

# **OFFSHORE OUTSOURCING OF CUSTOMER SERVICES – WHAT DO THE CUSTOMERS THINK?**

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## **SUMMARY**

### **Introduction**

Offshore outsourcing of customer services is a fast-growing aspect of the world economy today but we know little about its impact on consumer perceptions and behavior. This paper combines the current research on country-of-origin and services marketing areas to address this gap and puts forth seven specific hypotheses. Empirical findings from an online survey-based study with financial services customers show that consumer ethnocentrism and attitude towards offshore outsourcing negatively correlate with each other and influence perceived service quality and customer satisfaction together. Moreover, customer satisfaction mediates the effect of perceived service quality on customer complaint and purchase intentions, brand image, and brand loyalty.

### **Methodology**

The online survey was conducted with the customers of an American retail financial services firm, contacted via email. 548 complete responses were received out of 5000 randomly chosen customers, an acceptable response rate (> 10%) for online or email surveys (Sheehan 2001). The online questionnaire had two parts which were presented one after the other. First, the participants were asked to rate their service provider on service quality, customer satisfaction, repeat purchase intentions, complaint intentions, brand image and brand loyalty. Next, they completed the scales for attitude towards offshore outsourcing and consumer ethnocentrism followed by some demographic questions including gender, age, education, and occupation.

### **Data Analysis & Results**

The well-established two-stage process to first test the measurement model using confirmatory factor analysis on all the scales to assess their psychometric properties (Anderson and Gerbing 1988; Byrne 2004) and then tested the structural model. All the eight hypothesized paths were found statistically significant and in the expected direction. Consumer ethnocentrism and attitude towards offshore outsourcing were negatively correlated with each other, as expected. Next, all the seven hypotheses were supported. Specifically, attitude towards offshore outsourcing was positively associated with perceived service quality (H1) and consumer ethnocentrism was negatively associated with perceived service quality (H2). Perceived service quality mediated the effect of attitude towards offshore outsourcing and consumer ethnocentrism on customer satisfaction (H3). Finally, customer satisfaction mediated the influence of perceived service quality on repeat purchase intentions (H4), customer complaints (H5), brand image (H6), and brand loyalty (H7). R-squared values for each of the four dependent variables (repeat purchase, complaint, brand image and brand loyalty) ranged from .13 to .21, showing that the model explained significant yet relatively small variance in the four dependent variables. Hence, it seems that other variables may need to be added to the model.

## **Discussion and Managerial Implications**

These results support the findings reported in some recent articles in popular press (e.g., Briggs 2005; Jain 2006; Venables 2006), and industry reports (e.g., American Banker and Gallup 2004; Data-Monitor 2004), which show a negative effect of offshore outsourcing of customer services on customer perceptions and behaviors. Hence, customers with high consumer ethnocentrism seem to be relatively more concerned about the quality of service provided by offshore service representatives compared to their onshore counterparts, resulting in greater dissatisfaction, which in turn seems to have a negative impact on their complaint and repeat purchase behavior, as well as the brand image of the service provider and their brand loyalty.

These findings warrant attention from the companies that seem to be rushing mindlessly towards outsource their customer service operations simply from an economic perspective. They need to understand the ethnocentric tendencies of their customers and try to improve it with customer education. They also need to focus on improving the quality of service provided by their offshore service representatives by providing them the necessary training and support, so that their customers do not have any real reasons to be dissatisfied or complain about their service quality.

## **Limitations and Future Research**

Notwithstanding the above, the negative impact of dissatisfaction with offshore service representatives is not very strong on customer perceptions and behavior as of now, because their complaint and repeat purchase intentions, brand image, and brand loyalty may be influenced by various other factors besides perceived service quality and customer satisfaction. These may include involvement level, perceived risk, and exit barriers associate with service relationships, which should be included in future research to provide a more complete picture.

Hopefully this research would be a useful reminder for companies using offshore outsourcing of their customer services to understand the challenges in managing the relationships between their customers and offshore service representative. We also need more research in this emerging area with considerable practical relevance, to develop and test more comprehensive conceptual frameworks with a diverse range of customers using different methodologies.

## **References available upon request.**

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