



Case Study: Increase Customer Retention Using Business Analytics



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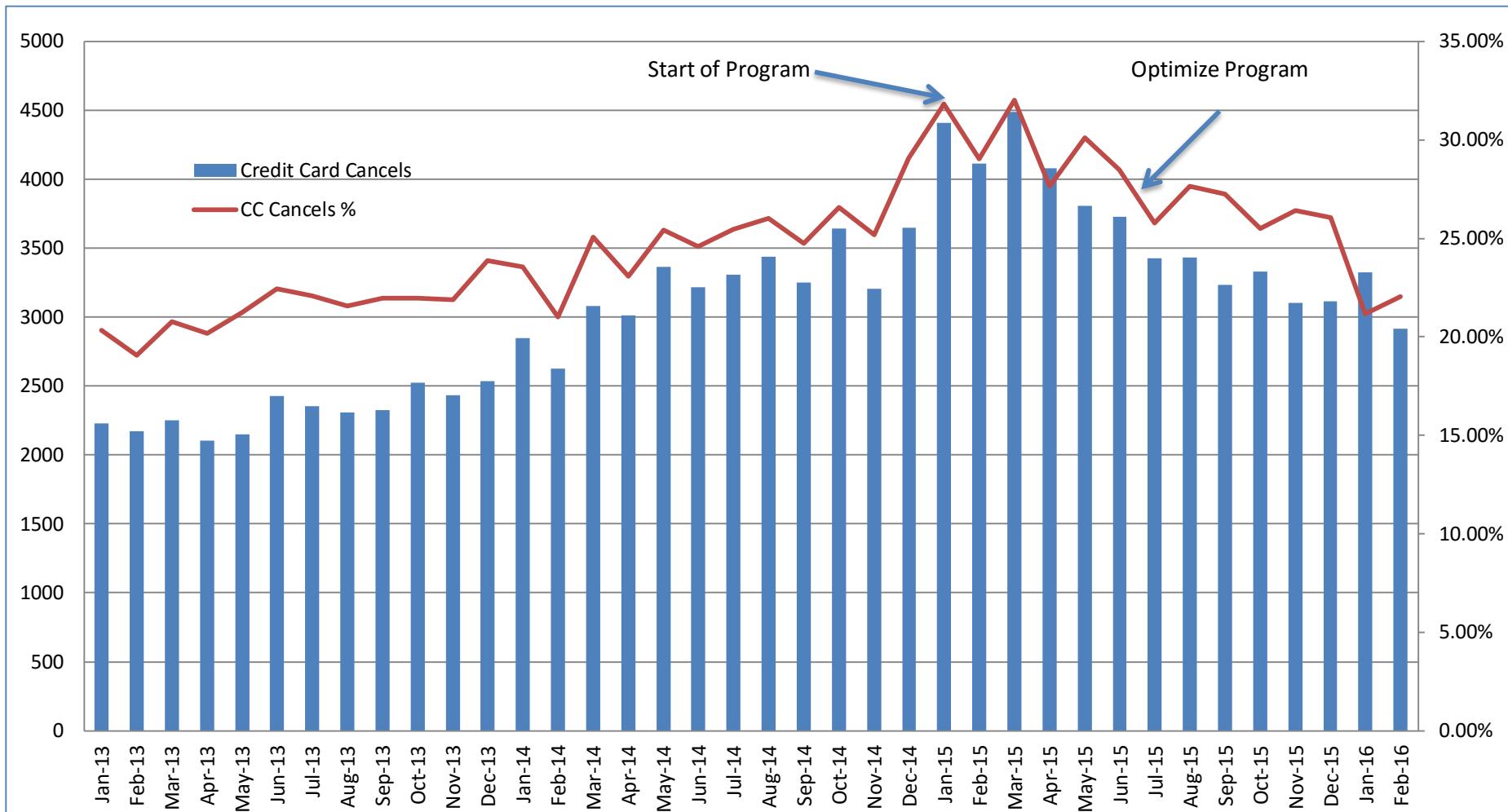
Overview

1. Background
2. Hypothesis
3. Step 1 – Use analytics to understand customer behavior
4. Step 2 – Test and iterate
5. Step 3 – Fine tune program to optimize results
6. Results! – Showing the impact of using a predictive model to optimize direct calls to declined payment customers

Background

- Constant Contact was multi-faceted in trying to collect payment:
 - Account Updater
 - Intelligent Retry process
 - Recurring Flag
- **But**, by the end of 2014, Constant Contact had two years of increasing cancellations due to credit card (CC) failure.
- One of the alternatives considered was a Direct Call Program to declined payment customers, **but**:
 - A test calling a random sample of declined payment customers yielded a success rate of only **0.5% - this was not cost effective!**

Cancels due to CC decline



Hypothesis

1. The more engaged a customer is, the more likely they are to reactivate their service .
2. After 30 days of non-payment, customers are unlikely to reactivate without direct contact or an incentive.
3. Using analytics, we can create an engagement score that will guide our Retention Team to the customer's most likely to reactivate.

