



Prodapt

Case Study - Uplift Model to Predict
Churn and Deliver Higher Marketing ROI
Through Targeted Outreach

What is Churn in a Telco

Churn in simple terms is defined as customers leaving the Telco in given period.

The churn metric is mostly shown as the percentage of customers that cancel a product or service within a given period.

e.g., If a Telco company had 10 Mio. customers on the 1st of January and received 500K contract terminations until the 31st of January the monthly churn for January would be 5%

Voluntary Churn is when a customer actively end or close their account.

Mainly due to bad experience (network, service), compelling offer from competition.

Involuntary churn caused due to payment failures, recoveries, lapses from customer end

In most of the cases customers forced to discontinue service or system errors (migrations, upgrades not supported / delete & add operations)



Impact of Churn



Businesses assess rate of churn by customer segments, product categories, lifetime value (LTV), etc.,

The goal of business to reduce churn, increase revenue by targeted marketing campaigns.

Targeted campaigns for retention, upsell, cross sell

The uplift of a marketing campaign is usually defined as the difference in response rate between a treated group and a randomized control group.

This allows a marketing team to isolate the effect of a marketing action and measure the effectiveness or otherwise of that individual marketing action.

Churn, Propensity and Uplift

The Problem Statement and the Solution Strategy

- Given a set of customers, the ensemble, how do we take pre-emptive action to prevent churn, prevent them from leaving
- We follow the strategy of:
 - Identify, with as much accuracy as possible, the set to customers who are likely to churn in the immediate future
 - Use analytics and machine learning with past data available to predict a
 - *Propensity Score* for each customer – in the form of the *probability* of that customer to churn
 - Identify possible pre-emptive actions so as to prevent this churn from happening
 - Any such pre-emptive action is called *Treatment*, T
 - Multiple such treatments T are possible – need to choose the right one for the customer – that will retain
 - Such pre-emptive actions could be based on the past experience in understanding customer behaviour
 - Execute the treatment T and try and retain the customer
 - Measure the efficiency of the strategy for further improvements and fine tuning

Churn, Propensity and Uplift

The Showstopper

- How do we “Measure the efficiency of the strategy for further improvements and fine tuning”?
 - We need to know that the treatment T **caused** the customer not to churn
 - Assume that C was predicted to churn, was offered the treatment T, and C did not churn
 - *Correlation is not Causation!*
- The usual scores for accuracy of the prediction: Precision, Recall, is not possible to apply in this situation
 - There is no way to assess or conclude that C would not have churned if T was not offered
- The showstopper:
 - Usual prediction methods cannot be tested for accuracy of predicting churn in this context
 - Note that we could have tested the accuracy if customers were NOT offered the Treatment
 - However this defeats the purpose of the entire exercise
- The Solution here is:
 - Model Customer Behaviour so as to predict the impact of T on the *Propensity Score* of C
 - Is C less likely to churn if offered T?

Churn, Propensity and Uplift

What is Uplift Modelling

- Classic Propensity Model
 - Predict target variable Y given features X
 - $Y = f(X)$
 - $0 \leq Y \leq 1$: $Y = 1$: *Churn* ; $Y = 0$ *No churn*
- Uplift Modelling
 - Predict target variable Y given features X and treatment T
 - $Y = f(X, T)$
 - Uplift is then defined as the
 - $U = P(Y|\sim T) - P(Y|T)$
 - This measures the difference that the treatment T causes in customer behaviour
- The treatment T is then offered to those customers who have a $U \geq threshold$

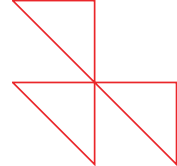
Churn, Propensity and Uplift

So, what does it matter – why not offer T to all customers?

- One could argue that we just go and offer T to all customers instead of going through this rigmarole!
- Cost
 - Suppose: T=Call the customer and explain an attractive new discount scheme on his current plan and persuade to sign up
 - For a telco with 10 million customer base, this is a very expensive and time consuming proposition
- It may be good NOT to offer T to some customers – this is the insight from customer buying behaviour studies
 - Customer Classification
 - *Sure Things*: will anyway buy without being offered T
 - *Lost Causes*: will anyway churn independent of T being offered
 - *Sleeping Dogs*: will get irritated and churn if offered T
 - *Persuadables*: will decide not to churn when persuaded with T
- *The optimal strategy then is to approach only the Persuadables*
 - *Persuadables: Uplift > threshold*

		LEAVE IF TREATED	
		Yes	No
	Yes	SLEEPING DOGS X X	LOST CAUSES X
	No	SURE THINGS X	PERSUADABLES ✓
		No	Yes
		LEAVE IF NOT TREATED	

