

Cost of Churn and True ROI

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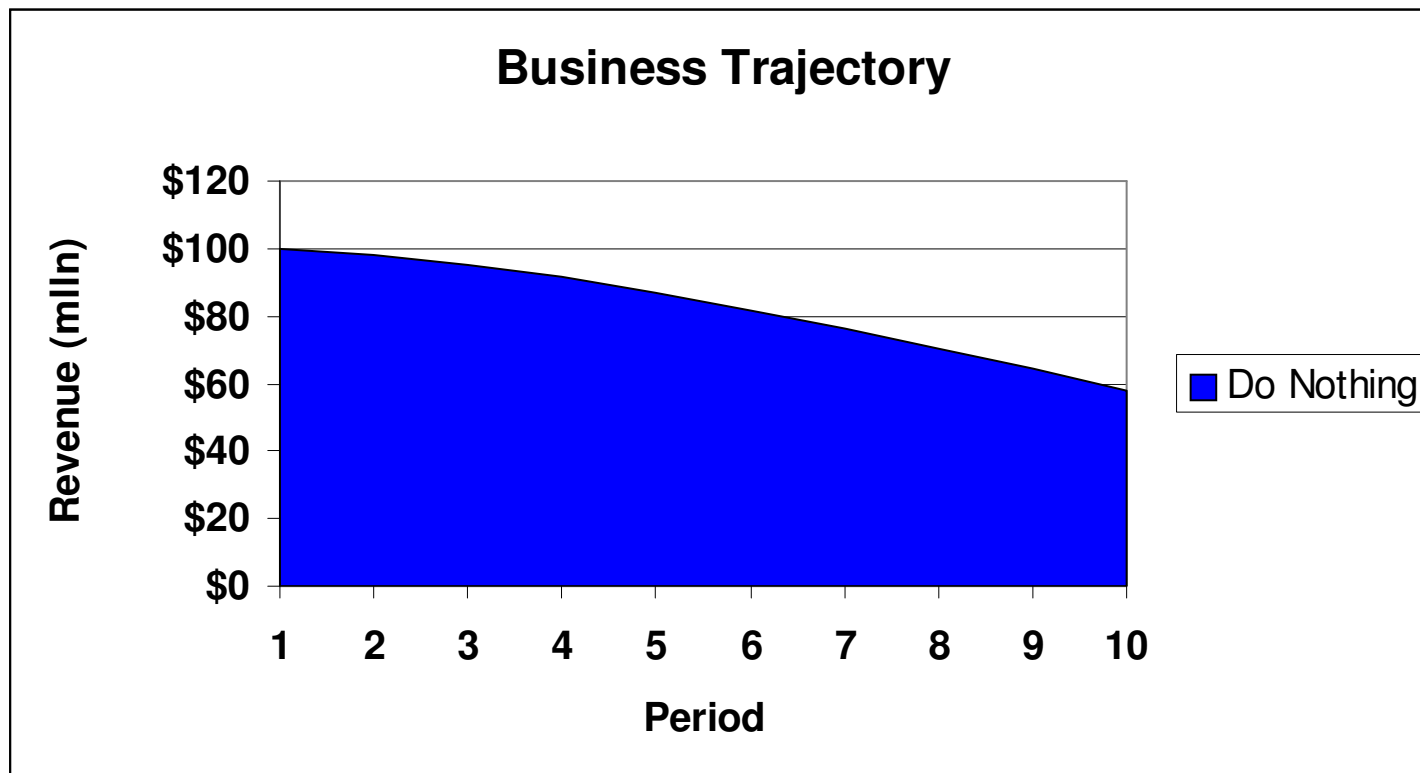
May 2007

Agenda

- Establishing the Value of Churn Management
- The Critical Tools
- What is the Cost of Customer Churn?
- Establishing the Benchmarks

