



Can the Ringgit Peg be Defended?

The question that follows therefore is whether the peg could be defended at its current rate? Despite many reservations, two important factors say that the answer is yes. The first is the size of the country's foreign reserves. Symptomatic of the waning global economy, falling exports have caused the country's foreign reserves to dip below the RM100 billion mark by the middle of 2001. Fortunately, the reserves have picked up since then to again surpass this mark reaching RM117 billion by the end of last year. This amount will provide adequate backing for the ringgit.

The second factor that will allow the ringgit peg to be maintained is the decoupling among many currencies from the downward movement of the Japanese yen as reported in *The Edge* (January 21-27 2002). The yen was falling at the rate of 9% towards the end of 2001 and traded at the 3-year low around 130 yen to the dollar. The good news that was reported showed all regional currencies (Thailand's baht, the Taiwan dollar, the Singapore dollar and the Korean won) have all flipped back and forth in tandem with the yen throughout the earlier months of 2001 begun taking separate paths (i.e. decoupled themselves) and leaving the yen to fall on its own during the last two months of 2001. Therefore initial fears among Malaysia producers of the sliding yen dragging down major Asian currencies and leaving the ringgit way up on top did not come to pass.

The Effect of the Yen on Penang's Economy

It might be worthwhile mentioning that the slide of the yen was not by design, but the result of market movements. Technically, it is possible for the Japanese government to intervene by actively buying in foreign capital markets but the official position as announced is that there are no plans to do this. However, the cheaper yen will translate into upward price pressures at home which is what is needed for reversing or at least checking the deflation that is being suffered by the Japanese economy. Deflation is indicated by near zero or even negative nominal growth rates. Since investment rates of returns closely reflect nominal growth, borrowings can only occur at even lower rates which is impossible considering that nominal growth is already at near zero or negative values. Deflation thus translates into no borrowing and thus no investments and therefore no economic growth. The Japanese need the yen to devalue provided that other currencies do not also devalue, because if they do prices would fall across the globe and forcing down nominal growth, triggering another wave of global recession.

Fortunately, since the 1997 financial crisis most Asian currencies including China's have become badly undervalued relative to their respective productive capacities. There will be no need to further undervalue their currencies. Over the past month, Singapore's and Hong Kong's dollars, the baht, Philippines' peso as well as Indonesia's rupiah have remained stable vis-à-vis the U.S. dollar alongside Malaysia's peg even though the yen has since lost another 1.5% of its value. In fact, many economies are seeing growth taking effect such as in Taiwan where the manufacturing sector managed 11%-12% growth in 2001.

Given that there is some correlation between Japanese growth and Penang's growth, the devalued yen should, unlike what many people believe, actually be helpful to Penang. The yen has to fall if the Japanese economy is to turn around even though it will be awhile yet before we see it happen. The downside risk will be the uncompetitive ringgit at its peg but it is more likely for those economies that Penang is concerned about to begin their recovery first thus guaranteeing that the ringgit will remain competitive.

Outlook

Bank Negara this past week announced that Malaysia finished up 2001 with 0.4% growth but this is only the average from a relatively stronger 3.1% during the first quarter and a negative 0.5% during the last quarter. The case for Penang would be more dismal since the country's manufacturing sector shrunk by a hefty 5.1% through 2001 and did even worse during the last quarter at -8.5% which was reflective of the steady tumbling down of

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Creating A Call Centre Hub In Penang

Introduction

'Call Centre' is a relatively new buzz word in Penang as well as in Malaysia. The Call Centre Association (Malaysia) or CCAM defines 'Call (or Contact) Centre' as people conducting business through the telephone, fax, and Internet. These activities include pre-sales inquiries and after-sales services, direct selling, information services, fulfillment processing as well as identifying customers' needs. Call Centres are direct link to the customer-base and they perform a strategic function for customer relationship management (CRM). Call Centres, which once used only the telephones as the medium for communication have evolved into high-technology businesses and have included the use of emails, websites, chat rooms as well as facsimiles as the media. Today, Call Centres are also known as Contact or Interaction Centres.

In layman's term, a Call Centre is basically a service provided by a company which allows the customer/consumer to contact it via telephone, facsimile, email or website to inquire about the product/service, to make orders as well as to seek assistance (technical and/or non-technical) related to the product/service. Major Call Centres in Malaysia include Dell, Astro, Standard Chartered, Malaysia Airlines, Maxis, Celcom, and Bumiputra Commerce Bank.

Why Are Call Centres Important?

In today's business environment, customers' needs have become more complex. Customers require premium service and personalized attention. As customers are demanding more convenience for themselves, they are also looking for services that are not only cheap but also consistent and reliable. In short, customers are opting for self-service or DIY (do-it-yourself), where they can communicate with the seller through various modes of communication and fix their problems fast, rather than taking them back to the shop. While saving the cost of the customer in travelling to the shop for assistance, the customer could also seek assistance for services beyond the conventional office hours, if the seller has a Call Centre. Most Call Centres operate beyond the usual office hours (8 hours a day).

