



DATA
INSIGHT

DI GUIDE

How to retain customers through data-driven, always-on marketing





IN THIS GUIDE:

- Why data and marketing go hand in hand
- Working smarter
- Getting your customer retention programme up and running
- The Di steps to customer retention
- Why it's essential in every marketer's toolkit



IF YOU HAVE A CONVERSATION ABOUT CUSTOMER RETENTION, AT SOME POINT YOU'RE PROBABLY ALSO GOING TO TALK ABOUT CUSTOMER ATTRITION, OR AS IT'S BETTER KNOWN FOR SOME, CHURN.

Churn is one of those terms businesses dislike because we go out of our way to avoid it, and yet all experience it. Broadly speaking, churn is when a customer ceases to be a customer. It can directly impact profits and impede growth, particularly for businesses with recurring revenue or subscription-based models, although it is something every business should keep an eye on because it can provide insight into opportunities to improve the customer experience.

There are always reasons why customers leave. It could be price-driven, it could be a poor experience, it could be lack of product availability, or even financial hardship caused by a global pandemic. Whatever it is that compels a customer to leave, there will be data that can not only provide an insight as to why, but also what steps to take to avoid further customers leaving. And that's why the belief of us here at Data Insight is that customer retention is something you can absolutely predict, influence and manage in an automated, ongoing manner.

DATA AND MARKETING GO HAND IN HAND

"Every contact we have with a customer influences whether or not they'll come back" – Kevin Stirtz

Every contact we have with a customer is also a data point. This data can be utilised to understand and predict customer behaviour so that we can instigate and adjust marketing activities to influence these behaviours. It's marketing gold.

To get a little technical for a moment, the way to influence and increase customer retention is through churn modelling (we're talking algorithms and Artificial Intelligence here). This is a technique used to understand the behaviours, attributes and triggers that cause customers to churn – using past customer behaviour to predict future events.

It is important to understand however that not all churn models are built equally and there are varying degrees of information you can receive. Typical churn models consider how similar current customers look to those who have previously churned across a set of factors. The model will provide a score or churn rating to identify which customers are at risk, for example: low, medium or high.

While it is useful to find similarities with customers who have previously churned, a simple low/medium/high rating does not explain the reason why a customer may be likely to churn and therefore provides little clarity for stakeholders on the appropriate actions to take.

Savvy organisations are using machine learning to analyse all the data they hold on customers to identify who is likely to churn as well as the contributing factors. However, this still does not necessarily make it clear why a customer is deemed likely to churn.

At Data Insight, we complement our churn models with a dynamic segmentation approach for understanding the distinct reasons why customers look likely to leave. These reasons provide a clear view of the appropriate action required to retain each likely churning.

WORKING SMARTER

The ability to understand and predict the risk of customers leaving is a huge opportunity for businesses because it can be used to inform tactical marketing activity that can prevent this from occurring.

Churn models can (and should) be integrated into a program of 'always on' marketing activity that is activated in real time based on your customer data.

Here's an example:

The churn model identifies a set of customers who have recently received a much higher monthly bill than normal. This triggers an event in the organisation's marketing automation platform for the call centre to reach out to the group of customers to front foot any disgruntled conversations and take positive action that leaves the customer feeling satisfied. It enables proactive customer service that minimises the risk of the customer leaving by showing them they are visible and valued.

This level of highly targeted, always on marketing protects any investment made to acquire the customer and provides opportunity to engage more deeply with existing customers who typically represent the lowest hanging fruit for growth. They need to be protected and nurtured wherever possible.

GETTING YOUR CUSTOMER RETENTION PROGRAMME UP AND RUNNING

Of course, being a data and analytics company, we recommend you engage experts like us to help set up your always on customer retention programme.

While this type of activity can be viewed as a quick win, it can be complex to set up.

