Review of 300 international Service centres

Definitions, segmentation, employment, plans and forecasts

DiS

October 2008

Contents

List of graphs and tables

Summary

The analysis of over 300 service centres indicates considerable potential of Poland in the field of advanced technologies, finance and banking as well as electronics and automotive industries, telecommunication and consulting. This potential expresses itself in 45 thousand persons employed in the centres and this trend is constantly growing. More than a half of the analysed centres operate in the field of IT. Over one third provide call centre services. Similar number of centres perform research and development activities (R&D). The models of business process outsourcing (BPO) and shared services centres (SSC) are present in 26.7% and 30% of the centres, respectively.

Introduction

The present review encompasses market analyses aimed at a precise description of the profile of international service centres operating in Poland. Particular focus was put on *call centre* companies as well as entities performing research and development activities. The description of centres concentrated on the profile of provided services, trades served, languages for communication with customers and shift systems. The size of centres was defined on the basis of the employment status by the end 2007. The analysis also aims to assess the dynamics of employment in the forthcoming years, in most of the cases, until the year 2010. The analysis was conducted in the period of August-October 2008, by order of Polish Information and Foreign Investment Agency (PAIIZ). It was based on a database covering 300 service centres along with detailed descriptions.

Usefulness of service centres

The idea of service centres is not new. Their objective is to reduce the activity costs of enterprises. Actually, it is the cost-effectiveness which contributes to the increase in service centres both in Poland as well as in other countries in the world. A service centre is an organizational unit (an independent company or a part of a larger capital group) which thanks to its specialization, provides external or internal customers with high level services at moderate prices.

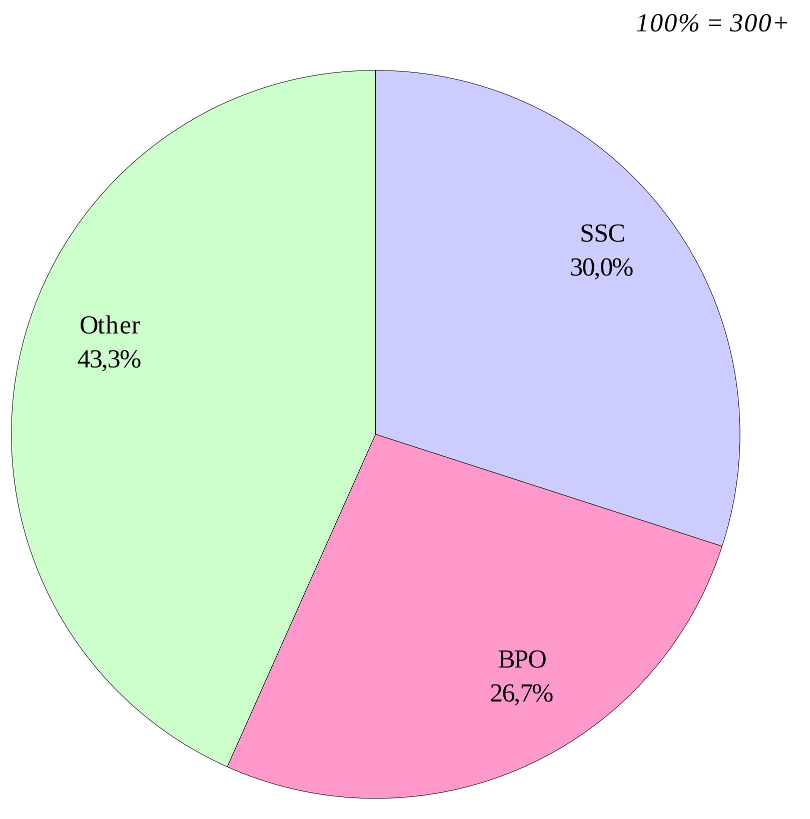
Organization of service centres

The centres usually employ a great deal of persons specialising in relatively narrow areas. Due to the synergy effect resulting from the concentration of knowledge, tools and above all, the presence a great deal of adequately qualified personnel, several activities can be performed faster, at lower costs and in a more effective manner.

Depending on the type of centres (customer approach), they can be categorised as follows:

- shared services centres **(SSC)** – aiming at the realisation of internal needs of a large, territorially dispersed corporation or a capital group;
- business process outsourcing **(BPO)** - independent entities providing services for enterprises (sometimes competing with each other) operating as external companies.

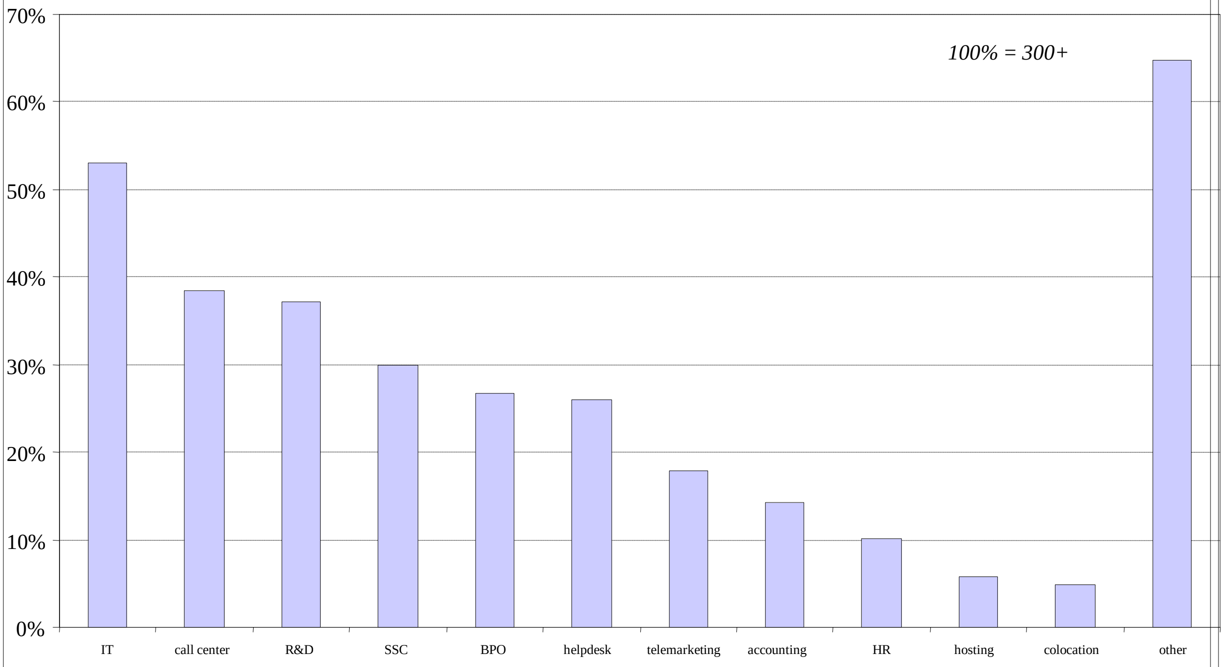
Service centres by activity profiles



Source: DiS, 2008.

BPOs and internal SSCs constituted 60% out of 300 analyzed service centres. The SSC and BPO models do not exhaust organizational capacities. Some of the service centres operate in a more interim manner, responding to specific orders. Another 43.3% of service centres which provided immediate services which definitely could not be qualified neither as SSC nor as BPOs due to the fact that they did not provide services systematically enough.

Service centres by specialisation profiles



Source: DiS, 2008.

