



CHURNING DATA TO REDUCE CUSTOMER CHURN

Abstract

Many businesses today do not truly understand the reasons why their customers are dissatisfied, and thus lack effectiveness in their retention strategies. This case study details how leveraging the power of analytics helped a leading UK supplier of milk and dairy products to better understand its customers and prevent churn, resulting into avoidance of ~£6.6 Mn potential revenue loss annually.



The client

Infosys BPM's client is a UK-based supplier of over 200 products including milk, dairy, bakery, drinks, and other food products. The fast-growing company delivers its supplies to the doorsteps of customers and has a significant reach around the country.

A problem of disappearing customers

The client's online business that focused on deliveries to residences was facing high churn, losing over 2000 customers each month. This alarmed the organization as the number of customers lost each month was significantly higher than that of new customer acquisitions.

While the company had a heuristics-based model to analyze customer behavior, it proved inadequate for providing deep predictive insights into the reasons behind the customer churn. Without these

much-needed insights, the business was handicapped and not able to proactively manage and reduce the churn.

Over time, the company recognized its need for an advanced predictive modelling framework that would give the insights it needed into customer behavior and enable its marketing efforts to become more effective at reducing churn. Towards this end, the organization brought Infosys BPM on board with its proven analytics expertise to advise and help them build

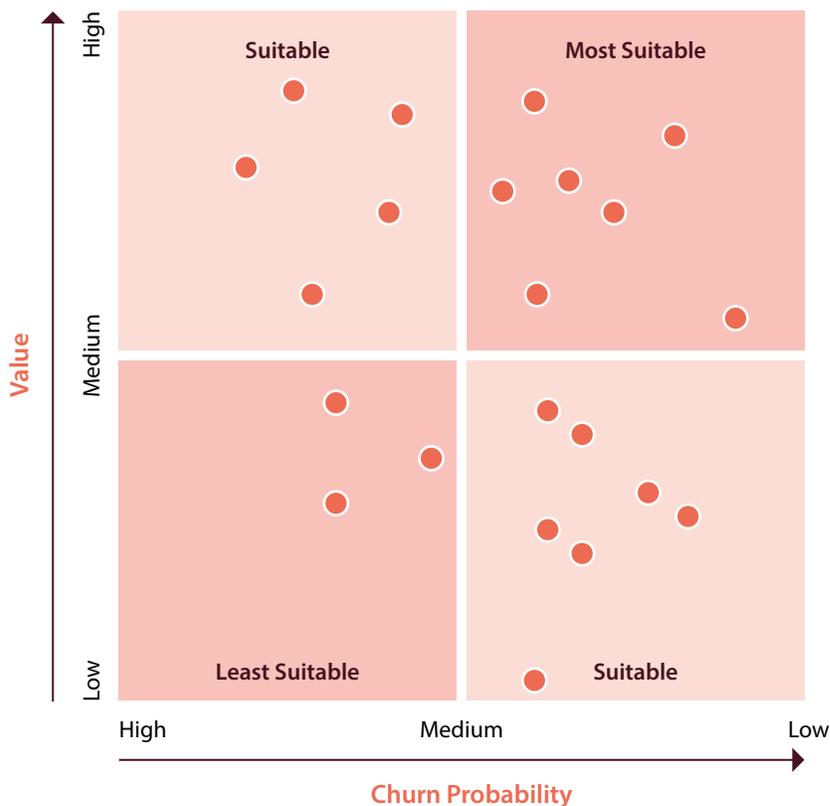
this framework.

The client gave Infosys BPM a broad three-fold brief for the framework. First, it would need to estimate the total wallet size of their existing customer base, then improve visibility into the areas of maximum revenue potential, and lastly reduce marketing costs through helping focus efforts on customer retention as opposed to the costlier work of winning-back and reactivating customers.

Churning the data

Getting quickly down to work, Infosys BPM's analytics experts drew on data from a variety of sources — that included transactional data, contact center logs, and past campaign data — to obtain a unified view of all the client's customers. After cleansing the data and analyzing it to separate out revenue and cost components, the team transformed the data into customer level aggregate views. This required developing a statistical model to estimate the risk scores at each customer level and segmenting them into high-, medium-, and low-risk buckets.

