

Customer Retention

Using Data Science to address Customer Churn

Agenda

We will cover the following in today's session

- Overview of the churn in a telecom scenario
- Why Data Sciences?
- Data Science approach to build a robust churn strategy
- Methodology of building a churn model
- Outcomes and deliverables

Background: Operators are losing share in today's competitive market

Industry and external outlook

- **Tougher Telecom Environment**
 - Economic instability and uncertainty
 - Mobile Market is saturated and dominated by a few players
 - Intense competition leading to price wars
- **Smarter & More Demanding Customers**
 - Escalating personal and business reliance on telecommunications
 - Technology explosion
 - More demanding, less loyal customers
 - Comparison shoppers



Internal Outlook

- **Tremendous Growth Potential**
 - Generation of vast quantities of data
 - Drive new revenue growth through customer centricity
 - Continue to exploit cost efficiencies
- **Key questions that clients ask around churn**
 - How can I understand my churn situation better; both at the organization (macro) & subscriber (micro) levels?
 - What are the key drivers of churn and what is influencing them?
 - What are the appropriate churn initiatives that should be launched to address the different churn drivers?

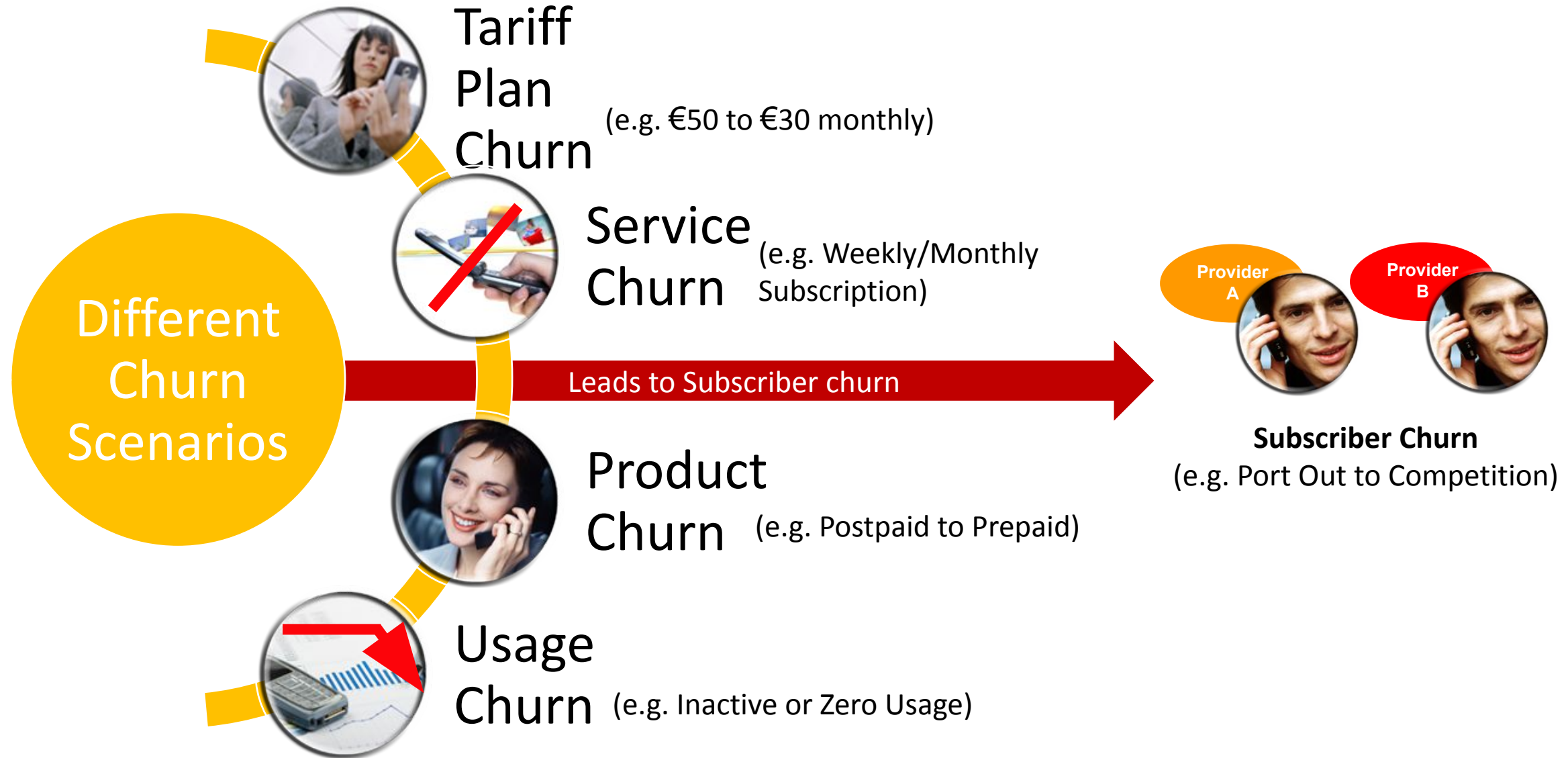
Need to Manage Churn

Churn is a key driver of EBITDA margin and an industry-wide challenge.

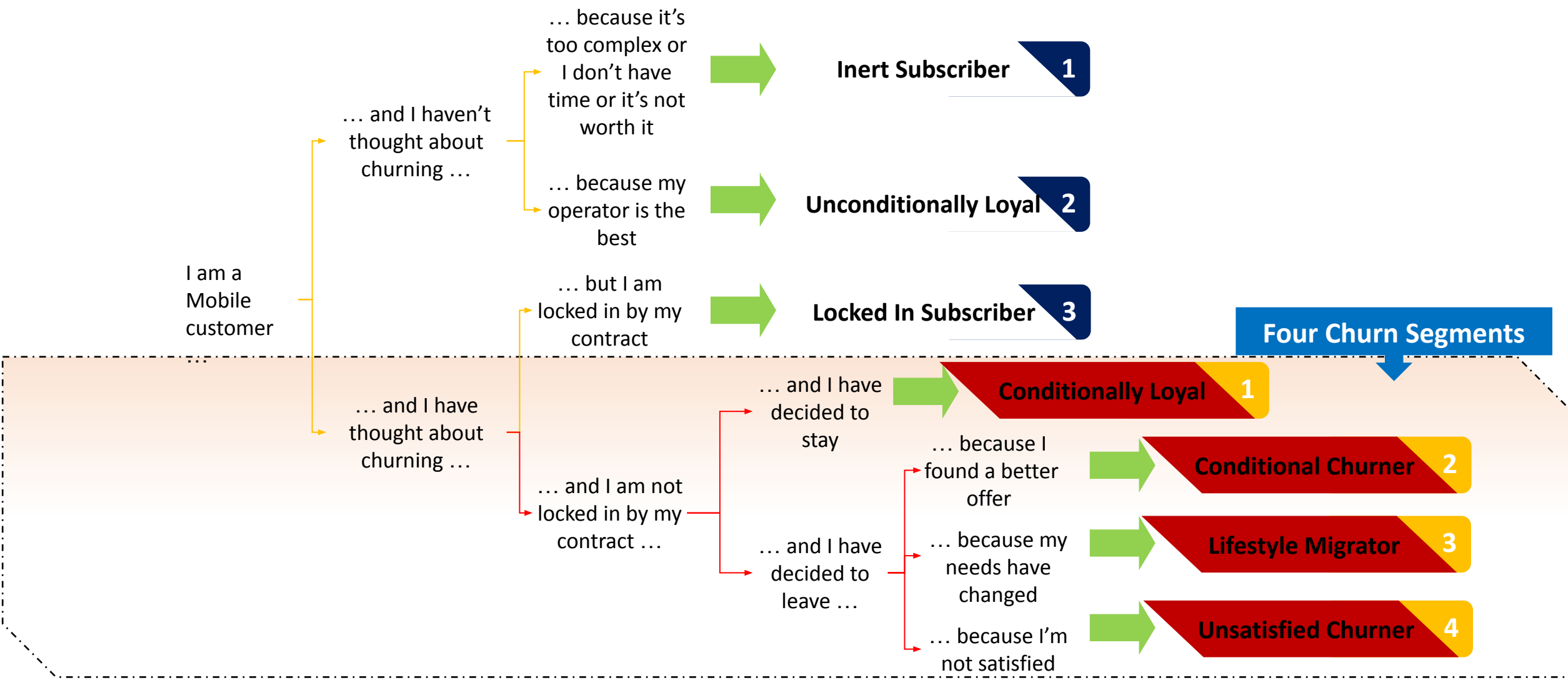
A churned customer provides less revenue or zero revenue and increases competitor market share.

