A2: Individual Assignment
"AAA" Telecom Co.
Churn rate report

Hult International Business School

Data visualization – QTM -6032 -LMIB2

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London, 2024

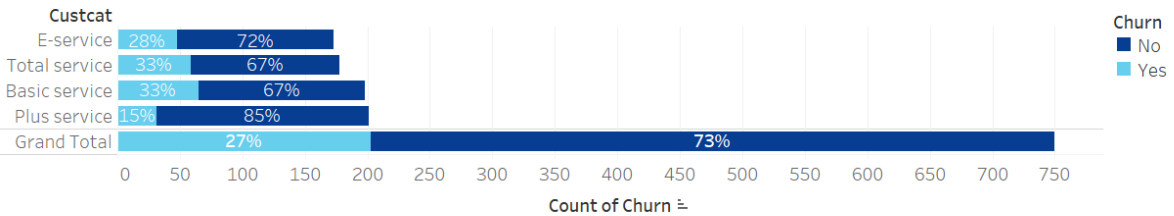# Contents

Executive Summary

This report analyses the data set provided by the company and reveals a critical issue: the company's churn rate stands at 27%, surpassing industry standards. Findings are related to the customer category, age group, tenure, and variables such as online security expenditure. Recommendations aim to increase the retention rate by redirecting efforts, applying promotion strategies and increasing customer satisfaction. This includes targeting clients aged 24-40, adjusting pricing strategies by region, focusing on long-term residents, integrating online security services, and enhancing first-year customer experiences. Notably, clients renting equipment show higher churn rates. These insights underscore the imperative for strategic action to improve retention and enhance overall customer satisfaction, ensuring long-term success and sustainability for the company.

Overview

Overview

Reviewing and analysing the data set provided a clear problem became evident. The company's churn ratio currently stands at 27%, exceeding industry standards. Among the four services provided, all but the plus service exhibit above-average churn ratios, with the plus service boasting a relatively lower rate of 15%. This elevated churn ratio poses a significant challenge, necessitating a thorough analysis.

Exhibit 1
Churn rate by customer category, %

Count of Churn for each Custcat. Color shows details about Churn. The marks are labeled by % of Total Count of Churn.

It is imperative for the company to delve deeper into this issue to identify the root causes contributing to the high churn rate. Such an analysis will provide valuable insights into customer behaviour, service performance, and potential areas for improvement. By understanding why customers are leaving at a higher rate than industry norms, the company can develop targeted strategies to mitigate churn and enhance customer retention rate.
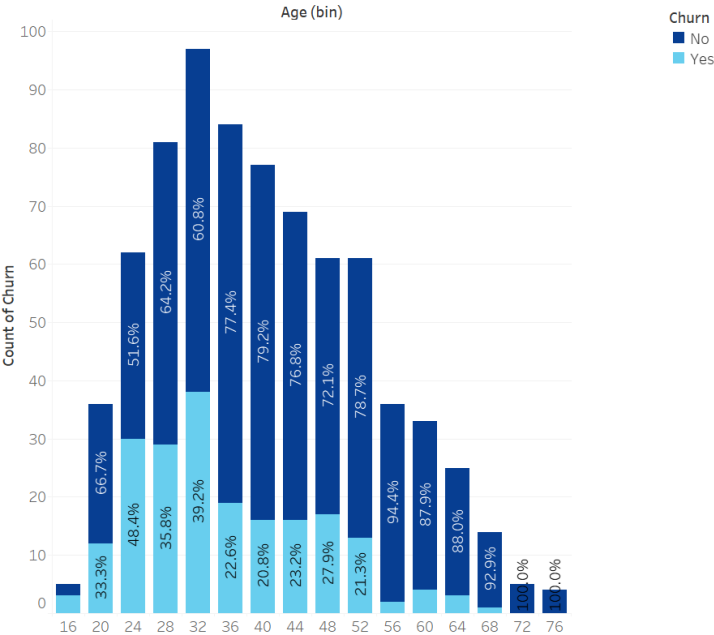
Analysis

Analysis

In our client demographic analysis, we've observed a notable trend. Clients aged 24 to 44 years old exhibit a higher churn ratio compared to other age brackets. Particularly within this range, the churn rate peaks notably up to almost 40% among individuals aged 32 to 34 years old. Interestingly, as clients age beyond this range, we observe a gradual decrease in the churn rate. This highlights the significance of understanding the needs of different age groups and it suggests a potential opportunity to increase the retention rate focusing in the 24- to 44-year-old range, especially those approaching their early thirties. Increasing this rate will provide in the long term a equally distributed client base among the different age brackets.

