

Corporate-scaleup CEX collaboration

Scaleups are the lifeline for corporates struggling on customer experience

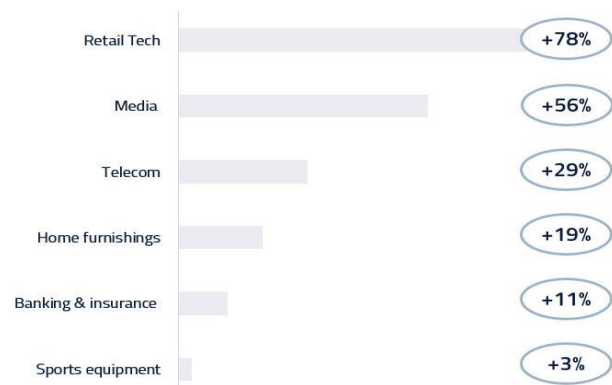


The evolving field of customer experience (CEX) has been drastically complicated by the COVID-19 pandemic and the ensuing flurry of digitalization. Corporates are confronting diverse sets of expectations from digital natives and internet newcomers alike, and every day that a corporate’s customer experience fails to meet these diverse expectations has expensive consequences. To urgently address dire customer experience issues, corporates have an opportunity to capitalize on the innovative power of scaleups. To discuss corporate-scaleup collaborations in customer experience, one session of the four-part Scale Up Now webinar series co-organized by Arthur D. Little and Match-Maker Ventures was dedicated to this trending topic. With our curated panel of corporate (the NBA, AT&T) and scaleup representatives (Glassbox), we explored the invaluable contributions that these collaborations can make to corporate customer experience, and how to overcome key challenges to ensure the most successful collaboration possible. This event summary recaps the main takeaways and highlights the discussion’s overarching conclusion: corporate-scaleup collaboration is necessary to fully harness the value of customer experience innovation.

Frictionless customer journeys & the transformation of customer habits

As a consequence of shifting global norms with respect to online commerce and customer needs, frictionless customer journeys have never been more important. Analysis of internet usage in 2020 shows a clear trend towards greater digitalization across industries, especially with respect to consumer habits, as 2020 saw a nearly 26% increase in the value of the overall consumer goods e-commerce market, and a 19% increase in the total number of e-commerce transactions over 2019 levels. This impact was already clear within the first few weeks of the pandemic in April 2020, with spikes in e-commerce traffic

Percent increase in e-commerce traffic in April 2020



Source: DataReportal, Wall Street Journal, AppAnnie

evident across several industries as the first round of lockdowns closed down physical shops around the world.

“We will never think and purchase goods and services in the same way [...] and scaleups are here to help.”

– Marek Paczkowski,
Match-Maker Ventures



The explosion of digital markets contributes to a broader trend of greater emphasis on customer experience, driven by a recognition that all aspects of customer experience, digital or otherwise, play a critical role in business outcomes. According to Forbes, even before the pandemic consumers prized good customer experience, with 77% of consumers indicating that the quality of customer experience was equally as significant as the quality of a company’s products. Furthermore, research from Gartner shows that CEX drives over two-thirds of customer loyalty, shaping future revenues and brand growth.

Considering customer experience’s importance, the consequences of obstacles in customer experience can be severe: drastically damaged reputation, reduced revenues, lost customers, and more. Addressing these obstacles should be a corporate priority, and scaleups are ready to help.

Digitalizing corporates need to find ways to serve a diverse customer base

An emerging obstacle for many corporates has been the disruption of expectations that many formerly “analog” customers have been facing as they try to do business in the relatively unfamiliar digital landscape. Those who would have preferred an in-person service were forced during the pandemic into the uncomfortable position of trying to get the same experience from a computer, a less than ideal digital adoption process. These analog-to-digital customers exposed flaws in processes designed for digital natives, and have underscored a key consideration for any successful corporation’s customer experience logic: how to create and manage a seamless customer journey for all users? In a consumer mix ranging from highly sophisticated long-time users to first-time online customers, corporates need to generate customer journeys that can somehow encompass a broad variety of user needs.

“Individuals who maybe are not comfortable in a digital environment who would prefer to go to a brick and mortar store can't, and have to self-service online.”

