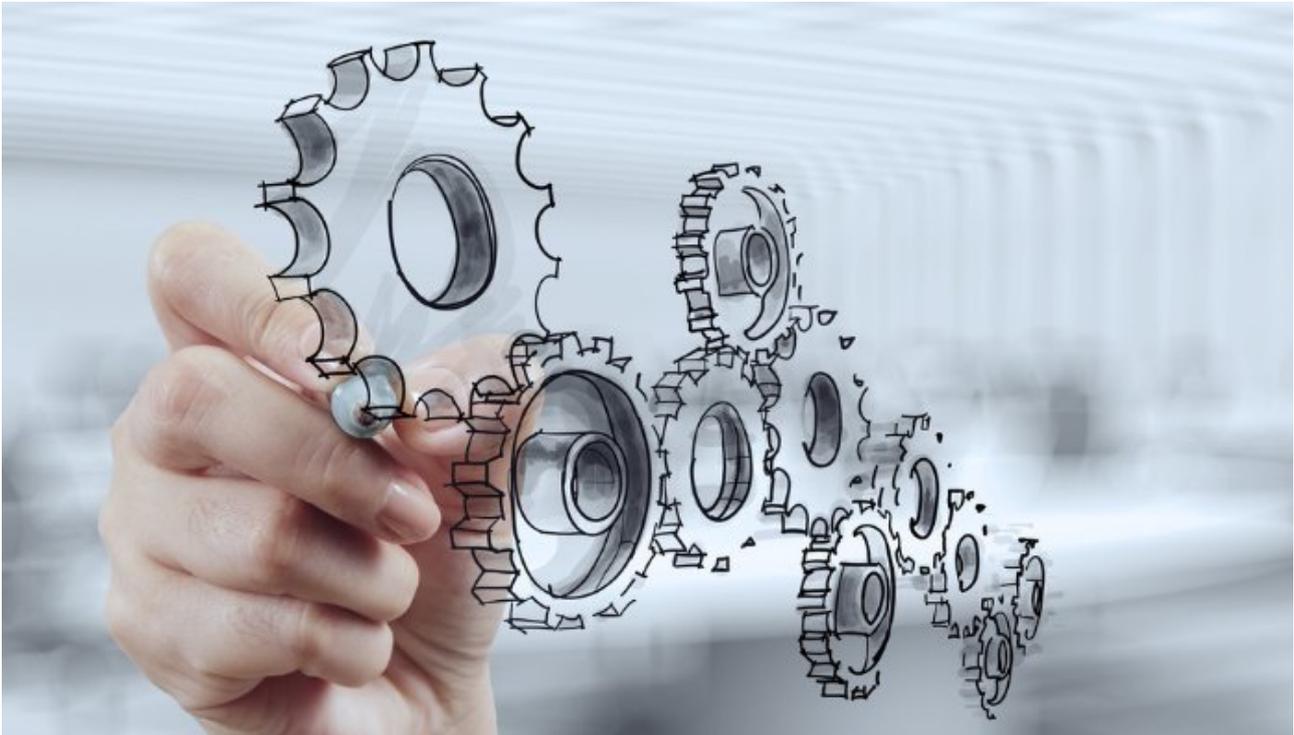# The 5 Steps to Effectively Manage Customer Churn

- Dr. Vasudeva Akula

Controlling customer churn is vital for the success of any business. To improve customer retention and customer loyalty, companies need to first analyze customer churn and quantify its impact. This provides insight into the different customer groups that may need to be better addressed or need specific attention. Based on the industry vertical and the market, companies need to design a predictive churn model to identify potential customers who have a high probability of churn. This analysis can be the stepping-stone to improving customer loyalty and customer retention figures through marketing initiatives aimed at reducing the impact of customer churn.

The 5 steps to effectively manage the churn

Effective churn management involves 5 key steps:

1. Quantifying the type and intensity of churn and the effect it has on the business,
2. Understanding and identifying factors leading to customer churn,
3. Designing the right predictive churn model,
4. Implementing initiatives to retain customers likely to churn, and
5. Measuring the effectiveness of the churn retention initiative and making the necessary modifications.

Quantifying Churn Impact

Before quantifying churn, the important step is to define the churn. When doing this, the customer types to be managed should be identified. Most often, both voluntary and involuntary churn coexist. The focus of customer churn management should be on controlling the voluntary churn by customers. Churn can further be differentiated into soft and hard churn. Hard churn essentially occurs due to a single event. But, most likely, this is almost never the case; hence, the emphasis is more on the soft churn – the churn that is a result of multiple factors. Identifying the customer group to focus on is a key to manage the churn effectively. Churn needs to be expressed using dollar values so that the magnitude of churn is immediately perceptible.

Understanding Factors Influencing Churn

Identifying the different customer types likely to churn involves comparing profiles of customers who have churned to those who have not. This analysis should be done using all customer segmentation data available, such as behavior, purchase history, demographics, sales channels used, transaction values, etc. This behavioral profiling helps in identifying typical patterns of customers before churn.

Predictive Churn Model

Designing the churn model involves collating the different data variables along with the derived variables as inputs. The model needs to be tested and validated with different parameters. For this, upfront planning needs to be done along with back-testing with historic data, and iterating until you see desired results on historic data before putting the model in production. After designing and testing the model, the next step is to assess its performance for effectiveness in production on live data.

Implementing Retention Initiatives

This is the most important step that drives the overall results. Most businesses waste lot of time in creating perfect models, but the reality is, even sub-optimal models generate huge ROI when perfectly converted to action. It builds the culture to understand root causes of customer churn and creates a healthy environment to recover as quickly as possible from any issues. These actions can be as simple as contacting customers on low survey scores or sending letters todissatisfied customers to win them back. The key to overall success and ROI is to scale these initiatives to reach a large number of customers and running the campaigns enough times so that sufficient data can be gathered to measure the predictive churn model's effectiveness.

Measure and Modify

The main aspects to measure are those that verify the predictive churn model's performance against reality and those that quantify the effectiveness of the churn retention initiatives. Following the results, appropriate modifications need to be applied to both the model and the strategies in order to improve the overall churn reduction program effectiveness.

Thus, churn analysis is crucial to developing strategies to improve customer retention. It helps in the evaluation of the customer churn cost to the business and assists in designing the strategies to improve customer loyalty. Moreover, churn analysis facilitates developing programs to improve customer experience and cut down voluntary customer churn. A smart strategy can be starting small and building on top of the initial success.

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VOZIQ provides technology-driven Customer Intelligence solutions that help businesses convert customer data from any sources into actionable business insights. Visit www.voziq.com for more details.