Step 1 -using analytics to understand customer behavior

- Extract from our database customers who had a declined payment and had subsequently reactivated their account.
- Segment the characteristics /behavior of these customers:
 - How active were they?
 - How often did they use the product?
 - What business are they in?
 - Where are they located?
 - How many of our products do they use?
 - What was their monthly bill?
- Model the correlation of these characteristics with the number of reactivations.

Step 1 - using analytics

- Developed scoring model based on the strength of correlations between these characteristics and reactivation.
- Created 10 customer deciles based on scoring – Decile 1, most likely to reactivate, Decile 10 least likely.
- January 2015 – May, 2016 distribute calls to all deciles to validate the scoring.
 - Calls made 90 days after initial card decline.
 - Adjust % of calls to each decile based on results.

Characteristics that predict how likely a customer will reactivate

Driver	Definition	Impact on Reactivation
Business Type	For-Profit vs Non-Profit, Seasonal vs Non-Seasonal, etc.	
Location	State	
Engagement	Days since last campaign Days since last login Number of campaigns between the payment failure date and Day 35 Number of campaigns sent out in the 3 months prior to the decline	Lower the days, more likely to reactivate Lower the days, more likely to reactivate More campaigns, more likely to reactivate More campaigns, more likely to reactivate
Contact with Support	Number of phone calls for ancillary products Number of calls for basic support Number of calls for Email and Email Editor Number of Calls with Customer Retention.	More calls, more likely to reactivate More calls, more likely to reactivate More calls, more likely to reactivate More calls, <i>less</i> likely to reactivate
Payment Behavior	Amount of failed payment Pre-Pay customer? Email list size Number of active products	Higher payment, less likely to reactivate Monthly payers more likely to reactivate Higher list means more likely to reactivate More campaigns, more likely to reactivate

Step 2 - Test & Iterate!

- Compare test Group to control Group (no contact), results showed:
 - Contacting Decile 1 increased reactivation rate but has a negative impact on revenue.
 - Success rate on Deciles 9 & 10 was only 0.3%.
 - Determined the **opportunity** was in Deciles 2 – 8 based on the increase in reactivations and revenue impact.

