



Retention View™

It has been estimated that it costs five times more to acquire a customer than to retain one.

Your customers will be up for renewal. Do you know what to do to keep them?

Many loyalty models rely solely on attitudinal data, such as likelihood to repurchase, or overall satisfaction survey responses. Unfortunately, such data rarely provides the precision required for managerial decisions. In contrast, *Retention View* models actual customer switching behavior to understand and predict customer retention. *Retention View* provides guidance for developing or modifying retention programs and allocating company resources in retention efforts. Specifically, *Retention View* delivers:

- A clear diagnosis of what factors are driving retention or switching based on responses to questions regarding: customers' perceptions of product or service performance, customers' knowledge and beliefs, and customers' sentiments regarding a company and its offerings.
- Quantification of the relative importance of the "drivers" of retention to maximize the impact of subsequent retention efforts.
- Measures of how well *Retention View* has explained customers' choice behavior.
- A Retention Index that may be used with selected survey questions to estimate the current state of customers' loyalty. The Retention Index may also be used to provide "what if" loyalty scenarios based on projections of increasing or decreasing retention drivers.

Modeling Retention

Actual customer behavior is the key metric for understanding what drives customer retention and switching, and is the foundation of the *Retention View* process. Combined with feedback obtained through specialized customer surveys, models are formed and estimates made of the drivers of retention or switching.

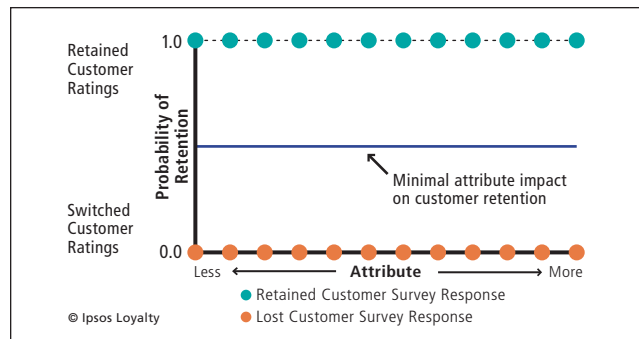


Figure 1

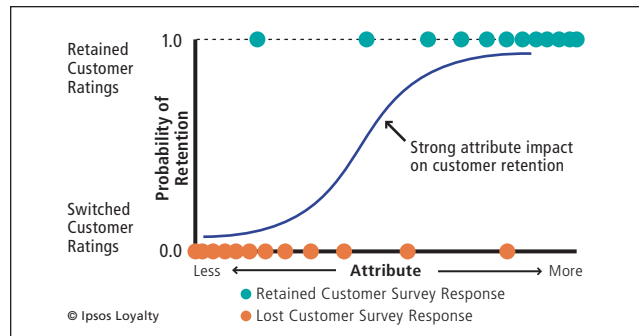


Figure 2

Conceptually, *Retention View* models retention/switching as a binary choice process (0 or 1) that is a function of survey ratings gathered from a client's customers regarding product, service, and company attributes.

This straightforward process is easily illustrated in the figures above. In *Figure 1*, switched customers and retained customers have the same distribution of an attribute's ratings, yielding a straight line or 50/50 probability of retention. In *Figure 2*, we see a large difference in the pattern of the ratings with switched customers providing generally low ratings and retained customers providing generally high ratings.





ratings. This pattern of responses yields an S-shaped curve such that higher ratings indicate a higher probability of retention while low ratings indicate the likelihood of switching.

Retention Index and Predicting Choice

Based on the identified drivers of retention, *Retention View* generates a Retention Index (see Figure 3) that is an estimate of the probability that the customer population being investigated will be retained under current conditions. Because the index is a probability ranging between zero and one, it is easily understood by all levels of personnel within an organization, and easily assimilated into the any retention planning process. Periodically, customers can be surveyed to update the index and track whether or not retention efforts have proved effective. Further, because the index is calculated from the drivers of retention, managerial estimates can be made of the likely shifts in retention if more resources are allocated or deferred from these drivers.

When Customer Choice is Limited

A major facet of the *Retention View* process is that it is designed to separate those individuals, households, or businesses that do not have the choice of a product or service from those that do. Without choice there is no possibility of understanding loyalty. Fixed retail assortments, limited channels of distribution, or contractual considerations may limit product/service availability. Customers may be buying a product or service because they are “captive” or are not buying it because it is not available. These product or service purchases are not based on strong attitudinal foundations, but merely situational factors. With *Retention View*, customers are never erroneously considered in seeking to understand choice behavior.

Is the Product Right for You?

Because *Retention View* is based on actual purchase behavior, it is most applicable to products or services that are purchased on a periodic or annual basis, and less applicable to products or services with long purchase cycles or that are frequently purchased and subject to variety seeking. Accordingly, industry

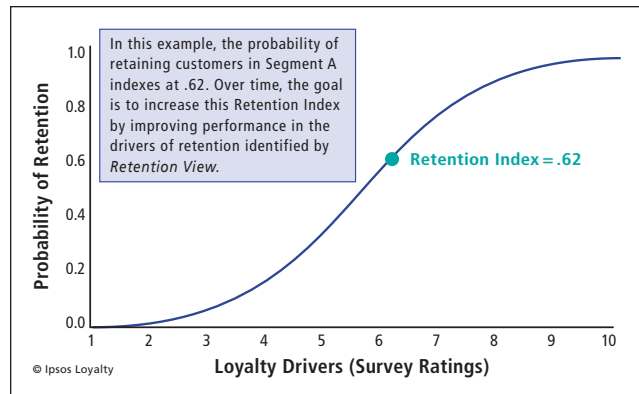


Figure 3

segments such as, health insurance, telecommunication services, retail banking, brokerage services, and memberships in associations lend themselves particularly well to the *Retention View* modeling process. In all cases, Ipsos Loyalty personnel can quickly assess the suitability of products or services for a *Retention View* assessment program.

For more information

To find out more about *Retention View*, please contact:

Mark E. Greene
Mark.Greene@ipsos.com

or

Matt McNerney
Matt.McNerney@ipsos.com

Ipsos Loyalty

Ipsos Loyalty is a global, specialized practice dedicated to helping companies improve business performance through customer satisfaction management, customer relationship management, and employee climate management. Ipsos Loyalty provides a state-of-the-art approach to customer-driven business performance through a modular suite of innovative research tools that provides an integrated framework to identify complex global business solutions. Ipsos Loyalty is an Ipsos company, a leading global survey-based market research group. To learn more, visit www.ipsos.com/loyalty.



Ipsos Loyalty
 The Customer and Employee Research Specialists