#### Students' Information ¶

Programme : RDS Y2 S1Tutorial Group : G2

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## **Business Understanding**

The telecommunication sector is made up of companies that make communication possible on a global scale, whether it is through the phone or the Internet, through airwaves or cables, through wires or wirelessly. These companies created the infrastructure that allows data in words, voice, audio or video to be sent anywhere in the world.

Telephone service companies, Internet service providers, pay TV companies, insurance firms, and alarm monitoring services, often use customer churn analysis and customer attrition rates as one of their key business metrics because the cost of retaining an existing customer is far less than acquiring a new one. Companies from these sectors often have customer service branches which attempt to win back defecting clients, because recovered long-term customers can be worth much more to a company than newly recruited clients.

Customer churn happens when customers quit using a company's service or stop doing business with a company. By doing the prediction on customer churn rate, companies can easily monitor and be alert of churn rate. Thus, they will know what brings to their customer retention success rate and develop strategies to further improve the business.

The customer churn is an important activity in a growing and competitive telecommunication sector and is one of the greatest importance for a project manager. Due to the high cost of acquiring new customers, customer churn prediction has emerged as an indispensable part of telecom's sectors' strategic decision making and planning process.

```
In [1]: # Importing libraries
        # General
        import pandas as pd
        import numpy as np
        import seaborn as sns
        import pandas as pd
        import matplotlib.pyplot as plt
        import matplotlib.ticker as mtick
        #Visualisation(EDA)
        import plotly.graph_objs as go
        import plotly.offline as py
        sns.set(style = 'white')
        %matplotlib inline
        # Train test split
        from sklearn.model selection import train test split
        # Data prepocessing
        from sklearn.preprocessing import LabelEncoder
        from sklearn.preprocessing import StandardScaler
        from sklearn import preprocessing
        # Modelling
        from sklearn.neighbors import KNeighborsClassifier
        from sklearn.linear model import LogisticRegression
        from sklearn.svm import SVC
        from sklearn.naive bayes import GaussianNB
        from sklearn.ensemble import RandomForestClassifier
        from sklearn.model_selection import GridSearchCV
        # Evaluation
        from sklearn.metrics import accuracy score
        from sklearn.metrics import confusion matrix
        import plotly.figure_factory as ff
                                             #visualization
        # Confusion Matrix
        import matplotlib.pyplot as plt
        import itertools
        from sklearn.metrics import f1 score
        from sklearn.metrics import precision_score
        #ROC
        from sklearn.metrics import roc curve
        from sklearn.metrics import roc auc score
        from sklearn.metrics import recall score
        # K fold
        from sklearn.model selection import KFold
        pd.set_option('mode.chained_assignment', None)
```

## **Data Understanding**

In this assignment, we are going to use "Telcom\_Customer\_Churn" which is found in Kaggle to predict the customer churn rate. We are going to select the best modeling technique to predict our target attribute, which is the customer churn. The details of the dataset are described as below:-

Each row of the data will represent each customer, each column of the data represents the customers' attributes which are described on the metadata of the customer. The dataset represents the details about:-

- Demographic data about customers gender, whether they are senior citizens, having partners and dependents.
- Types of services signed up by each customer which included phone service, multiple lines, internet service, online security, online backup, device protection, technical support, streaming TV and movies.
- Customers who left within the telcom company which is also the target attributes,
- called Churn Account information of each customer how long he/she have been a
  customer of telcom company(tenure), contract, paperless billing, payment method,
  monthly charges and total charges has been charged since they're one of the
  customers at telcom company.

There are a total of 7043 rows and 21 columns of data in this dataset, which means that this dataset contains 7043 unique customers. Within these 21 columns of key attributes, all attributes can be classified or transformed to categorical variables whereas tenure, monthly charges and total charges are classified as continuous variables and need to be scaled before modelling. Also, we can see that the "Total Charges" is needed to be transformed to numerical values as we found that it is declared as object data type earlier. And, we found that there are 11 of missing data in this dataset. Hence, we choose to remove the entire row of data whenever it finds a missing value. It is because removing an entire row of data with missing values will result in a more robust and accurate model and it only consists of 11 rows of data with missing values, thus it will not create a great loss on information of data. Furthermore, we have chosen to replace 'no internet service' and 'no phone service' in several columns to 'no' to ease data classification and ease our modelling section. All values in the attributes also have been changed to lowercase letters to ease the coding part.

```
In [2]: # Reading datasets
data = pd.read_csv('telcom_churn.csv')
data.head()
```

