Customer Retention Modeling for a Win-Back Campaign

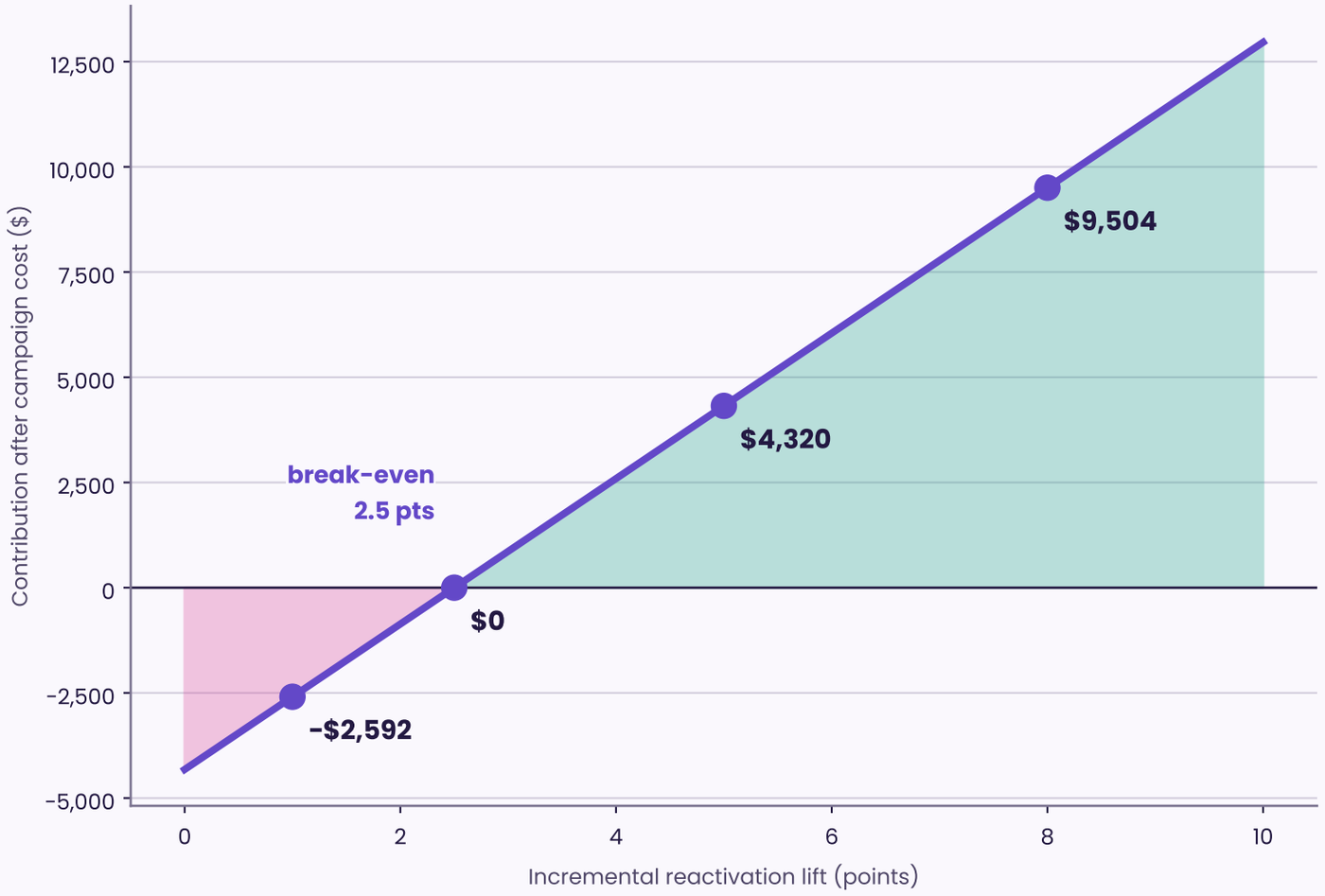
2.5 pts

incremental reactivation lift at which a win-back offer to 8,000 lapsed accounts covers its $4,320 campaign cost within 30 days.

