

## **Customer Support Sourcing: *Do It Right for the Results You Need***

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### **Introduction**

Building strong relationships and competitive advantage through the support experience can be a powerful ingredient in earning and maintaining customer loyalty. But judging from the quality of support provided, many companies have not achieved this. Instead, the customer experience is at best mediocre, and at worst leads to lost customers and negative “word of mouth” to potential new customers.

This outcome often results from outsourcing customer support to low cost suppliers around the world, and managing those suppliers as vendors of commodity services who are continually pressed for cost reduction.

Having the right focus on both customer experience and shareholder results requires a very different approach, built upon a sourcing strategy that recognizes the varying needs and value of individual customers. Successful implementation of the strategy requires building strong working relationships with the appropriate outsource suppliers who are aligned with the values and mindset of your own business.

This article explores these six essential steps for a sourcing strategy that contributes to enhanced customer relationships and satisfied shareholders:

- Segment the customer base by value and expectations for support
- Segment types of support provided by potential impact on competitive advantage
- Determine the appropriate supplier profile and geographic location for type of support
- Evaluate and select suppliers, both outsourced and “insourced”
- Establish the right framework for managing supplier relationships
- Manage the relationships as partnerships

### **Customers – The Alpha and the Omega**

Defining the target intersection between the desired customer experience and the cost of delivering that experience is a key foundation of the support sourcing strategy. This requires understanding both the customer’s value to the business and the customer’s expectations for support.

On the value side, it’s important to segment customers according to profitability. Some customers generate much higher profit and expected lifetime value than others. Higher value customers may warrant special support offerings with a focus on an excellent experience. Retention of these customers is key, and the cost of delivering a superior customer experience is insignificant in comparison to overall profitability.

Offering the same level of customer experience to a lower value customer, however, will result in a financial drain. A generic “peanut-butter spread” philosophy to customer support will be unprofitable in the lower value segments, a disappointment to those customers in the higher value segments, or often a combination of both.

Arriving at the proper customer profitability segmentation requires a joint cross-functional effort across the organization with marketing, sales, operations and finance. Many times a third-party is in the best position to develop the strategy, facilitate and manage the implementation process. Marketing and sales will normally be the source of the revenue portion of lifetime value. Also key may be customers who are opinion leaders with strong “recommender” influence over a broader customer base. Operations and finance will also be heavily involved, particularly to understand the cost side of customer profitability. Putting the complete profitability picture together will have strong implications for the appropriate support and sourcing strategies.

Customer expectations for support also need to be considered. High-end customers usually place considerable value on the ability to resolve any technical support issue, and minimizing the time from problem occurrence to resolution is critical. For example, disruption to a company's ability to ship products at the end of its fiscal year due to a loss in networking capability could be very serious, and result in a lost customer if the problem is not quickly resolved with expert technical support. On the other end of the spectrum, mass market customers often buy based on low cost and usually expect reduced or minimal support for such a product.

Combining the value of the customer to your business, along with the customer's expectations for support, will define the appropriate support experience and cost base. A high-end customer with complex support needs, for example, may require a dedicated team of flexible and highly skilled agents that are likely on-shore. A customer who buys a relatively inexpensive product may be supported from a lower-cost, off-shore source capable of addressing more basic needs.

For all customers, today's technology can often facilitate resolution of many simple, repetitive issues through self-help web tools. Certainly lower cost, mass market products need to capitalize on this capability while minimizing the cost of assisted support.