Comparison of Test/Control Group

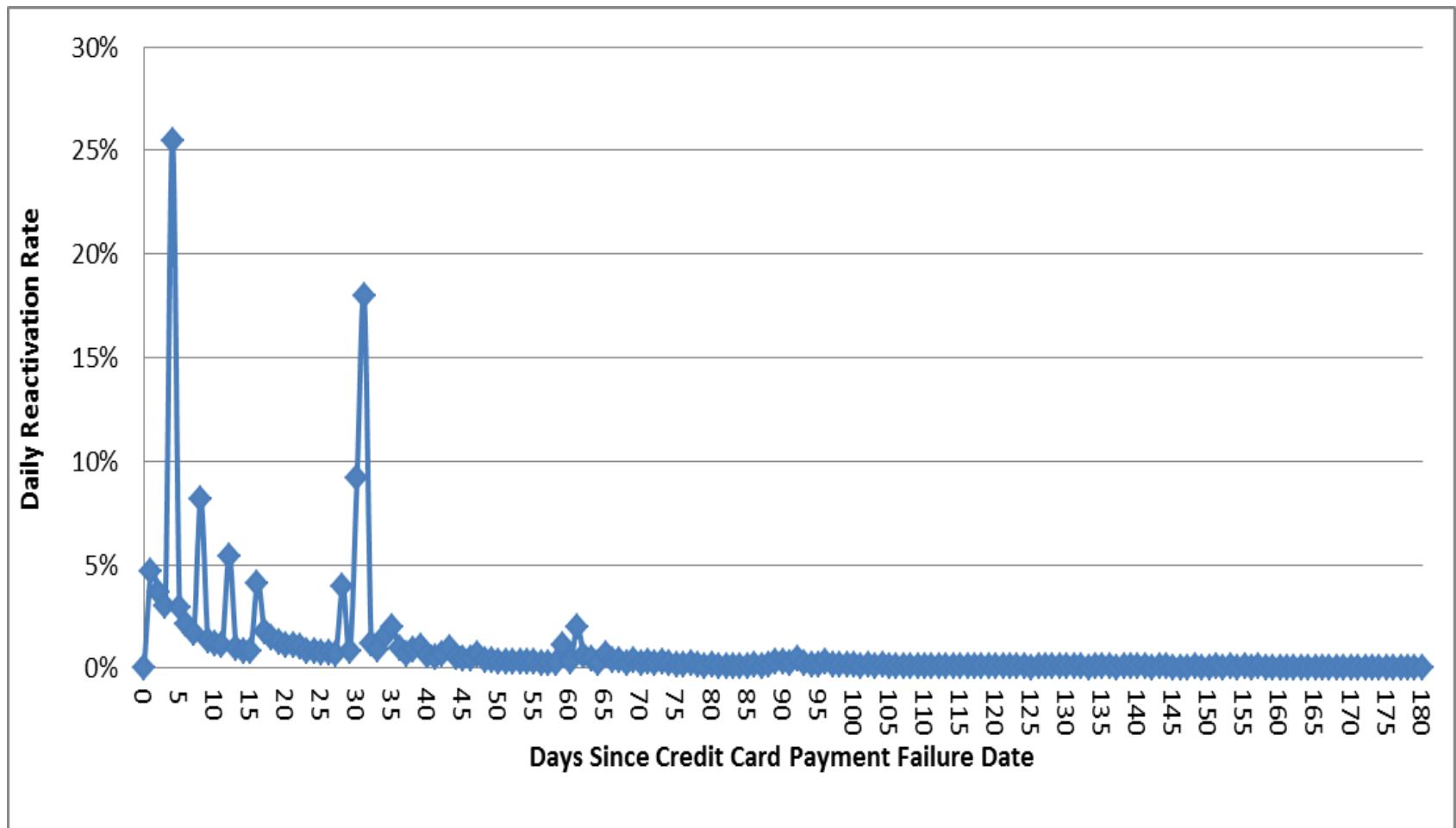
Customer Decile	Test		Control		Benefit	
	Reactivation		Reactivation		Reactivation	
	Rate	First Payment	Rate	First Payment	Rate	First Payment
1	50.8%	\$ 98.97	44.4%	\$ 99.62	6.5%	\$ (0.65)
2	40.1%	\$ 38.76	36.3%	\$ 36.02	3.8%	\$ 2.74
3	35.9%	\$ 30.98	27.7%	\$ 23.26	8.2%	\$ 7.72
4	26.4%	\$ 18.48	24.1%	\$ 18.10	2.3%	\$ 0.38
5	27.2%	\$ 19.00	21.6%	\$ 14.06	5.6%	\$ 4.94
6	20.8%	\$ 12.31	16.7%	\$ 9.07	4.1%	\$ 3.24
7	21.1%	\$ 8.39	13.7%	\$ 7.22	7.4%	\$ 1.17
8	16.4%	\$ 6.91	12.3%	\$ 6.67	4.2%	\$ 0.24
9 & 10	10.9%	\$ 3.45	10.6%	\$ 3.32	0.3%	\$ 0.13

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Step 3 – Fine tune the program to optimize results

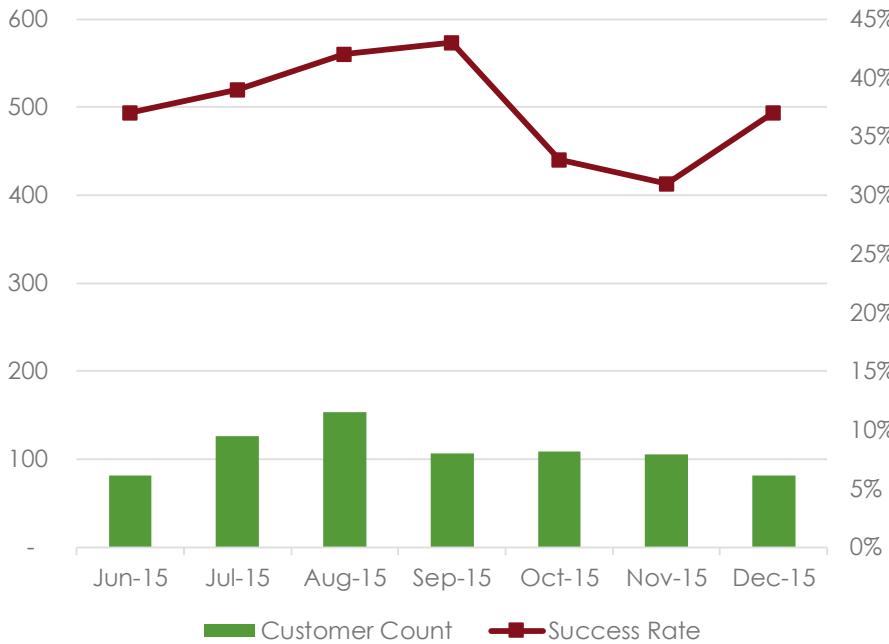
- Move customer calls from day 90 to day 35.
- Exclude Deciles 1, 9&10.
- Increase Decile 2 call percentage from 50% to 90%.
- Call 90% of Deciles 3-6.
- Call 50% of Deciles 7&8.
- Track results and published monthly scorecard.

