Retaining merchants in the **retail & restaurant** business

ARCUM

PROBLEM

A wholesale ISO with 5k merchants focusing on the card present, retail, and restaurant space wanted to reduce their portfolio attrition. Arcum was tasked to identify which merchants will cancel in the future, so proactive retention strategies could be implemented. Additionally, the client was only interested in predicting "high-quality accounts", those merchants with positive volume in the last twelve months.

SOLUTION

By analyzing historical merchant and macroeconomic data, Arcum's AI model identifies merchants that will cancel or switch to a competitor up to twelve months in advance, with a very high precision.

RESULTS

Arcum provided a list of 40 merchants that were at risk of leaving in March 2022. These 40 merchants represented 30% of all attrited accounts in one month. Out of the 40 merchants predicted to leave in March, 21 had canceled by July, and another 13 left by November. Eight months after initially being identified, 34 merchants, or 85% of all predictions had left our client's portfolio. The total monthly processing volume of the merchants identified was about $1.5M in April, by November that figure had fallen to $110k, declining by more than 90%.
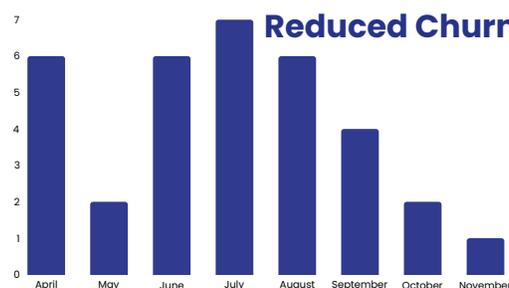
$6M Volume Retained over 8 months

AT A GLANCE: Portfolio Statistics

- Time frame: ~5 years
- Merchants: 5k
- Transactions: 130M
- Volume: $5B
- Revenue: $120M
- Annual attrition rate: 20%

Retained Volume
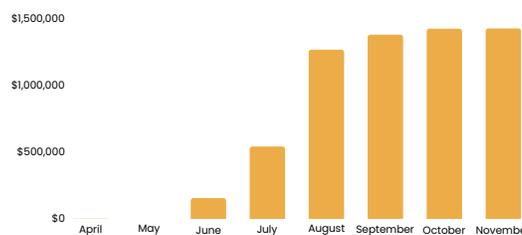
Reduced Churn

CONCLUSION

The Arcum model is not only accurate when identifying unhappy merchants but it also does a great job at capturing a large number of "high-quality accounts". In just six months after deploying the Arcum solution, our client was able to lower churn from 20% to 18%, which represented a 10% reduction in overall annual attrition and after 8 months it added $6M to its retained volume.

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