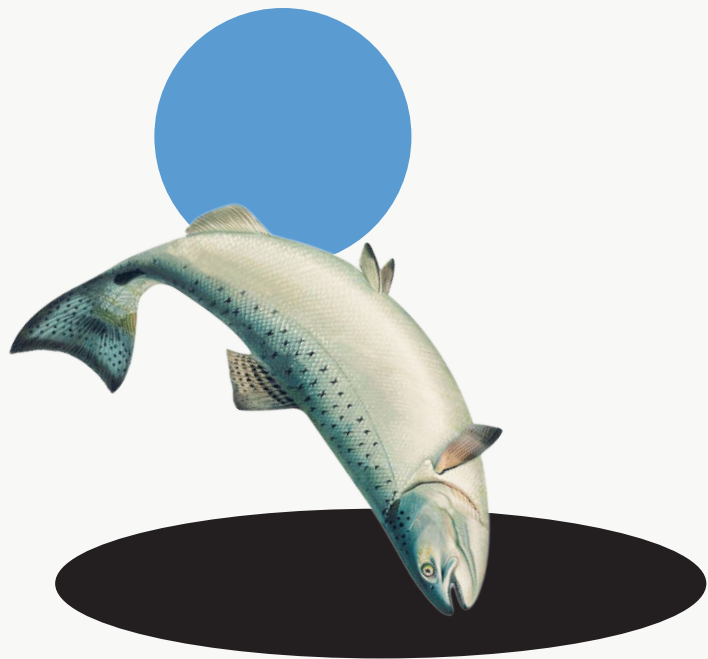# evergent

TURNING THE PAGE ON INVOLUNTARY CHURN

Key Strategies to Managing the Quiet Growth Inhibitor

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Evergent's market-leading Integrated Revenue and Customer Management platform helps the world's leading communication, media, and entertainment companies reduce time to market for products and services, simplify complex monetization models, and run backoffice processes more efficiently. Evergent's customers include global media companies such as AT&T, Warner Media, SingTel and Etisalat, and leading media companies such as FOX and Sony Entertainment Television. Evergent is headquartered in Sunnyvale, California, and has offices in San Diego and Los Angeles and internationally in Australia, Canada, India, Japan, and Singapore.

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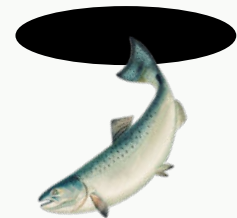
# Turning the Page on Involuntary Churn

Key Strategies to Managing the Quiet Growth Inhibitor

Churn is bad.

We all know that. Your churn rate has a direct impact on your ability to grow your business. Therefore finding ways to eliminate customer churn and retaining your existing customers are critical to your business growth.

But remember that revenue can be a lagging indicator of success. We all are well aware of voluntary churn and its pains, but it's involuntary churn (aka delinquent churn or passive churn) that creates the Achilles heel to your direct-to-consumer business.

The Involuntary Church Lifecycle
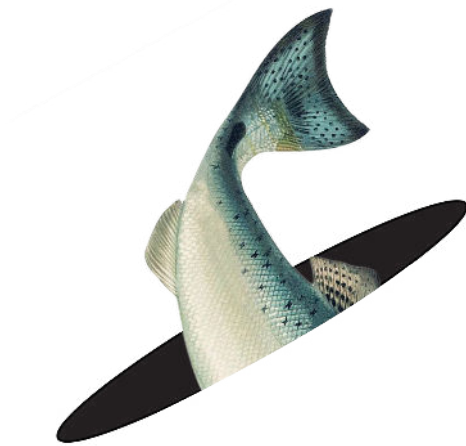
The direct-to-consumer economy is here to stay, and with it comes a consumer in the driver's seat. The race for premium content by media companies has consumers spoiled for choice and empowered to hop from one platform to another without looking back. Even slight changes in involuntary churn rates can significantly impact your revenue. Secondary to customer acquisition, customer retention is the key to keeping the lights on. On average, churn can cost up to 30% of revenues, which can have a continuous and stifling impact on your organisation's growth ability.