Why call on Day 35?

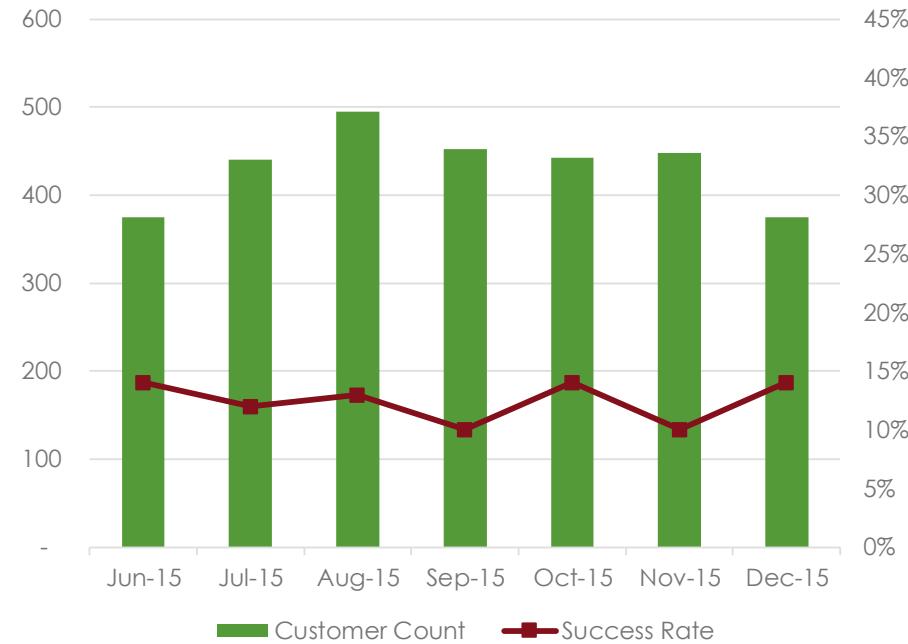


Results!