Types of provided services

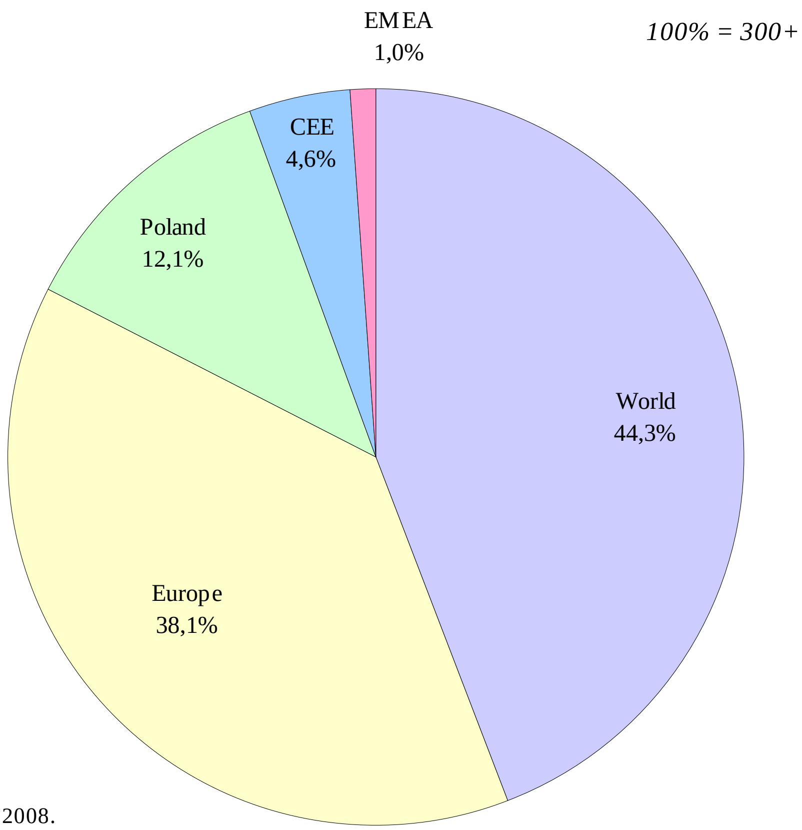
The most popular services provided by service centres are related to activities in the field of:

- **IT** (*information technology*) – information techniques, from system maintenance through software to the creation of new products and solutions;
- **call centre** – a telephone centre specialised in a passive collecting of calls (*inbound call*) or an active contact with a customer (*outbound call*);
- **accounting** – including bookkeeping of enterprises, reporting and analyses;
- **HR** (*human resources*) – payments clearing and also wider issues regarding personnel recruitment, hiring of experts or even personnel restructuring.

Due to the range of influence of service centres, if they operate in BPO/SSC model, the location type is divided as follows :

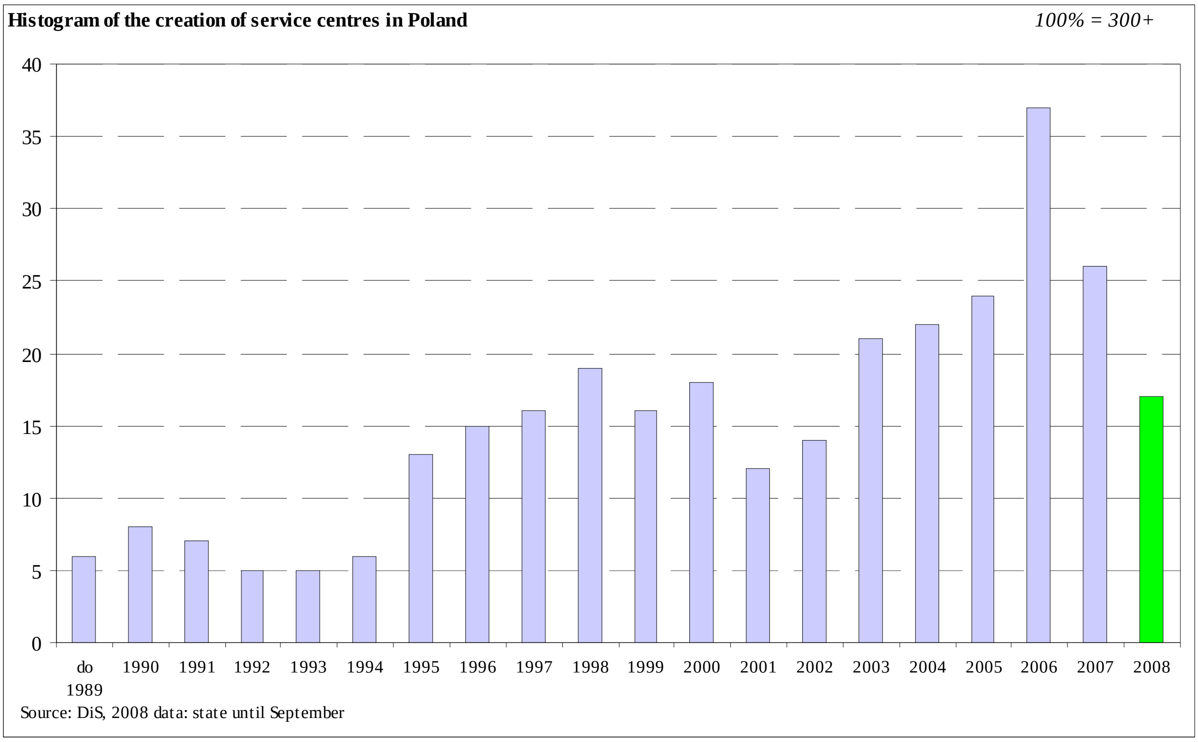
- **offshoring** – cooperation with companies in the whole world;
- **onshore outsourcing** – cooperation with a service company in a given country;
- **nearshoring**– in Poland, it applies to cooperation with a European company or only a company from Central or Eastern Europe (CEE).

Geographical reach of service centres operating in Poland



Source: DiS, 2008.

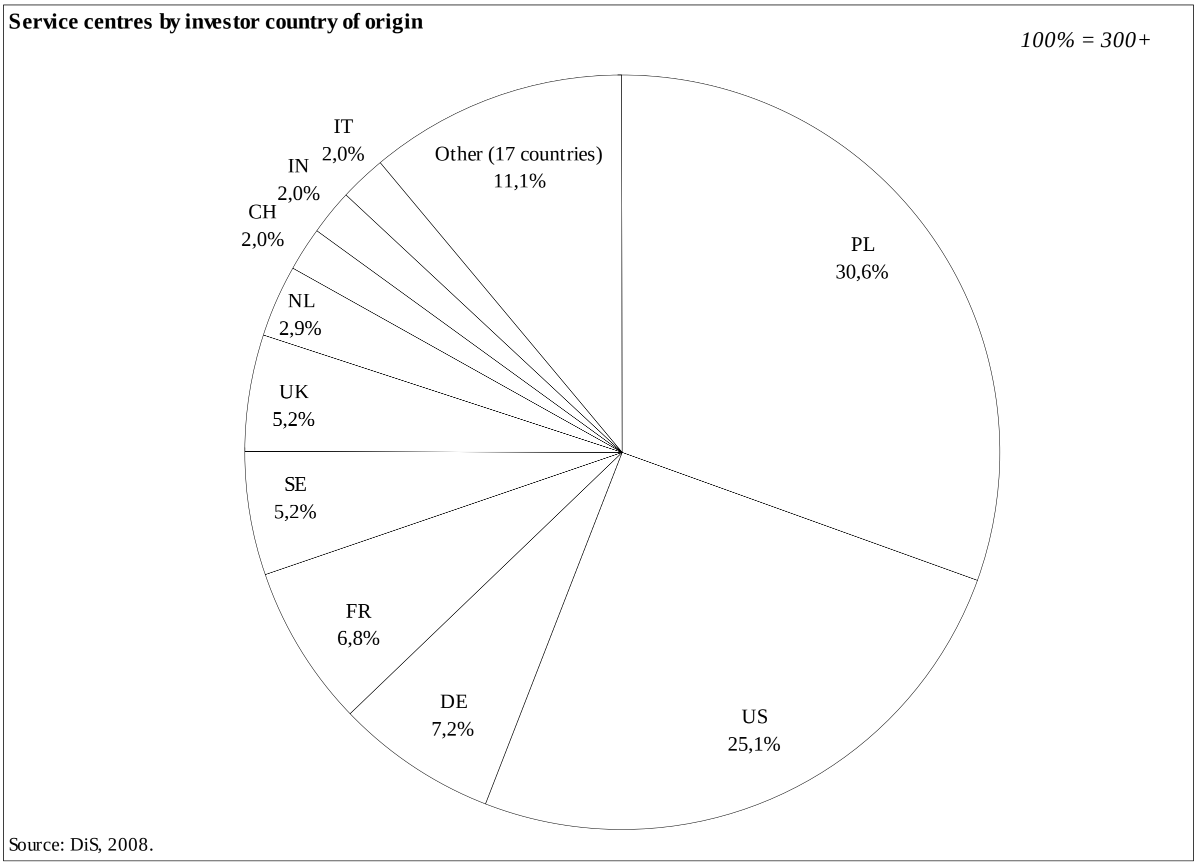
In many cases, service centres creating non-material values of any type owe their success and effectiveness to teleinformation techniques. These techniques enable fast communication between very distant places in the world. Thanks to communication techniques both concentration of advanced services and commissioning of telemarketing services sometimes also to very distant countries are cost-effective.



