

Come Together (Right Now) To Deliver The Next Best Experience

Vision: The Customer Analytics Playbook

by Brandon Purcell

April 3, 2019

Why Read This Report

We're living in the age of the customer, so it's understandable that many companies are striving — and claiming — to be customer obsessed. Yet many still fall short of creating superior customer experiences, even with sophisticated customer analytics in place, because of myopia and internal misalignment. The solution lies in a new customer insights paradigm: the next best experience (NBX). Customer insights (CI) pros need to reevaluate their current analytics practices and embrace the NBX model to become truly customer obsessed.

Key Takeaways

Today's Customer Analytics Practices Aren't Cutting It

Long gone are the days when you could simply rely on one-dimensional outputs from traditional customer analytics tools. To stay on top, you need to contextualize your customers' behavior and deliver a favorable experience in real time.

In A Sea Of Possibilities, Orchestrate The Best Experience

Next best experience takes your customer experience (CX) to the next level by ingesting signals across the entire customer journey and providing not just a recommendation but the right one.

So You've Hopped Onto The NBX Bandwagon — Now What?

The work doesn't stop there. Ensure alignment across your organization and implement the right AI tools to optimize your CX — and work toward achieving your business goals along the way.

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Customer Analytics Today Drives Inharmonious Experiences

The term “customer analytics” implies that the *customer* should be central to your firm’s analysis.¹ Unfortunately, despite increasing investment and sophistication in customer analytics overall, this is rarely the case.² Instead, CI pros find that the marketing team uses customer analytics to achieve marketing objectives, the customer care team uses customer analytics to achieve customer service objectives, the product team uses customer analytics to achieve its own objectives, and so on. Without aligning on customer-focused objectives, these siloed efforts result in a discordant customer experience. Most businesses find it difficult to coordinate their customer analytics efforts due to:

- › **Inside-out thinking.** Even in the age of the customer, most businesses tend to think in terms of business objectives rather than customer objectives. When the two objectives align, there usually isn’t a problem. But when businesses sacrifice customer objectives in favor of their own, the customer experience fails and customer loyalty deteriorates. For example, a marketer at a cable provider may detect a promising opportunity to upsell you on premium channels. However, if your cable service has been interrupted, the last thing you want to receive is a marketing campaign. You just want your darn cable fixed so you can watch *Game of Thrones*!
- › **Misaligned metrics.** In most companies, lines-of-business owners measure their success with domain-specific KPIs that don’t translate across the organization. On one hand, marketers gauge success in sales revenue, conversion rate, return on marketing investment, or channel-specific metrics.³ On the other hand, customer service leaders measure effectiveness in terms of average handle time, first contact resolution, Net Promoter Score (NPS), or other metrics specific to the contact center.⁴ This works well to optimize domain-specific functions internally, but it doesn’t lead to coherent journeys for your customers.
- › **One-dimensional models.** Most customer analytics techniques are single-minded in their focus and don’t consider the full breadth of a customer’s experience with your brand. The outputs of these techniques are typically used in a vacuum rather than in concert. For example, a churn model delivers a propensity to churn, which a company can use to prioritize retention efforts. The CX team may also have built a customer satisfaction model that doesn’t necessarily look at how dissatisfaction impacts churn. The result is a retention campaign that focuses on mending already-frayed customer relationships rather than addressing the root causes of churn earlier in the customer life cycle.

Past Efforts Were Marketing Focused And Shortsighted

The original “next best” trilogy — next best product, offer, and action — has been around for some time. Each purported to deliver on the promise of customer analytics: getting the right message or offer to the right customer at the right time. In practice, however, marketers almost always optimized them to achieve short-term marketing goals like sales, impressions, or clicks. But a sale today does

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not necessarily mean a loyal and profitable customer relationship tomorrow. The evolution of the “next best” paradigm reveals that marketers have improved their analytical sophistication while still missing the mark on impact on overall CX. The original “next best” trilogy falls short because:

- › **Next best product focused only on cross-sell opportunities.** As the first episode in the “next best” series, next best product focused on getting the right product to the right customer at the right time. From an analytical perspective, this was typically done through recommendation or cross-sell propensity models. In terms of growing average revenue per user (ARPU), it was and still is effective. But by merely focusing on sales, it missed out on the other facets of a customer’s relationship with a brand. In some cases, a ruthless emphasis on short-term sales can result in customers acquiring products they don’t need or even know they bought. Just ask Wells Fargo. Its reckoning over its fake accounts is a case in point of a company misguidedly prioritizing short-term internal goals over long-term customer-focused objectives.⁵
- › **Next best offer focused only on campaigns.** Since different offers resonate with different customers, the next iteration expanded from a product focus to an outbound offer focus. This approach was more effective than next best product because it treated customers more granularly. After all, not all customers who are likely to purchase a product are the same. Different audiences deserve different campaigns. Unfortunately, a narrow focus on outbound campaigns can lead to ad fatigue and disaffected customers. In 2018, 56% of surveyed US online adults complained that they “receive too many email offers and promotions,” and 59% reported that they “delete most emails without reading them.”⁶
- › **Next best action was optimized for the business, not the customer.** The final episode of the trilogy widened the aperture even further. While in theory next best action could have comprised the entire customer experience, in reality it is typically marketing focused. Many companies have invested in real-time interaction management (RTIM) to deliver the next best experience, yet they struggle to expand beyond marketing’s next best action.⁷ While 71% of client references in our RTIM Forrester Wave™ evaluation agreed or strongly agreed that integrating RTIM for CRM and other nonmarketing operational functions was a priority, 44% said that orchestrating across marketing, sales, and service was their biggest RTIM challenge.⁸

Deliver The Next Best Experience To Rock Your Customers’ Worlds

CI pros need a new model: the next best experience. NBX is the holy grail of customer analytics. Fully realized, it represents the ability to identify and deliver the right experience to the right customer in real time based on everything you know about the customer. Like its forebears, NBX makes a recommendation based on signals from customer data. Unlike them, however, it analyzes signals across the customer journey, independent of business domain. The recommendation can therefore manifest in many types of customer experiences: customer service, customer engagement, operational, financial, or sales and marketing (see Figure 1). NBX may recommend no action at all, if

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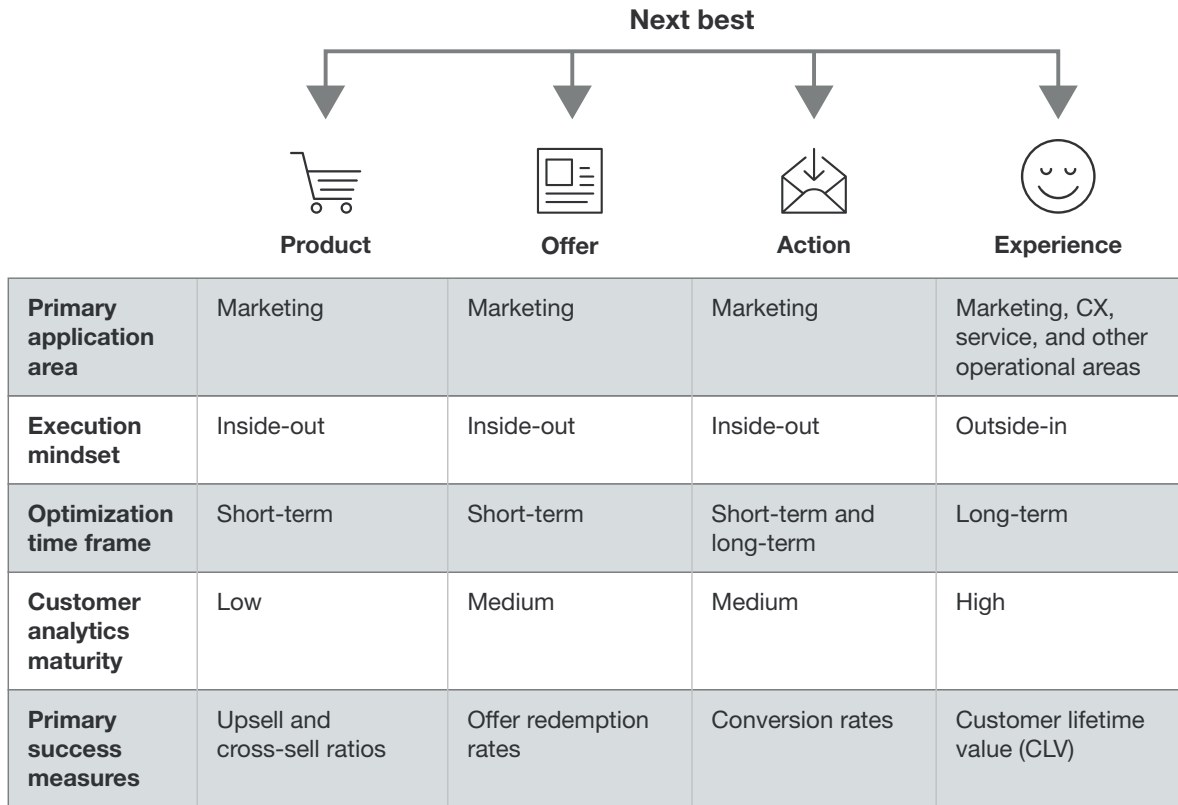
that's in the best interest of the long-term customer relationship. For most organizations, the next best experience is an aspirational goal, but you may be closer than you think. Chances are you are already putting many elements in place. The next best experience consists of:

- › **Journey analytics to quantify customer journeys.** The next best experience does not happen in a vacuum; it occurs in the context of a customer journey. Knowing what type of journey a customer is on, where the customer is in the journey, and the different paths forward is essential to identifying the next best experience. This is not qualitative work. It requires stitching together timestamped event data to quantify the number of customers on specific journeys, as well as the impact that different journeys have on your business' KPIs and the customer experience. For instance, realizing that customers are typically on parallel journeys, BMO set out to understand the impact of negative microjourneys (like resetting a password or billing disputes) on macrojourneys (like buying a home). It found that customers on a negative microjourney were four times less likely to complete the mortgage application process.⁹
- › **Intertwined customer analytics techniques.** At its core, the next best experience is an orchestration layer on top of all of the customer analytics models you have in place. Depending on your business needs and maturity, you may have lookalike models, churn models, behavioral segmentation, response propensity, and lifetime value models scoring customers on a regular basis. The output of these models provides the customer context, which is the foundation for the next best experience. For example, John Carter, senior VP of analytics and business insight at Charles Schwab, realizes that his internal stakeholders “can get totally overloaded in terms of all these different models and scores.” So his team and business partners work together to prioritize which alerts, data, and model scores they expose to sales reps to optimize business objectives while delivering a positive client experience.
- › **Context-rich experiences.** If the goal of next best experience is to get “the right experience to the right customer at the right time,” customer analytics itself fulfills only two-thirds of the equation: the right customer and right time. The right experience, on the other hand, deserves its own independent analytical stream. Thanks to deep learning's ability to analyze unstructured data like speech, images, video, and text, you can now classify the different elements of an experience — on both the company and customer side.¹⁰ Some vendors allow you to measure customer emotion as the experience unfolds. In call centers, Cogito uses speech analytics to identify emotion through tone of voice and then coaches agents in real time. Affectiva uses computer vision to detect emotion by analyzing customers' facial expressions.