Exhibit   2
Churn rate by age group

A detailed age analysis reveals distinct service preferences among different age groups. Younger clients demonstrate a preference for the basic service, while middle-aged clients preferred E-service and plus service options. Furthermore, the similar churn rates are observed among different age brackets regardless the service, however, young clients with total services are more likely to drop the service than the ones with e-service and plus service.

Exhibit 3
Churn rate by age group and customer category
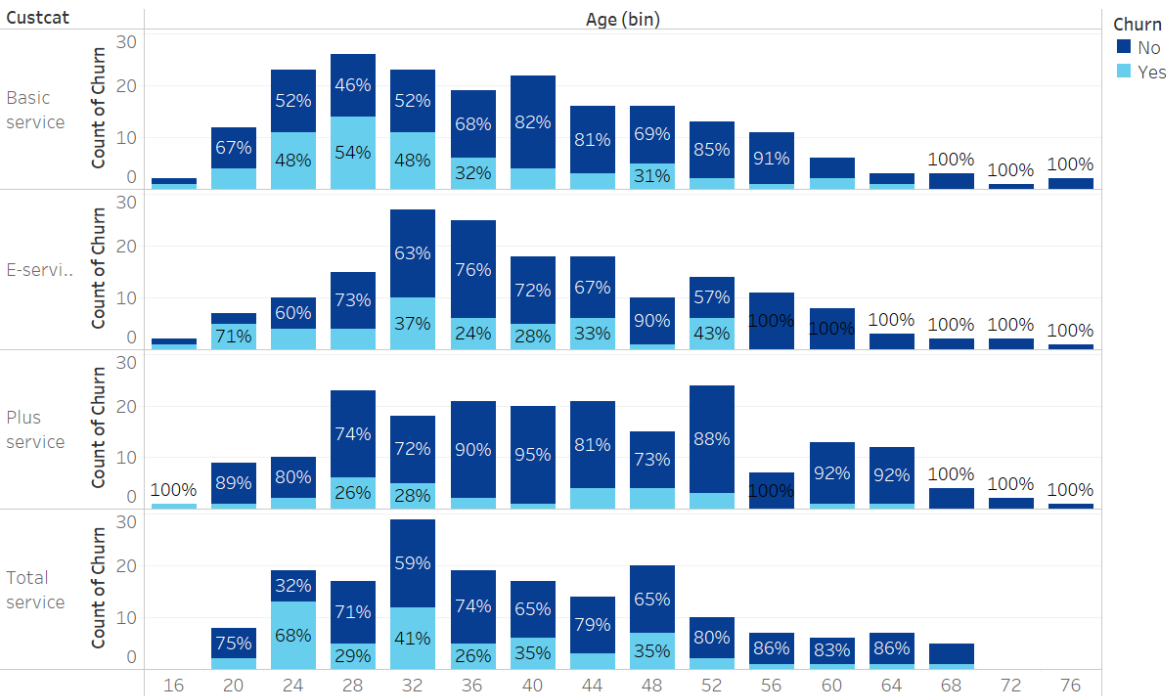
Count of Churn for each Age (bin) broken down by Custcat. Color shows details about Churn. The marks are labeled by % of Total Count of Churn.