There's also a couple of things you should do internally to help the process:

DEFINE

Like most things, the definition of churn is probably not quite so cut and dry as 'customers who cease to be customers'. It's important to ascertain what churn means for your business, for example: churn could include when a customer moves to a competitor but keeps their account open with you and simply becomes less active, when a customer moves from a high value product to a low value product or reduces down to one product from multiple, and if there are any normal seasonal fluctuations that need to be removed from the mix. Whatever churn means for you, these parameters should be identified at the beginning of the process.

STRATEGISE

A customer retention programme is only as strong as the actions you take. The churn model itself will provide the insights you need, but they should be informed by a wider marketing strategy that identifies the intended outcomes. Machine learning churn models have the ability to be incredibly broad and deep, and as discussed, they should be integrated with marketing automation software to support always on marketing activities. Knowing what you want to achieve with the outputs is an important step before the model is developed.

ENGAGE THE EXPERTS

Once you know what you want to analyse and what you're going to do with the insights, bring in the data scientists to build your customer retention model.

SUCCESS STORY

US TELCO GIANT SPRINT REDUCES CHURN BY 10% IN 3 MONTHS

In 2014, US telco, Sprint had the highest churn rate and the lowest Net Promoter Score (NPS) in its category.

By introducing churn modelling and leveraging predictive analytics and machine learning, within 90 days Sprint had achieved the following:

- 10% reduction in churn
- 40% increase in NPS
- 8x increase in customer upgrades

THE DI APPROACH

The approach we take at Data Insight to churn modelling can be distilled into five simple steps:

01. UNDERSTAND THE PROBLEM

Gather as much information as possible from your business about why customers leave. Brainstorm all the potential data points and sources that could be reasons for churn or indicators of a likelihood to churn, for example a drop in spend isn't a reason for churn but could indicate likelihood to churn.

02. UNDERSTAND AND BUILD THE DATA

Make sure we have data for our customer base that adequately captures as much as possible about those customers, including factors relevant to known reasons for leaving. This is a critical step in the process as we ensure we have as many data points from as many areas across the business as possible. The more data, the better quality the model outputs.

03. BUILD THE MODEL

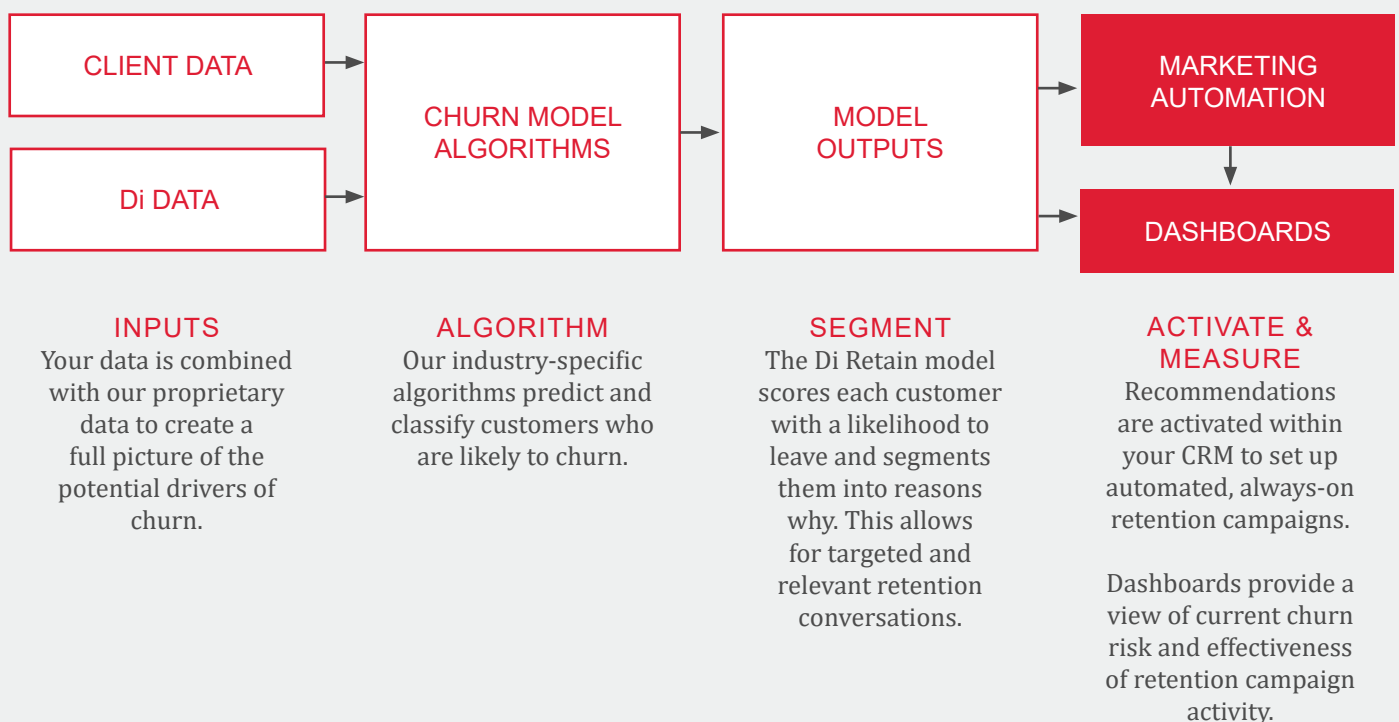
Use machine learning to predict which customers look likely to leave based on past churners. This includes testing multiple types of models to ascertain which is the most effective.

