

Location Study

Financial Services

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1. Introduction

Using the following example for this report:

A company, a wholly owned subsidiary of a multi-national corporation has defined a strategy need for expansion and growth over the next few years.

This requirement when coupled with recruitment issues in the current locations has given rise to the question ‘is the current location ideal for the future of the business’?

During the course of September, October and November, Osevon reviewed the capabilities of 23 UK cities, and 5 locations based in Eire.

This document is the initial review and should be read in conjunction with the scoring matrix *Location Scoring v9.2 26.11.06*

The purpose of the project and its report is to define the top 5 locations, provide a summary of the methodology, discuss the current location, and indicate next steps.

Funding availability will create the need to move forward, as will the ability to secure property and personnel.

2. Overview

The project requirement is to assess and define the top 5 locations within the UK and Eire in which to operate some/all functions of the subsidiary company Company A.

The inclusion of Eire, and any other non-UK locations is necessary for two reasons.

- a) In the case of Eire, the location may be suitable because of education, saturation and tax benefits.
- b) The inclusion of a non UK location is necessary if SFI or RSA funding is to be applied for.

The scope of the work focuses on the financial sector and contact centre arena, with the initial requirements considering back-office tasks. The review has focused on that area, but also a broader scope looking at all financial and contact centre applications.

The question a prospective investor needs to consider is:

‘If the location found is the best location, is it not the best location for all of my business?’

Most companies should undergo a proactive review prior to investment. Relocation or expansion, categorised as follows:

- Technology & Process (ICT, BPR & BPM)
- Structure, Incentives, Bonuses
- Location

The report focuses primarily on the last of these, location, and also considers cost of acquisition, retention and grant type funding.

Discussions with various agencies and physical observation have confirmed that the current and proposed salaries offered in this model are certainly of a type that should promote passive recruitment, and support any expansion campaign.

It is understood that location and recruitment are two very sensitive areas, so Osevon has conducting its review with the appropriate level of care, no parties being aware of the client in name, but placement of the business has been made appropriately.

3. Considered Factors

When looking at suitable locations for a business, there are key areas which need to be considered, and a subset of factors within each key area.

The purpose of this is to build an accurate basis for scoring each location, and to assist in the weighting of each individual factor.

For a company looking for quality and being less driven by cost, we would define the key areas as:

- Can we get the right people
- Can we keep the right people
- Is property available
- What are the relative costs
- Other factors

An extract from a proposal document follows, to show some of the descriptions behind the normal approach which prospective investors will take.

Appendix A contains key elements from a project brief that was given to Regional Development agencies, City Councils and Recruitment companies.

1.1. Resource Factors

These refer to the quality of labour that is available in the proposed location, this includes the following:

Labour Skills

This refers to the required skills and the educational standard of the local workforce. This is particularly important in the IT industry where technically competent staff are in great demand and are often difficult to find. The local education standard is a good indicator of the skill level of the local community. The existence (or otherwise) of 'locations of excellence' formed by geographical collections of organisations with similar skill requirements will also be considered.

Availability

The local labour market and the availability of skilled resources is a critical factor in a location decision. The local labour market must provide sufficient numbers of skilled employees for the business and its proposed expansion. This is a critical factor which must be addressed because relocating staff or attracting staff from other locations is far more expensive than hiring locally. Companies must also avoid being drawn into bidding wars for employees because they will ultimately face spiralling wages due to the demand in the local labour market.

Company Culture

The company's culture will invariably affect the type of labour the organisation wishes to employ. Companies with a particular style of working will try and employ a particular kind of employee matching the two is important for effective labour management.

Productivity

Labour productivity is important because it has a bearing on the end product. A motivated productive workforce will perform far better than a less productive or demotivated workforce.

Local Accents and Stigma

Another resource issue relates to local accents and stigma. Local accents often give a particular impression of a person and strong accents can be difficult to understand. This will affect the type of service offered to customers and will have a bearing on the location decision.

1.2. Infrastructure

Infrastructure Factors deal with the immediate environment of the proposed office location. This includes the following areas:

Local Infrastructure

Local transport links and proximity to airports and motorways are important factors for an office with overseas links and also with links to the financial sector where several guests and staff from distant locations are likely to be involved in the running and management of the office. Other key infrastructure factors include power and telephony links.

Office Space

The availability of sufficient office space is another factor. There must be enough room for all employees and visiting guests as well as the potential for expansion of the operation. This is particularly important when relocating to sought after locations such as London or Amsterdam where office space comes at a premium.

Surroundings

The local environment must cater for the business in terms of hotels and restaurants in the proximity of the office as well as centres of population so that the site is within commutable distance for employees. Factors such as local house prices, local shopping and areas of interest all have a bearing on the amount of people available to work in the business and the cost of these resources.

Technical Infrastructure

The availability of a robust telecoms network into which the operation can be connected and the cost of this service provision must also be considered.