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FIGURE 1 The Next Best Experience Is The Next Stage In An Analytical Evolution



The Next Best Experience Orchestrates And Arbitrates Actions

In some cases, the next best experience for a specific customer may be clear because there is only one path forward. In the cable example above, it’s obvious the provider should communicate to affected customers that it’s working on resolving the problem and when it thinks service will be restored. Unfortunately, identifying the next best experience usually isn’t this simple, because each point in a customer journey is also an intersection with multiple potential paths forward. And the word “best” is highly subjective. Does it mean best for the customer or best for the business? To help your brand arbitrate between the range of possible experiences, you must:

- › **Prioritize long-term metrics like lifetime value.** Brands need a common currency that unites lines of business and arbitrates between next-best-experience candidates. Many brands look to customer lifetime value as the “one metric to rule them all” because it measures the health and profitability of customer relationships over the long term.¹¹ Quantifying the impact that different experiences have on a customer’s lifetime value makes selecting the next best experience much easier — it’s the one that yields the highest lifetime value. In some cases, this may mean sacrificing

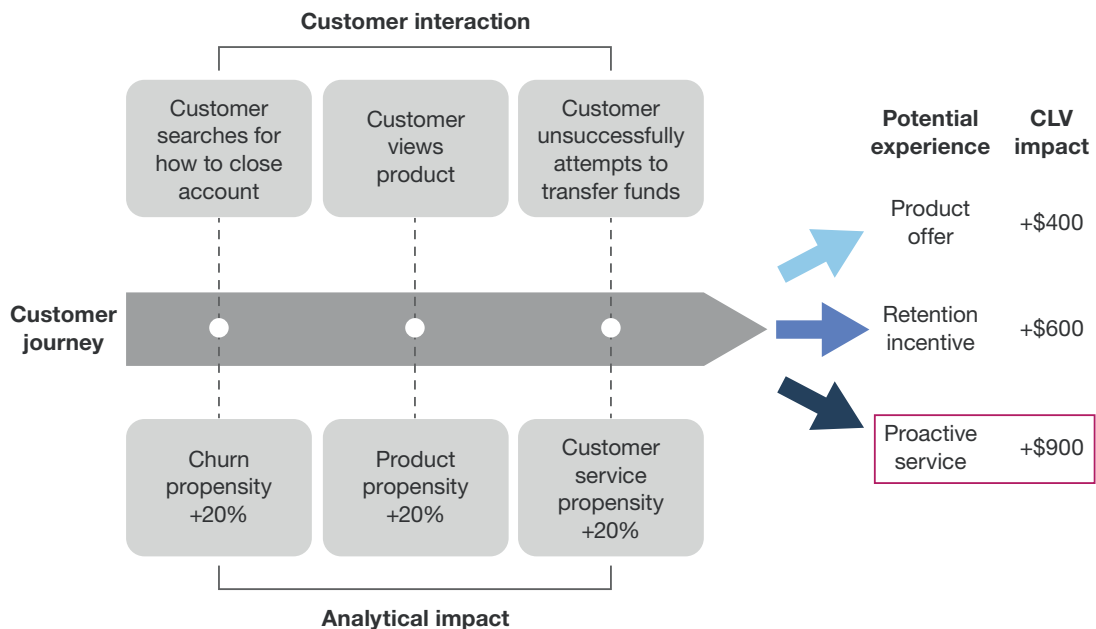
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short-term revenue for long-term value (see Figure 2). A large retailer in Canada does just this. It calculates how different interventions will affect a customer’s lifetime value and chooses the one with the greatest impact.

- › **Start with a rules-based approach.** Customer analytics models make predictions, not decisions. Next best experience therefore constitutes an orchestration layer that ingests the output of models and determines the right action when specific conditions are met. For example, the next best experience may take into account the journey a customer is on, her propensity scores, the segment she belongs to, and of course her lifetime value to decide what experience to furnish in that moment. Technically speaking, in a large enterprise an NBX engine may need to arbitrate between a RTIM solution (typically a marketing investment), a customer journey orchestration tool (a CX investment), and customer analytics tools as well.¹²
- › **Let multi-armed bandits steal your customers’ hearts.** The key to delivering the next best experience is to test, learn, optimize, and test some more. Only 51% of global customer analytics professionals say their company uses test and control methods regularly.¹³ To identify and deliver the next best experience on a consistent basis, brands will need to run multivariate tests on a massive scale. Multi-armed bandits, a rudimentary type of reinforcement learning, test multiple variations at once and identify a champion. In the context of next best experience, they will route the majority of customers to this champion experience while testing other iterations to discover a new potential champion.

