YOUR MERCHANTS HAVE FIRED YOU. THEY JUST HAVEN'T TOLD YOU YET.

In our work with payment processors and merchant acquirers, we're often asked about the impact of the contract term expiration and associated penalties. You certainly don't need a PhD to see that attrition spikes by more than 20x right after a merchant's contract expires. But of course, just being *able* to leave a contract doesn't mean a merchant *must* leave his contract. So why the spike?

By applying advanced analytic models, it's possible to look upstream and learn more. Using text processing and sentiment analysis on the call logs we've found that frequency, type, and content of customer service calls are great indicators of future attrition. So it's possible to understand when they made the decision to fire you, often many months prior to when they told you.

Some other interesting insights from the data:

Merchants do the math: If you take your contract-break penalty and divide it by your monthly minimum fees, you get a breakeven time for cancellation. At-risk merchants do this calculation because we see that if they intend to leave and they're past this breakeven point, they're much more likely to simply stop processing and pay the minimum fees until the contract expires.

Not all calls are bad calls: We found one interesting tidbit in the text-processed call logs: having a technical system or hardware complaint that gets resolved successfully actually reduces a merchant's likelihood of future churn.

Size matters: It's easy to show that smaller merchants have higher churn. But there's always more to the story- much of the time the size of the merchant is simply a function of its industry sector, rather than its health.

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