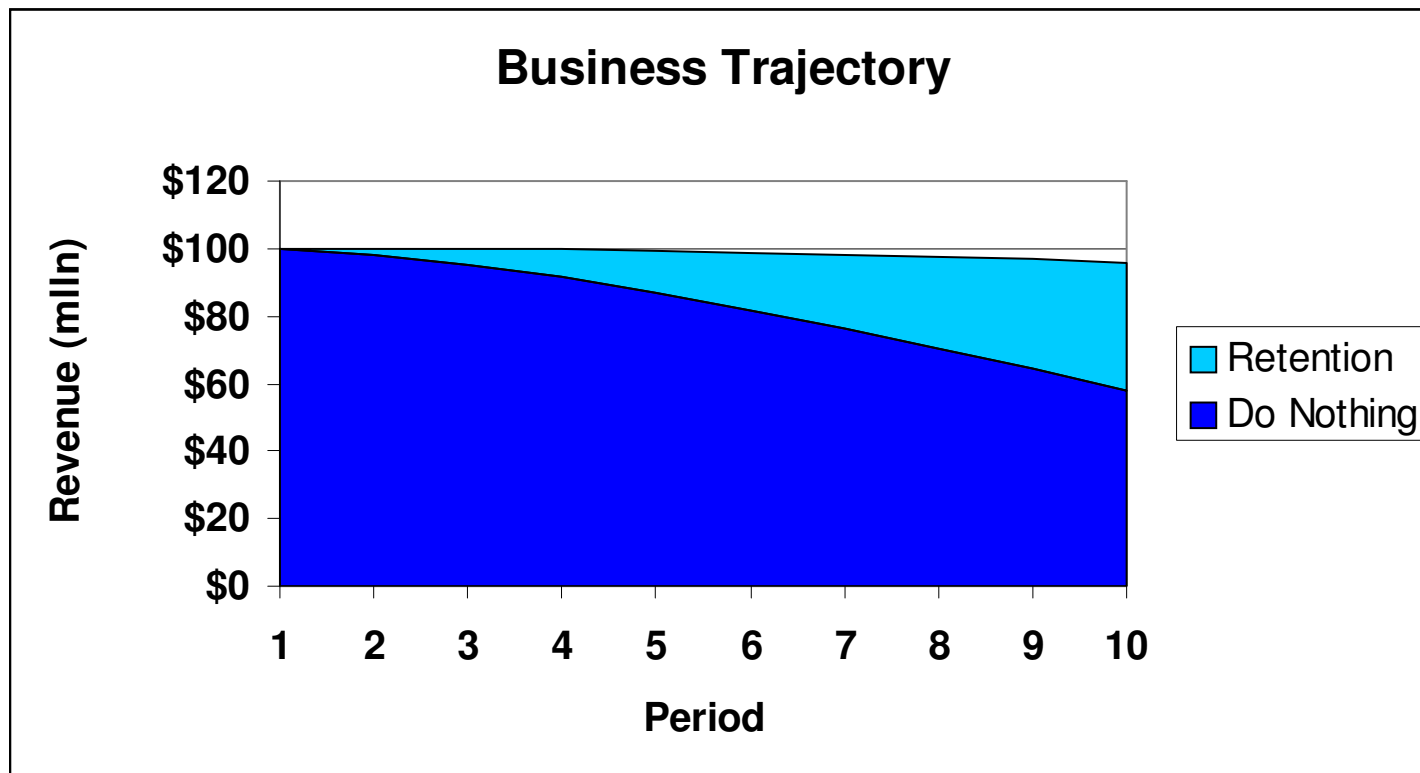
Establish Value of Churn by Establishing the DO NOTHING position

- If the marketing department stopped to exist tomorrow and no new programs were launched what is the trajectory of the business
 - Volume would roll forward but would start to decline – given churn, competitive pressures making current offering less relevant
 - No new incomes generated.