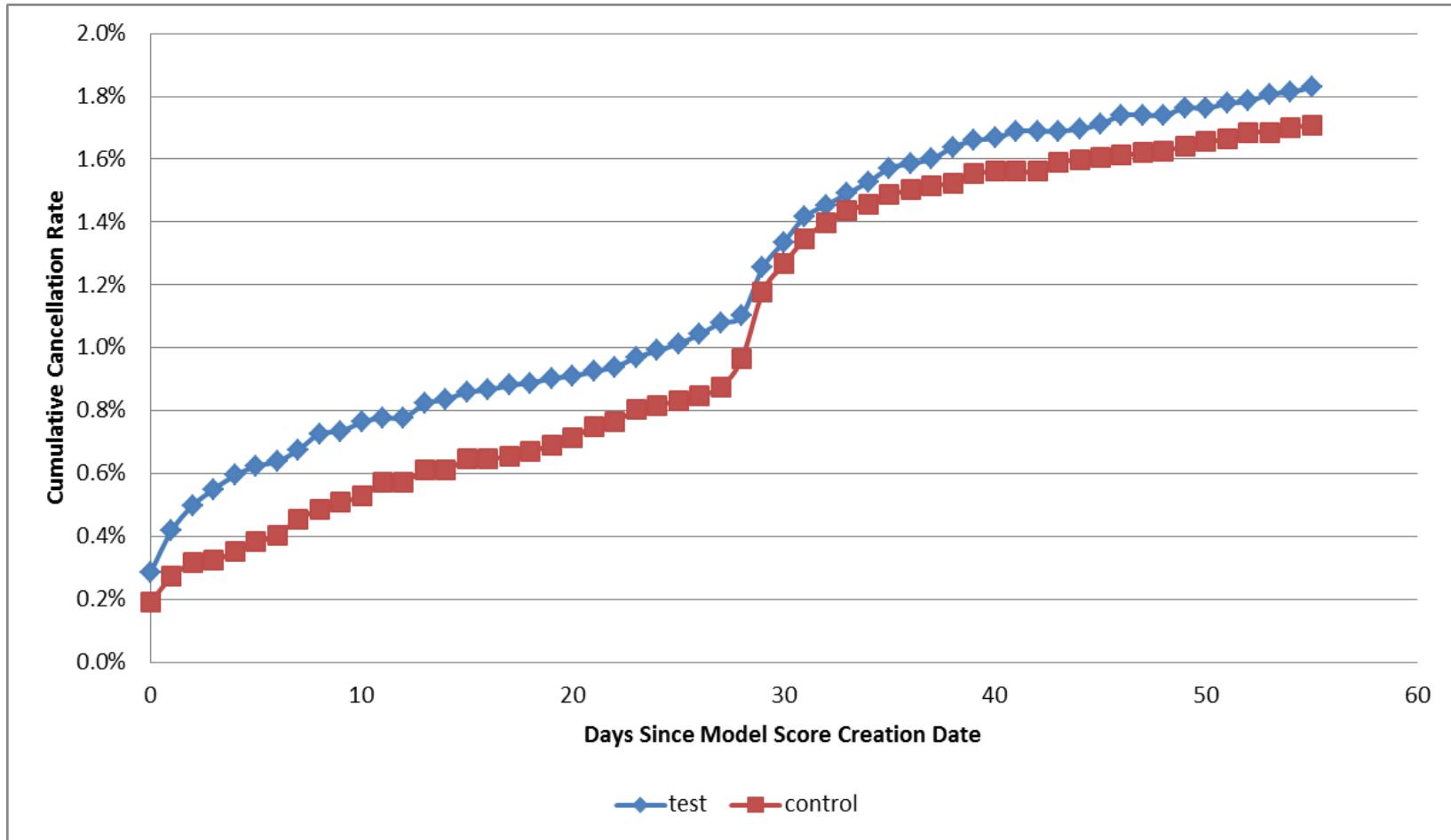
Customer Contacted



Customer not Contacted



Overall impact of Call Program



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Recap – What we learned

1. The most effective way to retain customers is to keep them engaged with your product and follow best payment practices.
2. This showed one example of using analytics to increase your payment success, but there are many others which come from studying your customer's behaviors.
3. Test & iterate! The analytics pointed us in the right direction but you need to test to validate the data and maximize the results.



