

## Controlling Attrition Through Predictive Models

*Fractal helps leading credit card issuer reduce attrition through predictive attrition modeling*

### SUMMARY

- **Client**  
Large credit card issuer \*
- **Challenge**  
To help bank control attrition profitably by enabling proactive retention programs
- **Solution**  
Fractal's predictive attrition model
- **Result**  
The bank is able to implement proactive retention programs, and has significantly improved retention rates

\* This case study is based on a Fractal client that has requested anonymity

### ■ The Business challenge

A leading credit cards issuer was facing the problem of rising voluntary attrition. High attrition rates meant that a large number of customers were churning away without generating any profits for the bank. The bank deployed retention agents to retain customers who had requested cancellation of their cards. The retention rate on the retention programs was low and only a small percentage of the customers that were contacted agreed to continue using their credit cards.

The bank needed proactive retention programs, through which they could identify customers likely to cancel their cards and contact them with retention offers that pre-empted the cancellation request.

“Customer retention is a critical issue because it affects revenues, profitability and employee morale. We were clear that we needed to proactively get in touch with customers at the risk of attrition. The challenge lay in identifying sufficiently in advance customers that were at the risk of attrition”, said the Head of Marketing.

### ■ The Solution

Fractal stepped in to help the bank implement proactive retention programs. The key to the success of the proactive retention program was to identify customers at the risk of cancellation sufficiently early, thus giving the retention managers enough time to act upon these accounts.

As a first step a sample population comprising attriters and non-attriters was built from different time slices. Behavioral and demographic information available until 60 days prior to the time window was collected on customers in the sample. This information was used to build models that would predict a customer’s propensity to attrite in a time period of 60 days.

Customers could now be scored for their likelihood of attrition. The attrition scores, used in conjunction with the expected lifetime value of the customer, provided business managers with a continuous trade-off framework that helped them decide what offers to negotiate with customers in a bid to retain them. The highest proportion of retention resources would be spent on customers that had maximum potential for profitability and were also most likely to cancel their card.

## ■ The Results

The attrition scores sharply identified segments that business managers could profitably target for retention programs. Based on control group tests, the bank found that the success rate of its retention programs had increased substantially. Over a period of one year, the bank found that not only had retention rates increased but also cost of retention per account had decreased significantly.

# TESTIMONIAL

*"We have found that the models built by Fractal rank order customers by their attrition behavior very accurately. The models have helped us enhance the effectiveness of our retention programs and our retention rates have increased significantly."*

**Head,  
Customer Retention**

## ➤ About Fractal

*Fractal is a leading provider of customer analytics to consumer banks, credit card issuers, CPG companies and telecom companies. Fractal's analytical solutions have helped companies across the globe enhance profitability by powering their customer management efforts with scientific decision making.*



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