$1,728	$4,320	200	±$1,728
contribution per point of lift	contribution at a 5-point lift	reactivated buyers needed to break even	swing from a 20% change in any revenue input

EXHIBIT 1

Contribution against lift



A straight line through -$4,320 at zero lift, crossing zero at 2.5 points.

What the analysis shows

- Each point of incremental lift is 80 buyers, $2,880 in first-month sales and $1,728 in contribution. The $4,320 campaign cost is therefore repaid at 2.5 points.
- At a 5-point lift the campaign returns $4,320 after costs, a 100% return on the campaign spend. At 1 point it loses $2,592.
- At $24 per buyer and 40% margin, break-even rises to 5.6 points. At $48 and 80%, it falls to 1.4 points.
- At five points of lift, changing lift, revenue, margin or account count by 20% moves net contribution by $1,728. Changing fixed cost by 20% moves it by $864.
- Within the 5–25% baseline range examined, 4,000 accounts per arm provide 80% power for a 2.5-point lift below roughly 19% baseline reactivation.

EXHIBIT 2

Contribution bridge at a 5-point lift

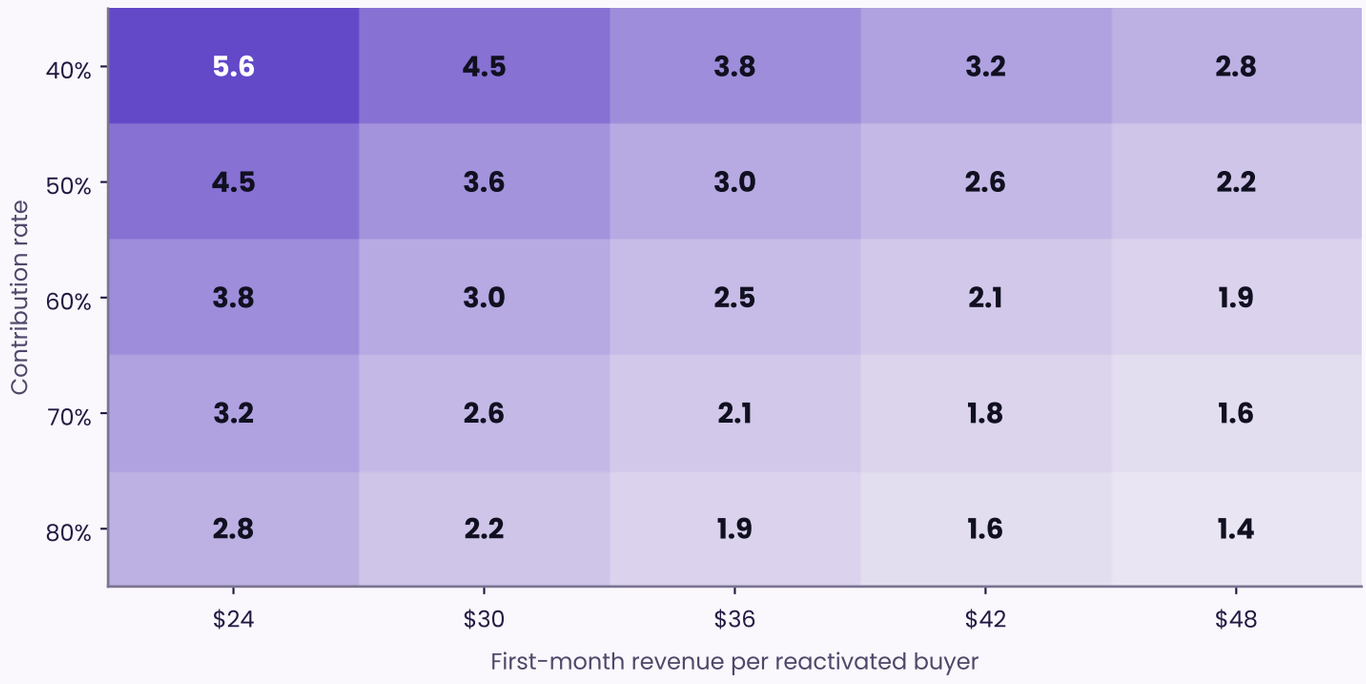


$14,400 of sales leaves $8,640 after variable costs and $4,320 after the campaign.

