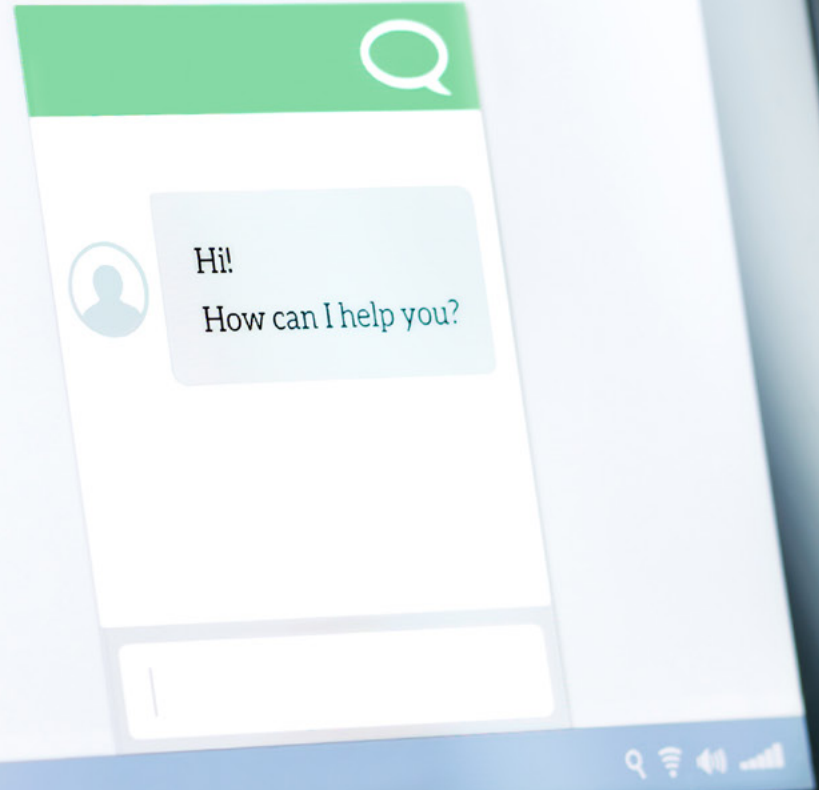


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Gartner for Customer Service and Support

Protect Your CX Investment During Customer Service Outsourcing Decisions

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Outsource service providers can yield cost savings but are often overlooked as CX partners. Customer service and support leaders responsible for outsourcing decisions should prioritize CX drivers when making service center activity outsourcing decisions to mitigate the risk of customer disloyalty.



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Overview

Key Challenges

- Customer service and support leaders find it difficult to select the right activities for outsourcing/offshoring so that cost savings and customer experience (CX) benefits are realized.
- Organizations outsourcing/offshoring certain activities want to maintain high-quality CX.
- Leaders struggle to preserve company culture and performance among employees who may fear job elimination with outsourcing/offshoring decisions.

Recommendations

To realize benefits from outsourcing and offshoring, customer service and support leaders responsible for service and support planning and operations must:

- Maintain brand equity by keeping service center activities that are critical to CX in-house (for example, loyalty programs, top advocate support and escalation care).
- Mitigate risk to CX and fully realize cost savings by defining CX priorities and “what good looks like” with the OSP (for example, defining specific customer-centric behaviors expected of the agents during transactions).
- Engage internal frontline employees through growth and developmental opportunities to achieve maximum CX benefits from high-value activities kept in-house.

Introduction

Customer service and support leaders faced with tightening budgets and the need to reduce costs often look to outsourcing/offshoring service center activities as a savings solution. Outsource service providers (OSPs) are often able to provide service center activities at a lower cost because they have the advantage of being able to:

- Leverage existing technologies, which reduces spend on technology investments or upgrades
- Achieve greater economies of scale by serving customers across multiple companies
- Conduct business in markets with lower labor and operating rates

Therefore, cost savings can be readily calculated in most instances when discussing outsourcing/offshoring options.

It is harder to directly quantify the value of improving CX through outsourcing/offshoring, therefore, it is often overlooked in outsourcing decisions. However, customer service leaders must consider the indirect cost of outsourcing in their decision. Specifically, each customer service interaction creates an opportunity to increase or decrease customer loyalty.

