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SPECIAL REPORT

Exploring the Virtual Workplace With Home Agents

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The unique dynamics of a high-occupancy, labor-intensive call center operation routinely challenge corporate real estate and human resources departments. Locating an appropriate facility and sourcing the large capital investment typical of a call center build-out can prove difficult for corporate real estate executives. Additionally, human resources managers are charged with the daunting task of sourcing enough talent to staff these large operations in an attrition-plagued industry.

To address these challenges, many companies adopt or seek to adopt home agent programs – operational platforms that allow call center agents to perform their jobs from home.

Companies embrace the home agent model in order to reduce their real estate footprint and facility costs and broaden the talent pool from which call center agents are sourced.

While home agent programs may help solve some difficult real estate and human resources issues, the platform is not without challenges and setbacks. Companies adopting a home agent program must be aware of the hidden costs, training challenges and security concerns this model evokes.

FOLLOWING THE TREND

Home agent programs, currently adopted by business process outsourcers and end-users alike, continue to be evaluated for viability within call center platforms at numerous companies across various industries. While the remote work arrangement is hardly a new concept, the integration of this model within contact center workforces is an emerging trend. The recent growth of home agent programs within the call center industry is attributable to advances in technology and overall pent-up demand for legitimate home-based employment within the workforce.

Business intelligence and data provider, Datamonitor, reports home agents will comprise 7.5% of the contact center workforce in 2009. Outsourced customer service providers such as Convergys, West Corp. and Sitel currently employ home agents while the in-sourced contact center operations of Marriott, Hilton and JetBlue also embrace this model. For many companies, home agents act as a supplement to existing bricks & mortar (B&M) call centers. This creates a hub-and-spoke model where home agents often live within a manageable drive of B&M facilities. In other business models, home

agents operate as a network of completely virtual agents replacing traditional B&M call center facilities altogether.

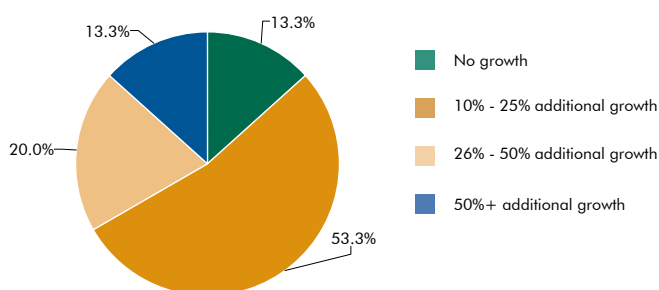
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Analyst group IDC estimates 200,000 call center agents in the United States currently work from home and projects this number will reach 330,000 by 2010. A survey conducted by CBI/Pertemps corroborates this growth estimate, noting that 46% of employers offered telework opportunities in 2008 compared to only 14% two years before. Aetna is among the employers taking advantage of this trend. Originally implemented as a means to retain talent during site consolidations, Aetna's telework plan has since expanded by 300%.¹ Home agent growth is further exemplified in the business process outsourcing (BPO) industry where Alpine Access is planning to expand its purely virtual workforce by 1,200 in first quarter 2009.²

CB Richard Ellis' Labor Analytics Group (LAG) recently surveyed companies from a variety of industries to learn more about their ideas, experiences and future plans for home agents. Survey data found home agents account for a small percentage of a company's contact center workforce. Seventy-four percent of companies currently using home agents note their agents account for 15 % or less of their call center workforce.

Nearly all respondents with active home agent programs plan to grow these programs. Fifty-three percent forecast growth of 10-25% over the next three years, and 20% plan expansion of 26-50% during this same time period. Of surveyed companies without active home agent programs, 26% intend to adopt this platform during 2009 and an additional 16% plan to do so by the end of 2010.

Estimated growth of home agent programs over the next three years:



Source: LAG Survey

Implementation and growth of home agent programs became more feasible due to advances in internet protocol systems and broadband internet connections. Prior to the development and maturity of today's systems, voice and data connections were separately routed from contact centers to remote users. Maintaining two delivery systems proved difficult and costly for most companies, diminishing the potential value of home agents. Internet protocol technology solved for this issue by providing a single, cost-effective system by which secure voice and data connections are delivered to remote agents via the internet. Broadband internet is available throughout most U.S. communities and provides home agents a quick and reliable connection to employers.

