

CUSTOMER RETENTION USING OPEN SOURCE TOOLS (R-STUDIO)

Customer Retention Analytics In Insurance

Overview

One of the Insurance client of Pyramid Solutions who wanted to measure the number of clients who are likely to discontinue their service and also the underlying reasons associated with it. Customer retention analytics that uses predictive models is a powerful way to retain policyholders and gain profits. In this case study we talk about one such client who needed customer retention analytics using predictive models (that uses statistical techniques and Machine learning algorithms) to correlate policy cancellation factors and show patterns that help predict most probable churn triggers in the future.

Business Objectives

- ▶ To analyze Customer churn, i.e., identify the number of customers who are likely to cancel a (policy) subscription in a given time period.
- ▶ To keep customer churn in an acceptable range and know what factors are causing customer churn.
- ▶ To recognize when customers subtly shift segments of their business.
- ▶ Helping companies find and address churn inducing factors like high premiums, poor customer service or claim response times using churn analysis.

Business Benefits

- ▶ Formulated growth strategy to retain existing customer business which is more valuable than winning new business.
- ▶ The Churn Analytics module helped increase customer retention, especially for businesses with large numbers of customers or products.
- ▶ Recognized when customers subtly shift segments of their business.
- ▶ Used this advanced knowledge to keep profitable customers in the fold and reward loyal customers for their ongoing repeat business.
- ▶ Developed a target list of customers, who can buy specific products.

About Pyramid

Pyramid Consulting Inc. is a global technology and process driven software solutions company offering customer centric solutions. With knowledge and experience of the entire IT lifecycle, we help enterprises streamline core IT processes and augment their competitive advantage. Pyramid's global delivery model harnesses productive tools, agile methodologies, iterative processes and expert frameworks to provide innovative and cost-effective solutions.

Our domain and industry experts engineer robust technology solutions for clients in a wide range of industries including retail, logistics, healthcare, insurance, software development, financial services, media, publishing and telecommunications.

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Business Solution

- ▶ Use churn analysis method to predict in advance which customers are going to churn.
- ▶ Apply marketing actions to eliminate a large proportion of customer churn.
- ▶ Develop utilities for underwriters to identify potential customer attrition probable before underwriting new business proposals.
- ▶ Minimize acquisition costs and increase marketing efficiency.
- ▶ Deliver tailored promotions and offers to positively influence their behavior.

Result

Using confusion matrix, the customer churn prediction accuracy was – 88.7%. This enabled the company to target these customers and retain them thus saving cost on acquiring new customers. Also, when we select 30% customers with highest probability, the Random Forest model was able to correctly predict 93% of these customers that are likely to churn (cancel policies).

Conclusion

- ▶ With significantly less effort, a company will know which customers are canceling their policies in advance.
- ▶ Higher customer retention leading to lower costs and higher profitability.
- ▶ Higher customer satisfaction.