accounting, logistics, billing, human resources management, etc. (often called shared service centres or SSCs).

Initiated in the United States in the early 1980s, this organisational model has been implemented in Europe over the last ten years, giving rise to many investment projects which, being international by nature, create competition between potential host countries.

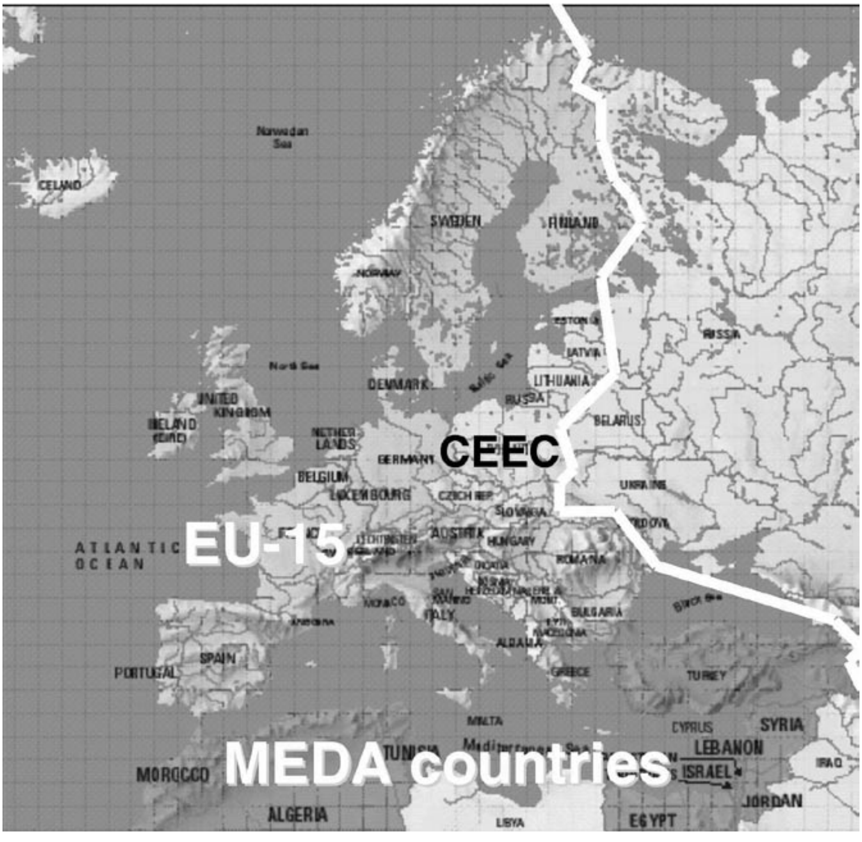
The magnitude of this market is far from negligible – 20,000 jobs per year on average throughout Europe, mostly in call centres, but also more recently with the implementation of SSC operations.

Historically, Anglo-Saxon islands have constituted the preferential hosts of these operations because of the pioneer role American and British firms have played in this domain, the available expertise in these countries, and the proactive promotion policies implemented by agencies. However, the relative saturation of the first places of establishment and new European market trends (establishment of regional centres) translate into a sharp increase in potential host areas as well as increased competition, leading to a growing volume of SSCs in Spain, Western and Central Europe.

How can MEDA countries benefit from these changes? Some countries in the region have already produced encouraging results in this area, such as Morocco and Tunisia in respect of call centres and Israel as concerns the related area of software development. Considering the attractiveness of these countries, it is expected that this situation will continue to develop. However, there is keen competition for hosting these projects, which spans the whole Euro-Mediterranean region (see figure 1 of the region studied) and the rest of the world, given the relocation of CC/SSCs to countries such as India. In order to attain greater success and deal more effectively with the competition from Western and Eastern European markets MEDA should promote more actively that which it has to offer.

After analysing market trends in relation to CC/SSCs in the Euro-Mediterranean region in the first part of this study, this work focuses on the positioning of Mediterranean countries to attract this type of investment. Finally, recommendations are made for improving the regional offer in this sector.

*Figure 1. The region studied*



# 1. Call and shared service centres market

After a definition of the market studied and a background to the major stages of its development, this chapter dwells on the overall and segment-by-segment description the main current features of call centres and shared service centres (CC and SSCs), and finally analyses the current trends and their impact on the comparative attractiveness of the various competitive countries. At each stage, the overall problem faced by SSCs and call centres is analysed (the latter being regarded as a particular category of the former)[1], before delving into the specific characteristics of each activity.

## Definition and history

The common objective of call centres and SSCs is to provide the end-user – who may be internal or external to the company – with a remote service through the clustering of the operations concerned in a single specialized site. However, apart from the common reasons for their establishment, each of these two operations also has particular features.

### Why call centres and SSCs?

Several general factors contribute towards the development of these two types of operations:

- The globalisation of economies and companies. This trend translates into the establishment of transnational networks and an intensification of competition, leading to a constant quest for competitiveness and

1. The distinction between call centres and shared service centres is rather fuzzy in certain cases, in particular when the activity concerned entails frequent and/ or regular contacts with the user (for example: computer maintenance). These two areas, which are often separate, will thus be studied simultaneously by regarding call centres as a particular category of shared service centres, where the magnitude of direct end-user contact is particularly significant.

rationalisation. The establishment of SSC allows for the clustering and integration of formerly scattered internal services, for reasons economies of scale and higher output (see below).

• The creation of a single market and harmonization of European legislation. This encourages firms to organise at a continental level. For example, the advent of the single currency and monetary market accelerated the globalisation of banking services and led to the disappearance of many national financial functions within companies, such as risk management of intra-European exchange rates and the daily consolidation of accounts made up of several European currencies. This resulted in the simplification and rationalisation of cash and liquidity management, creating the opportunity for redefining administrative and financial functions as well as customer service operations.

• The decline in the cost of telecommunications and the development of new information and communication technologies. These trends facilitated the remote management of increasingly widely dispersed units in geographic terms. Faster rates of data transfer between all company operations facilitates communication between the various internal partners (head office, shared service centres, branches and departments). It renders possible the establishment of single financial and technical information systems (for example, for client information and follow-up) and their provision in real time (“cash pooling”). Management’s efficiency is improved whilst eliminating redundant or useless tasks by ensuring a better allocation and use of resources within the network (refocusing of each on its core functions). Real time control and piloting is facilitated, this simplifying the decision-making processes. In this respect, the advent of the internet recreated a feeling of proximity which seemed to have been lost with the geographical dispersal of operations.

• The quest for lower costs. With the reorganisation of production systems in the 1980s (automation, relocation, introduction of new work methods such as “just in time”), companies began to focus on the productivity of administrative functions. The “businesses units” system, initially implemented for production units, has been extended to internal services whereby head office and the shared service centre or call centres set up a list of services to be rendered and respective pricing, hence creating competition between internal services and the external service providers (see below).

## The case for SSCs

The concept of shared service centre consists of combining specific administrative functions, previously integrated into each operational unit, in a single independent unit. This approach, which is particularly well suited to overcome the problems faced by major multinational corporations, is aimed not only at reducing costs by removing duplication and exploiting economies of scale, but at improving the service quality (while reconciling the international coordination of the most globalised operations with adaptation to local needs for more national activities), thus ensuring that various sites concentrate on their core activities with economies of scale and the improvement of services rendered (figure 2). “Shared services ensure a total piloting per trade, product, market segment or customer. This global vision is attained through the standardisation of management processes and tools for the harmonisation of performance indicators” ([Ballavoine-Kanovitch], 1998).

