

Building a financially resilient customer base

Engage better with next best action



A new debt crisis has emerged

With a global pandemic and spate of natural disasters, 2020 brought challenges that were previously unimagined by both businesses and consumers. Job loss and volatile economic conditions added up to create a new type of customer scenario for brands to consider. Businesses that rely on contractual relationships, such as those in finance, telecom, utilities, and other industries, found customers with reliable financial histories in collections – maybe for the first time ever. As businesses start to recover and the global economy begins to right itself, many customers might not be able to bounce back as easily.

Organizations are quickly realizing that early intervention in client financial struggles can reduce collections and bad debt write-offs – mitigating costs for both the customer and the business itself. They're finding that building a financially resilient customer base that can recover from catastrophic events can improve their financial operations and the overall customer experience they deliver. Even before the pandemic, customers already expected more from brands than ever before – both in their marketing efforts and overall customer experiences. Navigating a global crisis has only amplified the need for exceptional experiences.

Every interaction now presents an opportunity – businesses can either bring the customer closer or push them away. And a single bad experience can sever even a well-established customer relationship. Customers need to be understood and have their unique needs met like never before. There's no alternative: Companies must ensure they're adding value at every step of the customer's unique journey – all while providing a seamless experience across channels.

It's easy to suggest companies simply personalize their customer experiences, but to do that at scale is an enormous undertaking. One of the biggest challenges is knowing where to start. This challenging problem has a simple answer: empathy.

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Where empathy and artificial intelligence meet

The concept of empathy in collections and other business operations isn't a new one, but empathy alone isn't enough to pull customers out of debt. Businesses need to inject it into their processes and technologies. One of the most effective and efficient ways to do that is with artificial intelligence and machine learning.

But what does that look like, exactly? Using AI to scale empathy doesn't mean trying to program your technology to have complex human emotions. It's about augmenting AI with rules and ethical frameworks to determine what the next best action is for each customer, based on the data collected about them during interactions with your brand. This includes browsing data from your website, mobile app interactions, chats with a customer service agent, or even in-store activity.

During times of financial hardship, customers can't always pay for the products and services they use when they are under contractual agreement. This leaves utility bills unpaid, phones disconnected, and mortgages compounding – burying consumers in debt. Your customer engagements during times like these may not just influence your ability to collect that debt, they may play a huge role in determining the total customer lifetime value (CLV) of that relationship. Customers may be having financial problems, but they'll continue to need service providers. However, once they are back on their feet, if your company acted with empathy and saw them through a difficult time, it will likely cement your relationship for years to come.

Change and hardship is inevitable, but that doesn't make it any easier. Sometimes transformation happens gradually and sometimes it's a tidal wave. Either way, apathetic marketing tactics have no place in the modern customer experience. It's time to build trust, provide customers with real value, and develop deeper relationships – especially when there are sentiment changes and troubling market conditions. The best way to deliver the hyper-personalized and perfectly timed experiences customers demand is with next best action.

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One-to-one engagement with next best action

Every customer interaction must be consistently relevant, regardless of channel. To provide this level of experience, you need to take your customer's unique interaction history and real-time data points and feed that information into an AI-driven, centralized decision engine. This removes channel, program, data, and product silos so that all channels learn and adapt together. Then the decision engine or hub can run models, evaluate propensity, and determine exactly what to deliver to your customer, in that very moment.

Next best action (NBA) is an approach used to engage individual customers on their own terms by accounting for their unique needs, preferences, and context. It goes beyond outdated, traditional marketing tactics to analyze each individual's needs, while an interaction is taking place. It determines the optimal approach for each unique person, so that every interaction is relevant and meaningful. It also optimizes high-level KPIs like revenue, profit, and customer lifetime value, rather than short-term metrics.

With NBA, you have a large library of actions that is always available, making it much easier to find a relevant action to take for each person. Gone are the days of product pushing and using large batches that ignore individual needs and timing. With next best action, you trigger messages exactly when they're needed. Every outreach is driven by propensity, and if there's nothing relevant to talk about, you simply wait – until the time is right and the customer is ready to listen.



While NBA includes sales offers, next best action isn't just about selling. Instead, it's designed to engage with empathy, mixing retention, service, and nurture actions in with sales offers. AI recommends the approach most likely to achieve your goals – whether that's better conversion, higher retention, or increased levels of customer satisfaction.