Inside the numbers

EXHIBIT 3

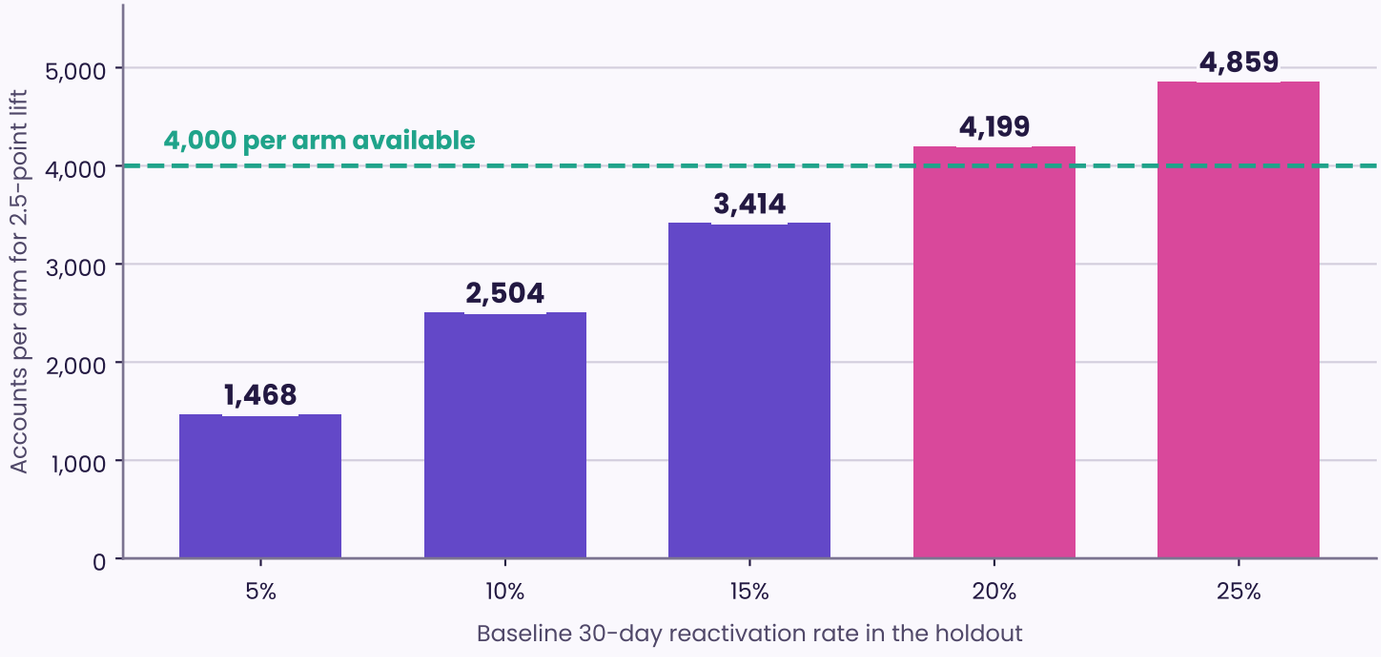
Break-even lift under different unit economics



Points of lift needed to cover the campaign. The base case, $36 and 60%, is 2.5.