Increase acquisition cost for the service provider if the customer churned to competition. It costs up to 5 times as much for an Service Provider to acquire a new subscriber as to retain an existing one

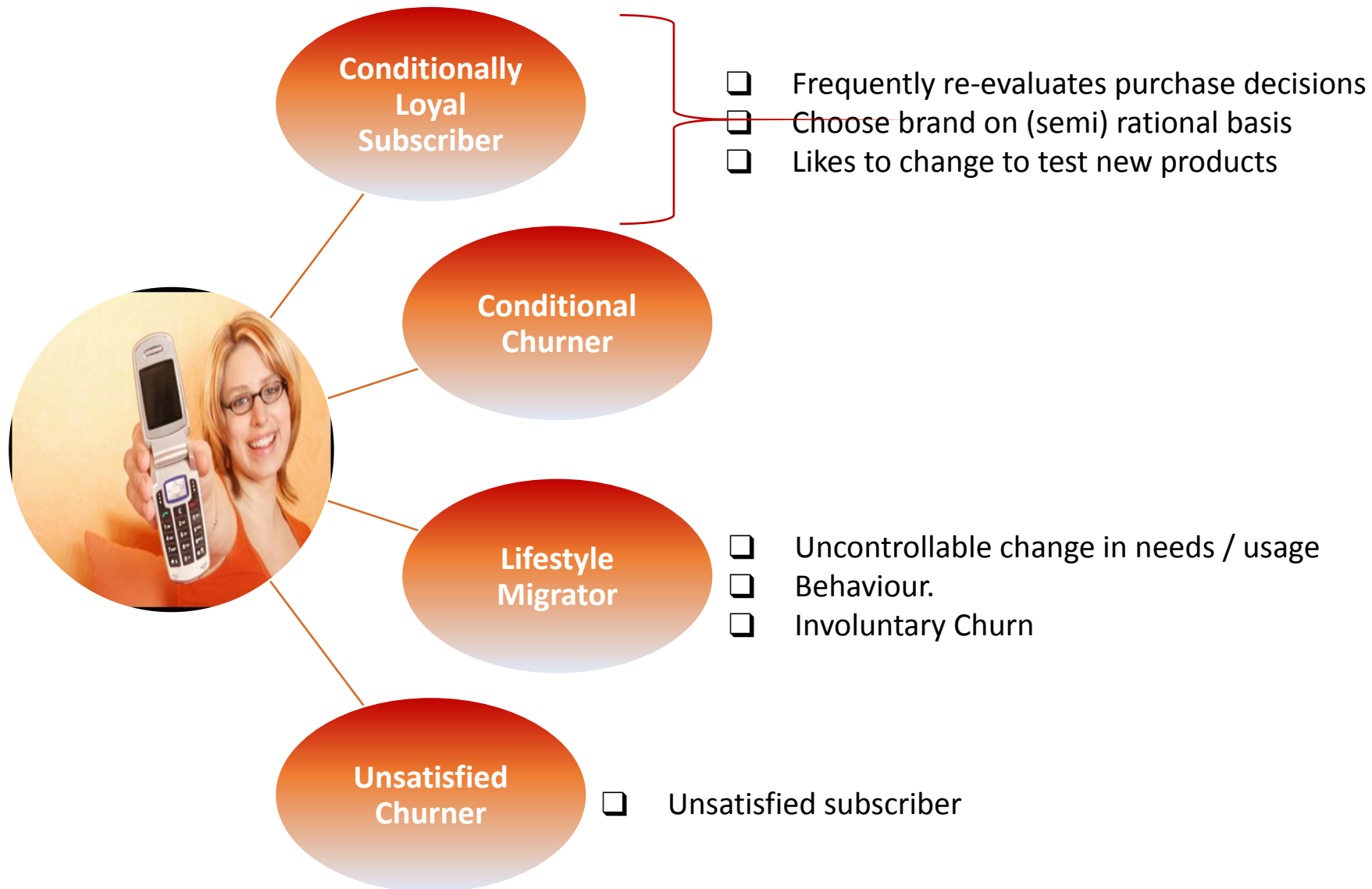
Subscriber Churn can be in different forms and not just exit from the base



