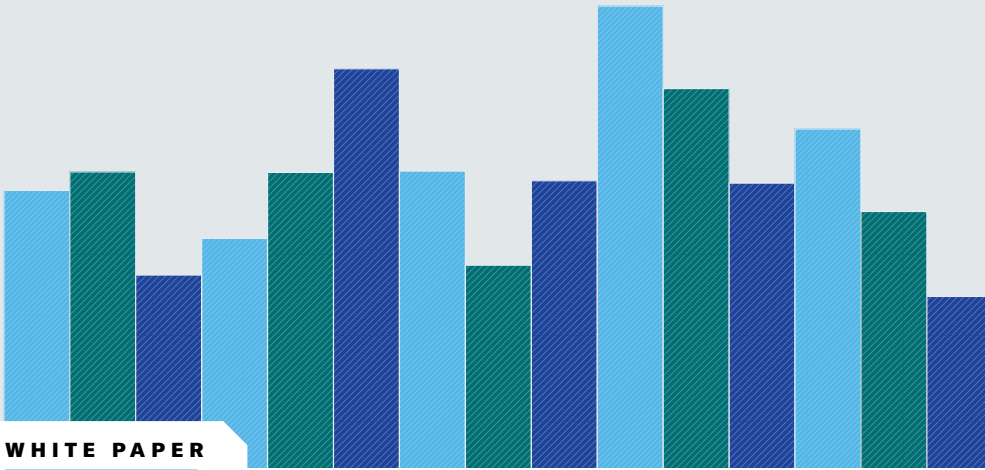




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ANALYTIC SERVICES



WHITE PAPER

Partnering in Complex Times:

Turning to the Experts for Best-In-Class Customer Experience



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Miranda Collard
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Putting Customers First by Trusting the Experts

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We feel the same about the ever-evolving CX landscape. With the present-day intersection between cloud-based platforms, automated tools, advanced workforce optimization technologies, remote service delivery models, digital and social channels, online trust and safety protocols, and the need to integrate back-office functions, it is understandably overwhelming for any company still trying to manage their own customer service delivery in-house. It's not their core business, so they can't be expected to invest the same resources to maximize a customer's lifetime value as a company that does nothing but CX all day, every day.

Years ago, in the legacy, on-premises world of siloed call centers, in-house CX management was much simpler. It was fairly one-dimensional, easily addressed with physical phone banks and basic staff management processes. The same was even true with the introduction of email as a channel. The introduction of digital channels, however, exposed the inflexibility of these premises-based systems. Their lack of flexibility paved the way for new, more dynamic cloud-based


platforms, forcing many on antiquated systems to struggle with lengthy and painful technology migrations. As a result, some resisted the shift and remain stymied by their inability to roughly stitch together a patchwork of disparate, parallel channels. Then, the massive and rapid transition to remote work in 2020 further exposed widespread operational gaps—especially for those still using antiquated legacy platforms.

That's why those who may have previously questioned the concept of outsourcing CX management are now recognizing that times have changed and solutions have become extraordinarily complicated. With the sheer degree of rapid innovation, technical sophistication, operational challenges, and outdated, on-premises systems confining them to the dark ages of CX, companies can't be expected to wield the same scale, reach, or CX-specific research and development as can a company that has done nothing but customer management for more than four decades and today serves in more than 170 countries around the world.

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Partnering in Complex Times:

Turning to the Experts for Best-In-Class Customer Experience



Customer experience (CX) is now the key battleground on which companies fight to attract and retain customers. In fact, some 81% of companies implemented new technology to enable better experiences during the pandemic, according to IDG Communications' 2021 "State of the CIO" survey. Customers spanning generations were suddenly forced to adopt digital services in areas as diverse as entertainment, education, and health care—and some had to learn how to navigate online self-service channels to resolve customer service issues and queries.

In this new world of digital-first engagement, the stakes are high for companies to leverage the latest in tech-based CX solutions to deliver a winning experience and serve customers in ways they have increasingly come to expect, whether through chat, phone, email, or other channels.


