



# Solutions for customer complaints about offshoring and outsourcing services

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**Abstract** In order to provide the highest quality services at lower costs, global firms have shifted their customer service functions offshore. Despite the apparent advantages of offshoring services, customers tend to object to the practice based on concerns about private/personal information being sent overseas. Additionally, executing service exchanges with overseas providers can be challenging because of perceived communication difficulties and cultural differences. The purpose of this article is to offer managers of firms that offshore services a clearer understanding of consumer concerns and provide guidance for alleviating these concerns. Specifically, suggestions are proffered regarding how to (1) minimize communication and cultural misunderstandings between customers and service providers, (2) assure customers that personal/private information is secure, and (3) restructure service activities to alleviate customer dissatisfaction. Unless such customer concerns are successfully identified and addressed, companies may not benefit from pursuing a services offshoring strategy.

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## 1. The doctor, lawyer, accountant, and professor are located in a far-away land

Recently, after a frantic call to the pediatrician, the parents of a 4-year-old boy rushed their son to the

hospital on a Saturday evening, fearful that he had suffered a concussion. The hospital reacted quickly by getting the young boy through triage and initial screening, before performing a CT scan to assess whether there was any intra-cranial hemorrhaging. The ER doctor was able to report to the parents that the scan was clear and that their son did not appear to have a concussion. After thanking the doctor, the extremely relieved parents asked if they could speak to the radiologist who read their son's CT scan, in order to ask some follow-up questions and relay their gratitude. The doctor sheepishly

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admitted that this wasn't possible; in some instances, as was the case during this weekend evening shift, scans were evaluated by radiologists located offsite—either domestically or internationally, he wasn't sure. The parents expressed surprise and the doctor assured them this was the way things were supposed to work.

In this situation, it was unclear to the recipients of the medical treatment—that is, the young boy and his parents—whether they had participated unwittingly in an offshore service experience. The hospital neither informed the family in advance nor confirmed afterward if the scan was read by a domestic or offshore radiologist. This scenario raises three provocative questions:

1. Should the recipients of a service care about the location of the service provider, as long as they receive the best possible service?
2. Should recipients of offshore services be informed?
3. What is the appropriate manner for informing customers their service provider is located overseas?

Certainly, there are issues in the minds of consumers that service providers need to address when services emanate from offshore locations. For example, when consumers believe that they are speaking with a service provider located offshore, they often refuse to provide information—especially information that is personal or sensitive—to such providers, or demand that they be transferred to a domestic service provider (Friginal, 2009; Mirchandani, 2004). To reduce caller anxiety, some firms make a point of emphasizing their use of domestic service providers (Bernstel, 2006; Scott, 2007). Other domestic firm representatives announce their U.S. geographical location upon commencing interaction with callers; indeed, one of the authors of this article has noticed this practice with one particular credit card company. Based on conversations with the service representatives at that firm, it is not a corporate policy, but some of the company's employees make it a point themselves to inform callers of their domestic location.

While services offshoring is a viable business strategy for global business entities, it may not be an acceptable way of conducting business from the customer's perspective. Offshoring is so prevalent in today's society that it has been the premise for a movie (*Outsourced*), part of a comedy routine by John Oliver, and the target for a series of TV commercials (Discover Card). The purpose of this article

is to identify sources of consumer discomfort with services offshoring and offer strategies for alleviating consumer stress and fear. To better define the domain of the current research, we begin by offering a brief explanation of offshoring, onshoring, insourcing, and outsourcing (Friedman, 2005).

### 1.1. Offshoring, onshoring, insourcing, and outsourcing

Although the terms 'offshoring' and 'outsourcing' are often used interchangeably, they are significantly different. Services offshoring can take three forms: onshore-outsourced, offshore-insourced, or offshore-outsourced. *Onshore-outsourcing* occurs when a hospital/financial firm/software company offers the same service but employs an outside company, located within the home country, to provide the service. *Offshore-insourcing* transpires when the hospital/financial firm/software company locates a facility outside the country and hires and manages residents of that country as direct employees providing services to clients in the home country. Finally, *offshore-outsourcing* entails the same service being conducted by sub-contractors in other countries, who are not employees of the organization.

A related term is 'near-shoring,' which delineates between offshore locations that are closer to or farther away from the home country. *Near-shoring* occurs when the service is provided to domestic customers by representatives located in another country that is geographically close to the home country. It appears that near-shoring is increasing in popularity. For example, while India and China are target locations for 60% and 25% (respectively) of the Fortune 1000's offshoring activities, 25% of Fortune 1000 companies are choosing Latin America as a destination for various business activities. Reasons for near-shoring to Latin America are similar to those mentioned for all other locations—cost, technology, skilled labor, and economic stability—but also include proximity to the U.S., shared time zones, and accent neutrality (Capgemini, 2010). This discussion is most concerned with offshoring of services, regardless if they are insourced or outsourced.

### 1.2. Why firms offshore services

Firms outsource services overseas for a variety of reasons. Often, cost is an overriding factor. To open an overseas call center, as well as other service operations, is less expensive for companies than operating the same service center in the home country. One source puts the savings of offshoring at 20% - 25% over maintaining a domestic operation (Ure-Smith, 2008). Wages are lower, benefits are

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