Proximity of Support Companies

The availability of relevant organisations to support the company is often underestimated but can be quite important, organisations ranging from coffee machine vendors to hardware support organisations should be sufficiently close so that they can offer a good standard of support.

Accommodation of Shift Patterns

This is a logistical issue where the location may be a thriving metropolis during the day but at night it can become difficult to reach because local transportation is limited to daytime operation. This is particularly true of suburban areas where the frequency of transport provision is almost non-existent in the evenings. This is particularly significant for operations where large numbers of staff are required to work shift patterns and the local transport infrastructure does not support this.

Industrial Infrastructure

This refers to the proximity of supporting industry to the operation. The implementation of Just in Time methods for example will mean that suppliers must be located within easy reach of the office.

1.3. Financial Factors

This refers to the general cost structure of the particular location candidate, this includes factors such as:

Salary Levels

The average salary levels in the local labour market must be investigated. Staff salary costs will be the biggest variable cost involved in the operation. It is best to avoid high labour cost areas in favour of lower cost yet sufficiently skilled labour areas. High cost cities such as London should generally be avoided if alternatives are available, unless the type of business drives the capital as a preferred location

Overheads

Fixed costs such as rents must be carefully investigated, high rent areas such as Central London are often to be avoided in favour of lower rent and more spacious office accommodation. Office space in Northern Ireland costs on average £7-10 per square meter whereas in London the equivalent office space can cost 4 or 5 times more.

Supplies

The costs of consumables and general supplies also impact the decision to locate in a particular area. High cost areas such as the Islands should be measured in case the cost of running the operation becomes a major burden on the organisation despite the intrinsic savings. For example in mail order organisations where a shared service centre model is in operation, the costs of the shared service will be a major component of the overall cost structure of the organisation. It is therefore important to consider the cost structure of the shared service in order to avoid spiralling costs.

1.4. Governance Factors

These refer to the attitude of the particular national government in providing an environment for business, this includes the following factors:

Stability

The stability of the particular government and the local economy is a factor in the location decision making cycle..

Incentives

The incentives provided by a government in the form of tax breaks and location grants should be explored, however they should form the end part of selection, and not a core criteria. It is often unwise to base a location choice upon funding, as long term operational and other costs may well negate the benefit overall.

Incentives can also act as double-edged swords, once they are taken by the organisation there may be penalties preventing closure meaning that the organisation must live with the pain of the location decision if things don't work out as planned.

Employment Ethic

This is a key issue, local customs and legislation will impact on the operation. Attitudes to labour flexibility, over-time, shift work and abnormal working hours must be considered very carefully.

General Economic Conditions

The general economic environment and the profitability of organisations already operating in the proposed location is another good indicator of the ease with which business can flourish in a particular area. Companies should consider the experience of others who have done what they propose to do in that particular location.

4. The Matrix

Following on from the extract shown in section 3, each location in this type of review has been scored against five main subsets or sections:

- Are people available and can we get them
- Can we keep people
- Is property available
- What are the relative costs
- Other factors

Each subset contains relevant categories which have then been scored and weighted.

A summary is shown below

Are People available and can we get them

Working Core Population
 Economically Active
 Unemployed
 Within 30 minutes travelling time
 Within 1 hour travelling time
 Contact Centre Population
 Contact Centre Saturation
 Financial Sector Population
 Ease of Recruitment
 Travel Acceptance
 Transport Costs
 Transport Infrastructure

Can we keep people

Attrition Financial Sector
 Attrition Contact Centre
 Tenure Financial Sector
 Tenure Contact Centre
 Work Ethic
 House Prices

Is property available

70 – 200 FTE premises
 300 – 400 FTE premises

What are the relative costs

Salary	Junior Agent
Salary	Agent
Salary	Senior Agent
Salary	Team Leader
Salary	Team Manager
Salary	Senior Manager
Regional Funding	
Property Cost	Grade A
Property Cost	Grade B
Property Cost	Out of Town

Other Factors

Accent
 Travel to and from London
 Kill Factor
 Regional Job Satisfaction

Each Category carries the following scoring:

- a) Score of 1-26 with 26 being the best
- b) Rating of Excellent, Good, Fair or Poor

Categories are then weighted as per their importance, and this is applied to the individual scores.

Similar categories are placed together as a section, and scored.

The summary sheet on the matrix shows the scores in each category, section and total. On the far right is the overall score, and ranking position.

Each section also has a score and ranking position. This is to show strengths and weaknesses in specific areas.

4.1 Are people available and can we get them

Any business looking to expand has to assess the availability of the labour market. For smaller projects this is less critical, however each location will have a limit to the available workforce at their disposal.

For the purposes of this report, all sites with the exception of those in Eire are of substantial size, and could support inward investment of up to 500 FTE (Full Time Employee). The demographic and potential catchment in Eire mean that workforce numbers could also be satisfied based on selected strategies.