Young trade of international reach

In the recent years, Poland has become a location for the organization and development of a great deal of new service centres. In the pool of over 300 analysed centres, more than a half was established after the year 2001 and two thirds after the year 1999. It denotes that this trade is very young and what is more, it develops very dynamically. Only in 2006, a record high year, 37 new centres were established.

International service centres are usually younger than national companies. Entities with a long tradition are sometimes present among Polish service centres. Even national companies with a long tradition, however, have started to operate as service centres only recently, which is the result of the implementation of restructuring processes. Polish service centres operating as BPO or SSC very often also extend their range of influence by means of new languages or new competences (IT, call centre, document processing).

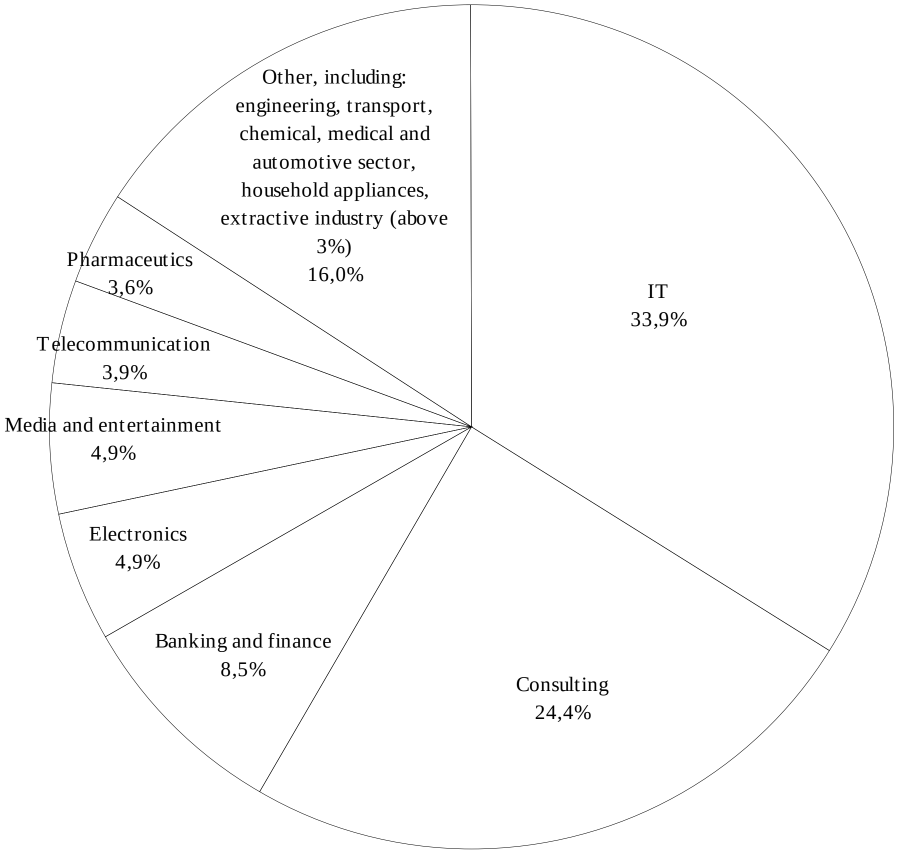


Foreign companies have the advantage in investing in service centres. About 30% of service centres were established by Polish capital. The remaining centres were established by U.S. companies (about 25%), and next, the entities whose investors come from five European countries (Germany, France, Sweden, Great Britain, the Netherlands) – together 27,4%.

Parent sectors of service centres

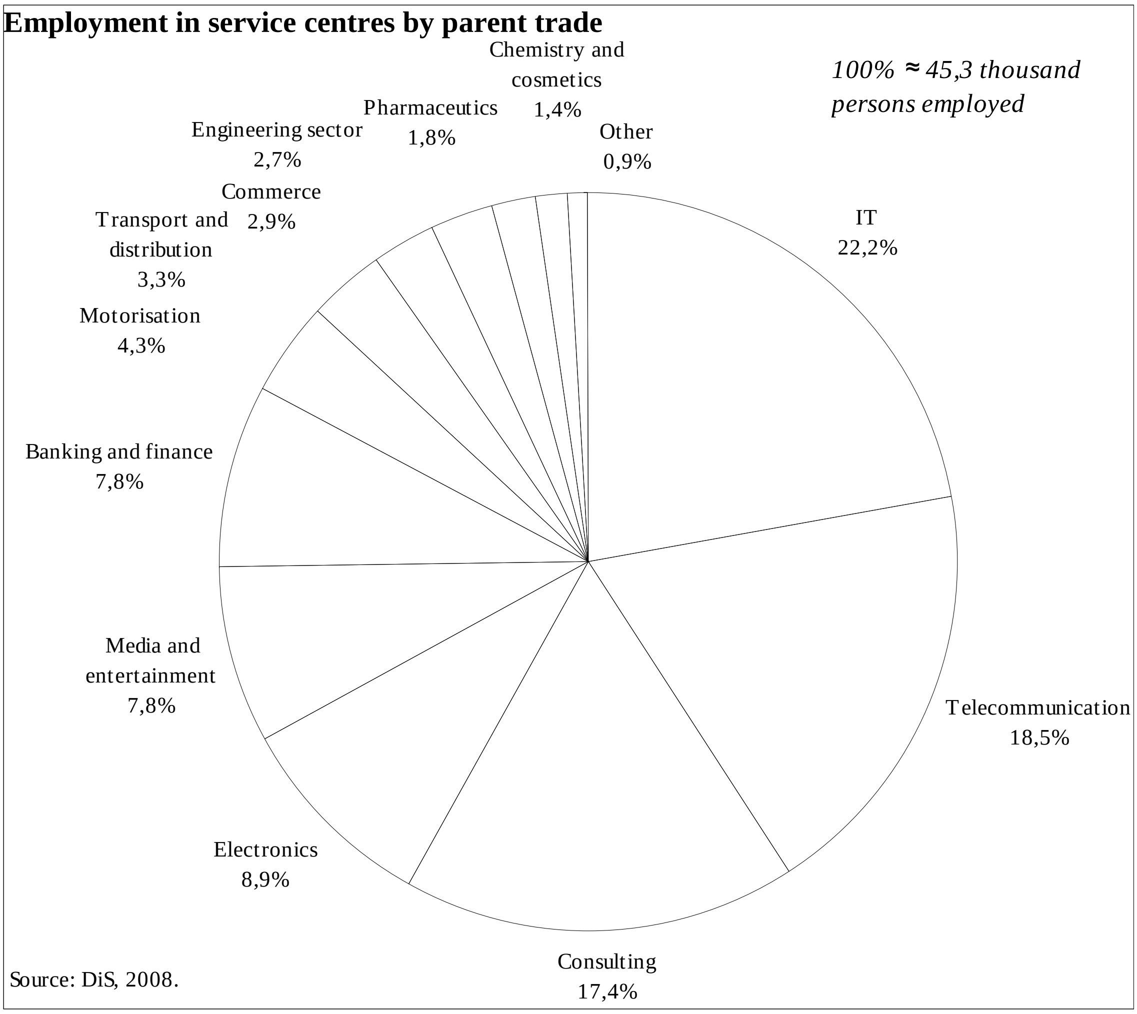
Undoubtedly, service centres established in Poland are based on competences of persons who use advanced IT techniques in their everyday work. The statistics confirm this fact. Out of 300 service centres in Poland, service centres created above all by IT companies (30% of the centres) are the leading ones, followed by widely understood consulting companies and financial and banking institutions. All these three sectors together concentrate over two thirds of the analysed entities.

