

*Severity of Dormancy Model (SDM):
Reckoning the Customers before they Quiescent*

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SEVERITY OF DORMANCY MODEL (SDM): RECKONING THE CUSTOMERS BEFORE THEY QUIESCENT

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Abstract

The paper attempts to propose a Severity of Dormancy Model (SDM), which allows the potential dormancy and the extent of dormancy to be modeled separately. The methodology developed in this paper clearly recognizes the existence of a group of potential dormant customers who would never go dormant under any circumstances. Most importantly, it not only recognizes this sub set of customers, but also explicitly models the probability of actual dormancy to depend on customer attributes. Finally, the paper successfully demonstrates the improvement achieved by the SDM over the conventional technique to capture the severity of dormancy. An application of the proposed methodology is developed for one of the key retail business clients for a large Unsecured Lending Business.

Keywords: Severity Model; Dormancy Models; Logistic Regression; CRM Analytics.

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