Whilst a larger pool of people is desirable, there are a whole host of socio-economic drivers that can impact on the availability of the population as a viable workforce.

Areas of deprivation will incorporate a larger percentage of unemployed or blue collar workers, and this may not be suitable for a financial services company. Likewise a city with a long history in manufacturing may not have a large pool of experience in the customer service or financial field.

Cities that are addressing the change in working environment from production to service are often actively encouraging the development of the workforce into the type of sector that may be invaluable to an investor in the long term.

Cities with high volumes of trained personnel and comparable businesses may also suffer from overprovision. In a city that is overprovided, the employment market is in favour of the employee with multiple employers to choose from as opposed to the ideal where an inward investor would be an employer of choice with multiple applicants.

4.1.1 Working Core Population – Weighting 3

Working Core population is determined as the total population excluding those not of working age.

Weighting is 3 in this example because the figure does not define the target market for the project and includes a wide range of skillsets and marketplace activities.

4.1.2 Economically Active – Weighting 4

Economically active is a measure of those people of working age who are either resident in the current workforce, or who have expressed a desire to work.

Glasgow for example has a large amount of unemployed personnel which would theoretically be of use, however it also has a high proportion of unemployed people that have expressed a desire **not** to work.

4.1.3 Unemployed – Weighting 2

All major cities report their unemployment figures on a regular basis. The figures used are for those people who are unemployed that have expressed a desire to work.

Technically this market is not a primary source of personnel for Company A, however with the interaction of some of the training programmes available as an inward investor, a small resource pool may become available.

As such there is a weighting of 2 denoting small but some importance to the project.

4.1.4 Within 30 minutes travelling – Weighting 8

Most regions report travel to work catchment as a 60km or 1 hour distance. There are variations between the locations in as much that some have based their figures on recorded estimates from personnel, whilst others will use the maximum distance travelled in 1 hour. This may be up to 100km dependent upon infrastructure.

In addition, there is a downward trend in travel to work tolerance, and an increase in the use of public transport, cycling and pedestrian as a method of travelling to work.

Some locations experience a low tolerance to travel or low ‘travel acceptance’, often this is 30 minutes.

For this reason the report has mapped and scored the 30 minute travel to work catchment as the baseline for the project.

4.1.5 Within 1 hour travelling – Weighting 6

For the reasons of travel acceptance, and because personnel prefer less travel, the category of travel to work within 1 hour has been weighted 6.

Important in the subset/section, this indicates the maximum amount of personnel a company can expect within the catchment areas of the chosen location.

Influencing factors are regional travel acceptance, transport infrastructure and cost, and work ethic. When combined with environment, training, progression, salary and benefits, the catchment for an employer will increase from 30 minutes to 1 hour and beyond.

In areas where there are few employers, or good transport links such as the Highlands & Islands, Wales and Eire, the travel to work area often extends beyond the 1 hour or 100km limit.

4.1.6 Contact Centre Population – Weighting 3

Although not directly linked to the financial sector, the modern contact centre has a baseline personnel profile which requires basic skills such as pc literacy, customer service, objection handling, sales and multi-tasking.

These are transferrable skills, and indicate a skillset which is available to any company using PC and workflow technology in the area.

Many contact centres, outsourcing and shared service centres operate contracts for financial institutions. 50% of the work within a good quality contact centre is likely to be financial.

Training and development play a large role in encouraging personnel to join the incoming organisation, and for call centre operators, the move to a financial company would be a welcome one.

4.1.7 Contact Centre Saturation – Weighting 5

From 2002 to 2005 OMIS Research in conjunction with Adecco evaluated the best locations for contact centres across the UK.

Following the 2005 report, it is believed that there is no recent independent study on UK locations. This appears to be a combination of the market reacting to offshoring, but also an inward facing look from employment agencies and companies at the methodology by which to retain personnel at current locations rather than relocation.

When a location becomes saturated, the market switches from favouring the employer to the employee. Salaries, attrition and property go up whilst tenure falls. Recruitment and training costs go up, and financial productivity per capita goes down.

