

Churn Management

Business Challenge

Churn management in card industry has two parts; One, where customer decides to exit the relationship, which is called **customer attrition**. Two, where customer reduces the balance over time, which is called **value migration**. Both types of attrition pose a significant challenge to the business since the trigger for both is customer finding greater value in a competition product. Therefore, the business challenge is to design an appropriate offer which reduces the customer's likelihood of attrition.

Approach

Customer attrition

First step is to consolidate retention database for previous six months, which contains retention offer given to the customer and the final result on whether customer was saved or not. Customers are tagged off on the basis of save or cancellation. An array is created to map every customer's transaction history of 12 months prior to the month of attrition and the static demographic profile.

A response model is built which predicts the likelihood of a customer being saved post the offer being given. An offer matrix is designed which gives the discount or an offer that the customer would be given basis the last 12 months profitability of the customer. This is overlaid on the response scorecard to decide customer level offers.

Value migration

First step is to define what percentage drop would be termed as value migration and over what time period the value migration would be measured. For e.g statistical models can identify that more than 50% of the drop in balance in between two continuous time periods of 6 months (pre) and 3 months (post) should be termed as value migration.

Offers are designed to build back the balances of the customers who have migrated their balance. This can become a successful program which not only increases the revenue by increasing customer balances but also delights the customer.

Benefits

Customer response attrition model can help the business in increasing the save rate by 10% and NPV of saves by 14%. Value migration can help business in generating sales value of 20% of its asset size.