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Phonesourcing: Bringing Call Centers Back to the U.S.

By Jeremy Caplan

Once upon a time, phoning it in signaled failure. Now it's a strategic move. As the U.S. economy slowly rebounds, companies are increasingly relying on a decentralized workforce of domestic, home-based call centers. The old mantra: route service calls overseas to cut costs in half. The new idea: bring call centers back home, but not to bulky, brick-and-mortar phone banks. Use hourly workers sitting in home offices, managed on someone else's payroll. Call it phonesourcing.

Phonesourcing basically means contracting with a private firm to hire, train and manage a small army of local or regional call handlers. That enables companies to ramp up or tamp down services flexibly without the political controversies associated with outsourced overseas call centers. Handing off call handling isn't new — people have been grinding their teeth on hold for outsourced help since the dawn of voice-mail more than a decade ago. What's new is the growing scope and scale of the U.S. home-based call sector. Datamonitor projections show the number of U.S. home-based call agents growing at an annual clip of 20% between 2009 and 2012, from around 50,000 to more than 80,000. That's much faster than the growth rate for calling centers in India (4%) and the Philippines (9%), though foreign outsourcing remains a more popular and cheaper corporate option.

Home-based call centers in the U.S. handle both routine calls — questions about product prices, bank balances or resetting a password — and more complex ones, for technical questions, debt collection and business sales. They also provide answers by instant message or e-mail. Because call handlers are instructed not to mention they are working for a third party, most customers of the particular bank, wireless firm or retailer have no idea they are not speaking with a company employee.

The hiring firm drafts the script and dictates what greeting and style call handlers adopt. Agents are most eagerly sought after in the wireless industry, where increasingly complex smartphones result in bewildered calls about new features or spotty service.

Phonesourcing (also known as homesourcing) is drawing new attention from Fortune 500 companies retreating from cost-motivated overseas outsourcing as foreign labor markets tighten, currencies appreciate, and home-based call centers offer increasingly

competitive local call handling. If an experienced technical specialist who knows the local lingo and understands regional business concerns can manage customers' calls, the argument goes, why route them halfway around the world?

Demand for home-based call agents is also rising among retailers, financial institutions and service organizations. Pittsburgh recently suffered its snowiest February ever, stranding many local AAA employees during repeated storms. AAA, which helps get stuck drivers back on the road, shoveled off many of its calls to Alpine Access, one of the fastest-growing companies in the home-based calling business.

Because Alpine's employees were working from home, the storm didn't impact their availability. "These aren't agents at home with a TV playing or a crying baby in the background," says Steve Popovich, director of automotive services for AAA's Pittsburgh operation. "The service quality is excellent, and when storms hit and our call boards light up, they can add people quickly." Hiring and training new call handlers can take about two months, but once trained, handlers are ready for extra shifts when necessary.

Alpine, which has also worked with such companies as J. Crew and Office Depot, has doubled its annual revenues since 2005 to more than \$50 million. Other major home-based calling firms include LiveOps, which has 20,000 agents and 2009 revenues exceeding \$100 million and has worked with such companies as Kodak and eBay, and West at Home, which has 14,000 agents and says it is getting 4,000 job applications a month.

These U.S.-based calling firms aren't always the cheapest available. Typical all-in costs (including technology and phone routing) for a client average around \$20 an hour per call agent, as compared with costs as low as \$12/hour for a service agent based in India, or \$16/hour for one based in the Philippines. Still, hiring one of these companies can be substantially cheaper for companies than adding a \$30 per hour in-house staffer. "We're at an inflection point," says Alpine CEO Christopher Carrington. "In seven years, there will be no reason for employees to drive into a bricks and mortar cell center."

Carrington says Alpine's at-home call handlers recently demonstrated their value to one client by selling 30% more office supplies to medium-sized businesses than a comparable Philippines-based team had. At an average age of 41 years old, Carrington points out, his employees are older and more experienced than most foreign-based operators. In addition to 150+ hours of training, top call handlers benefit from incentives, so they earn more when callers buy more, which is not always the case for cheaper outsourced services. What's more, says Carrington, it helps to have regional call handlers who understand local mores and office routines — and who work with just one company at a time. "We work with large retail banks, and they don't want someone taking a private banking call one minute and a pizza call the next."

Much of the growth in the at-home agent workforce comes from work-at-home moms. At LiveOps, 75% of call handlers are female, and a growing number are experienced retirees. About 85% of West at Home agents are female; Alpine's workforce is 71%

female. That gender breakdown may be starting to shift, however; half of new Alpine applicants are male.

The attrition rate for these workers is also relatively low, says LiveOps marketing exec Paul Lang — around 10%, compared with up to 70 to 80% typical among factory-like bricks-and-mortar call centers. Call handlers like being able to set their own hours and goals, Lang says, and many use their LiveOps work to supplement income from other employment.

Nevertheless, the pay is not much better than that of burger flippers. Alpine employees typically start at \$8 to \$9 an hour, even with decades of work experience, moving up to \$12 an hour in some cases. On an online discussion board one Arizona-based call agent complained about the low pay, as well as arbitrary rule changes and a general lack of respect, and wrote that "Alpine Access, in my opinion, is a 21st century sweatshop." Another, based in Georgia, praised Alpine's 401K plan and its "amazing" training, and said he had repeatedly recommended the company to others.

Home-based calling may benefit from new federal attention to flexible workplace initiatives. LiveOps CEO Maynard Webb last week attended a White House Forum on Workplace Flexibility, where President Obama announced that his Chief Technology Officer, Aneesh Chopra, is developing a plan to enable more federal employees to "telework," or work remotely.