TAZI

White Paper

Customer Retention in Finance with Rapid and Flexible AI and GenAI - Part 1

AI Customer Churn Prevention

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SUMMARY

Customer retention is a dynamic and important problem to solve in financial services. The customer acquisition cost, combined with cross-product churn and increased risk of unknown versus known customers, makes proactively predicting and preventing churn potentially even more important than increasing demand. Churn prevention is less expensive than acquiring new customers to replace the churners.

In this paper, we outline how TAZI's Customer Retention Solution works. This solution is located in TAZI's Solutions Library and it uses AI and GenAI together to provide more holistic and accurate results. Business Analysts configure TAZI's Customer Retention Solution to fit their requirements and TAZI makes it easy for them to deploy, monitor, and continuously adapt the solution as data and business environment change. Minimum data science and IT resources are needed.

We describe how continuous learning helps discover new evolving churn micro-segments. We also describe how business teams, such as marketing, operations, and customer outreach teams, can take churn prevention actions easily and quickly using TAZI's explainable AI.

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Please see the resources at the end of the paper to see how much you could save with TAZI and how you could create a tailored customer retention solution.

This is the first white paper in this series. In the subsequent papers, we plan to discuss the following, and more:

- how to include customer 360 communications to predict and prevent churn
- how to reduce training data requirements and increase transparency
- how to increase both retention and profitability
- how to reduce retention marketing costs

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INTRODUCTION

We all know that the cost to retain a high Lifetime Value (LTV) customer is significantly less than that to acquire a new customer. The financial institution has an established track record with the existing customer, and there are many unknowns and risks associated with the newly acquired customer. Wouldn't it benefit your business if there was a system that monitored your existing book of renewals and easily identified those medium to high LTV customers that might churn?

Many financial institutions have dabbled in building customer lifetime value models (CLV), but rare are those that have been able to operationalize these models in a way that allows call center agents, or branches, to easily and effectively take the right action to prevent the client from leaving.

TAZI's AI system is designed to be understandable by business users, enabling them to trust AI and stay in sync with continuously changing business dynamics. TAZI operationalizes AI models that enable business users to receive alerts, or lists of potential churning clients, recommend the right action to take using the right channel, and save your most valued clients.

When TAZI is deployed to reduce churn, your retention rates increase, your acquisition costs fall, and your expense ratios improve. Imagine if you also used TAZI to help your marketing team then find those high-value prospects that look like your highest LTV customers and convert them into new clients.

In this paper, we give details on the use and benefits of TAZI's Rapid and Flexible AI and GenAI Platform for Customer Churn Prediction and Prevention.

Customer Churn Problem Statement

Financial institutions need a mechanism to predict customer churn and take the right action to retain clients across various micro-segments. They need to take action in advance, before the client leaves, since it is nearly impossible to persuade a client who has already left to return. To be able to take the appropriate business actions for each churn micro-segment of clients, the retention messages generated by AI models used for customer churn prediction must be understandable by the retention agent.

Customer churn risk varies in time and is based on many parameters such as total assets, changes in interest rates, competitors' pricing revisions or sales

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cycles, new regulations, customer service quality, digital banking app performance, economic conditions in the region, and more.

Traditional models are not updated frequently. They are usually updated only after they fail. The updates require huge time and effort from data science teams. Traditional models are black boxes. The retention team receives client churn scores but doesn't understand why client churn is happening, if the models are right and trustworthy, and what are the right client churn prevention actions.

TAZI Customer Retention Solution

TAZI utilizes the Automated Customer Retention Solution Workflow.