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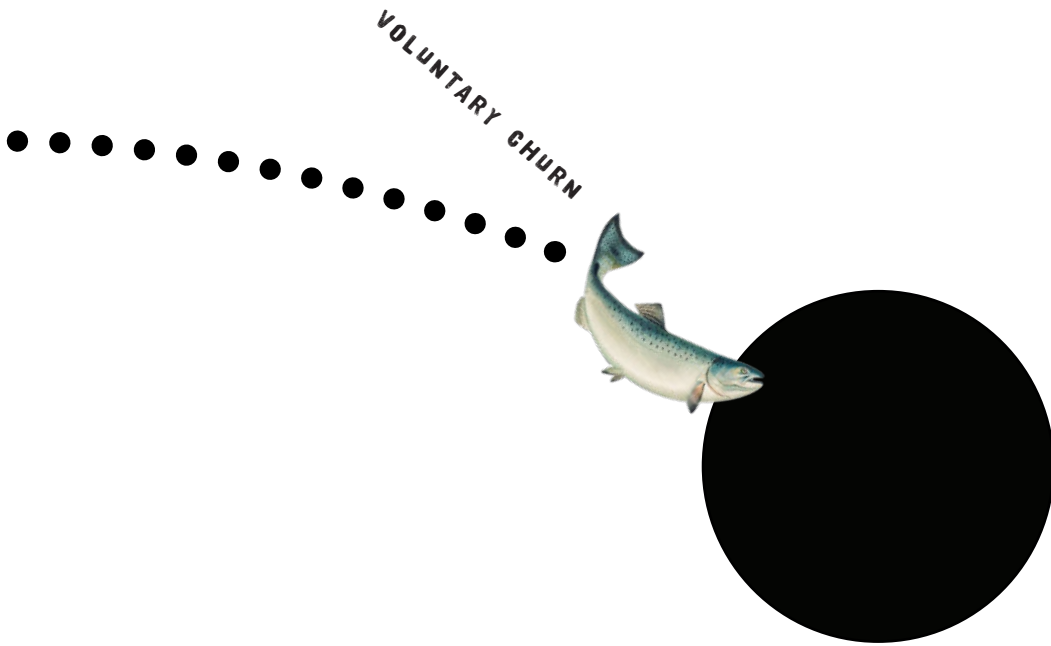*But What About Churn That The Consumer doesn't Instigate? Sometimes Churn Happens Without Being Planned and Is Involuntary.*
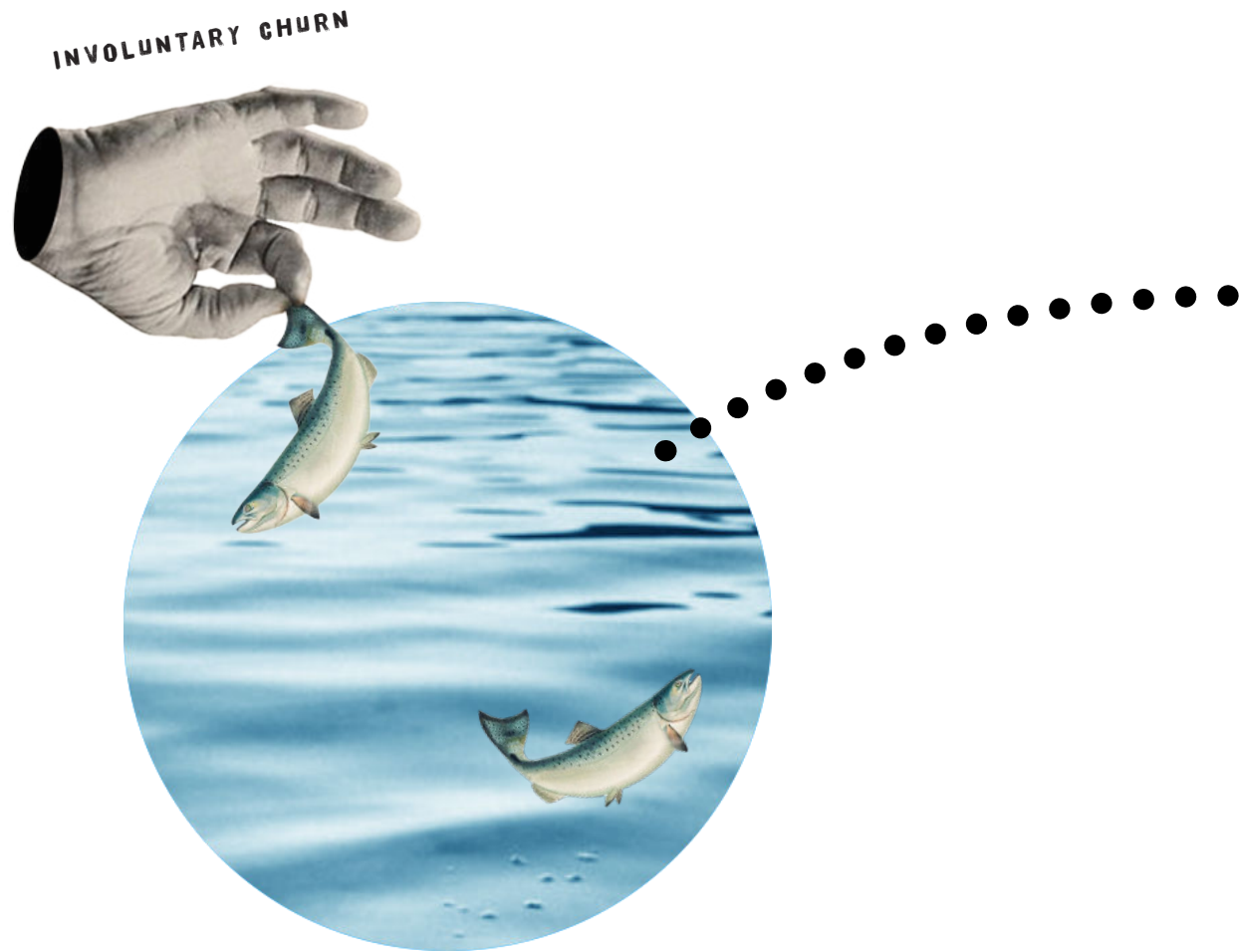
INVOLUNTARY CHURN