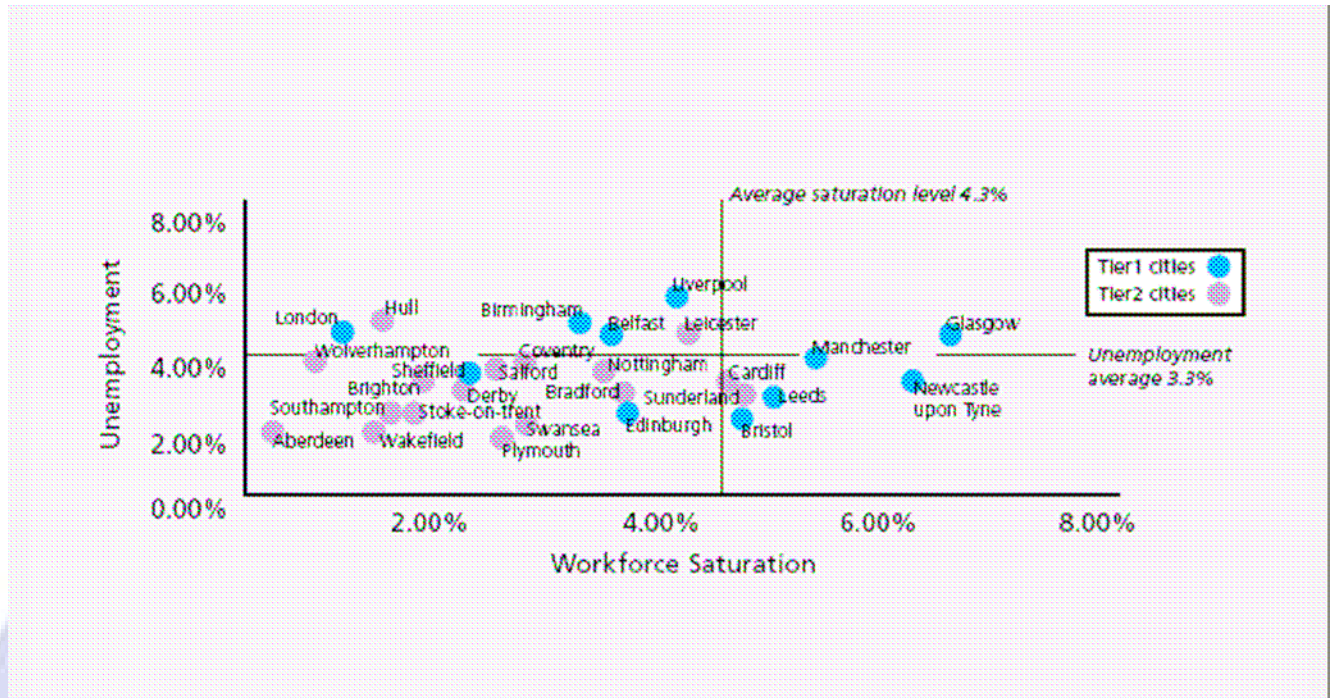
This is the latter stages of an over developed market, and companies in that type of environment will need to keep pushing the salary and productivity boundaries.

These are often the most challenging arena for an employer, yet on paper when viewed without saturation they appear to be the best locations in the country, and are often quoted as such. This is why many companies move to these locations only to move out between 3 and 5 years later.

Whilst the average feedback is that 50% of contact centres experience difficulty recruiting at agent level, the percentage is higher in saturated areas than it is in areas with scope.

In the 2004-5 report only 2 out of the 28 cities recorded were deemed to ‘offer untapped and potentially suitable labour supplies to contact centre operators, Swansea and Stoke-on-trent.

Where saturation is applied to unemployment it translates as follows:



Top Right: Above average performance in attracting contact centres and in their workforce capacity, but now saturated.

Bottom Right: Above average performance in attracting contact centres but less workforce capacity and therefore also now saturated

Top Left: Below average performance in attracting contact centres and still potential capacity for expansion in terms of the unemployed

Bottom Left: Below average performance in attracting contact centres but with limited potential due to workforce capacity constraints.

It should be noted that apart from Newcastle, all the top candidates are less than saturated, however the reason for the matrix is to provide a global picture of the location, and kill factor forms a necessary part of the decision.

Much of the contact centre population has moved to Gateshead or to peripheral areas leaving Newcastle with an underdeveloped Financial services sector offering in a good environment. As a consequence it can be argued that the right employer in the right location will draw the experience it needs from existing financial centres and financial operatives from the contact centre market.

4.1.8 Financial Sector Population – Weighting 10

This figure is not one that is traditionally available as some areas report their figures others do not. Likewise some financial institutions do not release figures.

One of the key pieces of information driven by the physical location search has been the gathering of this data.

As the primary source of trained personnel acquisition, this category carries the highest weighting possible, as it is an indicator of the scope of the location to support expansion and or relocation.

There are some exceptions, Port Laoise and other areas of Eire, Swansea, Bradford, Wakefield, Wolverhampton, Stoke, Dundee, Hull and Bracknell all score low in this category, however in some of these locations a high proportion of the financial workforce commutes out from the area to regional hubs, and often there is a high proportion of management skills in the area.

4.1.9 Ease of Recruitment – Weighting 6

In most studies, 50% of all contact centres reported difficulty in recruitment.

Having studied the market and locations, Osevon is of the considered opinion that this bears a direct correlation to the saturation and work ethic within those locations.

These factors, when combined provide an indicator as to whether the market leans toward the employer or employee.

The best example of this is Leeds.

Leeds has everything on paper, good personnel experience, productivity, properties and location, but an exceptionally aggressive market, which is driving high costs and high attrition.

During the study, we engaged with national and local recruitment companies, jobmatch agencies, and employers and discussed the ease of recruitment in each location.