Service centres by parent trade *100% = 300+*

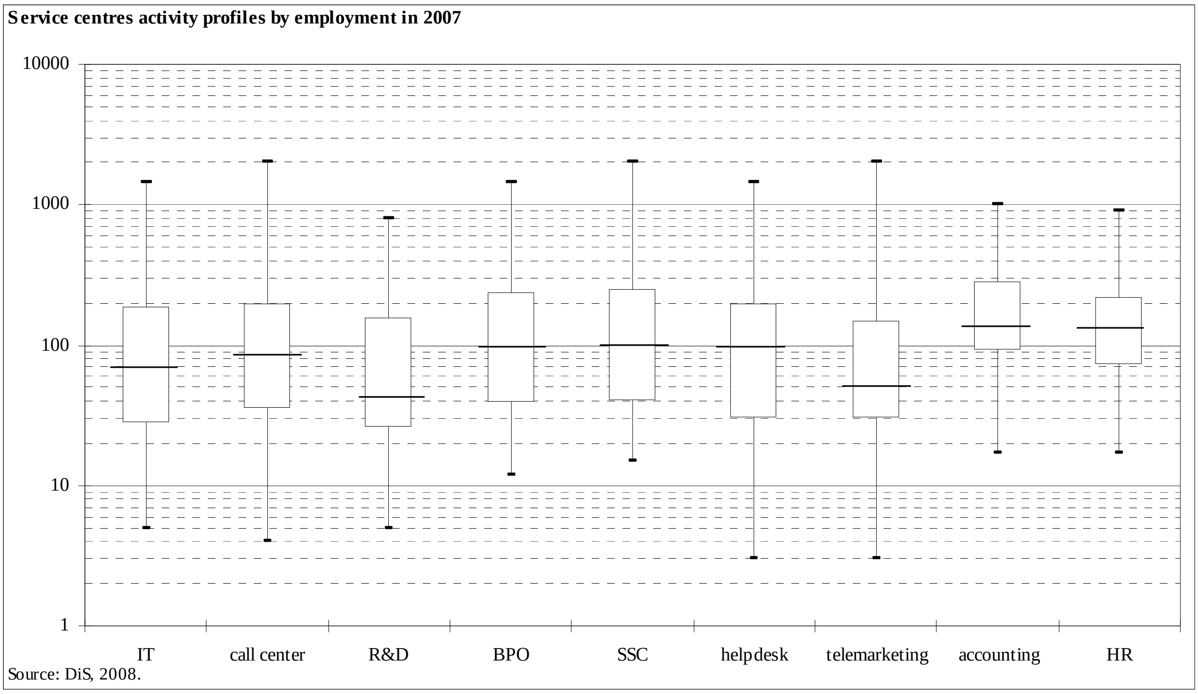


Source: DiS, 2008.

Contrary to the number of centres with a specific profile, a slightly different picture is presented in terms of the number of persons employed. The IT sector remains in the first place as the parent trade of a centre, but with a little lower percentage of persons employed (22,2%). Moreover, the order of the employing trades has changed with telecommunication as the second one (18,5% of the employed) followed by consulting, electronics, banking, finance and automotive sector. These 6 trades employ over 80% of persons working in the centres. The number of persons employed in 300 centres by the end of 2007 exceeded 45 thousand.



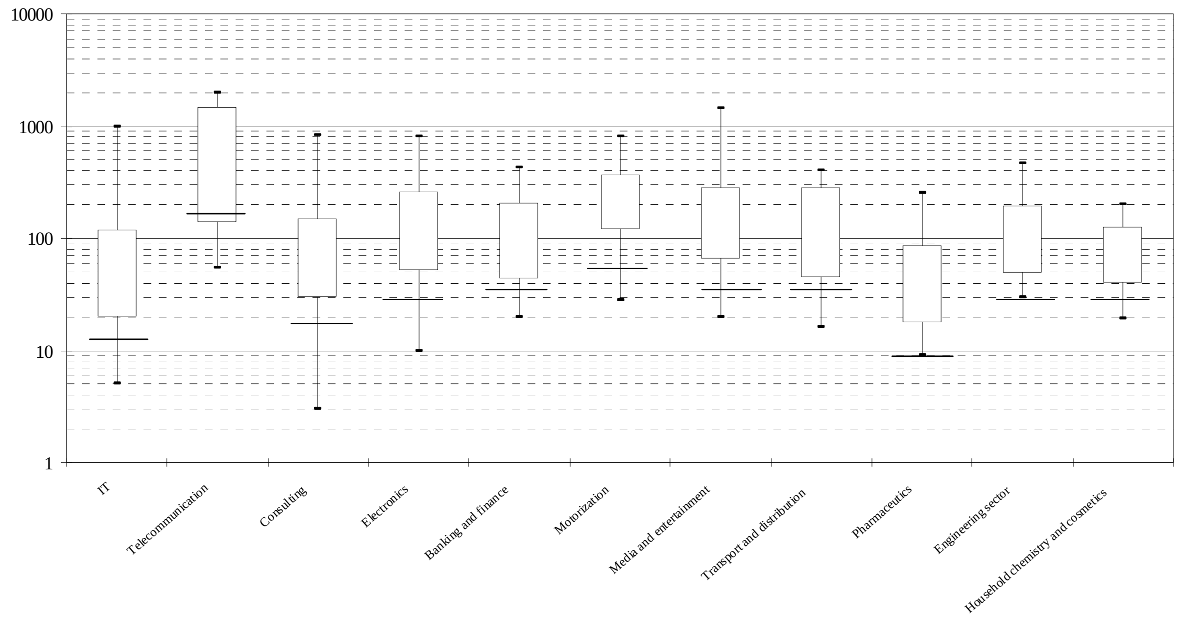
Represented specialisations



The IT sector is not only a leading trade as far as the parent sector of a centre is concerned, but also in the case of the implemented specializations of service centres. Despite the fact that IT companies constitute a mere 30% out of 300 of the analysed service centres, about 160 of them specialise in IT. Other important specialisations refer to call centre services and accounting.

It is very rare that a service centre performs a single specialisation. On average each centre realises over two. It is a yet another justification for the structuring of shared services – these services can be shared by one recipient but it is also profitable to provide them in a wider portfolio of services.

Employment distribution in service centres by parent trade in 2007



Source: DiS, 2008.

Research and development centres

The increasing presence of international development and research centres in Poland constitute another proof of high qualifications of national experts in different fields. R&D centres aim to maintain competitiveness of enterprises and thus they usually operate as SSC which work for the needs of a specific corporation. In the areas which require particularly high expenditures, R&D centres frequently work for strongly competing corporations (i.e.: Siemens-Nokia).

Out of 300 analysed service centres, the R&D activity is performed by almost 40% entities, the majority of which focus their activity on the field of IT. In Poland, there are also located large development and research centres specialised in innovations of machine and electrical engineering industry (ABB), electronics (Alcatel-Lucent, Samsung) and automotive industry (Delphi, Faurecia). In Poland, relatively few research is conducted in the scope of pharmaceutics: a research profile concerning new medicines has not already been instilled, whereas clinical research of pharmaceuticals make up rather a margin of the R&D activity.