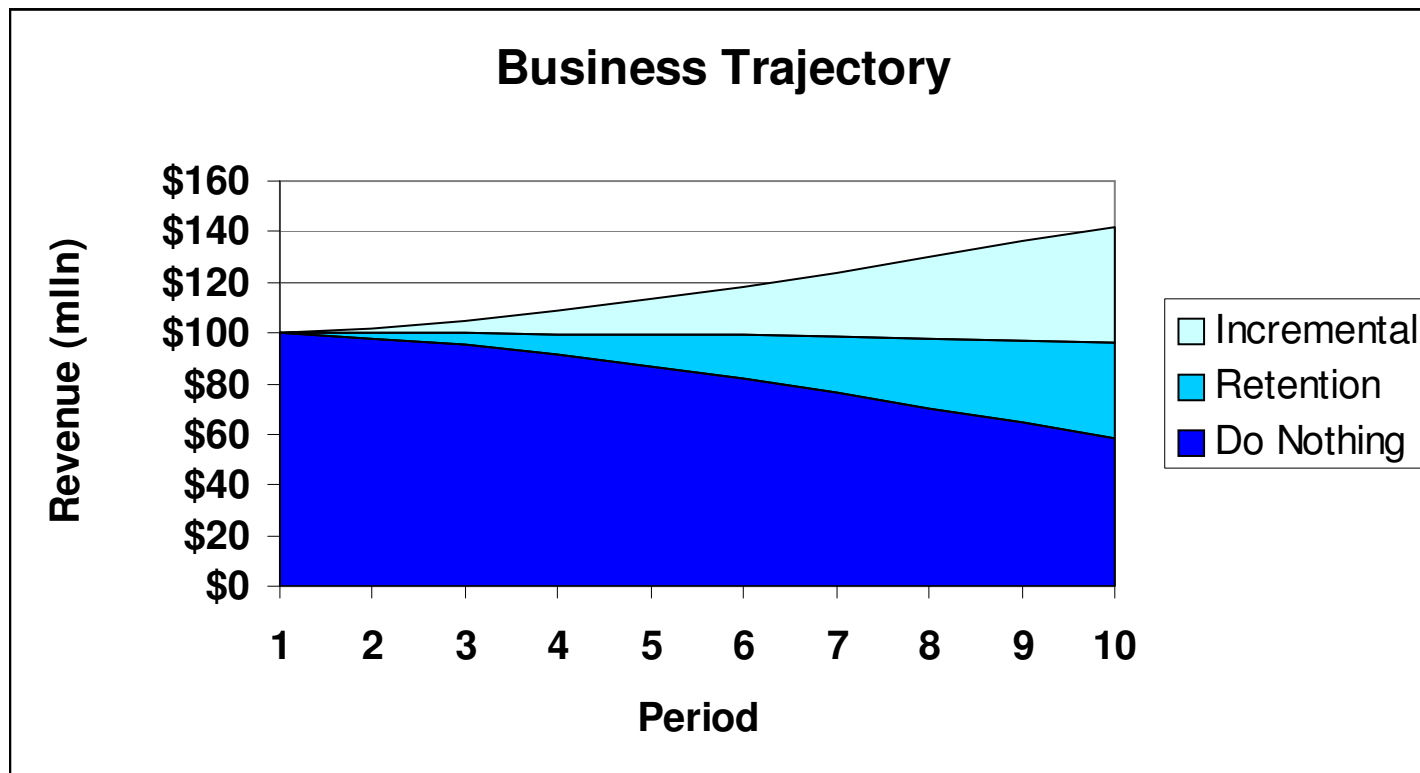
Establish Value of Churn by Establishing the Retention difference

- Then if the Retention department only came back, we would see the customer loss slow
 - Volume would roll forward but now with less revenue loss due to churn
 - No new incomes generated



