

# The four false narratives of customer experience



Pega 2020 Global Customer Experience Study



# Executive foreword

To understand the state of customer experience today, our Pega 2020 Global Customer Experience (CX) Study surveyed over 5,000 CX practitioners in 12 countries, including 670 from the automotive industry.

The headline coming from these automotive industry practitioners: **we need to evolve quickly**. Nearly two-thirds (61%) say that, without change, the current CX provided by their companies will be **unacceptable** to most customers within the next two years.

**So how should automotive manufacturers evolve the CX they provide? Our study uncovered three powerful ways:**


- 1 Lead from the top:** Improving customer satisfaction is the top business priority for Automotive manufacturers, which explains why **94% state that becoming more customer centric is essential**. Across all industries, only approximately 1 in 3 (35%) CX strategies are **led by a C-Suite sponsor**. In Automotive, it's 1 in 2 (50%). While this is a great head start, there's still more to do. After all, if half of Automotive CX strategies have a C-Suite sponsor, that means the other half don't. **Ensuring senior ownership** is vital for making sure CX gets the center stage it deserves.
- 2 Listen closely to customers:** Half of automotive manufacturers (47%) state that the **quality of customer service provided is a top 3 consideration** for their customers when deciding which company to buy from. But knowing what customers want in the rapidly evolving automotive landscape isn't easy. That's why **keeping up with changing customer expectations is the biggest driver of CX strategy within the automotive industry**. CX should not be an inside-out process. Listening to and understanding customers is at the heart of successful CX.
- 3 Invest in the right tech:** 79% of automotive manufacturers have a formal, defined CX strategy. And the strategies are often ambitious. Top of the 'to-do' list is changing the business structure (58%), closely followed by **changing the technology used to deliver CX** (57%). When it comes to choosing what technologies to adopt, success appears to lie in Artificial Intelligence (AI) solutions. **93% of automotive manufacturers intend to be using AI applications in CX experiences to engage with customers within the next two years.**

The task facing automotive CX leaders is far from simple. Rapidly changing consumer expectations, combined with often cumbersome internal business structures, present a challenging picture. However, the need for CX to evolve is urgent. And when there's an urgent need, solutions will be found. Increasingly for automotive manufacturers, those solutions lie in engaging customers across all digital channels and touchpoints leveraging AI.

**Now is the time for bold actions and ambitious strategies as automotive manufacturers seek to drive the CX change that customers are demanding.**

**Michelle Garcia**  
Director, Industry Principal –  
Manufacturing, Automotive & High Tech  
Pega





# Marketers today walk a tightrope when it comes to customer engagement.

In the day-to-day battle for customer attention, marketers need to find the right balance of communication. Too much and customers become annoyed and check out; too little and they forget you exist. Throw in modern expectations for personalization – where every interaction must be perfectly relevant and tailored – and the rope they're walking on gets pretty thin. But there is a way to make it to the other side without your marketing efforts toppling into the abyss: focus on building and maintaining an exceptional customer experience, end to end, every step of the customer journey.

Customer experience (CX) has been championed as the next great competitive differentiator, the new silver bullet. But if CX is so important, why are so many companies behind the curve? Why are they still struggling to drive customer lifetime value (CLV)? Why is it so hard to catch up to Google or Amazon, and why haven't industries like insurance or healthcare been able to compete on the same playing field?

To understand the state of customer experience today, Pegasystems completed the Pega 2020 Global Customer Experience Study, spanning 5,000 CX practitioners in 12 countries, across 7 different industries.

## The study uncovered four “false narratives”:

- 1 CX doesn't need executive sponsorship:** Organizations are “leaning in” to the hype around customer experience, but 64% still don't have a C-level sponsor.
- 2 CX should be run by IT:** IT is 2x as likely to lead CX than any other function, but the problem comes when business and channel owners haven't bought into IT's plan.
- 3 We are already customer-centric:** 68% stated that customers, not businesses, will dictate what channels are used. But instead of investing in non-sales experiences across channels, organizations are still spending their dollars on traditional outbound channels like email and paid media – which were designed to push sales messages into the market.
- 4 Improving analytics is a priority, but not the top priority:** Evolving analytics is one of the top three CX priorities for organizations surveyed, after technology used (#1) and internal processes (#2), but the changes that need to be made are dire. Many of the techniques organizations are currently using within their analytics practice won't be enough to keep them afloat or separate them from look-alike competitors.

These false narratives are commonly maintained by today's company leaders, stifling new opportunities and driving customers away instead of building long-term relationships. These narratives continue to exist because most organizations are in denial that they have a CX problem.

