
Retention Modeling at Scholastic Travel Company (A)

On a sunny Monday afternoon in early spring 2013, David Powell entered his new office and took a deep breath. He pondered his first few days as the new data analyst for Scholastic Travel Company (STC), an educational tourism firm. Powell had filled his first week of employment meeting the firm's departmental leadership and attending a company-wide new-employee-orientation program, and he was eager to get started on his first project.

Just a few hours earlier, at the weekly marketing strategy meeting, Powell's new supervisor, Stephen Blackford, stressed the urgency of a new data initiative centered on customer retention. As Blackford outlined, in less than two weeks, contract renewal opportunities would begin for customers who had gone on an STC trip in 2012. During the meeting, he presented a dataset with all of the known information about the previous year's client base (see **Exhibits 1 and 2**). From his past experience, Blackford was confident that models could be constructed to predict whether or not a customer would book again in 2013. With such a model, he hoped to design a more nuanced marketing strategy that would target certain subsets of the client population to save cost and improve yield. With multiple plausible methodologies in mind, Powell knew he needed to get to work immediately so he could give Blackford an accurate prediction model before the end of the week.

Company Background

STC was not a particularly young company. Founded in the 1960s, it grew from a single-person operation to a multi-million-dollar business, was bought and sold twice (first to the management when the founder retired, then to a private equity firm), and survived almost having to declare bankruptcy post-9/11. Yet as of 2013, it was one of the premium providers of cultural and educational trips: history and science trips to middle- and high-school students, exchange trips for university students, cultural immersion, artistic destination trips, and other tours worldwide.

Customers chose STC because of its superb ability to coordinate the numerous details associated with taking a large group of primarily young people on a far-away journey. These included the procedures related to obtaining proper documents and permits (e.g., visas); logistical details (bus, plane, train, and other tickets); meet-and-greets at the transfer points and destinations; hotel, meal, and entertainment bookings; taking care of safety concerns (chaperones and accompanying security guards to ensure physical safety and eliminate the possibility of sexual, emotional, and substance abuse); insurance; and accident "resolution" (e.g., searching for missing travelers¹ or replacing a lost passport). All were critical elements of a successful trip, which the school teachers,

¹ As a company executive put it, "We never lost a student...permanently."

university administrators, parents, and students themselves were glad to outsource to trusted professionals, and STC was a prime example.

The majority of the trips STC managed were of the “teacher organized, parent paid” type. This meant that the teacher (or university administrator) determined the itinerary, desired duration, and activity schedule, but the parents (or students) paid for the trip. For that purpose, it was not uncommon for the teachers/administrators to hold meetings with parents/students prior to the trip. STC typically kept track of those meetings, as they often revealed important information about the upcoming trips. STC representatives would often attend such meetings, either in person or virtually.

STC also collected and carefully tracked multiple types of data about the travel group and the organizing teacher/administrator, and it sought feedback after the trip. This was all recorded in the STC cloud-based database and was easily accessible to Powell.

Prediction Task and Available Data

Powell’s ultimate task was to predict which customers would book with STC in the 2013–14 school year (fall 2013 to spring 2014). He decided to build a model that took the data available as of spring 2013 to make this prediction. To build such a model, however, Powell would need to replicate the 2013–14 prediction task on the available data. This meant that for training his model, he would use the data from the 2012–13 school year—which showed whether a certain group had been retained or not—and try to predict based on the client-profile information as of the end of the 2011–12 school year. He was lucky that STC took snapshots of customer-profile data once per year, so this historical data was available (see **Exhibit 1**).

Powell knew from the marketing meeting that the company used post-trip surveys to track performance and get feedback from the teachers. These responses, coupled with trip data such as trip revenue, trip length, and school size were what he would use to construct his retention model. A comprehensive list of data fields was included with the spreadsheet that Blackford sent to Powell (see **Exhibit 2**). With a sample size of nearly 2,400 groups, Powell was hopeful he could have a model that would make reasonably accurate predictions for Blackford before the end of the week, so that the new marketing strategy could be deployed before the sales season started later in the spring.