Decision cycle of a subscriber: Changes as per needs and/or experiences



Four Churn Segments: Loyalty drivers for each segment



Loyalty Drivers

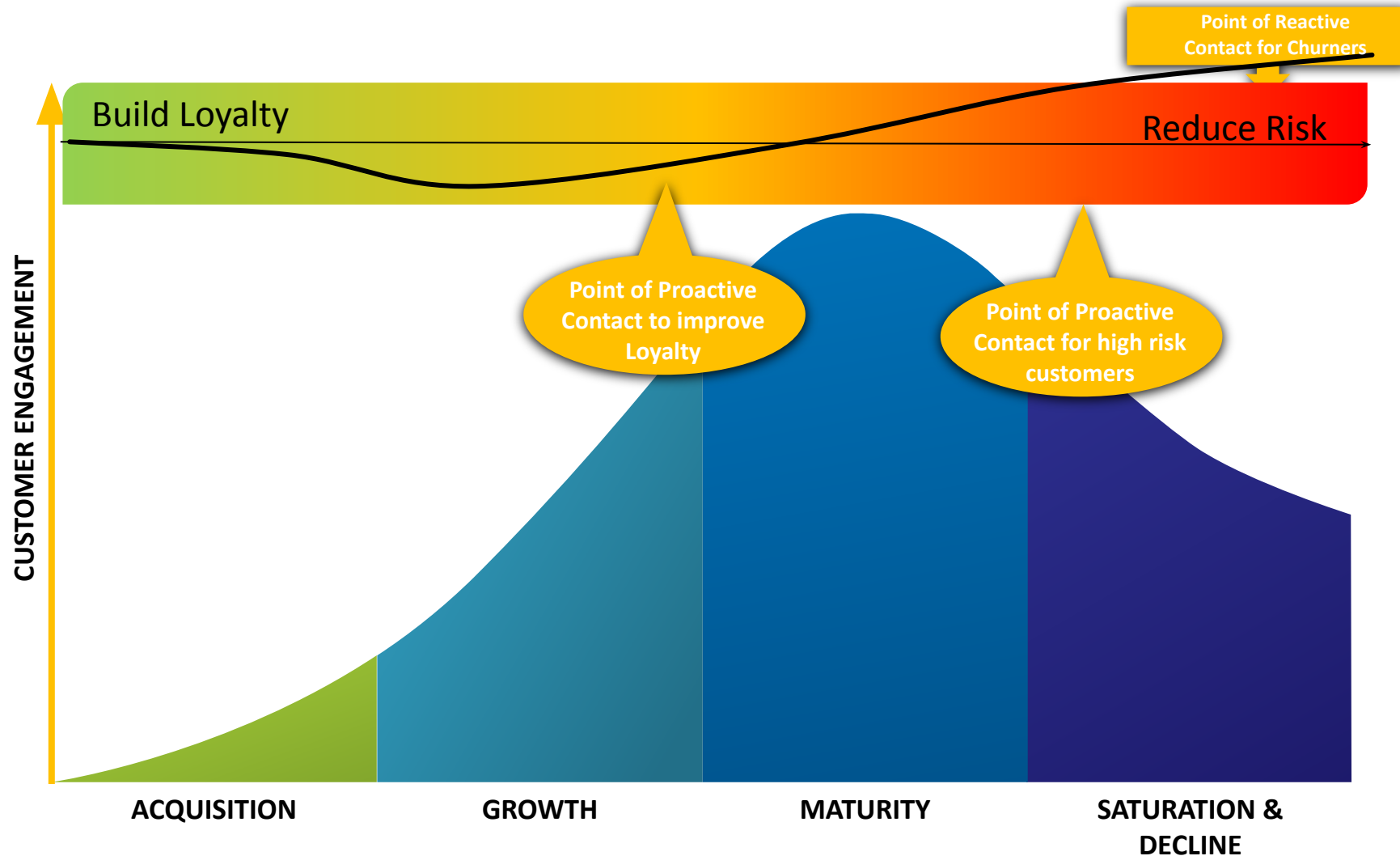
Key drivers that Influence Churn

1. Handset Loss/Upgrade
2. Cost of Service / Competitor pricing
3. Network Quality
4. Others
5. Customer Care Quality

Key drivers for Subscriber loyalty

1. Offers and services
2. Price
3. Quality of products and services
4. Quality of customer service
5. Length of contract period
6. Perception of telecom brand
7. Marketing programmes and campaigns

A proactive approach to managing churn has Data Sciences at its heart



Data Science will answer the following questions for the operator:

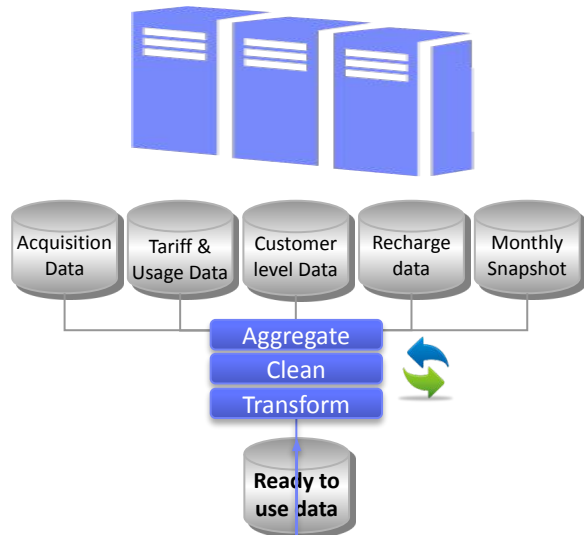
1. What are the customers' characteristics and tendencies?
2. What does the customer like or dislike?
3. Actual reasons for leaving
4. What would it take to get the customer to stay?