**Businesses are 4x more likely than consumers to rate an experience as “excellent.” They score themselves higher in Net Promoter Scores (NPS) than consumers in every channel and 90% state that their company provides a better CX than competitors.**

This is consistent even when there is massive evidence to the contrary, like terrible Customer Satisfaction (CSAT) and negative NPS, or above average levels of customer churn.

But organizations already know they need to change their approach to CX. It's evident when despite glowing praise, **58% of organizations surveyed believe their CX will be outdated in just two years' time.** They know they need to compete on experience, they know they need to build longer-term, more sustainable relationships with customers. The problem isn't that they're unsure of what needs to happen, it's that they don't know where to start.



False narrative #1:

**Speak loudly,  
but tread lightly**

Nearly every organization feels pressure to provide a better customer experience. Most have learned to talk a good game publicly – constantly espousing their commitment to the customer, and to the value of personal relationships. However, most haven't yet aligned that talk with tangible, real-world investment, including building CX subject matter awareness, expertise, leadership, and adoption across their organizations.



of organizations claim customer centricity is a high priority



of organizations claim that “people issues” are the biggest challenge to delivering a great CX



of businesses have a C-level sponsor for CX and in 36% of companies, it's led at the director level or below

Not having a C-level CX sponsor in place shows a massive lack of commitment to the practice. Accountability for CX is sporadic, with employees asking: *who really owns the customer?*

According to the research, companies believe that these five success factors are the “most critical components” of a great customer experience:

## Most Critical Components of CX:

1. Enabling elegant, painless interactions (66%)
2. Providing speedy service (66%)
3. Ensuring that customers feel understood (65%)
4. Making relevant information easy to find (63%)
5. Being consistent and connected across channels (63%)

Without strong CX leadership to champion the company's initiatives and set cross-departmental goals, CX efforts typically stagnate, devolve, and disintegrate, making each of the success factors listed above more difficult to achieve. Often CX goals either conflict or compete from one channel to another, leading to silos and a fragmented customer experience.





A woman in an orange safety vest is looking down at a smartphone. A circular inset shows a close-up of hands holding and using a device. The background is a solid teal color with a dashed white line curving across the top left.

## SPOTLIGHT

# Exceeding customer expectations with personalized, connected experiences

**Out of all the industries surveyed, aviation ranked “receiving a consistent and connected CX across all channels” as a top priority (70%).**

For aviation, travelers today look for the right balance of convenience, comfort, and price. Any airline knows that a single, exceptional experience can easily turn into long-term loyalty. Providing a connected passenger experience is not just a nice-to-have but a need-to-have in an industry where competition is fierce. According to a recent [McKinsey study](#), airlines stand to lose out on \$18 billion per year by not personalizing passenger experiences.



## IT vs. business: The great CX debacle

**When it comes to CX, two thirds (65%) of businesses surveyed said they are looking to evolve the technology they use as part of their CX strategy.**

With such a heavy focus on tech, organizations are twice as likely to turn to IT to lead their CX initiatives. But technology is not the be-all and end-all solution to CX problems; the lack of strong integration with the business can create major downstream issues in stakeholder adoption.

IT is critical to the implementation and support of the technology that drives an exceptional CX. But challenges arise when IT lacks leadership peers and subject matter expertise on the business side to drive a cohesive CX strategy across all teams.

**This is a likely reason 81% of organizations surveyed believe “people issues” are actually the biggest CX challenge. These “people issues” include lack of skills (#1), sponsorship (#2), adoption (#3), and org structure (#4).**

Instead of trying to drive CX initiatives through the IT organization, which is not an end user of the provided tools and isn't accountable for key financial growth metrics like revenue, EBITDA, ARPU, CLV, and so on, firms should instead hire or develop CX champions within the business. CX investments should be aligned to tangible use cases and KPIs to provide value to those business stakeholders.





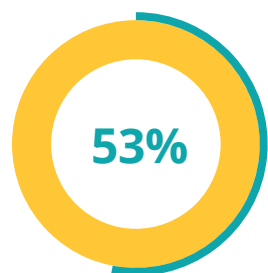
False narrative #2:

**Technology will  
save us**

To have a successful CX program, it's not enough to have the right technology; companies have been investing in the "right" tech for 20 years. It's a constantly moving target, and the half-life of most software is less than 24 months. For years, the market talked about data management platforms, data warehouses, and data lakes, but those just provided ways to collect data, not truly action it.

