

New Phone, Who Stays?

Proposed Retention Strategies with New Devices for Cell2Cell



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The Business Case

- Cell2Cell is 6th largest wireless company with **10M** customers
- **4%** total monthly average churn rate
- **50%** of churn is **voluntary**

Key problem: How do we proactively
retain customers and **increase
revenue?**



Analysis Methodology: Logistic Regression

The Data: 71,047 customers, 66 potential predictors of churn

The Model: Identified the strongest predictors of churn (using a logistic regression)

The Process: Divided customers into deciles by revenue to target incentives and measure results

The Outcome: Based on the model results, we developed two proposals for retaining customers and increasing profit

Top Churn Predictors
Equipment Days
Unique subscriptions
Months in Service
Mean Monthly minutes of use
Change in minutes of use

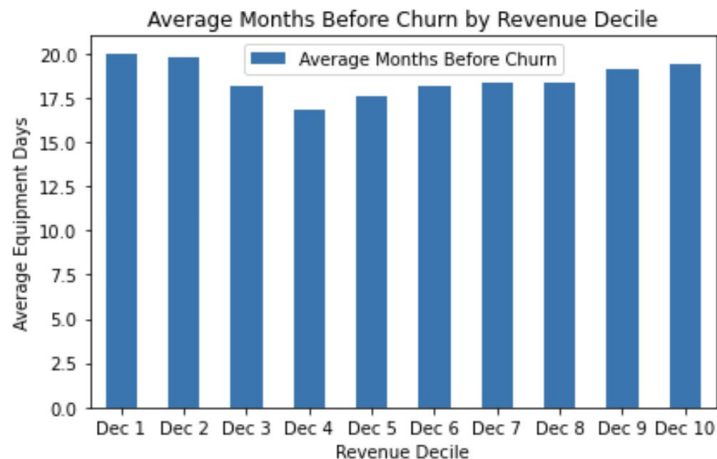
Economic Importance of Predictor Variables

Top Churn Predictors	Move 1 Standard Deviation	Increased Odds of Churn
Equipment Days	↑	43.5%
Unique Subscriptions	↑	24%
Months in Service	↓	20.5%
Mean Monthly Minutes	↓	16%
Change in Minutes Used	↓	13.6%

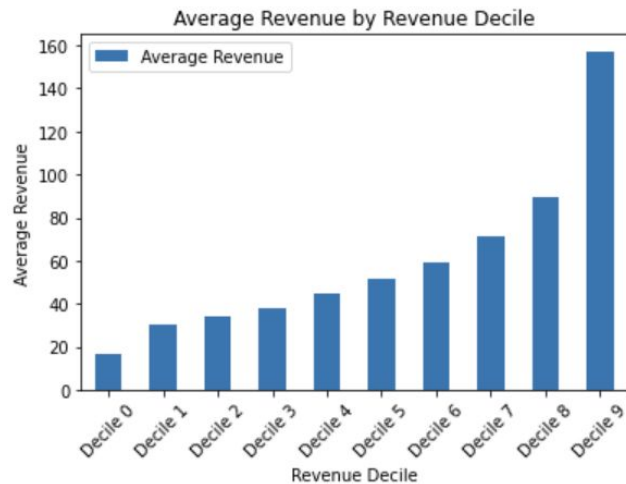
Recommendation: Contract Bundle– Device & Plan

Incentive plan goal: Incentivize new and existing customers to renew their equipment + sign longer-term contracts to increase the average number of months they stay with Cell2Cell.

