

CxC Datathon 2024 – Infinite Investment Systems Challenge

Marketing Report

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For this challenge, we were tasked with developing a model to predict customer churn for a growing investment platform. After predicting potentially churning customers, we were then tasked to devise a marketing strategy for the company to reduce their churn rate.

Churn rate is an especially critical metric for a growing finance company. The Financial/credit industry has the highest churn rate in the US at approximately 25% (<https://explodingtopics.com/blog/customer-retention-rates>). With the increasing competition and innovation in the financial space, our investment platform must continue to maintain its footing within the market or risk losing relevance to newer companies.

The importance of up-to-date information

While developing our model, we noticed that many fields tracked when interactions occurred with a user's account, such as when it was created, when it was last updated and when the last trade was made. There was also a significant amount of data revolving around a user's account preferences, such as its visibility in reports, its consent to use a client's address and if an account has received instructions. These features are highly important since financial investments are highly structured and require data to process. However, we also realized that a significant portion of the entries in our test data had a lot of null values for user preferences. This could be due to a technical fault, or customers having incomplete data on their profile.

From a user's perspective, if they were going to make a quick trade only to be stopped due to incomplete data, they would be upset and dissuaded from using the platform. Another outcome is the trade going through, but they have a negative experience post-trade due to not having up-to-date preferences on mailing, reporting, etc. Customers' preferences need to be up to date, to ensure that their experience on the platform goes smoothly.

Portfolio Customization

Our investment platform is proud to offer users a wide range of risk and investment options. Customers can differentiate their portfolios based on the type of security, type of risk distribution, type of interest debiting, and more. While developing the model, we were able to incorporate these distributions to ensure that our model is as informed as possible.

Determining which features influence churn the most

After we developed our model and predicted which customers would churn, we wanted to know which features were driving our customer churn rate. We were able to extract the importance of each feature in our model and create a bar chart visualizing their importance (Figure 1).

From this, we can verify our above statements on up-to-date information and portfolio customization. Features involving when a customer's account had interactions with it had a considerable impact on the model. Many of the model's features revolving around a user's preferences had an impact, especially `visible_in_reports` and `use_client_address` which were the most impactful metrics by far. This indicates that having an up-to-date account does impact whether a customer churns or not. A similar trend can be seen for Portfolio Customization features, where features for risk tolerance, security distribution and debit interest (especially for categories A and C which are special cases) had a sizable impact on the model.

Marketing Strategies for the Platform

Now that we know what's driving customer churn, we can devise marketing strategies to address them. We have developed 3 marketing strategies to combat churn on the platform:

1. Quarterly Email check-ins to update data. These emails will remind users to keep their information updated on the platform. These emails ensure that customers update their data on the platform, thus making its use easier and potentially resulting in repeat uses. Even if users don't immediately update their data, the reminder email will leave a positive impression.
2. Weekly updates on finance, highlighting different security types and features on the platform. These updates can come in the form of emails, podcasts, blog posts, etc. These updates will keep customers informed on what is happening in the world of finance, and how different security types make an impact. These updates can easily transition into highlighting the platform's various portfolio customization options, allowing users to modify their portfolios to their preferences. This increased peace of mind may result in less churn and the multi-channel campaign can be easily shared, increasing the platform's exposure.
3. Online resources for risk types/security options. Many potential and new investors may feel daunted by the variety of options available on an investment platform. This fear could result in customers churning faster. By having easy-to-understand resources available online, investors can have confidence when using the platform, thus reducing churn. With SEO, these resources could be discovered by non-customers and potentially convert them into customers.

Figure 1