Exhibit 1

Retention Modeling at Scholastic Travel Company (A)

Snapshot of the Data

(First five and last five rows of data shown; to fit the snapshot on a single page, several data fields are hidden)

| ID | Program.Code | From.Grade | To.Grade | Group.State | Is.Non.Annual | Days | Travel.Type | Departure.Date | Return.Date | Deposit.Date | Special.Pay | Tuition | . | Retained.in.2012 |
|------|--------------|------------|----------|-------------|---------------|------|-------------|----------------|-------------|--------------|-------------|---------|---|------------------|
| 1 | HS | 4 | 4 | CA | 0 | 1 | A | 14/01/2011 | 14/01/2011 | 30/08/2010 | NA | 424 | . | 1 |
| 2 | HC | 8 | 8 | AZ | 0 | 7 | A | 14/01/2011 | 21/01/2011 | 15/11/2009 | CP | 2350 | . | 1 |
| 3 | HD | 8 | 8 | FL | 0 | 3 | A | 15/01/2011 | 17/01/2011 | 15/10/2010 | NA | 1181 | . | 1 |
| 4 | HN | 9 | 12 | VA | 1 | 3 | B | 15/01/2011 | 17/01/2011 | 07/01/2011 | NA | 376 | . | 0 |
| 5 | HD | 6 | 8 | FL | 0 | 6 | T | 16/01/2011 | 21/01/2011 | 30/09/2010 | NA | 865 | . | 0 |
| . | . | . | . | . | . | . | . | . | . | . | . | . | . | . |
| 2385 | HC | 7 | 8 | CA | 0 | 5 | A | 28/06/2011 | 02/07/2011 | 15/12/2010 | NA | 1892 | . | 0 |
| 2386 | HD | 8 | 8 | CA | 0 | 5 | A | 29/06/2011 | 03/07/2011 | 15/10/2010 | FR | 1699 | . | 1 |
| 2387 | HD | 10 | 12 | CA | 0 | 6 | A | 29/06/2011 | 05/07/2011 | 18/01/2011 | SA | 2149 | . | 1 |
| 2388 | HS | 4 | 4 | CA | 0 | 1 | A | 30/06/2011 | 30/06/2011 | 17/12/2010 | NA | 449 | . | 1 |
| 2389 | HD | 8 | 8 | WA | 0 | 6 | A | 30/06/2011 | 05/07/2011 | 29/10/2010 | NA | 2135 | . | 1 |

Note: The full dataset is available in the accompanying student spreadsheet, UVA-QA-0864X.

Data source: Company data adjusted by author using unspecified constants.

Exhibit 2
Retention Modeling at Scholastic Travel Company (A)
 Data Dictionary

| Data Field Name | Example | Description |
|-----------------|------------|---|
| ID | 1 | Self-explanatory. |
| Program.Code | HD | This is a very granular code that describes where the trip went and what it did. HN, for instance, is a history program that runs in New York. |
| From.Grade | 8 | This is the lowest grade in school of a participant on that program. |
| To.Grade | 8 | This is the highest grade in school of a participant on that program. |
| Group.State | IN | This is the two-letter designator for the state in which the originating school is located. OTHER stands for rare geographies that appear in the data only once. |
| Is.Non.Annual. | 1 | 1/0 indicating if the group from this school typically skips a year in between programs. These will rarely repeat the very next year. |
| Days | 3 | The number of days the group was on the program and with one of the instructors. |
| Travel.Type | A | Mode of travel from the originating school location to the starting location of the program (A = Air, B = Bus, T = Train). |
| Departure.Date | 19/02/2011 | The date that the group left its originating school. |
| Return.Date | 21/02/2011 | The date the group returned to its originating school. |
| Deposit.Date | 20/10/2010 | The date by which registrants are supposed to have at least an initial deposit in prior to departure. The time in the school year when certain events occur can be important; for instance, there are no deposit dates in the summer since no one would be around to act on them. |
| Special.Pay | NA | The most important of these are school accounts (SA). That means that, contrary to the usual practice, the teacher collects all of the money and then remits it in bulk to STC. The normal arrangement is STC handling all of the cash collection from parents/students. |
| Tuition | 1174 | This is the price it costs each full-paying participant (FPP) to go on the program. West-coast air trips are more expensive per person than midwestern bus groups. |
| FRP.Active | 72 | FRP is the full refund program. This is the number of FPPs on the trip who bought trip-cancellation insurance. |

Exhibit 2 (continued)

