

CUSTOMER EXPERIENCE: KEY TO GROWTH IN THE OUTSOURCED SERVICES INDUSTRY

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In October 2015, **Haig Barrett, Inc.** Management Consultants (Los Angeles) and **That's Nice LLC** (New York) a science agency announced the launch of **Nice Consulting**, a partnership designed to offer strategic and specialized consulting tailored to the marketing needs of life science companies; to help them to drive value in their brands, pricing, competitive positioning and capacity utilization.

This article reviews alternative approaches to improve the customer experience that can be taken by both growing and established contract manufacturing organizations (CMOs), and contract development and manufacturing organizations (CDMOs).

Building a client relationship that results in repeat orders and leads to a long-term partnership between the CMO and Sponsor requires the “customer experience” to meet or exceed client expectations. Customer experience is not the same as customer satisfaction, which is often measured. A CMO’s ability to respond effectively to a client’s needs and demands shapes the customer experience. This article looks at the impact of communications, adaptability, and ways to improve the customer experience.

THE BUSINESS VALUE OF CUSTOMER EXPERIENCE

Customer experience is the product of an interaction between an organization and a customer over the duration of their relationship. This interaction includes a customer’s attraction, awareness, discovery, cultivation, advocacy, purchase, and use of a service. It

has become evident that, despite the habit in many consumer retail industries to routinely measure customer satisfaction, high customer satisfaction metrics do not correlate with increased customer retention or increased customer referral patterns.¹ In contrast, companies that have been able to successfully implement the customer experience approach have been found to be 4%-8% more profitable than their peers. In these companies, a customer experience metric known as the Net Promoter Score® (NPS®) (e.g., How likely is it that you would recommend our company/product/service to a friend or colleague?) has been implemented successfully, not as a one-off metric, but as a process and system for building a greater customer experience. Research has shown that an NPS acts as a leading indicator of growth (www.netpromoter.com).

So, are the customer experience results from these consumer markets and other B2B industries relevant to the contract manufacturing segment? The answer is a resounding yes. In both our professional/business and private consumer lives, we are continuously exposed to, and demanding for ourselves, increasingly positive customer experiences in buying cycles.²

THE DIMENSIONS OF CUSTOMER EXPERIENCE IN THE CMO/CDMO MARKET

Which of the new insights in customer experience are relevant to the CMO industry, and what are some options to improve the customer experience? There are critical differences between large consumer market segments and the customers for CMO services.

[1] In large consumer market segments, customer satisfaction is systematically and routinely tracked, creating consistent observations that, in turn, lead to suggestions for how to improve customer interactions and the supporting processes.

[2] Historically many CMO services have been offered in a project-to-project fashion for particular customers with unique requests, and the value of empirical approaches to improve processes that enhance customer experience is limited.

[3] The CMO-Sponsor relationship often involves specialized staff both from the CMO and customer's organization.

Important dimensions that have shaped the customer experience for decades are cost (obviously), delivery date/supply reliability, and product specifications.

Nice Insight has developed the Customer Awareness (CA) and Customer Perception (CP) scores to further detail what constitutes customer experience dimensions in the CMO market. For purposes of the Nice Insight survey, Customer Awareness describes a potential or current buyer's knowledge of a particular company, product, or service offering. Customer Perception reflects how a current buyer or prospect rates a company based on information he/she has been exposed to, such as marketing materials and word-of-mouth influence, as well as personal experience.

The CP score is based on six drivers in outsourcing: Reliability, Quality, Innovation, Affordability, Productivity, and Regulatory Track Record. In addition to measuring customer awareness and perception infor-

mation on specific companies, the survey collects data on general outsourcing practices and preferences, as well as barriers to strategic partnerships among buyers of outsourced services.

Other dimensions may include intellectual property, process compliance, and traceability, depending on the complexity of the customer's request.

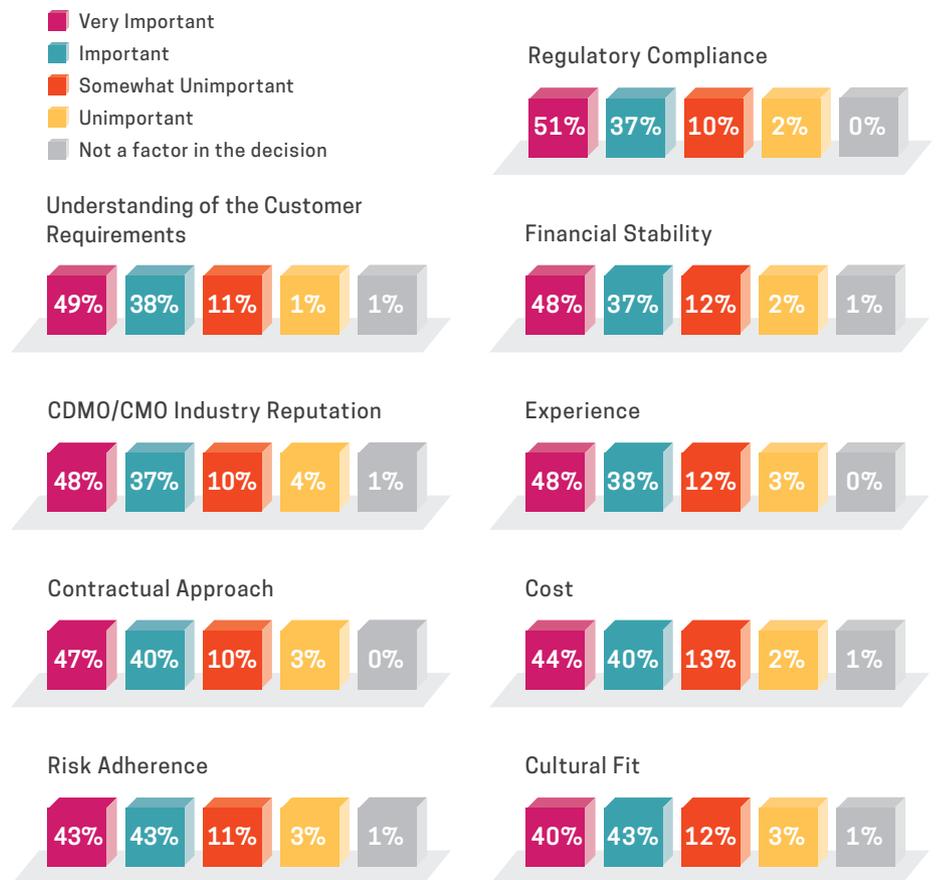
The Nice Insight Pharmaceutical and Biotechnology Survey is deployed to pharmaceutical and biotechnology executives seeking outsourcing on an annual basis. Since 2010, Nice Insight has randomly selected respondents from a group of over 40,000 qualified individuals who are key industry influencers and decision makers to complete its Nice Insight Pharmaceutical and Biotechnology Survey (CRO/CMO/CDMO). Survey respondents answer a range of questions based on their outsourcing needs and behaviors. The data provides ratings of company strengths for providers offering similar services based on various criteria, such as buyer group or service type.