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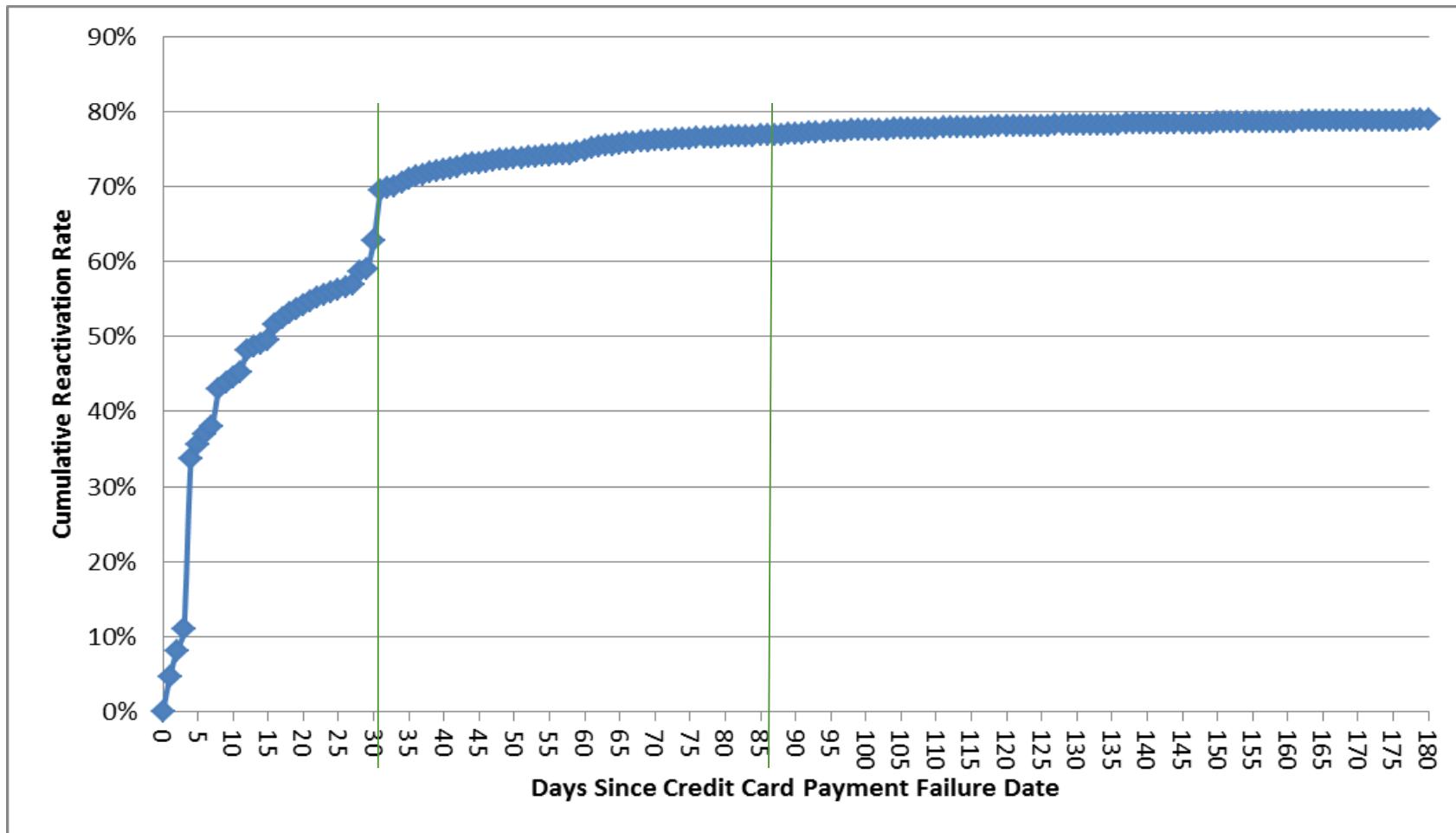
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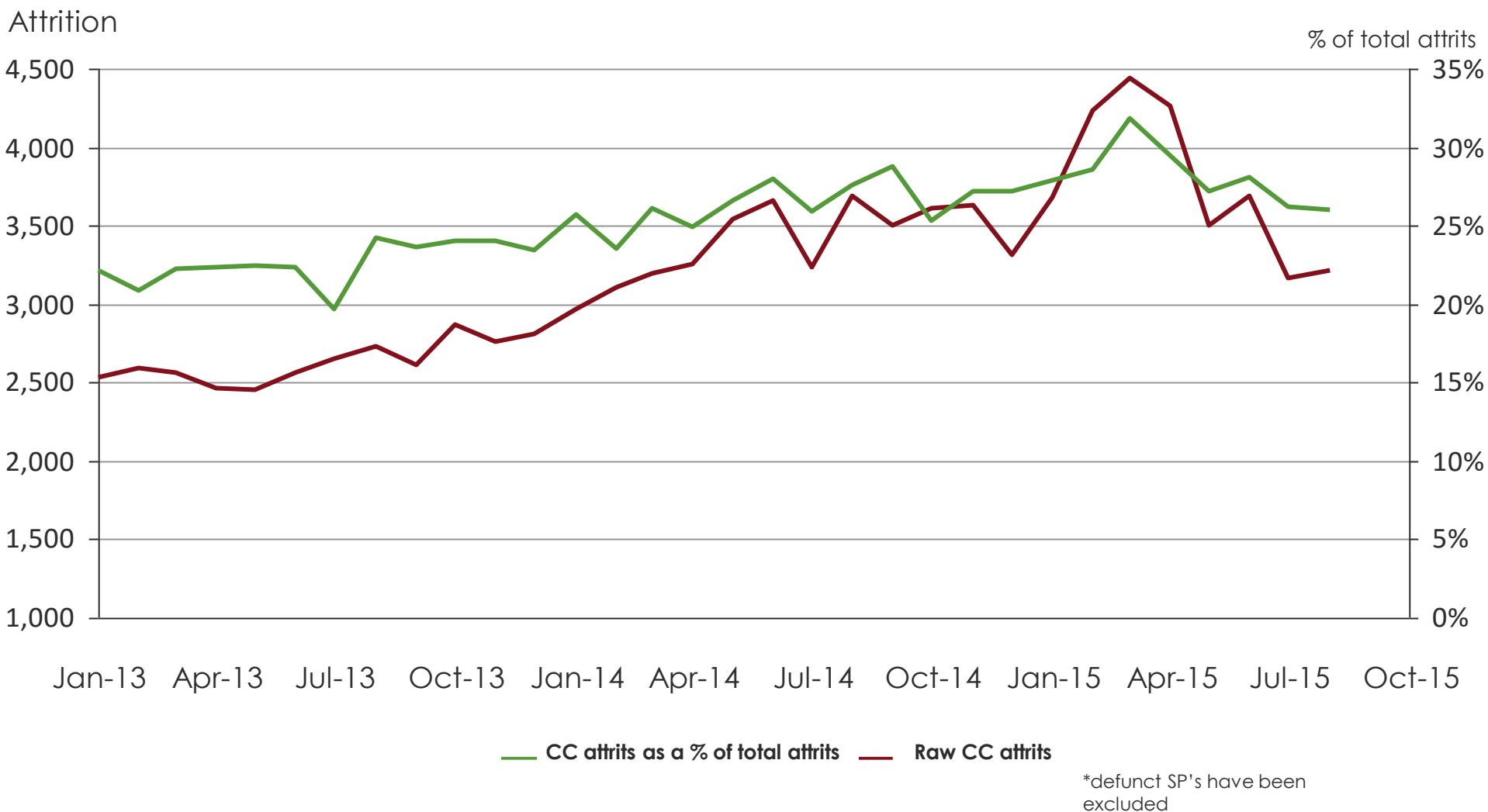
If you have any questions about the presentation, go to our LinkedIn Group (the [Payments Education Forum](#)) and request an invitation (this is a closed group specifically for the payments industry).

