



Designing Country Operating Models to Succeed in Global Customer Service: The Case of Mexico

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Introduction

The art of unlocking the potential of a country for Call/Contact Center operations can be directly tied to the operating model that is implemented in the country. The model must seek to optimize and enhance the capabilities of the market and reduce/accommodate the challenges or constraints that limit the market's potential. Success lies in the ability to navigate around the country specific challenges presented to an employer contemplating market entry and direct investment. This document utilizes Mexico to illustrate some of the typical business model considerations a company must consider when expanding to a near or off shore market.

The Case of Mexico

Nine years since Y2K, questions concerning the capabilities of near and off shore markets being able to support call/contact center activity have been mostly answered. While the evolution of "what" (business processes) are supported "where" (country and/or city) continues to undergo refinement, it is fair to characterize the ability to conduct work from an alternate country as proven.

Early adopters of the near and off shore markets utilizing both captive and outsourced models continue to seek new opportunities for where to support business operations to serve high cost countries (i.e. the US, UK, Germany, etc). While Asia, and in particular India and the Philippines continue to see significant Call/Contact Center investment activity, there is recognition that locations in the Latin American theater have merit for such activities, even when the geography is typically unable to provide the same structural costs as found in Asia. Latin America is finally experiencing increased levels of direct investment as a result of an ongoing need for more global delivery capacity, desirable English language capabilities, bi-lingual capabilities, and a desire to limit travel. Mexico is one such location that has received increasing attention in recent years by both Fortune companies and global outsource service providers. It is also a location that is reflective of some of the unique challenges a company will encounter when expanding into a country where English is a second language.

Who: First & Foremost, Sourcing Language

The limited availability of bilingual professionals dictates that sourcing English language capabilities is the primary and fundamental driver for customer service operations in Mexico. This limited pool of talent mandates a clear understanding of "who" in Mexico possess the language skills required to support English operations.

Candidates for English customer service positions can be divided into two main profiles: university students and “Bi-Cultural” individuals that have exposure to English beyond an in-Mexico educational setting. These two groups of English speakers are profiled below.

| WHO | PROFILE |
|-----------------------------------|--|
| 1. University Students | <p>Tier I University Students:</p> <ul style="list-style-type: none"> • Students enrolled in recognized, top tier tertiary institutions (generally private Universities) • Typically more economically enabled households; individuals may have more exposure to English language (i.e. travel abroad, study abroad, tutoring) • English language training through private high school education and continued at University level • Generally do not perceive Call Center positions as desirable/long-term careers (1-2 year tenure) • Good written and verbal English <p>Tier II University Students:</p> <ul style="list-style-type: none"> • Students enrolled in less recognized institutions (i.e. State Universities or smaller private institutions) • Generally less economically enabled households and typically less exposure to foreign language education • Typically originating from public high schools with less rigorous foreign language programs, but are able to pass entry/exit language University requirements • Moderate written and verbal English skills but functional with nominal training |
| 2. Bi-Cultural Individuals | <ul style="list-style-type: none"> • Exposure to U.S. culture at early age (i.e. radio, television, geographical proximity), or • Completed high school in the US , or • Families living in US and continual travel to/from US |

Where: Few Options, Many Trade-Offs

There are two main considerations concerning “where” in Mexico to establish operations, including:

- a. “Macro” considerations related to the selection of a city in which to support Call/Contact Center operations
- b. “Micro” considerations related to the selection of where within a city to support an operation.

“Macro” – Considering both geographic and population size of Mexico, there are surprisingly relatively few locations that are capable of supporting Call Center operations in scale. Options can be reduced to a handful of cities capable of providing a concentration of the candidate employee profiles discussed above.