*Figure 2. Reasons for establishing a shared service centre (% of answers to a survey conducted amongst companies). Source: Ernst & Young*

| | |
|---|---|
| Reduce total costs | 78% |
| Improve services rendered | 64% |
| Concentrate on core functions | 44% |
| Develop a new technology | 29% |
| Control cost increases | 28% |
| Merger/acquisition | 11% |
| Generate new income | 8% |
| Other | 8% |
| E-trade | 5% |
| Consumer demand | 3% |

This type of organisation, which was initially set up in the early 1980s by American multinationals to reorganise their legal and financial departments servicing their domestic market and later to extend their support functions to subsidiary companies abroad (Europe in particular), is currently being adopted by companies in general in respect of a much broader range of activities (accounting, insurance, logistics, data processing departments, human resource management, supplies, customer management, see below). Currently, it is experiencing a rapid development in Europe.

In the 1990s and with the advent of the Euro zone (common market, single currency), American companies decided to extend this concept to their external markets and, in particular, to those in Europe. European companies then followed suit. Many Anglo-Saxon companies (Ericsson, NatWest Bank, British Airways, Guinness and others) are among the pioneers.

Initially run as in-house operations, SSCs are increasingly and frequently externalised to Business Process Outsourcers, thus enabling companies to concentrate on their core activities. Major consulting companies (Accenture, PWC, Total IBM Services, Deloitte, Ernst & Young, Cape Gemini, Unisys) and other specialised companies (Exult) have positioned themselves in this market.

## The case for call centres

Compared to the other SSCs, the feature that sets "call centres"[2] apart from the others is related to their pivotal role in maintaining a direct, distant relationship with the recipient of the service rendered (company client or internal service). Call centres can be defined as a set of human, organisational and technical resources put in place to provide a personalised solution to the demands and needs of each customer by developing a remote relationship. Besides the general trends cited above, their development is attributable to the importance given to the customer in company strategies, through the quest for an easier, faster and more personalised relationship. The development of CRM (customer-relationship management) software enhances the teleprocessing of this customer relationship, using a more standardised (productivity) and customised approach (many menus and possible options, quick access to customer files, etc). The deregulation of many service activities (starting with telecommu-

2. Also called "customer relationship management centres" or "customer relationship centres".

nications) further accentuated this phenomenon by introducing an element of competition into formerly controlled and monopolistic activities.

Three main types of operations can be identified (cf. below): business contact (sales, surveys), customer support (after-sales, recovery) and information dissemination. The fulfilment of these functions requires the mobilisation of an entire spectrum of resources such as telecommunication technologies (telephone, internet, etc), computerised databases, employment of experts or operating teams. In fact, call centres have to manage a double interface: on the one hand with the customer (who may want to get information, place an order, give an opinion, buy, lodge a complaint); on the other hand with the technical departments likely to provide answers which cannot be directly provided by call centres.

Call centres can be internal or externalised. The higher the specificity of demand (i.e.: complaints, technical support very specific to the product), the higher the tendency for in-house management of call centres since externalisation is more geared towards low specificity demand (i.e.: general information).

## The market: current situation and attempts at segmentation

### Magnitude of the market

The growth in the call centres market has been more significant growth and, as a whole, of a longer duration (cash management centres aside) than SSCs. Its magnitude is well known, whereas it is difficult to measure the SSC market owing to the difficulty in "labelling" this activity within the tertiary functions of companies. Today, the turnover of call centres is estimated at about 60 billion US dollars, of which North America accounts for 35 billion and Europe for 20 billion, although Europe is now showing the highest growth. The progression of the activity is still significant despite the fact that it has experienced a deceleration over recent years as compared to the takeoff phase of the 1990s. The SSC market is still smaller but has now entered the takeoff phase, which should result in the fast growth of the sector and an increase in projects.

## An attempt at segmentation

The term CC/SSC covers a very wide range of functions and activities. This market can be segmented according to a multitude of criteria: language used, degree of technicality of the service rendered, nature of the service, administrative function or service rendered. A particular hierarchy of localisation criteria is attached to each market segment.

Many consultants (Ernst & Young, Atos, etc.) have proposed segmentations for this market  they call centres or SSCs:

• Call centres: In a study carried out in 2002 for DATAR, Ernst & Young France based its segmentation criteria on language factors (multilingual, monolingual centres, etc.). It notes the existence of three main types of functions: business (call centres), information (reception centres), customer support (technical support centres), and also compares low and high value added centres.

• SSCs: In a 2003 study on SSCs carried out for Euroméditerranée, a public company based in Marseille, Ernst & Young France distinguishes three main types of services: management (payment, accountancy), ICT-related services (information/communication); logistics/distribution support services. Buck Consultants, in a 2001 presentation, identified 6 main categories of functions: finances, logistics, human resources, information technology, consumer services and sales. In 2003, at a presentation made at the WAIPA, Ernst & Young Europe identified 5 main categories of existing functions and 5 types of emerging functions. It should be noted that this last categorisation is based on a very broad vision of the SSC concept as it includes not only call centres but also research activities (Figure 3).

• Several studies also refer to the forms of organisation. For example, Atos Odyssée distinguishes between SSCs organised at the world, regional and national levels, and according to the degree of versatility of the centres (ranging from the single general-purpose centre to process- specific centres). In a study on European call centres, Ernst & Young distinguishes between pan-European centres, the network of process-specific centres and regional centres.

*Figure 3. Typology of SSC according to Ernst & Young London*

5 existing functions

• From sales to income: telemarketing, telesales, recording of orders, invoicing, accounting, management of receipts, customer service, management of contracts and services.

• From purchase to payment: purchases, inventory, contract management, fixed credit management, accounting and distribution.

• From recruitment to retirement: human resource management, recruitment, payrolls, retirements, travel and expense accounts, management of files.

• Accounting and management control: risk management, general accounts, management control, cash management.

• Other: management of vehicles, management of sites, information systems, taxation, internal audit.

5 emerging functions

• R&D: development of new products, management of demand and supply and control of production costs.

• Customer, marketing and sales: marketing support, advertising, sales support, consumer support and price management.

• Routing of the product: fulfilment of orders, distribution, storage, inventory control, credit and collection.

• Technology: data, operation and administration centres, telecommunications, technological updates (e-mail, internet service).

• Service functions: security, premises and human resources.

*Figure 4. SSC typology according to added value following the 2004 AFII study*

The 2004 AFII study proposes two SSC segmentation criteria:

• Added value. A distinction is made between, on the one hand, centres high in manpower and low in added value, where labour can represent from 40% to 50% of the operating costs and which will often be established in so-called low cost countries and, on the other hand, centres low in manpower and high in added value, characterised by a higher prioritisation of technology, mainly established in countries with a good infrastructure and intellectual, technical and linguistic skills.

• Integration or non-integration into head office: The study distinguishes, on the one hand, SSCs created essentially from scratch, generally with considerable manpower (invoicing centres, new job descriptions, such as the Irish after-sale services or better still, the Indian IT centres) and, on the other hand, centralised SSCs which are generally located in head offices where all teams can be controlled.

Along a similar approach, AFII proposes two SSC market segmentation criteria: added value and integration or non-integration within the headquarters of the firm (figure 4).

One could go on and on with quotations. This exercise highlights two significant elements: on the one hand, there is neither final agreement on the segmentations nor, a fortiori, a reliable instrument for measuring the relative parts of the various sub-segments (none of the studies quoted above ventured to suggest orders of magnitude); and on the other hand, most reference works do suggest some segmentation criteria (language, technical level, function, mode of organisation) which could help reshape our own thinking.

## Main structuring trends and their consequences for MEDA countries

Being a very recent development, CC/SSCs are undergoing a very rapid evolution that changes the scope and very nature of the activity. We will now outline common trends to all categories of CC/SSCs and those specific to each activity.

### Trends common to all CC/SSCs

• Off-shoring towards non-European countries (India, Morocco) and the search for new and more advantageous localisations.

• Shift towards the externalisation of centres to "businesses services providers".

• Increase in technical skill of the centres. For example, in its computer maintenance centre, Carrefour employs its best experts at the interface level in order to identify and solve problems promptly.