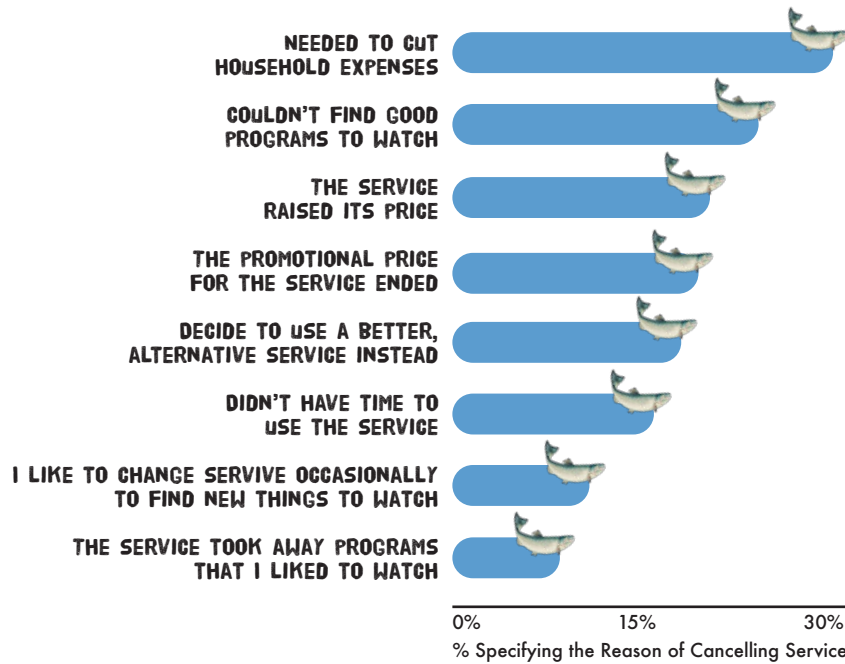**A tail of two churn types: involuntary and voluntary churn.**

Involuntary churn is customers that leave through programmatic cancellations such as failed payment methods or natural expirations that are not renewed.

