Next Generation Uplift Analytics Shown To Optimize Customer Retention

Submitted by: Melville Communications Limited
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Independent research firm states that marketers are increasingly turning to predictive analytics to power retention programs

Henley-on-Thames, UK – December 10, 2008 – In a recent study titled "Optimizing Customer Retention Programs (October 20, 2008), Forrester Research profiled next generation uplift analytics and its impact on optimizing customer retention. According to the report "Uplift modelling is an emerging technique that can help marketers improve the performance of their customer retention programs." The report found that one marketer used this new technique to achieve results 36% better than traditional analytics, with 40% less marketing costs.

According to next generation marketing industry expert Dr. Mark Smith, executive vice president of Portrait Software, a down economy is the driver behind companies striving to trim costs wherever possible and elevating customer retention to the top of priority lists. Said Smith, "Traditionally identifying those likely to churn and then directing attention to that group of customers has been at the centre of customer retention initiatives. As the Forrester report highlights, "simply looking at likelihood of churn isn't sufficient to power retention programs." Suresh Vittal, Principal Analyst at Forrester Research writes, "Emerging techniques like uplift modelling can help marketers do more than identify churners. This helps marketers to narrow programs to only focus on customers who will react positively."

Uplift Modelling
Sometimes discussed using different names; differential response analysis, incremental impact modelling, net modelling, incremental response modelling and true response modelling, Uplift modelling separates "true" responses to campaigns from purchases that would have been likely to happen anyway. Uplift modelling determines the increase in the probability that each customer will buy (or stay) when they would otherwise not have done so. As a key revelation exposed by the approach, marketers can now see which prospects are likely to ignore the offer and which are likely to use it as a trigger to defect.

Cut unnecessary marketing spend; improve marketing ROI

Smith comments that the ability to discern those customers whose behaviour is most likely to change as a result of marketing, increases campaign profitability by enabling marketers to target fewer people, ignoring those who are not affected by marketing. Greater results are achieved by eliminating negative effects by not targeting those who are prompted by the marketing campaign to look for competitive offerings. As a result, marketers can actually spend less and make more using Uplift, overcoming the marketing modelling myopia that is associated with traditional analytic approaches.

Uplift reduces customer "ad fatigue"

Contact or "ad fatigue" is a monumental problem that continues to alienate customers and waste marketing dollars. Not surprisingly, retention programs that pile on top of uncoordinated or frequent messaging have been shown to actually trigger churn – the very action they sought to prevent.

Uplift's ability to identify and exclude those customers that should not be contacted or "disturbed" reduces contact fatigue and improves marketing spending.

According to Forrester, "marketers must consider their overall contact strategy when including customers in retention programs...Retention programs that pile on top of uncoordinated or frequent messaging have been shown to actually trigger churn." Uplift's ability to identify and exclude those customers that should not be contacted or "disturbed" reduces contact fatigue and improves marketing spending.

Case study: Telenor

To demonstrate the power of Portrait Software's Uplift modelling automation solution, Telenor, the seventh largest mobile operator in the world, entered into a pilot using identified critical customer response segments. According to the Forrester report, "Telenor found that by only targeting persuadables, it was able to reduce overall churn by 1.8%. A more telling statistic: These improvements were driven by only targeting 60% of the potential churners. "The benefits of targeting smaller groups is clear cost savings achieved from fewer contacts by telemarketing and lowering of customer fatigue through selective contacts," wrote Vittal. This 1.8% difference represented a 36% improvement upon the results which were previously achieved using traditional analytics. The case study in the Forrester report also states that "the combination of increased retention rates and lower cost means Telenor will realise an 11-fold increase in uplift campaign ROI when compared with existing programs."

"In a stressed economy, companies must protect, retain and grow customer bases, while spending less money - a concept that seems like an impossibility to most. Uplift is having a profound impact on the way marketers develop campaigns and on the budgets of marketing organisations," said Smith, "As this report illustrates, word is getting out on the street about the undeniable benefits and possibilities this next generation of segmentation modelling is delivering to the industry."

To download the Forrester report, go to Forrester Report (http://www.portraitsoftware.com/optimizing_customer_retention_programs2).

For more information on Portrait's uplift modelling solution, visit Portrait Software Uplift Optimizer (http://www.portraitsoftware.com/Products/portrait_uplift_optimizer).

About Portrait Software

Portrait Software enables B2C companies to drive sales, reduce customer attrition and optimize marketing spend with a next-generation marketing suite.   Our integrated solutions empower marketers to automate engagement with targeted individuals and, strategically map delivery of the right message, at the right time, across all marketing and service channels. The Portrait suite seamlessly integrates leading-edge, easy-to-use analytics that enable powerful, event-driven--and highly personalised customer campaigns. Customer-focused organisations benefit from being able to conduct two-way, intelligent dialogs with individual customers, and to build stronger, more profitable customer relationships while maximizing ROI from customer-focused programs.

Our 300 + customers include industry-leading organizations in customer-intensive sectors. They include Merrill Lynch, US Bank, Lloyds TSB, Nationwide, T-Mobile, Telenor, Ziff Davis, Fingerhut, Bank of Ireland, Bank of Tokyo and Fiserv CBS Worldwide.

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PR Contact:

Victoria Melville
For Portrait Software
+44 (0)7974 161 123
victoria@melvillecommunications.co.uk

UK Contact:

Kieran Kilmartin
Portrait Software
+44 1491 41 6780
kieran.kilmartin@portraitsoftware.com

responsesource