Call centres

118 out of 300 analysed service centres function to some degree as call centres. They can perform both independent and auxiliary functions. As for the first ones, the centres provide services for external customers either on interim or more permanent basis (BPO). In the second case, a company runs a call centre for its proper needs in order to provide better customer services. Call centres employ a significant part of human resources of telecommunication companies, Internet banks, insurance companies and even IT producers.

Employment in 300 service centres by cities and specialisations. *100%=45295 persons*

city \specialisation	IT	call centre	R&D	Accounting	HR	BPO	SSC
Warsaw	6184	15483	3816	1945	1470	5872	10772
Cracow	4073	2762	3498	2599	2400	2083	3736
Wrocław	3507	645	1615	1810	670	1337	840
Poznań	1959	1891	117	320	0	1650	414
Łódź	1923	652	805	870	870	1886	745
Katowice	345	376	181	200	200	0	356
Gdańsk	947	0	1089	0	0	177	622
Bydgoszcz	630	370	520	0	0	0	280
Gdynia	488	20	395	93	0	350	113
Szczecin	600	261	350	0	0	500	0
Częstochowa	40	120	245	120	0	0	325
Lublin	500	0	43	360	0	140	360
Other	1720	682	235	924	273	798	1610
Total	**22916**	**23262**	**12909**	**9241**	**5883**	**14793**	**20173**

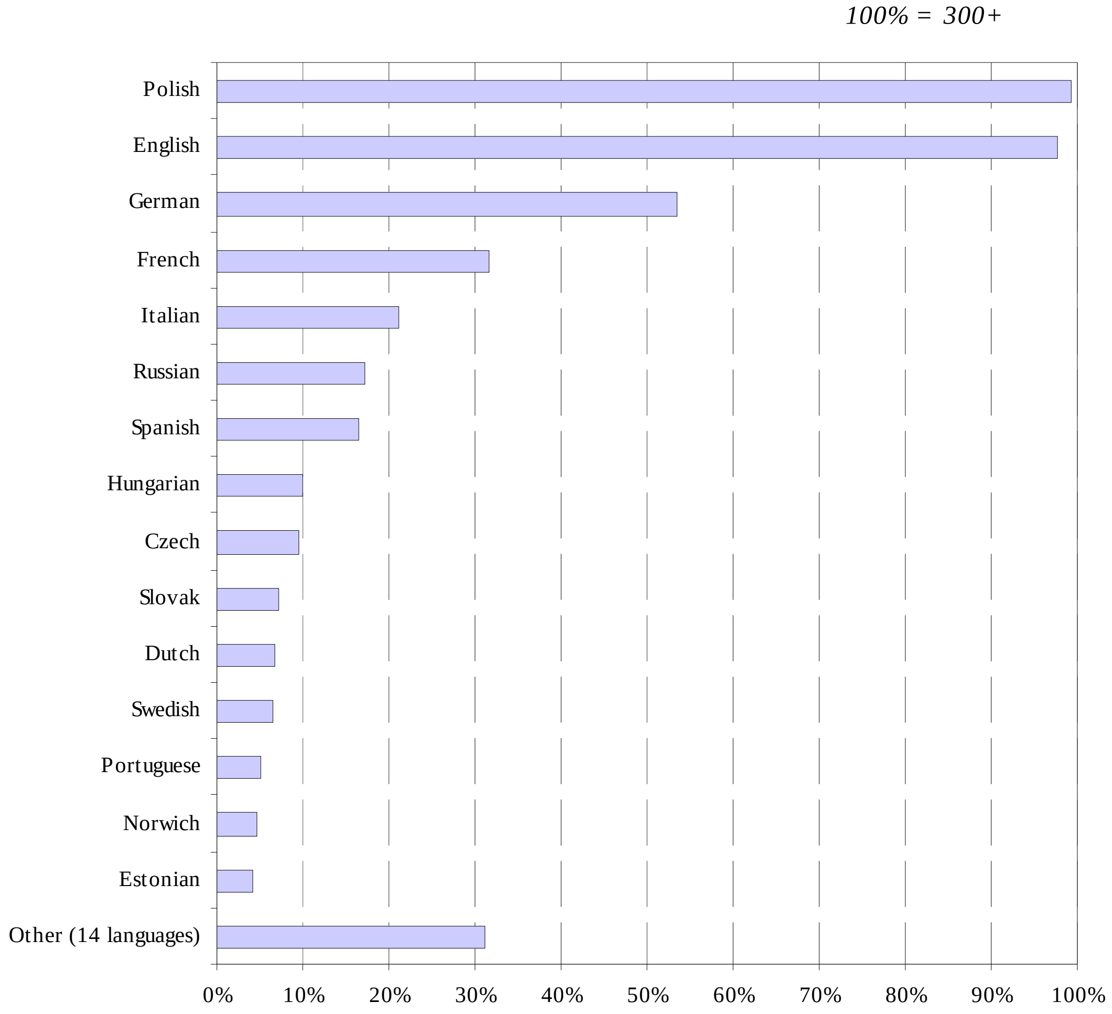
Source: DiS, as of end 2007. Data in some specialisations can repeatedly revealed.

Telemarketing call centres quite frequently deal in parallel with document processing or even with shipping of the sold goods (logistics). Even entities specialising in the R&D activity often have a customer service within their structures. It turns out that a direct contact with a customer is not only a disciplining factor, but it can also enrich experiences of researchers in any field.

Natural languages of service centres

A variety of natural languages in which communication with service centres can be provided indicates their capacity for international cooperation. The majority of the analysed centres, apart from Polish, offers at least one additional language for communication. It is English which is spoken in almost 100% of the analysed service centres. The second language is German in which 50% of centres can provide their services. Another European languages are French and Italian. They are followed by Russian which is spoken in 17,3% of all the centres under analysis. As many as 84 service centres offer communication in more than 3 foreign languages.

Languages for communication in service centres in Poland



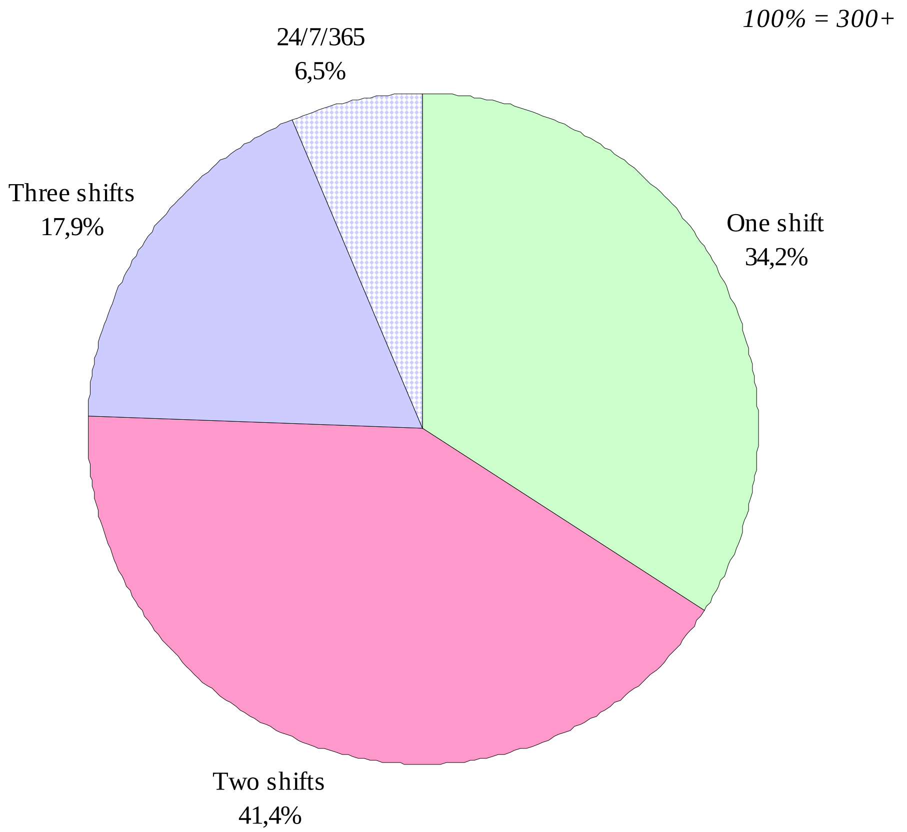
Source: DiS, 2008.

