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To stay competitive in today's global marketplace, companies in the retail, credit card, technology, insurance and travel industries are looking to offshore outsourcing as a way to cut costs. Unfortunately, it may be the call center, often employing 500 people in a small midwestern town, that feels the effect of the purse strings tightening.

But the grass only seems greener on the other side of the ocean. It is true that American labor in existing call center structures is more expensive than its offshore counterparts: $30-$60/hour/agent in the United States versus $13-$18/huor/agent in India and the Philippines, according to Call Center Today, based on DMG Consulting LLC's 2004 Guide to Contact Center Offshore Outsourcing.

However, that cost differential may be eroding. India, in particular, faces challenges finding and retaining quality workers. The Gartner Group reports that service providers are beginning to offer employees in India better salaries and benefits to stem high attrition rates. Over time, these measures will erode India's competitive advantage in labor costs.

Beyond the presumably cheaper labor, there are many hidden costs that can be overlooked initially. Once the decision is made, travel and planning expenses associated with selecting an offshore vendor begins to accumulate. Perhaps the most expensive stage of an offshore endeavor, the transition period, can take three months to a year to complete as the offshore partner must install infrastructure. And, of course, there are increased travel costs for inspections. Finally, there is the price of the customer backlash many firms have experienced because the language and cultural differences presented by offshore agents dealing with U.S. consumers.

And what about the U.S. call centers being dissolved? Offshoring is a much broader issue than just the American jobs it replaces. That lost revenue has a ripple effect felt by vendors, suppliers, service providers, retailers and nearly every segment of the community that loses those jobs.

Imagine a credit card firm closing one of its call centers. Not only are the local telecom, electric and water companies affected, but office furniture and supply stores, local lunch counters and retailers also will lose revenue. If the offshore outsourcing trend continues, Forrester Research predicts that 3.3 million service industry jobs and $136 billion annually in wages will move offshore by 2015.

What can be done to stop the outsourcing of U.S. call centers? No perfect solution exists, but advancements in speech technology present on alternative. The technology doesn't' replace live agents, but helps handle overflow volume and basic caller requests by using a "virtual agent" to gather caller data, thus reducing costs. With virtual-agent technology, the per-hour, per-agent costs may drop to as low as $6 to $7.

Recently developments in speech technology have fine-tuned these agent to understand human utterances and dialects, quickly translating a customer's call into a transaction. Virtual agents also may provide additional revenue streams as they are able to generate new business leads 24/7 and pass caller contact information along to live agents for return calls or to fulfillment houses that can mail requested information.

Though offshore outsourcing seems a cheaper option at first glace, the consequences in customer satisfaction, economic backlash and hidden expenses can be far costlier. Incorporating and intuitive speech platform is just one option. Businesses must continue to seek solutions that balance immediate and longer-term costs and customer service considerations. The stakes are high. Forging a partnership with technology may be the best and most effective demonstration of American ingenuity and profitability.