If an outsource provider creates a poor customer service experience, then it increases the likelihood of losing customers. In that scenario, it is possible that the direct cost savings achieved via outsourcing are negated by revenue losses associated with customer disloyalty. To secure cost savings from outsourcing, it is critical that the customer service and support leader prioritize CX when deciding what to outsource/offshore to prevent customer disloyalty.

Analysis

Identify CX-Critical Activities to Keep In-House

There are a variety of front- and back-office activities that a service center may consider for outsourcing/offshoring. When deciding what to outsource/offshore, keep CX-critical service center activities in-house. To determine the criticality of a service activity to CX, assess how greatly the service activity influences the following factors:



Competitive Advantage: Does this activity help the company differentiate its brand(s) from competitors?



Loyalty Driver: Does this activity significantly influence CX and, therefore, loyalty among high-value customers?



Elevated Risk: If something went wrong with this activity, would it create significant risk to the company?





Customer Proximity: Does this activity occur close to the customer? Therefore, cost savings can be readily calculated in most instances when discussing outsourcing/offshoring options.

Critical activities that impact the above factors create the highest-value opportunity to improve CX for the following customer types:

- Top revenue-generating customers
- Top influencers/advocates
- Most tenured customers
- Most frequent customers
- Most loyal customers
- High-value, at-risk customers
- Potential new customers based on income, demographics, lifestyle or other key qualifiers

The criticality of an activity to CX will vary based on service or support structure, including interaction types, support complexity, customer expectations, and business and CX objectives. That said, Table 1 details activities commonly critical to CX that tend to stay in-house and activities less critical to CX that tend to be outsourced.

Table 1: Examples of Activities to Keep In-House and Activities to Outsource

 <p>Examples of Activities Critical to CX</p> <p>Keep In-House</p>	<ul style="list-style-type: none"> • More complex Tier 1.5 or above support (critical) • Top loyalty program customer care • Concierge services • Top brand advocate customer care • Top global account support (spend > \$x) • Closed-loop process for survey detractors • Customer service escalations
 <p>Examples of Activities Less Critical to CX</p> <p>Outsource</p>	<ul style="list-style-type: none"> • Basic Tier 1 support (general inquiries — noncritical) • Workforce management • Surveys • Claims processing • Collections/recovery • Data analytics

Source: Gartner (July 2019)

Reallocate savings from outsourcing to in-house, CX-focused activities to continuously improve and differentiate customer service. Some investment examples include implementing mature agent “next best step” dashboards, intelligent routing capabilities, and targeted agent training, coaching and recognition programs that prioritize CX by reducing customer effort (see “The Case for Measuring Customer Effort”).

Define What Good Looks Like to Prioritize CX With Your OSP

Activities selected for outsourcing must still deliver against CX outcomes. To ensure this happens, customer service leaders should define what good looks like for the OSP by describing in detail what the OSP must do to meet the organization's expectations for delivering high-quality CX results. In outsourcing contracts, organizations expect OSPs to achieve typical quantitative metrics with targets, including average handle time (AHT), average speed of answer (ASA) and abandon rate (ABN). These metrics measure operational efficiency to drive cost reduction. However, too much emphasis on these typical contact center metrics leads to managing to a number, which drives the wrong OSP behavior.

To avoid singular focus on efficiency, partner with the OSP to define qualitative behavioral expectations for agents. Do not assume that an OSP is customer-centric simply because it measures CX-related metrics, such as CSAT and NPS, and conducts quality assurance (QA) reviews. Instead, organizations must clearly state how the OSP should operate to reflect the CX vision, meet customer expectations and ensure all staff share the customer-centric mindset and CX culture reflective of the brand requirements.

AHT Targets Leading to Repeat Calls — an Example

Some OSP contracts stipulate that the OSP does not get paid if AHT exceeds a given cap. Observations in OSP contact centers operating under these contracts revealed that supervisors would tap agents on the shoulder when they reached the cap to encourage them to finish the call. Monthly OSP AHT reports showed AHT averages right at the cap. In each case, the pressure to stay at or below AHT caused agents to end calls without meeting customers' needs. This behavior negatively impacted CX, leading to lower first contact resolution (FCR) rates, increased customer effort score (CES), verbatim frustration stated in survey comments and lower customer satisfaction (CSAT) scores compared to other contact centers that didn't have the AHT cap. The long-term, negative consequence on overall CX and loyalty overshadowed the short-term cost savings.