Calculating Uplift Deciles



Dataset to Infer Propensity



Trained Model



Customer Id
+
Propensity Score

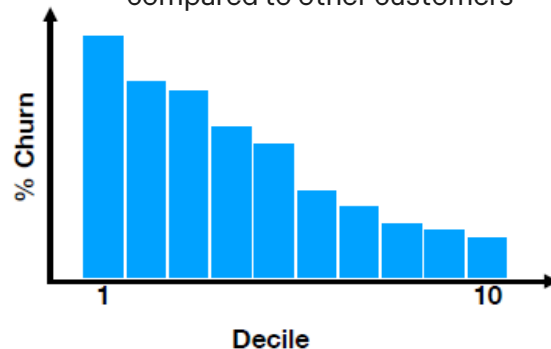
Sort
Propensity



% Churn to
Customer Base

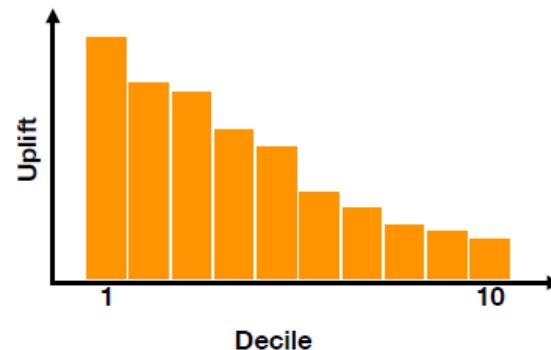


How likely a customer is to churn when compared to other customers

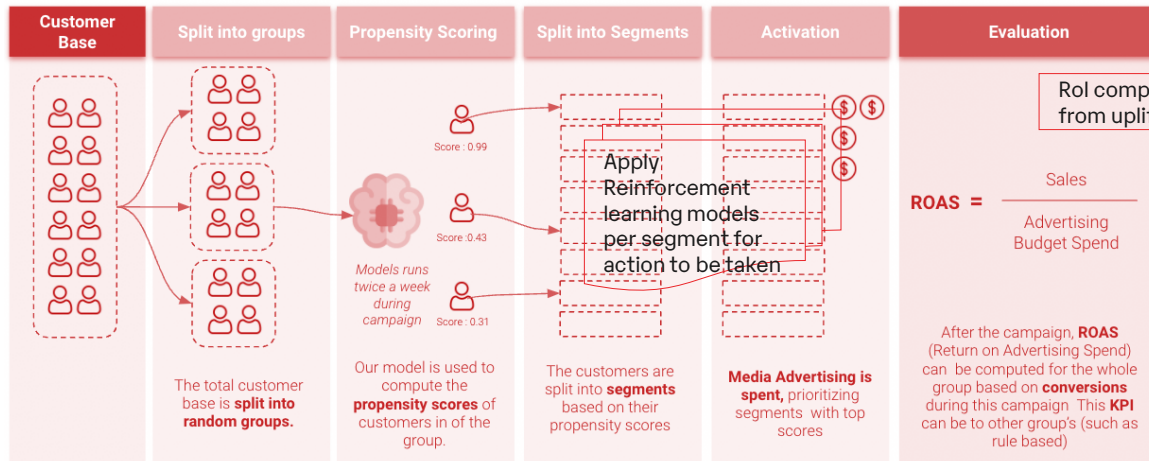
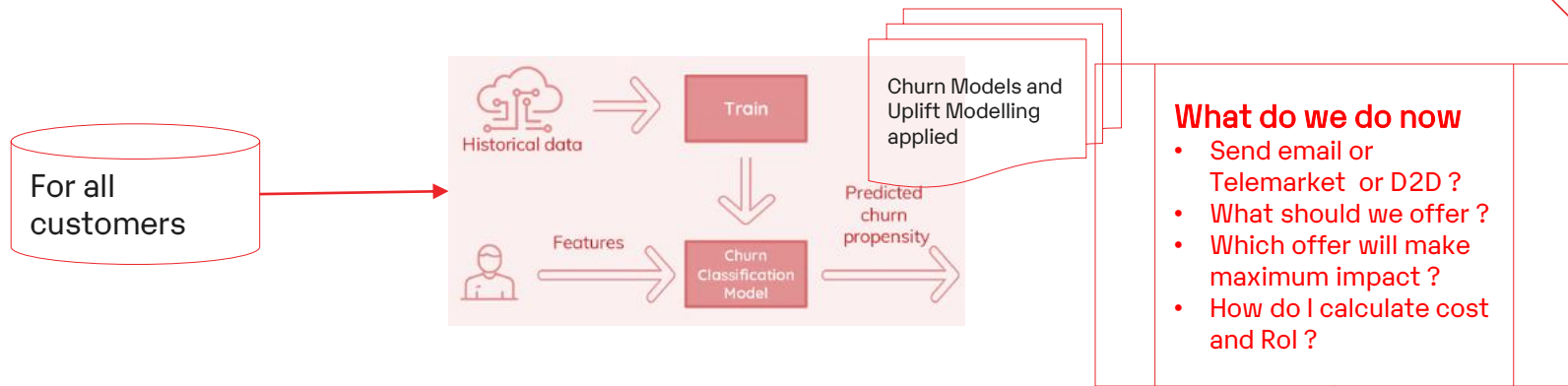


Uplift Decile =

$$\frac{\% \text{ Churn Decile}}{\% \text{ Churn (Customer Base)}}$$



Let us understand how business use ML models

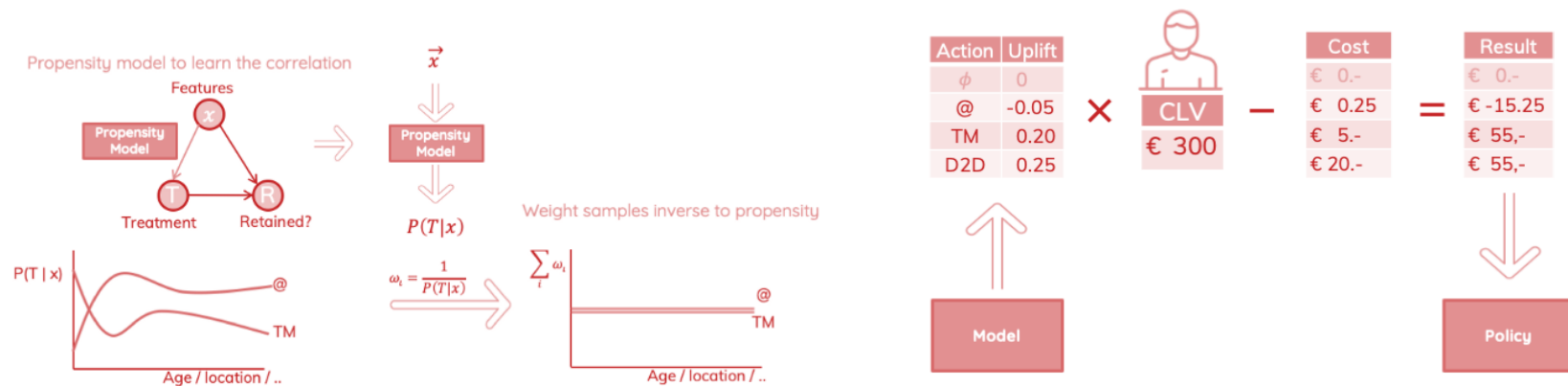


Modelling to find impact of offers to per customer segment !!!

