

Telecom Churn Control | Managing Telecom Churn Through Proactive Retention Programs

Fractal helps leading telecom operator control churn by powering proactive retention programs with predictive churn models

SUMMARY

- **Client**
Large integrated telecom services provider*
- **Challenge**
To control customer churn
- **Solution**
Proactive retention program backed by Fractal's predictive churn models
- **Result**
 - ➔ Churn models with high predictive power
 - ➔ Operator gained the capability to run retention programs on high-value customer with high propensity to churn
 - ➔ Operator able to control churn and enhance profit per customer

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

■ The Business challenge

The telecom industry in India has become one of the most fiercely competitive telecom industries across the world. In the cellular space, an average customer can choose between four GSM and two CDMA service providers. As is to be expected in a market where consumers have such a vast array of choices, the cost of acquisition and the rate of customer churn, both have been increasing at a rapid pace.

A leading telecom operator in one of the largest circles, was faced with the problem of customer churn. The company appreciated that while customer churn hurts profitability, a proactive approach to customer retention

could ensure retention of high value customers.

It is well established knowledge that retaining customers is far less expensive than acquiring new customers. However, in practice many retention managers find that they get less than acceptable returns on their retention programs. This is mostly because retention programs are not targeted sharply enough. A large proportion of customers targeted with retention programs are often customers that would not have churned in the first place.

The challenge therefore was to build churn models that would help the telecom operator identify high-value customers, with a high propensity to churn.

■ The Solution

➔ Data Management

A key requirement for identifying customers at risk of churn is to generate an individual customer level view, as opposed to an aggregate view of the customer base. Fractal integrated billing information, payments information, customer demographics and service record information into a single customer information file. The idea was to generate a single file that would capture all aspects of a customer's interaction with the telecom operator.

There were multiple challenges in the aggregation of the data. The client was in the midst of a migration of the telephone numbering scheme. This provided an additional challenge in terms of collating billing and usage data. Further, the client was in the process of migrating to a new data warehouse, which meant the data model provided by Fractal for the implementation of the churn model had to be scalable to fit the new requirements.

Fractal's advanced data management tools ensured timely and accurate data file generation from an extremely complex, dynamic and large transaction dataset.

➔ Predictive Modeling

Fractal then deployed advanced modeling techniques including neural networks, decision trees & logistic regression to construct a model that could score each customer for his probability of churn over a period of two months. Fractal's proprietary visualization tools provided quick insights into factors predictive of churn. Fractal also deployed its non-linear pattern detection tools to identify interaction variables that are typically overlooked by linear techniques.

Through the integration of various techniques, Fractal provided the telecom operator with a model that could accurately score customers for their propensity to churn on a two month forward looking basis. The model delivered by Fractal had to meet very stringent stability criteria, because at the time of deployment the telecom industry was witnessing a lot of volatility due to regulatory changes. Fractal's model was optimised to continue to be effective in the changed telecom scenario.

■ The Results

Fractal helped the client combine the predictive churn model with other CRM metrics like customer profitability to generate customer retention strategies. For e.g. customers with high propensity to churn and high profitability were accorded the highest priority for retention. Such customers were contacted first and were offered the best incentives to maintain their phone subscription. Customers that displayed very low profitability and yet had a high propensity to churn were encouraged to increase their usage.

Our predictive models empowered the company with the capability to apply retention strategies on customers with high propensity to churn, and to vary the strategies based on customer value. The intelligent application of predictive models helped the company control churn and enhance the returns from its retention programs.

➔ 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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