Months in Service: On average, a customer churns after **18 months**



Monthly Revenue: On average, a customer generates **\$58.28** per month

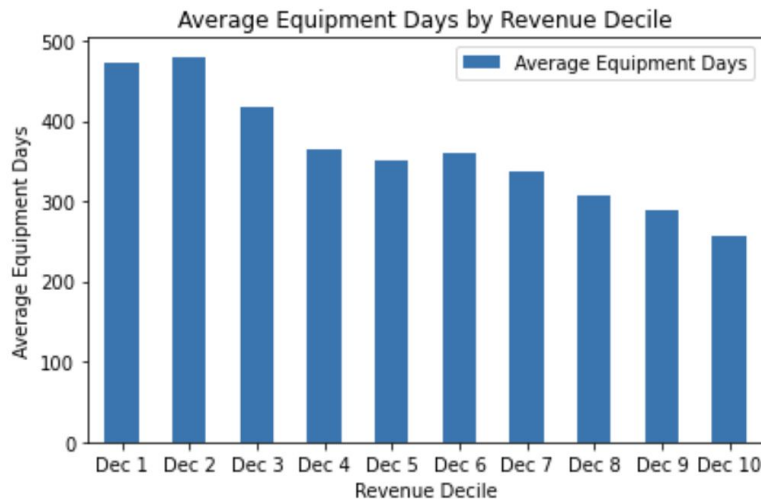


Recommendation: Contract Bundle– Device & Plan

Incentive plan goal: Incentivize new and existing customers to renew their equipment + sign longer-term contracts to increase the average number of months they stay with Cell2Cell.

Context for the incentive plan:

- A customer with an older equipment is more likely to churn.
- Additionally, customers who generate lower revenues also tend to have an older equipment



Recommendation: Contract Bundle– Device & Plan

Incentive plan goal: Incentivize new and existing customers to renew their equipment + sign longer-term contracts to increase the average number of months they stay with Cell2Cell.

The mean LTV is \$832.37 in expected profits:

	Decile groups 0-3	Decile groups 4-6	Decile groups 7-9
Average monthly revenue (\$)	\$29.50	\$51.60	\$106.06
Average # months before churn	18.7	18	19
LTV (\$)	\$422	\$737	\$1,578.27

Recommendation: Contract Bundle– Device & Plan

Offer details:

- Each customer tier is offered a tier-specific monthly flat rate and a free BlackBerry when they sign a 24-month contract with Cell2Cell.
- **Three-tiered plan** options based on **current average revenue calculation** across deciles 0-9
 - Basic Plan: Targeting customers in deciles 0-3
 - Standard Plan: Targeting customers in deciles 4-6
 - Premium Plan: Targeting customers in deciles 7-9



Recommendation: Contract Bundle– Device & Plan

Expected Impact: Increase in customer LTV across all three tiers

	Basic Plan				Standard Plan			Premium Plan		
Target customer segments	deciles 0-3				deciles 4-6			deciles 7-9		
Current average monthly revenue (\$)	\$29.50				\$51.60			\$106		
Current average monthly revenue per decile (\$)	\$16	\$30	\$33	\$37	\$44	\$51	\$59	\$71	\$89	\$157
Proposed monthly rate (\$)	\$51 (Phone installment: \$17 + Plan rate: \$34*)				\$69 (Phone installment: \$17 + Plan rate: \$52)			\$123 (Phone installment: \$17 + Plan rate: \$106)		
Current LTV (\$)	\$422.32				\$737			\$1,578		
Anticipated LTV (\$)	\$497				\$814			\$1,766		

*The proposed monthly rate for the Basic Plan is calculated based on the average monthly revenue of deciles 1-3, which is \$33.9

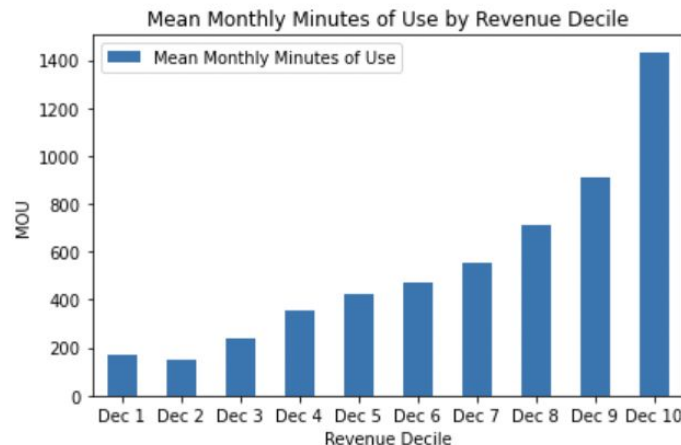
Alternate Option: Monthly Minutes of Use Rewards

Incentive plan goal:

- Incentivize Basic tier customers (deciles 0-3) to increase their average monthly minutes of use (MOU) by offering 25 free minutes when a customer reaches 125 minutes used in a month.
- Send targeted incentive only to those customers in Basic tier who are buying fewer than 125 minutes a month.

