



White Paper

Use of Reason Codes in Attritor Forecasting

June, 2006

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Abstract

Attrition prediction models from Oceans Blue are effective at predicting both account closure and reduction in revenue (or loss of wallet share) type behaviours.

When a significant customer behaviour takes place, perhaps where an account is closed (often, customer behaviour changes in relation to external pressures, or inductive reasoning), there is usually a reason code that can be extracted from the customer. These can be subtly gleaned in the form of soft satisfaction surveys, or by direct questioning.

These reason codes can be very useful in identifying weak points along the customer journey, or to highlight business process issues. They help us answer the question as to “why ?” the customer exhibited an undesirable behaviour, so that if possible, we can learn from this most valuable feedback, and take action.

Benefits

When captured over time, typically within the CRM solution - and pushed into a predictive model - the model begins to correlate certain behaviours (parsed from call centre interaction, product and services usage changes, demographic facts and account attributes et al) with particular reason codes.

More useful prediction classifiers can then be delivered alongside the value and risk scored predictions themselves, to add leverage and focus to reinitialisation or retention measures.

Reason codes can be gathered from closed accounts retrospectively and date stamped into the CRM solution for automatic feed into the predictive model. Or, at account close time, the CRM operative follows a process to capture reason codes as part of the close cycle. Typically a controlled list of reason codes is available to the CRM operative, in order to maintain data consistency and usefulness.

Note: Freeform text recorded as CRM interaction can also be added to the model, using Information Inventor's text mining and phraseology component.

Typical Attrition Reasons Codes

Secondary comments can be used as subcodes

Relationship (R)

- § Changes in customer contact means extant good relationship devalued
- § Customer experiences pain to educate new supplier contact in particular needs
- § Perceived empathy with customer and their needs (personalisation)
- § Personality match or clash, can trend towards improvement or deterioration

Service (S)

- § Sub standard (typical industry average KPI) service
- § Reliability and the ability to be responsive to ad-hoc requests
- § Trend or blip ? Customer perception changes with time

Value (V)

- § Competitors perceived to offer the same or similar products and services, at a more cost effective rate
- § Sensitivity to a particular price per product level
- § Shock level modeling can determine best price/customer loyalty balance
- § Increasingly savvy customers compare suppliers using the Internet etc.

Product (P)

- § Variances in product offerings not tailored to a customer's particular needs – relevancy questioning can improve this
- § Quality below expectations – how to set expectations clearly so as to measure "quality".
- § Offerings: Change versus stability, model high value/satisfaction products

Local Competition (L)

- § Not always detectable, except in regulated industries etc.
- § Door to door flyers or sales

Force Majeur (F)

- § Service no longer required
- § But why ? Customer relocating, out of business, changing core offerings
- § Most difficult category to defend

Internal (I)

- § Supplier core offerings changed, customer requirements no longer serviceable
- § Branding or marketing alterations confuse customer
- § Deliberate refocus on customer segments, to the disadvantage of low-profit customers