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HOW TO USE CHURN PREDICTION AND ANALYSIS TO INCREASE RETENTION



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Introduction

Customer Churn Prediction refers to detecting which customers are likely to stop using the product, or cancel a subscription to a service. It is a critical prediction for many businesses because acquiring new clients often costs more than retaining existing ones.

Customers churn examples:

- Subscription cancellation
- Suspending account
- Decreased activity for some time
- Non-renewal of a contract or service agreement
- Provider switch (customer acquisition by another provider)

Customer Churn could happen for many different reasons, and churn analysis help to identify the right one, opening up opportunities to implement **effective retention strategies**.





Putting the customer churn predictions in use

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 past and present customers will be run through the predictive model. This could give three different results. The table below shows sample data set with prediction results and actions a company should take on each particular customer:

Customer	Status	Prediction	Action
Emma Smith	Active	Active	Nothing
Liam Johnson	Inactive	Active	Marketing
Olivia Moore	Active	Churned	At-Risk
William Martin	Active	Active	Nothing
Isabella Davis	Inactive	Churned	Nothing

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 at risk of churning. Alternatively, if a customer is inactive (meaning that they previously churned), but the prediction is that they will become an active customer, this indicates that they are an excellent target to attempt to reinstate business.

It is also helpful to build a **Customer Churn dashboard** that enhances reporting by providing account managers with a list of clients to target with retention efforts and 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 your customers and a list of potential customers, this is an excellent opportunity to focus on only those who are less likely to churn.



HOW?

By applying algorithms comparing the features of your current customers to those of your potential customers. The ones with similar characteristics (FTE size, annual spend, job title, type of industry) to your existing customers are probably most likely to desire your product, find it valuable and therefore stick around.

Your **segmentation** now becomes crucial. Each customer segment provides distinct features that will help you quickly **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. It allows you to draw business insights and implement various communication and servicing strategies to increase retention for your most desired customers.

Analyze data such as your customer's demographics, lifestyle, purchase products, frequency, and value. This way, you'll **discover which types of customers are driving the most revenue** (some of them generate too many costs to deliver revenue). Then you can decide whether you want to focus your efforts on them.

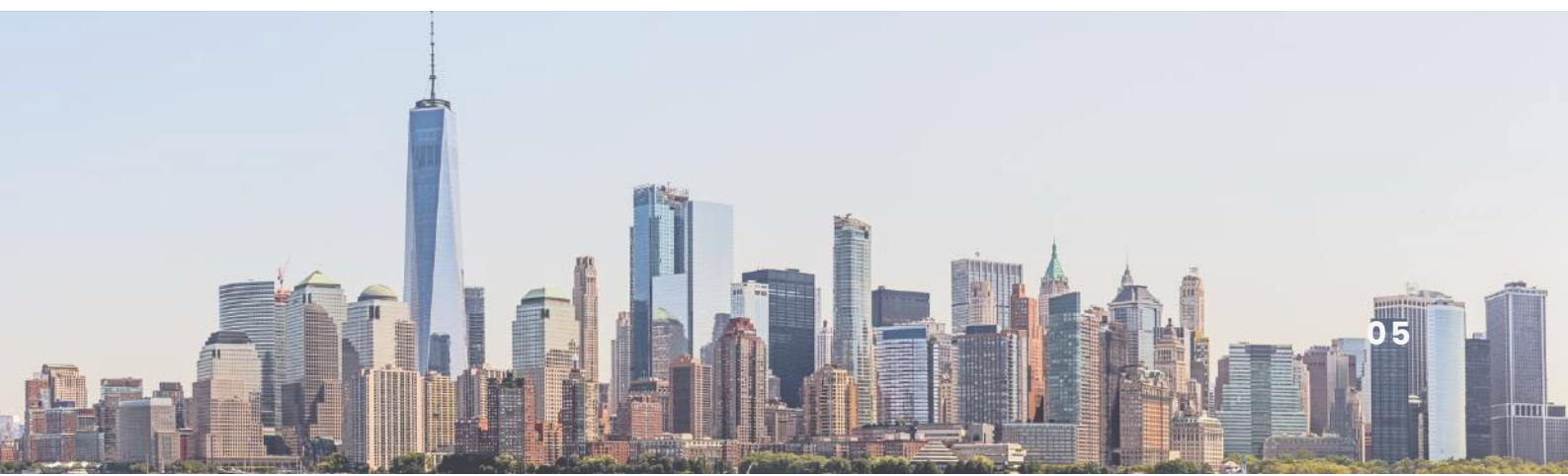
Establishing the differences between various types of customers can make or break a business, especially if you're just starting. **Knowing customers' value is crucial** in making critical decisions.