$\overline{}$			
11	ш	-	
v	u	ı	 ٠.

	customerID MultipleLines	_	SeniorCitizen	Partner	Dependents	tenure	PhoneService	
0	7590- VHVEG	Female	0	Yes	No	1	No	No phone service
1	5575- GNVDE	Male	0	No	No	34	Yes	No

```
0
                                             No
                                                        No
                                                               2
                                                                          Yes
                                                                                       No
                9237-
         4
               HQITU Female
        5 rows x 21 columns
In [3]: # Check the data types of all the columns
        print("Data Types: \n",data.dtypes)
        Data Types:
         customerID
        object gender
        object SeniorCitizen
        int64
        Partner
        object Dependents
        object tenure
        int64 PhoneService
        object
        MultipleLines
                              object
        InternetService
                              object
                              object
        OnlineSecurity
                              object
        OnlineBackup
        DeviceProtection
                              object
        TechSupport
                              object
        StreamingTV
                              object
        StreamingMovies
                              object
        Contract
                              object
                              object
        PaperlessBilling
                              object
        PaymentMethod
        MonthlyCharges
                             float64
        TotalCharges
        object Churn
        object dtype: object
In [4]:
        # Change data types to numeric value
        data['TotalCharges'] = data['TotalCharges'].replace(r'\s+', np.nan,
        regex=True) data['TotalCharges'] = pd.to_numeric(data['TotalCharges'])
```

0

0

No

No

No

No

2

45

Yes

No

No

No phone

service

3668-

7795-

CFOCW

QPYBK

Male

Male

2

3

```
In [5]: # Display details of dataset
        print ("Rows : " ,data.shape[0])
        print ("Columns : " ,data.shape[1])
        print ("\nFeatures : \n" ,data.columns.tolist())
        print ("\nMissing values : \n", data.isnull().sum())
        print ("\nUnique values : \n",data.nunique())
                  : 7043
        Rows
        Columns : 21
        Features :
        ['customerID', 'gender', 'SeniorCitizen', 'Partner', 'Dependents', 'tenure', 'PhoneService', 'MultipleLines', 'InternetService', 'OnlineSecurity', 'Online
        Backup', 'DeviceProtection', 'TechSupport', 'StreamingTV', 'StreamingMovies',
        'Contract', 'PaperlessBilling', 'PaymentMethod', 'MonthlyCharges', 'TotalChar
        ges', 'Churn']
        Missing values :
         customerID
                                0
                               0
        gender
        SeniorCitizen
                               0
        Partner
                               0
        Dependents
                               0
                               0
        tenure
                               0
        PhoneService
        MultipleLines
                               0
        InternetService
                               0
                               0
        OnlineSecurity
        OnlineBackup
                               0
                               0
        DeviceProtection
        TechSupport
                               0
        StreamingTV
                               0
        StreamingMovies
                               0
                               0
        Contract
        PaperlessBilling
                               0
        PaymentMethod
        MonthlyCharges
                               0
        TotalCharges
                              11
        Churn
                               0
        dtype: int64
        Unique values :
                               7043
         customerID
        gender
                                 2
        SeniorCitizen
                                 2
                                 2
        Partner
        Dependents
                                 2
                                73
        tenure
                                 2
        PhoneService
                                 3
        MultipleLines
        InternetService
                                 3
        OnlineSecurity
                                 3
                                 3
        OnlineBackup
        DeviceProtection
                                 3
                                 3
        TechSupport
```