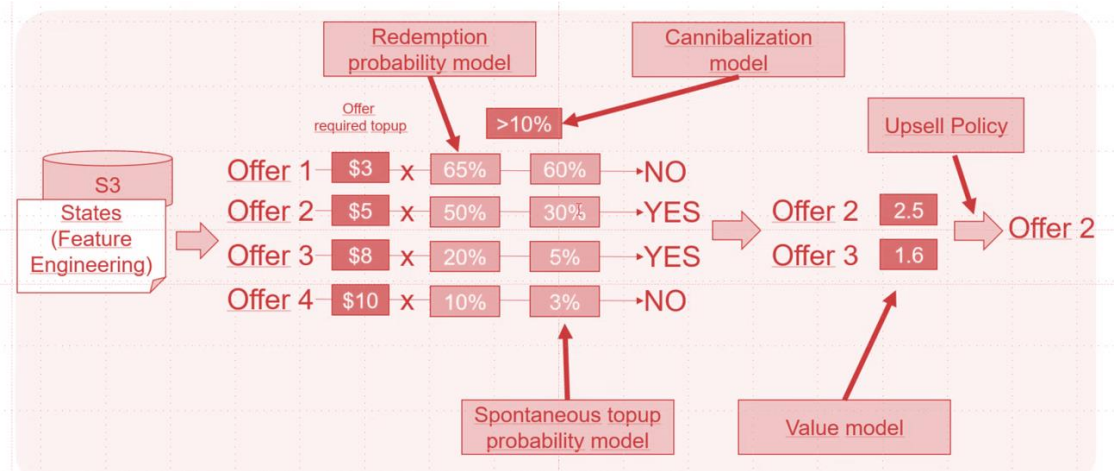
Applying Reinforcement learning to target group of customers

Reinforcement Learning is about learning the optimal behavior in an environment to obtain maximum reward.

e.g., Should I send a mail or call the customer ? What amount of discount is good - \$10 or \$15 ?