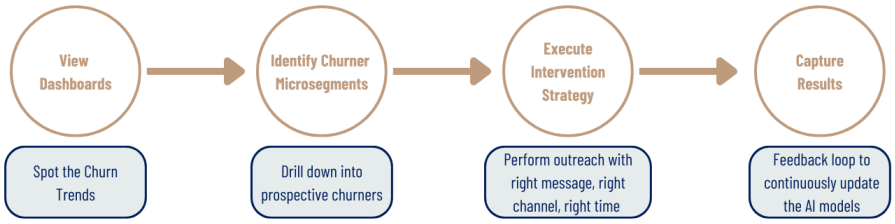


Figure 1: Automated Customer Retention Solution Workflow

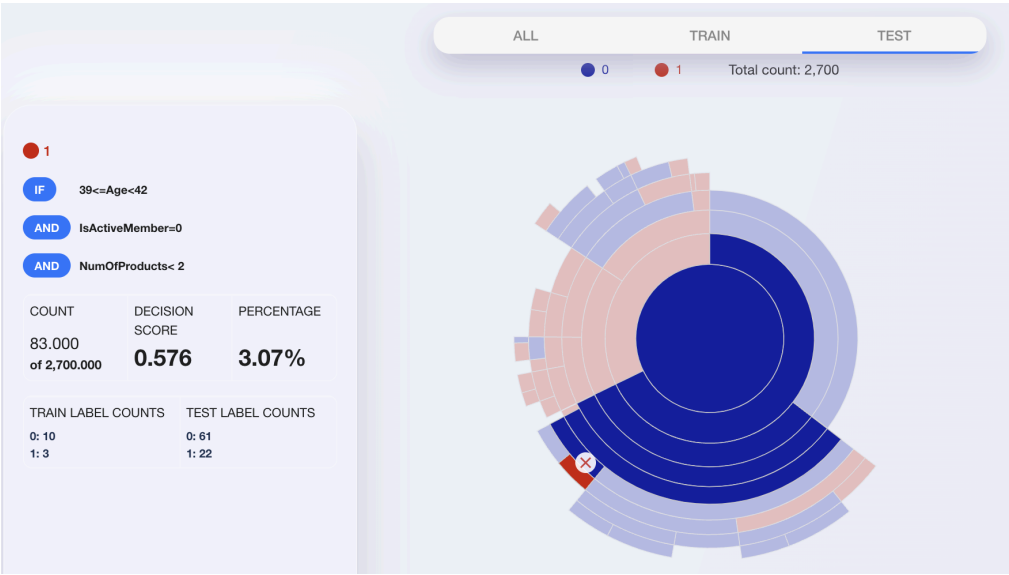
TAZI's continuous AI technology allows customer retention solution models to be updated continuously so that they can predict increasing customer churn trends. The customer churn behavior changes due to a myriad of factors ranging from demographic, economic, competition against the company's own product, or marketing actions. TAZI helps automatically and continuously determine the level of contribution of each of these factors that drive customer churn behavior.

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Figure 2: Churn behavior changes over time (the x axis could be in days, weeks or months).

The customer retention model explanations provide insights on customer churn within specific micro-segments. A micro-segment can be a class of customers that are of a certain demographic that is being recently targeted by a competitor who has just dropped their rates for this territory or region. A micro-segment can also be those customers that have the highest propensity to customer churn due to poor service, staff inattention or a small number of products in use.



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Figure 3: Explainable AI interface showing predicted customer churn micro-segments (in red) and highlighting a particular micro-segment. Inactive customers between the 39 to 42 years old churn if they have a single product and they remain if they have more than 2 products. Increasing the number of products through cross-selling could be a good strategy for this customer churn segment.

The appropriate actions for customer churn prevention may depend on the micro-segment definition. Sending branch managers a monthly list of which customers to call with the right message and the right channel could be an action. Another action might be to send a list of outbound calls for a call center agent or system-generated emails with tailored outreach messages based on that customer micro-segment's churn reason. Competitor pricing changes may require actions such as policy rate plan review, suggesting cross-sell for package discounts, or even reviewing and updating existing pricing models.

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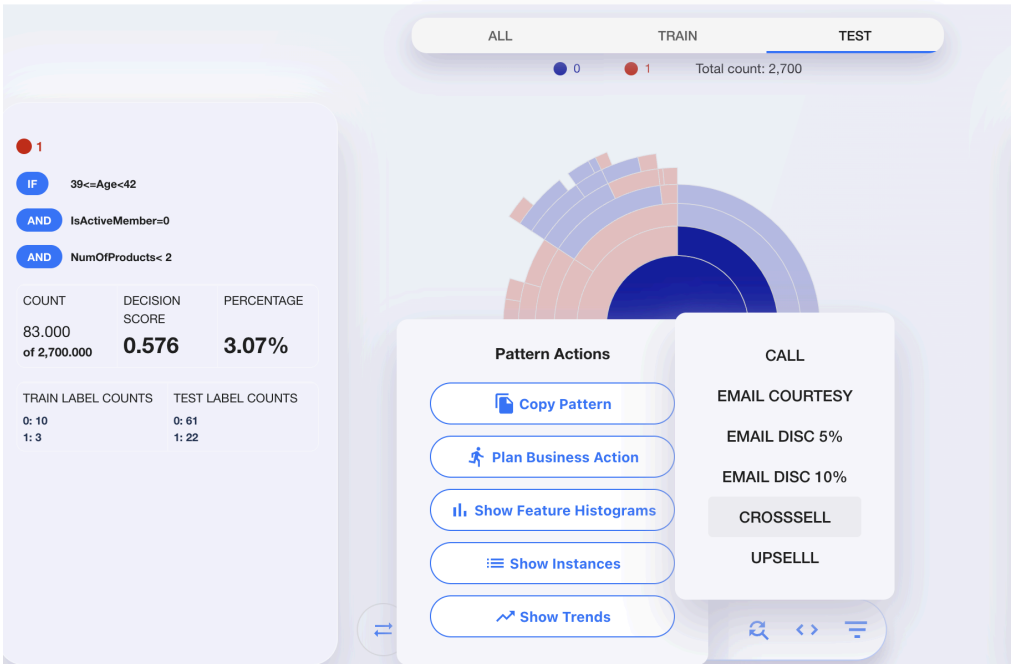


Figure 4: The cross-sell action can be scheduled for the segment through the explanation segments.