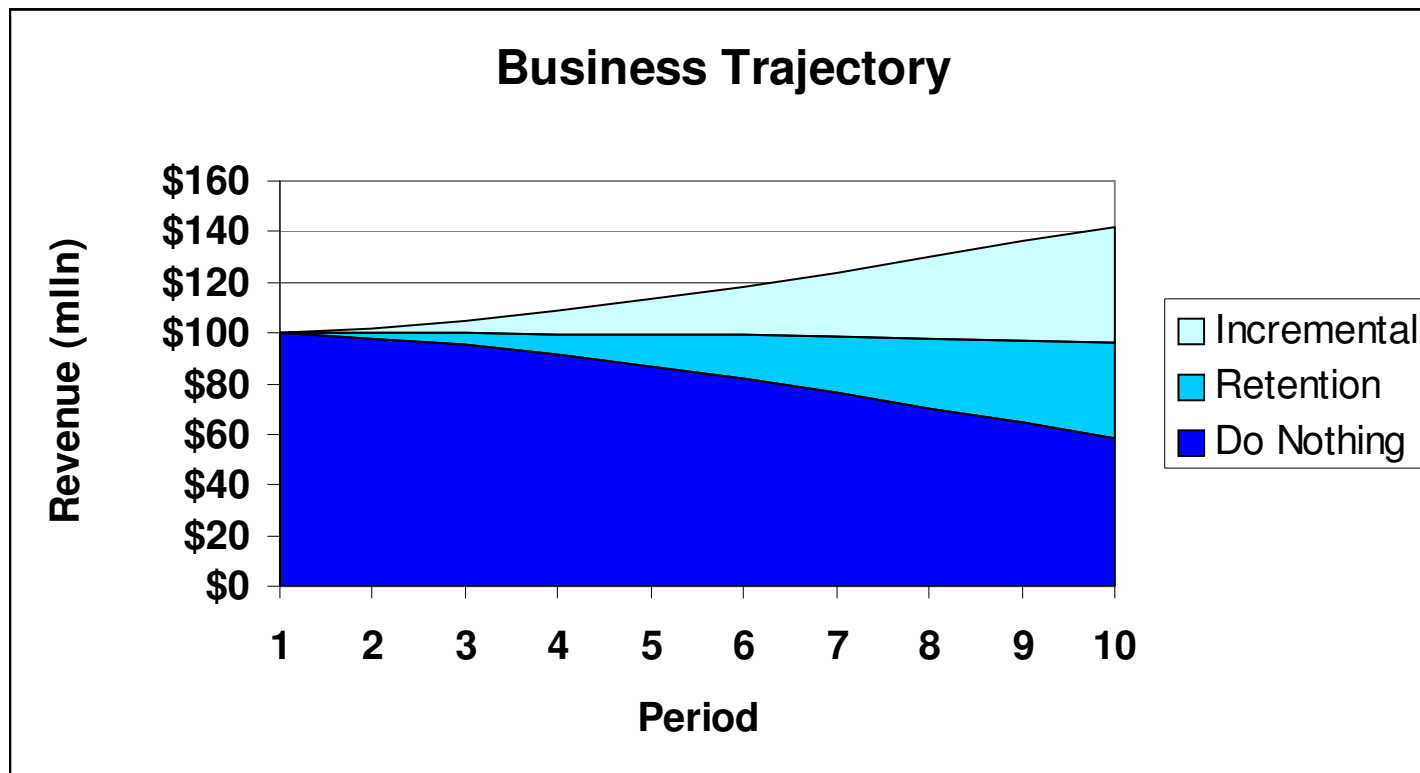
Establish Value of New Revenues and Acquisition

- Then if the Retention and New Product Development/Acquisition department returned