### Trends concerning call centres

• Widening of the range of services offered. The tendency is to implement integrated and proactive call centres that deal with all customer needs, optimising feedback, etc.

• New forms of organisation of call centres: as the pan-European model and the national model are experiencing a relative regression, a third model is emerging combining the advantages of centralisation and local establishment (this is dubbed "Euro-regional" or " star" model with secondary centres around one main centre).

• Development of new multi-media communication tools (even if the telephone still dominates today): interactive vocal servers, web tools and databases, e-mail management…

## Trends concerning SSCs

• Extension of the movement towards new functions (cf. figure 3).

• Increase in value added of services rendered.

## Consequences for MEDA countries

These trends have contradictory consequences for MEDA countries:

• The move towards externalisation, the development of organisations into networks of specialised centres covering the whole Euro-Mediterranean region and, of course, the tendency to offshore have positive consequences as they open the market to the relocation of European CC/SSCs to these countries.

• Conversely, the increasing technical level of these activities, by giving more weight to the qualitative criteria of localisation, decreases the interest in a relocation based purely on lower wage considerations. For MEDA countries this implies a policy of updating and increasing the range of the services offered.

# 2. The attractiveness of MEDA zone

After describing the current state of the international CC/SSC "market", the study now focuses more specifically on the performance of MEDA countries in the hosting of these activities, before discussing their specific strengths and weaknesses.

## The CC/SSC market

Although not all CC/SSCs are necessarily geared towards the international market, most of them give rise to internationally mobile investments for several concomitant reasons: because they are often created by multinationals for which the coordination of transnational networks constitutes a natural practice; because these operations are all defined as "remote" services, possibly very distant to the "customer" for whom they are intended; finally, because the quest for economies of scale can lead to the implementation of large structures intended to serve several national markets. There is therefore keen competition between the territories and promotion agencies of the Euro-Mediterranean region for hosting these operations. Thanks to the AFII/Ernst & Young data base it is possible to propose some orders of magnitude of the market concerned.

According to this source, international investments in CC/SSCs in Europe generated approximately 20 000 jobs annually between 1998 and 2002 (figure 5). To this total should be added the number being directed towards the MEDA countries, which can be estimated at approximately 1 000 jobs annually during the same period.

As shown above, at present, the call centre market is larger than the SSC market. However, the call centre market reached its maturity phase during the last three years, whereas the SSC market experienced a remarkable takeoff (cf. below). Significant strides have also been made in terms of the number of jobs created over the years owing, in particular, to the realisation of major projects.

*Figure 5. Jobs created in Europe by international CC/SSCs projects between 1998 and 2002 Source: AFII/Ernst & Young*

| '000s | Call Centres | SSC | Total |
|---|---|---|---|
| 1998 | 13.4 | 2.4 | 15.8 |
| 1999 | 15.2 | 1.8 | 17.0 |
| 2000 | 28.7 | 2.9 | 31.6 |
| 2001 | 11.8 | 1.2 | 13.0 |
| 2002 | 11.0 | 1.2 | 12.2 |
| **Total** | **80.1** | **9.4** | **89.5** |

Anglo-Saxon countries where, as mentioned above, the call centre and SSC concepts originated, predominate as countries of origin (figure 6).

Historically, European Anglo-Saxon countries have attracted the greatest number of projects in the area of CC and SSCs (figure 7), with the Benelux countries also registering good performances. However, this trend is evolving, with a gradual increase in the list of locations.

*Figure 6. Thousands of jobs created in call centres and SSC per country of origin between 1998 and 2002. Source: AFII/Ernst& Young*

| Country of origin | Call Centres | SSC | Total ('000) | % |
|---|---|---|---|---|
| United States | 42.7 | 5.6 | 48.3 | 54.0% |
| Germany | 9.2 | 0.7 | 9.9 | 11.1% |
| France | 5.9 | 0.2 | 6 | 6.7% |
| United Kingdom | 5.1 | 0.7 | 5.7 | 6.4% |
| Sweden | 4.1 | 0.7 | 4.8 | 5.4% |
| Switzerland | 3.2 | 0.8 | 4 | 4.5% |
| Ireland | 2.5 | 0 | 2.5 | 2.8% |
| Netherlands | 1.5 | 0 | 1.5 | 1.7% |
| Greece | 1 | 0 | 1 | 1.1% |
| Japan | 0.7 | 0.3 | 1 | 1.1% |
| Canada | 0.7 | 0.1 | 0.9 | 1.0% |

| | | | | |
|---|---|---|---|---|
| Other | 3.7 | 0.4 | 4.1 | 4.6% |
| **Total** | **80.2** | **9.4** | **89.5** | **100%** |

*Figure 7. Thousands of jobs created in Europe by SSC and call centres projects per country of destination. Source: AFII/Ernst and Young*

| Host country | Call Centres | SSC | Total ('000) | % |
|---|---|---|---|---|
| United Kingdom | 33 | 2,9 | 35.9 | 40.1% |
| Ireland | 9.2 | 3,1 | 12.3 | 13.7% |
| France | 9.4 | 0 | 9.4 | 10.5% |
| Netherlands | 6.5 | 1,1 | 7.6 | 8.5% |
| Germany | 7.2 | 0 | 7.2 | 8.0% |
| Belgium | 4.4 | 0,1 | 4.5 | 5.0% |
| Spain | 2.1 | 1,2 | 3.3 | 3.7% |
| Italy | 2.2 | 0 | 2.2 | 2.5% |
| Sweden | 1.9 | 0 | 1.9 | 2.1% |
| Austria | 1.5 | 0 | 1.5 | 1.7% |
| Other - West | 1.2 | 0,2 | 1.4 | 1.5% |
| Others - East | 1.7 | 0.7 | 2.4 | 2.6% |
| **Total** | **80.1** | **9.4** | **89.6** | **100%** |

## Stages of SSC localisation strategies

### The era of single centres

The development of shared service centres in Europe has not been evenly spread and homogeneous. In the mid 1990s, some cities like Amsterdam, Brussels, Dublin and especially London were the first to host this type of investment. This first cycle corresponds to the era of single centres. Groups which had decided to restructure their European operations established a shared service centre in one of these cities. This newly created entity then catered for the European region as a whole. The pioneering role played by these agglomerations at the time is attributable to the high attraction potential of a very favourable economic environment. The existence of an abundant labour force with the necessary linguistic and technical skills as well as the availability and the cost of property were factors that mitigated in favour of these cities.

Generally, Ireland and the United Kingdom generated a keen interest: 12,300 jobs created between 1998 and 2002 in Ireland by firms such as Continental AG, Arthur Andersen and Co, Xerox Co, Black and Decker and General Motors Co; 35,900 jobs created in the United Kingdom by Polaroid Co, Royal Dutch Shell Group, Procter and Gamble Co, Exult Inc, Centred Uap SA, American Express Co and Fujitsu Co…

**The fragmentation phase**

Recent years have witnessed the emergence of new poles of localisation beyond the first circle of pioneer cities (London, Dublin...), with cities like Glasgow, Manchester, Maastricht, Barcelona, Copenhagen, Rotterdam, etc.

Pioneer cities started to reach saturation point and the shortage of skilled personnel and a changed property market translated into price and cost hikes. As a result, investors turned to other cities, creating the SSC diffusion phenomenon.

The heterogeneity of the European market finally resulted in the emergence of a third cycle of SSCs, with the advent of management by zone, Europe being divided into three zones: Central Europe (Germany, Hungary, Czechoslovakia); Northern Europe (Denmark, Finland, the United Kingdom, Sweden); Southern Europe (Spain, France, Italy, Portugal). Formerly isolated national entities were thus grouped into regional SSCs.