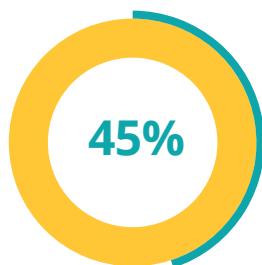
The critical aspects of successful CX – painless interactions, speed of service, customer empathy, relevant info, consistency across channels, etc., require new types of technologies that can be used to personalize experiences at tremendous speed and scale.

## According to the survey, the most innovative, future-looking solutions companies are investing in include:



### Customer data platforms

CDPs pull multiple data sources into a single customer profile, unify it, and make it accessible directly by CX/marketing practitioners.



### Real-time decision engines

Real-time decision engines evaluate a customer's profile in real time, while the interaction is taking place and recommend a course of action for that customer.

CDPs and real-time decision engines make it possible to truly understand the customer by consolidating all the data you have about them instead of relying on the limited view from a single channel. Unlike a data warehouse, CDPs are constantly being updated and can be used operationally with real-time data. But the real magic happens when that data is quickly turned into action, before you miss the window of opportunity to solve the customer's problem.

Real-time decision engines let you take that data from the CDP or from other channels and make decisions with it immediately. In the early days of personalization, decision engines weren't necessary because segments were updated overnight and told marketers what to send each customer. Fast forward to today. You need to make personalized decisions for each individual and have just milliseconds to assemble that data, analyze it, and make a decision on the best way to approach the situation – a near impossible feat without a real-time decision engine.

Investing in this type of technology is critical to any long-term CX success. Without it, you will always be reactive or worse. If you can't anticipate your customers' needs and get ahead of them, you'll always be a step behind. And your competitors won't be.



False narrative #3:

# Focus on channels

As a general rule of thumb, most CX practitioners believe the customer experience is the sum total of value provided by any interaction with a brand, on any channel, wherever it's represented. While the most recent interactions outweigh earlier ones, they're all important – because bad experiences compound exponentially.

But often, brands fail to act in their own long-term best interests, sacrificing customer lifetime value for short-term financial gains:

- 68% of companies surveyed say customer needs will drive their channel focus but email (ranked #1), web (ranked #2), and digital ads (ranked #3) top the list of planned investments.
- Email campaigns have a response rate of 1%.
- Digital ads were blocked by nearly 26% of all internet users in 2019.


Not only does prioritizing email and digital ads fail the “customer-centricity” test, it also ignores a wealth of emerging, high-potential digital channels, such as:

- Messaging apps (ranked #7) – allow customers to interact on their channels of choice, like Facebook or Instagram.
- Mobile push (ranked #10) – trigger value-add notifications, alerts, and location-based offers.
- Chatbots (ranked #12) – allow customers to self-service digitally, at their own pace.
- Connected devices (ranked #13) – provide a wealth of real-time contextual data, fueling interactions during “moments that matter.”

Historically, there was a long list of channels considered essential but are now declining in use due to a combination of high costs, competition, overuse, or dated technology.

- SMS messaging (ranked #4) – still relevant but declining with the evolution of messaging apps.
- Direct mail (ranked #5) – can be very effective, but ultra-expensive compared to digital options.
- In-store (ranked #6) – the decline of brick-and-mortar retail.
- Telesales (ranked #8) – most customers today try to avoid answering sales calls at all costs.
- Contact centers (ranked #9) – still popular, but declining due to high costs, and shifting channel preferences.





Companies have historically made heavy investments in channel solutions, trying to optimize specific KPIs; a cohesive strategy across all channels is rare. But the stronger an individual channel's performance, the more difficult it can be to bring it into alignment and orchestrate a compelling cross-channel CX. The owners of those "high-performing" channels end up becoming power brokers, with a disproportionate percentage of marketing budget and influence.

**Tip: When aligning your channels, start with inbound channels before outbound. Your inbound channels provide a tremendous amount of behavioral data; what products customers are researching, what features they like, what they click on, etc. Take those insights and use them to power your outbound channels.**

To align your channels and create a better cross-channel CX, start by centralizing your decisions. Making decisions in your channels will only optimize what's best for that particular channel – not what's best for your business.

A single decision authority is needed, or else all your customer touchpoints will collide, and the customer journey will become massively disjointed.



## Letting go of segments and campaigns

The data-level groundwork has been laid for CX success. You've aligned your channels and you've taken hold of that behavioral data. Now it's time to move away from segments and campaigns.

People expect personalization. They expect to be able to continue an experience from one channel to another. You can't meet those expectations with the one-size-fits-all approach that segments require.