EXHIBIT 4

Holdout size needed to see the break-even lift

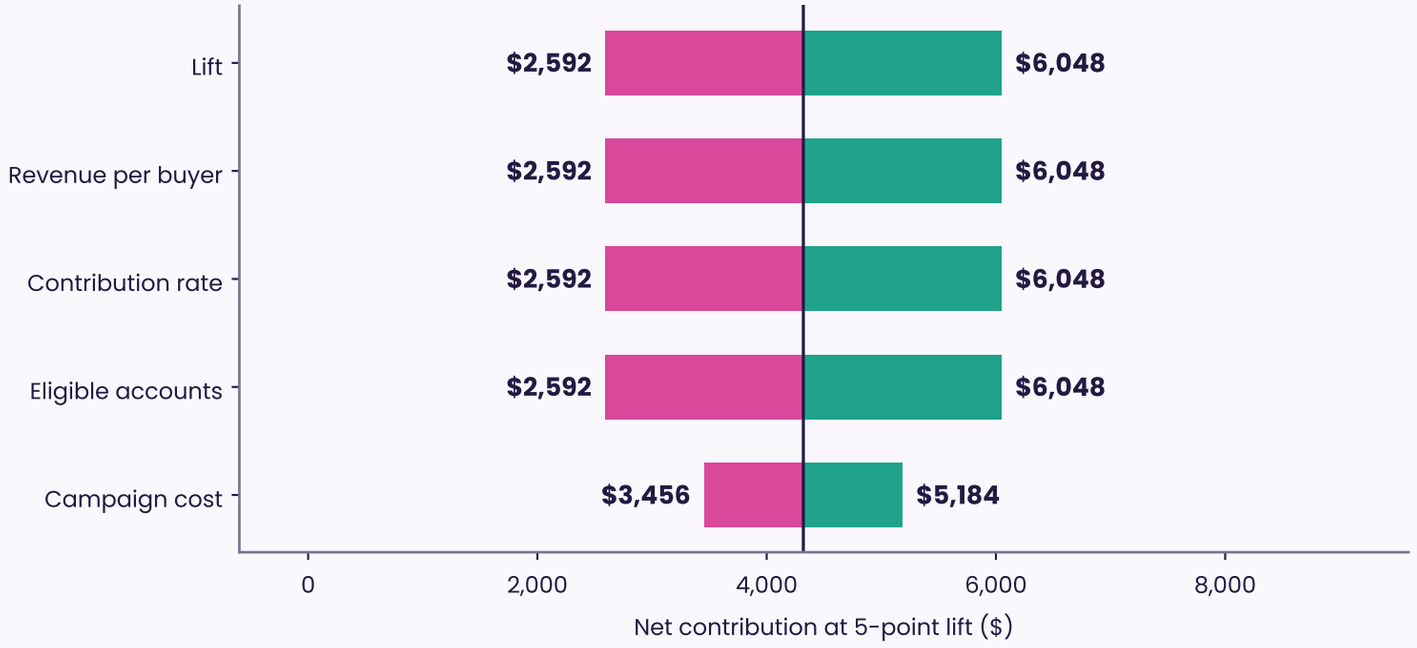


Accounts per arm for 80% power at 5% significance. Bars above the line need more accounts than a 50/50 split of 8,000 provides.

What changes the answer

EXHIBIT 5

Which inputs move net contribution?



At five points of lift, a 20% change in a revenue input moves net contribution by $1,728; a 20% change in fixed cost moves it by $864.

EXHIBIT 6

Scenario table

Lift	Buyers	Sales	Contribution	Return on cost
1 pt	80	$2,880	-$2,592	-60%
2.5 pts	200	$7,200	$0	+0%
5 pts	400	$14,400	$4,320	+100%
8 pts	640	$23,040	$9,504	+220%

Buyers, sales, contribution and return on campaign cost at the four planning lifts.

How it was built and how far it goes

RECOMMENDED USE

- Set the holdout target at 2.5 points and agree the baseline reactivation rate before launch.
- Expand the offer only if the measured lift clears break-even with its interval, not just the point estimate.
- Check fixed cost, revenue per buyer and margin. Break-even lift has unit elasticity in each: positive for cost, negative for revenue and margin.

METHOD

- Contribution = accounts × lift × $36 × 60% - $4,320, over a 30-day window.
- Sensitivity moves one input at a time by ±20% from the 5-point case.
- Holdout sizes use the two-proportion formula at 80% power and two-sided 5% significance.

LIMITS

- Worked scenario; inputs are planning assumptions, not measured results.
- Renewals after the first month are outside the window, which understates value if reactivated buyers stay.
- Discount cost per redemption is assumed to sit inside the 60% contribution rate.

NUMBERS RECONCILED

Quantity	Value	How it was checked
Break-even lift	2.5 pts	$4,320 ÷ $1,728 per point
Buyers at 5 pts	400	8,000 × 5%
Sales at 5 pts	$14,400	400 × $36
Contribution at 5 pts	$4,320	$14,400 × 60% - $4,320
Contribution at 1 pt	-$2,592	$1,728 - $4,320
Contribution at 8 pts	$9,504	8 × $1,728 - $4,320