Executive Summary

Customer Churn Decision Analysis

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1. Problem Statement

The company is experiencing customer churn but lacks clarity on **why customers leave** and **which actions will meaningfully reduce churn**.

Due to limited responses from existing customers and the absence of fully aligned real-world datasets, this analysis uses a **synthetic but behaviorally realistic dataset** designed to mirror early-stage subscription businesses. The objective is not prediction accuracy for its own sake, but **decision support**: identifying actionable churn drivers and practical interventions.

Core question:
Why are customers leaving, and what should the company do next?

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2. Key Findings

2.1 Primary Drivers of Churn

The analysis consistently identifies four factors associated with higher churn risk:

1. **Customer complaints**
   Customers who raise multiple complaints are significantly more likely to churn. Complaint volume is the strongest signal of dissatisfaction.
2. **Low customer tenure**
   Customers in their first few months are at much higher risk of leaving, indicating weak early-stage engagement or onboarding.
3. **Low usage frequency**
   Infrequent product usage correlates strongly with churn, suggesting customers who do not form habits disengage quickly.
4. **Heavy reliance on discounts**
   Customers who require frequent or deep discounts tend to churn at higher rates, indicating price sensitivity rather than long-term value alignment.

2.2 What Does *Not* Drive Retention

• Simply offering more discounts does **not** improve long-term retention
• Plan type alone (Free vs Paid) is not the primary churn driver
• Monthly price differences matter less than perceived value and experience

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3. What the Company Should Do Next

3.1 Fix the First 90 Days

The highest churn risk occurs early in the customer lifecycle.

Recommended actions:
• Improve onboarding clarity and guidance
• Proactively check in with new users
• Track early usage signals and intervene fast

Early retention will have the highest ROI.

3.2 Treat Complaints as Churn Alarms

Complaints are not just service issues — they are **leading churn indicators**.

Recommended actions:
• Prioritize complaint resolution speed
• Flag customers with multiple complaints for proactive outreach
• Track complaint patterns, not just counts

3.3 Reduce Discount Dependency

Discount-driven retention creates unstable customers.

Recommended actions:
• Shift from blanket discounts to value-based incentives
• Use discounts selectively for onboarding, not long-term retention
• Reinforce product value instead of price cuts

3.4 Increase Meaningful Engagement

Retention improves when customers use the product regularly and purposefully.

Recommended actions:
• Identify features tied to repeated usage

• Nudge low-usage customers with targeted prompts
• Measure success by engagement, not just logins

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4. What the Company Should *Not* Do

• Do **not** chase churn reduction purely with promotions
• Do **not** rely solely on predictive scores without interpretation
• Do **not** over-invest in complex models before fixing fundamentals
• Do **not** treat churn as a single metric instead of a customer journey

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5. Risks & Limitations

• The dataset used is synthetic due to real-world data constraints
• Absolute churn rates should not be interpreted as exact forecasts
• Behavioral patterns are realistic, but not company-specific
• Results should guide **directional decisions**, not final policy

To mitigate these risks, the same framework should be applied once real customer data becomes available.

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6. Final Recommendation

Churn is not primarily a modeling problem — it is a **product and experience problem**.

The most effective path forward is:
• Strengthen early customer experience
• Resolve dissatisfaction before it compounds
• Build engagement before optimizing pricing

This approach will reduce churn more sustainably than discounts or aggressive prediction systems.