Data Science enablers:

- ☐ Pro-active retention strategy as opposed to a reactive one
- ☐ Insights on subscribers Churn Behavior
- ☐ Enables an operator to move away from business rules based campaigns to analytics led campaigns
- ☐ Enables reduction in marketing spend

High level Overview of a Data Science led approach to manage churn

Capture & Analyze



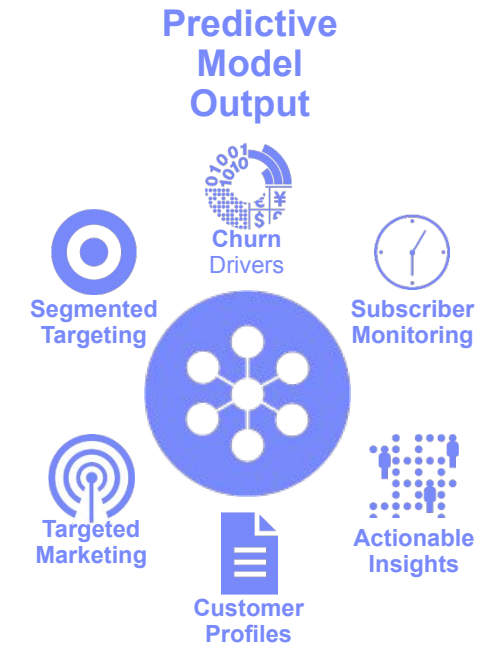
- ☐ Business Understanding
- ☐ Identify data requirements and explore data availability
- ☐ Request and extract data required to build a model
- ☐ Aggregate, Clean and Standardize data in desired format for model

Report & Predict



- ☐ Business Analysis of standardized data
- ☐ Predictive model design
- ☐ Development and Implementation of Predictive model

Engage & Act



- ☐ List of churn drivers / KPI's for tracking and monitoring
- ☐ A generated list of recommended subscribers for targeted churn campaigns
- ☐ Recommendations on monthly churn initiatives