Aside from technical solutions, the growth and sustainability of home agent programs would not be possible without the labor force's demand for legitimate work-at-home opportunities. Internet forums and message boards such as Work at Home Momma (workathomemomma.com) and Work Place Like Home (workplacelikehome.com) contain numerous postings devoted to finding legitimate home employment including call center home agent positions. When browsing through sites such as these, it is evident a large segment of the workforce values the benefits, convenience and flexibility working at home provides. This segment includes individuals not typically attracted to traditional call center positions but for the opportunity to work at home.

Employers receive overwhelming response for open home agent positions. Convergys reported a significant increase in web inquiries and applications after implementing a home agent program.³ Last year Alpine Access hired only 2% of its applicants due to the abundant interest in its home agent positions.²

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SENDING JOBS HOME

A company's decision to implement a home agent program is driven by a combination of labor, cost, real estate and strategic considerations. According to the LAG survey, the three most-cited decision drivers to implement home agents were labor related. Cost savings were the next most popular decision driver among respondents. Although less prevalent, companies also drew motivation to pilot home agent programs from strategic initiatives such as "green initiatives" or "onshoring".

Surveyed employers indicated labor issues were the main drivers of home agent programs. These companies viewed home agents as a means to increase employee satisfaction, improve employee retention and expand the labor pool from which they hire. Additional drivers aimed at talent recruitment and retention included creating a competitive hiring advantage over other area call centers, increasing applicant flow, providing an incentive for high performers, and responding to employee demand for home-based work. Addressing scheduling issues for peak call times and late-night/weekend shifts also acted as motivation for companies to implement a home agent program.

Labor-Related Decision Drivers:

- eTelecare noted program expansion flexibility and an increased applicant pool from which to recruit higher-quality employees as drivers for offering home agent employment.⁴
- A desire to improve employee retention and productivity drove IKON to introduce its telecommuting program.⁵
- Collections company, Global Integrity, viewed home agents as a means of expanding their applicant pool and reducing competitive pressure.⁶

Cost & Strategic Decision Drivers:

- AAA Mid Atlantic sought cost savings and efficiencies from using home agents. The use of these resources facilitated the consolidation of five B&M centers into one virtual center.⁷
- Chris Carrington, CEO of Alpine Access, notes some of their growth is a product of companies bringing call center jobs back from overseas.²

Survey respondents mentioned, less frequently, cost savings and strategic initiatives as home agent implementation drivers. However, one-half of all survey respondents did note real estate cost savings as a driver, and almost 35% considered potential labor cost savings in their decision-making process. Only 25% of surveyed companies viewed home agent programs as a strategic solution to physical real estate space constraints. Other strategic drivers included promoting “green” initiatives, providing an alternative to offshoring, and solving for business continuity/disaster recovery requirements.

ANSWERING THE CALL

Employers must carefully evaluate the labor markets from which home agents are sourced despite a high volume of willing applicants and the elimination of many physical recruiting barriers. Selecting quality applicants is equally important when hiring home agents as it is for traditional, B&M call center recruiting. A deeper understanding of the qualities and characteristics typical of the most successful home agents will assist human resources in targeting an appropriate labor market where both call center skills are dense and this type of labor is available.