4.1.10 Travel Acceptance – Weighting 5

As discussed in 4.1.4 and 4.1.5 travel acceptance correlates with the travel to work population and thus the available resource pool for the project.

Areas that have not yet developed a high proportion of white collar employment tend to lose personnel to areas with the better quality roles. People in these locations are therefore much more acceptable to the fact that commuting can take time.

In major cities, travel acceptance tends to be lower, and this limits the catchment area substantially. Other factors that influence the impact on workforce population are transport costs, unemployment, transport infrastructure, car ownership and residential property prices.

London for example has exceptionally high property prices, so affordable housing is outwith the core city area. As such commuting acceptance is high and varies between 1 and 2 hours.

By the same token, Wakefield has few top end companies and low saturation, so as personnel have developed toward an experienced and professional career they have had to commute longer distances to find the correct level of work.

The best example of this is in Port Laoise, where personnel commute to Dublin and other major towns for employment. Car ownership is high and the acceptance of travel is akin to that found in the Highlands & Islands, and the valleys in Wales.

4.1.11 Transport Costs – Weighting 5

There are two reasons for the inclusion of this category:

Firstly, the cost of transport factors greatly in the development of the first time or trainee workforce.

Secondly it can act as a barrier to development when internal costs are low, but commuting costs are high.

Sheffield to Leeds and Glasgow to Edinburgh are good examples of the latter. Costs of transport between the two are high on the most effective transport links (rail) keeping the lower-mid workforce in their 30 minute catchment area. Generally it is only team leaders and above that will commit to the expense of this method of commuting.

Coupled with travel acceptance and transport infrastructure, this is an indicator of how well the new location will work for new and experienced personnel.

In Port Laoise and Swansea for example travel acceptance is very high, however in Port Laoise 87% of the working population, who currently commute, have stated that they would view employment in their local area as a great benefit due to reduced costs and improved lifestyle.

4.1.12 Transport infrastructure – Weighting 3

Transport infrastructure is an important factor as it directly interacts with travel to work catchment.

Although travel acceptance mitigates some of the impact, poor infrastructure in a major city when combined with a larger gap between the 30 minute and 1 hour TWA figures indicate that the closer to the commuter belt a company locates the better the employee catchment capability.

For example, Bracknell and Reading.

Bracknell has a smaller community, expensive housing and a poor connectivity. Reading has excellent transport links with London and commuter belt towns on the rail network.

People commute out from Bracknell to Reading, but rarely the other way. Therefore placing a business in Bracknell sacrifices population count but may encourage outward commuters back to their home location

When looking at business driver's, and the ability to recruit new blood into the organisation several questions are often asked by the employee:

- Is it easy to get to?
- How much will it cost me?
- Is there parking?
- Is it safe?
- Is it reliable?
- If my circumstances change can I still make work on time?

Good infrastructure will greatly help in recruitment, retention and workforce satisfaction.

4.2 Can we keep people?

This subset/section carried the highest sector weighted average of the whole matrix. For this report, the weighting was geared towards personnel strength and tenure rather than cost. This particular example came from a perceived 'good employer' who had experience major difficulties recruiting in a large city.

The category looks primarily at attrition, tenure and work ethic, and when combined with saturation will complete the employers perspective on the issues that may be encountered in that location.

High attrition and low tenure mean a constantly changing environment. This reduces stability amongst the workforce, and often affects workforce satisfaction.

Likewise the same environment will put increased pressure on salary rates, recruitment costs and internal HR departments. Recruitment agencies in these areas may also be demotivated in business sectors deemed saturated when compared to niche or new employers.

By way of a brief example some workings are shown below:

Case 1: Attrition 15%, Employees 300

Employee ratio junior:agent:senior agent:team leader:team manager = 2:6:2:1:0.20
3 year cycle

Employees lost = 135

Junior Agent	10	@ £15,000 p.a
Agent	100	@ £17,000 p.a
Senior Agent	15	@ £18,500 p.a
Team Leader	8	@ £23,000 p.a
Team manager	2	@ £30,000 p.a
Total	135	@ £2,421,500

Recruitment costs	15%	= £363,225
Training costs	6 week	= £278,640 approx
Advertisements		= £9,000
HR Time	810 hours @ £14.00 ph	= £11,340
Management time	80 hours @ £16.50ph	= £1,320
Total		= £663,525

Additional factors like team dynamic, loss of intellectual knowledge and processing speed have not been included but increase effective on costs.