With regards to the sellers, the establishment of Call Centres will also allow the sellers to be more proactive and to communicate directly with their customers. This will enable the sellers to determine the needs of the customers and at the same time promote and encourage the customers to purchase their products/services. By doing so, the sellers do not only enhance customer satisfaction but also help to build customer loyalty and achieve long-term relationships with their customers. The establishment of a Call Centre will also provide a better and cheaper option for the sellers. By centralizing their workforce, the sellers not only save on overheads but are also able to generate and maximize their revenue through each contact with their customers. The sellers' agents at the Call Centres could up-sell or introduce associated products of the company at each contact. More importantly, through the centralization of the workforce as well as reduction of operating costs, particularly sales cost by promoting and selling through the pre-determined media, the companies could also increase the staff productivity.

Does Penang Have The Requisites For A Call Centre Hub?

Asia is a key location for outsourcing Call Centre operations for the US and Europe. India and Philippines are the major hubs for outsourcing Call Centre markets, particularly for the US and Europe. Penang, is also deemed to have the necessary requisites to join these two hubs, given that:

- Penang is strategically located in one of the fastest growing regions in the world. It is also a gateway for international shipping and air routes, and thus, a critical entry point for the ASEAN market.
- However, in today's business environment, locational advantage is no longer considered the key decision factor for investments. Human capital plays a more important role in determining the decision-making. Penang stands an advantage because there are no language or culture barriers. English is widely used as a medium of in-



struction and communication in the business sector in Penang. Furthermore, the multifaceted culture and tradition of this island state makes it much easier for the Penang populace to understand and adapt to the strict demands of the regional and global markets. Furthermore, with its thirty years of experience in electronics and high-tech manufacturing, Penang has, over the past decades, built a pool of excellent IT (information technology) workforce, which is recognised by industrialists to be productive and trainable.

- Labour cost is comparatively higher in Penang, Malaysia (US\$ 330 per month) than India (US\$ 150 per month) and Philippines (US\$ 234 per month). However, according to the companies in Penang, the overall cost of doing business in Penang is comparable to that in India and Philippines. Furthermore, the presence of many MNCs (multinational corporations) in Penang will also enhance the state's potential to be developed as a hub for Call Centres.
- Although infrastructure facilities, including ICT (information & communication technology) infrastructure may not be on par with the ones in the developed countries, are considered excellent at the regional level. The availability of trans-pacific data communication bandwidth and up-to-date service providers for voice, data and Internet requirement further enhance the opportunity for Penang to be developed as a hub for Call Centres.
- Companies also indicated that political stability and strong support from the government are critical for the establishment of a Call Centre Hub. A stable government and the support given by the government will ensure continuity of operation of the Call Centres.

As such, Penang will have to look at its existing industries and niches in order to plan and prepare itself as a Call Centre Hub. Although currently only one (Dell) out of 60 corporate members of the CCAM is based in Penang (the rest are based in Kuala Lumpur), Penang boasts of two very strong Call Centres, namely Dell and Intel. The Dell example has proven Penang's capability as a potential hub for Call Centres in Asia Pacific. Some of Dell's achievements include its capability to operate a 24-hour, multilingual (Cantonese, English, Korean, Japanese, Thai, Malay and Mandarin) Call Centre covering Brunei, Malaysia, Macau/Hong Kong, Australia, New Zealand, Thailand, Taiwan and Singapore. Dell's ability to attain world class standards for technical support Call Centres (* average queue time of 25 seconds; * 80% of technical issues resolved over the phone within 15 minutes; * 80% of issues solved over the phone within the same business day; and * multiple telephone engineers to handle multiple issues) indicates that Penang is capable of meeting world class standards for Call Centres.

Since Penang is basically a manufacturing hub, the establishment of a Call Centre Hub would be to complement the existing manufacturing activities, particularly the electronics and its related industries, which dominate the industrial sector in Penang. This means that Penang will need a pool of highly skilled technical people in the fields of electrical & electronics, mechanical, mechatronics as well as software.

Another plus for Penang is that Government support for the establishment of a Call Centre Hub is strong. Although the Government has not formulated any specific incentive package to promote the setting up of Call Centres, Government support in terms of facilitating the setting up of such centres is apparent. This is shown by its role, through the Penang Development Corporation, in co-organising the recent conference in Penang as well as the large participation at the conference, by the various government departments.