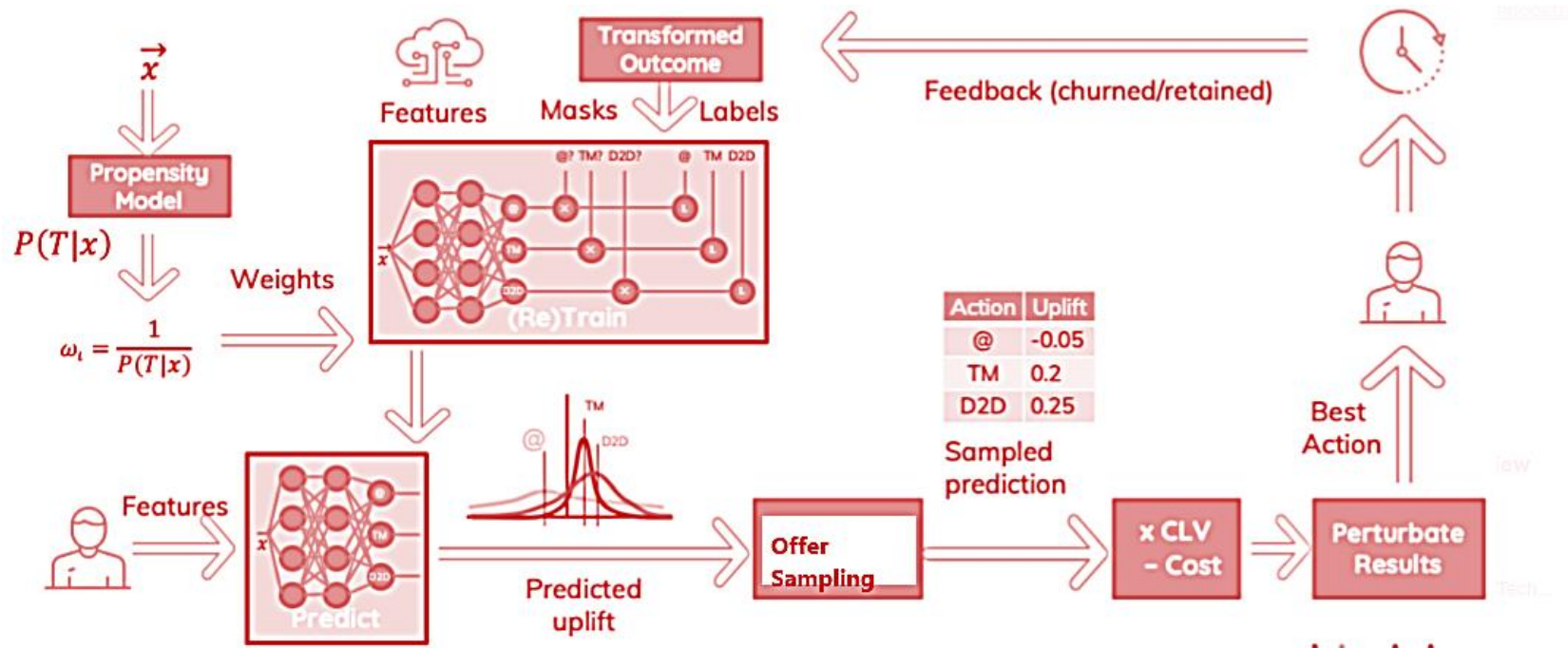


Selecting targeted offers using RL

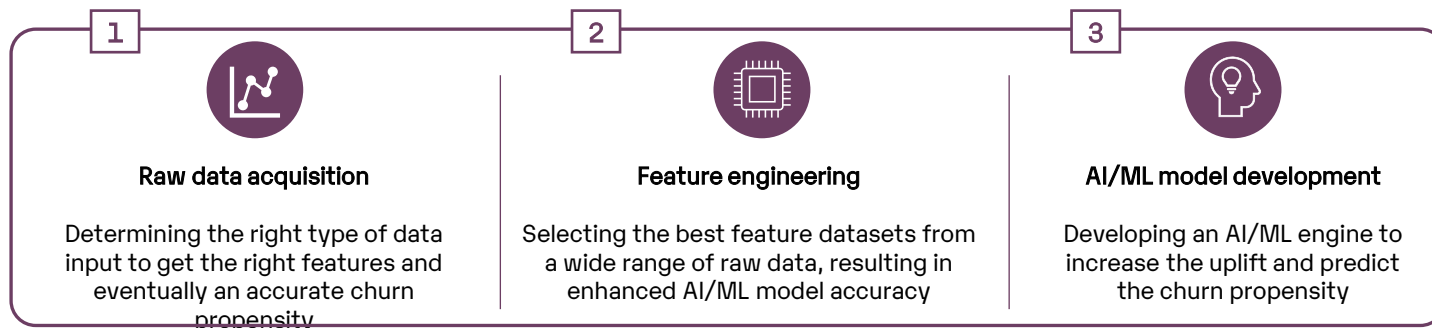
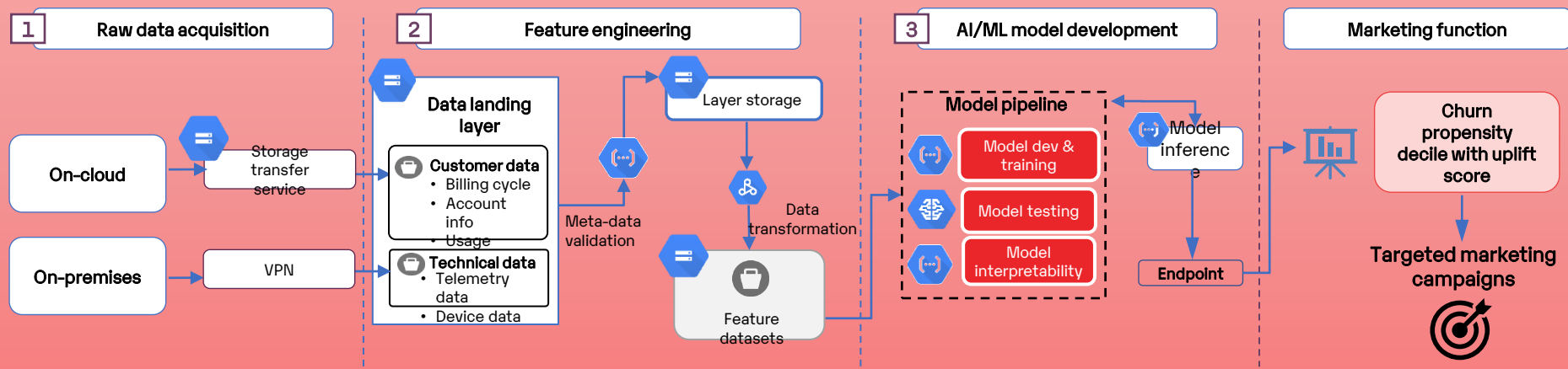


- States of each customer is given to RandomForest based Redemption probability model
 - Generates probability values **(1)** for different offers
- States and topup rates are fed into Spontaneous topup probability model which is also RandomForest based.
 - Generates probability values **(2)** whether the customer can take up that offer.
- Rule based cannibalization model is defined by BI team. It gives a constant threshold value **(3)** as output.
 - Offers that satisfy the constrain $\text{abs}((1) - (2)) > (3)$ is further passed to next step in the pipeline.
- Rule based Value model and Selection policy defined by BI team filters and allows only set offers that satisfies the constraints defined by those policies/models.

The machine learning landscape – full picture



Implementing 3 key enablers of the uplift model to achieve excellence in targeted marketing



With these 3 key enablers, DSPs can achieve an increase of 10%-18% in the uplift score. Furthermore, the return on marketing investment for DSPs would increase drastically.

Raw data acquisition: Selecting the best raw data to achieve accurate churn propensity and improved uplift