3

StreamingTV

```
# Remove customerID variable
In [7]:
           data = data.drop('customerID', axis = 1)
           data.head()
 Out[7]:
           StreamingMovies
                                    3
                                    3
           Contract
           PaperlessBilling
                                    2
           PaymentMethod
                                    4
                                 1585
           MonthlyCharges
           TotalCharges
                                 6530
           Churn
                                    2
           dtype: int64
 In [6]: # Remove the missing values
           data.dropna(inplace=True)
           print ("\nMissing values : \n", data.isnull().sum())
            Missing
                       values
                                  :
           customerID
                                  0
                                  0
           gender
           SeniorCitizen
                                 0
           Partner
                                 0
                                 0
           Dependents
                                 0
           tenure
           PhoneService
                                 0
           MultipleLines
                                 0
           InternetService
                                 0
           OnlineSecurity
                                 0
           OnlineBackup
                                 0
           DeviceProtection
                                 0
           TechSupport
                                 0
           StreamingTV
                                 0
           StreamingMovies
                                 0
           Contract
                                 0
           PaperlessBilling
                                 0
           PaymentMethod
                                 0
           MonthlyCharges
                                 0
           TotalCharges
                                 0
           Churn
                                 0
           dtype: int64
               gender SeniorCitizen Partner Dependents tenure PhoneService MultipleLines InternetService
            0 Female
                                0
                                                                                                DSL
                                      Yes
                                                  No
                                                          1
                                                                      No
                                                                              No phone
                                                                                service
            1
                                0
                Male
                                       No
                                                  No
                                                         34
                                                                      Yes
                                                                                   No
                                                                                                DSL
            2
                Male
                                0
                                                          2
                                                                      Yes
                                                                                                DSL
                                      No
                                                  No
                                                                                   No
                                                                              No phone
            3
                Male
                                0
                                       No
                                                  No
                                                         45
                                                                      No
                                                                                                DSL
                                                                                service
              Female
                                0
                                                          2
                                                                                           Fiber optic
                                      No
                                                  No
                                                                      Yes
                                                                                   No
```

```
In[8]: # Print all unique values for each columns
       for item in data.columns:
           print(item)
           print (data[item].unique())
       gender
        ['Female' 'Male']
       SeniorCitizen
       [0 1]
       Partner
       ['Yes' 'No']
       Dependents ['No'
        'Yes'] tenure
       [ 1 34  2 45  8 22 10 28 62 13 16 58 49 25 69 52 71 21 12 30 47 72 17 27
         5 46 11 70 63 43 15 60 18 66 9 3 31 50 64 56 7 42 35 48 29 65 38 68
        32 55 37 36 41 6 4 33 67 23 57 61 14 20 53 40 59 24 44 19 54 51 26 39]
       PhoneService
       ['No' 'Yes']
       MultipleLines
       ['No phone service' 'No' 'Yes']
       InternetService
       ['DSL' 'Fiber optic' 'No']
       OnlineSecurity
       ['No' 'Yes' 'No internet service'] OnlineBackup
       ['Yes' 'No' 'No internet service'] DeviceProtection
       ['No' 'Yes' 'No internet service'] TechSupport
       ['No' 'Yes' 'No internet service'] StreamingTV
       ['No' 'Yes' 'No internet service'] StreamingMovies
       ['No' 'Yes' 'No internet service']
       Contract ['Month-to-month' 'One year'
        'Two year']
       PaperlessBilling
       ['Yes' 'No']
       PaymentMethod
       ['Electronic check' 'Mailed check' 'Bank transfer (automatic)'
        'Credit card (automatic)']
       MonthlyCharges
       [29.85 56.95 53.85 ... 63.1 44.2 78.7 ]
       TotalCharges
```

[ 29.85 1889.5 108.15 ... 346.45 306.6 6844.5 ] Churn

['No' 'Yes']

SeniorCitizen couldn't convert tenure couldn't convert MonthlyCharges couldn't convert TotalCharges couldn't convert

#### Out[9]:

	gender Sen	norCitizen	ı Partr	ner De	pendents	tenure	PhoneS	ervice	MultipleLines	InternetService
									no phone	
0	female	0	yes	no	1	no	dsl servi	ce	•	
1	male 0	no	no	34	yes	no	dsl			
2	male 0	no	no	2	yes	no	dsl			
3	male 0	no	no	45	no	dsl serv	rice		no phone	
4	female	0	no	no	2	yes	no	fiber opt	ic	
- ◀										•

```
cols_replace_1 = ['OnlineSecurity', 'OnlineBackup', 'DeviceProtection','TechSuppo
for i in cols_replace_1 :
   data[i] = data[i].replace({'no internet service' : 'no'})
cols_replace_2 = ['MultipleLines']
for i in cols_replace_2 :
                                data[i] =
   data[i].replace({'no phone service' : 'no'})
cols_replace_3 = ['SeniorCitizen']
for i in cols_replace_3:
   data[i].replace(to_replace = 0, value = 'no', inplace = True)
   data[i].replace(to_replace = 1 , value = 'yes', inplace =True)
data.head()
   gender SeniorCitizen Partner Dependents tenure PhoneService MultipleLines InternetService
0
     female
                no
                      yes
                                    1
                                          no
                                                 no
                                                       dsl
1
     male no
                             34
                                                 dsl
                no
                      no
                                    yes
                                          no
2
     male no
                             2
                                   yes
                                                 dsl
                no
                      no
                                          no
3
     male no
                             45
                                    no
                                                 dsl
                no
                      no
                                          no
```