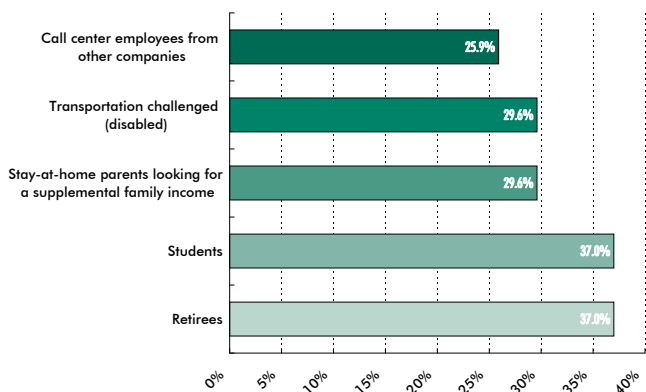
By diversifying a call center platform to include home agents, an employer does not change the skill set required. A candidate who is unqualified for a traditional call center role is not fit for home agent employment, either. This type of position requires the same job skills as a traditional call center position plus the traits of self-motivation, independence and technical aptitude. Despite additional requirements, employers recruiting home agents attract an applicant pool larger than that of B&M positions due to geographic, scheduling or work preferences.

When selecting a labor market to source home agents, it is imperative employers ensure the necessary skills are present. Employers that neglect this due diligence phase risk hiring unfit candidates and will become vulnerable to high attrition. Recruiting and training may become needlessly costly. If an employer is confident call center skills are in the labor market, it should then evaluate for home agent viability.

LAG’s survey indicates employers recruit home agents from a variety of demographic groups. Recruitment sources include students, retirees, stay-at-home parents looking to re-enter the workforce and/or seeking

supplemental income, and suburban/rural workers with adverse commutes. Employers ranked “stay-at-home parents seeking supplemental income” as the highest performers.

Top five segments from which employers hire home agents (employers selected all applicable categories):



Source: LAG Survey

Additional demographic groups predisposed to home agent work include the disabled/home-bound, transportation-challenged, military spouses, retail workers, people currently working from home in other capacities and traditional call center employees working for other companies.

Some companies circumvent the home agent recruiting and training process by merely sending their employees home to work. Instead of specifically hiring for home agents, companies require agents to train and work in a B&M facility. This occurs for a pre-determined period or until key performance indicators dictate an agent is ready to work from home.

Forty-five percent of LAG survey respondents said call center agents may only work from home after certain tenure and performance guidelines are met in a B&M position. Once an agent has been cleared to work from home, employers must facilitate a

Forty-five percent of LAG survey respondents said call center agents may only work from home after certain tenure and performance guidelines have been met while at a B&M position.

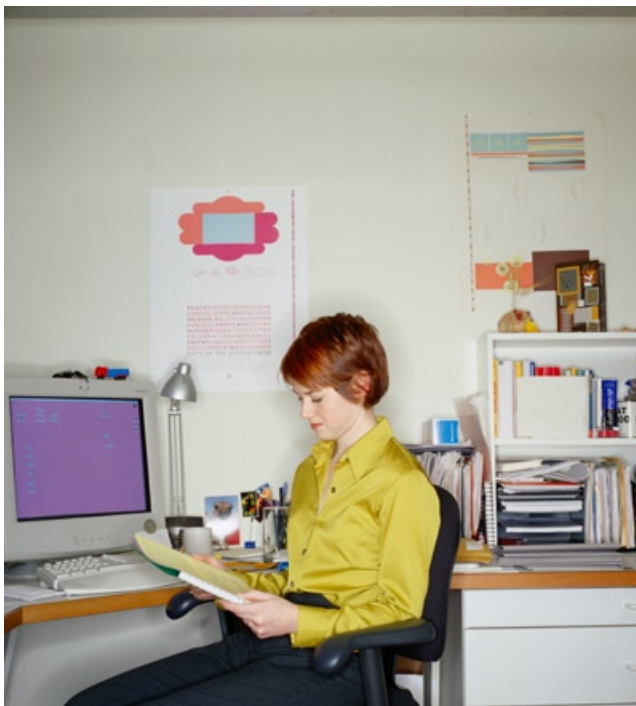
smooth transition from the busy work environment of a B&M center to a home’s quiet, solitary environment.

Whether hiring directly for home-based work or transitioning B&M employees to these roles, clear job expectations must be presented to diffuse any ill-conceived notions regarding home-based work. For example, parents may believe they can perform call center work while simultaneously caring for young children. In this scenario, it is essential the employer clearly communicate that child care is required for dependents while home agents are on the clock. After interviewing clients utilizing home agents, LAG determined that selecting agents to work from home required a more robust screening process than in a B&M center.