Batch and blast is another tactic better left in the past. Once you learn to let your segments go, do the same for campaigns. This is especially relevant for tried-and-true channels like email. There's no excuse to keep segments and campaigns anymore. Technology exists that lets you look at each customer individually, analyze their context, and trigger communications exactly when they're needed, and only if they're needed. This means more than just making offers or going for the hard sell.

For example:

- **Service:** If customers need service, fix that problem first – before you make them an offer. Examples include proactive emails warning them that they're running short of data, or close to their credit limit, or that their card might get declined if they don't authorize it for foreign travel.
- **Retention:** If customers are at risk of churn, retain them before trying to sell. If a customer is considering leaving your company, you need to know it. This means scoring each customer for churn likelihood, and if they get above a certain threshold – say 40–50% likely to churn, then you proactively reach out to them with retention messages. These could be discount offers that keep them in their same plan, but for a lower rate. The goal is to have a portfolio of “always on” retention offers that you can use to save customers – and when the time comes to do so, let artificial intelligence (AI) decide which one is the best pick for each individual customer in that situation.
- **Sales:** Sales offers should only be sent if customers have no retention or service issues, AND there's something relevant to send them that they might actually want. Companies are setting up minimum propensity thresholds for offers – e.g. 30% likelihood to convert or higher – before they let a sales offer go out the door. If there isn't something more relevant than that, be patient, don't force the issue or overwhelm them. “Sometimes the best thing you can do is nothing.”





False narrative #4:

**Analytics will  
differentiate us**

Most companies are already investing in analytics, but not all analytics are created equally, and don't all yield the same ROI. Many forms of analytics that drove traditional marketing and engagement programs are now more of a liability than an asset, as the market shifts to more of a real-time, always-on approach to customer engagement. This includes techniques like:

- **Customer journey mapping (27%)**  
pushes customers through predetermined paths and scripted scenarios but cannot adapt when customers change directions.
- **Micro-segmentation (25%)**  
buckets customers into hundreds of tiny segments but can't adapt fast enough to keep pace with customer context or keep messages relevant.
- **A/B testing (19%)**  
great for comparing the efficacy of creative treatments, but doesn't scale well, and is quickly being replaced by machine-learning methods.

On the flip side, analytic approaches that are gaining ground include:

- **Propensity modeling (37%)**  
when done at scale (one model for every message), a company can score all its messaging options and pick the best for each customer, in the moment.
- **Lifetime value projection (34%)**  
enables a firm to evaluate the impact of each interaction in terms of how it will likely impact customer lifetime value (CLV).
- **Performance simulation (33%)**  
one of the most powerful tools out there, it allows companies to project how changes will impact KPIs like sales, revenue, churn, and loyalty.

Organizations who excel at CX are investing in methods to centralize analytics and decision-making approaches and scale them exponentially, across all connected channels. They want to quickly aggregate data, operationalize their analytics, and make complex customer decisions in milliseconds – wherever their customer is. This requires innovative solutions and making artificial intelligence a priority.

- 70% of companies are already using some form of AI to engage customers.
- 90% will be using AI within the next 24 months.
- Even in risk-averse markets like healthcare, utilities and insurance, more than 70% of organizations are planning to make AI investments in the next 2 years.

A female doctor with dark hair, wearing a pink lab coat and a stethoscope, is looking down at a tablet computer she is holding. The background is a solid teal color with a yellow and white curved shape on the left side. There are also some white dashed lines on the teal background.

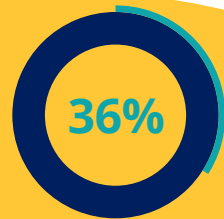
## SPOTLIGHT

# AI and healthcare

While all industries surveyed indicated they currently use AI to interact with their customers, the notable exception is healthcare with only 40% saying they use AI. However, **34% said they plan to invest in AI over the next two years.**

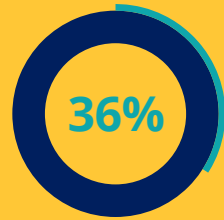
The reason healthcare has fallen behind isn't a lack of technical adoption, but likely due to industry regulations. Over time, those regulatory bodies may become less restrictive. As AI continues to go mainstream, it will become more easily integrated into day-to-day healthcare experiences and technologies.

While artificial intelligence can take many forms, here's where many organizations are focusing their CX resources to maximize impact:



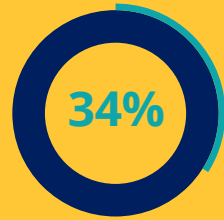
## Machine learning

allows companies to scale their predictive analytics exponentially, by allowing the AI to build and adapt models far faster than human data scientists can.



