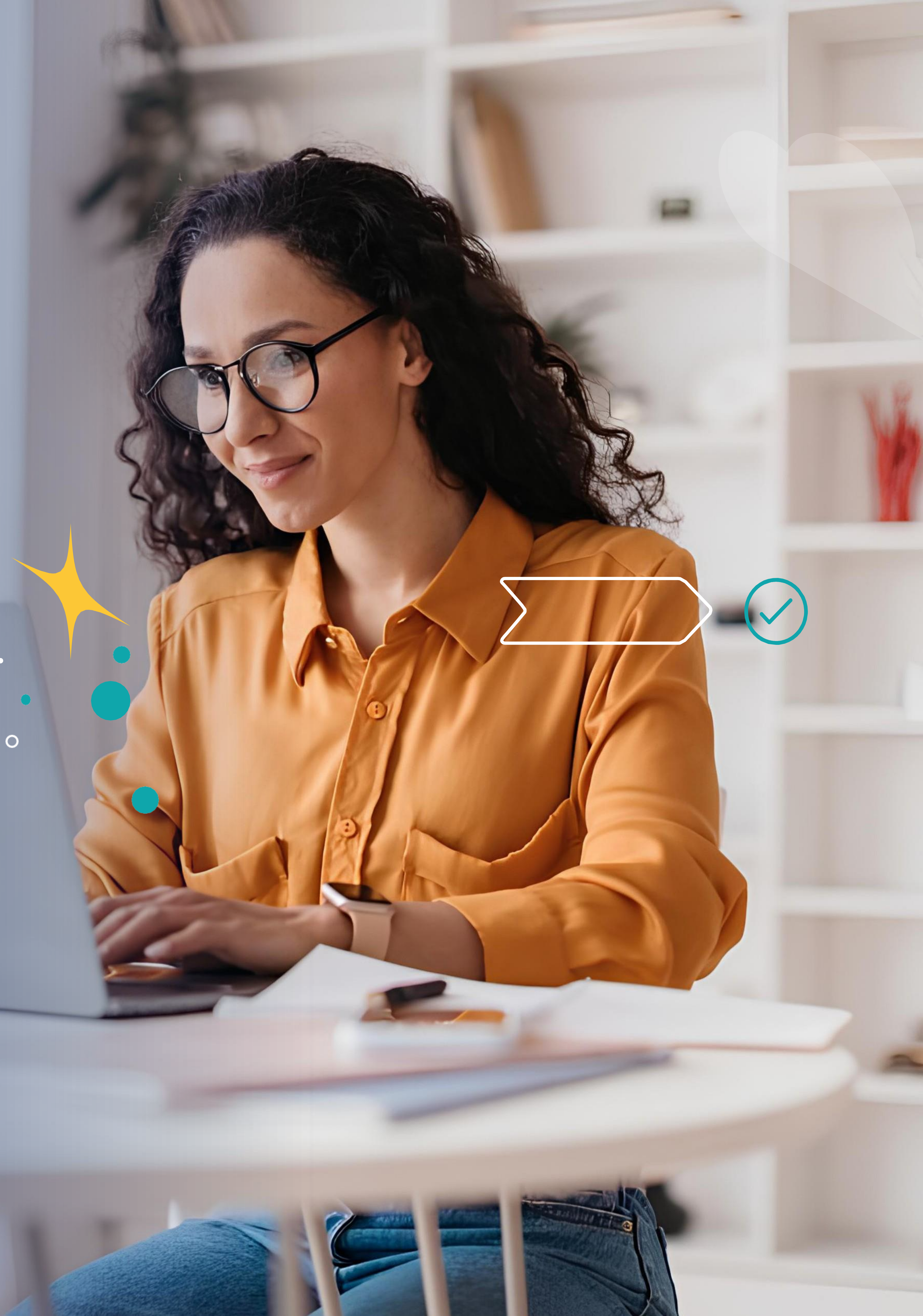
EBOOK

Next Best Action:

Driving Business Value Through Customer-Centric Engagement



Transforming marketing with next-best-action

The digital world is changing fast, and marketers are facing new hurdles with privacy regulations and the growing demand for personalized experiences. With artificial intelligence becoming a bigger part of marketing technology, we're seeing a shift towards real-time interactions and tailored customer engagement.

This doesn't mean we're abandoning traditional marketing methods like segmentation and campaigns. Instead, we're building on these tried-and-true techniques to create deeper, more meaningful connections with our customers.