GETTING STARTED

Building an at-home call center operation begins with structuring the program employment model and platform. The structure of the platform dictates employee disbursement as well as agent hiring and training methods. Employers must select which equipment and resources they will provide to home agents and what materials the agents must procure for themselves. Providing critical resources as well as proper training contributes to the overall success of a company’s home agent program.

Companies have two primary employment models to choose from when implementing a home agent program. The first model is an employer-independent contractor arrangement adopted by companies including Arise, VIP Desk and Working Solutions. Agents, as independent contractors, must account for and remit their own payroll taxes and may be subject to business incorporation fees. However, the business costs these agents incur are tax deductible



and this structure allows employees the freedom to work on multiple client contracts at the same time. While employers enjoy payroll tax and benefit cost savings under this model, they may forfeit client work distribution control and employee loyalty.

A traditional employer-employee relationship, where the agent is afforded the same privileges and benefits of B&M employees, is a more popular employment model for home agents. An employer exchanges higher costs for employee loyalty, workload control and closer agent management.

In conjunction with the employment model, companies must create the home agent program platform. Frequently, companies adopt a hub-and-spoke model where remote agents live within a certain drive time or mileage radius of a company's physical location. LAG's survey found that 53% of employers require home agents to live within a two-hour drive time of a company's B&M facility. JetBlue follows this strategy with all home agents living within a manageable drive time of the company's Salt Lake City, Utah facility.⁸ However, even if proximity

is not a requirement, agents may also live close to B&M sites because training is conducted at the facility, or the employee starts as an in-house agent and is later given the option of working from home.

Of LAG survey participants, 35% host on-site training for home agents while 45% require home agents to work in-house at a B&M facility until outlined performance and tenure guidelines have been met. For example, Esurance only permits agents to work from home after working three months at its B&M facility.⁹

Training methods for home agents:

Agents only work from home once they have met tenure and performance guidelines in a traditional call center role	44.9%
Face-to-face at a training facility – once complete, agent is sent home to work	34.5%
All training is done online / virtually	10.3%
Other	10.3%

Source: LAG Survey

As an alternative to the hub-and-spoke model, some companies hire home agents regardless of location. These companies operate a virtual call center spread across multiple markets. Almost 17% of LAG survey participants with home agent programs follow this hiring method. Large distances between agents and company facilities necessitate virtual training with web applications and, at times, DVD instruction. Companies such as Alpine Access, West Corp. and Convergys hire agents without regard to B&M facility location and engage in virtual training processes.¹⁰

It is critical that home agent employers ensure agents are supplied with essential job equipment. Some employers provide home agents with company-issued PCs. Others require agents to furnish their own, provided the PCs satisfy speed and operating standards. LAG found that

while only 23% of surveyed home agent employers require agents to supply their own PC, 70% mandate they obtain their own broadband internet connection. Almost all employers insist home agents maintain a dedicated, quiet space within their homes from where calls are taken. They also may be called upon to self-supply other telecom equipment such as headsets, phones or dedicated telephone lines.

MANAGING REMOTELY

Historically, resistance to the home agent model stems from technology limitations and management concerns over remote supervision and coaching of employees. While technology is no longer a barrier, many managers continue to harbor beliefs that workers will not properly perform necessary duties without direct supervision. This concern is often mistaken because home agent managers have access to the same supervisory tools used for B&M agents. Via frequent communication and posting of online job resources and tools, management can remotely guide and coach these employees.

Of the LAG surveyed companies currently considering home agent implementation, 57% noted concern over supervising a home-based workforce as an obstacle to exploring this model. Despite this misperception, the reality is that home agent supervisors monitor calls for quality, efficiency and development in the same manner as agents residing in B&M operations. Available technical applications allow remote supervisors to monitor calls in real-time, provide instant feedback and capture computer screen shots to ensure an agent remains on task. Some systems also monitor calls for customer voice volume increases or excessive duration, alerting supervisors to situations potentially requiring assistance.