### Support Types and the Impact on Customer Relationship

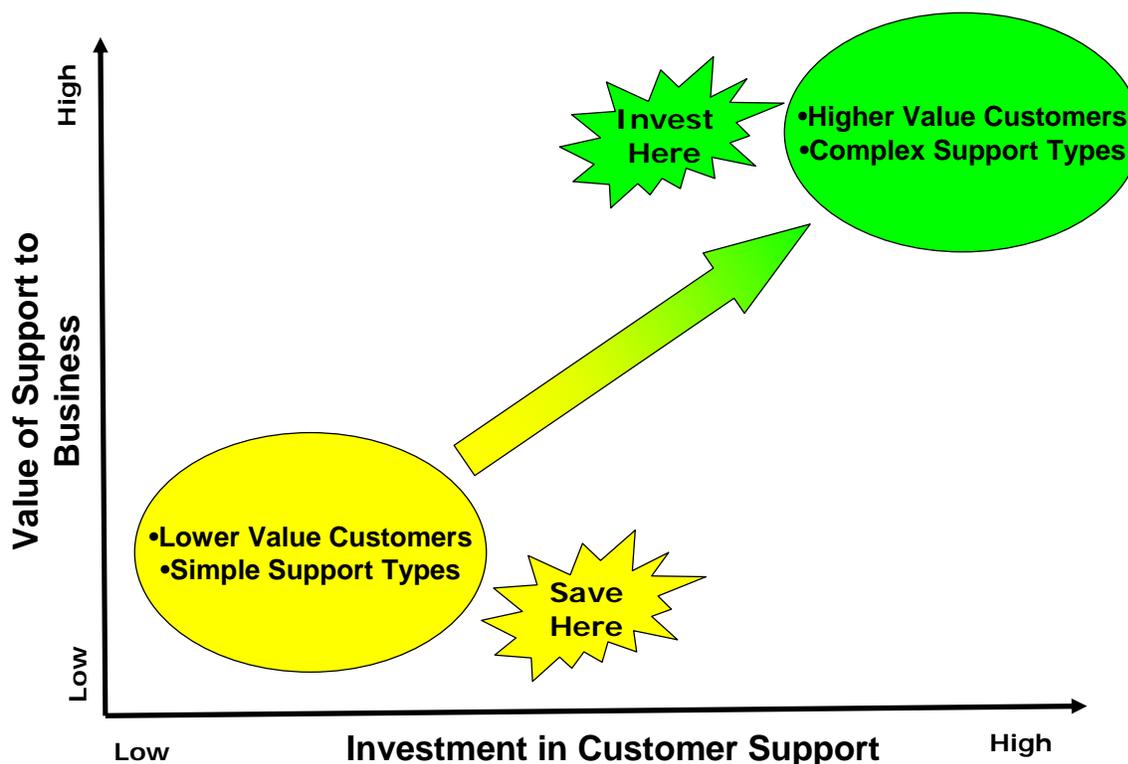
Not all support is created equal in the ability to impact the customer relationship and create competitive differentiation. Understanding how the impact can vary across the range of contact types that comprise the support portfolio is the next step in constructing the sourcing management strategy.

As an example, resolving a simple customer service billing inquiry is not likely to drive a high level of overall customer satisfaction. Conversely, how well complex technical support contacts are handled can be a significant factor in customers' views regarding the quality of the overall product experience.

Many companies have learned this lesson the hard way after outsourcing complex technical support work for high-value customers to low-cost suppliers lacking sufficient skills and infrastructure. Relationships with those customers often suffered as a result, leading to a damaged reputation in the market and the need for rethinking the support strategy. For some, this has resulted in "insourcing" support to their own operations, where control over support quality and the customer relationship is the highest.

The key to success is to channel investment in customer support proportionate to the value of that support to the customer relationship and its impact on competitive differentiation. Simply put, as Figure 1 depicts, spend the most where it makes the biggest difference to your business.

**Figure 1**  
**Spend Where it Makes a Difference**



## **Defining the Right Supplier Profile**

Determining the profile and location of the supplier capable of providing support at the targeted intersection of cost and customer experience is the next step in the development of the sourcing strategy. The outcome should be support provided by the right supplier who is located in the right geography, and is capable of delivering the right customer experience at the right cost.

For contacts of low complexity and low impact on competitive differentiation, the main consideration should be to minimize the cost of delivering support. Doing so will free up resources which can be invested in more complex technical support contacts to higher value customers. The result is to drive sourcing toward a supplier whose main focus is on providing a low cost service, located in a lower-cost geography. Within reason, agents at this type of supplier can have a lower level of cultural familiarity and accent alignment, along with a lower skills requirement profile. An important caveat is whatever sourcing strategy is followed, the suppliers must have the capability to deliver an acceptable customer experience.

For contacts with a strong influence on competitive differentiation, the focus shifts away from cost and toward providing a high value customer experience. Here the sourcing strategy will be oriented towards geographies that can provide agents with a strong educational and skill base, familiar with American culture and with limited speech differences, so that they can “connect” easily with the customer. Usually this also implies higher cost factors, but this extra cost should be easily justified through better retention of current customers and improved ability to attract new customers.

## **Supplier Evaluation and Selection**

The most important consideration when evaluating and selecting suppliers is how well the potential suppliers align with the values, culture and strategic emphasis of your business. Choosing a partner with a similar mindset will pay enormous dividends over time, especially for complex contact types that require a very close working relationship to continually improve the customer experience.

In many cases, the most appropriate supplier may be your own company. Contacts that are critical to building strong relationships with valuable customers are strong candidates for internal support.

The appropriate suppliers must also have the basic operational capabilities, pricing structure and geographic location that fit the needs of the contact type. An in-depth supplier evaluation process is always recommended, which should involve functional experts from various internal departments (e.g. Customer-Facing departments, Information Technology, Telecommunications, Security, Human Resources, etc).