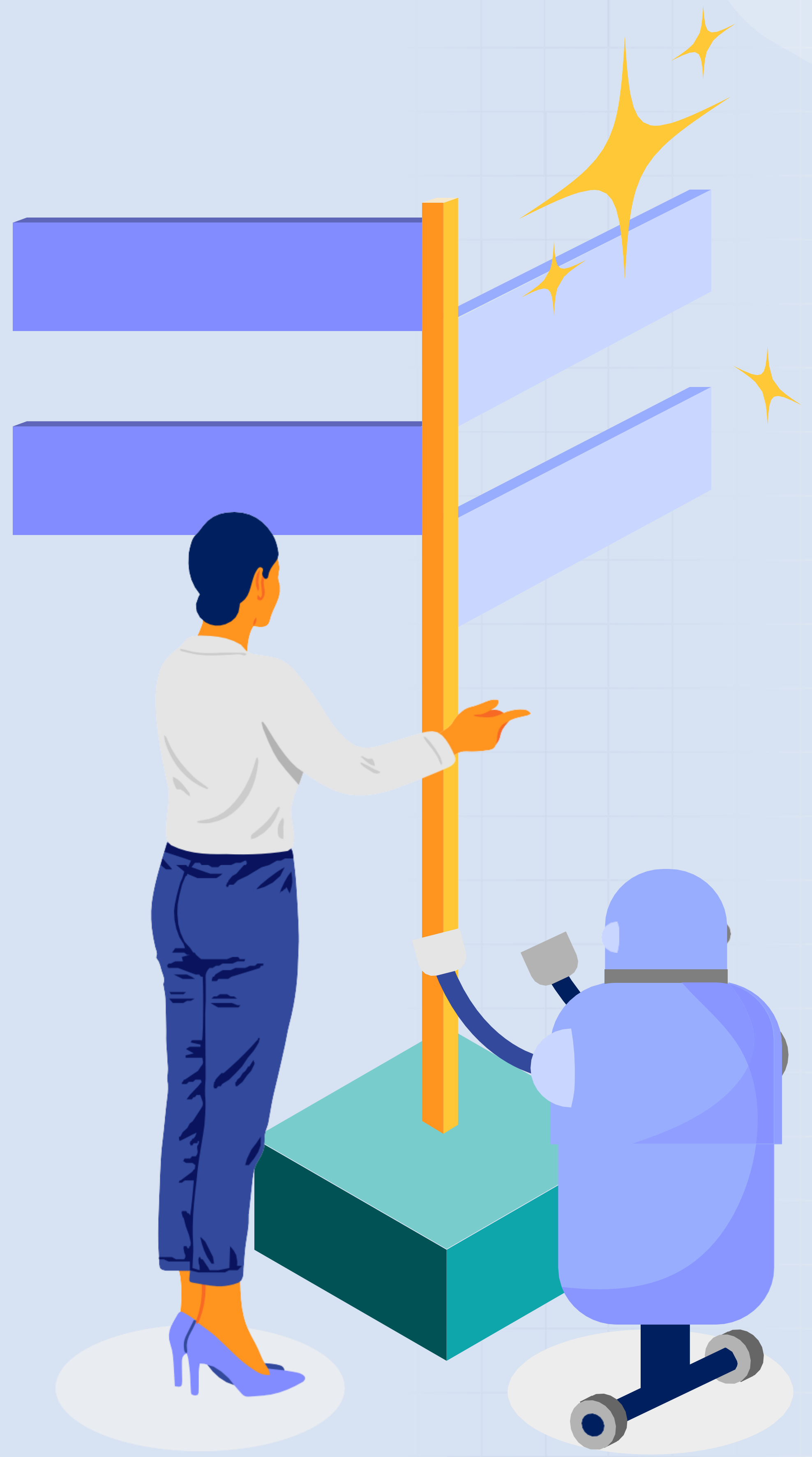
It's an exciting era, as marketers leverage new technologies to foster loyalty and add value in more meaningful ways. This essential evolution is prompting marketing and customer engagement professionals to rethink how they approach client engagement, build consumer trust, measure success, and prioritize sustainability. The goal is to ensure that every interaction truly counts.

Still striving for omni-channel

Omni-channel hyper-personalization has always been the marketer's goal. Truly relevant interactions, regardless of channel, to help prospects and customers achieve their goal, whether that's a purchase, or to solve a problem, or to be educated by the brand.

But we've struggled to achieve that goal by being limited by technologies that can't move as fast as our customers do. The advent of real time AI has changed that, and delivered indisputable benefits to both business and customers.

AI is enabling marketers to deliver programs that adapt to customer data signals and contextual insights almost instantly, giving them the ability to keep up with their customers in real-time as they navigate through their customer journeys. It's giving marketers the ability to scale personalized content and centralize data and compliance, making us more efficient and effective.