However, integrating, managing, and delivering robust and intelligence-driven CX has become increasingly complex for companies that manage it in-house. Industry shifts such as the transition to cloud-based CX platforms, the rise of new service-focused vendors, and the decline of traditional, premises-based providers have made the landscape far more difficult to navigate. In addition, recent workforce trends such as remote service management and delivery, combined with technological advances—particularly in artificial intelligence (AI) and analytics—mean that companies looking to design, deliver, and monitor their own CX need new capabilities to do so. Managing CX requires expertise to incorporate advanced tools like interaction analytics, automation, AI, machine learning (ML), social media monitoring, and online trust and safety services.

HIGHLIGHTS

Integrating, managing, and delivering robust and intelligence-driven **customer experience (CX) has become increasingly complex** for companies that manage it in-house.

Having a successful CX partnership **is as much about selecting the right partner as it is about managing the relationship** on an ongoing basis.

In the race to get ahead of competitors and keep hold of their customers, **companies are increasingly turning to external experts** to support the people, process, and technology-related aspects of their CX delivery.





“CX experts don’t know your business, but you know your business. And they know how to do CX, which you don’t know—and it’s this combination of knowledge that works best,” says Joe Pine, cofounder of Strategic Horizons LLP, a visiting lecturer at Columbia University, and author of *The Experience Economy*.

Faced with rising customer expectations from the pandemic and advancing technology, more companies are turning to service-based solution providers to support their end-to-end CX delivery. According to Joe Pine, cofounder of the Aurora, Ohio-based advisory firm Strategic Horizons LLP, a visiting lecturer at Columbia University, and author of *The Experience Economy*, it is only “natural” that companies are turning to CX experts to help them navigate this increasingly complex space.

“CX experts don’t know your business, but you know your business. And they know how to do CX, which you don’t know—and it’s this combination of knowledge that works best,” asserts Pine, adding a word of caution: “The danger is when companies purely outsource their CX and think ‘out of sight, out of mind.’ It needs to be something that’s tightly integrated with your business.”

This need for integration is giving rise to a new type of CX outsourcing, one based on partnership. Aaron Vollrath, senior vice president of supply chain at Clearwater, Fla.-based Koozie Group, one of the biggest suppliers of customized branded promotional items in the U.S., believes the traditional outsourcing approach represents a “very old-school mentality.” “Our CX partners are really embedded inside our organization,” says Vollrath. “They have different names on their badges, but we are all one team. They are aligned to our goals; they are part of our recognition programs—they are literally an extension of us.” Companies should develop criteria for finding the right partner and, once a partnership is forged, manage the partnership in a way that ensures the best possible service for customers.

CX’s complexity has convinced companies like Netflix that it makes sense to draw on the skills and expertise of external partners. “We try to keep our operation as streamlined as possible. We want to keep our focus on our core functions within Netflix and leverage the expertise of our partners to complement our customer experience work—they have so many years of experience, many different quality models, and they produce great analytics and insights,” says Shayne Murray, director of customer services for Netflix’s Asia-Pacific region.

This report explores the challenges that are driving more companies to turn to the CX partnering model, highlighting

the obstacles to getting started and keeping standards high, and the benefits of the CX partnering approach. It also highlights best practices for establishing and maintaining a best-in-class CX partner relationship.

The Rise of Digital Channels

CX has become something of a buzzword in recent years, but David Edelman, senior lecturer of business administration at Harvard Business School, believes the increasing focus on and investment in CX have been building steadily since the turn of the millennium. “We’ve seen the growth of companies like Starbucks, and in the digital space, Uber and Amazon, who spend almost nothing on marketing, but whose brands are massive,” he says. “A lot of that has to do with the quality of the CX they deliver. Companies are realizing you’ve got to deliver an experience that will make people keep coming back, or stay in the franchise, or just simply keep buying.”