1 2 3

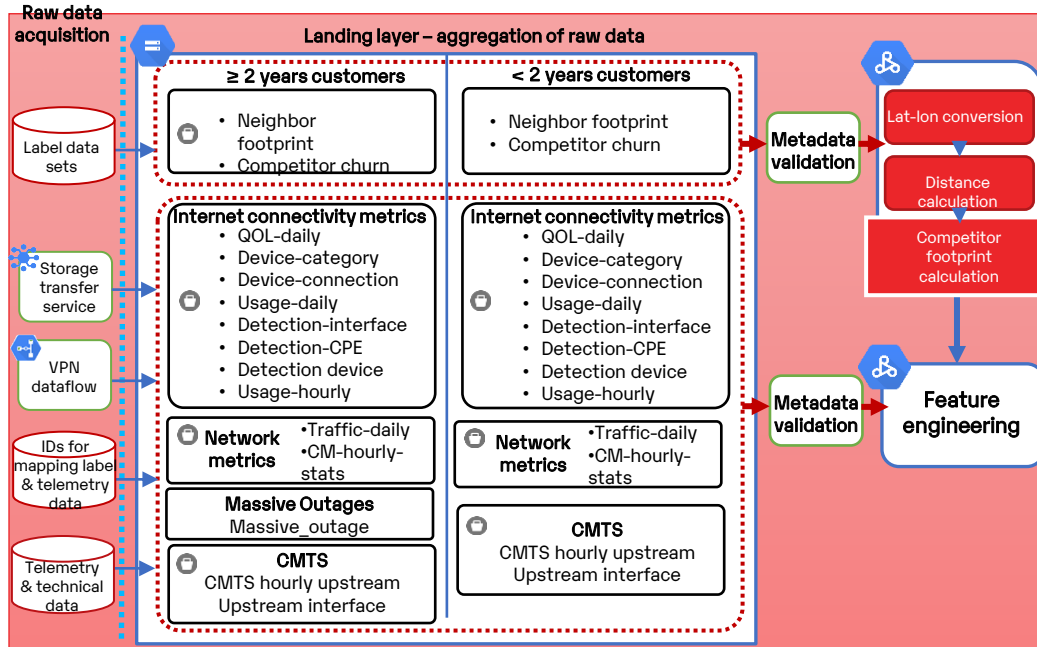


Fig: Raw data acquisition and landing layer

Recommended raw datasets for uplift model

- Device throughput
- Massive outages
- Neighbor data
- Call center
- Churn probability
- Competitor footprint
- Interface status
- Daily traffic
- Tickets
- Socio demographic
- CPE performance
- Hourly stats of CM
- Daily usage
- Hourly usage
- Network health

RECOMMENDATIONS

Aggregation of raw data:

- Solution architects and domain experts should **collaborate** to decide on data aggregation strategies and finalize the type of raw datasets to be used.
- Select the raw data **based on the past 2-3 months trends**. The historical trends depends on
 - Customers churn data
 - Active customers feedback
 - Customer response from marketing campaigns
- Select the raw data, which has **high influencing features** such as distance between an active customer and churner, competitor footprint, hourly broadband usage, etc.

Metadata validation to check the quality of raw data:

- Perform metadata validation daily, as the raw data acquisition is a continuous on-going process.
- Metadata validation tool could be built using Python.

The raw data, once obtained, must be engineered to get the best feature dataset, which would be fed into the AI/ML engine to achieve churn propensity and uplift score.

It is critical to prioritize only the most relevant and the best raw data input, to achieve an accurate churn propensity output and uplift score.

Feature engineering (FE): Leveraging data science to process raw data and select the best features

1 2 3 A B

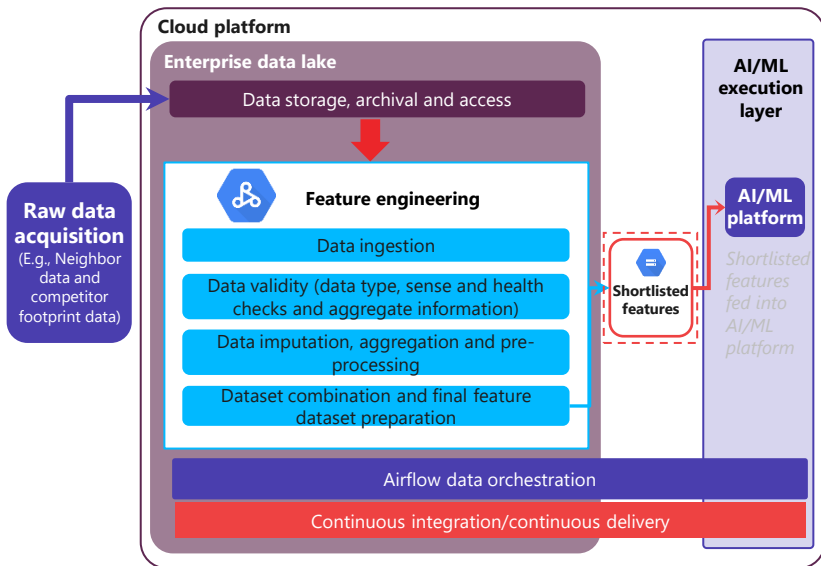


Fig: Feature engineering process

BENEFITS FOR DSPs

The selection of few best features out of more than thousands of features increases the accuracy of churn propensity. This is not achievable in traditional manual churn modeling.

Completely automated engineering allows the processing of any raw data, irrespective of the occurrence of data bias or data shift, which occurs due to customer behaviour shifts. Thus, DSPs do not have to repeat the feature engineering process depending on data variations.

Significance of feature selection:

- With feature engineering, the raw data is transformed into features that better represent the underlying issue to the ML algorithm, resulting in enhanced model accuracy.

