

# OVERVIEW OF CUSTOMER CHURN

## Introduction

Identifying and understanding your customers is an essential part of your business and marketing plan. Not everyone is your potential buyer, therefore having a clear understanding of your target customers gives you an edge in the industry. Briefly, we will discuss customer churn, the opposite of customer growth. It is an important concept when it comes to understanding the target customers of a company.

## What is Customer Churn

Customer Churn also called customer attrition is what occurs when a customer of a particular business/company no longer purchase or interact with the business/company. When there is a high churn rate in a given Enterprise, it means that a higher number of customers are likely to stop purchasing goods and(or) service from the business.

Mathematically, Customer Churn rate = (Number of customers of a business loss/Total number of customers over a given period) \* **100**

For instance, if 10 out of 100 customers were lost, the customer Churn rate is 10%.

High customer churn rate negatively impact the revenue of a business/company.

So it is a crucial metric for any company.

## Causes of Customer Churn

Customer Churn due to various reasons. Some may be personal while some are directly a function of the business and it's management. Some of these reasons are listed below:

1. Price: Asking customers to pay for a product way more than its value can stretch and quickly wear thin with decision makers.
2. Product: Most atimes, customers purchase a product according to what it can do to make their lives easier. If the product is not delivering as expected or if promised features are not being delivered, the customer will most likely churn.
3. Competition: When there are other enterprise rendering the same product/Service as you do, there is going to be competition which can negatively affect the churn rate of the business.
4. Poor experience: When customers become unsatisfied with the type of experience interfaed with, with a brand, there next line of action will Most likely be to stop interaction with the business.

5. Need: Sometimes, a customer may find they no longer need your product or service for a given period or through out. If that is the case, it's helpful to pivot your solution to meet their needs for long-term partnership better.
6. Lack of Value: A customer Churns if he isn't seeing the promised outcomes of a business.

### Method of Predicting Customer Churn

Predicting Customer Churn could be done through the use of

- ★ Machine Learning approach
- ★ Predictive Analytics

Below are some 4 steps to effective churn prediction:

1. Reliable customer segmentation
2. Continue with manual data analysis or use a predictive service
3. Compare datasets to identify Churn causes
4. Then save the customer.

### What data are useful for customer churn prediction

To build a model that predicts customer Churn, some customer data would be needed. These data are both qualitative and quantitative.

To build a churn model, you need to start with the right datasets. The dataset should include a **target variable** which could be the feature you would like to predict. In a churn prediction model case, the target variable would be the indicator signifying whether a customer is likely to churn (Yes/No or 1/0). To obtain this variable, you would need to use historical data of existing customer and previous customers that denotes whether this customer left or stayed; this could be a subscription cancellation, a closed contract e.t.c

The other features which are data points that describe your customers are most atimes gotten from various data sources like customer relationship management systems(CRMs), web analytics tools, customer feedback surveys and more. They include demographic data(age, gender, identity, profession e.t.c), feature usage data, engagement metrics e.t.c

### Types of Customer Churn

1. Voluntary customer Churn
2. Involuntary customer Churn