Staying relevant requires next best action

Traditional marketing has long relied on segmentation, which is relatively simple and often why people use it. It tries to identify the people who are the best targets for a campaign by filtering down a big list of customers/prospects into a smaller one, based on the criteria/attributes those people have in common, like what they typically buy, how much they make, where they shop, etc.

While this approach adds more relevance and precision than what preexisted it, by adding artificial intelligence and real-time processing to this foundation, we can improve upon the existing approach exponentially.

TRADITIONAL APPROACH	ALWAYS-ON NEXT BEST ACTION
Select the offer to push	Select the customer to engage
Define the audience with segments	Select their next best action using AI
Schedule outreach in outbound channels	Action is “always on,” across all channels
Optimize the individual campaign	Optimize the overall strategy
Campaign manually starts and ends	Offers activated/deactivated, automatically
Success determined by offer response	Success determined by ▲ customer value

Consumers move through their customer journeys at a speed, and across a number of devices and channels, previously unimagined. This is why it can be difficult to achieve desired results with static or pre-determined engagements that aren’t agile, adaptable, and always-on.

For example, your customer Sarah just visited your website, browsed a few products, but left without purchasing. The next day, she opens your mobile app. What's the best way to engage with her? A discount on the items she viewed? A helpful how-to guide? A loyalty program reminder? Or perhaps nothing at all?

The answer is: it should depend on what Sarah's context and data signals are in the moment.

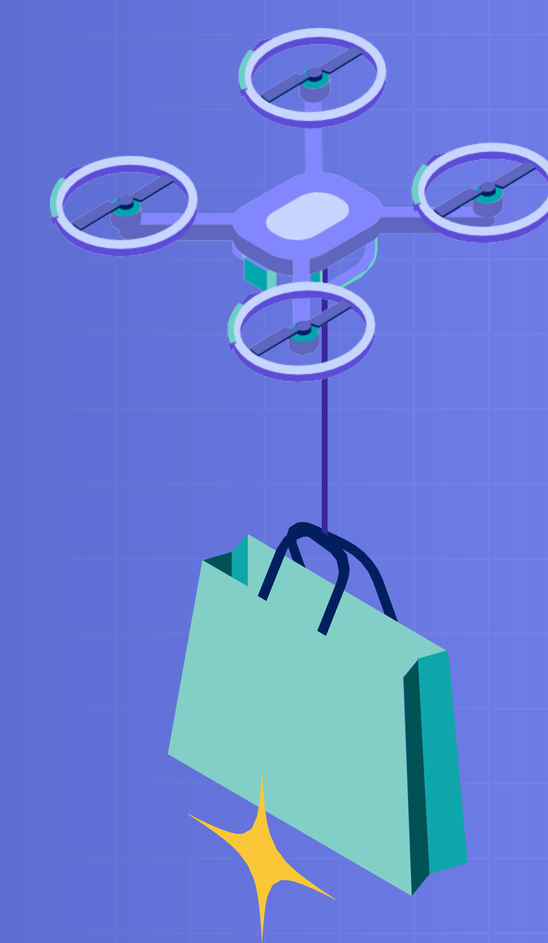
Always-on, one-to-one customer engagement that delivers **"next best actions" (NBA)** overcomes many of the challenges that are associated with traditional marketing approaches. Next-best-action approaches use analytics, data, and artificial intelligence to analyze a wide range of factors, including past interactions, transaction history, demographic information, and real-time behavior.

By doing so, it seeks to predict what action (e.g., a specific offer, message, or service intervention) will be most appealing or useful to the customer at that particular moment in their journey.

NEXT BEST ACTION

Next Best Action (NBA) is a customer engagement approach that utilizes a combination of artificial intelligence and real-time interaction data to create hyper-relevant customer experiences. By analyzing consumers unique needs, preferences, and context, brands can determine the most relevant and meaningful action to best engage customers and prospects across any channel at any time.

Next-best-action analytics has enabled AI to predict the best thing to say to a unique person, in a specific moment.



Over time, this type of customer centricity yields high customer lifetime values (CLV or LTV). Customer lifetime value is a metric that predicts the net profit your brand will realize over the entire lifespan of that specific customer relationship. It's a more accurate measure of the health of your business and the effectiveness of your full customer journey than some of the traditional metrics marketers use, like Click-Through-Rate and impressions.

Marketers must be able to connect purchases to marketing activities, and CLV measures all of it.