In[10]: # Convert "no internet service" and "no phone service" into "no"

## **Exploratory Data Analysis(EDA)**

no

2

no

female

no

Exploratory Data Analysis has been carried out to study the relationship between each attribute and customer churn rate. The pie charts below shows the pie plot for customer attrition based on different categories in different columns.

yes

fiber optic

```
In[11]: # Split the dataset into 80% train data and 20% test data train_data,
    test_data = train_test_split(data, test_size=0.2, random_state=0)
    train_data.head()
```

#### Out[11]:

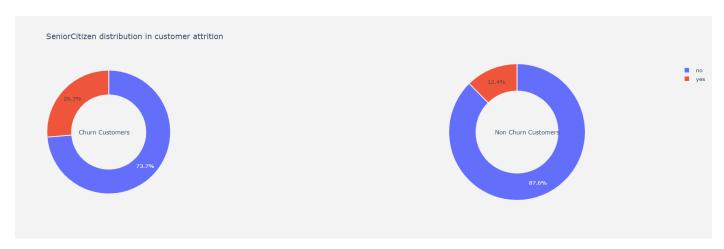
	gender	SeniorCitizen	Partner	Dependents	tenure	PhoneService	MultipleLines	InternetServ
2964	male	no	yes	no	24	yes	yes	
5113	female	no	yes	yes	71	yes	yes	fiber o
5363	male	no	yes	yes	70	yes	yes	
5074	female	no	no	yes	49	yes	no	
156	female	no	no	no	22	yes	yes	fiber o

```
In [12]: # Separating churn and non churn customers
    cust_churn = train_data[train_data["Churn"] == "yes"]
    cust_not_churn = train_data[train_data["Churn"] == "no"]

# Separating catagorical and numerical columns to do EDA
    target_col = ["Churn"]
    cat_cols = train_data.nunique()[train_data.nunique() < 6].keys().tolist()
    cat_cols = [x for x in cat_cols if x not in target_col]
    num_cols = [x for x in train_data.columns if x not in cat_cols + target_col]</pre>
```

```
In [13]: # Function for pie plot on data variables with customer
       churn def plot_pie(column) :
          #Churn customers
           trace1 = go.Pie(values = cust_churn[column].value_counts().values.tolist(),
                             labels = cust churn[column].value counts().keys().tolist(),
                             hoverinfo = "label+percent+name",
                             domain = dict(x = [0,.20]),
                                    = "Churn Customers",
                             marker = dict(line = dict(width = 2,
                                                       color = "rgb(243,243,243)")
                                          ),
                             hole
                                    = .6
                          )
          #Non churn customers
           trace2 = go.Pie(values = cust_not_churn[column].value_counts().values.tolist
                             labels = cust_not_churn[column].value_counts().keys().tolist
                             hoverinfo = "label+percent+name",
                             marker = dict(line = dict(width = 2,
                                                       color = "rgb(243,243,243)")
                                          ),
                             domain = dict(x=[.52,1]),
                             hole
                                    = .6,
                                    = "Non Churn Customers"
                             name
                          )
           layout = go.Layout(dict(title = column + " distribution in customer attrition
                                   plot bgcolor = "rgb(243,243,243)",
                                   paper_bgcolor = "rgb(243,243,243)",
                                   annotations = [dict(text = "Churn Customers",
                                   font = dict(size = 13),
                                   showarrow = False,
                                   x = .05, y = .5),
                             dict(text = "Non Churn Customers",
                                   font = dict(size = 13),
                                   showarrow = False,
                                   x = .83, y = .5
                                                       )
                                                  ]
                                   )
          data = [trace1,trace2
          fig=go.Figure(data=data,
                layout = layout)
          py.iplot(fig)
       # To run plot pie functions for all categorical columns
       for i in cat_cols :
          plot_pie(i)
```