04. IDENTIFY WHY CUSTOMERS CHURN

Through our own investigations into previous customer churn, we can use a segmentation-based lookalike analysis to understand which likely churn reason is most applicable to each customer.

05. TAKE ACTION

Armed with a robust understanding of why customers are at risk of leaving, created targeted, always on campaigns to retain at-risk customers.



A ESSENTIAL COMPONENT OF YOUR MARKETING TOOLKIT

Acquiring new customers is just one facet of marketing. Establishing strong customer connections, encouraging brand loyalty and increasing the profitability of the existing customer base are also key marketing drivers, and these are all things that can be supported by data-driven customer retention activities.

The key benefit is understanding the likelihood of a customer leaving. Along with the customer's potential lifetime value, an amount can be attributed to the risk of this customer leaving, which provides an indication (and justification) of the retention spend against the value of that risk. In other words, it helps optimise the marketing budget by ensuring the money spent on retaining the customer is commensurate with the potential value of that customer.

Furthermore, pinpointing and understanding the stages in the customer journey that have friction or are causing customer attrition is a massive opportunity to make improvements that can have a direct and positive impact on your bottom line. Not only by solving problems that could otherwise result in loss of customers, but also in identifying areas that are not necessarily broken but could indeed be enhanced.

Whichever way you want to use it, a data-driven always-on marketing programme is an absolute asset to any marketer's toolkit.

SUCCESS STORY

US SAAS START UP REDUCES CHURN BY 71% WITH 'RED FLAG METRICS'

US SaaS start up Groove had a 4.5% churn rate, which meant the company's growth was unsustainable. With little insight into why customers were leaving, the business created a churn model to identify what it termed 'Red Flag Metrics'.

Utilising a range of marketing techniques across the customer lifecycle that were informed by the data produced by the churn model, the Groove marketing team was able to successfully reduce the churn rate by 71%.



SIMPLIFYING THE COMPLICATED

The team at DI is here to empower you to achieve more with data.

Whether you're right at the beginning of your journey or wanting to accelerate your use of data and analytics to create rapid value across every aspect of your business, Data Insight can help.

We create magic with data and our mantra is to help businesses achieve great outcomes. We solve data problems and create valuable insights to support your decisions. And while we use a number of different methods, our focus is always to simplify the complicated.

Bottom line? We'll leave you in a better space.

Let's talk data

If you'd like to hear more about how we can help you get better value from your data, reach out to our team today.

datainsight.co.nz