Customer Churn Analysis & Retention Strategies

Key Insights & Focus Areas for Reducing Churn

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Introduction

Objective:
- Understand factors contributing to customer churn.
- Identify key focus areas for retention.
- Recommend strategies based on data-driven insights.

Why is this important?
- High churn impacts revenue and brand loyalty.
- Understanding churn trends can improve customer engagement and satisfaction.

Top Three Focus Areas for Retention

1. Improve Customer Engagement & Activity

- Issue: Inactive members are more likely to churn.
- Solution: Personalized outreach, loyalty programs, and proactive engagement.

2. Address Geographic Churn Trends

- Issue: Customers in Germany showed the highest churn.
- Solution: Regional retention strategies, localized offers, and better service in high-risk areas.

3. Optimize Credit Score & Balance Management

- Issue: Customers with extreme credit scores (very high/low) and unutilized balances churn more.
- Solution: Financial advisory services, credit score education, and optimized loan offerings.

Key Findings from Data Analysis

1. **Credit Score & Balance Influence Churn**
   - Customers with low credit scores & high balances showed higher churn.
   - Customers with zero balances were also more likely to churn.

2. **Customer Engagement Matters**
   - Inactive members had a significantly higher churn rate than active ones.
   - Higher product usage led to lower churn.

3. **Demographics & Geography Impact**
   - Certain geographies (e.g., Germany) had higher churn.
   - Older customers (>50) churned more frequently.

Data-Driven Churn Identification

Top 10 customers most likely to churn based on:

- **Credit Score**: Customers with lower credit scores are more likely to churn, indicating financial instability.
- **Account Balance**: Customers with zero or low balances show a higher churn rate, suggesting disengagement.
- **Number of Products**: Customers with only one product are more prone to churn, highlighting a lack of deep engagement.
- **Customer Activity Level**: Inactive members have a significantly higher churn rate, emphasizing the importance of engagement.

Proposed Action Plan

- **Improve Credit Score-Based Offers:** Provide personalized financial counseling and tailored loan options to retain customers with lower credit scores.

- **Encourage Higher Product Adoption:** Promote bundled services and loyalty rewards for customers using multiple banking products.

- **Balance-Based Engagement:** Introduce tiered benefits for maintaining higher balances, such as waived fees or exclusive perks.

- **Increase Customer Activity:** Implement personalized engagement strategies, like targeted promotions and proactive customer support.

- **Enhance Digital Banking Experience:** Optimize mobile and online banking to improve ease of use and customer satisfaction.

- **Proactive Retention Strategies:** Identify high-risk churn customers early and offer customized retention plans.

Criteria for Offering Reduced Interest Rate

If we were to offer reduced interest rates, who would we target?

Top 5 Customers for Retention Offers:

Customers with a high credit score but low engagement.

Customers with multiple products but low activity.

Customers with high account balances but no active transactions.

Long-term customers who have gradually reduced engagement.

Customers in high-churn regions who show strong product usage.

Expected Outcome:

Higher engagement, lower churn, increased customer lifetime value.

Action Plans

Short-Term Actions

Identify at-risk customers and provide targeted retention offers.

Improve engagement for inactive customers through incentives.

Long-Term Strategies

Implement AI-driven churn prediction models.

Enhance customer experience through personalized banking solutions.

Conclusion & Next Steps

- The analysis highlights three key focus areas to reduce churn.
- Next Steps:
- Implement targeted retention offers.
- Monitor churn reduction impact.
- Iterate and refine strategies based on continuous analysis.

Thank You