VOLUNTARY CHURN

Voluntary churn is customers that cancel the service actively, by their own choice.

Most Common Reasons for OTT Churn

Among US Broadband Households that Cancelled
at least One OTT Service in Past 12 Months

NEEDED TO CUT
HOUSEHOLD EXPENSES

COULDN'T FIND GOOD
PROGRAMS TO WATCH

THE SERVICE
RAISED ITS PRICE

THE PROMOTIONAL PRICE
FOR THE SERVICE ENDED

DECIDE TO USE A BETTER,
ALTERNATIVE SERVICE INSTEAD

DIDN'T HAVE TIME TO
USE THE SERVICE

I LIKE TO CHANGE SERVICE OCCASIONALLY
TO FIND NEW THINGS TO WATCH

THE SERVICE TOOK AWAY PROGRAMS
THAT I LIKED TO WATCH

0%   15%   30%

% Specifying the Reason of Cancelling Service

Credit: Parks Associate

“

*Payment Failure Is The Most Common
Cause of Involuntary Churn.*

While calculating and managing subscriber
churn management & rate in a direct-to-consumer
economy, 40% of the involuntary churn happens
through recurring payment failure due to credit
card changes (e.g., expiration, replacement
cards, etc.)

Involuntary churn represents anywhere from 20-40% of overall churn, but the truth is that it is easily mitigated with the right technology platform. Involuntary churn reduction is one of the easiest and most direct ways to increase customer lifetime value (LTV), leading to higher customer acquisition and retention percentages.

If involuntary churn isn't managed proactively, it gets harder and harder to replace the volume of lost customers needed to keep growing.

At Evergent, we have devised a series of strategies within our platform to reduce involuntary churn.
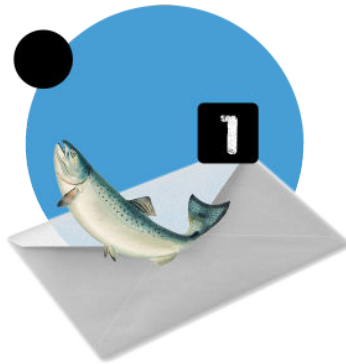
PRE-DUNNING EMAILS
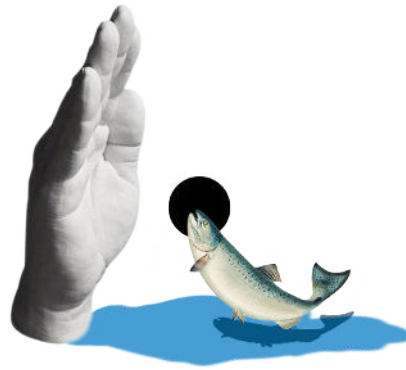OR CUSTOMER
REMINDER EMAILS

SUBTLE IN-APP
NOTIFICATIONS

ALTERNATIVE
PAYMENT GATEWAYS
OR PROCESSORS

FLAG A PAYMENT
AS RECURRING

www.evergent.com

IMPLEMENTING BANK IDENTIFICATION NuMBER (BIN)

SEGMENTATION OF RETRY CYCLES FOR HARD AND SOFT BOUNCES

MERCHANT CATEGORY CODE IS YOUR RESPONSIBILITY

PAYMENT METHOD UPDATER (PMU) TO THE RESCUE

"

While Many Facets Drive Involuntary Churn, Automating Subscriptions Is the Easiest and Immediate Answer to Reducing Involuntary Churn Rates.

Pre – Dunning Emails or Customer Reminder Emails: The term dunning is derived from the word 'dun', meaning repeated reminders to the customer on billing due dates. The idea here is about setting up a series of email, beginning with pre-empting declines payments.