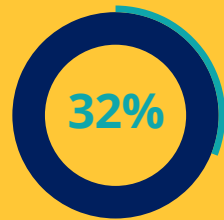
## Voice recognition

integrates services like virtual assistants with capabilities into their audio engagement channels.



## Natural language processing

provides the foundations, like chatbots, virtual agents, and sentiment analysis.



## Complex event processing

a powerful but still under-utilized aspect of AI, CEP allows companies to analyze streaming data in real time, and convert it into "fuel" to make decisions.



## What does a modern analytics strategy look like?

When it comes to analytics today, it's all about speed and being able to learn quickly or at least more quickly than your competitors. In the old world, data scientists would build models and use them to score customer behaviors for as long as 18 months. But that wasn't fast enough. Models begin losing efficacy the moment you put them into production, because the world is constantly changing.

Machine learning lets you scale your analytics programs and use the machine to model scenarios you've never had the manpower to model before. Not just which offer a customer is likely to accept, but which treatment/creative will work the best, on which channels, at which times, during which journey stages, at which price points, etc. Machine learning lets you update your models constantly, every single day if needed. So when the competitive environment changes (like a competitor launches a new offer, or puts out a flashy new commercial, or there's a news story that that causes unease or even panic across the organization) the software will realize it's not predicting as accurately, and update itself automatically, without a (very expensive) human being having to touch the data.

Complex event processing (CEP) engines take streams of data (network traffic, web browsing events, mobile locations, credit card swipes, geofence events, etc.) and feeds them directly into your machine. They look for patterns in the data and when they find one, they wake the machine up, and say "you need to rescore this customer RIGHT NOW." Often, those events don't mean much, and nothing happens – they simply help the system learn. But many times, they change the way you view a customer and how to interact with them.

### CEP in action

A geofence event is detected – a customer was near one of your branches. The machine makes note of this and automatically rescues the customer. It determines they are in-market for a mortgage, and you've got the perfect offer for them. With this insight, you can then trigger a real-time mobile push notification or SMS and invite them into the retail branch to speak with the manager.

This type of approach leads to some of the highest conversion rates because the offer is relevant and the customer is truly interested, two things that are both hallmarks of a great CX.





## SPOTLIGHT

# Getting proactive about churn in the insurance industry

**86% of insurers surveyed currently use analytics to deliver more personalized experiences to customers.**

When asked what stage of the customer life cycle is most important, retention and renewal ranked high, second only to resolving any customer issues or concerns.

But despite the importance of customer experience and retention, **61% in this sector do not yet analyze or model customer churn risk.**

The reason for this is retention tends to be a reactive process vs. a proactive one. Rather than analyze churn risk ahead of time, recognizing the warning signs and prepping retention offers, many insurers only start the retention process after someone is likely to leave.

This is a missed opportunity, especially considering the technology available to analyze churn risk and automatically provide the right action or offer. A proactive, data-based approach would likely lead to a sharp increase in retention, something every insurer is after.

# Conclusion: The path to CX success

If an organization can overcome the challenges posed by the four false narratives, it can absolutely find CX success. But that success will require focused effort, and a commitment to fixing tangible, real-world customer problems. The most popular CX use cases cited in the research occur throughout the customer lifecycle, and include:

- **Resolving product issues** (48%).
- **Retaining or renewing at-risk customers** (47%).
- **Helping consumers research the company** (43%).
- **Helping customers make a first purchase** (40%).
- **Making relevant cross- and up-sell offers** (38%).

Optimizing the customer experience during these kinds of situations is difficult, unless the organization has the proper combination of speed, agility, and insight. To make it happen, companies have to redefine the way they think about their customers, and their relationships with them. They may have to change how they are structured, reconsider who makes decisions, or even to redefine what “success” looks like over the long term.

There is no easy path and no silver bullets – it requires strong leadership, commitment, and a willingness to make financial investments.

There are significant rewards for those organizations with the vision to get ahead of the market. At Pega, we’ve seen this firsthand – customers who invest in a real-time, always-on customer experience have seen benefits that include:

- **Increased response rates** (3–6x).
- **Reduced customer churn rates** (10–50%).
- **Reduced retention costs** (20–35%).
- **Increased net promoter scores** (10–40 points).
- **Increased return on investment levels** (3–5x).

Some of these changes will yield immediate results and others will take time. But given the state of customer experience, there needs to be a fundamental shift in how organizations think about customer interactions. Companies looking to win the CX game need to be willing to play the long game: adapt, invest, and commit to an approach that will build lasting customer relationships instead of eroding them for short-term gains.





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