The steady momentum building around CX received a seismic jolt in 2020, when many customer interactions were forced online and the use of digital channels increased. Research from McKinsey & Co. found that the Covid-19 pandemic resulted in a “quantum leap” in digital adoption. Across the world, companies, on average, saw a seven-year increase in the rate at which they developed digital products and services.¹ Customers, too, were forced to adapt to new ways of communicating with and buying from brands.

While many companies rushed to invest in technology and create an omnichannel CX offering, not all investments have led to returns. Businesses are grappling with the reality of successfully integrating new technology, according to Strategic Horizons’ Pine. “The challenge is not just integrating the technology, but integrating it into processes and making sure people understand it and know how to use it,” he says. “It’s often tough to bring all this together.” This challenge and other obstacles that businesses face underscore the point that companies need expertise and experience in CX to manage complexity and get the most out of their investments in the area.

In an April 2022 Harvard Business Review Analytic Services survey of more than 400 executives, 63% said that

incompatible systems and technologies lead to complexity at their organization—the most-cited response by far. What’s more, the survey found that this IT complexity has a major impact on how employees use technology and deliver CX. Sixty-seven percent said that IT complexity frustrates or confuses employees and 43% said it decreases the quality of customer experience or service offered by their organization.

The technology challenge of delivering a great CX is compounded by the current economic climate. Shep Hyken, customer service and experience expert and *New York Times* best-selling author of *The Cult of the Customer*, says customer satisfaction is becoming more difficult to achieve. “What’s happened during Covid, and now post-Covid, is something we haven’t experienced before—it’s like the perfect storm, in a bad way. We’ve got rising prices due to inflation, we’ve got employment issues, with far more jobs than people who want those jobs, and we’ve got supply chain issues. It’s harder to deliver a great CX because there are outside forces creating havoc with the way we typically do business or want to do business.”

Despite these challenges, the pressure to get CX right is higher than ever, says Hyken. “When you ask people, ‘Why did you stop doing business with us?’ and start listening to the reasons—assuming the product did what it was supposed to do—everything else comes down to the experience they had.”

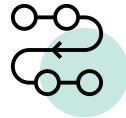
The costs of bad CX can impact the company bottom line, according to Harvard Business School’s Edelman. “If you mess up the CX, you’re going to face hardcore costs. It’s not just the opportunity cost of lost customers; it’s calls into the call center and making up for mistakes, and that costs money. Getting it right all the way through is absolutely critical.”

Barriers to Delivering a Great CX

With CX encompassing every touchpoint between a business and its customers, delivering a great experience is far from simple from an organizational point of view. Edelman uses the learn, buy, get, use, pay, support (LBGUPS) framework—widely used in the CX world to describe a typical customer journey—to illustrate the complexity of delivering seamless CX.

“A lot of things happen within the LBGUPS framework,” says Edelman. “Marketing teams focus on the ‘L’ [learn] and ‘B’ [buy] aspects. Product teams focus on the ‘U’ [use] side of things. And customer service teams usually focus on the ‘S’ [support]. The challenge is that all these things affect the customer’s experience and opinion of your brand. And bringing it together in one integrated way is not simple because these are often completely separate functions within the business.”

The limitations of siloed teams, particularly during the pandemic, were borne out by a December 2020 Harvard Business Review Analytic Services survey of more than 1,000 executives, which found that organizational silos are the most



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commonly cited barrier to improving CX (53%)—a challenge likely made worse by teams being physically separated.

FIGURE 1 This challenge was followed closely by data silos or disconnected systems (48%), cultural resistance to change (35%), and outdated legacy systems (35%).

And while companies internally are not always set up to deliver a seamless CX, the CX industry itself is becoming more demanding, as well. Derek Gallimore, founder and CEO of Outsource Accelerator, an outsourcing marketplace and advisory firm based in Manila, has witnessed the rising complexity of the customer service industry firsthand. “The industry is evolving. A decade ago, customer service was maybe a call center and a few letters; now it’s omnichannel and international. Customer service is highly sophisticated and becoming not just a response channel, but the mouthpiece for brands—and certainly the coalface. It is incredibly complex and necessary to do right,” he says.