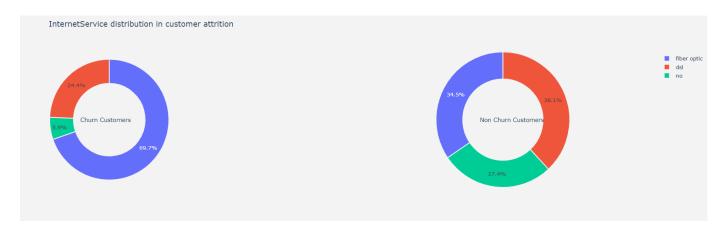






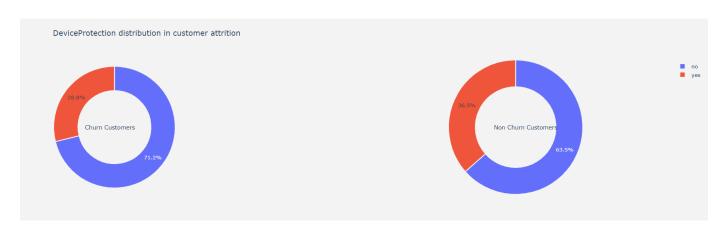




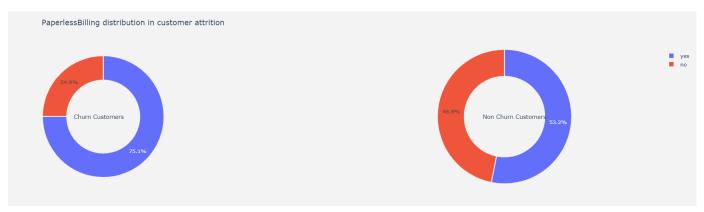






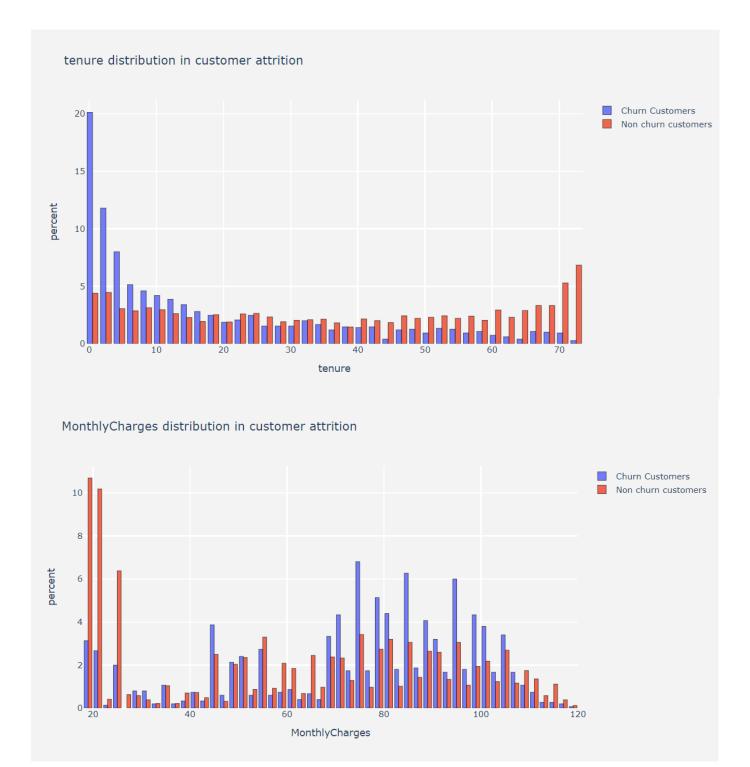


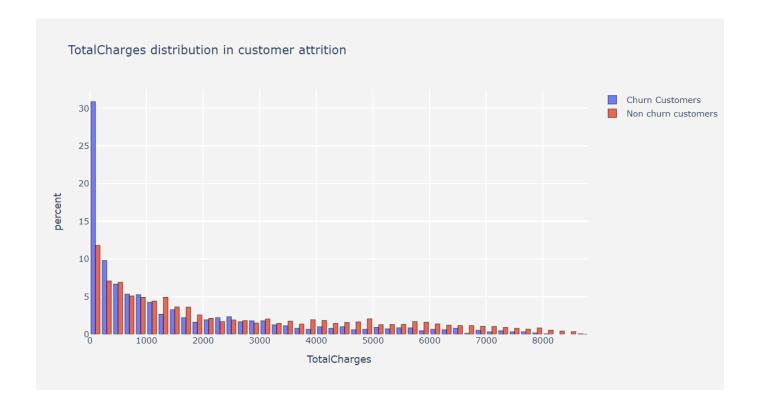






```
In [14]: # Function for histogram on data variables with customer churn
         def histogram(column) :
            trace1 = go.Histogram(x = cust_churn[column],
                                   histnorm= "percent",
                                   name = "Churn Customers",
                                   marker = dict(line = dict(width = .5,
                                                              color = "black"
                                                  ),
                                   opacity = .9
             trace2 = go.Histogram(x = cust_not_churn[column],
                                   histnorm = "percent",
                                   name = "Non churn customers",
                                   marker = dict(line = dict(width = .5,
                                                            color="black"
                                                             )
                                           ),
                                   opacity = .9
             data = [trace1,trace2]
             layout = go.Layout(dict(title =column + " distribution in customer attrition
                                     plot_bgcolor = "rgb(243,243,243)",
                                     paper_bgcolor = "rgb(243,243,243)",
                                     xaxis = dict(gridcolor = 'rgb(255, 255, 255)',
                                                        title = column,
                                                        zerolinewidth=1,
                                                        ticklen=5,
                                                        gridwidth=2
                                                      ),
                                     yaxis = dict(gridcolor = 'rgb(255, 255, 255)',
                                                        title = "percent",
                                                        zerolinewidth=1,
                                                        ticklen=5,
                                                        gridwidth=2
                                                      ),
                                     )
             fig = go.Figure(data=data,layout=layout)
             py.iplot(fig)
         # To run histogram functions for all numerical columns
         for i in num_cols :
              histogram(i)
```





#### Gender

This chart below shows the gender distribution in the customer attrition. It is shown that the
percentage of female is more than male for churn customers but the percentage of male is
slightly more than female for non churn customers.

#### **Senior Citizen**

 This chart is used to see the distribution of senior citizens in churn customer and non churn customer. Based on both pie charts, we can see that there is not much difference in the distribution of senior citizens between churn customers and non-churn customers. The percentage of senior citizens is less in both pie charts.