– Greg Dowling,
Glassbox



While there is good news on the horizon with regards to the pandemic, consumer habits have changed, and our panelists suggested that this change is likely to stick. The task for corporates now is to serve their new digital clients in a manner which meets customer expectations and harnesses the revenue potential of the expanded digital market – a potential that has enabled those corporates who were willing to innovate over the past year to thrive rather than languish.

For those corporates who were ready to partner, scaleups have already proven an invaluable asset throughout this global digital transformation process, enabling giants like AT&T to adjust their entire operations more quickly than ever thought possible. Some industries have certainly been disrupted more rapidly than others, but overall, our experts were convinced that those who embraced innovation fared better in the face of recent challenges.

Corporates need help innovating on customer experience

Many corporates still need help innovating, and partnerships with scaleups are a valuable means of doing so. Panelists across industries emphasized that, even with immense resources and a will to make changes, corporates face inherent challenges when attempting to innovate by themselves. Corporates usually are slow in making decisions; they (have to) prioritize running operations over new business, and accordingly

have a hard time devoting the necessary space and resources to innovation. Put simply, it is often a challenge for corporates to understand that one solution for one problem can make a difference, and that an all-encompassing “end-game” is not always necessary. The crucial consideration is this: speed outweighs caution, specifically in newer domains like customer experience. When there are no established norms, no dominant leaders, and no expected minimum standards, corporates should not behave as corporates anymore, but as challengers who have more to win by acting fast than they have to lose.

“Letting this expertise and experience into your company helps you to become better because you learn from other parties which are much smaller than you.”

– Karim Taga,
Arthur D. Little



To improve customer experience, first measure the value (or cost) of your problem

Customer experience innovation does not only improve the quality of customer interactions with a company: it also has a concrete relationship with corporate costs and revenues. As a result, it should be a top consideration in any corporate’s digital transformation strategy.

As Greg Dowling, Global Director of Business Insights from Match-Maker Ventures’ portfolio scaleup Glassbox explained, every failed user session can lead to the loss of a potential transaction, which directly correlates to a loss of revenue, higher customer support costs, and even the long-term loss of customers. In short, failed customer experience is expensive, amounting to at least \$75 billion in losses annually according to a recent estimate by Forbes. Any corporate who does not take the necessary steps to prioritize customer experience will face hefty consequences (whether they measure the value of customer experience or not).

Knowing how to target customer experience flaws and repair them requires the ability to identify where they are happening in the first place – a functionality which many corporates lack, and do not have the available resources to develop internally.

Scaleups provide the solution for corporate customer experience problems

Corporates looking for a place to start tackling this issue can benefit greatly from the assistance of scaleups. For example, the solution offered by Glassbox enables corporates to map and analyze customer journeys to identify, quantify, and appropriately prioritize the exact friction points that customers

are facing. Glassbox has empowered multiple corporates to identify and subsequently resolve previously unnoticed, costly issues. While this is just one of many scaleup solutions available to optimize different elements of customer experience, it demonstrates how important these specialized technical innovations can be for a corporate's bottom line. Scaleups provide truly crucial services to corporates who are willing to partner.

"It's about being able to allow corporates to assign business impact to the customer experience. They can actually tie that to value."

– Greg Dowling,
Glassbox



Customer experience needs differ across industries

Part of the process of evaluating CEX problems is acknowledging that there is no one-size-fits-all approach. For online retailers or telecoms, optimizing might entail a more efficient digital customer journey. For the NBA by contrast, it has meant making sure players can play reliably and giving audiences something to watch. Panelist Krishna Bhagavathula, CTO of the NBA, explained how connections with health scaleups enabled the relatively rapid restoration of the basketball season in 2020, meaning that scaleups which ordinarily would not have been perceived as customer experience-focused had a huge impact on the NBA's CEX.

No matter their focus, scaleups should not discount the impact they can have on customer experience, and should remain ready and willing to explore partnerships in this focus area, even if it is not something they have considered before.

Corporates can set themselves up for success by sufficiently preparing for partnerships

If scaleups should be ready and willing to partner, the same is doubly true of corporates. Even if a corporate is willing to partner with a third party, the first step in the collaboration has to come long before the third party joins the conversation: identifying the problem that needs to be solved.