Across all regions and nearly all customer segments, clients who churn tend to have a lower average income compared to those who remain with the company. This correlation underscores the potential influence of pricing on churn rates, suggesting that affordability may play a significant role in client retention. However, it's important to note an exception: in region 2, specifically within the total service segment, this pattern deviates. Despite variations in income levels, churn rates within this segment remain unaffected, indicating that factors other than pricing may be at play.
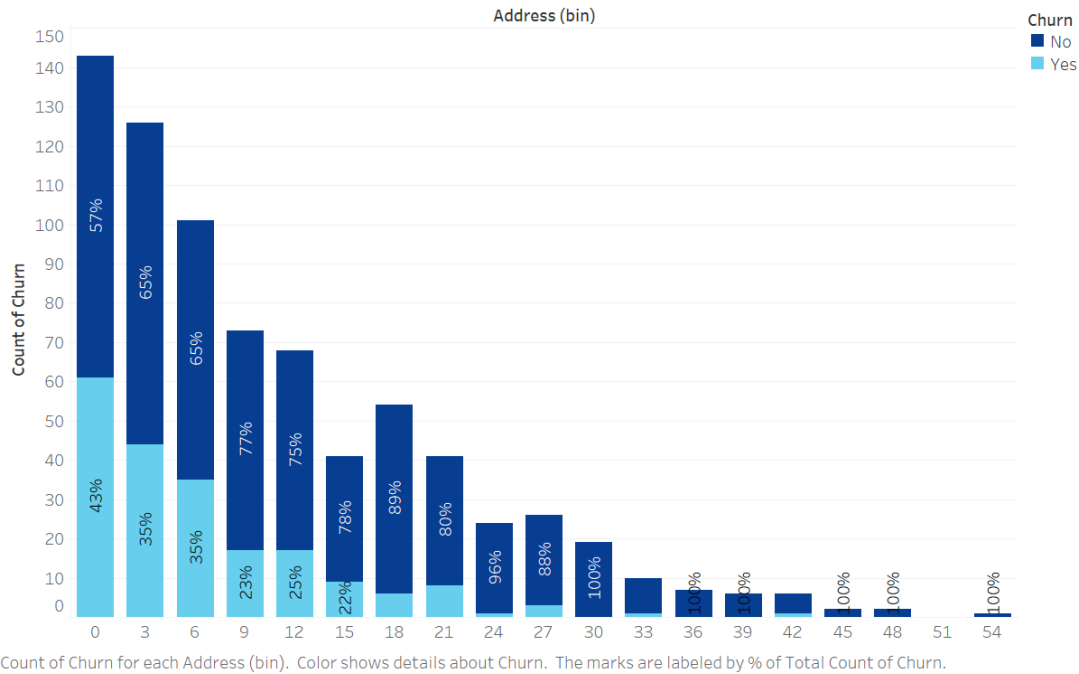
Exhibit 4
Average income by region, customer category and churn

Churn	Custcat	Zone 1	Zone 2	Zone 3	Grand T..
No	Basic service	58.08	60.61	66.75	62.14
	E-service	60.54	99.93	65.43	75.42
	Plus service	87.81	99.34	101.40	96.20
	Total service	91.82	76.97	109.71	93.27
	Total	75.97	84.34	86.69	82.53
Yes	Basic service	53.27	46.17	45.08	48.15
	E-service	61.86	50.19	50.91	55.46
	Plus service	58.78	46.82	90.36	65.74
	Total service	65.10	101.76	78.12	81.90
	Total	59.82	64.94	62.64	62.37
Grand Total		71.16	79.20	80.68	77.08

Avg. Income
45.08   109.71

Average of Income broken down by Region vs. Churn and Custcat. Color shows average of Income. The marks are labeled by average of Income.

