Global Competition:
Lamont/Arvin, California vs. Bangalore, India

Note:
In the Economic Geography (EON 395) course, students were asked to write a report analyzing the following hypothetical scenario:

Scenario:
Customer care is integral to businesses. One of the growing trends in customer care is "call centers". There are over 80,000 call centers in the United States. Call centers are judged by their ability to provide customer services and increase sales.

Suppose that ABC, Inc., is searching for a new location for a call center. This call center will employ 400 workers. Managers of ABC, Inc. have narrowed their options to two cities: (1) an American city of your choice and (2) Bangalore, India. Your task is to prepare a report for the ABC Inc. to compare your city with Bangalore as the location for ABC's next call center.

A team of three students collaborated to research and write an excellent report presented below.

Introduction:
We choose the Lamont/Arvin region in Kern County, California, as a potential location for a new call center. These cities are evaluated against the following location criteria:

- Real estate costs (facility space)
- Business infrastructure (electricity, transportation, telephone lines, etc.)
- Qualified employees (trained labor pool, English speaking)
- Operation costs (salaries and benefits)
- Government incentives (tax breaks, subsidies, etc.)

Bangalore, India
Identified as India’s technology capital, the city of Bangalore is home to more than half a dozen call centers operated by companies ranging from General Electric to American Express. Call centers provide information technology (IT) services such as electronic payment, technical support, and order/claim processing services.
Although rated well below American cities, Bangalore provides workable infrastructure for business operation. Having the second largest English speaking population in the world, India has a trainable middle class labor pool. In addition to trainable labor pool and low real estate cost, Bangalore has considerably low operating costs. In India, for example, the average annual salary for a call center manager is about $19,000, while a similar position in many areas of the United States could pay $60,000.

Recognizing the potential for IT services, the government of India has taken positive steps in providing numerous incentives for new companies to locate there. Incentives include, for example, a tax exemption for profits derived from exports, which benefit companies providing certain types of IT services.

Lamont/Arvin, California
A second option for the newly proposed call center is the Lamont/Arvin area. Unlike Bangalore, the Lamont/Arvin economy is agriculture-based. Nonetheless, the area provides an advantage in real estate cost. Land prices and building costs are fairly affordable compared with other cities in California. The Lamont/Arvin area has also an advantage in providing the infrastructure including access to vast transportation (highways, railroads, and airports) and communication (telephones and computers) networks, which make this area an ideal place for business location. Hence, Lamont/Arvin would rate higher than Bangalore.

A major disadvantage of Lamont/Arvin is the shortage of qualified workers. As mentioned above, the area is agriculture-based and the majority of the labor force consists of low wage field workers, who usually are not fluent in English. In this area, the percentage of students attending college is very low. Hence, it would be costly to hire trainable labor for answering a large volume of telephone calls on a daily basis. The potential call center must hire from the labor pool of the adjacent Bakersfield and Fresno, who would demand competitive salaries and benefits. In an effort to attract new investment to Lamont and Arvin, local governments and state agencies provide a variety of incentives to both workers and potential businesses wanting to locate in this part of the country.

Lamont/Arvin vs. Bangalore
The following table provides a summary of the major cost items based on national averages. These costs are calculated for a 400-worker call center with a labor force of 90 percent agents and 10 percent managers; a facility area of 60,000 square feet; and a workweek of 40 hours or 2,080 hours per year.

The average hourly wage for a call center manager is $28.85 for the Lamont/Arvin area, but only $9.13 for Bangalore. For a labor force of 400 workers, the annual labor cost differential amounts to over $1.6 million. Likewise, the average hourly wage for a call center agent is $9.62 for the Lamont/Arvin area, but only $0.96 for Bangalore. The annual labor cost saving would be about $6.5 million. The facility space for the proposed
call center could cost as much as $600,000 in Lamont/Arvin, but only $75,000 in Bangalore. The total saving from locating in Bangalore amounts to over 8.6 million a year.

<table>
<thead>
<tr>
<th></th>
<th>Lamont/Arvin</th>
<th>Bangalore</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annual Labor Cost, Managers</td>
<td>$2,400,320</td>
<td>$758,616</td>
<td>$1,641,704</td>
</tr>
<tr>
<td>Annual Labor Cost, Agents</td>
<td>$7,203,456</td>
<td>$718,848</td>
<td>$6,484,608</td>
</tr>
<tr>
<td>Annual Facility Space Cost</td>
<td>$600,000</td>
<td>$75,000</td>
<td>$525,000</td>
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<tr>
<td><strong>Total Cost</strong></td>
<td><strong>9,663,776</strong></td>
<td><strong>1,552,464</strong></td>
<td><strong>8,651,312</strong></td>
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</tbody>
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Source: Deloitte & Touche LLP

This partial cost accounting suggests the selection of Bangalore over the Arvin/Lamont region as a call center location. Bangalore offers a more cost effective option for business location. However, the ABC inc. may weigh Lamont/Arvin’s access to better infrastructure and consider its incentive structure for business location against lower operation costs offered by Bangalore to make a final the location decision.

References
“Call Centers in India” Outsource2India.com, 27 November, 2001
“Incentives,” Kern Economic Development Corporation Homepage, 2001
“Neighborhood Information: Lamont,” Yahoo.com, 2001