Next best action

One of the largest advantages of NBA is that it goes beyond just sales offers to consider all the potential conversations you could have with a customer, including:

Resilience actions
(if hardship is present)

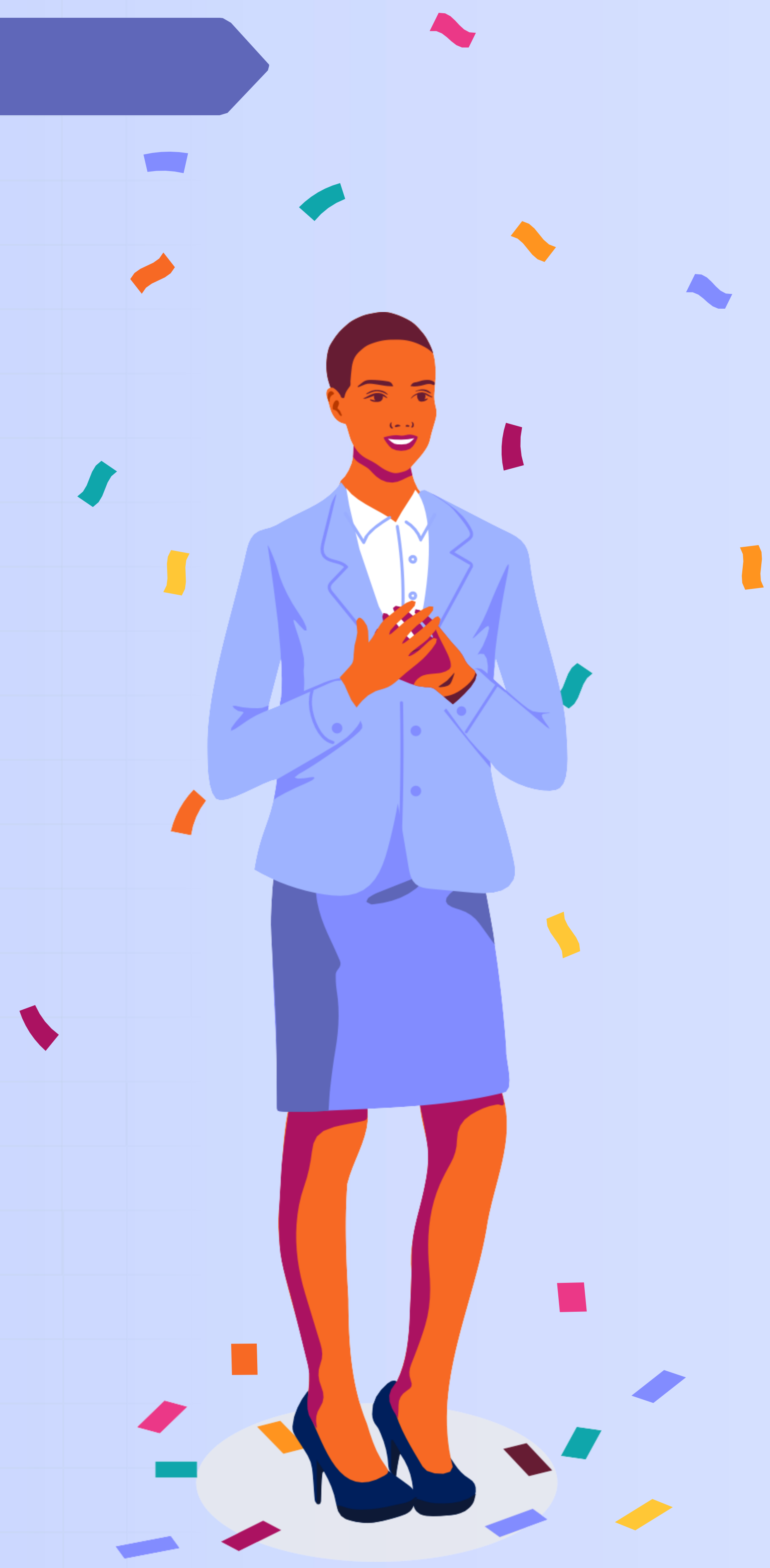
Service nudges
(if open service issue)

Retention offers
(if churn likely & CLV high)

Sales offers
(if offer relevant & suitable)

Nurture streams
(if engagement is low)