Potential locations can be classified into the following three groups:

| MARKET | ENVIRONMENT |
|---------------------|---|
| Established | <ul style="list-style-type: none"> Established presence of Call Center operations; many multinational companies Recognized for the strength and quality of higher educational institutions Large pools of bilingual talent High levels of competition for talent Competitive operating climate (higher wages, inflation, etc). Examples: Monterrey, Mexico City |
| Emerging | <ul style="list-style-type: none"> Limited investment in the Call Center industry; 1-2 multinational operations At least two superior higher educational institutions Moderate pools of bilingual talent Limited competition for talent Examples: Guadalajara, Queretaro, Tijuana, Mexicali, Leon |
| Pioneer | <ul style="list-style-type: none"> Almost no activity in the Call Center industry; at most, one moderate sized Call Center (mainly domestic companies with a domestic focus) Higher educational institutions present, but industry focus historically toward manufacturing activities Small pools of bilingual talent Almost no competition for talent Examples: Hermosillo, Chihuahua, Aguascalientes |
| Special Note | <ul style="list-style-type: none"> Tends to be large populations of capable bilingual talent in "border towns" that is not the result of University training, but rather exposure to English at early age (television, radio, temporary travel/work in US, etc) |

The sample call center landscape map below illustrates the difference in call center presence among cities (major call center operations).



“Micro” – In addition to identifying a city able to support customer service operations, it is also necessary to recognize that the exact location of a facility within a city is a fundamental contributor to the success of an

operation. Due to the unique characteristics of the employee profiles that will staff an operation and commutation capabilities/patterns, two main considerations require contemplation when choosing a site for implementation:

| CONSIDERATION | LOCATION | REASON |
|---------------|--|---|
| 1. Proximity | <ul style="list-style-type: none"> • Adjacent to main University in city and/or University that represents a base for recruitment | <ul style="list-style-type: none"> • Optimal location for recruitment/retention of University students |
| 2. Access | <ul style="list-style-type: none"> • Within short walking distance to public transportation line (i.e. bus or subway system) | <ul style="list-style-type: none"> • Most University students do not own vehicles |

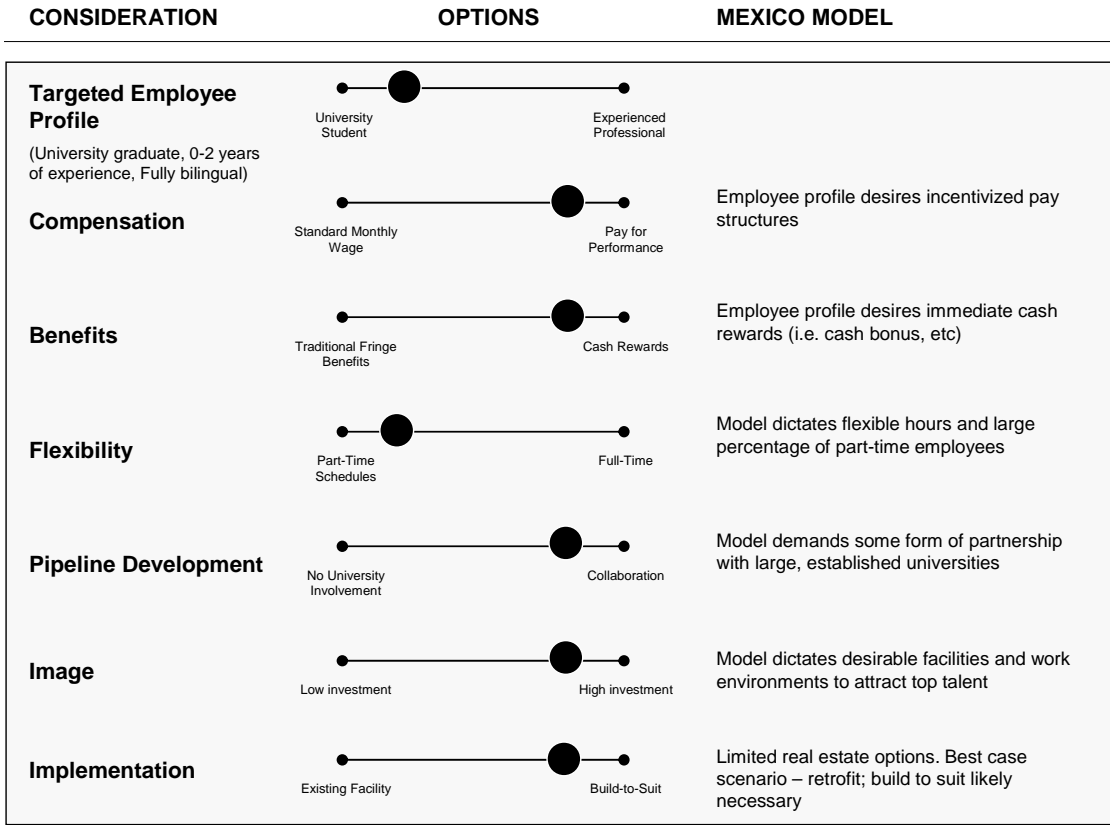
When: Timing Market Entry, To Pioneer or Not to Pioneer