FIGURE 2 Example Of A Retail Bank Using Customer Lifetime Value To Determine The Next Best Experience



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Conduct A Synchronized Symphony With Next Best Experience

The next best experience is an operating principle as much as it is an analytics technique. It requires different lines of business to collaborate and deliver coordinated experiences across the customer life cycle. This means resolving the cultural and organizational problems of misaligned incentives, territoriality, and perfectionism. To combat these issues and embrace next best experience as an ethos, brands must:

- › **Align on customer-focused metrics.** You are what you measure, so when different business units prioritize different metrics, they are set up to deliver fragmented experiences. In the absence of a North Star metric like customer lifetime value, it's important to align on customer-focused metrics like NPS, customer satisfaction, or customer retention. Elevating these customer-focused metrics won't just help with cross-functional coordination, it may also challenge commonly held internal beliefs. Customer journey analytics firm Pointillist worked with a large telco provider to help it understand the impact of a self-service appointment system on CX. Using Pointillist, the telco found that the new experience led to a 5-point increase in NPS but also a 25% increase in call volume! Internally, the telco had been incentivized to reduce call volume by any means necessary; now it knows that an increase in call volume is not necessarily a bad thing.
- › **Assign cross-functional teams to manage journeys.** The next best experience exists in the context of a customer journey. Unfortunately, in most businesses, marketers focus on the initial stages of the customer life cycle and CX pros focus on the later stages. In reality, journeys often collide, exist in parallel, or are interdependent. To avoid "journey bias," brands must assign a cross-functional team consisting of a business sponsor, a journey owner, and design and delivery partners to optimize a specific journey. Lloyds Banking Group did just this. In 2016, it had 600 team members working across six journey labs to optimize different journeys. The teams continuously measured the success of each journey using customer value metrics to determine whether the journey improvements delivered the intended customer, employee, and financial value.¹⁴
- › **Accept that the only thing you have to fear is fear of failure.** The old adage "Don't let perfect be the enemy of good" should be the guiding mantra for your next-best-experience practice. Although the goal is to optimize each interaction with customers, there will necessarily be missteps along the way. These suboptimal experiences are almost as important as the experiences that hit the mark, because they enable the type of continuous learning necessary for true optimization. For example, customer intelligence management vendor AllSight (now an Informatica company) worked with a top insurer to understand what offers were unsuccessful and why. Analyzing both digital and offline data, AllSight found that it was much more efficacious to sell marine or fine art insurance to a customer first and then cross-sell auto or home insurance within the next 90 days, rather than vice versa. In customer analytics, as in life, timing is everything.

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What It Means

The Next Best Experience Will Remix Classic Enterprise Hits

Since the next best experience is an operational model as much as it is a customer analytics technique, its impact will be both strategic and tactical. Organizationally, the next best experience will force brands to take the sledgehammer of customer centricity to traditional roles. It will also clarify the delicate balance between privacy and convenience. Technically speaking, it will help usher in a fledgling type of machine learning that is particularly suited for optimization. With the widespread adoption of next best experience, we expect the band you're in to play some different tunes:

- › **It's the end of the org as we know it (and I feel fine).** Although it will take several years, the next best experience will slowly erode the traditional roles of marketing and CX.¹⁵ As companies unify their customer databases and adopt journey analytics, marketers will no longer be able to treat every customer as a marketing opportunity while CX treats those same customers as service opportunities.¹⁶ There are bound to be turf wars over who really owns the customer. In some companies marketing may win; in others CX may emerge victorious; and in others the two may join in a more perfect-ish union (the inevitable distrust and animosity hopefully diminishing with time).
- › **Every step you take, we'll be watching you.** Delivering the next best experience requires a lot of data about customers, tightening the rope in the eternal tug of war between customer privacy and convenience. To date, this war typically ends in a value armistice — customers will provide their data in return for some sort of value. This of course raises the question, how do we quantify the value businesses deliver to customers? Fortunately, customers tell us every day what they value with their wallets and their time; unfortunately, no formula exists yet to quantify this. Adoption of the next best experience will bring about a new metric, customer lifetime value's empathic cousin, that calculates the value delivered to customers through products, services, and experiences.
- › **To everything, learn, learn, learn.** Reinforcement learning, a type of machine learning that learns the optimal path to take to maximize rewards through trial and error, is a prime candidate for the orchestration and optimization of the next best experience; it will soon eclipse deep learning as the most-hyped technique in machine learning. Unlike classic machine learning, reinforcement learning learns through experience, so its internal logic may change over time. To date, reinforcement learning's success has been hampered because it requires high data volumes and velocities to learn. However, Google's recent success training AlphaGo Zero by playing matches against itself and AWS' announcement of Amazon SageMaker RL suggest a bright future for reinforcement learning.¹⁷ CI pros should acquaint themselves with this technique, as it promises to bring about the next best iteration of next best experience.

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We would like to thank the individuals from the following companies who generously gave their time during the research for this report.

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Intent HQ

Revel

Kitewheel

Squirro

Lemnisk

TTEC

Pointillist

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Endnotes

¹ Customer analytics allows firms to analyze customer data to optimize customer decisions and use the analytical insight to design customer-focused programs and initiatives that drive acquisition, retention, cross-sell/upsell, loyalty, personalization, and contextual marketing. See the Forrester report "[TechRadar™: Customer Analytics Methods, Q2 2016.](#)"

² See the Forrester report "[The State Of Customer Analytics 2018.](#)"

³ See the Forrester report "[Link Insights To Action With A Measurement-Driven Organization.](#)"

⁴ See the Forrester report "[Implement Effective Customer Service Metrics.](#)"

Net Promoter and NPS are registered service marks, and Net Promoter Score is a service mark, of Bain & Company, Inc., Satmetrix Systems, Inc., and Fred Reichheld.

⁵ Source: Matt Egan, "Wells Fargo uncovers up to 1.4 million more fake accounts," CNN, August 31, 2017 (<https://money.cnn.com/2017/08/31/investing/wells-fargo-fake-accounts/index.html>).

⁶ Source: Forrester Analytics Consumer Technographics® North American Online Benchmark Survey (Part 2), 2018.

⁷ See the Forrester report "[Now Tech: Real-Time Interaction Management, Q1 2019.](#)"

⁸ Source: Forrester's Q4 2018 Real-Time Interaction Management Forrester Wave™ Customer Reference Online Survey.

⁹ See the Forrester report "[Bring Brand To Life With Customer Journeys.](#)"

¹⁰ See the Forrester report "[Content Intelligence: Algorithms Assign Meaning And Value To Content.](#)"

¹¹ More than half (52%) of survey respondents report that their companies are currently calculating customer lifetime value. Source: Forrester/Burtch Works Q3 2018 Global State Of Customer Analytics Online Survey.

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¹² See the Forrester report "[The Forrester Wave™: Real-Time Interaction Management, Q1 2019](#)" and see the Forrester report "[The Forrester Wave™: Journey Orchestration Platforms, Q4 2018](#)."

¹³ Source: Forrester/Burtch Works Q3 2018 Global State Of Customer Analytics Online Survey.

¹⁴ See the Forrester report "[The Customer-Journey-Centric Firm](#)."

¹⁵ See the Forrester report "[Predictions 2019: B2C Marketing](#)."

¹⁶ See the Forrester report "[Ignite Customer-Centric Thinking Companywide](#)."

¹⁷ Source: Julien Simon, "Amazon SageMaker RL – Managed Reinforcement Learning with Amazon SageMaker," AWS News Blog, November 28, 2017 (<https://aws.amazon.com/blogs/aws/amazon-sagemaker-rl-managed-reinforcement-learning-with-amazon-sagemaker/>).

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