Context for the incentive plan

- Average customer in Basic tier uses 97 minutes per month
- Customers who use their plans more (i.e., higher monthly minutes of use) are less likely to leave, likely due to perceived value and embeddedness in the service.
- Odds of churn increase with lower minutes of use



Alternate Option: Monthly Minutes of Use Rewards

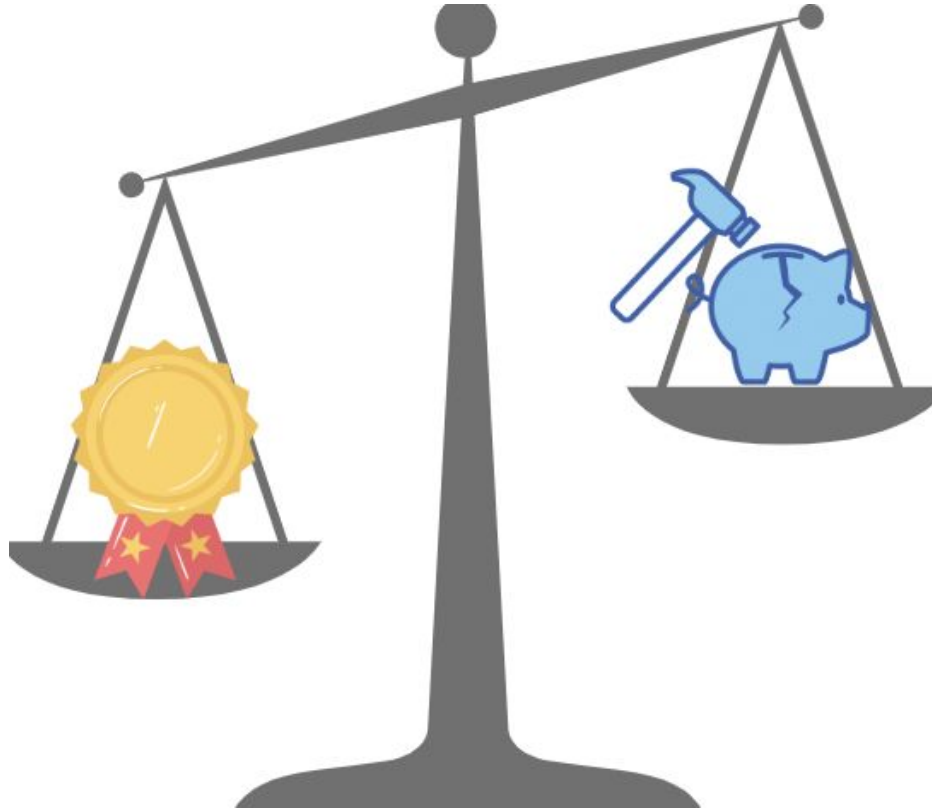
Expected Impact: Increase in customer LTV for customers in Basic tier, and increase the odds of their remaining with Cell2Cell

	Basic Plan			
Target customer segments	deciles 0-3			
Current average monthly revenue (\$)	\$29.5			
Current average monthly revenue per decile (\$)	16	30	33	37
Current LTV (\$)	\$422.32			
Anticipated LTV (\$)	\$542			



Risks & Rewards

**Increased
customer
LTV across
segments**



Recommendation:

- Customer churns before 24 months
- Some customers do not want to pay higher rate even with new phone

Alternate:

- Some customers not offered incentive may hear of it & alter behavior

Questions