New localisation cities sprang up, such as Vienna, Zurich, Paris, Barcelona, Prague and offshore sites like Bangalore. Currently the list of competitors is growing: Budapest, Berlin, Lisbon, Madrid, Cardiff, British, French and Dutch regional metropolises, Tunisia, Morocco and others. This trend, attributable to the foreseeable increase in very internationally mobile projects, opens interesting prospects for MEDA countries. It should be noted, however, that today Western Europe is still by far the favoured destination for CC/SSCs in the Euro-Mediterranean area (cf. below).

## The current market situation in 2003-2004

An analysis of data drawn from the MIPO and AFII Observatories in respect of January 2003 to August 2004 reveals the following (figures 8 to 11):

- Anglo-Saxon companies continue to be the major investors but with diversified origins. The United States remains, by far, the largest investor country, having originated 60 projects representing nearly 45% of the total. All in all, European countries have originated even more - 67 projects or 49% of the total, with a high contribution from Germany (17 projects), France (15 projects) and the British Isles (10 projects).

- Call centres still surpass other investments by two out of three projects although this predominance is less marked for projects of North-American origin, which account for more than half of SSC investments. The share of SSC projects increased remarkably in 2004 as compared call centres.

- Western Europe (particularly the British Isles) is still by far the preferred destination, accounting for 70% of the projects although the importance of Eastern Europe and the MEDA countries is far from negligible (respectively, 16% and 13% of the projects, figures far above those recorded five years ago).

- The project structure differs slightly depending on the host region with the Eastern European countries specialising in SSCs and the MEDA countries specialising in call centres.

*Figure 8. CC/SCC projects in the Euro-Mediterranean region by country of origin (number of projects) in 2003. Sources : MIPO, Europe and France Observatories*

| | CC | | SSC | | Total CC/SSC | |
|---|---|---|---|---|---|---|
| Origin | Number | % | No | % | No | % |
| Europe | 36 | 56 | 7 | 33 | 43 | 51 |
| North America | 22 | 35 | 13 | 62 | 35 | 41 |
| Other | 6 | 9 | 1 | 5 | 7 | 8 |
| **Total** | **64** | **100** | **21** | **100** | **85** | **100** |

*Figure 9. CC/SSC projects in the Euro-Mediterranean region by country of origin (number of projects for the first eight months) in 2004. Sources : MIPO, Europe and France Observatories*

| | CC | | SSC | | Total CC/SSC | |
|---|---|---|---|---|---|---|
| Origin | Number | % | No | % | No | % |
| Europe | 17 | 50 | 7 | 37 | 24 | 45 |
| North America | 15 | 44 | 10 | 53 | 25 | 47 |
| Other | 2 | 6 | 2 | 10 | 4 | 8 |
| **Total** | **34** | **100** | **19** | **100** | **53** | **100** |

*Figure 10. Call centre and shared service centre projects in the Euro-Mediterranean region in 2003 (number of projects). Source : MIPO, Europe and France observatories*

| | CC | | SSC | | Total CC/SSC | |
|---|---|---|---|---|---|---|
| Destination | Number | % | No | % | No | % |
| Western Europe | 48 | 75 | 13 | 62 | 61 | 72 |
| Eastern Europe | 8 | 12,5 | 6 | 29 | 14 | 16 |
| MEDA Countries | 8 | 12,5 | 2 | 9 | 10 | 12 |
| **Total** | **64** | **100** | **21** | **100** | **85** | **100** |

*Figure 11. CC/SSC projects in the Euro-Mediterranean region (number of projects for the first eight months) in 2004. Source : MIPO, Europe and France observatories*

| | CC | | SSC | | Total CC/SSC | |
|---|---|---|---|---|---|---|
| Destination | Number | % | No | % | No | % |
| Western Europe | 20 | 59 | 15 | 79 | 35 | 66 |
| Eastern Europe | 7 | 21 | 2 | 10.5 | 9 | 17 |
| MEDA Countries | 6 | 17 | 2 | 10.5 | 8 | 15 |
| Other | 1 | 3 | 0 | 0 | 1 | 2 |
| **Total** | **34** | **100** | **19** | **100** | **53** | **100** |

# Call centre investments in MEDA countries

## Background

The call centre market, and more so the SSC market is yet in its infancy phase in all Mediterranean countries except Morocco and Tunisia. MIPO's database reveals that the inflow of projects is still relatively low - 10 projects in 2003 and 8 in 2004, in comparison to 88 and 44 respectively for the whole of Europe (cf. annex 4). Currently, most of these projects have been localised in Morocco (about ten projects, according to MIPO) and in Tunisia (essentially call centres aimed at the francophone region). They are mainly of European origin and mostly French. In contrast, Israel has played host to a number of investments in the interrelated software development sector (cf. annexes 3 and 5).

## Country analyses: Maghreb

### Morocco

The Moroccan call centres sector has witnessed a significant growth over the last four years. The number of centres rose from 3 to more than 50, employing approximately 6 500 people, for a sales turnover estimated at €85 million at the end of 2003. More than 95% of these call centres are located along the Rabat-Casablanca axis. The sector is being organised with the assistance of the Moroccan Association of Customer Relationship Management - (AMRC) which was established in May 2003 with the aim of representing customer relationship management centres, strengthening the of sector's potential and promoting Morocco as an investment destination.

Business Services Providers or Outsourcers account for 80% of the current activity in the sector. Several major international customer relations organisations have been established in Morocco, either on their own (B2S, Client logic, Atento, Webhelp, Sitel, Coaxis, Teletech), or in partnership with local operators such as Transcom with CBI, Arvato Services with Phone Assistance, etc. The sector also includes local operators operating internationally, notably CRM Value Eurocall, Access Teleservice, I2C, Phonéo and Accolade.

These companies service primarily European clients (Telefonica, Tiscali, Cegetel, AOL, France Telecom, Neuf Telecom, Fedex, Yves Rocher), although they also service some large Moroccan companies. Indeed, domestic demand for this type of services is increasing appreciably. Some of the main domestic users are Morocco Télécom, the National Airports Authority, the Post Office and the Moroccan branches of foreign companies such as Lesieur and Danone.

Lastly, certain companies, such as Dell (with 700 jobs), have set up their own internally-run call centres.

Specialists and the Moroccan authorities anticipate a fast growth in this sector (10 000 to 20 000 jobs by 2007), particularly considering the significant potential of off-shoring from European countries (France, Spain, Belgium, Switzerland).

*Figure 12. A Forerunner: Atento*

Atento, a subsidiary of the Spanish operator Telefonica, which had just obtained the second mobile telephone licence, opened a first call centre for its customers in Morocco as early as February 2000. Atento, which manages call centres in some twelve countries with some 27 000 "positions" and employing nearly 50 000 people, quickly understood the country's potential. After its first centre in Casablanca (40 million dollars invested for 600 positions), it opened a second centre with 500 positions in 2001 in Tangiers and is preparing to open a third centre with 500 positions in Tetouan. In the two centres located in northern Morocco, where the population is Spanish-speaking, Atento achieved a turnover in excess of €8 million from 78 million calls in 2001, which makes it the leader in the sector. Its main customers include Méditel, Royal Air Morocco, Crédit du Maroc and Morocco Connect/Wanadoo.

The country also boasts call centre operators. Amongst the companies which have implemented customer relationship centres established in Morocco are Alcatel, Munisys, Comway, Siemens Morocco and Télépac. Morocco Telecom (Vivendi), Med telecom (Telefonica), Operator VSAT (Nortis, Spacecomm, Golfsat), ISP (Wanadoo Morocco, Menara) are some of the operators. Technology suppliers (MS, IBM, HP, Cisco, etc.) are also present in the country.

To promote Morocco as a destination, local authorities advance the following arguments:

• The geographical proximity and strong cultural ties to Europe (widespread use of French and Spanish).

• Morocco has a large human resources pool made up of young motivated graduates ready to embrace this sector. The average turnover is weak. Wages are very competitive compared to Europe (the average wage of a telephone operator in Morocco is approximately €300).