Data Dictionary

| | | |
|-------------------------|------------|---|
| FRP.Cancelled | 13 | This is the number of FPPs on the trip who bought trip-cancellation insurance, but then cancelled it. |
| FRP.Take.up.percent. | 0.6857 | This is the percentage of the FPPs who bought the FRP and ended up paying for it. |
| Early.RPL | 02/03/2010 | This is the date that the first communication went out to the group. Often this can be 12 to 18 months before the trip actually departed. |
| Latest.RPL | 10/08/2010 | This is the date that the last communication inviting people to join the group went out. Often this can be 6 to 9 months before the trip actually departed. |
| Cancelled.Pax | 15 | This is the number of passengers who signed up with a \$100 deposit but then cancelled before the group departed. |
| Total.Discount.Pax | 7 | This is the total number of extra passengers who went along without paying full price (or typically anything). These would be the chaperones and the teachers. |
| Initial.System.Date | 02/03/2010 | This is the date when the teacher first agreed to get this trip organized. It is typically the earliest of the dates relative to group activities. |
| Poverty.Code | A | Poverty code for the area in which the originating school (and by extension, most of the parents who will be paying for the trip) resides based on estimated percentage below the poverty line. A is 0 to 5.9, B is 6 to 15.9, C is 16 to 30.9, D is 31 or more, E is unclassified, Space if DISTCLASS = U (Supervisory Union). |
| Region | Other | This is a larger aggregation of state areas. Some large states, like California, are their own region. Others are combined. |
| CRM.Segment | 1 | This is a type of school code used in the customer-relationship-management (CRM) system to describe the school. The codes are numbered 1–11 but are in no particular order; proprietary, but it is a designation of a customer type that may be helpful. |
| School.Type | PUBLIC | Public or private. |
| Parent.Meeting.Flag | 1 | 1/0 indicating whether a parent meeting was held. These are typically strong indicators of parent engagement and of a teacher who understands that these can be important to successfully organizing one of these out-of-school programs. |
| MDR.Low.Grade | 7 | This is the lowest grade in the originating school. |
| MDR.High.Grade | 8 | This is the highest grade in the originating school. |
| Total.School.Enrollment | 955 | This is the total enrollment of the school (to differentiate big schools from little ones). |

Exhibit 2 (continued)

Data Dictionary

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|--------------------------------|----------------------------|--|
| Income.Level | P | Like poverty code, an indication of ability of parents to pay for these programs. A is lowest, Q is highest, Z is unclassified. |
| EZ.Pay.Take.Up.Rate | 0.2286 | This is a % of the FPPs that sign up for an automatic bank draft installment plan. |
| School.Sponsor | 0 | This is an indication (1/0) of whether or not the school is officially sponsoring the trip. Mostly, though these programs draw from the same school, they are typically run independently. |
| SPR.Product.Type | East Coast | A high level of aggregation of the very granular tour types. |
| SPR.New.Existing | EXISTING | EXISTING means that the group has traveled with STC before—most often the year before. NEW, with few exceptions, means that the school has never traveled before with STC. |
| FPP | 105 | This is the actual number of FPPs who went on the trip. |
| Total.Pax | 112 | This is the actual number of total passengers (including chaperones and teachers) who went on the trip. |
| SPR.Group.Revenue | 125735.4 | This is the total amount paid for all of the participants to go on the program from that group. |
| NumberOfMeetingswithParents | 0 | Number of meetings with parents prior to the trip. |
| FirstMeeting | 18/11/2010 | The date of the first meeting with parents (NA if none held). |
| LastMeeting | 28/11/2010 | The date of the last meeting with parents (NA if none held, may be same as the first meeting if only one meeting was held). |
| DifferenceTraveltoFirstMeeting | 93 | The number of days from the first parent meeting to travel date. |
| DifferenceTraveltoLastMeeting | 103 | The number of days from the last parent meeting to travel date. |
| SchoolGradeTypeLow | Elementary | The lowest grade type in the school. |
| SchoolGradeTypeHigh | Elementary | The highest grade type in the school. |
| SchoolGradeType | Elementary- >Elementary | Combination of the above denoting the type of school. |
| DepartureMonth | January | Month of departure. |
| GroupGradeTypeLow | K | The lowest grade type in the group that travels. |
| GroupGradeTypeHigh | Elementary | The highest grade type in the group that travels. |
| GroupGradeType | K- >Elementary | Combination of the above denoting the type of the group that travels. |

Exhibit 2 (continued)

Data Dictionary

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|--------------------------|------------|--|
| MajorProgramCode | H | Aggregation of the granular program code; the first letter of the program code. |
| SingleGradeTripFlag | 1 | Indicator for the trip taken by a group comprising students from the same grade. |
| FPP.to.School.enrollment | 0.06364617 | The ratio of FPP to school enrollment. |
| FPP.to.PAX | 0.93650794 | The ratio of FPP to total PAX on the trip. |
| Num.of.Non_FPP.PAX | 4 | The number of PAX who are not FPP. |
| SchoolSizeIndicator | L | A label for the size of the school (S, M, L, S-M, M-L), by quintiles of sizes. |
| Retained.in.2012. | 1 | THIS IS THE 1/0 SUCCESS METRIC WE ARE TRYING TO PREDICT—DID THE GROUP ACTUALLY RETURN THE NEXT YEAR? |

Data source: Company data, adjusted by author.