Next, the team applied predictive analytics techniques to profile the risk groupings of the customers against the value they brought to the business. Statistical modeling techniques such as logistic regression also helped to predict the probability of churn for each customer.



The team also developed lift and gain charts scored on vocal and silent customers who had either raised or never raised contact center complaints. These charts demonstrated the performance of the statistical models to capture 70% of the customer churn by targeting just 30% of the customer base.

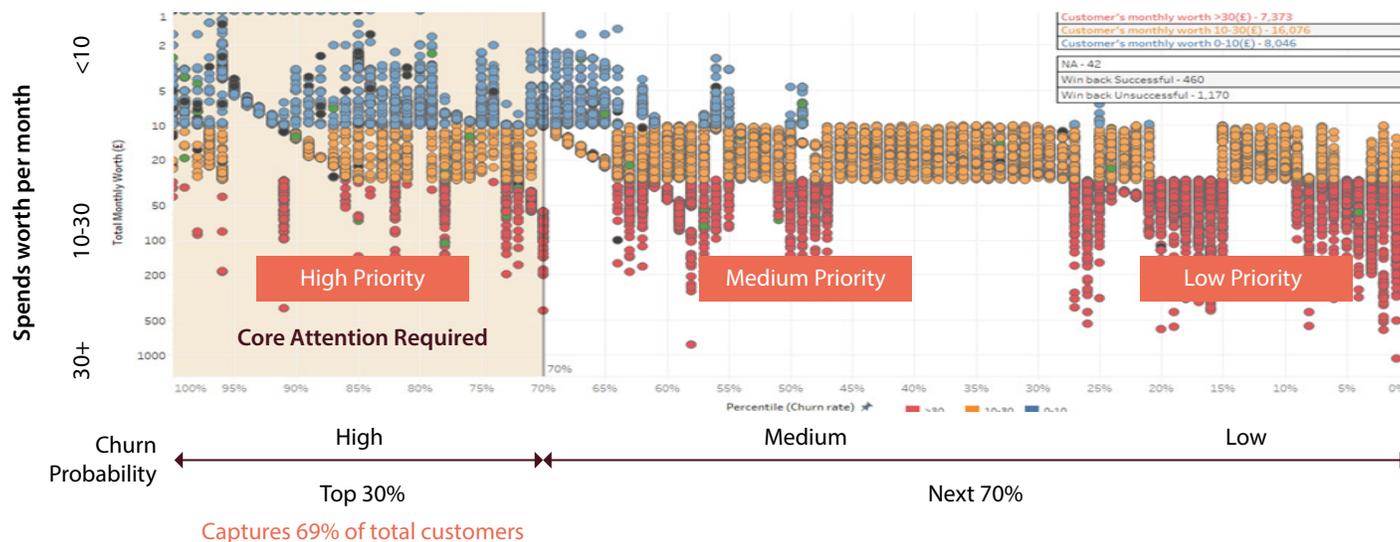


Insights, predictions, and visualizations

The statistical models built by Infosys BPM's analytics specialists delivered deep insights for the client such as the key factors influencing churn, customer distribution

by likelihood to churn, and areas where marketing costs could be optimized. In addition, the team developed interactive visualization tools that summarized

these findings for stakeholders to better understand, analyze, and track the churn behavior.



The insights and visualizations helped the company proactively develop finely tuned marketing strategies to retain its

valued customers. The client's marketing team then ran several highly personalized and targeted omni-channel campaigns to

improve customer satisfaction, grow the portfolio, and reduce the churn.

No more spilt milk

The partnership with Infosys BPM helped the client to completely overhaul its churn management practices. Moving from its earlier heuristic model to the advanced predictive modelling framework —which the analytics team built to scale over time — provided the company with a comprehensive understanding of the key

drivers of churn. Using these insights, the client's marketing team was able to improve its interactions with customers based on their risk profiles as determined by the framework. This increased the efficiency of marketing programs and saved costs through maximizing retention and minimizing reactivation.

The framework also enabled the business to identify and undertake several other course-correction measures across several dimensions to improve customer retention, helping it to prevent revenue losses of ~£ 6.6 Mn. Like they say, while crying over spilt milk doesn't help, analyzing why it spills in the first place sure does.

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