HOW TO USE CHURN PREDICTION AND ANALYSIS TO INCREASE RETENTION
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INTRODUCTION

Customer Churn Prediction refers to the rate of customer attrition in a company or, in simpler terms, in which a particular customer will stop using your company’s products or services.

Examples of when customers churn:
- Subscription cancellation
- Stop being active for some time
- Suspending account
- Non-renewal of a contract or service agreement
- Decision to shop at another provider (customer acquisition by another provider)

Customer Churn could happen due to many different reasons and churn analysis help to identify the cause (and timing) of this churn, opening up opportunities to implement effective retention strategies.
At this stage, the main goal is to give the company a targeted set of actions to improve customer retention. Once an accurate machine learning model has been trained, all of the past and present customers will be run through the predictive model. This could give three different results. Table below shows sample data set with prediction results and actions a company should take on each particular customer:

<table>
<thead>
<tr>
<th>Customer</th>
<th>Status</th>
<th>Prediction</th>
<th>Action</th>
</tr>
</thead>
<tbody>
<tr>
<td>Emma Smith</td>
<td>Active</td>
<td>Active</td>
<td>Nothing</td>
</tr>
<tr>
<td>Liam Johnson</td>
<td>Inactive</td>
<td>Active</td>
<td>Marketing</td>
</tr>
<tr>
<td>Olivia Moore</td>
<td>Active</td>
<td>Churned</td>
<td>At-Risk</td>
</tr>
<tr>
<td>William Martin</td>
<td>Active</td>
<td>Active</td>
<td>Nothing</td>
</tr>
<tr>
<td>Isabella Davis</td>
<td>Inactive</td>
<td>Churned</td>
<td>Nothing</td>
</tr>
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If the prediction matches the actual status of the customer, then no action is necessary. However, if an active customer is likely to be a churned customer, this will imply defining the customer as being at-risk of churning. Alternatively, if a customer is currently inactive (meaning that they previously churned) but the prediction is that they will become an active customer, this indicates that they are a good target to attempt to reinstate business.

It is also useful to build a Customer Churn dashboard that enhances reporting by providing account managers with a list of clients to target with retention efforts, as well as identifying the best prospects to try and win back. These crucial insights maximize customer preservation and accurately pinpoint marketing efforts.
FOCUS ON HIGH-QUALITY LEADS

Customers are less likely to churn if they are similar to your primary target customers. If you have access to data about both your customers and a list of potential customers, this is a great opportunity to focus on only those who are less likely to churn.

HOW?

By applying algorithms comparing the features and characteristics of your customers to those of your potential customers. The ones that have similar characteristics (FTE size, annual spend, job title, type of industry) to your existing customers are probably most likely to desire your product, to find it valuable and therefore stick around. Your segmentation now becomes crucial. Each customer segment provides you with distinct features that will help you to easily identify your next customers.
SEGMENT PEOPLE IN ORDER TO FOCUS ON RETAINING THE RIGHT CUSTOMERS

Using data analytics to segment people into different groups means you can identify how each segment engages with your brand and product. This allows you to look at each subgroup and draw insights, followed by adopting different communication and servicing strategies to increase retention for your most desired customers.

Analyze data such as your customer’s demographics, lifestyle, products purchased, the frequency of purchase and its value. This way, you’ll discover which type of customers are driving the most revenue. Some generate too much costs to deliver revenue. Then you can decide whether you want to focus your efforts on them.

Understanding the differences between various types of customers, in some cases can make or break a business, especially if you’re just starting out. Knowing customer’s value is crucial to be able to make critical decisions.

You can segment clients by historical value, lifetime value, worth over the next year or the average customer value by segment. Using the right segmentation will allow you to create highly targeted product recommendation offers.

Segment your customers to offer relevant discounts for different channels (in-store, online, mobile). Mix it up a bit - each customer doesn’t have to receive the same offer.

Another useful way to use segmentation is to monitor the time-sensitivity and seasonality of your promotional codes. By monitoring sales data, you can see whether these codes are redeemed more often in the morning or afternoons or perhaps straight after sales-communication.

The more you know about what a demographic group responds to, the more you can focus on taking the right actions.
BEST PRACTICES OF CUSTOMER RETENTION ANALYTICS

1. Gather multiple data points to make relevant recommendations

Be pragmatic and avoid making assumptions from solely one set of data. Even though someone who lives in California bought winter boots, it doesn’t necessarily mean that they want to be bombarded with similar product suggestions. Maybe they got them for their sister who lives in Chicago!

2. Leverage social proofs wherever you can

If your customers don’t respond to certain products, maybe all they need is a little reminder that others, similar to them are using them and are satisfied with it. Use positive testimonials from surveys and social media comments to your marketing communications and website.

