BRIFE WRITEUP ON CUSTOMER CHURN

ATTRITION FOR BUSINESS ENTERPRISES

WHAT IS CUSTOMER CHURN

Customer churn is the percentage of customers that stopped using your company's product or service during a certain time frame. You can calculate churn rate by dividing the number of customers you lost during that time period -- say a quarter -- by the number of customers you had at the beginning of that time period. It is sometimes known as attrition rate which may also apply to the number of subscribers who cancel or don't renew a subscription. That is the rate at which customers stop doing business with a company over a given period of time.

For example, if you start your quarter with 400 customers and end with 380, your churn rate is 5% because you lost 5% of your customers. Obviously, your company should aim for a churn rate that is as close to 0% as possible. In order to do this, your company has to be on top of its churn rate at all times and treat it as a top priority.

Jeff Bezos once said, "*We see our customers as guests to a party, and we are the hosts. It's our job every day to make every important aspect of the customer experience a little bit better*". Improving customer retention is a continuous process, and understanding churn rate is the first step in the right direction.

You can classify churn as:

- **i.** Customer and revenue churn
- **ii.** Voluntary and involuntary churn

Customer and revenue churn: Customer churn is simply the rate at which customers cancel their subscriptions. Also known as subscriber churn or logo churn, its value is represented in percentages. On the other hand, revenue churn is the loss in your monthly recurring revenue (MRR) at the beginning of the month.

Voluntary and involuntary Churn: Voluntary churn is when the customer decides to cancel and takes the necessary steps to exit the service. It could be caused by dissatisfaction, or not receiving the value they expected. Involuntary churn happens due to situations such as expired payment details, server errors, insufficient funds, and other unpredictable predicaments.

Customer satisfaction, happiness, and loyalty can be achieved to a certain degree, but churn will always be a part of the business.

What are the causes of customer Churn

- Bad customer service (poor service quality, response rate, or overall customer experience),
- Finance issues (fees and rates),
- Customer needs change,
- Dissatisfaction (your service failed to meet expectations),

- Customers don't see the value,
- Customers switch to competitors,
- Long-time customers don't feel appreciated.
- You're attracting the wrong customers
- Your customers aren't achieving their desired outcomes
- Your customer support needs work
- Your customers think your competitors can do a better job
- Your product has bugs customers believe you can't fix
- Your customers no longer see the value in your product
- Your customers think your product's too expensive (or too cheap)

Methods of predicting customer churn in companies

Customer churn analysis can be accomplished by fitting statistical models to historical data and trying to find a pattern in customers that may result in churn. Forward-thinking organizations are leveraging artificial intelligence (AI) and machine learning to forecast future trends and behaviors and identify previously hidden indicators that help to predict churn.

There are four major steps in the process:

- Data gathering and preparation
- Building the predictive model
- Testing and validation of the model on real customers
- Continually updating the model as the process repeats itself and the churn rate reduces

What data are useful for customer churn Prediction

Machine learning and data analysis are powerful ways to identify and predict churn. During churn prediction, you're also:

- Identifying at-risk customers,
- Identifying customer pain points,
- Identifying strategy/methods to lower churn and increase customer retention.

Using Customer Journey Analytics to Predict Churn

Churn prediction modeling techniques attempt to understand the precise customer behaviors and attributes which signal the risk and timing of customer churn. Customer journey analytics meets these criteria by combining data across multiple touch points to understand how customers navigate through brand interactions over time. This allows organizations to analyze customer journeys and identify behavior that implicitly indicates that a customer is happy or dissatisfied with the service they just received.

Demographic information

This entails information about a customer’s gender, age, job title, company, location, and civil status. They affect churn prediction because they help teams identify customer segments that are likely not to respond or are not satisfied with the brand or service.

Customer account information

This data set includes information about a customer s preferred payment method, billing, how long they have been wit a company or tenure, monthly charges and transaction history. This also includes account name, billing address and contact information

Service customer used

This identifies the services or subscription plans the customer signed up for and used. The different subscription tiers and features often indicate the customer preference and what they found most relevant to their daily lives.