Managing complexity has been a key driver in Koozie Group’s decision to partner. The business handles 4,000 to 5,000 orders a day, and each product is custom made—often under incredibly tight deadlines and with high customer expectations for quality and on-time delivery. The company sells the bulk of its orders through a countrywide network of 20,000-plus distributors that work on a commission basis and rely on Koozie Group to provide constant communication and transparency throughout the order, production, and delivery process.

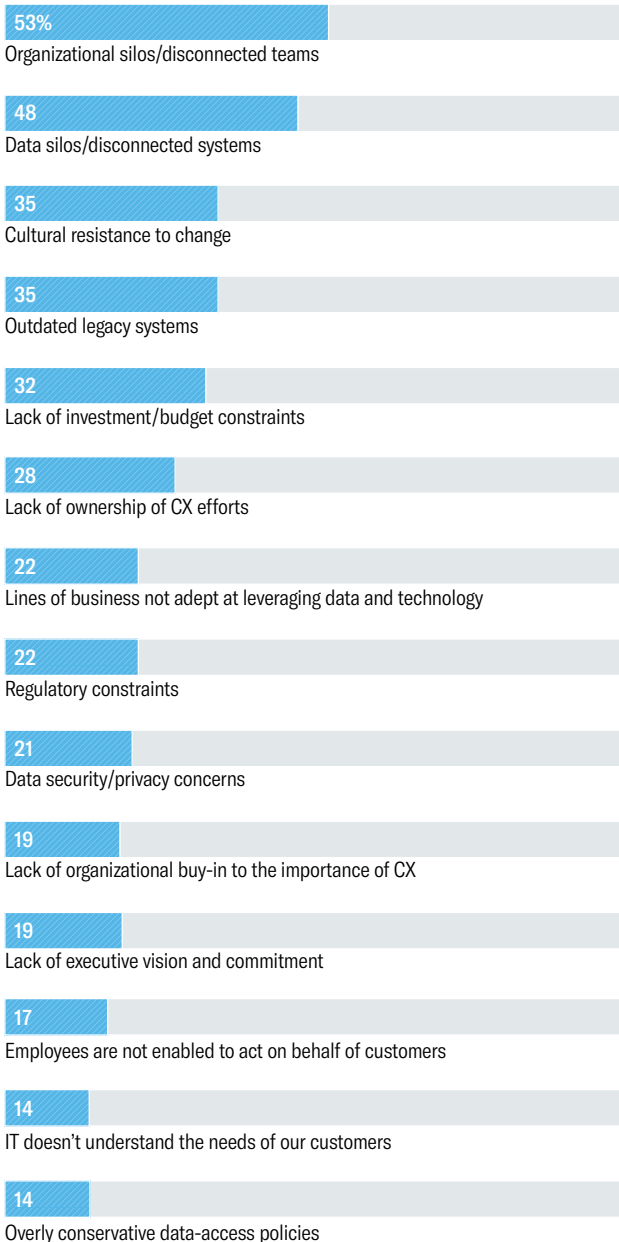
Koozie Group recently consolidated from multiple CX partners to just two, with one partner providing an end-to-end service and the other servicing a more niche aspect of the order entry process. Vollrath, of Koozie Group, says the

FIGURE 1

Disconnected Teams Challenge the Customer Experience

More than half of respondents said organizational silos and disconnected teams are a barrier.

What do you believe will be the greatest barriers to improving customer experience at your organization? [SELECT UP TO FIVE]



Source: Harvard Business Review Analytic Services survey, December 2020

single-partner approach makes sense for the company, given the many stages that orders need to go through—from point of sale to getting the product into customers' hands.