RECOMMENDATIONS

Engineer the raw data to determine high-quality features

- Use the FE model to ingest and analyze the raw data to obtain a total of 3,000-11,000 features. (Note: this number may differ based on raw data)
- Execute the feature selection process, using the AI/ML platform to select only the best 400-1,000 final features (out of the 3,000-11,000 total features)

The most critical features for an effective uplift model are listed below:

- Active churners who are present within 30 meters from possible churner
- Ratio of competitor networks present closer to 200 meters of churners churned in 30 days
- Active churners who are present within 50 meters from possible churner and churner before last 15 days
- Probability of churning to competitor X
- Probability of churning to unknown competitors
- Downstream hourly broadband usage in MB
- Upstream hourly broadband usage in MB
- Power cycle detection
- Number of stations per interface (hourly)
- Broadband connectivity detection

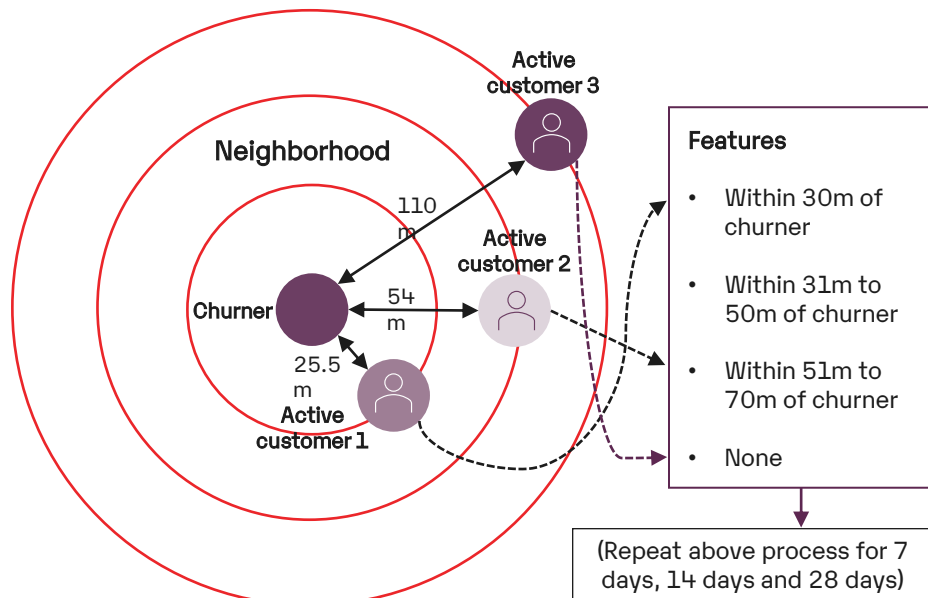
Use data orchestration platform to automate FE data pipeline

- The whole FE architecture should be managed on a data orchestration and scheduling platform such as **Apache Airflow**, which allows the FE data pipeline to be triggered automatically bi-weekly or monthly

The features, once obtained, must be fed into the AI/ML engine to achieve churn propensity and uplift score.

Example to illustrate feature generation using neighbor and competitor footprint data

1 2 3 A B



Note: m represents distance in meters

The above diagram shows the features generated based on the distance between a churner and active customers, in a particular neighborhood. The features are generated for every 7, 14, and 28 days and fed into the AI/ML model.

Neighbor and competitor footprint data provide higher number of influencing features, which are useful to achieve an accurate churn propensity and higher uplift score.

RECOMMENDATIONS

Use the neighbor and competitor footprint data to determine the following:

- Density of active and churned users in a neighborhood
- Competitor footprint in the same neighborhood
- Number of churners for every 7 days, 14 days, and 28 days
- Period of churn: date and time of a customer churn
- Distance between a churner and active customer/subscriber

AI/ML model development: AI/ML engine increases the uplift score and enables DSPs to target the right set of customers

1 2 3

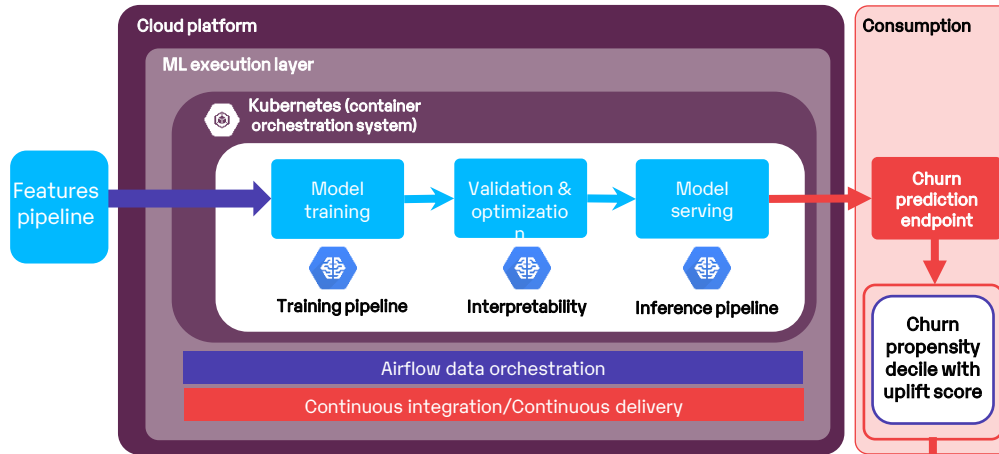
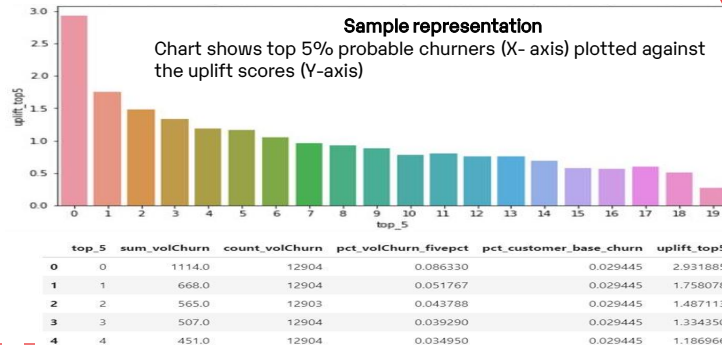


Fig: AI/ML engine to predict churn propensity



The AI/ML engine uses the best features, from the feature engineering pipeline, to predict the probability scores of the churners.