Faraz Hoodbhoy, Director of the Palo Alto Foundry at AT&T, highlighted that when a corporate can proactively identify and prioritize key problems, they can then take the requisite steps of allocating budget and setting goals for a solution, ultimately enabling much better collaborations. When possible, internal teams should therefore be fully aligned on the problem and the necessity of solving this problem before inviting a third party to consider collaborating. Rather than waiting around for months until a corporate decides to prioritize its solution, a scaleup can be brought in with a specific target in mind, shortening the time to impact and reducing resource waste on both sides.

"You have to be continually evolving your understanding of your problems and segmenting those into bite-sized pieces."

– Faraz Hoodbhoy,
AT&T



Not only will prepared collaboration partners reach better results, but they will also become more attractive partners for future collaborations, establishing a reputation for successful and effective partnership with benefits on both sides. Moreover, cultural attitudes at the corporate need to be compatible with collaboration, willing to effectively work with a different, smaller type of structure.

Scaleups can transform customer experience rapidly and effectively

Unlike corporates, scaleups are agile, bringing smaller team structures that can be much easier to work with than other corporates. Their smaller size makes them a natural choice for quick deployment when corporates face an urgent issue. This capacity for rapid action with innovation-focused expertise is especially crucial with respect to customer experience issues. Once a lapse in customer experience occurs, the time a corporate spends to address the issue extends the duration of failed customer journeys, costing the company potential revenue and potentially increasing care costs. It can be extremely urgent to solve these failures, and scaleups empower corporates to do so.

Customer experience solutions benefit from fresh, specialized perspectives

More than just offering quick solutions, scaleups offer specialized perspectives. Scaleups often bring a laser focus on a niche domain, allowing them to achieve a very high quality solution for specific corporate problems without as much distraction. A corporate by contrast would often need to start from next to nothing in order to create an in-house solution for niche customer experience problems, devoting excessive resources to establish a solution that may lack the same quality and expertise of a scaleup solution.

Perhaps most important, as one panelist noted, is the overall value of inviting in an external perspective – even if doing so is uncomfortable. There has to be a recognition that valuable work is being done outside of the company.

Indeed, corporates who resist external collaborations may unwittingly trap themselves in inefficient or ineffective systems. Scaleups are great tools for a much-needed fresh take on things, willing to make the right decision without being hampered by a too-broad focus or by sentimentality for previous processes.

“Looking at the same problem through the same lens every day is going to get you the same set of results, and the only way to break that cycle is by working with people on the outside.”

– Faraz Hoodbhoy,
AT&T



The potential impact of corporate-scaleup collaborations on customer experience

To give just one example of the countless impactful corporate-scaleup collaborations in this field, Glassbox’s customer journey mapping and anomaly detection engine identified troubling obstacles in the customer journey at SoFi, a digital personal finance company. Glassbox enabled SoFi to detect a technical issue on their website that was causing customers to abandon loan applications before completing them. By empowering SoFi to identify and fix this customer experience failure, Glassbox saved SoFi over \$9 million in potential annual lost revenue. This collaboration demonstrates the impact of corporate-scaleup collaborations on customer experience, and their ability to have tangible business outcomes for corporates.

Conclusion

The increasing recognition of customer experience’s impact on business outcomes is a clear indication that there is a lot of work to do to move forward in this field. Corporate-scaleup collaborations will make the difference between smooth and disjointed customer journeys – between corporates who understand what customers need and corporates who only think that they do.

To harness the potential of corporate-scaleup collaborations, corporates and scaleups have three truths to reckon with:

1. Unique, niche scaleup solutions empower corporates to focus on fixing one problem at a time – and quickly
2. A “wait-and see” approach to CEX risks significant losses, so rapid action is crucial
3. Both corporates and scaleups need to be ready and willing to collaborate culturally and logistically

When done properly, corporate-scaleup collaborations can address the most pressing needs for diverse customer segments across all industries.

This event summary is part of a series of articles on our Scale Up Now Webinar Series 2021. The other articles focus on ESG, bottom line impact and top line growth. You can view the other articles in the series here:

<https://www.match-maker.ventures/category/webinars/>

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