Example Implementation

With TAZI, the business analyst is now able to drill down into the micro-segment to view specifics around the churners along with the most likely customer churn reason and the intervention strategy with the highest probability of success. Based on historical service patterns, the system recommends the right channel with the right offer that has the highest probability of success. For example, a customer might respond favorably to a multi-product discount, while another might stay with a fee waiver or a customized payment plan based on previous retention strategies that worked for similar customers.

Customer Churn Risk Report

Branch Name: Main Branch

Manager Name: John Doe

Phone: 123-456-7890

Email: johndoe@example.com

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Customer Name	Products	LTV	Customer Churn Reason	Offer	Contact Method
Jennie Hill	Savings, Checking	9.5	Service	Multi-Product Discount	jenniehill@example.com
Bill Hosket	Loan, Mortgage	9	Interest Rate	Lower Interest Rate	312-009-3904
Kevin Rall	Savings, Investment	8.5	Service	Personalized Service	630-490-0094

Figure 5: Example Customer Churn Risk Report.

When continuously self-updating AI models are deployed to predict and reduce customer churn, the dashboard outlines the predictions and outcomes on reducing customer churn.

ROI and Impact

TAZI with its automation can help you identify those customers that are ready to churn, provide the reason(s) for the churn, and recommend the right intervention to keep them on the books.

We can quantify the value of easily identifying and retaining more customers. For example, for a bank with $500M revenue and an 8% customer churn rate, reducing customer churn by 13% or 25% could save $5 to $10M a year.

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Revenue	$500M	
Current Customer Churn Rate:	8%	
Average Annual Revenue/Customer:	$5,000	
Number of Customers	100,000	
	ROI Scenario 1	ROI Scenario 2
Customer Churn Rate after TAZI	7%	6%
Number of Customers Saved	1000	2000
% Increase in Customer Churn Retention	13%	25%
Annual Revenue Saved	$5M	$10M

Figure 7: An Example Savings Analysis with TAZI's Customer Churn Retention.

To understand and quantify the impact on your book of business, please contact us to estimate the value of saving your most valuable customers.

Curious:

- If you have enough and clean data to predict customer churn?

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- How can you build your own evolving customer churn prediction models within 10-30 days?
- How can you start preventing customer churn within 1-2 months?
- How can you up-skill your business and data teams to adopt AI?
- Any other questions?

Please reach out to us.

ABOUT TAZI

Artificial intelligence (AI) and Generative AI (GenAI) are sources of both huge excitement and apprehension, transforming enterprise operations today. Both of these technologies unlock new sources of value creation and can become a critical driver of competitive advantage by helping financial institutions achieve new levels of performance at greater scale, growth, and speed than ever before, making it the biggest commercial opportunity in today's fast-changing economy.

TAZI is a leading global AI and GenAI Platform with Out-Of-The-Box Solutions for retention, demand and fraud headquartered in San Francisco. TAZI's patented Adaptive and Responsible AI technology has been included in 31 Gartner reports, including the Cool Vendor in Core AI Technologies (May 2019) and CAIDS Magic Quadrant (2022) honorable mention.

WHO WE ARE

Founded in 2017, TAZI has a single mission which is to help financial institutions combine their experts' knowledge with AI and Generative AI to supercharge business teams across organizations, shaping their future while realizing direct benefits like cost reduction, increased efficiency, enhanced (dynamic) business insights, and business automation.

WHAT WE OFFER

Through its easy-to-use, rapid and flexible AI and GenAI, TAZI is supporting business teams in financial services organizations to make smarter and more informed decisions. Using Out-Of-The-Box Solutions for Customer 360 Communications, Profitable Retention, Targeted Marketing, TAZI's customers are creating tens of millions of dollars of value every year,

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TAZI Solutions are based on a compelling architecture that combines the experiences of 24 patents granted in AI and real-time systems, proven in dozens of global implementations and accoladed in 31 Gartner reports. This architecture enables implementation of the newest breakthroughs in AI and GenAI, including responsible AI including humans in and on the loop and in-command, agentic workflows and solutions utilizing AI and GenAI composites.

TAZI's unique value:

- Business users control the design, implementation, monitoring and updating of solutions, ensuring rapid value creation and reduced business risk.

TAZI's automation and easy UI/UX reduce tasks in AI and GenAI lifecycle for business subject matter experts, analysts, data and IT teams. Automation is ingrained into data controls and transformation, model creation and updates, dashboards, systems integrations and monitoring.

TAZI models learn continuously from both data and domain experts which is imperative in dynamic, real-time environments.

TAZI models provide explanations in the business domain's terminology for every result they produce.

TAZI supports multiple (heterogeneous) data sources, structured and unstructured, utilizing AI and GenAI.

For more information, visit our website: tazi.ai or contact us at: info@tazi.ai

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