CUSTOMER SAVABILITY

Net customers saved by campaign = customers saved minus customers triggered to leave

TRIGGERING CUSTOMER CHURN

Customer Service Rep: Hi, I'm calling from North-South Mobile. As one of our most valuable customers, we'd like to offer you a free handset upgrade if you will just extend your contract with us.

Customer: You mean I'm out of contract? That's great, can I cancel right now?

The fact that a customer is high value or at high risk of defection does not mean that they are likely to be savable. In fact, many retention initiatives trigger the very churn they are trying to avoid among some customers.

Most retention activity doesn't change the churn behaviour of the majority customers: those who would have stayed stay, and those who would have left leave anyway. (We call customers in this group "immovables".)

The interesting customers are the persuadables—those who would have churned but are persuaded to stay by the operator's retention activity—and the sleeping dogs—people who would in fact have stayed, but are triggered to leave by the intervention.

Successful campaigns save more customers than they drive away

Sophisticated operators measure the net effect of their retention activity by using rigorous control groups and can therefore work out a meaningful return on investment (ROI). But even if a campaign saves customers overall (and perhaps delivers a positive ROI), that doesn't mean it isn't triggering churn among some segments: it just means it's doing more good than harm.

The problem is that conventional, state-of-the-art targeting models are fundamentally designed to select customers on the basis of churn risk rather than savability. Typically, retention activity is counterproductive for about 30% of customers targeted this way: by treating them, the operator is actually spending money to drive away customers.

Uplift models target on savability, not churn risk

Uplift models are not just mathematically different from conventional response models: by modelling both treated and control customers, they predict how likely a given retention strategy is to work for each customer. This allows operators to concentrate activity where it is most effective—on the persuadable segment rather than immovables and sleeping dogs. This reduces costs and increases net saves, allowing higher ROI (or, in some cases, positive ROI where previously value was destroyed by counterproductive activity).

Uplift modelling is most effective for large consumer bases with relatively high churn rates, in operators with a willingness to use control groups to measure and optimize retention performance.

Stochastic Solutions can help operators measure and assess the effectiveness of current retention activity, build uplift models and perform head-to-head tests of uplift modelling against the existing approach to drive down costs and increase retention effectiveness. Get in touch today.

Stochastic Solutions Limited. +44 7713 787 602. StochasticSolutions.com. info@StochasticSolutions.com
Company number SC329851. Registered office: 5 Atholl Crescent Edinburgh EH3 8EJ