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CUSTOMER ATTRITION – WHO STAYS/WHO GOES

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We have found that not all attrition is bad, neither is all attrition preventable. But what is true is that attrition costs business billions of dollars each year in lost profits and new customer acquisition. But it is a cost that can be mitigated in a number of ways, if it can be determined who is likely to defect and for what reasons.

It is said that “most companies lose 10% - 40% of their customers each year and that telecoms, in particular, lose up to 50% of their long distance customers. In addition, recovered customers can be worth as much as 10 times more than new customers. Most companies do not know how to identify the high percentages of their customers who are at risk and may defect”.¹ Imagine what would happen to their revenues if it could be predicted which customers are most at risk and then what steps should be taken to retain them.

Successful retention starts with the first customer contact and continues throughout the entire lifetime of a relationship. Information built up over time enables determinations to be made about customer value, customer profitability and return on customer and these metrics will guide retention policy. It is also important to know why and when customers defect and whether this is precipitated by company or customer behavior.

The dramatic increase in business competition and declining loyalty among customers has placed new emphasis on the value of customer retention. Marketing organizations are under pressure to generate more sales revenue with no increase in resources — and because recruiting new customers is so much more expensive than retaining old ones — it is imperative to determine who is likely to defect, and which of those customers are most valuable, so remedial actions can be taken through the right channel (including intermediaries in some industries) to prevent their attrition.

Such retention projects require organizing, analyzing and modeling huge volumes of data that are often difficult to access and consolidate. Many firms simply lack the ability to support the complex data mining and analytical tasks that are essential to combating customer attrition. The consultants at Modern Analytics have a practical solution for those firms.

Modern Analytics is a leader in predictive technology and expert in data processing automation, advanced statistical analysis and computer modeling. It advises on the most effective use of marketing analytics, undertakes advanced analytical modeling and automates the data marts that create the fact-based environment for enterprise decision-making and business performance breakthroughs. The firm is known for its quality, speed and affordable solutions.

¹ Direct Marketing Association, DM Review, 2006