• The telecommunications sector has been liberalised and is modern and competitive. Its infrastructure meets international standards (safe and diversified high flow digital transmission networks, overland and submarine transmission facilities, metropolitan and nationwide optical fibres…). The costs of telecommunications are competitive and have dropped significantly in recent years.

• The existence of facilities, with cabled buildings (for example, Casa Technoparc). A first call centre exhibition was organised in Morocco in 2004. Other events also promote capital flows ("Start-ups Forum", organised with Marseille-Innovation).

• The regulatory framework is very flexible: weekend and night shifts do not add significantly to the wage bill and work schedules can be adapted as required.

• An attractive taxation system: total exemption from corporation tax for export turnover during the first five years and a 50% reduction thereafter, total exemption from VAT on fixed assets and services for export, free capital transfer, exemption from customs duties for certain equipment imported from the European Union, etc. and reduced Customs duties on all imported computer equipment (2,5%).

• The OFPPT (Office for Skills Training and the Promotion of Work) has implemented a training policy by setting up a training centre dedicated to the tele-servicing sector, the partial reimbursement of training costs (up to 90%) and implementation of a training programme for the tele-servicing sector.

• The national Agency for the promotion of jobs and skills (ANAPEC) assists the call centres in recruiting personnel (access to a database of applicants, pre-selection of applicants…) and proposes support measures (recruitment contracts).

• The existence of one-stop shops geared towards regional investment centres facilitates the administrative formalities for the creation and establishment of companies.

• The government has adopted a strategy to monitor the improvement and enhancement of the competitive environment for customer relationship centres. A committee was set up to identify and correct the three main weaknesses of the sector, namely, human resources, infrastructure and telecommunications.

## Tunisia

The call centre market is still in its infancy phase in Tunisia, although the potential for development is significant given the existence of several strengths. The ambition of the country is to become a focal point for regional and international service provision.

At the end of 2004, 18 call centres were in operation (including 13 of foreign origin), employing approximately 1 900 people. The main sectors of activity concerned were as follows: marketing research (IHR, multilingual centre), telesales (H&M, French-speaking centre), technical support (COS Services, Italian-speaking centre), telemarketing and assistance (Teleperformance, various services), etc. More than fifteen new projects were announced in 2003.

*Figure 13. The case of the SR Téléperformance group*

The SR Teleperformance group, created in 1978 by a French person, is the fourth largest call centre/SSC group in the world in terms of turnover (€861 million in 2003 as against 932 in 2002) and possesses the world's largest client relationship management network comprising of 26 000 workstations spread over 132 centres in 30 countries. Téléperformance Tunisia, subsidiary of Téléperformance France, pioneer in Tunisia in 2000, witnessed a remarkable growth. Starting with 100 workers in 2001, today it comprises of two customer relationship centres in Charguia and Ben Arous, both on the outskirts of Tunis, and employs 1 400 people at a starting gross salary of 360 Dinar or approximately €250. The staff turnover is estimated at between 10 to 15%, most of which are employed on a contract basis for an unspecified duration.

To promote Tunisia as an investment destination, the local authorities advance the following arguments:

- Tunisia disposes of a significant number of young graduates with proven technical skills and qualifications corresponding to the requirements of call centres. They are fluent in several languages (English, French, Arabic). The absenteeism and turnover rates are relatively low (approximately 5%). A system aimed at facilitating the recruitment of young graduates via a network of 80 employment centres and a website has been set up.

• The wages are low compared to the main competitors. The labour legislation is flexible - three weeks' annual leave, Sunday or night-work without exemption, no limit to overtime, total flexibility to deal with peak periods.

• Moderate rentals. As in Morocco, facilities do exist, with cabled buildings (for example, Ariana technopole). The country boasts a technological communications district, located on the outskirts of the city of Tunis, which will soon possess buildings dedicated to call centres.

• Several opportunities exist for new companies to obtain capital: an emergent venture capital market (for example, Tuninvest, a fund managed with the assistance of Siparex), "the Start-ups Forum" was organised as in Morocco with Marseille-Innovation.

• The telecommunications sector is modern and dynamic, with a high growth rate. Within the framework of a national strategy aimed at developing new alternatives in the ICT sector, great effort has been put into improving the infrastructure. All types of networks are already available in Tunisia and call centres can easily get in touch with a majority of countries in the world. The costs are continuously decreasing, as could be seen in the 50% reduction in 2003 of the rates for data transmission services, specialised connections, integrated services digital network and the asymmetrical digital terminal lines.

• The National Telecommunications Board of Tunisia "Tunisia Télécom" is entitled to apply preferential rates to call centres, upon signing an agreement with the company concerned. Lastly, the country has signed the WTO agreement on services and launched a programme aimed at liberalising the telecommunications sector.

• To attract call centres, Tunisia is trying to develop and promote (especially through FIPA, its investment agency) an attractive integrated scheme at all levels: infrastructure, training, assistance mechanisms, simplified administrative procedures for the establishment of new activities, total exemption from company tax for 10 years and with a maximum rebate of 50% as from the 11$^{th}$ year (for export); various customs and tax exemptions and reductions for the purchase of equipment and supplies intended for an exporting activity.

• The legal framework is favourable. The investment is free for nationals and foreigners in all completely export-oriented sectors of activity and virtually free for partial export-orientated activities. Any foreign investor can have a 100% shareholding in a project without authorisation and can also repatriate the profit and the product of the transfer of capital invested in foreign currency including the added value.

• A one-stop shop run the Agency for the Promotion of Industry incorporating all the concerned services assists with all the administrative services and greatly simplifies formalities.

• The national agency for employment and independent work (ANETI) assists promoters of call centres in recruiting personnel. Where necessary, ANETI assists the promoter in developing a training scheme, with the possibility of it being financed from a public fund known as the Insertion and Skills Recycling Fund (FIAP). For further training information, promoters can approach the national continuous training programme (PROFANOC).

• A particular effort was made with regard to social contributions: the State assumes full responsibility for the employer's contributions for 5 years when employing recent graduates with a minimum of a GCE A' Level+2; the State pays 50% of the employer's contributions for 5 years when employing a second or third work group for companies not working on a permanent basis; complete payment by the State of training costs in fields not offered in Tunisia.

• Lastly, in late 2005, Tunisia will host the world summit on the information society (SMSI), a large event which will constitute a good opportunity to showcase the country's potential in all areas of new information technology. The only drawback in this promising setup is the somewhat heavy control over website content which may play havoc with the transfer of innocent, professional data.

## Algeria: a first call centre in 2004

According to the North Africa Journal (28/10/2004), "the concept of call centers is new to the Algerian market and businesses are likely to adopt them only in the long term as a few pioneers are introducing them today. For now, the focus thus far has been on providing solution and services to the few telecom operators active in Algeria, starting with Orascom Algérie, which hired Nortel, Algerie Telecom which is currently working with France Telecom's Sofrecom, and Wataniya which has yet to hire a solution provider for its own call center. The first one to be operational is owned and operated by the state telecom company Algérie Telecom (AT). AT has always used the number 19 to allow customers to reach its operators. However that center is slated to be upgraded and modernised as AT acquired the Gaïa suite of software from Sofrecom, a subsidiary of France Telecom."

Orascom, the Egyptian tycoon which invested in telecom in 14 countries, of which Algeria and Tunisia, opened in 2004 its call center in Algiers. The centre is dealing with the 20,000 calls a day generated by the Djezzy mobile telephone network operated by Orascom (2,7 million subscribers, much more than Mobilis, the historical operator network, with 700,000 subscribers, and the brand new service of Watania, a Kuwaiti group).

More than one hundred young Algerians, most of them women, are working in an ultramodern building close to the airport. The centre addresses in priority domestic calls in Arabic and French, but could play an international role in the future for the group.