A relatively small number of entities have wider language services. Only 6 centres offer 18 and more languages whereas 22 centres dispose at 9 and more languages. It is worth mentioning that usually the largest entities of the analysed sector can provide such a high number of languages.

Shift work system in service centres

The number of work shifts in service centres, similarly to languages, indicate their flexibility towards the customer needs. It turns out that most of the centres work in a two-shift system (127) which determines their cooperation with the countries of time zones similar to the Polish one. 75 centres work in a three-shift system. A similar number of centres offer services in more than three languages.

Shift work system in service centres

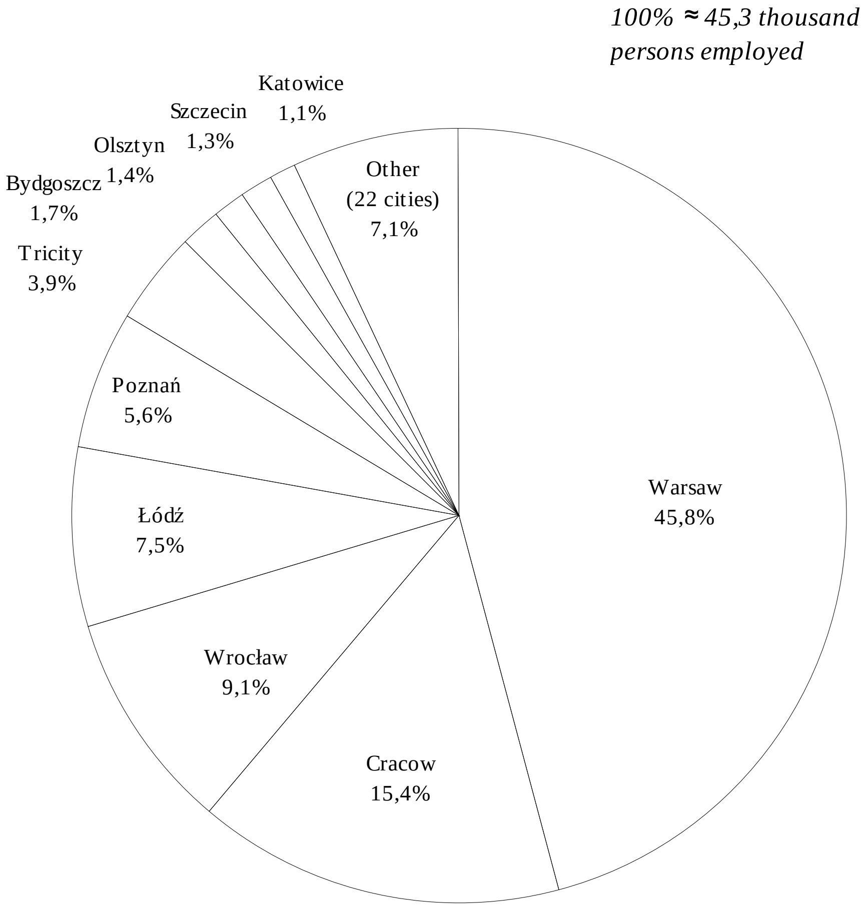


Source: DiS, 2008.

Locations of service centres

Generally, the service centres under analysis are located in one of the 10 biggest cities in Poland. The analysed 300 centres employ over 90% of their human resources. It is not surprising in view of the fact that the present years are defined as only the beginning of their activity. A great deal of persons are still eager to work and what is more, their flow is even higher in big cities. Currently, larger centres start to branch out their locations in order to diversify costs, employment policy and risks relating to the infrastructure (power supply, IT, telecommunication, natural disasters, etc.). One of the results of the present analysis shows that 300 centres run the total of 493 offices, but only in 61 cities.

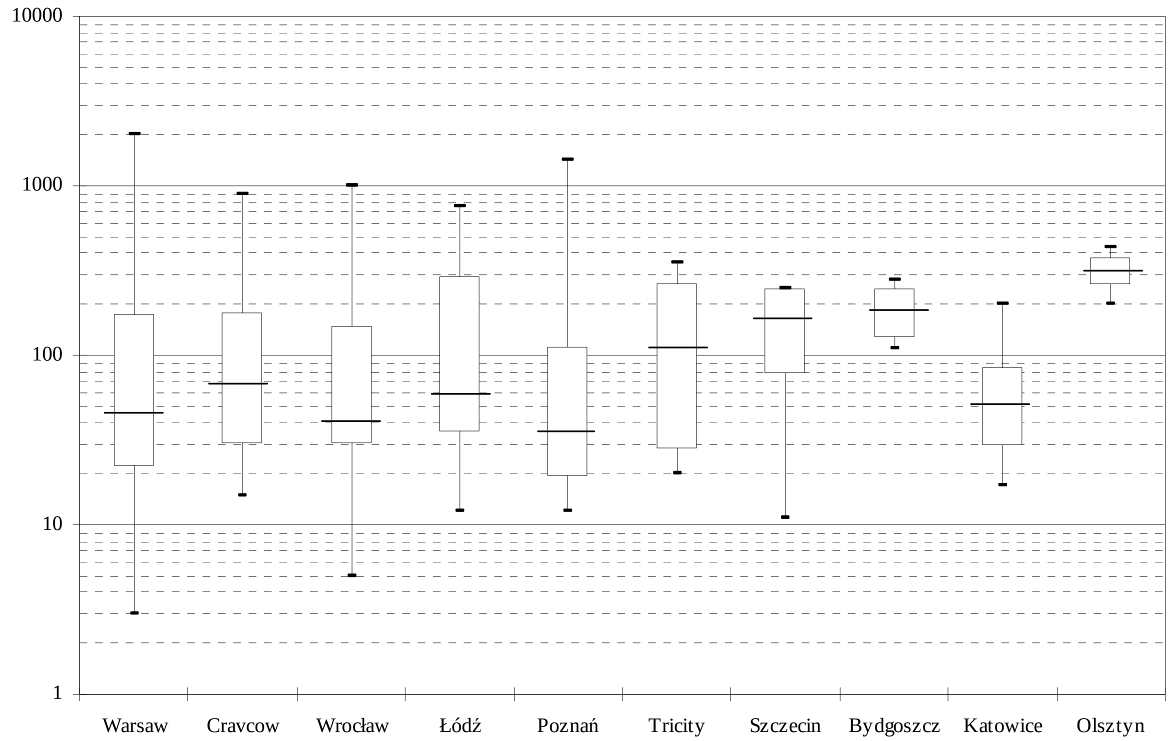
Employment in service centres by cities



Source: DiS, 2008.

More than one centre operates in half of the cities. In other, usually smaller locations, only single centres were established. This fact means that larger cities offer significantly more favourable conditions for the centres than the small ones. It is expected though, that the list of locations of service centres will be extended further. Probably, it will be the cities adjacent within large agglomerations, other voivodship cities and also many poviat (district) cities. As a result of the extension of centres, their concentration in three most popular cities, where presently two thirds of workplaces are located, is expected to decrease.

Employment distribution in service centres by the biggest cities in Poland in 2007



Source: DiS, 2008.

Warsaw is a city where most workplaces in service centres are located, that is about 45%. It means, that although work in the capital city of Poland is quite expensive, it is still profitable for investors. The second most popular city is Cracow which has been discovered by the investors only recently. The present population growth of Cracow is certainly correlated with the establishment of service centres in the city and its surroundings. The reason for this phenomenon is somehow related to the scientific traditions of this city.

