JOEL SHAPIRO

# Blue Badger Auto Club



The Blue Badger Auto Club was founded in 1952 by a small group of dedicated automobile enthusiasts. It now serves over one million members, providing them with a range of travel-related services, including roadside assistance, discounts on routine auto maintenance at a wide network of auto service centers, downloadable maps, discounts at select restaurants, free vacation planning tools, and more.

For years, Blue Badger relentlessly strived to accomplish their "three pillars of success:" 1) to build membership and retain existing members, 2) to build and expand relationships with other businesses that its members value, and 3) to maintain and enhance the relevance of their products and services.

However, over time, Blue Badger began to struggle. New member sign-ups stagnated and customer churn increased as the relevance of key products and services waned. For instance, Google Maps and similar free products almost entirely negated the benefit of customized maps, once a real competitive advantage for Blue Badger.

Blue Badger, therefore, decided to shake things up – they brought in new senior leadership to infuse the company with a renewed energy and urgency. The new leadership team embraced the historical three-pillar model, with a laser focus on better understanding the customer and his/her needs – that is, true customer-centricity.

As part of this effort, Blue Badger contracted with an analytics vendor, University Square, to – among other things – provide a better understanding of why customers were churning.  By identifying factors related to customer churn, the Blue Badger team felt it could take important steps forward in pleasing and keeping members.

After a few months, University Square returned the results of its various models and techniques.  The extent and robustness of their information was exceptional. Throughout their in-person presentation of results, University Square explained how its state-of-the-art technology infrastructure and newest machine learning techniques allowed programmers to work in either Python or R, enabling them to find key trends that would be impossible to identify with traditional statistical modeling.  They also provided a detailed 134-page report, full of tabulations, trends, and predictions, summarized in a 22-page executive summary.

The Blue Badger team's attention was drawn to the models that identified the three factors that most strongly predicted customer churn:
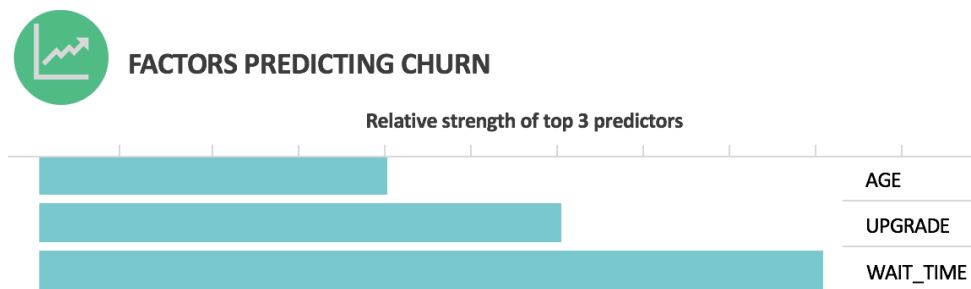


**Age of Customer**: older customers were less likely to churn
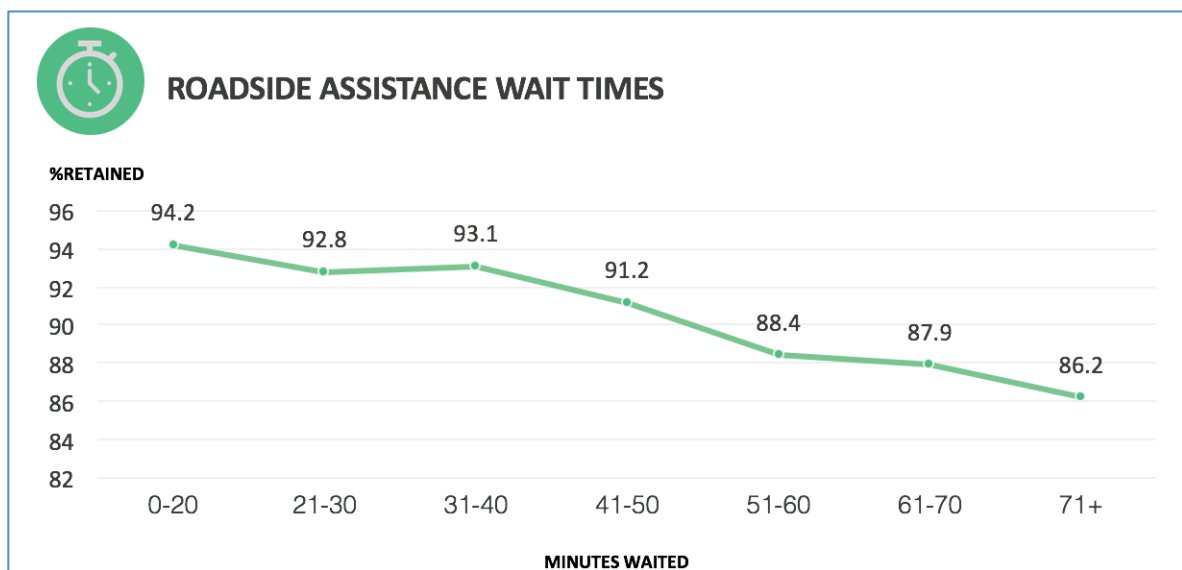
**Upgrade to Platinum Status**: for selected heavy users of Blue Badger services, Blue Badger offered a free upgrade to Platinum Status, which provided for greater discounts and enhanced services.  Those who had been offered a Platinum upgrade were less likely to churn than those who had not been upgraded.

**Roadside Assistance Wait Time**: when customers were stranded on the side of the road due to a breakdown or other problem with their vehicle, they could request assistance by calling a phone number or using an app.  Any emergency call would be routed to a special emergency system.  The remaining, non-emergency, calls would be routed to Blue Badger's regular processing system.  For non-emergency calls, the longer the wait times, the less likely the customer was to renew membership.  In the last 12 months,

approximately 13% of Blue Badger customers requested roadside assistance at least once.

Blue Badger leadership was keenly interested in WaitTime because it was the single biggest predictor of customer churn, and thus, might represent the greatest potential for keeping customers.

University Square also provided the following analysis, showing in greater detail that the longer a customer had to wait for roadside assistance, the less likely s/he was to renew membership at the next renewal period:

**ROADSIDE ASSISTANCE WAIT TIMES**

%RETAINED

| Minutes Waited | % Retained |
|---|---|
| 0-20 | 94.2 |
| 21-30 | 92.8 |
| 31-40 | 93.1 |
| 41-50 | 91.2 |
| 51-60 | 88.4 |
| 61-70 | 87.9 |
| 71+ | 86.2 |

MINUTES WAITED

One member of the Blue Badger leadership team commented: "This is exactly why we ran the analytics. It's pretty clear that the quicker we get to our customers, the happier they are, and the more likely they renew. Let's start costing out what it would take to reduce wait times." Another chimed in – "and think about upgrading more people to platinum status."