With a market of the mobile telephone estimated at 10 million prospective customers, a labour, in particular well-trained female workforce, speaking French, and attracted by service jobs, Algeria has much to offer in the call centre business, provided that the infrastructure is available (ADSL, office and land space).

# 3. Recommandations for MEDA countries

This chapter looks at the possible opportunities for MEDA countries and makes some recommendations on how to enhance the attractiveness of the region.

## Conditions for the location of a call centre or SSC and position of MEDA countries

To identify the strengths and weaknesses of MEDA countries in hosting CC/SSCs, we must start by analysing the factors that influence the location of industries. Most of the literature published on this topic is based on direct investor surveys. Though the findings of these studies sometimes differ considerably, depending on the approach or the persons interviewed, these results substantiate each other on some points (figures 14 and 15):

- According to a study carried out by Ernst & Young in 2002, the main factors that influence the location of industries are related to the availability and cost of fixed assets, the technical and language skills of the labour forces and the quality of the infrastructure (telecommunication, transport). Other factors to be considered are the mobility of labour, the cultural ties and proximity to the potential target market and taxation laws.
- The survey by Atos-Odyssée classifies these factors in descending order of importance (except for fixed assets): qualifications and language skills of labour, wage cost, international outlook of the country and proximity to the market.
- The recent UNCTAD report (WIR 2004) underscores the fact that low wages do not constitute the only factor in the choice of a country when setting up offshore operations. It proposes the following classification of criteria: availability of skilled labour, a good knowledge of languages, quality of the infrastructures, low costs.

*Figure 14. Classification of factors that influence the location of a shared service centre. Source: Ernst & Young*

| | |
|---|---|
| Availability of property projects: | 41% |
| Availability of labour with technical skills | 38% |
| Availability of labour with language skills | 28% |
| Quality of infrastructure (transport or telecommunication) | 26% |
| Cost of land | 25% |
| Flexibility and cost of the labour market | 11% |
| Approach the potential market | 11% |
| New culture | 10% |
| Advantageous taxation system | 8% |

*Figure 15. SSC localisation criteria according to Atos-Odyssée*

| | |
|---|---|
| Availability of skilled labour | 20% |
| Multilingualism | 17% |
| Cost of skilled labour | 11% |
| International openness | 9% |
| Proximity to the market | 8% |
| Business environment | 7% |
| Transport, telecommunications infrastructure | 7% |
| Political stability | 5% |
| Company taxation system | 5% |
| Mobility of labour | 4% |
| Other | 7% |

- Naturally, this classification depends also to the type of activity: "data processing and software" management skills for ICT services, accounting and financial skills for cash centres, etc.
- Lastly, the technological level of the project plays a great role in its location. Generally, elements related to the wage costs and possibly to the taxation system and financial assistance play a more significant role in "low tech" projects whereas the quality of the labour counts more in "high tech" projects.

As we saw earlier, the trend today is towards an increase in technical content of the services provided by CC/SSCs rather than "low cost" destinations. Strictly speaking, the importance of cost as a factor for location thus tends to decrease as considerations related to the quality of supply increase. This trend tends to favour developed countries as it can contribute towards slowing down the relocation of SSCs and call centres to offshore destinations.

It is also necessary to mention the end of the "tax havens" and other systems considered detrimental by the European Commission[3], for example the Belgian coordination centres or the tax ruling in the Netherlands. As a result, these systems are no longer applicable as from late 2002 although many of the agreements were signed for a periods of up to seven years. Hundreds of companies are thus likely to leave places like the United Kingdom, the Netherlands, Belgium or Luxembourg as the moratoriums come to an end.

In relation to this issue, MEDA countries provide some advantages as regards costs in particular, which can lead certain companies to consider relocation projects. To enhance this fundamental advantage as compared to European countries, efforts must be made to improve the quality of fixed assets, the training of the labour force, the telecommunications infrastructures, etc.

## Recommendations to improve MEDA offer

Correctly identify the market, identify the target segments and companies, communicate, implement certain structural reforms; these are some of the actions which can be envisaged to render the countries of the MEDA region more attractive.

### Properly identify the market and position the MEDA offer

Call centre and SSCs in particular are little known concepts in the MEDA region. Firstly, efforts must be made to understand the market. Such an analysis, which has already undertaken in certain coun-

3. The PRIMAROLO Report of 1999 identified 66 tax benefit systems that were considered to be problematic within the European Union.

tries of the region (such as Tunisia, Morocco and Malta) must be deepened and generalised.

With this, MEDA countries will have to position themselves against their competitors and identify priority segments for development (geographical, sectoral and operational), as was done in Morocco (French-speaking call centres…).

There are indeed several types of SSC whose characteristics are more or less suited to the offer of each country. For the developing countries, the main attraction factor is related cost effectiveness (low wages, attractive tax system), which would apply to SSCs dedicated to simple, labour intensive tasks. For example, the Honeywell group's are processed in Mexico before being re-injected into the "system". However, as concerns certain specific segments, MEDA countries can also promote their potential in terms of their highly skilled human resources.

The more developed countries of Western Europe or Israel can focus on SSCs geared towards technology, skills and added value, for example, the SSCs associated with new trades (ex: new "services desk" of the Crossroads group[4]). By definition, they are well placed to host SSCs directly attached to their respective head offices.

## Develop the English-speaking offer

Just as the Maghreb region has been able to tap its language potential to create an offer geared towards the French-speaking market (and, partially, Morocco as concerns the Spanish-speaking market), so Lebanon, Syria, Egypt, Jordan, Palestine or Cyprus can draw on their strengths to promote themselves in the English-speaking or French-English bilingual markets.

It seems that the majority of the Anglo-Saxon companies consider India (for example) as the ideal location for call centres or SSCs, whereas Egypt (yet another example) with its Smart Village (a technopark in the suburbs of Cairo) deserves to be promoted and developed.

4. Bringing together highly skilled personnel in a high level interface for the management of technical problems of an exceptional nature.

Similarly, the Palestinian territories, Jordan and Lebanon possess enormous potential as destinations for high quality CC/SSCs, taking into account an often excellent data-processing culture and efficient telephone connectivity. ANIMA and the IPAs concerned could launch an initiative to promote this offer at various telecommunications, IT (Cebit Hanover etc) and internet (SMSI) events. In the case of Palestine, this is one of the few activities that can easily overcome logistical constraints (cordoning off of territories) and could be used to foster cooperation with Israel.

The ongoing ANIMA study on the inventory and enhancement of the MEDA technological offer has identified over 250 scientific parks, technopoles and R&D centres throughout the Mediterranean region which constitute focal points for a CC/SSC promotion policy.

## Identify target companies

It is then necessary to identify targets or companies which could potentially be enticed to establish a shared service centre in the MEDA region. These are generally multinational corporations wishing to rationalise their operations in order to overcome the difficulties of geographical dispersal and that could be attracted by the advantages in terms of cost efficiencies offered by MEDA countries. The establishment of a one company in the region can act as an incentive. Lastly, it should be noted that many companies with SSCs in the European Union will, in the long run, no longer benefit from the tax incentives considered to be detrimental by the European Commission and which have been henceforth prohibited. The first targets of a possible promotion operation could be the 500 groups that are strongly established in the Euro-Mediterranean region and the investors identified through the MIPO base of the ANIMA network (observatory of investment projects).

## Communicate

Apart from Morocco and Tunisia, the current communication policies of MEDA countries concerning CC/SSCs remain limited with decision-makers paying scant attention to them. The following actions can be considered:

- The drafting of a leaflet or PowerPoint presentation on CC/SSCs, possibly put on line on the ANIMA website. That is also in line with a more global policy of boosting the image of MEDA countries among investors.
- As already mentioned, the contribution, of the ANIMA network to Euro-Mediterranean exhibitions specialised in CCs/SSCs: for now such exhibitions are arranged only at country level (as is the case of Morocco); it might be a good idea to create a special forum, for example, on the sidelines of exhibitions devoted to telecommunications (Meditel etc.) or BtoB workshops (MedInterprise, etc).