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A “whisper coaching” feature is built into some home agent management systems enabling supervisors to listen in and provide instant instruction to agents without the customer’s knowledge. Freedom Telework, Inc.’s management system includes “whisper coaching” as well as a “barge in” feature that allows a supervisor to immediately come on the line, and “spy mode” which allows supervisors to listen in on calls without the agent knowing.⁶

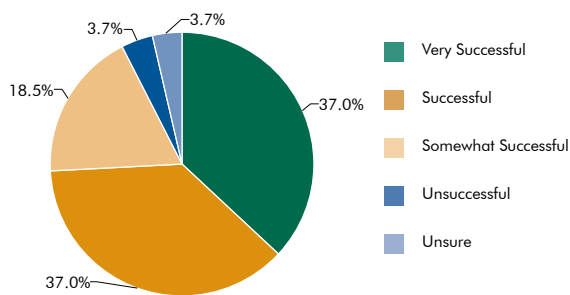
In turn, companies should make certain home agents have equal access to supervisors and job resources as in-house agents ensuring proper on-the-job support and development. Findings from LAG’s survey indicate the most utilized means of communication between supervisors and home agents are instant messenger, email and telephone conversations. The survey found all companies communicate with their remote employees at least two to three times a week and 63% do so daily. Additionally, companies may connect with remote agents using internet chat rooms, scheduled conference calls and web meetings.

In order to provide on-the-job assistance, companies may host chat rooms, where home agents can post questions and receive instant feedback from team leads or managers. Companies may also operate a “supervisor hotline” connecting home-based employees directly with experienced agents who advise on handling particular situations. Also, resource materials and job tools are often posted on a web-based portal for employee self-service.

REACTING TO THE MODEL

Generally, companies investing in home agent programs are pleased with the resulting benefits. These programs are effective in addressing scheduling issues, cutting costs, improving recruiting and increasing employee quality and satisfaction. Of LAG survey participants, the majority rate their home agent programs as either very successful (exceeding expectations) or successful (meeting expectations) with regard to the operational goals of their programs (i.e. attrition, scheduling flexibility, employee satisfaction, etc.). Results were not as favorable when

Success rate of home agent programs with regard to operational goals:



Source: LAG Survey

ranking the success of meeting financial goals. In this category, only 11% of respondents noted their home agent program as very successful (exceeding expectations) and 46% ranked their program as successful (meeting expectations).

One of the most frequently realized benefits of using home agents is increased scheduling flexibility. Home agents are often part-time employees looking to work when their schedule permits. For example, parents may desire to work when their children are at school or asleep, while college students want to work between classes. While B&M centers also employ part-time agents, home agents are more willing to split or pick up shifts because commuting is not a factor. Interestingly, as the economic environment changed in late 2008, at least one major home agent outsourcer reported an increase in demand for full-time home agent employment.

Home agent flexibility can lead to significant labor savings. Instead of staffing many full-time associates to cover peak call periods, an employer can operate a smaller base of full-time employees and add home agents shifts for periods of high call volume. West Corp. schedules home agents to work shifts as short as 30 minutes.¹¹ Hilton posts available shifts and home agents to choose their own schedule.¹² 1-800-Flowers struggled with staffing call center operations during peak holiday seasons forcing the closure of their Ardmore, Oklahoma B&M call center, but the company found an effective solution with home agents.¹³

Besides cutting payroll expenses through more efficient scheduling, additional labor cost savings may result from hiring home agents in lower-cost labor markets or discounting their wages. Hesitation to invest in a B&M call center within a lesser-populated (Tier II or Tier III) community prevents employers from taking advantage of the lower labor costs these areas offer. A home agent platform allows employers to hire from within these communities and enjoy the low market wages without much capital investment. Despite a prevailing market wage, some are willing to trade \$.50-\$1.00 in hourly wages for the convenience of working from home. While the majority of employers LAG surveyed offer equal wages to in-house and home-based call center agents,

20% discount home agent wages. Offering home agent opportunities creates a competitive differentiator for employers and helps alleviate wage pressure in more competitive markets.