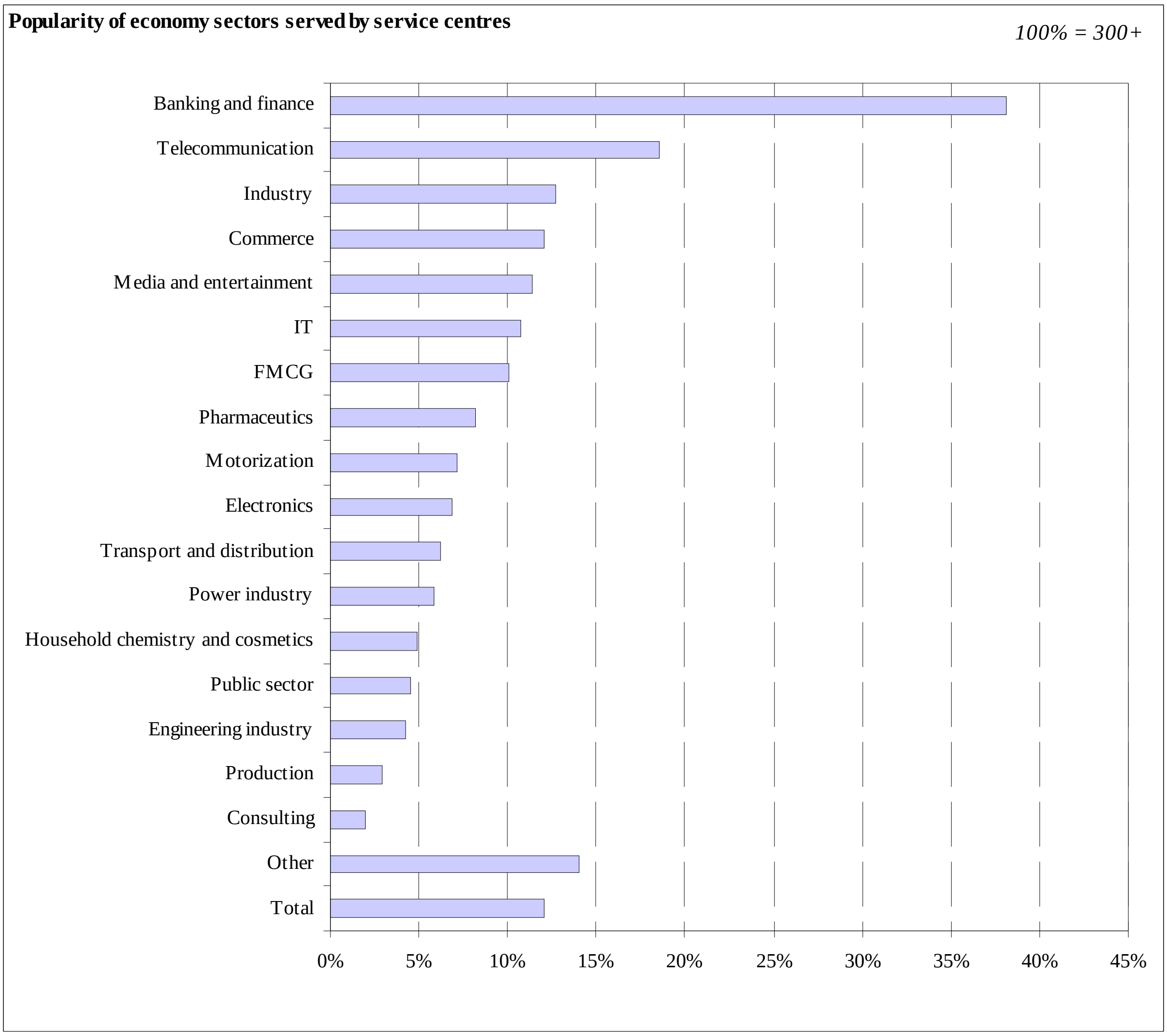
Economy sectors served

Professional specialisation of service centres is not directly related with the target trades. What is more, a great deal of centres provide services for different trades in parallel and some of them declare to provide services to all the economy sectors.

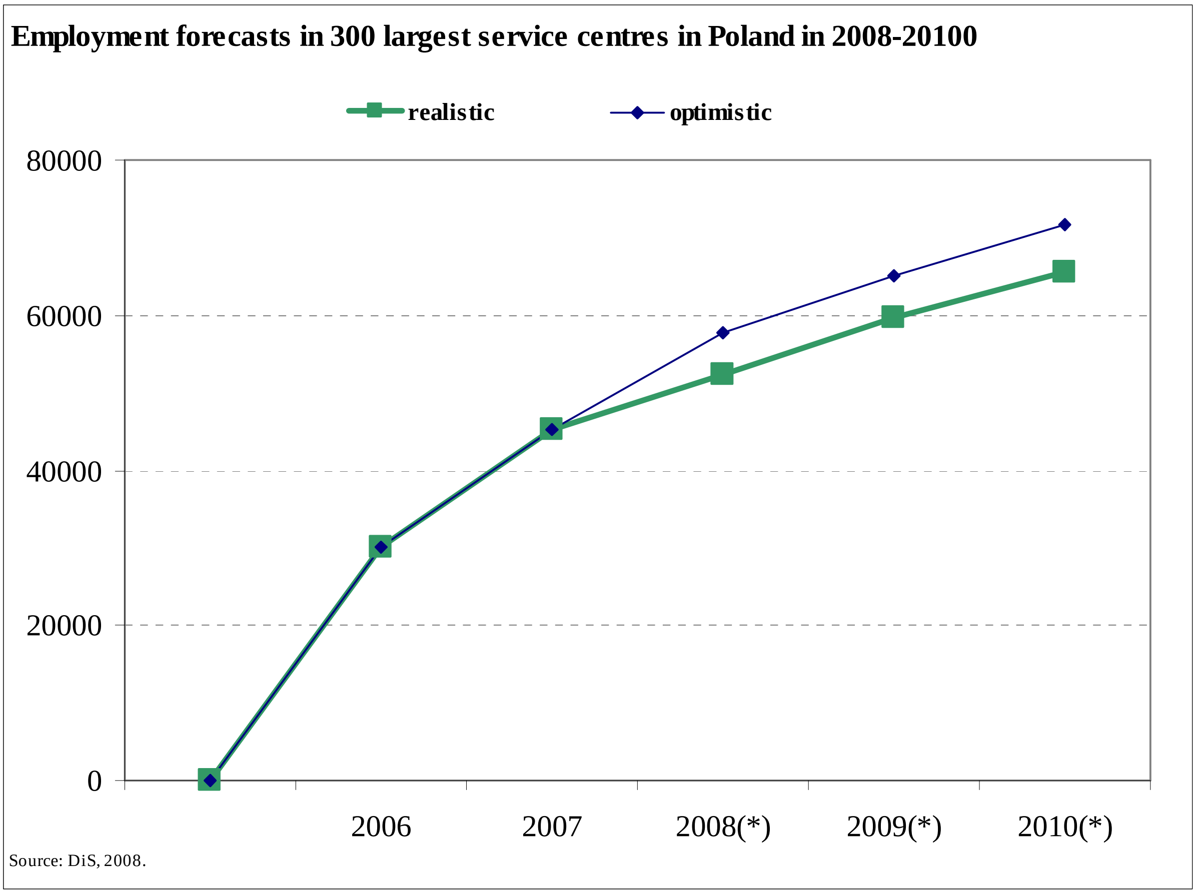
The most frequently declared target trades service centres are banking and finance, industry, commerce and media and entertainment. It is worth mentioning, that some companies specialise in single areas such as, i.e.: media, FMCG, pharmaceutics and commerce. Other centres provide very standardised services which enables them to reach different sectors.