### Undertake structural reforms

Some of the main reforms that can be undertaken are:

- Modernise the telecommunication systems, to improve quality of availability of fixed assets and to design them in accordance with the needs of CC/SSCs (cabled buildings). This should not be limited only to capital cities, since the beauty of remote customer relationship lies in the fact that it can be done from any part of the territory. That can even be combined with the development of e-learning facilities.
- Improve transparency, the coordination and effectiveness of the administrative functions, simplify and stabilise the legal framework, introduce an attractive taxation system;
- Train staff on the techniques necessary for CC/SSCs, develop the practical teaching of foreign languages (on both technical and literary topics);
- Facilitate the return, or the investment, of expatriate senior executives, through appropriate taxation and administrative measures: taxes (specific provisions for high level repatriates, social security contributions), administrative facilitation (work permit, one-stop counters, simplified procedures), access to financing, etc.

## Conclusion

The projected development of the CC/SSC market opens prospects favourable to MEDA countries. To take advantage of such prospects, theses countries must implement an active policy to enhance the local offer and carry out specific promotion/prospecting actions.

More concrete strategy recommendations could be defined at an ANIMA seminar that brings together the various investments promotion agencies within MEDA countries as well as professional federations or European operators.

# Annexes

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# Annex 2. The world off-shore services market according to UNCTAD[5]

In its 2004 World Investment Report, UNCTAD distinguishes four major categories of offshore services: shared service centres (« back-office » services), call centres («front-office» services), regional head offices and IT services (including software development). According to UNCTAD, international investments in this sector represent an important part of the international investment market worldwide, accounting for 12% of total projects and 20% of employment in 2002-2003.

These offshore services are concentrated in a restricted number of countries. The main beneficiaries, namely, Ireland, India, Canada and Israel made up 71% of the total offshore services market in 2001 according to Mc Kinsey. However, developing countries are offering new destinations.

India is by far the most attractive of the 25 most attractive offshoring destinations, according to A.T. Kearney in 2004, followed by China, Malaysia, the Czech Republic and Singapore. In Latin America, Brazil is the first host country. In Africa, the leader is South Africa. Canada and New Zealand are the most popular developed countries.

European multinationals have located about one third of their offshore services in India (over 50% of jobs created), 29% in Western Europe (Ireland, Portugal, Spain, United Kingdom) and 22% in Eastern Europe (Hungary, Poland, Romania). Only 8% of these projects have been located in Latin America and 4% in Africa.

The proportion of developing and Eastern European countries in the total offshore services investment projects increased from 37% in 2002 to 51% in 2003, or 57% of jobs created.

5. Off-shore services are services provided from country other than the country of the final user.

**The world SSC market**

According to UNCTAD, developing countries and Eastern Europe attracted 65% of SSC investment projects in 2002 and 2003, half of which were located in India (figure 16).

In Eastern Europe, the most attractive countries are Hungary, the Czech Republic and Poland. In America, Chile and Costa Rica are the highest performers, whilst in Asia, China and the ASEAN countries show good results. Amongst the developed countries, Ireland retains its leading position.

Most of the projects are initiated by financial and IT companies (figure 17). The largest investors are Accenture and Citibank whilst 80% of the largest multinationals (Fortune 500 companies) have already established shared service centres. Others may follow suit to reduce costs and improve their competitiveness.

On a world scale, China and India are most sought after by companies, although countries in Eastern Europe and Latin America possess significant wherewithal to host regional shared service centres. According to IBM and Oxford Intelligence, Ireland, Hungary, Poland and the Czech Republic are the preferred countries for the relocation of shared service centres in Europe.

**The world call centre market**

Over half of the call centre investment projects in 2002 and 2003 were in developed countries, notably Canada, Ireland and the United Kingdom (see figure 16), although the growth in these countries has been weaker than in the developing countries.

In developing countries, over 80% of the projects were located in Asia with India taking the lead (60 projects) followed by China (30 projects), Malaysia (16 projects) and Singapore (16 projects). Africa (Egypt, Morocco, South Africa) attracts a few client relationship centres. Lastly, 31 projects were implemented in CEEC countries.

Half of these projects were implemented by IT companies and business service providers and the remainder by telecommunications companies and companies specialising in electronics (figure 17).

According to a survey conducted by CM Insight in 2004, the most sought after countries for future relocation will be India, the Philippines, China, South Africa, Mauritius and the United Arab Emirates.

*Figure 16. Exportable services projects by destination in 2002 and 2003. Source : UNCTAD, OCO Consulting*

| Region | Call centres | | Shared service centres | | IT services | | Regional HO | |
|---|---|---|---|---|---|---|---|---|
| | No | % | No | % | No. | % | No | % |
| World | 513 | 100 | 139 | 100 | 632 | 100 | 565 | 100 |
| Developed countries | 279 | 54 | 48 | 35 | 293 | 46 | 339 | 60 |
| Western Europe | 174 | 34 | 38 | 27 | 208 | 33 | 200 | 35 |
| Developing countries | 203 | 40 | 72 | 52 | 315 | 50 | 209 | 37 |
| Asia | 167 | 33 | 66 | 47 | 283 | 45 | 195 | 35 |
| MEDA | 7 | 1,2 | 0 | 0 | 5 | 0,8 | 0 | 0 |
| CEEC | 31 | 6 | 19 | 14 | 24 | 4 | 17 | 3 |

*Figure 17. Exportable services projects by industry sector in 2002 and 2003 Source : UNCTAD, OCO Consulting*

| Industry sector | Call centres | | Shared service centres | | IT services | | Regional HO | |
|---|---|---|---|---|---|---|---|---|
| | No | % | No | % | No | % | No | % |
| IT and software | 154 | 30 | 33 | 24 | 618 | 97,8 | 132 | 23 |
| Business services | 116 | 22 | 24 | 17 | 0 | 0 | 17 | 3,5 |
| Electronics | 42 | 8 | 6 | 4,4 | 4 | 0,6 | 57 | 10,0 |
| Financial services | 30 | 6 | 40 | 29,0 | 2 | 0,3 | 32 | 5,7 |
| Transport equipment | 30 | 6 | 3 | 2 | 4 | 0,6 | 15 | 2,8 |
| Other | 141 | 28 | 32 | 23,6 | 14 | 0,7 | 293 | 54 |
| Total | 513 | 100 | 138 | 100 | 632 | 100 | 566 | 100 |

# Annex 3. Software development in the MEDA region: Israël as an example

As is the case with call centres and shared service centres, software development also lends itself to international investment flows. Development centres can be relocated fairly easily, depending on the comparative advantages of the various host countries in terms of costs and, above all, labour skills. The trend, for some years, has been to relocate these services. Amongst the developing countries, India has benefited the most (cf. annex 2).

Although the role of MEDA countries in this market has been very limited to date in worldwide terms (figure 16), the region has recorded some successes, particularly in Morocco and Tunisia (where, for example, ST Microelectronics has established software and integrated circuit development centres) and to a lesser extent in Lebanon, where several projects were announced in 2003-2004, and Cyprus (cf. annex 5).

Israel, however, has shown the highest performance levels in this sector. Several thousand people are currently employed in software development for foreign, particularly American, companies. Amongst the most important companies operating in the country are::

• Microsoft, currently employing 400 people in two software development centres (one of which is located in Haifa), specialising in e-commerce and website development.

• Intel, employing 5 300 people for exports totalling US$ 1,4 billion in 2002. It participated in the development of several Israeli ICT start-up operations and acquired two of them, namely Dialogics and DSPC. Its operations include the manufacture of microprocessors and software development in its R & D centres located in Haifa, Petach Tikva (ex-DSPC), Yakum and Omer, amongst others.