## **Establishing the Framework for Supplier Relationship Management**

Selecting the best supplier will not guarantee great results without building the right framework for how the relationship will be managed. This starts with the development of shared criteria for success with the supplier, with a clear view of the relative importance of customer experience versus cost. These criteria need to be spelled out in both qualitative and quantitative terms. The contractual terms underpinning the relationship, including the pricing model and performance incentives, need to support those criteria. The challenge is to build the right structure that provides the right incentives and appropriate cost controls, yet is simple enough to be manageable.

It's also important to define the governance structure for the relationship. At both strategic and tactical levels, specific individuals on both sides of the relationship need to be designated with a clear definition of their scope of authority and responsibility. Special attention should be paid to defining escalation paths for resolving issues that may arise during the course of the relationship.

Both sides should appoint a single point-of-contact (SPOC) for the relationship, with a high level of cross-functional business maturity, an ability to earn trust on both sides of the relationship and the capability to navigate difficult issues in a manner where both partners' needs are resolved. These individuals, who should maintain an enterprise-wide view of all relationship activities on their respective sides and a global view for partnership success, are essential to enabling success over the long term.

## **Managing the Relationship as “One Global Team”**

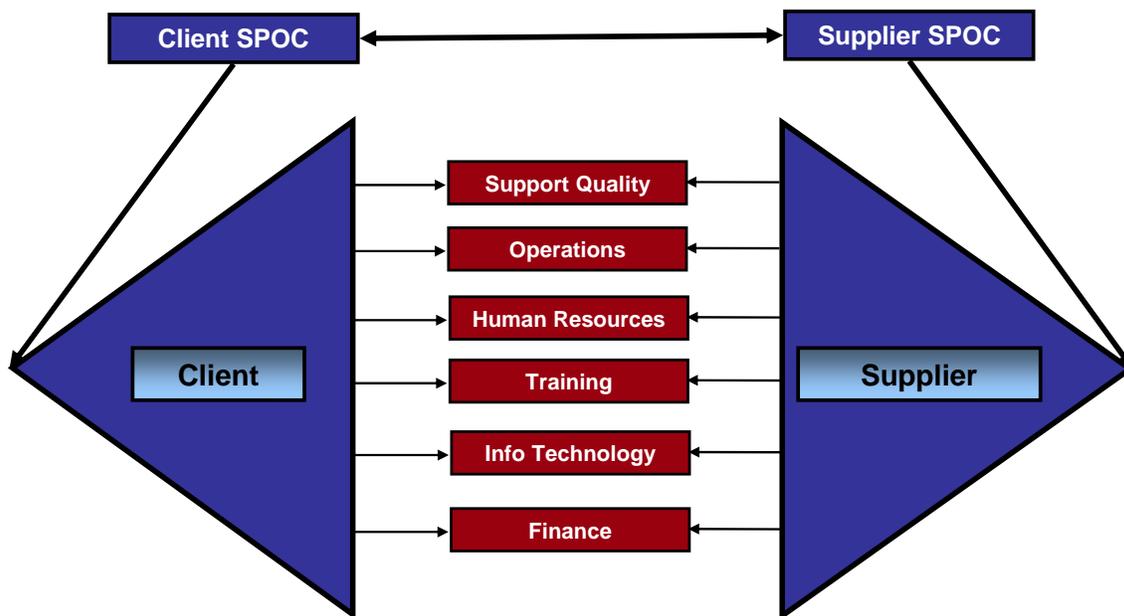
The best supplier partnerships are based on joint investment in the relationship, where both sides strive to make each other successful. Building “relationship equity” at all levels and across all functional areas is

essential. A deep mutual understanding of each respective functional area and a willingness to adapt and align operating processes are hallmarks of success.

Building close relationships will enable alignment in strategic direction, with both sides developing a shared view of key strategic issues and the plans needed to continually improve overall performance. At the tactical level, this should be supplemented by relentless joint attention to day-to-day operating performance.

Achieving success requires an organizational approach that encourages collaboration between and across functional areas. Figure 2 depicts a “reverse bow-tie” structure for relationship management, with direct interaction between functional areas augmented by oversight from the SPOC’s to ensure performance is on track to delivering the desired results for both partners.

**Figure 2**  
**Reverse Bow-Tie Relationship Management Structure**



The importance of having the right mindset, approach and structure to relationship management cannot be overestimated. The client must look at outsourced support as an extension of its own company, since it's perceived that way by customers, and provide the necessary management and operational oversight to ensure the supplier is successful. Abdication of this responsibility is a recipe for failure. Like a good marriage, long-term success comes from the mutual commitment to work through problems with an eye towards each other's needs and goals.

## **Conclusion**

A highly successful customer support sourcing management strategy comes from understanding customer value and expectations for support, creating a support portfolio that delivers at the targeted intersection of customer experience and cost, selecting the appropriate internal and external suppliers to deliver that support, and then working together in a collaborative “win-win” relationship. The outcome will be support that delivers for all key stakeholders: customers, suppliers and ultimately shareholders. It's good business.