A significant proportion of our clients are recent occupants of their current address. The exhibit shows that as clients accumulate more years in their present homes, their propensity to discontinue acquiring the services diminishes. Being the first years the ones with higher churn rate, reaching almost 43%. It suggests that clients who are newer to their homes may be more transient in their service consumption patterns, whereas those with longer tenures exhibit greater stability and loyalty.
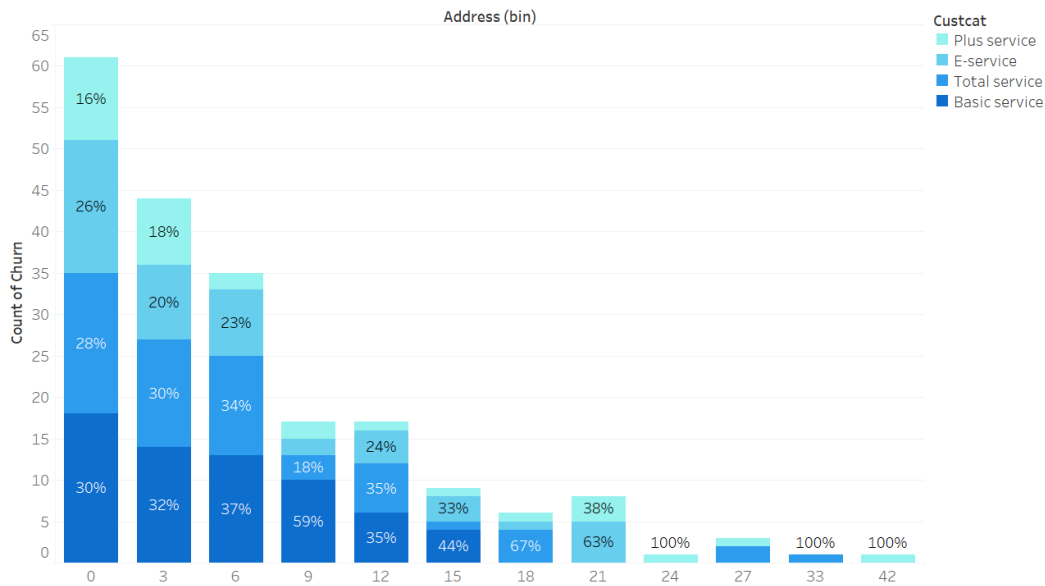
Exhibit 5
Churn rate by number of years in their current address

Count of Churn for each Address (bin). Color shows details about Churn. The marks are labeled by % of Total Count of Churn.

Upon closer examination of churned clients, it's evident that the Basic Service consistently exhibits the highest churn rate, regardless of residential tenure regardless the number of years a client has being in her current address. In contrast, "Plus Services" consistently boast the lowest churn rates.

Exhibit 6
% clients who churn by customer category by years living on their current address.

Count of Churn for each Address (bin). Color shows details about Custcat. The marks are labeled by % of Total Count of Churn. The data is filtered on Churn, which keeps Yes.
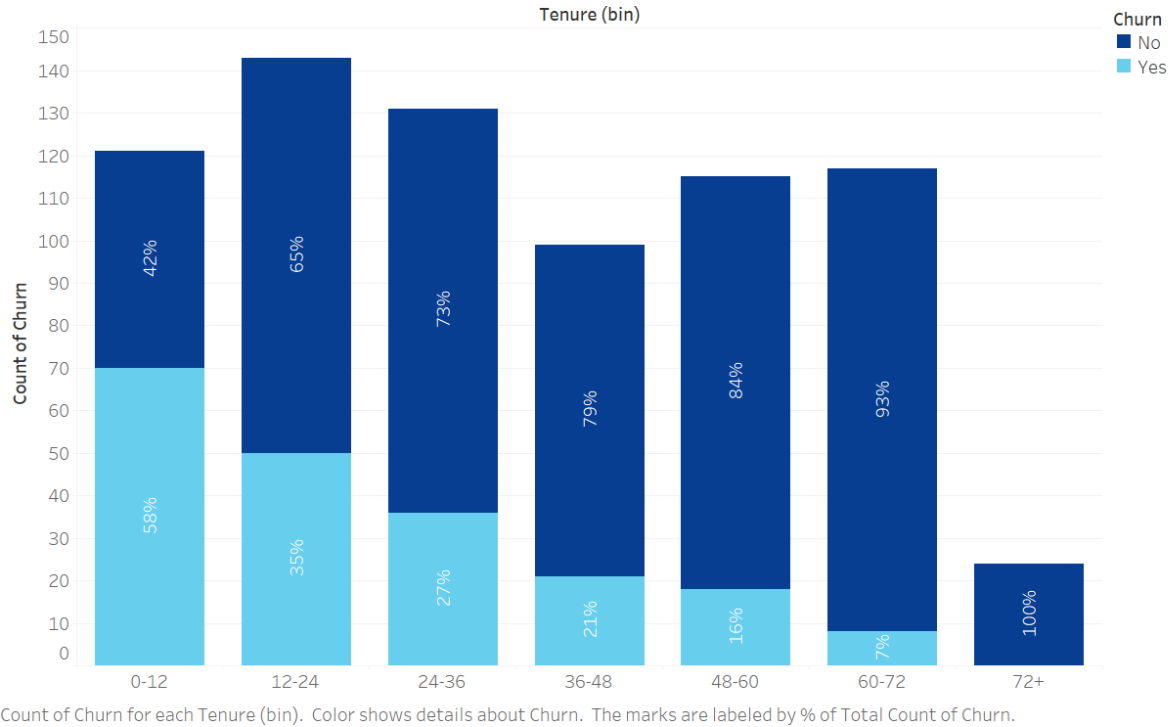
An analysis of client churn rates reveals that clients who invest in online security expenses demonstrate lower churn rates compared to those who do not. This suggests that the inclusion of online security services enhances the overall value proposition of the offerings. This highlights the importance of incorporating value-added services like online security to not only attract but also retain clientele, thereby reducing churn rate.