One of the largest advantages of NBA is that it considers all the potential conversations you could have with a customer. During financial hardships, this is critical. These actions include:

- Sales offers
- Retention offers
- Service messages
- Educational messages
- Well-being/nurture messages
- Collections messages
- Risk mitigation

When you look at long-term customer relationships, there are many moments where there are better options than trying to sell. The longer the relationship, the more diverse engagement opportunities there will be. And there will be times when selling is absolutely the wrong action to take. In the wake of COVID-19, customers faced situations they never dreamed they'd be dealing with. And many are still dealing with those hardships. Trying to sell to a customer who's struggling to make payments or just dealing with the emotional toll of a global pandemic would be careless. However, there are ways for businesses to continue to move forward while remaining sensitive to the needs of their customers. It requires businesses to get ahead of these issues instead of waiting for them to happen.



Proactively prevent problems

Getting customers quickly out of debt is beneficial, but it's far less costly for organizations if their customers don't incur debt in the first place. Relevant intervention before debt arises will save huge sums compared to efficient intervention after debt. Your customer base's resiliency to personal financial shocks will significantly impact the business' bottom line. The potential competitive advantage lies in actively increasing customer resilience through relevant, well-informed, and precisely timed engagement with those individuals.

The right support and resiliency approaches can:

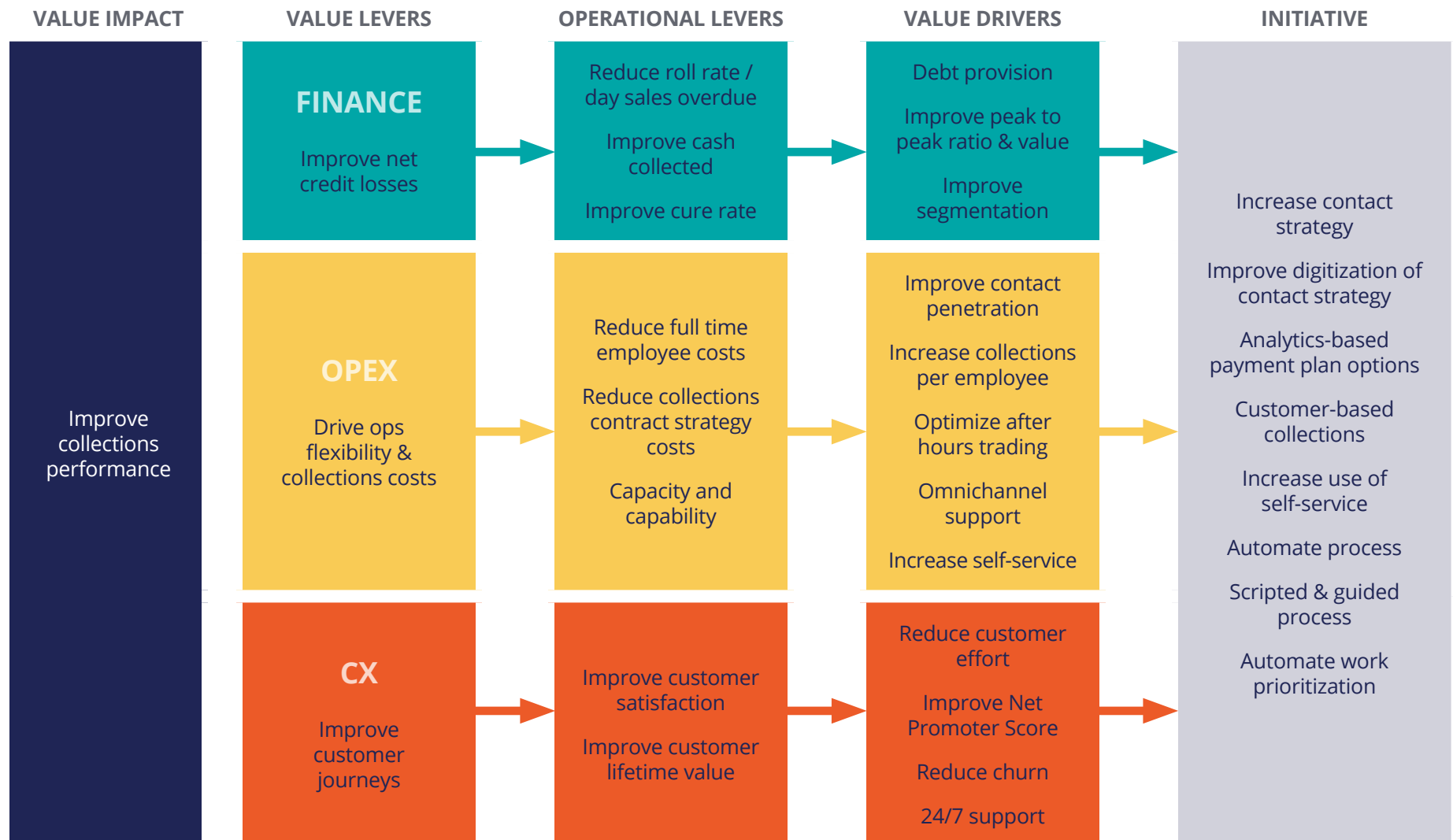
- Ensure customer action is taken promptly and when it is most needed
- Help customers manage their product and service mix as well as expenditures
- Provide education about support available from suppliers as well as government and philanthropic organizations
- Distribute resources to those who will benefit most
- Reduce the chance of customers falling into arrears
- Earn loyalty with a track record of high empathy engagement