Appendix

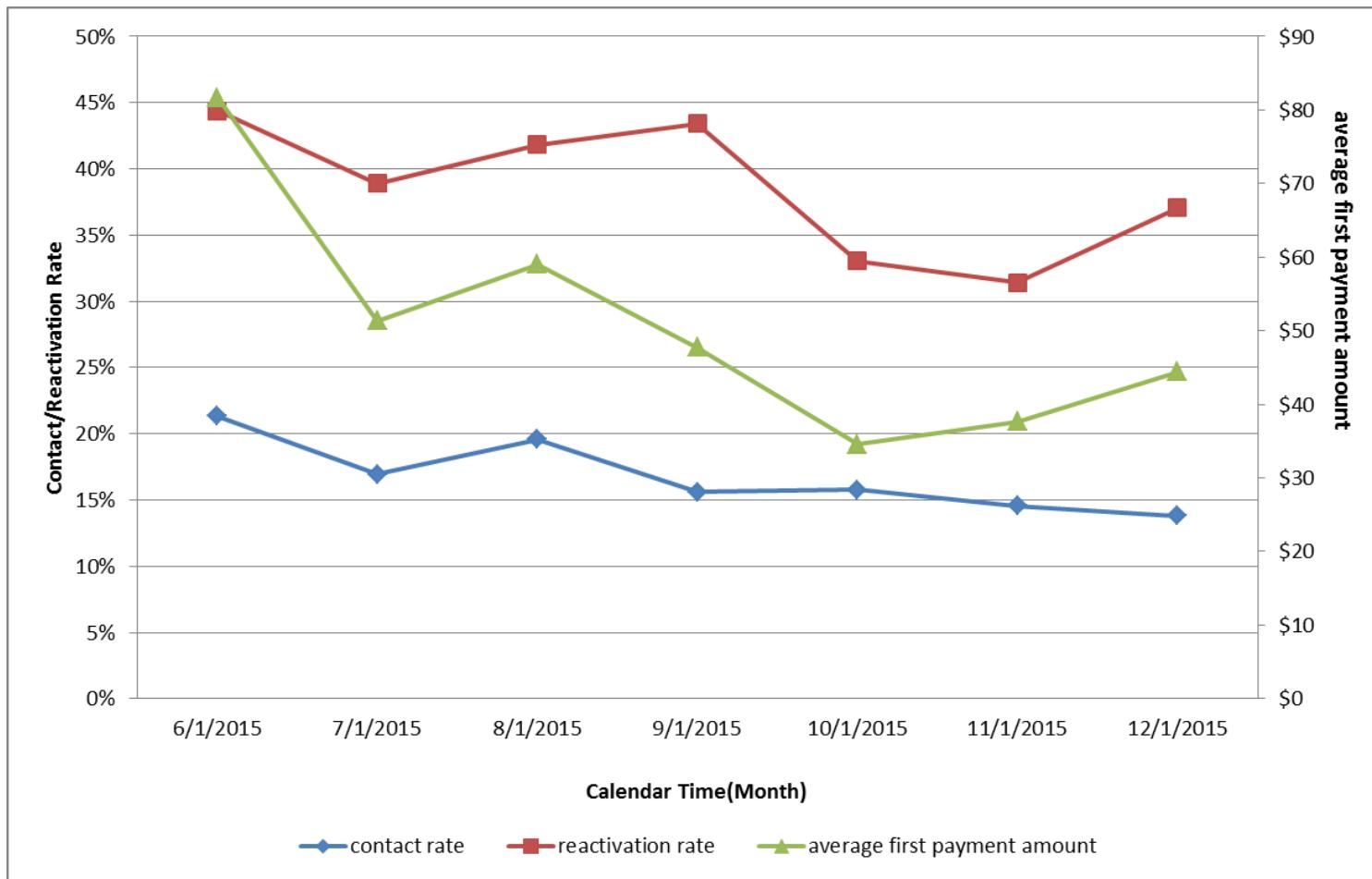
Cumulative Reactivation Rate By Days Since Credit Card Failure