 - Customer loss would decline even slower due to power of bundle
 - New incomes generated from existing and new customers



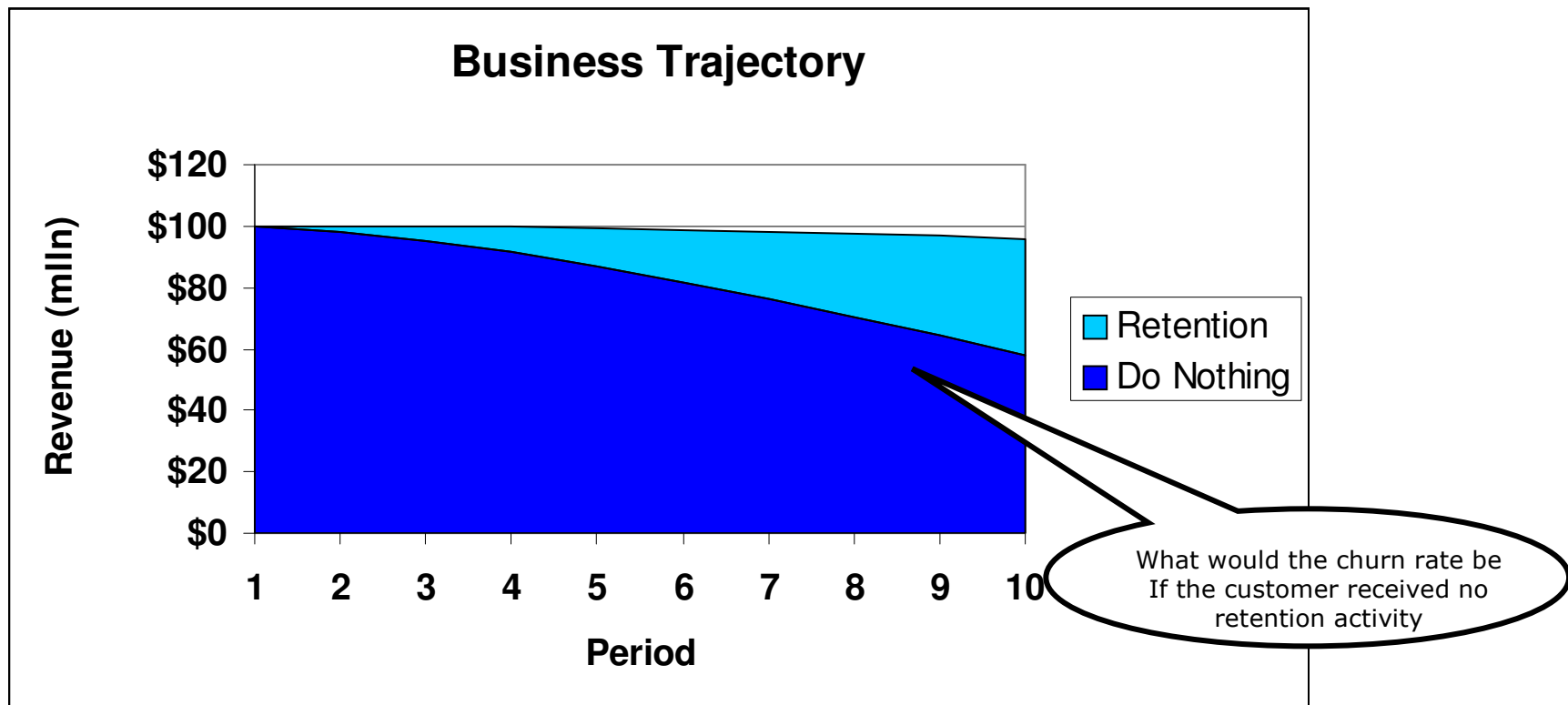
Of course it is much Easier to measure the new revenues