The limited number of locations able to support significant bi-lingual operations creates a fundamental trade-off for companies seeking to establish operations in Mexico. The trade-off can be characterized as choosing to “pioneer,” (entering a non-competitive market that has smaller quantities of available talent) versus entering an “established” market (characterized by a bi-lingual talent market but also higher levels of competition for the talent). It is important to note that Mexico lacks a location that could be considered “low hanging fruit” or an undiscovered talent rich market that is sustainable for an extended period from a labor perspective.

| OPTION | TRADE-OFFS | |
|-----------------------------|--|--|
| | Strengths | Weaknesses |
| 1. Enter a mature market... | <ul style="list-style-type: none"> • Large supply of bilingual University students • Demonstrated Call Center capability • Established infrastructure for the industry | <ul style="list-style-type: none"> • High levels of competition for talent • Higher levels of turnover |
| 2. Pioneer a market... | <ul style="list-style-type: none"> • Limited supply of bilingual talent • Limited to no evidence of Call Center capabilities in the market • Unknown level of infrastructure in the market for Call Center industry | <ul style="list-style-type: none"> • Limited to non-existent competition |

How: Designing the Right Model

There are a lot of choices to be made in designing the right business model in Mexico, but all considerations should be focused on how to attract and retain talent. A successful business model will take the following into consideration.



What: Anticipating What You Will Encounter

Depending on the business model designed to support WHO, WHERE, WHEN and HOW, Mexico will provide a range of potential operating environments. While no solution in Mexico provides an easy solution for bilingual customer service needs, an accurate understanding of the market is required in order to be successful. Continuums of key operating considerations are illustrated below:

| OPERATING CLIMATE | RESULTS | NOTES |
|-------------------------|---------|--|
| Labor Costs | | Wages will vary notably depending on location and level of competition in the market. |
| Turnover | | Turnover will vary notably depending on flexible HR strategy and level of competition in the market. |
| Scalability | | Ability to source 50 to 500 bi-lingual employees per month |
| Competition | | Few to many (1 to 15) Multinational Customer Service centers. |
| Crime Risk | | Low to very high levels of crime, to a point a location can be eliminated solely due to crime levels |
| CapEx Investment | | Limited to robust supporting infrastructure and/or real estate to support operations |

Conclusion

Developing an operating model appropriately aligned with a country specific success formula in a near or off shore market notably improves the probability of success. Unfortunately, many companies do not conduct the appropriate amount of due diligence before establishing operations in a city that is new, or unfamiliar to the project team. A typical consequence is an unsustainable or significantly challenged business proposition, increased one time costs, delayed return on investment, challenges in scaling and sustaining operations, and possibly a general less than satisfactory experience in the market.

Evidence indicates that appropriate due diligence will typically result in the development of a customized country specific business model that contributes to the achievement of company business, financial and operating objectives.

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