The Telekom Malaysia is also playing a proactive role in upgrading its infrastructure support by facilitating state-of-the-art facilities, in the form of Next Generation Network (NGN), which is an extension to its present facility, to the consumers, targeting at Call Centres. Although the offer from the Telekom Malaysia is a nationwide offer, Penang stands a good chance to be developed as a hub for Call Centres because of its existing ICT (information & communication technology) infrastructure networks. About 97 percent of Penang is currently covered by fibre optic network and the State is also linked to other major Malaysian towns with digital microwave. Furthermore, telephone and Internet penetration rates in Penang are one of the highest in the country, making it one of the most 'wired' states in Malaysia.

Possible Barriers For Penang

It is important to bear in mind that Penang's major niches are with its existing manufacturing sector. As such, future and potential development in greater value adding activities may not be completely independent from its



existing manufacturing activities. As such, if Penang were to establish a Call Centre Hub, it has to be related to its existing manufacturing sector, the electronics and its related industries, in particular. Penang can place less emphasis on the establishment of a Call Centre Hub for financial, entertainment and other services because most of these centres would be based in Kuala Lumpur, namely because most of the headquarters of these sectors are based there. With regards to this, hiring of temporary workers could be improbable as more technically inclined staff would be more relevant to handle the enquiries and issues related to the electronics and related industries.

As the Call Centre industry is labour-intensive in nature, Penang has to look into the probability of getting a larger supply of technically trained people who also possess interactive and public relation skills. Presently, the institutes of higher learning and training institutes do not provide courses that combine both skills. There are many training institutes that offer technical courses and there is an abundant supply of graduates with arts, public relation and communication background. The challenge is to produce graduates, either at certificate, diploma or degree level, who have a combination of these skills.

In order to serve the overseas markets, including the US market, the Call Centres have to operate on a 24-hour basis. Insufficient supply of capable workforce would hamper the efforts to set up a '7 x 24 x 365' Call Centre. Furthermore, in order to serve the region, it would be very important to have a pool of multilingual workforce.

Human capital will remain an important challenge for Penang because infrastructure upgrading could be easily carried out. As such, it is important to have the Government's support in allowing the import of relevant and qualified expatriates to operate the Call Centres at the initial stage as well as to steer the training of graduates to meet the requirements of the Call Centre industry in Penang.

Although Penang is considered as one of the most 'wired' states in Malaysia, there are still shortfalls and issues that require improvement. These include bandwidth, quality of telecommunication services, reliability and price. As such, upgrading of ICT infrastructure will have to be carried out consistently.

Conclusion

Despite the barriers that Penang would possibly face in its efforts to promote the establishment of a Call Centre Hub, it is very important for all the Call Centres that are already in operation or yet to set up, to meet the following expectations from the customers:

- To maintain consistent interaction, namely to bring the customers to the right resources through the use of various media like telephone, facsimile, email, web or even chat;
- To uphold consistent integration with the customers, namely to be 'in front' of the front office; and
- To provide consistent information to the customers.

To initiate this effort, it is proposed that the State Government adopts these short-term and long-term strategies. The short-term strategies include:

- To play a more active role in encouraging and facilitating the other MNCs as well as the local LSIs (large scale industries) to emulate the existing Call Centres in Penang, i.e. Dell and Intel, to set up their own Call Centres in Penang. The existing Call Centres could also provide assistance in terms of advice and guidance to the potential Call Centres.
- To persuade the Federal Government to allocate more resource aimed at developing the telecommunication infrastructure in Penang. For example, to get the agreement from the Telekom Malaysia to establish an 'international gateway' in Penang instead of rerouting Penang's calls through the other gateways.
- To convince the Telekom Malaysia to regularly upgrade and enhance the telecommunication infrastructure in Penang.



- To allow for the import of skilled expatriates to administer the system and operation of the Call Centres at the initial stage.

The long-term measures include:

- To produce internationally competent labour force through training and skills upgrading.
 - To formulate a curriculum at the secondary and tertiary school levels that would enable the creation of a pool of ICT literate graduates. **§ Anna Ong**
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the manufacturing index through the whole of 2001. As a counterbalancing strategy, undoubtedly the government's efforts in priming the local economy produced results as the services sector grew by 4.9% and construction fared 2.5%. Passenger car sales were up by 25% by the end of 2001.

The signals we all receive have thus been very mixed. Job lay-offs and surging unemployment certainly send jitters across the entire community leading to reactionary responses. It would be better to put one's trust in sound policies based on fundamental principles so that market forces are allowed to kick in. It is the standard technique when designing monetary policy to target monetary expansion along a steady growth path, which would act as a guide for private sector consumption and investments. In turn, monetary expansion if properly balanced against likely inflation would translate into real GDP growth. Monetary expansion two years ago, particularly using M1 or narrow money as a gauge, year-on-year changes was as high as 30%. There was poor signaling between policy and economic response. But year-on-year changes have since stabilised for M1, M2 and M3 showing that the country's economy is now better managed on its tracks. With favourable, albeit modest, financial news from the U.S. and hopes about Japan, the worse like, most people say, may truly be over. **§ Chan Huan Chiang**