- Relatively easy to track new customers and new product revenues
- Acquisition and product development teams have measurable KPIs and very trackable contribution
 - Xk new customers, \$Y from new product



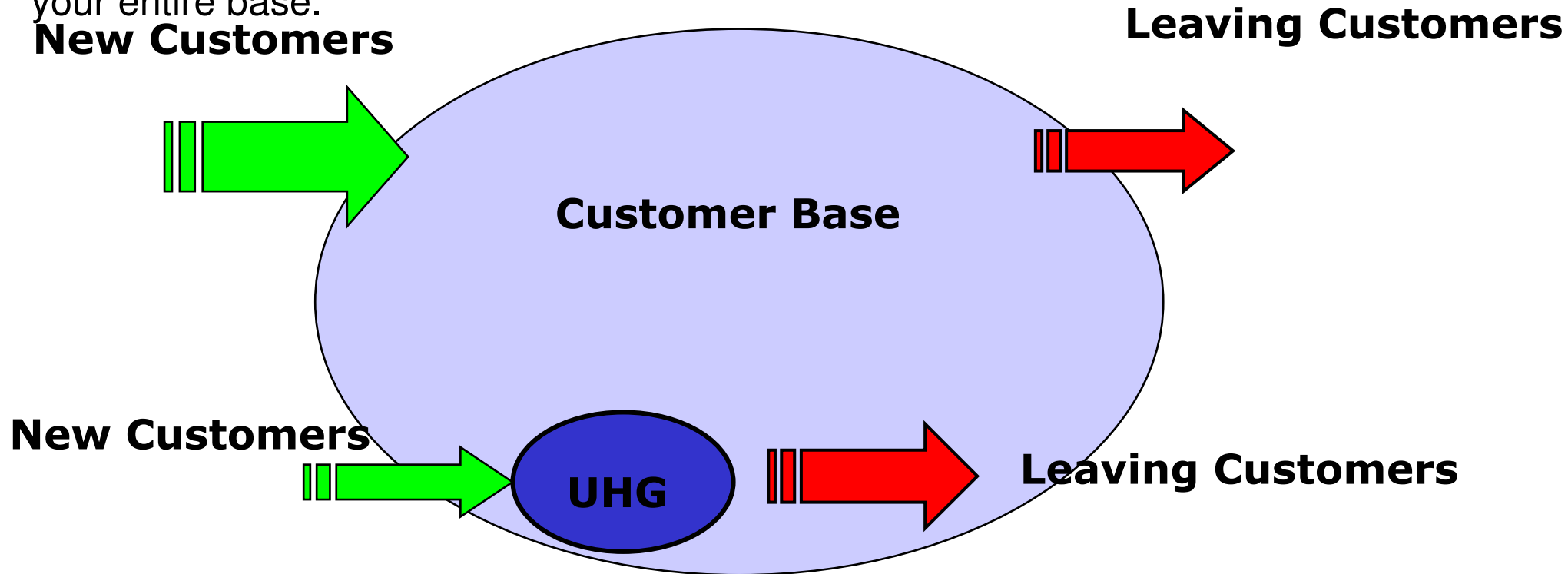
So How do we determine the Retention difference