No action
(otherwise



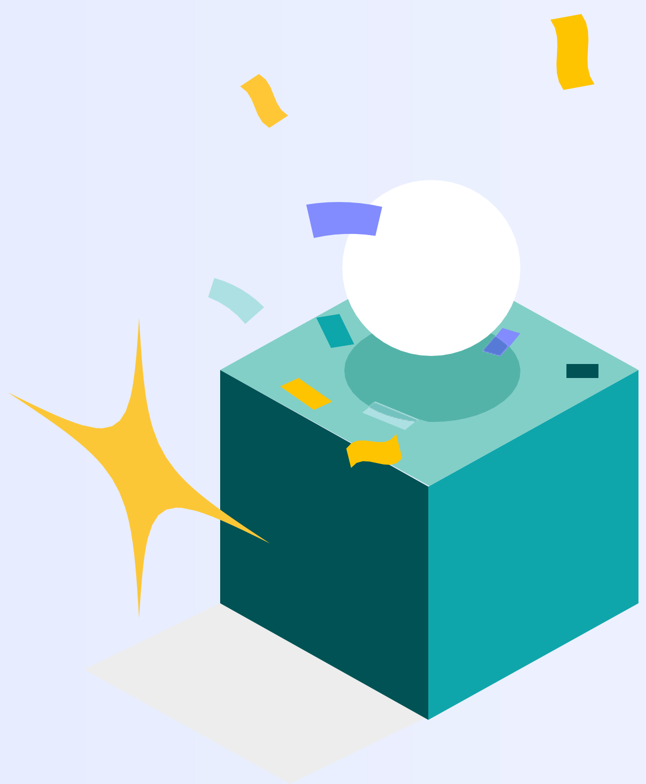
With NBA, you'll have an extensive, always-on library of actions, making it easier to select the most relevant action for each individual. Often, the best approach for a customer isn't selling but rather a non-sales action tailored to their immediate needs. For example, introducing a retention plan to a customer who's become likely to churn, pro-actively offering service, or recommending problem-solving tips when someone is struggling are all crucial, non-sales actions, that drive customer lifetime value. You may frequently want to negotiate a discount, attempt to collect a debt, or simply thank someone for being a five-year customer. In fact, in some cases your best option might be to do nothing – because there's too much risk tied up in that customer, and you'll be selling or trying to retain bad business. And you want customers to feel that interactions with your company are valuable and that you don't waste their time. Silence can be an undervalued customer treatment.

At its core, empathy in customer interactions means truly understanding individual circumstances and responding with genuine care. Next Best Action enables this deeper level of empathy by providing context-aware insights that help you recognize customer needs before they're explicitly stated. By analyzing behavioral patterns and historical interactions, NBA helps you anticipate challenges customers might be facing and respond with appropriate solutions or support.

This proactive approach demonstrates that you're not just listening, but truly understanding—creating emotional connections that transform transactional relationships into meaningful partnerships built on trust.

"This year our goal is to build out 500 new service actions across 70-80 different use cases in the action library...that doesn't mean that represents what actually gets presented to our customers because we believe if we give Customer Decision Hub the options then we'll see all of the objectives rise and all of the outcomes do well as long as it has all of the options from which to choose."

Lisa Kravitz, Sr.
Manager, AI Strategy, T-Mobile



How does next best action work?

When you're doing one-to-one marketing, instead of just taking a campaign brief and defining an audience to meet a September launch date, you're going to build a strategy that places the customer at the very center.

The question isn't: "Should Sarah be part of the campaign for this offer?", instead we ask: "What conversation should we have with Sarah right now?" To implement this customer-centric approach effectively, your action library serves as a comprehensive repository of all potential actions, organized by different business goals, enabling the most relevant customer interaction at all times, across all channels.

Customer Action Library

All your conversations in one place

Acquisition *Converting new customers*	Cross-Sell *Expanding current relationships*	Service *Supporting daily customer needs*	Retention *Keeping valuable customers profitably*	Nurture *Keeping the brand top of mind*	Resilience *Safeguarding their financial state*
Switch now for free	Save $300 when you upgrade	Get your free device inspection	Free unlimited talk or text	Everything you need to know about 5G	How to make pay arrangements
Earn 5% the first year	Go next level with the black card	Get real-time travel alerts	Automatic cash-back match	Free personal finance class available	You qualify for a payment holiday
Name your price	Bundle policies and save	New driver? Update your coverage	Download, drive and save	The top 10 auto insurance discounts	Cashing in your policy
Earn 100,000 miles today	Upgrade to 1st class now	Make your payments online	Earn 60,000 bonus miles	What to do *before* You fly	Booking a bereavement fair
$0 monthly medicare premiums	$0 preventative dental care	Are you covered? Check in seconds	Get your no-cost flu shot today	Finding a new primary care doctor	How to submit an appeal

Cross-industry examples

Business issues

Every company defines the next best action in its own way – but typically it's the action that will increase customer lifetime value (CLV) by the largest amount, using a formula that, in its simplest form, will look something like Priority = Propensity*Value*Lever.