3. Turn insightful data into effective action

It’s a fact: better data means better results. Just by improving your internal data collection, you can often achieve better data results. In other cases, you might have to purchase better data. Valuable data is not static, it’s a continual process of observing, acting and learning.
BUILDING A CHURN-PROOF RETENTION FLOW

Even after identifying the behavioral patterns through churn analysis and setting the next steps based on that, it's highly advisable to start working on a retention flow just after the customer activation. If the company is there at the same time as a customer shows the ultimate form of interest - logged in the app and started using it - they immediately know the company is interested in helping increase their growth.

DEFINE THE OBJECTIVE OF THE NURTURING FLOW

First of all, you must have enough data to be able to determine the main objective of the customer retention flow, such as increasing the number of customers using a specific feature or rise user's activity within the app. It's an important step since a particular kind of content, frequency and even the channel of communication may change depending on it.

<table>
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<th>Target customers</th>
<th>Flow's objective</th>
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<tr>
<td>Users who purchased the product but are using just one of its feature</td>
<td>Show different features and the benefits of using them in their business' strategies</td>
</tr>
<tr>
<td>Users who are gradually activating fewer events, with low activity within the app</td>
<td>Encourage the customer to use the product in order to boost their desired results</td>
</tr>
<tr>
<td>Users who are active and browsing in the product, but aren't effectively using it</td>
<td>Guide and help users to develop their own strategies through the product's features</td>
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In the following examples, we'll create a retention nurturing flow to avoid customers losing their interest (which might turn into customer churn). The flow is focused on showing new features to customers who are using just one option among those offered by the product.
DETERMINE THE CHANNEL AND THE APPROACH

Will the retention strategy take place within the customer’s inbox? Or will they be able to interact and learn more directly within the product through in-app messages? While the channel is essential to develop a clear communication of your intentions to the customer, the approach must be carefully set to avoid making them feel you’re just another spamming company.

A good strategy is to blend both emails and in-app messages as the second one is an excellent way to reach customers who are already within the product. Thanks to it, it is a lot easier to guide and encourage them through the app to carry out a specific action. In our example, customers would get emails that point out a feature they’re not using. Together with that, in-app messages can follow the user within the app, to give instructions and complementary content to help them get used to the feature’s interface and its functionalities.

WRITE THE CONTENT OF EMAILS AND IN-APP MESSAGES

Since the approach and channel of communication have been already defined, the next step is to effectively produce the content that’ll be sent. Sometimes, the best strategy is to keep it simple and clean, without too many distractions like images or text.

A nurturing flow is built with content, and that’s why it’s important to have a content marketing strategy up and running, to help these customers achieve greater results. This content is also a part of your retention flow.

To achieve that, it’s recommended the use some of the content marketing weapons: Middle of the Funnel (MoFU) and Bottom of the Funnel (BoFU) content with a product-focused approach. Since customers are already using the product, they could also take advantage of valuable resources to improve the way to use it.
Now it's the time when both the plan and content meet realization. Start by setting the trigger of the retention flow at your marketing or customer journey automation platform. Since the Retention Stage of the customer lifecycle starts right after the Activation, don't wait too long to start your retention-focused flow. Let's say, a few days after the customer finishes the user onboarding.

The great thing about marketing automation is the possibility of setting condition triggers, that'll define the user's next steps based on their behavior. Thanks to it, it's possible to create different "branches" in the flow, possibilities of interaction that'll affect the customer's experience and turn it into a personalized journey.

Following our mind-map example of a feature suggestion retention flow, the marketing automation would start three days after the customer has finished their user onboarding. After that, their actions would be monitored, adding them to different lists according to behavior – for instance using just one feature or low engagement rates. If the customer fits the established criteria of "Contact is in the list", they would receive a feature suggestion email. When the customer clicks on a link within the email, automatically they'll be redirected to the product within-app message to help them discover more about the feature.

Also, there's an "alternative path" for customers who don't click the email. If they're really not interested in the suggestion, the flow adds them to another marketing automation flow which will approach them again after a while – but not too soon (to avoid too much pressure). By following these steps, each company can develop a different retention flow according to the main objective and the chosen approach. There's no rule for how many flows can be created in a single journey – but the company should always avoid turning the flow into spam.
KEY BENEFITS, FACTS & INSIGHTS

BOOST PROFITS
Selling to the existing customers is easier and more cost-effective than selling to the new ones.

RETAIN MORE CUSTOMERS
Proactively launch campaigns and strategies to abate customer attrition.

AVERT LOSS
Customers' loss is substantial, long-reaching, and can impact everything from revenue to opportunity of competition.

WIN BACK BUSINESS
Identify the root causes of why customers leave and establish re-acquisition strategies.
If you are looking for more details, or you would like to ask us some questions, do not hesitate to contact us anytime.

contact@addepto.com

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