The available labor pool for a call center operation increases significantly when home agent positions are introduced. Not only can

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employers reach a larger geographical area, they often attract new applicants interested in home-based work who generally would not apply for a traditional call center position. Companies also report attracting higher quality, more mature and more experienced employees for these positions than B&M positions. A Booz, Allen, & Hamilton research report notes the average age of a traditional call center agent is between 18 and 28 years old compared to the average home agent who is between 30 and 48 years old. LAG survey participants report home agents receive better customer service and adherence scores, enjoy higher job satisfaction and are generally more productive and educated than traditional, in-house agents. Thirty-three percent of survey participants cited the hiring of higher-quality workers as a benefit of their program. VIP Desk notes a similar trend with an average home agent age of 40 compared to 22 years for B&M agents.¹¹ West Corp.'s program attracts a more educated agent as 80% of its remote agents have some college education compared to only 34% of traditional agents.¹¹

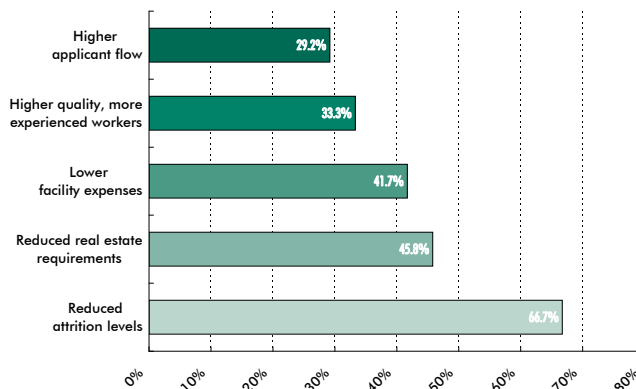
The satisfaction home agents have with their home-based work arrangements typically translates into lower attrition for their employers. A survey conducted by the International Customer Management Institute (ICMI) found 59% of employers experienced lower attrition with home agents versus their in-house call center agents. LAG data correlates with ICMI's findings; 70% of surveyed employers reported lower attrition among

home agents. Alpine Access reported high satisfaction as evidenced by the 96% of its homebased workforce willing to recommend their job to a friend.¹⁴

An obvious advantage of the home agent platform is the reduction in physical space required for call center operations.

After hiring home agents, Hilton reduced its facility footprint by 10% in 2008.¹⁵ Home agent platforms are effective in expanding call center operations when real estate space and capital investment dollars are limited. In addition to reducing monthly rental expenses, a smaller real estate footprint lowers associated facility expenses. Companies may further save energy and utility expenses by closing B&M centers during off-peak times and relying solely on homebased resources to staff these shifts. LAG survey respondents realizing lower real estate costs and associated facility costs equaled 49% and 42%, respectively.

Top five benefits realized from the implementation of a home agent program (respondents allowed multiple responses):



Source: LAG Survey

Home agent programs also prove advantageous from a business continuity and environmental standpoint. Hosting a distributed workforce ensures business

continuity in the event of an isolated natural disaster or power outage. Agent attendance is not an issue in the event of a winter storm or flood when road conditions may restrict B&M agents' ability to commute to work. Environmentally, the use of these resources significantly reduces a company's carbon footprint. Eliminating the commute of one agent prevents the release of approximately 7,000 pounds of carbon emissions each year.¹⁶ Reducing a company's facility footprint saves valuable energy as the average U.S. office building uses about 23 kilowatt hours per square foot annually.¹⁷

UNCOVERING HIDDEN CHALLENGES AND COSTS

While many call center operations successfully integrate home agent programs, the skill set required and the function these resources perform are key drivers of this success. Additionally, understanding and anticipating the hidden expenses and challenges a company may incur will assist in facilitating smooth program implementation. A critical factor in the success or failure of a home agent program hinges on the function agents perform. Reservations, retail customer service and market research are functions easily transitioned to home-based agents. More complex work like financial services support, insurance claims and technical support can prove more difficult to send home due to data security concerns and a higher dependency on team lead and supervisor support.