RECOMMENDATIONS

- Adopt **multiclass classification**-based AI/ML model, as a variety of features are analysed to predict the churn
- Implement custom **hyperparameter tuning** before the ML process begins, as it helps in testing different configurations when training the ML model
- Implement **Kubernetes, an open-source container-orchestration system**, to automate the deployment and management of ML model

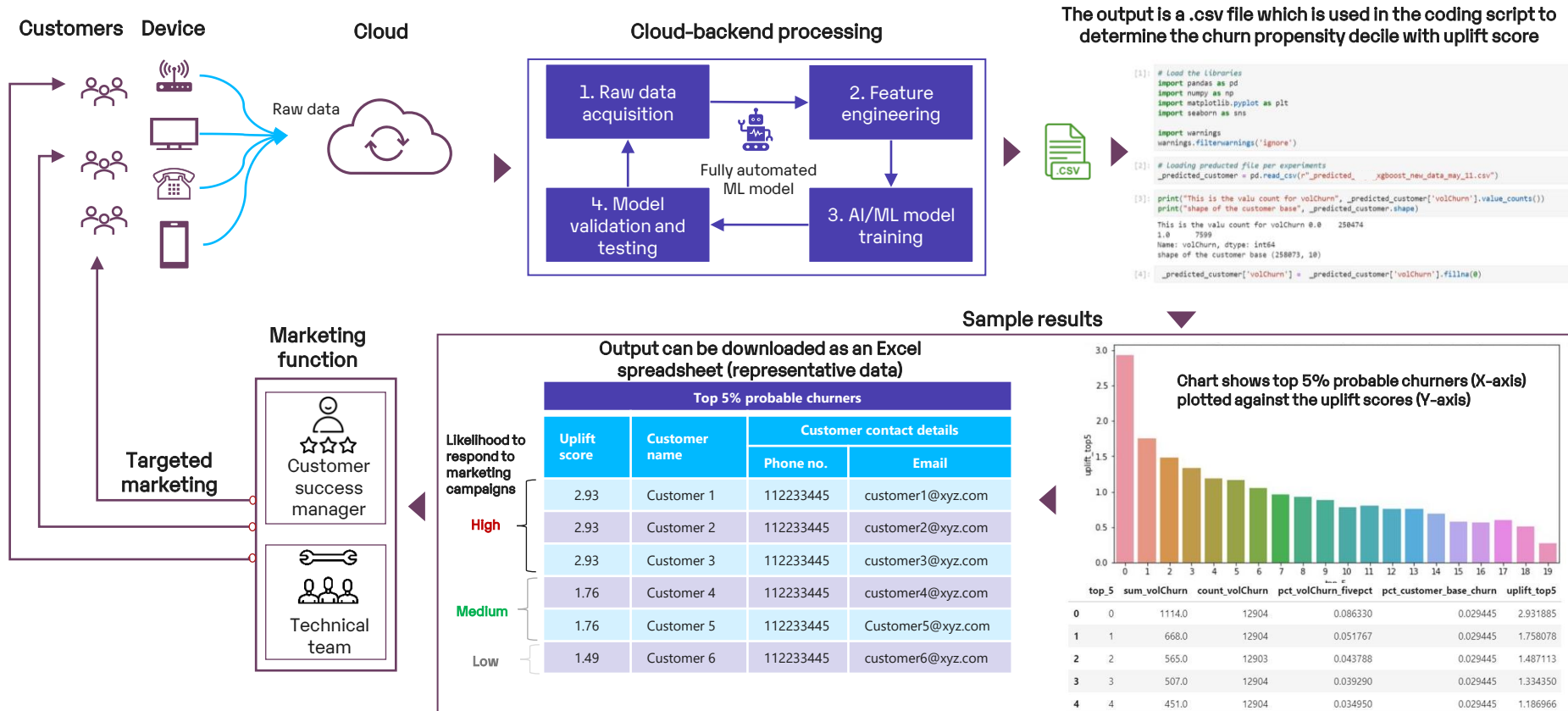
Run supervised ML algorithm on the engineered features

- Run the engineered features through three ML algorithms – i) Variance inflation factor, ii) Random forest algorithm, iii) XGBoost model
- These algorithms analyze and select the top features, which is required to predict the churn propensity and increase the uplift

BENEFITS

- The model sorts the probable churners into deciles, with the corresponding uplift score
- A high uplift score determines the customer's likelihood to respond to marketing campaigns

A leading DSP in the Americas implemented the ML-based uplift model to achieve excellence in targeted marketing



Benefits achieved by the DSP after implementing the ML-based uplift model



Implementing the 3 key enablers as discussed in this insight, resulted in the following benefits.



10%-18% increase in uplift score resulted in targeting the right set of customers, who would respond positively to the marketing campaigns

Uplift score of top 10,000 probable churners	
Traditional/manual approach	3.47
ML-based uplift modelling	4.1
% increase in uplift score	18.2%



Improved customer retention due to personalized marketing campaigns



Improved targeted marketing

- Increase in marketing ROI
- Reduction in time-to-market for targeted campaigns



Used Google Cloud Platform (GCP) for end-to-end execution of the ML-based uplift model, which drastically reduced the architecture setup time

Prodapt enables powerful technologies that accelerate connectedness

Singularly focused on **Connectedness**
aka
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(TMT) vertical

We are obsessed with the future of
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\$3.0 B in revenues
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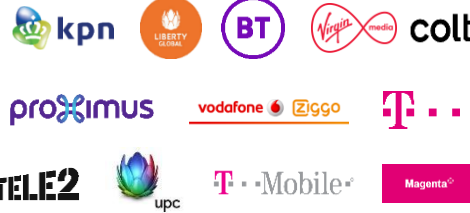
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Internship opportunities @ Prodapt