When we execute this strategy, here's what it looks like:

STEP	WHAT HAPPENS	WHY IT MATTERS
1. Business Rules Application	Stakeholders create business rules to determine which actions are appropriate for each customer in their current situation, and the AI applies them to filter down the list of available actions.	This ensures customers only receive relevant offers and communications that make sense for them.
2. Propensity Calculation	Predictive models determine how likely each customer is to respond positively to different actions.	This helps prioritize actions that customers are most likely to accept, improving customer experience and response rates.
3. Value Assessment	Each potential action is evaluated for its business value if the customer accepts it.	This balances customer relevance with business objectives to ensure mutually beneficial outcomes.
4. Strategic Adjustment (Lever)	When business priorities require it, certain actions can be given additional weight in the decision process (i.e., you can manually override the AI if needed).	This provides flexibility to address specific business needs while still maintaining customer relevance.
5. Next-Best-Action Selection	The system combines all factors to determine the single best action to present to the customer.	This delivers the most appropriate message or offer at exactly the right moment for maximum impact.

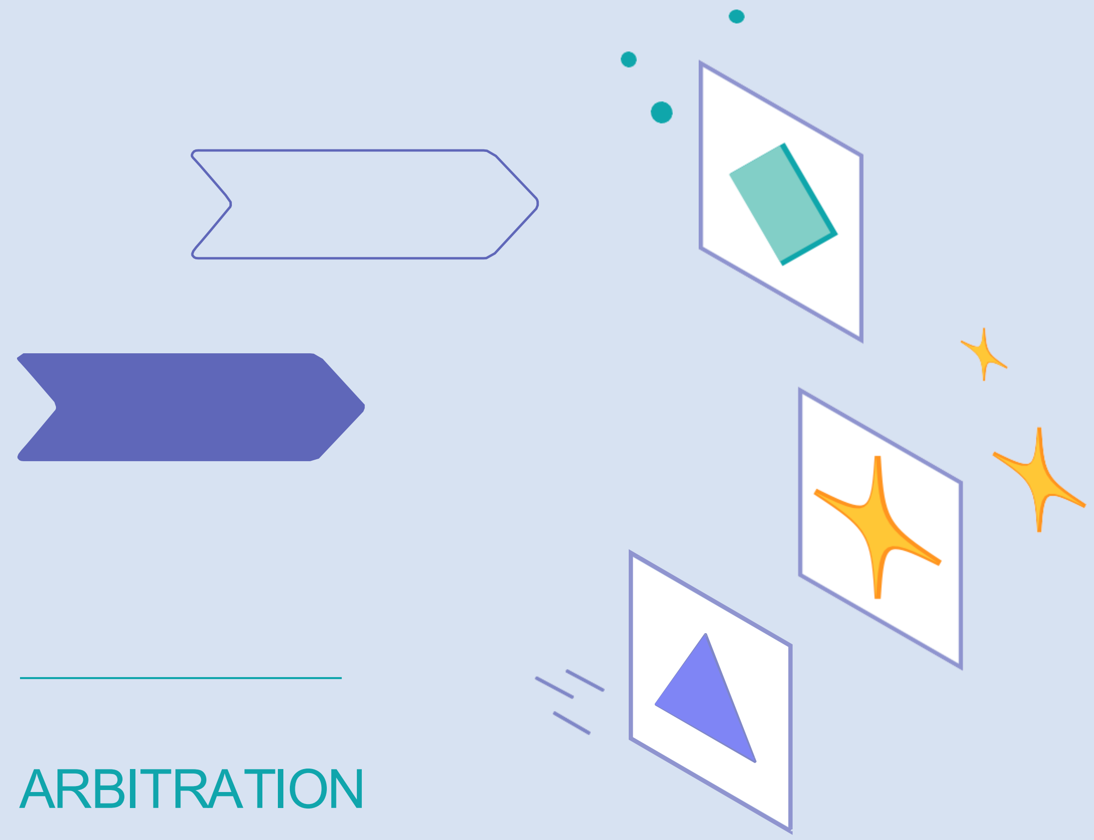
Arbitration

That next best action balances what's relevant for that specific customer (using the propensity calculation), with what is financially best for the business (using a projected value for that action), while allowing the brand to boost the priority of any offers it feels deserves a higher priority than the data might show (using the lever). Again, determining the formula for that balance is an important part of a company's strategy and brand.

The most effective approach is to trust the AI's data-driven recommendations, as they're based on comprehensive analysis of customer behavior patterns and preferences.