Collections and the value levers

Three areas to consider for finance, operations, and customer experience

The following initiative impact levels within the overall collections value tree can be implemented to improve debt losses, reduce the cost of collections through better automated strategy and deployment, and create a better customer experience to reduce churn.



Spotlight:

How Commonwealth Bank of Australia built a resilient customer base

Brands that are empowering financial resilience within their customer base are already seeing results. Take Commonwealth Bank of Australia (CBA) as an example.

Despite the hardships posed by COVID-19, CBA has reported a 12.4% increase in profit for FY20 and has posted AU\$9.6 billion in statutory after-tax profit – all while focusing on positively impacting the financial well-being of its customers.

In the wake of Australia's national emergencies – COVID-19 and the deadly Australian bush fires – CBA knew it had to pivot. The bank redirected its Customer Engagement Engine, powered by Pega Customer Decision Hub™, to recommend next best actions that would help struggling customers and offer contextually appropriate, empathy-based messaging across its mobile app and website.

CBA used machine learning to identify which messages customers would benefit from the most. The primary goal was to connect customers with more than 270 forms of financial support available to them, including government grants, rebates, and payments. Customers were then matched to the appropriate support for their circumstances. In 2020, CBA connected its customers to over AU\$481 million – initiating over one million extra claims.

CBA used its decisioning capabilities to proactively reach out and help both individuals and businesses, including deferring payments on loans and mortgages, reducing rates and fees, and accessing cash through secured and unsecured lending. Instead of sitting back and allowing customers to fear interactions with the brand, CBA became a customer advocate, and a source of help and support that earned significant levels of customer loyalty.



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It pays to care about your customers

Brands who lean in, make an effort to explicitly understand what their customers need in the moment, and present relevant next best actions will always have the advantage over ones that don't. To do this well, organizations are continuously monitoring individual customer context and using real-time decisioning to constantly adapt – seamlessly moving from selling to serving to retaining, based on the situation. They're also using a centralized approach that provides the agility to roll out new programs in just hours or days instead of weeks or months – which is critical in an era where speed-to-market can make all the difference.

But this type of transformation doesn't happen overnight. Instead, it's an organizational evolution that happens journey-by-journey – integrating channels and experiences strategically to optimize ROI and reduce the overall risk to the business.

Taking an NBA approach benefits both the customer and the business. And having a financially resilient customer base is a win-win. Customer expectations aren't going to decline any time soon, or ever for that matter. The only way forward is for businesses to exceed those expectations and show that they value each of their customers. Building long-term customer relationships has never been more important and the stakes have never been higher. But the tools and tactics are there to help you rise above the competition and succeed – even in the face of monumental change.

Organizations that commit to a next-best-action approach commonly see results like:

- 3–6x increase in response rates
- 10–40-point increase in customer satisfaction/Net Promoter Score
- 10–50% reduction in churn rate
- 20–35% reduction in retention discounts
- 20–40% increase in revenue and profit
- \$100M+ increase in customer lifetime value
- 10:1 return on investment



About Pegasystems

Pega delivers innovative software that crushes business complexity. From maximizing customer lifetime value to streamlining service to boosting efficiency, we help the world's leading brands solve problems fast and transform for tomorrow. Pega clients make better decisions and get work done with real-time AI and intelligent automation. And, since 1983, we've built our scalable architecture and low-code platform to stay ahead of rapid change. Our solutions save people time, so our clients' employees and customers can get back to what matters most.

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