Case 2: Attrition 10%, Employees 300

Employee ratio junior:agent:senior agent:team leader:team manager = 2:6:2:1:0.20
3 year cycle

Employees lost = 90

Junior Agent	7	@ £15,000 p.a
Agent	67	@ £17,000 p.a
Senior Agent	10	@ £18,500 p.a
Team Leader	5	@ £23,000 p.a
Team manager	1	@ £30,000 p.a
Total	90	@ £1,574,000

Recruitment costs	15%	= £236,100
Training costs	6 week	= £181,615 approx
Advertisements		= £6,000
HR Time	540 hours @ £14.00 ph	= £7,560
Management time	53 hours @ £16.50ph	= £874.50
Total		= £432,149.50

Difference in cost	= £231,375.50
Cost saving per annum	= £77,125 approx
Saving per square ft	= £2.57

In case 2 the team structure is better supported, and therefore so is the knowledge base and generally a better working environment which promotes training and learning for development.

Note: This is only one factor in the matrix. If scoring were based on tenure over a 3 year period comparing Birmingham and Cardiff at 18 months and 36 months respectively then the on costs in Cardiff would be half of that in Birmingham.

By reducing the saturation factors, and salary costs by using a new location, the financial impacts of attrition and recruitment are reduced across the board

4.2.1 Attrition – Financial Sector- Weighting 8

Attrition in your own sector is one of the most important categories to measure when evaluating the market.

Attrition much like tenure can be an indicator of saturation, attitude, or environment.

In areas where there is little competition attrition will be low unless the employer is particularly bad.

In Belfast for instance, one financial company has a low paid, poor environment slightly out of town, but attrition is low because of the combination of work ethic, benefits and limited opportunities.

Usually where attrition is high, tenure will be short, saturation high, and recruitment difficult.

The above description accurately describes an over provisioned market where recruitment costs are high, recruiting difficult, and competition drives up wages and property costs.

The attrition statistics have been collated with the aid of National recruitment companies, independent recruitment companies and discussions with financial sector companies.

4.2.2 Attrition – Contact Centre – Weighting 3

As mentioned in 4.1.7 the contact centre market provides a baseline pool of potential candidates for the business including a section of those currently working with financial clients.

Attrition rates in contact centres have been measured for much longer than those in financial services, and there are trends that work with saturation, and tenure to define the high churn environment previously referred to.

4.2.3 Tenure - Financial Sector – Weighting 10

The analysis has broken new ground when compared to previous reports, as it considers that average length of time that personnel remain in employment at a Financial Services company. As this is the same type of business for the financial services study then the figures should give an indication of tenure and therefore aid cost modelling, HR and benchmarking.

Tenure figures have been sourced accordingly.

- Direct experience of the market
- Local employment agencies
- National employment agencies
- Specific Financial Services employers
- Development Agencies
- City Councils

Tenure is one of the most important factors in choosing a new location.

Any business in a particular sector is primarily driven by the knowledge of its employees.

The longer the tenure, then the higher proportion of knowledge is retained in the business.

This in turn creates a better working environment in terms of training, HR and development. Experienced personnel are more capable of adapting to market and regulatory changes, and customer service levels are higher.

As mentioned in 4.2 there is a substantial reduction in operational cost for businesses commanding higher tenure rates.

4.2.4 Tenure – Contact Centre – Weighting 4

For the same reasons as above, and tied in to defining the working environment in the locations studied, Tenure in contact centre should be viewed as a valuable indicator for the catchment capability for a new site.

Where tenure is low, a new company will have more applicants than normal per role, however with the use of proper screening and modelling it may be possible to use the trend to one's advantage in the long term.

4.2.5 Work Ethic – Weighting 8

Work ethic is a descriptor for how the employees view their employment.

It combines general factors such as attitude to work, with loyalty, the amount of money required to take personnel from another company or for an employee to move, and a value add measure.

In saturated and stale environments, personnel will tend to do their role and not give a little extra. Motivation of personnel toward betterment or progression are lower in these areas, and smaller disciplinary issues can result in resignations or HR issues.

Where the work ethic is strong tenure will usually be high, and absence due to sickness is normally much lower than elsewhere.

Areas with high work ethic scores can reduce operational costs and support a training and development environment rather than a culture of HR.

From 1995-2002 the change in Gross Value Added per capita recorded across 56 English Cities

Of the top 8 scoring cities in the matrix, only 4 are in England and therefore included in the study.

- Newcastle 14th
- Liverpool 16th
- Sheffield 17th
- Birmingham 28th

2004 statistics for GVA placed the UK growth at an average of 4.6%

East Midlands	5.3%
North East, Humber, West Midlands	5.1%
North West, Wales, Northern Ireland	5.0%
Scotland	4.5%^

Current trends may also be indicators for this sector.

1. People are working more hours in their employment
2. More people have a second employer
3. There are fewer full time roles
4. The average expectancy for a full time role has dropped from 3 years to 14 months over the past 10 years

Work ethic is:

‘The amount of value the employee places on their contract combined with their reciprocal value add.’

4.2.6 House Prices – Weighting 3

House pricing is a low scoring factor, however it should be included in the scoring because it affects the travel to work catchment area, attrition and tenure.