The AI excels at identifying subtle correlations and predicting customer responses that might not be immediately obvious to human observers.

However, the human element remains crucial in this partnership—your business expertise and strategic vision provide essential context that pure algorithms cannot capture.



ARBITRATION

The process that decides which action to show a customer

While levers offer the flexibility to adjust priorities when necessary, they're most effective when used sparingly and strategically.

Overriding AI recommendations too frequently can diminish relevance and potentially undermine the customer experience you're working to enhance. The ideal approach is a thoughtful collaboration: let the AI do what it does best—analyze vast amounts of data to identify customer preferences—while you apply your business acumen to guide the overall strategy and make adjustments only when truly warranted by broader business considerations.

Customer relevance

Propensity *Foundation of arbitration*	**Context lever** *Levering by situation*
Propensity scores are **re-calculated in real time** during every decision, for actions not filtered by rules	Context can be used to **lever a propensity score** up or down, depending on the customer situation
Example: Of the potential actions for Sara, 150 were filtered by rules, the remaining 50 are then re-scored to determine propensity	**Example:** When the customer is on a credit card web page, actions in the credit card group could be levered up 10% to ensure they're seen

Business priority

Action Value *Explicit or calculated*	**Business lever** *Levering by challenge*
Each action has a unique value that represents the **business's financial interests** if & when it is accepted	Actions in specific issues/ groups may be levered up, to **ensure they complete** effectively with other types
Example: The Samsung Galaxy offer may have a default action value of $599, while the iPhone has an action value of $878.	**Example:** Service actions add value through NPS lift but not revenue; they are often levered up to compete with sales and retention offers

Success Story | NatWest

NatWest set out to reimagine the customer experience, drive revenue growth, and reduce risk through digital transformation.

Recognizing the potential of AI to automate decision-making, the bank invested in Pega Customer Decision Hub™ to build a centralized decisioning engine that could deliver tailored experiences to customers across its multiple brands, channels, and segments. NatWest successfully streamlined its operations and scaled its efforts, moving away from tedious manual processes to automated, AI-driven decision-making.

It's a conversation. Next best action for us is the next conversation to have with the customer... and then [the] Pega Customer Decision Hub helps us decide on which conversation to resurface to which customer and which channel at the right time.

Fiona Kirk
Head Of Customer Decisioning, Natwest

Now, the company can offer every customer the right message, paired with the right treatment, delivered at the best time, in the preferred channel across web, mobile, in-person, chat, and email. NatWest's shift from product-centric to engagement-focused strategies led to a remarkable increase in customer service NBAs.