Attrition due to CC failure

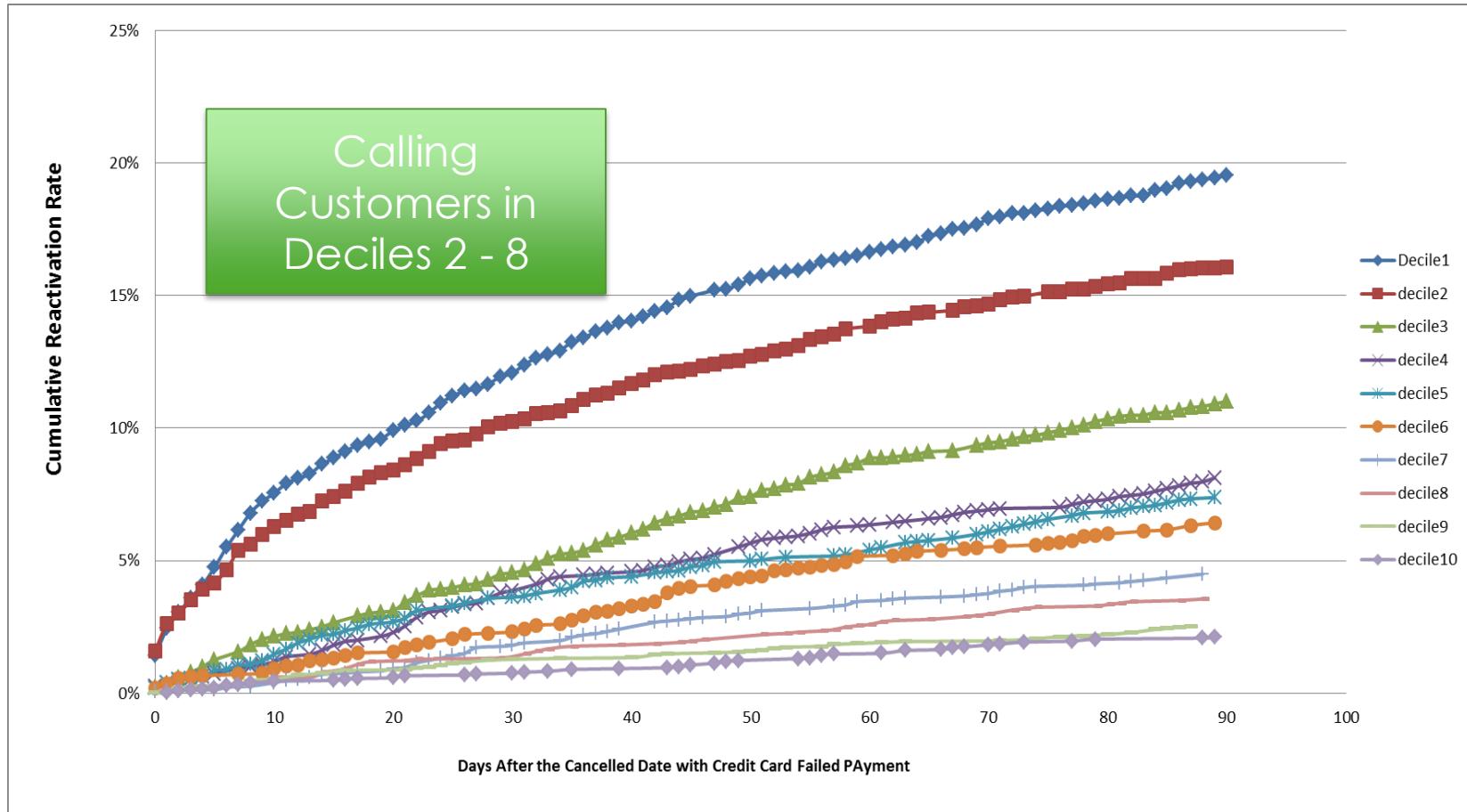


The Contact Rate, Reactivation Rate and Average First Payment Per Customer of All Contacted Customers



Call Program Results by Decile

June – December, 2015



The Retention Process