You can segment clients by historical value, lifetime value, worth over the next year, or the average customer value by segment. **The proper 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 - each customer doesn't have to receive the same offer.

Another helpful way to use segmentation is to **monitor your promotional codes' time sensitivity and seasonality.** By tracking 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

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 they want to be bombarded with similar product suggestions. Maybe they got them for their sister, who lives in Chicago!

Leverage social proofs wherever you can

If your customers don't respond to specific products, maybe all they need is a little reminder that other customers use those products and are satisfied with them. Use testimonials from surveys, and social media comments on your marketing communications and website.

Turn insightful data into effective action

It's a fact: better data means better results. You can achieve better business results by improving your internal data collection. In other cases, you might have to purchase better data. Valuable data is not static; it's a continual observing, acting, and learning process.



Building a churn-proof retention flow

Even after identifying the behavioral patterns through churn analysis and setting the following steps based on that, it's highly advisable to start working on a **retention flow** after the customer activation. When a customer shows the **ultimate form of interest** - f.ex. logging in to the app and starting using it - they must 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 **determine the main objective of the customer retention flow**, such as increasing the number of customers using a specific feature or rising user activity within the app. It's an essential step since a particular kind of content, frequency, and even the communication channel may change depending on it.

Target customers	Flow's objective
Users who purchased the product but are using just one of its feature	Show different features and the benefits of using them in their business' strategies
Users who are gradually activating fewer events, with low activity within the app	Encourage the customer to use the product in order to boost their desired results
Users who are active and browsing in the product, but aren't effectively using it	Guide and help users to develop their own strategies through the product's features

In the following examples, we'll create 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 communication with the customer, the approach must be well thought out to avoid making them feel you're just another spamming company.

A good strategy is to blend emails and in-app messages, as the second one is an excellent way to reach customers using the product. Within the app, it is easier to encourage them to carry out a specific action.

In our example, customers get emails that point out a feature they're not using. Combining them with in-app messages enables giving them instructions and complementary content. This way, guiding them through the features interface and its functionalities is more straightforward.





WRITE THE CONTENT OF EMAILS AND IN-APP MESSAGES

Since the approach and channel of communication have already been defined, the next step is to produce the content that'll be sent effectively. The best strategy is to keep it simple and clean.

A nurturing flow is built with content, so it's essential to have a content marketing strategy up and running to help these customers achieve more significant results. This content is also a part of your retention flow.

It's recommended to use some content marketing tactics: 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.

Building a churn-proof retention flow

CREATE THE MARKETING AUTOMATION FLOW

Since the Retention Stage of the customer lifecycle starts right after the Activation, don't wait too long to begin your retention-focused flow. It would be best if you kicked off the activities a few days after the user onboarding is done.

Using marketing automation you can set condition triggers, that'll define the next steps based on user behavior. Thanks to it, it's possible to create various scenarios in the flow, that'll personalize a customer journey.



Following our example, marketing automation starts three days after user onboarding. Their actions are monitored and added to different lists according to behavior. 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 not interested, the system adds them to another flow and approaches them again after some time, but not too soon. 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 & Insights

1

BOOST PROFITS

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

2

WIN BACK BUSINESS

Identify the root causes of why customers leave and establish re-acquisition strategies.

3

RETAIN MORE CUSTOMERS

Proactively launch campaigns and strategies to decrease customer attrition.

4

AVERT LOSS

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



You can be a part of this revolution!

If you are looking for more details, or you would like to ask us some questions, do not hesitate to contact us anytime.

Contact Us

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