Table 2: Actions Organizations Should Implement to Define Customer-Centric Expectations With the OSP

Company Actions	Description	Examples
Provide company-specific customer-centric visuals	Share visuals, such as CX tenets, the vision/mission or any company marketing material specific to CX delivery with the OSP to reinforce expectations regarding employee performance commitments to the customer.	A hospitality company placed CX-focused tenets on the walls of the OSP's contact centers. One example was "make it easy for the customer to do business with us." In addition, meetings, trainings and coaching for agents incorporated recognition and reminders regarding what actions and behaviors support those tenets.
Empower OSP agents	Give OSP agents the authority, knowledge and tools to provide value to the customer, resolve their issue, build the relationship and/or correct customer service issues without having to escalate.	A financial services company developed an "if/then" document to guide OSP agents that included monetary and nonmonetary concessions where appropriate.
Ensure company branding	Provide company-branded wall signage to cover the service center area, along with company-branded trinkets like pens, products and shirts. There should be no question what company the OSP is supporting in that space, so that employees feel like engaged partners in achieving desired results.	An automotive company branded the walls of its OSP with pictures of car models, timelines of the company, hubcaps and the company name. There were even a couple of chairs in a meeting room made from car seats.
Supply company products/services	Supply your products to the OSP so that their employees can better assist customers through improved hands-on product knowledge and become brand advocates.	A car-sharing service placed a car in its OSP so that agents could experience the actual process that the customer experienced when hiring or returning the car. The agent could physically replicate a customer's issue to support questions like how to open the door without a key. A retail company had a room in the middle of the OSP's customer support floor with racks of its outerwear accessible to agents equipped with wireless headphones. This allowed agents to do things like verify where a zippered inside pocket was located or assess whether a coat was easy to move in while hiking. A travel and hospitality company provided hotel stays so that OSP employees could experience its products and services, enabling them to better sell the services of the hotel, answer questions about room types and provide recommendations based on their observations.
Offer rewards and recognition for CX behaviors	Develop rewards and recognition (monetary and/or nonmonetary) for OSP employees who demonstrate positive customer-centric behaviors and achieve positive CX results.	A retail company launched a quarterly competition for all of its OSPs for a coveted CX award based on demonstration of CX behaviors like escalating systemic issues that would negatively impact the customer. The head of customer support operations personally traveled to the winning location each quarter to present the award and provided individual agent awards based on other CX metrics. A music streaming company rewarded top CX performers by allowing them to create a playlist that is played at the OSP location.
Provide company-specific training	Define specific traits, behaviors and requirements that agents and staff should exhibit during transactions and coaching sessions that reinforce the company's vision and expectations.	An energy company provided a recorded call library for the OSP to use during onboarding and coaching that demonstrated how the company expected agents to perform with customers. Trainers, QA and supervisors used these calls as real examples of positive CX behavior during coaching and training.

Source: Gartner (July 2019)

The organization and OSP should conduct regular CX quality checks via agent focus groups, random calls where the organization or OSP pretends to be a customer, and the observation of recorded transactions. This validates that these actions are implemented and driving desired results. Also, the organization must dedicate time during quarterly or monthly business reviews with the OSP to assess OSP CX performance results. Organizations must not let operational results overshadow collaboration and discussions regarding CX results and priorities.