One of the biggest hurdles to overcome when adopting a platform of this type is security of sensitive information. Companies are hesitant to provide agents with customer credit card or billing information in an uncontrolled environment. The first step many employers take in safeguarding information is performing background

checks of home agent applicants. In fact, 87% of LAG survey respondents require a background check.

Significant technical applications are available to protect sensitive data. The use of Thin Client technology allows agents to access server-based data but prevents data storage on the agent's PC. Secure VPN connections are used to grant remote agents access to secure company information. Advanced lock-down technology prevents agents from performing certain PC functions such as printing, downloading and saving while logged into company applications. West Corp. recently launched "West at Home Locked-Down Desktop," a lock-down application that blocks all non-approved applications once an employee logs on to West's system.¹⁸ While technology provides a strong level of data security, an employer can never completely mitigate human risk. A home agent may not be able to download or print data, but there is nothing stopping him or her from writing down or photographing sensitive information in the privacy of his or her own home.

Training and its program development are potentially costly processes for home agent employers. If companies do not conduct in-house training, the cost to develop suitable virtual training programs can be expensive. The volume of employees trained typically increases with home agent programs as more part-time associates work in these roles. The larger number of trainees may result in higher training payroll expenses than under a B&M model. Also, employers may need to re-train supervisors on the management of a home-based staff often incurring additional costs and lost productivity as a result.

Unexpected costs associated with the implementation of a home agent program also include increased technical support costs. Platforms that allow agents to use their own home PCs produce a lack of standardized

equipment across the workforce creating issues for IT's trouble shooters and lengthening a home agent's downtime. Technical issue resolution can be time consuming due to the unavailability of an on-site IT support professional who is able to restore computer functionality. Information gathered during the LAG interviews with home agent employers indicates actual technical support costs were higher than expected in most cases, and the resulting effect technical issues had on home agent productivity proved challenging.

Equipment costs may also increase under a home agent platform when compared to a similar-sized B&M operation. If employees receive company-issued equipment, companies lose the ability to share equipment like PCs and telephones across shifts. An employer must furnish each home agent with his or her own set of equipment, and as employee volume rises due to the higher percentage of part-time workers these operations attract, equipment costs will increase.

Home agent programs reduce the amount of real estate necessary for call center operations, but a company may not be able to quickly shed the extra capacity. In today's economic climate, landlords may not agree to early termination and subleasing is difficult as vacancy rates continue to increase. Investing in a remote workforce in addition to maintaining the space formerly occupied by home agents diminishes the significant cost savings opportunity home agent programs provide.

Finally, companies must consult their accounting and tax departments to ensure remote workers do not create tax obligations in states where the company is not otherwise liable. In some states, even the use of independent contractors can create sales and use tax obligations. Companies should also enlist the help of their legal departments to ensure all state and local labor laws are properly followed in states from which home agents operate. Particular attention should be paid to workers compensation laws that may hold a company responsible for accidents or injuries occurring in the workplace, even if the workplace is an employee's home.

CONCLUSION

While companies implementing home agent programs are driven by labor, cost and strategic considerations, careful attention must be paid to program formation and operation. Targeted recruitment approaches, efficient and effective training processes and engaged supervisory teams are cornerstones of successful programs. The utilization of home agents may provide labor benefits, cost savings and real estate solutions. But, a company must be mindful of added IT, vacancy and training costs that may erode anticipated operational efficiencies and cost savings.

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ABOUT CBRE LABOR ANALYTICS GROUP

As part of CBRE's Global Research and Consulting alliance, Labor Analytics Group (LAG) provides customized consulting services for corporations across a variety of industries, focusing on labor market intelligence and global client strategy to deliver innovative solutions for existing locations, site selection, and economic incentive negotiations. We believe that the best corporate strategies are those that lead with labor, focusing on talent optimization to drive real estate strategy.

LAG represents over 35% of the Fortune 50 and 25% of the Fortune 100, proudly providing repeat services for over 80% of our clients. LAG is proud to be a CoreNet Global Innovator's Award winner. For more information regarding LAG, visit www.cbre.com/lag.

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