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What the eye does not see, the mind cannot reject: Can call center location explain differences in customer evaluations?

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ABSTRACT

Moving call centers offshore may be an effective way to increase service productivity by lowering costs, yet recent research suggests that customers associate offshore call centers with lower service quality. This study clarifies customer evaluations of call centers with a field study that examines how customer perceptions of a foreign accent, call center location, and the agent's customer orientation relate to nonmonetary performance outcomes. Multivariate analysis of data collected from more than 800 customers using call centers located in three countries suggests that neither accent detection nor call center location relates to customer satisfaction, trust, or word-of-mouth communication; only perceived customer orientation has an effect on these outcomes. These findings suggest offshore call center locations are not necessarily associated with lower performance outcomes and that service firms should place a higher priority on ensuring call center agents have a strong customer orientation, rather than on avoiding the use of call centers abroad.

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1. Introduction

Many firms have moved call centers and service operations to lower cost locations in other countries in an attempt to achieve their strategic goals of improving their cost structure or increasing their profitability (Bunyaratavej, Hahn, & Doh, 2007; Kedia & Lahiri, 2007; Miozzo & Grimshaw, 2008; Tate, Ellram, & Brown, 2009). If the same service can be provided at lower labor costs, *ceteris paribus*, the firm should employ the less costly resource. Service outsourcing driven by cost-reduction motives does not necessarily involve the internationalization of business activities, but very often it does coincide with the internationalization of the firm (e.g., Massini & Miozzo, *in press*). Despite a continued trend towards internationalization of service firms, recent management research focusing on offshore call centers (OSCs) suggests that service firms may benefit in the long term if they resist earning short-term profits from offshoring, because those profits come at the expense of customer satisfaction and loyalty (Stringfellow, Teagarden, & Nie, 2008; Whitaker, Krishnan, & Fornell, 2008). Both popular and academic press imply that consumers disapprove of OSCs on the grounds of fairness (i.e., they substantially undercut domestic call centers' wages), ethics (e.g., lax labor laws), and service quality (Musico, 2008; Stringfellow et al., 2008; Thelen, Thelen, Magnini, & Honeycutt, 2009). The latter point is particularly common as an

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explanation of consumer resentment toward and dwindling acceptance of OSCs (Hayward, 2004; Raiborn, Butler, & Massoud, 2009), and reports of increased customer dissatisfaction levels with OSCs have led many firms to relocate centers closer to home. For example, in 2011, the computer backup firm Carbonite moved its customer service call center from India back to the United States, citing a desire to increase customer service levels (Isidore, 2011).

Previous studies also show that customers evaluate OSCs less favorably than domestic call centers, regardless of whether they are aware (Roggeveen, Bharadwaj, & Hoyer, 2007) or unaware (Bharadwaj & Roggeveen, 2008) of which type of call center (domestic or offshore) they encountered. These findings appear to corroborate the notion that services delivered by OSCs are inferior to those delivered by domestic call centers. However, findings in relation to the reasons for customers' varying perceptions of the services delivered by OSCs are equivocal. Some studies refer to customer attributions of poorer competence and skills (Bharadwaj & Roggeveen, 2008; Pontes & O'Brien Kelly, 2000; Rafaeli, Ziklik, & Doucet, 2008), but others suggest that customers' evaluations of OSCs are shaped less by actual service levels than by customers' resentment toward offshore services in general (Kwak, Jaju, & Larsen, 2006; Thelen et al., 2009; Thelen, Yoo, & Magnini, 2011). It appears that customer-related performance outcomes may relate as much to a call center agent's (CCA's) ability to help the customer achieve his or her goals as they do to the OSC's location. In a call center context, the ability to help the customer depends on the CCA's ability to communicate effectively and a willingness to respond to customer needs. However, no study has simultaneously examined the relationship of the CCA's accent and the call center location, together with the CCA's customer orientation (as perceived by the customer), to key performance outcomes.

In investigating these relationships, we draw on and extend previous research. For example, Bharadwaj and Roggeveen (2008) find that customers associate poorer communication skills with the CCA when the call center is located abroad versus domestically; we predict that customers are more likely to perceive an accent when interacting with a CCA based abroad than one based domestically. An accent likely coincides with generally poorer communication skills and therefore may relate negatively to customer-related performance outcomes for OSCs (Munro & Derwing, 1995; Weil, 2003). In addition, customers calling customer service centers expect their issues to be addressed effectively (i.e., resolution on the first call) and courteously (Feinberg, Kim, Hokama, de Ruyter, & Keen, 2000). The agent behavior and action that is best suited to meet customer expectations (i.e., customer orientation) should therefore have more predictive power than the actual location of the call center or the agent's perceived accent. Although customer orientation, defined here as the extent to which employee behavior meets customer needs, drives customer outcomes (e.g., Hennig-Thurau, 2004; Homburg, Müller, & Klarmann, 2011) and has been studied in relation to CCAs (Dean, 2007), it remains largely absent from the literature on customer-related performance outcomes for OSCs. Dean (2007) investigates the effect of CCAs' customer orientation on three downstream variables (perceived service quality, customer loyalty, and commitment) but does not distinguish between domestic and offshore CCAs. In investigating the relationships among CCA-related variables (i.e., accent and customer orientation), call center location, and the three performance outcomes, we thus attempt to close several research gaps.

Moreover, we apply insights from homophily and attribution theory when designing our study of customers exposed to OSCs. We demonstrate that customers are more likely to perceive foreign accents when interacting with OSCs compared with domestic call centers. However, unlike perceived customer orientation, call center location and an agent's accent are not related to the three performance outcomes. In addition to being theoretically interesting, this research thus is relevant for international managerial practice, because we investigate performance outcomes that can be linked easily to profitability (Guo, Kumar, & Jiraporn, 2004), and our findings offer guidance to firms considering where to locate front-office operations (i.e., sales and customer service).

2. Literature and hypotheses

With the liberalization of service markets worldwide and increasing levels of disposable income in emerging economies, many service firms have advanced their internationalization efforts. International services refer to deeds, performances, and efforts conducted across national boundaries, as well as any type of engagement with a foreign culture at an offshore location (Clark, Rajaratnam, & Smith, 1995). Offshore call centers provide services to customers, most of whom are located in countries other than the call center's home country. Customer reactions to offshore service providers have received increased research attention in recent years as firms continue to outsource their core or auxiliary services to offshore providers (Amiti & Wie, 2006; Blinder, 2006; Colquhoun, Edmonds, & Goodger, 2004). For example, using a student sample, Roggeveen et al. (2007) study customers' prior expectations toward interactions with call centers, based on a call center's location. Their experimental design, in which they measure anticipated satisfaction with a hypothetical scenario rather than actual post-encounter satisfaction, shows that call center location does not influence customers' pre-encounter expectations if the firm is reputable, but for lesser known firms, customers expect to be less satisfied if the call center is located in a country culturally dissimilar from their own. Sharma, Tam, and Kim (2009) similarly indicate in qualitative work that a low cultural distance between the customer and service provider enhances the customer's interaction comfort and satisfaction.

Sharma, Mathur, and Dhawan (2009) also propose attitude toward OSCs as a potential moderator of the service quality-satisfaction link. Using a mall intercept design and surveying shoppers about hypothetical voice-to-voice service encounters, they find that negative attitudes toward OSCs lead to customers' dissatisfaction with customer service, increased complaints, and decreased repeat purchase intentions. These findings support the notion that customers evaluate call center services unfavorably when they know their call has been routed to an OSC (Roggeveen et al., 2007).

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