"If there's an issue happening on the front end of the order process—order entry and art, for example—and all of a sudden, we see distributors calling in on the customer service side saying they've got a problem with proofs and art management, we can now bridge all of this together and collapse the silos to create more end-to-end visibility," explains Vollrath. "Now we can go to one person to say, 'What's going on and how are we going to fix it?' instead of getting three or four people on the phone to find out what's happening. Having one end-to-end CX partner also creates an accountability across the process," he adds. "Everybody is responsible for the CX, from order entry, to art, to production, to customer service."

Partner, Not Provider

The drive to partner for CX services is not dissimilar to any other business function, says Outsource Accelerator's Gallimore. And he believes the hesitancy to trust an outside organization with customer service is unfounded. "People tend to look at the company as being 'the family' and the outsourced supplier as being 'the alien.' But, actually, in a big international company with dozens of offices and tens of thousands of staff, the marketing function is completely alien to the customer service department, which is completely alien to the accounts department. IT systems allow people to navigate all the complexity of a company, and it's not much of a line to cross to have that same IT system logged into by a different team of people sitting somewhere else," he asserts. "When you're dealing with anything beyond a mid-size company you've gone well beyond a family unit of communication anyway."

Hyken, CX author and speaker, says partners step in to fill the gaps where organizations are falling short of their own standards and customers' expectations. "Is the company experiencing issues where they can't manage customer expectations properly or get back to people on a timely basis? Or are they losing money because they're providing a less than stellar customer support experience?" he says. These are the kinds of questions that would cause a company to seek out an external partner, Hyken adds.

What's more, Hyken believes customers are happy to be serviced by third parties. "If a customer calls a company, I don't think they care whether the service and support has been outsourced or not. What they care about is the efficiency, the ease, and convenience, and getting the right answer from someone who's helpful, knowledgeable, and friendly," he explains. "What's important to recognize as companies invest in the outsourced experience is that the resulting

service can be congruent and seamless, and I would even use the word ‘invisible.’”

Achieving this kind of “invisibility,” or seamless integration, is dependent on how partners are managed day to day. Netflix’s Murray describes the company’s approach to partner relationships as “very high touch,” with a high level of respect and transparency. In pre-Covid times, Netflix held an annual partner summit to bring all its partners together to share best practices around customer satisfaction and improving service levels, and to align on Netflix’s customer service vision, which is “Netflix customer service makes the experience even better.”

Now, in the post-pandemic era, the company tries to maintain as much interaction with partners as possible, both virtually and physically. “My team meets with our CX partners at least once a week,” explains Murray. “We do a monthly meeting and a quarterly review. We also try to be onsite with them as much as we can, without being overpowering. We like to give our partners the space to do what they do. And we have open discussions on absolutely everything—we never go in and give a target. We look at the data and the analytics in conjunction with our partners to see what is achievable from a target perspective and mutually agree on what the next steps should be.”

While both Netflix and Koozie Group have chosen the close partnership model, Gallimore says companies can forge CX relationships along a spectrum of “closeness.” From his perspective, the degree of integration is often dictated by the company’s level of maturity and the aspects of service it wants to be handled by a partner. “If the company is mature and stable and already has the metrics and KPIs and understands what good quality service levels are like, then you can transfer across those metrics very easily,” says Gallimore.

“If you’re an immature or fast-growing company, where the processes are continually changing over time, that’s where you need to properly consider CX service providers as partners,” he adds. “And then both sides have to be completely honest that business is essentially based on exploration. When you’re building a new department or function, you are fundamentally testing, failing, exploring, and iterating. Hopefully the CX provider will come with a lot more experience—they’ve been there, they’ve done that—but you’re still going to iterate, test, and evolve the process together.”

Choosing the Right Partner

Having a successful CX partnership is as much about selecting the right partner as it is about managing the relationship on an ongoing basis.