- The real measure is tracking the churn metric when you do nothing to know the benefit of the retention programs.
- This requires two tools : the Universal Hold Out Group and Control Groups



Universal Hold Out Group is your ultimate benchmark

- **Universal Hold Out Group** is one group of customers who are **NOT** included in any retention program.
- They represent the measure of the churn and arpu decline of customers **if you did nothing**.
- Then get a monthly metric on the performance of the UHG versus the performance of your entire base.



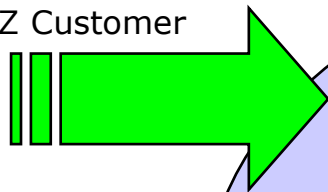
Universal Hold Out Group needs to be representative of your base

- **VERY VERY** important that they are representative of your customer population
 - Need to be a similar demographic /spend and tenure profile of your base at the starting point
 - Acquired through similar channels on similar offers
 - Topped up as you acquire new customers with a group of customers in the same profile of your new base

- IF they are not representative and kept fresh then the comparison **will not be valid**

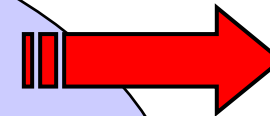
New Customers

25% XYZ Customer



Customer Base

Leaving Customers



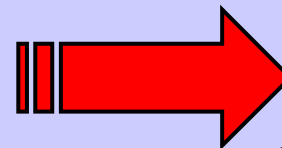
New Customers

25% XYZ Customer



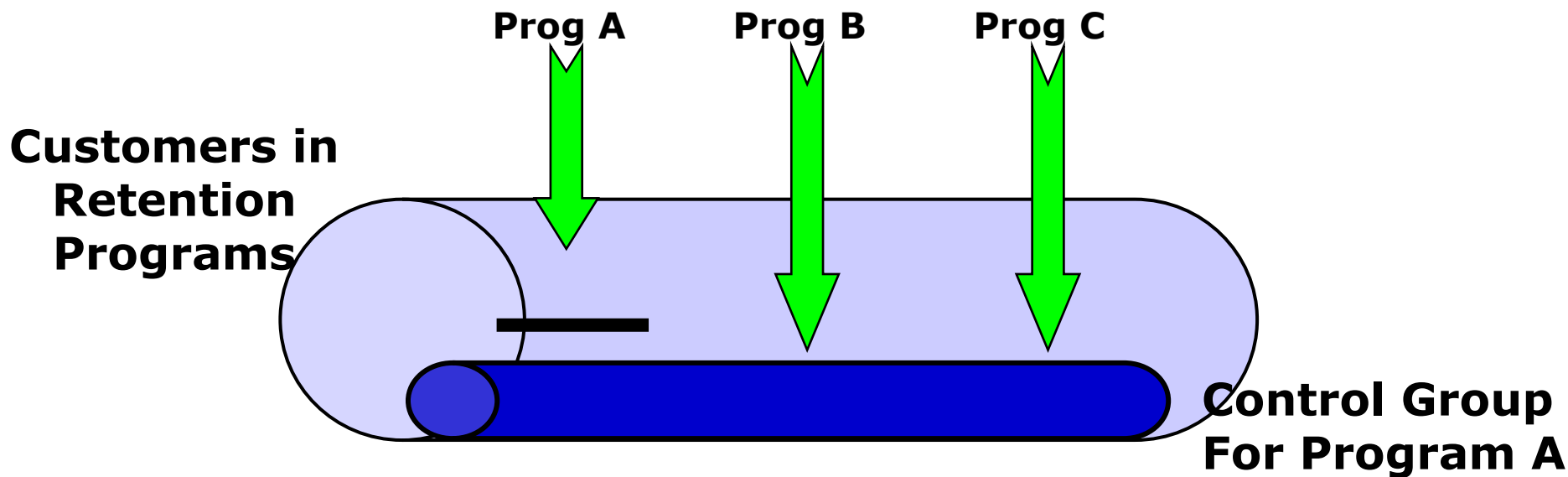
UHG

Leaving Customers



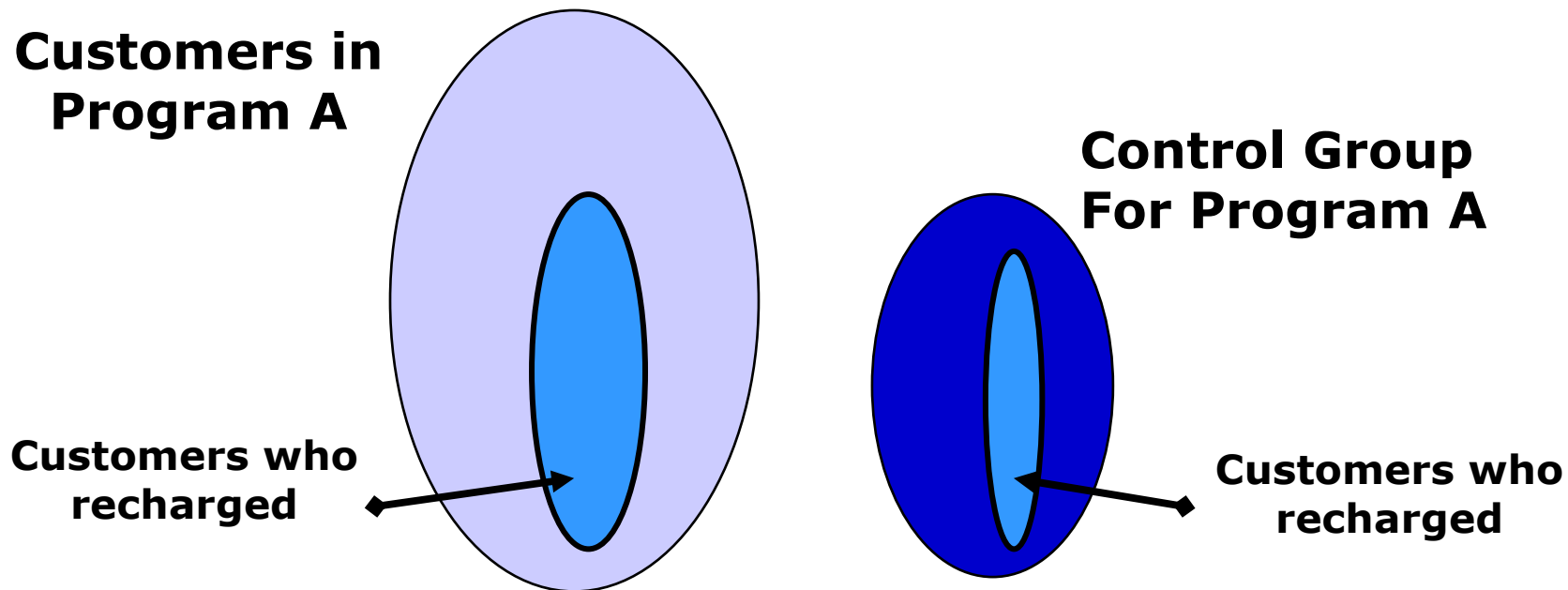
Control Group is key to measuring the performance of specific programs

- In a holistic retention program, there are usually several parts and the challenge is know which parts are having the real impact and which may not be contributing
- Control Group is one group of customers who are NOT included in ONE specific retention program.
- They represent the measure of the churn and arpu decline of customers if you did not include them in that specific program
- Therefore they MUST be included in a representative way in other programs.