The various opportunities to engage with Prodapt

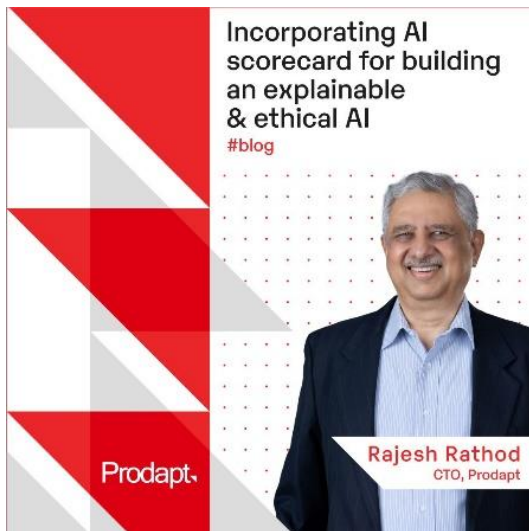
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Be a part of tech domains in Cloud, AIML, Intent Based Networks, Blockchains, Quantum computing, Metaverse, Cybersecurity, ASIC design, Agile software development and a lot more

About the presenter

Rajesh Rathod, CTO Prodapt



As the Chief Technology Officer, Rajesh Rathod assists the CEO & the Board in building strategic growth drivers focused on next-generation technology and capability development. Rajesh is also responsible for scaling Prodapt labs, building next-gen technology offerings and IP frameworks to boost future growth, in addition to driving the M&A technology strategy. As part of the role, he also oversees the learning & development function to prepare Prodaptians for the next phase of growth.

Rajesh Rathod completed his B. Tech in Electrical Engineering from the Indian Institute of Technology, Bombay, and his Master's in Electrical Engineering at the Indian Institute of Science, Bangalore. Outside his professional engagements, Rajesh is an active member of Shri Ram Chandra Mission, a spiritual organization, where he volunteers for several initiatives.

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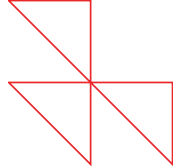
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THANK YOU!



Personalized marketing strategy of DSPs (Digital Service Providers) relies upon the ability to determine the propensity to churn and target the right set of customers



DSPs have been increasing their investments in strategic marketing to retain customers. However, it is critical to justify the investments by targeting the right set of customers, who are most likely to respond to the marketing campaigns.



Focusing on a **personalized marketing approach** will retain active customers and active subscriptions



The key to personalized marketing is to first **identify the most probable churners** and their corresponding **uplift metric**, which determines their **likelihood to respond to the marketing campaigns**



Thus, the **uplift metric enables DSPs to target** the right set of customers with personalized campaigns and maximize marketing return on investment (ROI).

Personalized outreach is a key lever for DSPs to retain customers and increase revenue

Engagement	Levers	Upside
Drive customer value	Reduce churn and grow advocacy	15-40% absolute churn reduction
	Personalize outreach and cross-sell	15-30% increase in revenue from cross-sell

DSPs' marketing strategy should be based on four key criteria

1. Identify customers who are most likely to churn voluntarily
2. Determine the propensity to churn
3. Identify customers with a higher probability to respond positively to marketing campaigns
4. Target those customers with personalized marketing campaigns

Different approaches to determine the right set of target customers for achieving higher marketing ROI

Types of customers based on their buying response to marketing campaigns



Recommendation

ML-based uplift model promises to deliver higher return on marketing investment. The successful implementation of the model requires right set of enablers such as raw data acquisition, data engineering, and lifecycle management using ML Ops. These enablers are presented in upcoming slides.

Different types of approaches to determine the right set of target customers

Manual spreadsheet based statistical modelling

- The model provides a **randomized and inaccurate list** of target customers, which may include all four types of buyers. This results in targeting the wrong customers
- Results in **low return** on marketing investment

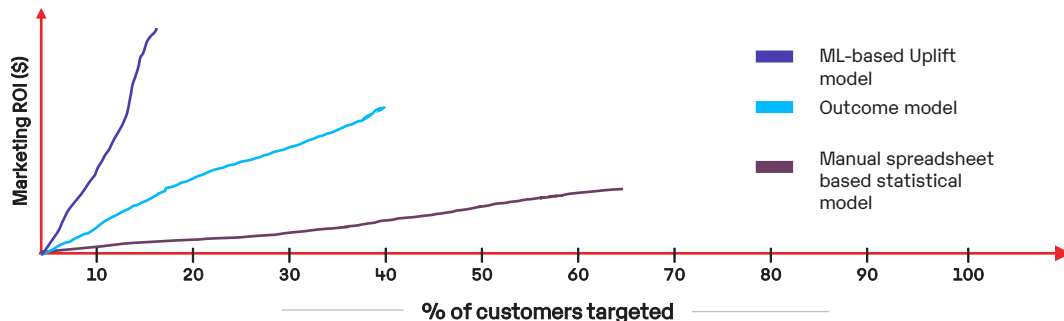
Outcome modelling

- The model identifies the list of buyers and non-buyers. The model lacks granularity in terms of categorizing the buyers into persuadable and sure things
- Results in **medium return** on marketing investment

ML-based uplift modelling

- The model identifies the list of buyers and non-buyers and **provides granularity** in terms of which buyers are persuadables. This results in targeting only one type of customer – persuadables, thereby improving marketing efficiency and drive higher incremental revenue
- Results in **high return** on marketing investment

Customers targeted vs marketing ROI achieved using different types of approaches



Final outcome of ML-based uplift model

Increase in uplift score: An increased uplift score determines which decile of customers has high probability to respond positively to marketing campaigns.