Forecasts and conclusions

Currently, the trend in terms of service centres remains growing. However, fast development of service centres after the year 2006 has slightly slowed down. In 2007 10 less centres were created than a year before (26). Similar situation refers to the year 2008. In three quarters of the year 16 new centres were established which in the prospect of the entire year will probably amount to a lower number than in the previous two years.



Despite a development slow-down, it is rare that a centre changes its profile or is dissolved. Even if a centre faces problems with the order portfolio, in most cases it is taken over by a stronger investor and its activity profile remains unchanged. It should be also considered that not only new centres are established but also the existing ones are developed. In case of the latter ones, higher employment and the creation of new offices in Poland is proof success.

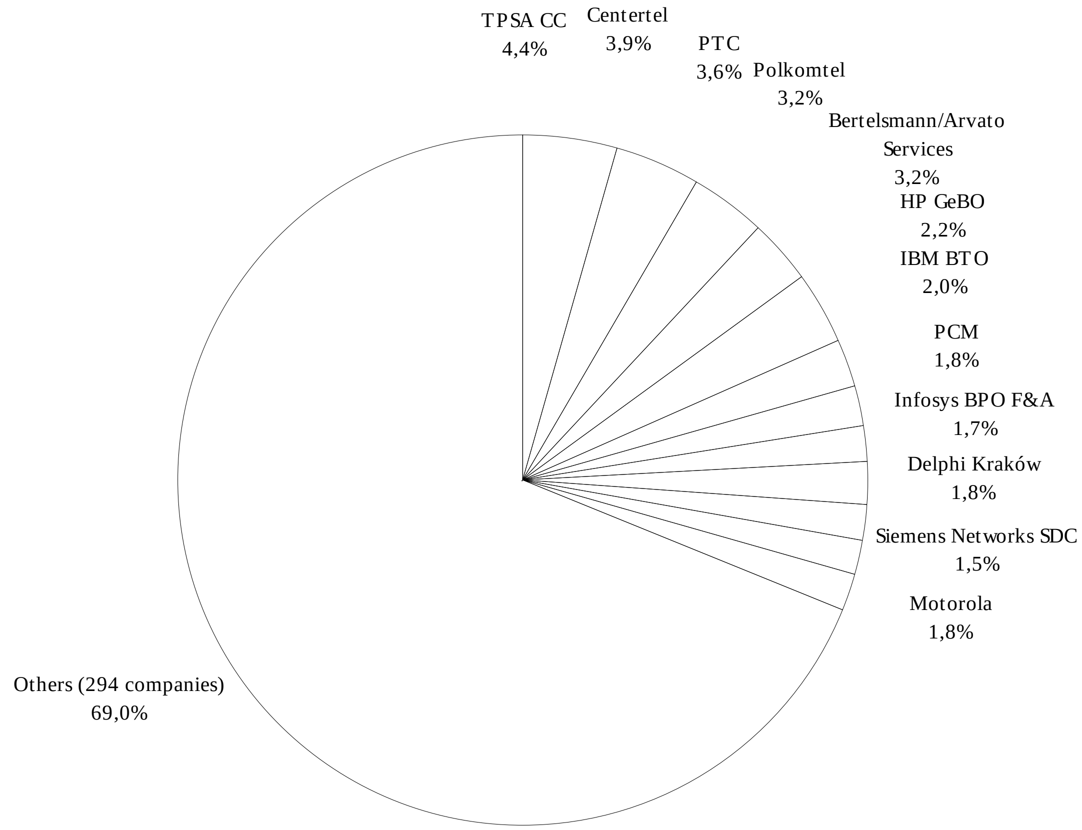


The largest of the analysed service centres would not tend to reduce their employment in a foreseeable time perspective. It refers to the greatest telecommunication operators (TPSA, Centertel, PTC, Polkomtel) which continue to restructure their activity focusing on the organization of effective service centres. Telecommunication call centres are so enormous that they employ more personnel than the trade leaders of employment ratings. International IT-electronic corporations such as HP, IBM, Motorola or Siemens prepare to take a step which will enable them to overcome telecommunication companies in terms of employment. Between telecommunication and IT companies, there are two very large companies revolving around BPO and SSC specialisations, that is Bertelsmann/Arvato and Infosys. Due to their specialisation (outsourcing, offshoring), they will suffer most the consequences of the oncoming crisis.

In other trades it is difficult to conceive a significant limitation of employment in smaller, regional BPO and SSC centres where experts work on very beneficial conditions for the investor. Of course, the employment in the centres is also proportional to the volume of transactions, but this issue depends on global factors.

According to the management, the employment in the analysed service centres in Poland in the years 2007-2010 should increase by 50%, namely from 45 thousand to 70 thousand persons. Even if pessimistic information from international financial institutions are taken into account, it seems that the global economic crisis in centres created in Poland can reveal itself in slower development rather than real falls.

Rating of service centres by employment in 2007 (*100%=300+)*



Source: DiS, 2008.

In the oncoming years, service centres will root more deeply in Poland. We have still at least 5 years of their intense creation. Only equalised prices could possibly diminish the willingness of new international companies to further invest. Certainly, both national and foreign enterprises of similar profile will take over the qualified personnel.

Glossary of definitions, abbreviations and principles relating to the activity description of service centres

Centre address – detailed contact data of a national head office of the service centre under analysis; the data include the following information: location, area code, street/square (No., room), telephone, website address, e-mail, data of a contact person (name, surname).

Parent trade – a parent company trade; if a company represents several trades, the prevailing trade is selected.

Parent company – a company name which established the centre and controls it; the parent company does not have to be directly present in Poland.

Languages of provided services – a list of national languages of conversations, technological consulting and/or electronic correspondence in the framework of provided services.

Customers – a reference description of provided services – can be particularly interesting if there are more customers than the parent company; if the parent company is the only customer the centre has features of SSH.

Parent company country of origin – a country where main offices of the parent company is located (two-letter abbreviations according to ISO 3166-1 norm applied).

Number of work shifts – work in service centres varies from one to four-shift system so that services could be provided for near time zones, distant zones, in a three or four-shift system in case of the entire world coverage and also for very demanding trades.

Locations – a complete list of Polish cities where offices of the analysed centres are located.

Service centre name – a proper name of the analysed service centre; if the name is not known or does not function, it is assumed that it should be similar to the parent company name of the analysed service centre.

Trades served – a list of trades served, particularly important if a centre does not only serve the parent company.

Description of services activity – a brief verbal description of the centre activity, sometimes history of its creation, restructuring, etc.

Year of the centre establishment – date (year) when a centre started operating in Poland .

Services provided – a description of types and modes of services provided by a service centre under analysis; most of the analyzed services are organized as follows:
- - *call-contact centre* – inbound calls for the parent company customers;
- - *helpdesk* – a centre of services for the needs of the parent company or its business partners;
- - *HR* – human resources; personnel accounting services, optimization of expert selection, payments, etc.;
- - *IT – information technology*; information techniques; a type of know-how frequently used in international service centres;
- - *accountancy* – one of the most frequently competences searched for in service centres; it covers economic know-how and the use of advanced computer applications which support management;
- - *R&D* – research and development activity (R+D): an activity which aims to systematically enlarge knowledge and technologies of an enterprise;
- - SSC - *shared services centre* – a type of activity consisting in *internal* concentration of competences of experts working for the needs of geographically dispersed offices of one corporation.
- - BPO - *business process outsourcing* -; a type of activity consisting in *an external* entity concentration, competences of experts working for the needs of geographically dispersed offices of one corporation

Geographical range of provided services – place of recipients of services provided by the analyzed centres; it can be one country, region, continent, in some cases even the entire world.

Employment – number of persons working in a given company, in all types of employment (not only permanent posts); in the case of a service centre analysis, not only the employment data, but also the dynamics of change are interesting; the analysis of the state of employment was conducted in the following periods:
- - mid 2007;
- - end 2007;

the analysis specifies target employment in a service centre as well as it defines when such employment should be reached; the data usually defines the state of employment for the year 2010.