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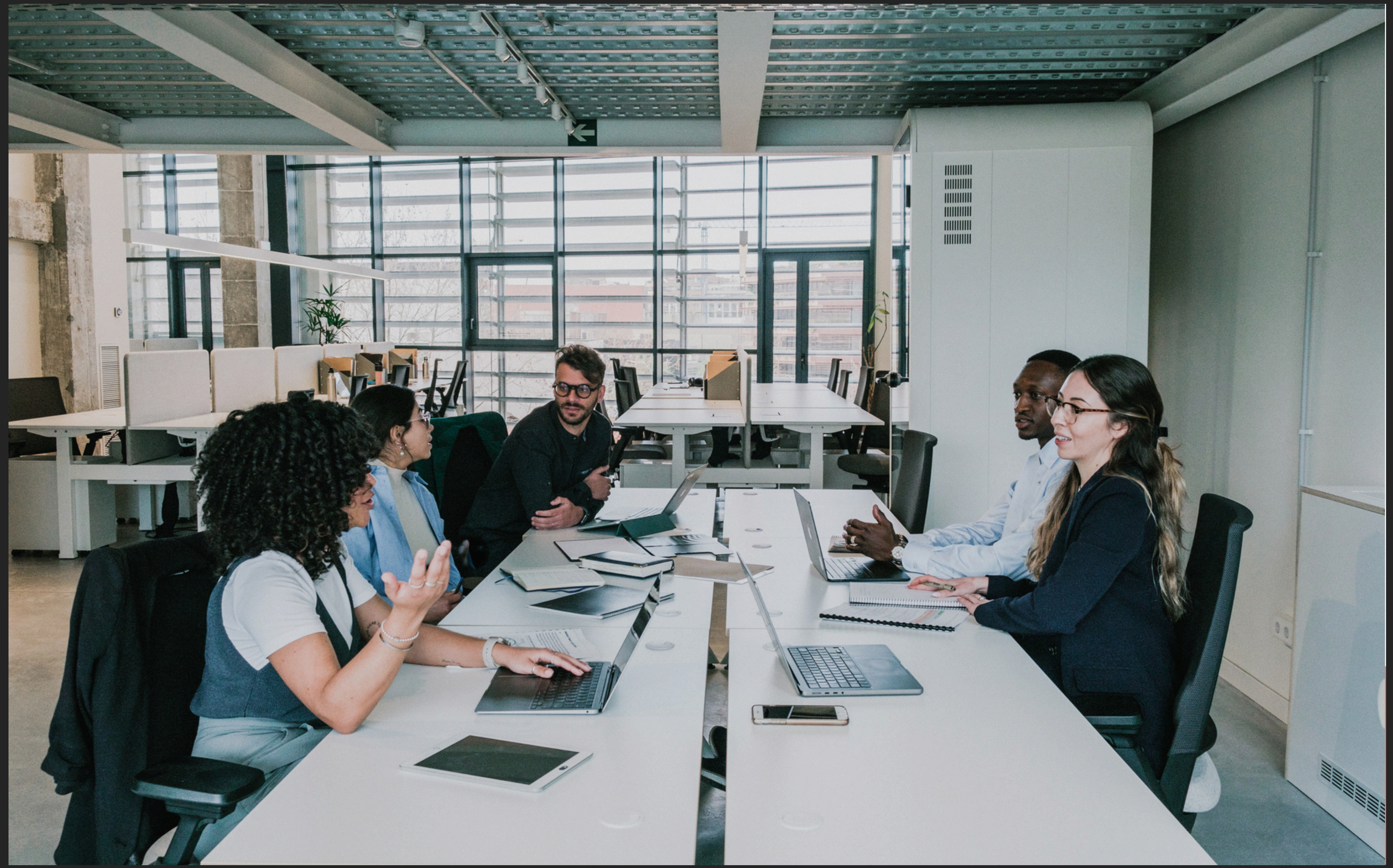
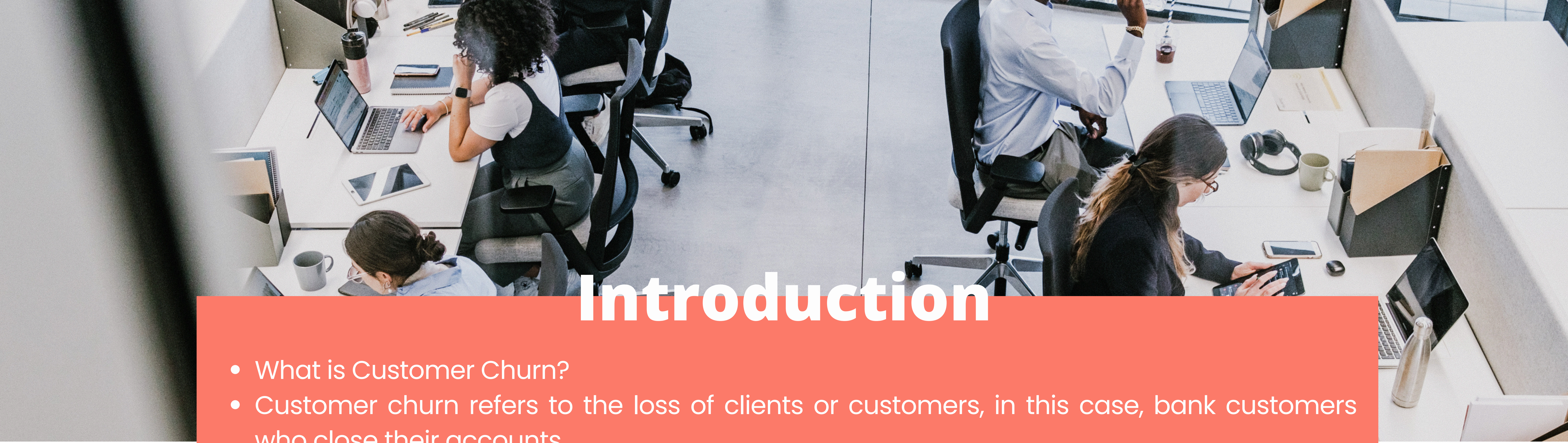
Customer Churn Analysis & Key Focus Areas for Retention