In searching for a new CX partner, Koozie Group drew up a comprehensive list of attributes to shape its request for proposal, covering everything from location and technology to cultural fit, quality processes, and the approach to training



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and talent. “We looked at potential partners’ industry knowledge and expertise, their implementation approach, and how successful they’ve been, with business case examples to show what they achieved with other clients,” explains Vollrath. “We also looked at value beyond just cost reduction, like AI [artificial intelligence] capabilities and whether they could provide optical character recognition [OCR], and how they could innovate in these areas.”

Vollrath says the thorough screening process enabled the company to make a decision with confidence. “You need to feel comfortable because this could be a sizable spend for your company, and your partner is going to be an ambassador for your brand.”

This sense of responsibility is not to be taken lightly by companies and partners alike. Hyken calls the accountability that service agents have toward partner companies an “awesome responsibility.” “Even though agents in a call center are working for an outsourced provider, that agent is responsible for the company’s reputation, their brand,” he asserts. “And when the customer finishes an interaction, that person sitting in a seat somewhere answering their question was the company.”

Another decision companies need to make is which parts of their CX to entrust to a partner. Here, more companies are looking for end-to-end CX service providers that can offer a suite of services across the customer journey. Koozie Group has chosen the single-partner approach to support its entire sales and production process. According to Vollrath, the decision to work with one partner is all about an improved CX. “It’s about trying to get the order in as fast as we can, as clean as we can, so that we can hit those aggressive timelines and get that product in a customer’s hands when they want it,” he says.

While the single-partner and end-to-end service model makes sense for Koozie Group, Netflix has decided to work with multiple partners across the Asia-Pacific region. The



Even a digital-native company like Netflix places a high value on the human touch when serving customers.

company splits its call center work between partners to build in redundancy should any of the service centers go down due to a natural disaster, for example.

Netflix also partners with CX providers for quality-control services. “We have various partners that do quality control across a cross section of our partner network, so that it’s neutral,” explains Murray. “Our quality partners are looking out for any red flags in our service, such as agent rudeness, as well as analyzing trends in what our customers are saying. They’re also looking out for general things like how satisfied a customer would be with an interaction, and whether their issue was resolved.”

Maintaining the Human Touch

Data and technology are an essential part of running a best-in-class CX operation, and Koozie Group is looking to integrate technology to transform the way it serves customers. Today, the business relies on email and phone as its primary means of connecting with its large distributor network, and this is likely to remain true for some time.

Even a digital-native company like Netflix places a high value on the human touch when serving customers. The company has looked at chatbots and AI but is not convinced that these technologies can deliver the level of service the company can achieve through its CX partner agents. Murray explains: “We have an online self-service help center that is hugely popular, and a big portion of our population goes there first to resolve some of the easier issues. The calls that come through to us are more complex in nature, and I don’t know if there is a chatbot that would be able to assist. We certainly wouldn’t want our customers to be caught in a service loop—there’s nothing more frustrating than that. We’ve looked at various AI models, but we haven’t found anything that is mature enough yet or is truly going to give the same experience that a live agent would give,” he says.

A combination of tech and people is a winning approach to delivering a seamless, efficient CX in future, according to Strategic Horizons’ Pine. Companies need to offer self-service channels, as well as people-delivered services, to cater to different customer preferences. “There will be customers who want to do self-service and automation, and companies need to get good at that. And they also need to use technology to augment the capabilities of their people,” he says.

Pine recalls the launch of ATMs as proof that technology does not always replace humans in the way we might expect

it to: “When ATMs came out, all the futurists predicted there would be no bank tellers in the future. Well, guess what, we have the same number of bank tellers today, or more. Bank tellers do different things. They do high-touch things. And that’s what customers want—we want it automated when we want it, and we want it high touch when we want it. You’ve got to be able to do both well.”

For Vollrath, the high-touch voice service delivered by Koozie Group’s CX partners is what sets their offering apart from what could be achieved in-house. “We’re a relationship-driven business, and our partner agents based in the Philippines are very ambitious; they’re very knowledgeable and they’ve got a ton of energy. And when you unleash that, you get some really powerful stuff. We have some of our Manila-based agents being called out specifically on our portals,” he says. “They are really proud to do what they do, and they have real brand loyalty. I was really drawn to that when choosing our partner.”