Implementing Bank Identification Number (BIN): This may require a bit of research work, but trust us – it has worked for our clients (especially when the customer is using a prepaid card). BINs are the first six digits on a card. So compiling a list of BINs that you don't accept, comparing the details with the customer's inputs will help avoid payment failures during the initial sign-ups and future renewals.

Segmentation of Retry Cycles for Hard and Soft Bounces: In an effort to reduce fraud payments, issuing banks can decline a transaction categorized as hard and soft declines. While hard declines result from a lost or stolen card, soft declines are affiliated with exceeding credit

limits. It's critical not to immediately remove card details from the system – why? Most of the declines get resolved by themselves when given sufficient time. Changing the retry strategy to a maximum number of retries with timed intervals will reduce involuntary churn.

Subtle In-App Notifications: Integrated messages built into the UI -- a quiet notification inside your app or website– reminding your customers to update their payment method.

Ensure Alternative Payment Gateways or Processors are in Place: Imagine - you are running a Black Friday sale, and due to heavy app or website traffic, the payment gateway crashes! An actual scalability issue – causing an inability to process payments. Having a secondary payment gateway always helps when the primary option is down and helps not lose out on the customer.

Flag a Payment as Recurring: Flagging a payment as recurring is another way to reduce involuntary churn, to explain– during a billing period, due reasons unknow if the payment doesn't go through, but previously the payments were successfully coming through, most of the SaaS vendors still approve the transaction even if the card or account are now expired – because the transactions are flagged as recurring and previous payments never bounced.

Merchant Category Code is Your Responsibility: The four-digit code is your identity/ bond paper for the bank to accept online payments on your behalf. No accurate MCC will make the payment unsuccessful, leading to involuntary churn – make sure the MCC accurately reflects your business; if not, banks will deny your transactions.

Payment Method Updater (PMU) to the Rescue: Credit cards and debit cards are reissued at a faster pace than ever – thanks to hacking and data breaches. It is perfectly reasonable that a customer might or might not remember to update the new card information. Subscribing to PMU services makes sure that when your customer is issued a new card, the information is automatically updated.
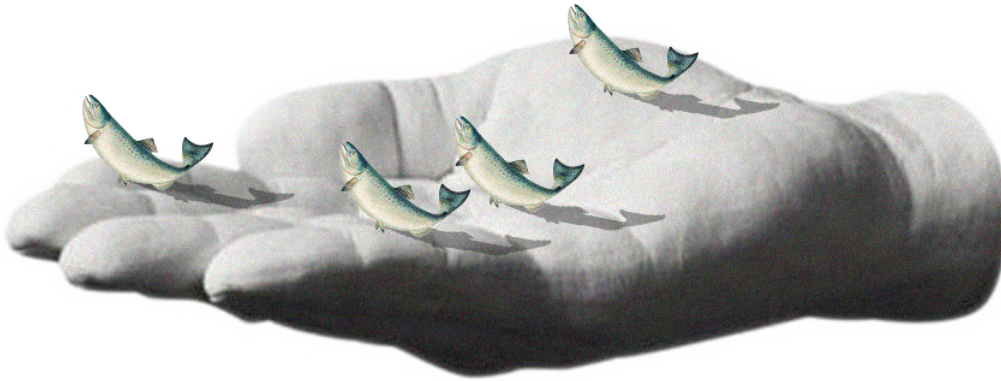
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Partner with a Platform That Helps Eliminate Involuntary Churn.

Involuntary churn is often driven by innocent customer circumstance that is nuanced, dynamic, and sometimes sensitive. By leveraging automation to manage payment failures and other involuntary actions, decision-makers can invest their energy in upselling and cross-sell, not churn rates.

Implementing a specific churn mitigation strategy will require a complete understanding of the different churn types and mapping them to a particular business model. Understanding how voluntary churn is directly related to the customer experience, and how involuntary churn is directly related to factors outside of the customer control and how both the problems are addressed in different ways.

At Evergent, we are committed to our customers to embark on a journey to sell experiences rather than selling products and focus on retention rather than acquisitions. To learn more about churn reduction in the direct-to-consumer space, read our blog **here**.

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