Introduction

- What is Customer Churn?
- Customer churn refers to the loss of clients or customers, in this case, bank customers who close their accounts.
- Why Does it Matter?
- High churn rates indicate dissatisfied customers and can lead to revenue loss. Retaining customers is generally more cost-effective than acquiring new ones.
- Our Goal
- To identify the main causes of customer churn based on data analysis and provide clear, actionable focus areas for leadership to improve retention.

How We Approached the Analysis

Step 1: Data Points Selection

- We analyzed key customer characteristics to understand patterns in churn behavior. Key data points include:
  - Age: Analyzed the age distribution among churned and non-churned customers.
  - Balance: Observed if customers with high or low balances are more likely to churn.
  - Credit Score: Checked whether lower credit scores are associated with higher churn.
  - Product Usage: Identified if customers with fewer bank products are more likely to leave.
  - Active Membership: Examined whether active engagement with the bank affects churn rates.

Step 2: Analysis Techniques

- Summary Statistics to get a snapshot of customer attributes.
- Segmentation Analysis to observe differences in churn rates across demographic groups (e.g., age, gender, geography).
- Comparative Analysis to compare characteristics of churned vs. non-churned customers.

Step 3: Identifying Key Trends

- Looked for consistent patterns that help explain why certain groups of customers are more likely to churn.

Key Finding #1 – Customer Age and Churn

Observation

- Older customers (average age 44.8 years) are more likely to churn compared to younger customers (average age 37.4 years).

Implication

- Older customers may have different financial needs or expectations that are not being met by the bank.

Actionable Focus Area

- Personalized Product Offerings for Older Customers: Design tailored banking products or services that cater to the needs of older customers. For example, introducing higher interest savings accounts, retirement planning services, or specialized customer support for this age group.

Key Finding #2 – Balance Levels and Churn

Observation

Churned customers tend to have significantly higher average balances ($91,108) than non-churned customers ($72,745).

Implication

High-balance customers might have higher service expectations or are more sensitive to factors like fees, interest rates, or customer service.

Actionable Focus Area

Enhanced Relationship Management for High-Balance Customers: Offer personalized account management and reduce fees for high-balance customers. For example, creating a "premium" customer segment with additional perks such as priority service or reduced interest rates on loans.

Key Finding #3 – Active Membership and Churn

Observation

Customers who are actively engaged with the bank show a significantly lower churn rate (14.3%) compared to inactive members (26.9%).

Implication

Active engagement with the bank seems to enhance customer loyalty and retention.

Actionable Focus Area

Customer Engagement Programs: Develop initiatives to increase customer engagement, such as rewards for regular transactions, incentivizing digital banking activity, and educational programs on financial planning. The goal is to transform inactive customers into engaged, loyal members.

Additional Insights and Trends

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Geography

Notable differences in churn rates across regions (Germany has the highest churn rate). This suggests a need for region-specific retention strategies.

Product Usage

Customers with only one bank product have the highest churn rate (27.7%), while those with more products tend to stay longer. Offering product bundling and cross-selling opportunities can increase customer retention.

Credit Score

Score: Lower average credit scores among churned customers could indicate financial instability or dissatisfaction with loan or credit offerings.

Summary and Conclusion

- Retaining customers is a continuous process, requiring regular analysis and adjustments.
- By focusing on personalized services, enhanced engagement, and proactive relationship management, the bank can reduce churn and foster long-term customer loyalty.

01

Key Focus Areas to Combat Churn:

- Personalized Offerings for Older Customers
- Enhanced Relationship Management for High-Balance Customers
- Customer Engagement Programs

02

- Expected Outcomes:
- Reduced churn rate by addressing the specific needs of high-risk groups.
- Improved customer satisfaction and loyalty, leading to increased lifetime value (LTV).
- A more engaged and committed customer base through tailored programs.

03

- Next Steps:
- Implement retention strategies focused on these areas.
- Continuously monitor churn rates and customer feedback to adapt and improve retention efforts.

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THANK YOU!