

## Putting a price on Value Added Services

### ***The Challenge***

In order to help differentiate themselves from other bandwidth providers many ISPs offer a variety of additional benefits, such as photo storage, SPAM guards, multimedia services and so on. The provision of these services has a resultant cost to the business and so it is important to understand the benefits, if any, each of these bring.

In particular our client required a financial evaluation of the gain due to increased customer loyalty achieved by each of their services.

### ***The Solution***

We analysed the differences in churn rates between those customers who were engaged with the additional services and those who were not, and calculated the extra time, and hence the extra revenue, engaged customers produced.

This initial comparison of engaged with non-engaged customers led to some surprising results; some services appeared to have incredible benefit to the business, increasing tenure by more than threefold. Other services seemed, on the face of it, to have a detrimental impact by actually reducing customer profitability.

Upon further investigation it became apparent that different features attracted customers with different profiles, and that these customer profiles had unusually high or low churn rates. This was unfairly skewing the comparative results.

In order to allow for this skew in the analysis, we created a bespoke churn model so that a 'predicted churn rate' could be accurately ascribed to any subset of the customer population. This allowed for a fair comparison between engaged and non-engaged customer groups, with the outcome that all features showed fair and positive gains in terms of customer profitability.

### ***The Results***

As a result of fully understanding the value of each of their additional services the client was able to optimise their offering. The most valuable services were heavily promoted and the less successful ones had their costs renegotiated.