1. If house prices in the chosen city are high, then either the employer pays higher salaries or the less senior employees will be more likely to commute longer distances.
2. High cost of living areas can lose personnel to new ventures in cheaper (usually more rural) areas. (Relocation?)
3. In the long term with good rates of tenure, it is likely that members of personnel will progress both in their work and personal life. As families begin, grow and develop, there is often a driver to purchase 1st or 2nd properties. If pricing is high, then the property will be located in a commuter zone. This may remove the employee from a comfortable TWA. Likewise if children need to be taken to school or collected from babysitters or after school clubs, then the place of employment will usually need to be within 30 minutes to 1 hour of the place of residency.

4.3 Is property available?

The base property specifications were as follows:

- 7,500sq ft – 25,000 sq ft & 50,000 sq ft
- No individual floorplate of less than 7,500 sq ft.
- Properties as follows: Grade A, Grade B and Out of Town.

Grade A buildings provide an excellent environment in terms of staff satisfaction and functionality.

Grade B buildings provide lower costs, less functional and motivational space

Out of Town properties assessed were all Grade A, but with the added load of increased attrition due to location estimated at 3-4%.

Not all areas had properties available in each category. Sunderland for example has no Grade A city centre properties, no reported properties were available out of town for Wolverhampton.

There were two categories.

4.3.1 70-200 FTE – Weighting 6

Properties ranging from 7,500 sq ft to 25,000 sq ft usually split between 1 or 2 floors.

In this example the maximum expected number of FTEs (Full Time Employees) was geared toward 200, so the category for this size of property was weighted accordingly.

In addition many of the larger properties are under construction, so it would also be possible to take smaller space on flex or short term lease until additional space became available or was completed.

4.3.2 300 – 400 FTE – Weighting 4

Properties ranging from 30,000 sq ft to 50,000 sq ft

Liverpool, Sheffield, Leeds & Dublin all have good availability in this category, many other areas have projects due to complete by Q2 2007, and more have projects due to complete Q3 2007.

Beyond this timeframe, it would be possible to drive development forward or consider a bespoke building.

4.4 What are the relative costs?

The cost section is probably the simplest of all the subset/sections, as it contains only three main data sets:

Employee costs
Regional Funding
Property Costs

4.4.1 Employee Costs – Weighted – 1 to 4 by role

There are two sheets linked to the matrix:

- 1) The average salary per role description in the location
- 2) The weighted salary per role description in the location.

Traditionally the average salary is quoted, but for the purposes of accurate modelling it was decided to change the normal rule of measurement.

The weighted salary is a measure of the amount that needs to be paid in each location to ensure a successful recruitment campaign, and to attract experience personnel.

4.4.2 Regional Funding – Weighting 1

Regional funding although not a driver is capable of mitigating the costs of expansion and/or relocation.

The highest level of funding is Tier 1, where funding of up to 35% of capital expenditure may be given. In reality figures above 15% should be considered good.

In addition many areas have funding available for training and recruitment, and there is sometimes scope for enhancement from each City Council.

Funding is complex, and carries a time pressure as the funding levels and areas are due to change significantly by the end 2006.

4.4.3 Property Cost – Weighting 1 to 3

Property costs are weighted as follows based on desirability and attrition impact:

Grade A 3
Grade B 2
Out of Town 1

4.5 Other Factors

This subset/section contains additional scoring of a variety of importance and weighting.

4.5.1 Accent – Weighting 2

There have been many studies into accents, and at many times different locations have claimed to be the ‘best’ accent.

In truth this is primarily a subjective view with elements of analysis applied.

- Strong accents should be avoided
- Soft accents work well within customer service and pressure environments such as arrears & collections
- UK perceptions are applied through experience to local accents.

By way of example:

- a) Edinburgh has a softer accent than Glasgow, as often does management when compared to agent.
- b) Devon & Cornwall have strong regional accents and a low percentage of contact centres or financial centres
- c) The East End type of accent is regarded has been quoted as the worst for financial companies as it is synonymous with wheeling and dealing. Even if this is not a fact, perception is 9/10ths of reality, and we often communicate over the telephone. As a cliché think Arthur Daley.

4.5.2 Travel To and from London – Weighting 2

This category was added for strategy purposes.

All new operations will require a period of design, build and training. This requires resource to be used from the parent company so connectivity is important.

Secondly the weighting can be adjusted dependent upon the final strategy chosen i.e., is this a small back office processing team of 700 - 100 personnel requiring few visits, or is it a 400 FTE operation which is to become the a company ‘Flagship’.

4.5.3 Kill Factor – Weighting 10

Kill Factor is the only other category to carry a weighting of 10.

Kill factor is the ability to make an positive impact on the workforce and economy by locating the operation in that environment.

As an example locating the business in Leeds, Reading or Edinburgh will not cause much of an impact as it will be one of many financial employers. As wage rates are good in these locations, the people that change roles are more likely to be those that will move elsewhere when the next company locates there.

Conversely in Newcastle, Sheffield, Liverpool and Port Laoise where there are few, or no employers of quality, the right type of company will make a big impact, and command a level of loyalty and interest well above the norm.