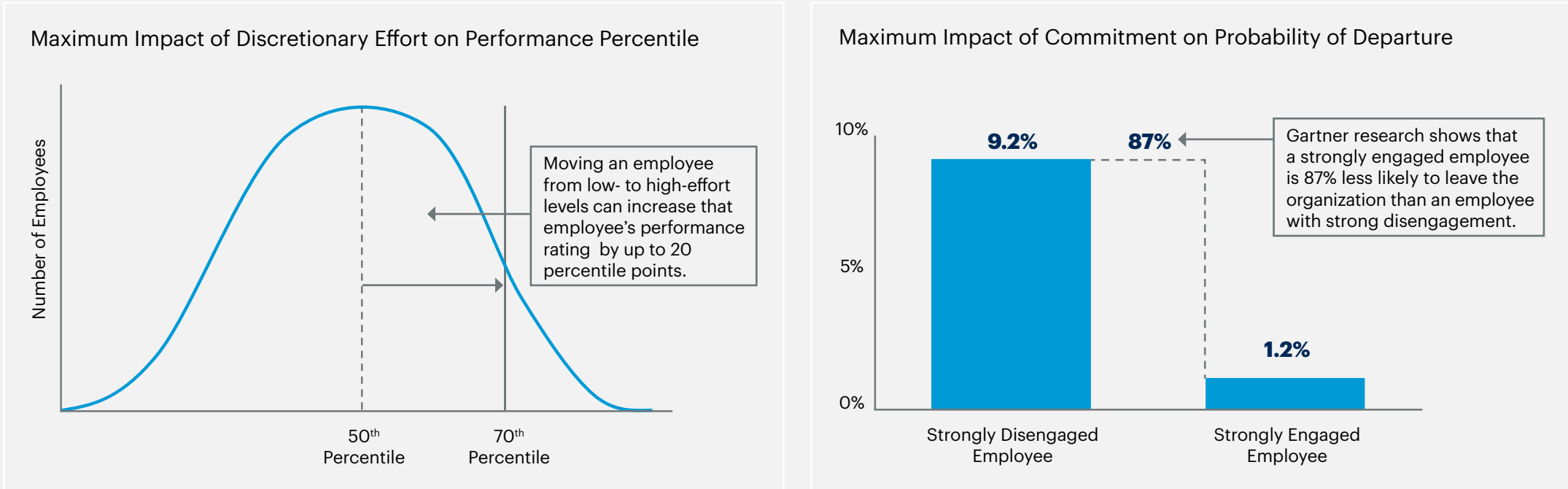
Actively Engage Core Frontline Talent for Brand-Differentiating Activities Kept In-House

When companies outsource, employees that remain in-house may become disengaged either because they fear that their job is at risk or they don't understand how they align with the new strategy. Poor employee engagement can lead to underperformance and attrition, undermining CX efforts. Our research shows that highly engaged employees (see Figure 1):

- Perform up to 20% better
- Leave the organization 87% less often

Figure 1. Impact of Engagement on Performance and Retention

Impact of Engagement on Performance and Retention



Source: Gartner

Through better employee engagement, organizations will reduce the risk of costly, talent-related issues that impact the customer. It is critical for organizations to effectively communicate with their internal employees regarding the impact of the outsourcing decision, to address morale issues (such as fear of job loss) and to identify how in-house employees contribute to the CX strategy via activities kept in-house.

Effectively communicating the reasons for change, including anticipated financial and CX outcomes, builds the foundation for effective employee engagement. Through town halls, lunch-and-learn events or employee focus groups, tell a relatable story to employees that clearly addresses common employee questions, such as:

- What is the outsourcing plan?
- Who is impacted?
- Why is the company making this decision?
- How does it impact them?
- When and where will this occur?

Organizations must also actively identify, engage and develop frontline talent involved in brand-differentiating activities kept in-house so that they connect with the customer and deliver on the organizations' CX requirements. These activities include:

- **Provide Additional Training:** Ensure employees understand the ideal customer experience designed by the organization via formal training and coaching.
- **Involve Employees in Journey Mapping:** Provide customer journey mapping workshops to build awareness of key customer touchpoints, pain points and areas of opportunity where agent performance can influence CX results with high-value customers.
- **Reinforce High-Performance Skills:** Highlight which skills are critical for CX success (such as high-performing “controller” traits).
- **Solicit Feedback:** Include employees in solution identification by soliciting solutions to common problems and CX pain points.
- **Assess Development Needs:** Identify knowledge gaps to better address how these employees can best support these high-value customers and move top talent to key roles within these activities and provide ongoing upskill training and mentoring.
- **Monitor Morale:** Measure employee morale and willingness to change during the project through employee surveys and group meetings to help avoid attrition, high absenteeism, or reduced performance or productivity that could lead to poor CX results and higher cost.
- **Improve Rep Experience:** Demonstrate a commitment to improving rep experience and involve employees in that effort.

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