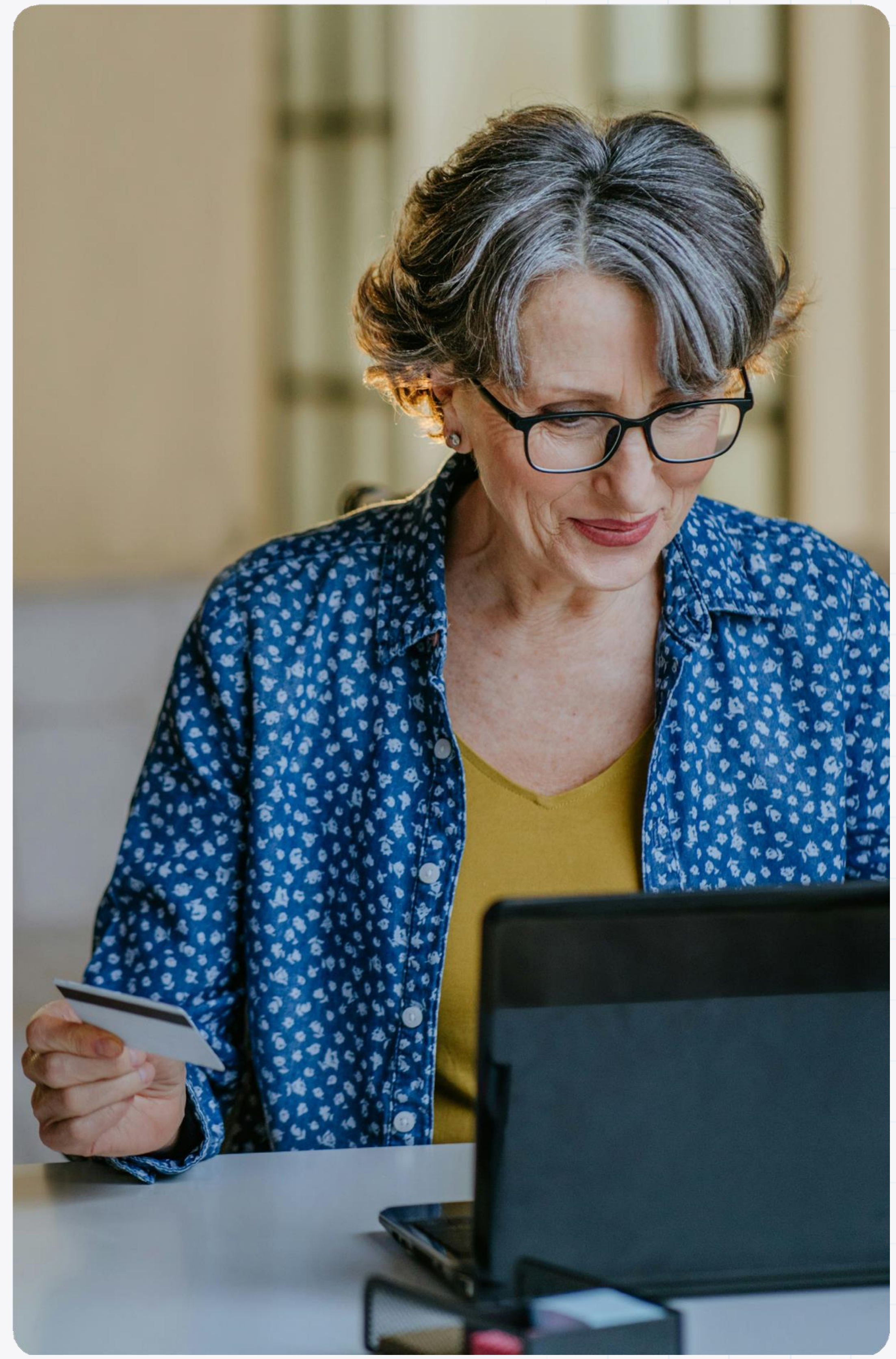
60% **of all sales prompted by Pega next best actions**

3.6B **interactions personalized per year**

33 **digital and physical channels connected**

3.5k **always-on next best conversations, 40% of which are now focused on engagement rather than sales (up from7%)**

1-2w **New actions launched in one to two weeks, down from six weeks**



Key takeaways and benefits from a one-to-one approach

Next Best Action is powered by Pega's Customer Decision Hub (CDH), the AI-driven brain behind all customer interactions. Overall, the NBA approach has tremendous benefits over a campaign/segment model, and significant benefits even over the sales-centric NBA (or next best offer) – because it allows the organization to prioritize actions designed to boost customer experience and satisfaction, rather than just marketing or sales objectives.

Customer Success Metrics from CDH Implementation	Impact
Return on Investment	442% return on investment[1]
Revenue	Bupa's personalized sales pathways generated an annualized incremental revenue of $5.2M[2]
Operational Efficiency	National Australia Bank (NAB) reduced their standard action development cycle from 4-5 weeks to just 1 week[3]
Net Promotor Score	Commonwealth Bank of Australia achieved a +12 lead in NPS over competitors through 50 million Next Best Action conversations[4]
Customer Retention	15% reduction in customer churn by Year 3[1]

Sources
1. The Total Economic Impact™ Of Pega Customer Decision Hub
2. Bupa: Transforming Healthcare with Pega
3. National Australia Bank Case Study
4. Commonwealth Bank of Australia: Exceeding Customer Expectations

But again, to make those benefits real, the following innovations need to happen within the organization – both technically and culturally:

- The organization must progress from one-to-many segmentation to a one-to-one customer engagement approach.
- The organization must migrate from channel or product-driven targeting to a single, centralized decision authority.
- The organization must reduce reliance on scheduled push campaigns, and advance to a post-campaign always-on model that engages customers during their "moments of need."

These three innovations are eminently possible today and early adopters have seen massive gains – demonstrating KPI lift across the board while their status-quo peers were losing ground in the same markets. Given the evolution away from traditional marketing toward better customer experiences, it's clear that we have to change how we think about customers, and be willing to adapt – to invest in an approach that will develop relationships, instead of eroding them.

Ready to transform your customer engagement strategy with Next Best Action through Pega's Customer Decision Hub?

For more detail on implementing an NBA program, read the full whitepaper, 'Transforming marketing with next best action decisions.' And for additional guidance, technical specifications, and case studies, download, 'The Total Economic Impact™ Of Pega Customer Decision Hub.' Discover how leading organizations have achieved remarkable results by putting AI-powered decisioning at the heart of their customer experience strategy.

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