This impact will also mean that recruitment should be much easier as potential employees will probably approach the company directly.

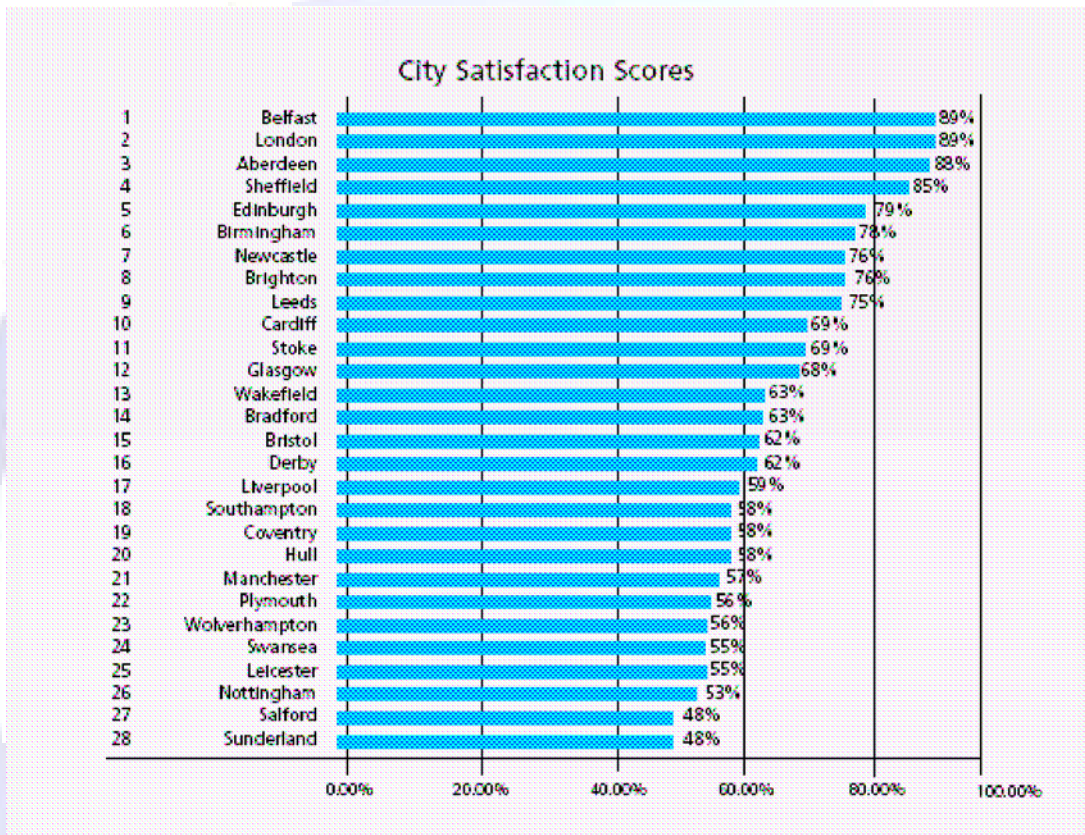
In addition, where people commute over long distances to their employment, locating in a high kill factor area will be a bonus as an inward investor will be offering a lifestyle change as well as quality employment and financial remuneration.

In Port Laoise for example as would be the case in the Highlands & Islands, the investor could be the only employer of its type, and would effectively be responsible for a substantial amount of input into the local economy.

4.5.4 Regional Job Satisfaction – Weighting 2

This category is based on previous studies that have investigated how employees feel about key location factors, many of which are included in this review.

20 cities were reviewed, and where no score has been given to a location we have averaged the result at 10.



As with attrition, tenure and work ethic, satisfaction scores can be altered within a company’s own environment if it adopts a proactive approach to growth and retention strategies.

5. The Results

Anyone interested in purchasing a complete copy of the report and results should contact:

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Companies interested in a bespoke location study, or modification of the scoring and weighting criteria for their own company may also use the details above.

Anyone wishing to add information or data to the report should contact Greg Hine for further discussion.

6. SFI & RSA

Selective Financial Initiative (SFI) or Regionally Selective Assistance (RSA) are both forms of funding available to inward investors for expansion or relocation.

In addition to SFI (England, Wales & Northern Ireland) or RSA (Scotland) funding is also available in the following areas:

- Training costs
- Relocation support
- Recruitment support
- Enhancements

In many cases, the city council is able to enhance funding through their own financial channels in addition to SFI/RSA grants.

The range and variety of funding available is complex, however there are 4 main categories:

- Tier 1
- Tier 2
- Tier 3
- None

Most of the top 5 locations all have some form of funding available that will be of great benefit to companies in terms of mitigating cost.

The map for regional funding changed in December 2006, and higher level funding is likely to be withdrawn in some of the locations visited.

Subsequent reports and reviews will continually update the matrix as new information becomes available..