Best Practices in Customer Experience Partnering


The Netflix and Koozie Group experiences and insights from leading CX experts point to five best practices that can guide companies in establishing and maintaining an ongoing partner relationship that delivers a top-tier customer experience.

Do your homework.

When choosing the right partner, don’t rush it, cautions Vollrath. “Involve all your cross-functional partners in the company and your executive team. We went through a very thorough analysis in making our decision, giving it the time and energy it deserved,” he says. “Come up with a game plan for how you’ll rank what’s most important to you in a provider, from the use of technology to their human resource management, to the quality side of things.”

Look beyond cost.

The number one piece of advice from Murray is that organizations shouldn’t look at cost as their number one driver for choosing a partner. “You’re going to get a lot of cheap offers, but if the rate is super cheap there may be a trade-off further down the line that could have a negative impact on your workforce and customers alike,” he says. “Rather, look for a partner that is culturally aligned to your company, and



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Joe Pine, cofounder of Strategic Horizons, author, and visiting lecturer at Columbia University



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look at basic things like their employee satisfaction and career growth. If the organization is able to retain happy employees that possess skills and expertise, chances are they will be able to create great customer moments.”

Remember the fundamentals of business building.

A lot of principles of successful CX partnering are identical to how to build and scale organizations effectively, explains Gallimore. “The management fundamentals still apply—and people forget that. They start partnering and go, ‘How do we do this?’ Of course, there are small, nuanced differences around culture and communication, but often these just involve changing people’s work habits or adjusting them to new norms of working.”

Trust your partner.

At Netflix, partner relationships are built on trust and mutual respect. “We bring these folks on board and it’s not our job to dictate to them how to do their job. It’s up to us to give direction on where we would like to be,” explains Murray. “We have open discussions on absolutely everything and share customer service data with all our partners. I believe successful partnerships are about building trust and faith.”

Put people first.

People and technology can play a complementary role in the customer support world. Live agents should be prioritized as much as the technology and process-related aspects of a

CX partner offering, according to Hyken. “Our most recent research into customer support found that 71% of people are now willing to use digital support, but the majority (87% of Boomers and 60% of Gen Z) say the number one way they still like reach out to a company is by phone. There should always be the option to transfer to a human-to-human interaction if a customer needs it,” asserts Hyken.

Conclusion

Ever-rising customer expectations, alongside rapid advances in technology and challenges in the current external and internal business environment, mean many companies are finding it more difficult to deliver the type of CX they aspire to.

In the race to get ahead of competitors and keep hold of their customers, companies are increasingly turning to external experts to support the people, process, and technology-related aspects of their CX delivery.

Those that establish an integrated partnership built on trust and mutual respect may be best placed to ensure their customers get the stellar service and CX they deserve. At Koozie Group, the deliberate use of the word “partners” is encouraged to avoid any “us and them” mentality between the business and its CX providers. “Their success relies on our success, and we’re all one team,” says Vollrath. “We have differences in culture and diversity, but they’re an extension of us and we treat them that way.”

Endnotes

- 1 McKinsey & Co., “How COVID-19 has pushed companies over the technology tipping point — and transformed business forever,” October 5, 2020



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ABOUT US

Harvard Business Review Analytic Services is an independent commercial research unit within Harvard Business Review Group, conducting research and comparative analysis on important management challenges and emerging business opportunities. Seeking to provide business intelligence and peer-group insight, each report is published based on the findings of original quantitative and/or qualitative research and analysis. Quantitative surveys are conducted with the HBR Advisory Council, HBR's global research panel, and qualitative research is conducted with senior business executives and subject matter experts from within and beyond the *Harvard Business Review* author community. Email us at hbranalyticservices@hbr.org.

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