Exhibit 7
Churn rate by online security services

Count of Churn for each Security. Color shows details about Churn. The marks are labeled by % of Total Count of Churn.
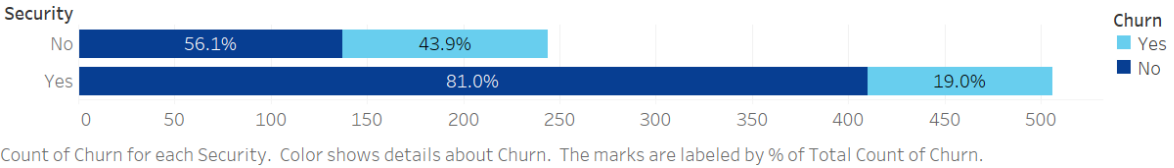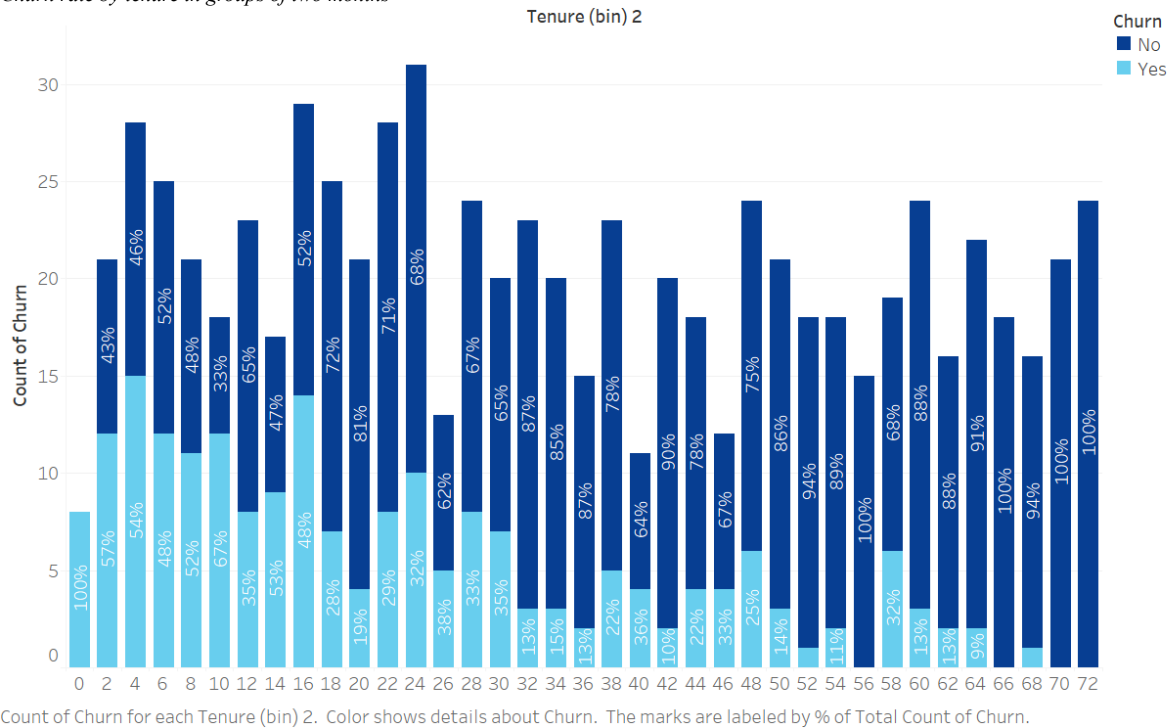
In the initial year of contract, a significant proportion of clients churn, with more than half discontinuing their services. However, by the second year, the churn rate decreases to 35%. Interestingly, as clients' tenure with the company increases, the probability of churn decreases. Notably, the company maintains a relatively equal distribution of recent, mid-term, and long-term clients.