• Hewlet-Packard gained a foothold in Israel through the acquisition of Indigo, a company specialising in software development for high performance colour printing and imaging systems. It went on to set up its own laboratory at the Haifa Technical Institute to conduct R & D activities in the field of information sciences.

• Motorola, which has been in Israel since 1964, has been operating in the wireless communication sector. The company employs approximately 4000 people in the country and its exports amount to almost 400 billion dollars. It has established five development centres in the country where it employs several hundred engineers, scientists and technicians.

• IBM, established in Israel since 1950, currently employs 2 000 people, mainly in R&D operations. Its main facility, the HRL (Haifa Research Lab.) develops research programmes in the areas of software, databases, computer systems and microelectronics. Also in Haifa, IBM has just established a new development centre specialised in electronic components (ASIC).

The existence of a large population skilled in information sciences, the dynamism of local start-ups and the international reputation of the Haifa Technion render Israel a very attractive option to foreign investors in the areas of software development and ICT.

# Annex 4. Examples of call centre and SSC projects in the MEDA region 2003-2004 (Source : MIPO-ANIMA)

| Year | Destination | Origin | Company | Description of the operation |
|---|---|---|---|---|
| 2003 | Algeria | France | Diagram | New e-banking subsidiary |
| 2003 | Israel | USA | Blue Pumpin's | Client support office |
| 2003 | Lebanon | Other | Tejari | On-line purchasing |
| 2003 | Algeria | France | Cetelec | SAV telecom platform in Algiers |
| 2003 | Morocco | France | Le Terrain | Call centre in Rabat |
| 2003 | Morocco | USA | Unknown (prod.PC) | (Prelim. proj.) Call centre |
| 2003 | Tunisia | France | NOOS | (Prelim. proj.) two Téléperformance call centres |
| 2003 | Turkey | Germany | Lufthansa | Call centre in Istanbul |
| 2004 | Morocco | France | Webhelp | Webhelp acquired WebCad (+150 staff) |
| 2004 | Israel | USA | Green Hills Software | Store and support centre at Herzelia |
| 2004 | Morocco | France | B2S | Call centre in Casablanca |
| 2004 | Morocco | France | Arvato | Call centre in Casablanca |
| 2004 | Morocco | France | Clientologic | Call centre in Rabat |
| 2004 | Morocco | France | Webhelp | Call centre in Rabat |

# Annexe 5. Sofware and business service investment projects in MEDA countries 2003-2004 (source : MIPO-ANIMA)

| Year | Company | Project | Destination | Origin |
|---|---|---|---|---|
| 2003 | GFI | GFI, developer of security software, extends its operations to Cyprus | Cyprus | United Kingdom |
| 2003 | Veritas Software | Veritas Software acquires Precise Software for € 535 million | Israel | United States |
| 2003 | Marvell Techno. Group | Marvell Technology Group finalizes the acquisition of the Radlan Communications Group | Israel | United States |
| 2003 | Computer Associates M. East | Opening of a software development agency on Beirut | Lebanon | United States |
| 2003 | Metaforms | Transfer of Canadian design and marketing operations to Beirut | Lebanon | Canada |
| 2003 | Tejari | Launch in Lebanon of an on-line buying facility for Levant companies | Lebanon | Other |
| 2003 | SQLI | SQLI installs a development platform in Morocco | Morocco | France |
| 2003 | Tech Access / Sun | Opening of regional office in partnership with Sun Microsystems | Morocco | United States |
| 2003 | Pita | Inauguration of a information technology laboratory | Palestinian Authority | United States |
| 2003 | Gemplus | Gemplus/Tecknoloji Holding Group partnership for the creation of EMV card personalisation software solutions | Turkey | France |
| 2003 | Intralot | New company for net games (telephone mobile, internet…) | Turkey | Greece |
| 2004 | Oracle | Oracle open a representation office in Beirut | Lebanon | United States |

Annex 5. Software and business service investment projects in MEDA countries

| | | | | |
|---|---|---|---|---|
| 2004 | Stonesoft | Stonesoft, leader in computer security technology opens a branch in Tunisia | Tunisia | Finland |
| 2004 | Webhelp | Webhelp, specialising in call centres, buys WebCad and increases its staff from 300 to 450 | Morocco | France |
| 2004 | Internet Training Center | The Korean government invests USD 300 000 in an internet training centre in Cairo | Egypt | South Korea |
| 2004 | Sun Microsystems | Launch of a regional initiative to optimise the marketing of Sun products | Morocco | United States |
| 2004 | Tech-Access | Opening of a regional office to cover North Africa | Morocco | United Arab Emirates |
| 2004 | Unilog | The French group, Unilog, establishes an off-shore development centre in the Berytech technoparc | Lebanon | France |
| 2004 | Parametric Technology | Parametric Technology will build a €16 million software unit and recruit 60 people | Israel | United States |
| 2004 | Tech Access | Tech Access, supplier of Sun Microsystems in the Middle East opened an office in Cairo | Egypt | United States |
| 2004 | Universal Music | Universal Music establishes itself in Morocco to enhance its production and sales to the Maghreb region | Morocco | United States |
| 2004 | Innostream | (Prelim project) Innostream announces its intention to open an office in Turkey | Turkey | South Korea |
| 2004 | Enterasys | Enterasys, an American company, opens an office in Tel Aviv | Israel | United States |
| 2004 | Antelop | This company, specialised in laptop manufacture, installs a semi-conductor production unit | Morocco | United States |
| 2004 | Intel | (Prelim project) This American group plans to refurbish its plant in Lachish Kiryat Gat if the project is approved by the Israeli authorities | Israel | United States |
| 2004 | Smart Reader Worldwide | (Prelim project) The company seeks to expand to Syria and the United Arab Emirates | Syria | Malaysia |
| 2004 | Servion | (Prelim project) The company seeks to expand into Egypt through agreements with local companies | Egypt | India |
| 2004 | Green Hills Software | A new store and support centre opened in Herzelia, Israel | Israel | United States |
| 2004 | Cisco Systems | Cisco acquires the start-up company, Actona, in Haifa | Israel | United States |
| 2004 | Teja Technologies | Teja gives Agam Cross Systems the rights to market its IT solutions in Israel | Israel | United States |

| | | | | |
|---|---|---|---|---|
| 2004 | Unilog | Establishment of a joint venture with a France Telecom subsidiary | Morocco | France |
| 2004 | Sitel | Sitel acquires Delta Call and establishes itself in Casablanca | Morocco | France |
| 2004 | Embarcadero | Open.Net Communications becomes the distributor of the American manufacturer | Morocco | United States |

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# Call centers and shared services centres in the Euro-Mediterranean region

## PAPERS & STUDIES N° 10
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The international call centre and shared services centre (SSC) market provides an opportunity for MEDA countries. This is all the more important now that a modest move towards the delocation of these activities out of Western Europe has begun. Tunisia and especially Morocco have already achieved spectacular results in hosting call centres, while Israel has specialised in the industry related to software development. However, foreign investment in these activities is still very limited.

A study was therefore carried out by ANIMA in order to devise initiatives aiming to make MEDA countries more attractive in these markets. After analysing major ongoing trends, and particularly the factors motivating a shift from international projects towards call centres and SSCs, the study focuses on MEDA countries. Following an assessment of their current market shares in the European-Mediterranean area, there is an in-depth case study of Morocco and Tunisia, the two countries which have been the most successful in attracting these activities (an appendix has also been devoted to the related subject of the software industry, particularly the Israeli example).

On the basis of these analyses, some recommendations have been made, particularly in the following areas: better identification of the market and positioning of the MEDA offer, development of the English-speaking offer, investors to target, improvements to make in the local business environment and communication.

• *This collective study was coordinated by Fabrice Hatem, ANIMA programme studies officer in the Agence Française pour les Investissements Internationaux (AFII), assisted by Anne-Claire Vu and Bénédict de Saint-Laurent, with contributions from the ANIMA project team and MEDA IPAs.*