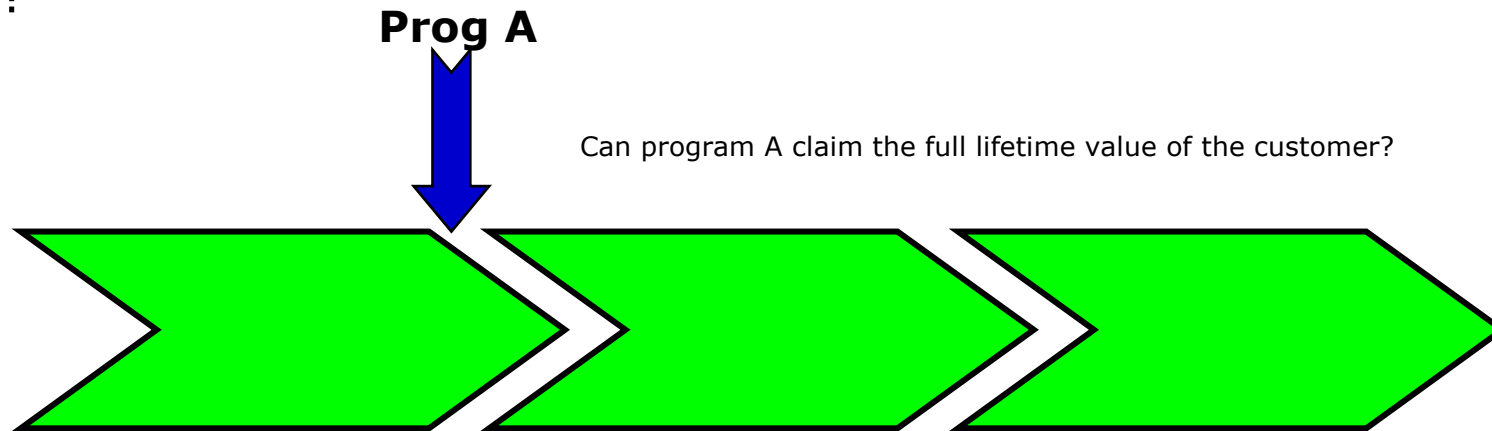
Control Group measurements need to be like for like

- VERY VERY important that they are representative of your customer population that are included in the program
- Also ensure you measure like with like
 - Whole Control group to whole campaign group
 - Respondents to those who responded without offer in the control group

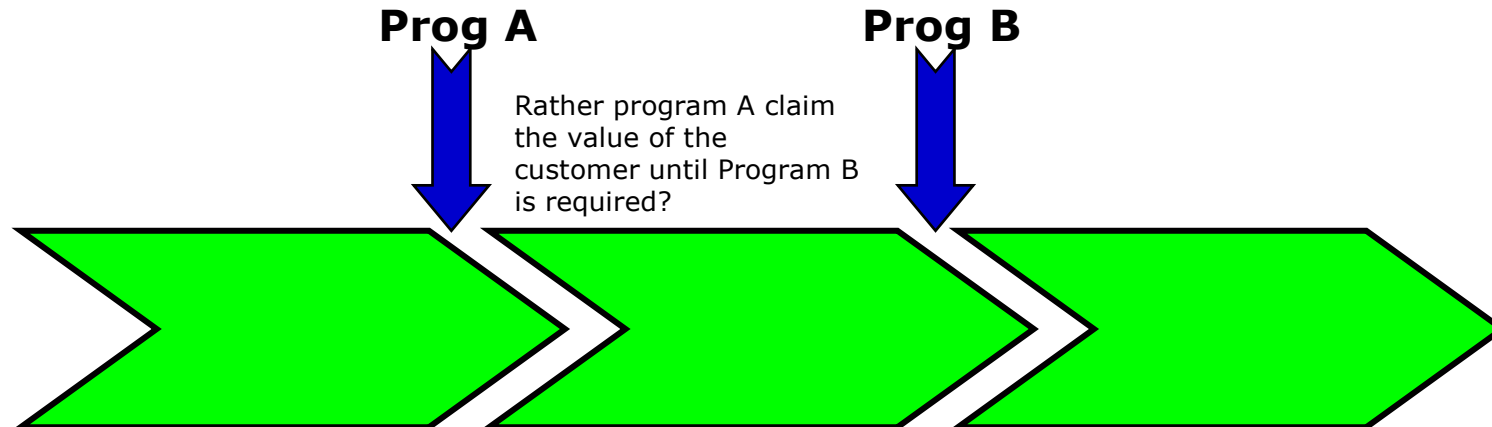


How much life time can you claim?

- In an ongoing program for a retention initiative can one claim lifetime save?



- Rather measure value of retention initiative until likely expectation of need for next intervention



Summary

- Retention programs are the hardest to measure the impact – harder than acquisition
- Need to establish Do nothing position
- Two key tools:
 - Universal Hold Out Group for entire retention program
 - Control Groups for individual retention elements
- Key to ensure control groups are representative of the campaign group
- Retention benefit
 - Claim “savings” until next intervention
- Measuring provides ultimate supporting argument for the program