Exhibit 8
Churn rate by tenure in groups of 12 months.

Count of Churn for each Tenure (bin). Color shows details about Churn. The marks are labeled by % of Total Count of Churn.
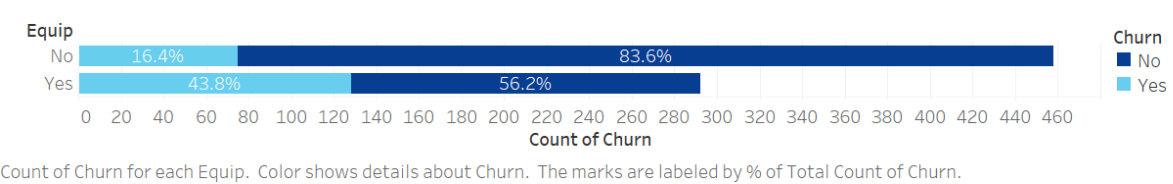
Analysing this closer, all the clients who have been with the company for less than two months discontinue the services. Moreover, within the first 12 months, the churn ratio among client in their first year with the company exceeds 48%. This suggests poor satisfaction among new clients and indicates that promotional strategies such as offering the first month free fail to effectively retain customers.

Exhibit 9
Churn rate by tenure in groups of two months

Count of Churn for each Tenure (bin) 2. Color shows details about Churn. The marks are labeled by % of Total Count of Churn.

Upon analysis, customers who opt to rent equipment exhibit a higher churn rate compared to those who do not. This indicates that equipment rental fails to serve as a retention tool and may even deter clients.

Exhibit 10
Churn rate for clients who rent equipment and not.

Count of Churn for each Equip. Color shows details about Churn. The marks are labeled by % of Total Count of Churn.

Recommendations

Recommendations

According to the analysis, it is evident that the company must take proactive measures to reduce the churn rate. Then the following recommendations aim to increase the retention rate.

Firstly, targeting clients aged between 24 and 40 years old is recommended. Younger clients should be offered the basic package, while older ones should have access to e-service and plus-service options.

Secondly, a review of pricing strategies tailored to specific zones is advised, alongside providing alternative options for financially constrained clients who live in an expensive zone but cannot afford the expensive service.

Thirdly, intensifying efforts to acquire customers who have resided at their current address for over 15 years is crucial, as they are less likely to switch suppliers; offering plus services could further improve retention.

Fourth, integrating online security services, particularly within the basic package, could enhance satisfaction and reduce churn.

Fifth, recognizing the pivotal role of the first year in customer retention necessitates providing meticulous attention to new customers, including personalized assistance, 24-hour human service, and discounts to retain them during the initial experience with the company.

Lastly, a review of the equipment rent prices is recommended. Furthermore, evaluation of financial alternatives such as providing equipment for free during the first year or adjusting payment terms at the contract's conclusion could increase customer satisfaction thus, the retention rate.