BEING GREAT IN 2016

The 2016 CDMO report includes responses from 587 participants representing Big Pharma and Biotech (36%), Midsize Pharma and Biotech (43%), Small and Emerging Pharma and Biotech (21%), and having positions in C-Suite (39%), Operations, Purchasing, and Drug Development (29%), Quality Assurance/Regulatory (11%), and R&D/Formulation (18%).⁴

The 2016 CDMO Nice Insight report found that 87% of CDMO customers across all customer segments (Big Pharma/Biotech, Midsize Pharma/Biotech, Small and Emerging Pharma/Biotech) look for strategic partnerships, while CDMO selection criteria include hard business requirements for understanding customer requirements, contractual approach, regulatory compliance, and cost (see Figure 1). Post-CDMO engagement satisfaction relies on the "soft" attributes that are related to good communication, being flexible, and the ability to adapt to customer protocols. It is clear that, apart from the great performance in busi-

→ **FIGURE 1 ATTRIBUTES THAT FACTOR INTO INITIAL CDMO SELECTION**



ness and manufacturing, a CDMO must also excel in service performance in order to retain strategic partnerships.

THREE CRITICAL FACTORS FOR IMPROVING CUSTOMER EXPERIENCE WITH CDMOS

Analysis of successful businesses in improving customer experience across many different industries tends to point out three critical factors.

[1] Understanding customer expectations during interactions at key touch points.

Understanding the expectations of different client functions that are involved, and when they will be participating, is critical. It is useful to map out the “customer journey” to identify the touch points and what customer needs are along the way. It must be emphasized that, although identifying touch points is very helpful, customer experience dimensions transcends this issue. The Nice Insight report also found that cultural differences in how customers and CMOs communicate can be an important factor in making contract or strategic partnership decisions.

[2] Align internal processes to support the desired customer experience.

Apart from looking at the customer journey, two key stages in which the customer experience is shaped are during “inquiry to contract” and “order to delivery.” In both stages, the quote response time, quality audits, cost estimates, intellectual property and regulatory requirements, and batch

POST-CDMO ENGAGEMENT SATISFACTION RELIES ON THE “SOFT” ATTRIBUTES THAT ARE RELATED TO GOOD COMMUNICATION, BEING FLEXIBLE AND THE ABILITY TO ADAPT TO CUSTOMER PROTOCOLS.

validation demand the timely coordination of many specialized functions.

Smaller CMOs with experienced staff may be able to do with less formal approaches to manage information and collaboration because of their “lean” integrated approach to doing business. Larger CMOs will find the need for being more disciplined in capturing, finding, and distributing information and introducing project management protocols and a “One Voice” approach to customers.

[3] Demonstrate leadership in order to make the necessary organizational changes.

Improved organizations are only possible by improving people. While new practices and tools are required, they will only generate results if people make proper use of them. It is the responsibility of leadership to provide the direction and motivate staff to align their thinking and behaviors that will result in better overall customer experience performance. The most common factor in failed improvement initiatives is a lack of frequent and sustained communication.

SHOULD YOU INVEST IN CUSTOMER EXPERIENCE? THREE STEPS:

[1] A first step would be to review where your organization sits on the spectrum of transactional manufacturing relative to customer satisfaction and real customer-experience-based performance. Take into consideration the complexity of your specific CMO business, your competition, and future customer needs. Do you need to shift on the spectrum? Can you articulate the business case for the shift?

[2] Identify your (future) customers needs across the “inquiry to contract” and “order to delivery” stages and use your customer journey mapping to identify the new practices and tools that you need to shift the customer experience. If you conclude that your organization lacks basic project management, consider developing a project management champion. Once basic processes are in place and mastered by a few, you are ready to introduce project management principles throughout the organization.

[3] Appoint a small implementation team to oversee and drive the required changes. Ensure that the team is experienced in driving project management/process change, as first time “DIY” teams have a very high failure rate. ■

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