#### **Partner**

The pie chart below shows the partner distribution in customer attrition. From here, we can see
that the percentage of churn customers with no partner is more whereas the percentage of
non churn customers with no partner is slightly lesser.

#### **Dependents**

• This pie chart shows the dependents distribution in customer attrition. The percentage of dependents in both churn and non churn customers is more compared to no dependents. Thus, the relationship between the attributes and customer churn rate is not strong.

#### Tenure

• By looking at the histogram below, we can see that a lot of churn customers have been with the telecom company for only less than a month. This could be potentially because different customers have different contracts. Thus by looking at the contract they are into, it could be easier for the customers to decide whether to stay or leave the company. The longer they are attached to the company, the lower the risk of customer churn to take place.

#### **Phone Service**

 Below shows the phone service distribution in customer attrition. Most of the customers in telecom have phone service. However, it seems no difference for the customer churn and customer non-churn. Thus, it can be concluded that there are no large impacts for phone service on customer churn.

#### **Multiple Lines**

• Among those customers with phone service, 44.7% of churn customers and 40.7% of non churn customers have multiple lines.

#### **Internet Service**

• The most popular internet service provider used by churn customers is fibre optic (69.7%) and then followed by dsl (24.4%) whereas 5.9% does not have internet service. This is interesting because even though fibre optic internet services are faster, customer churn are also most likely to happen because of it.

#### **Online Security**

 Most of the customers do not have online security. Thus, it does not strongly affect the customer churn.

#### **Online Backup**

• The ratio of customers with online backup is almost similar between churn customers and non churn customers. For both categories, the percentage of customers without online backup are higher compared to customers with online backup.

#### Online Backup

• The ratio of customers with online backup is almost similar between churn customers and non churn customers. For both categories, the percentage of customers without online backup are higher compared to customers with online backup.

#### **Tech Support**

• In both charts, customers without technical support are more than customers with technical support. Thus, it is less likely for this data to affect the customer churn.

#### Streaming TV

• Similarly, customers with or without a streaming tv is less likely to affect the customer churn. This is because the ratio of customers with streaming is more or less the same between churn and non churn customers.

#### Streaming movies

• 43.6% of churn customers stream movies while 56.4% of churn customers do not stream movies. Thus, there is no strong relationship between streaming movies and customer churn.

#### Contract

• From the pie chart, we can see that most of the churn customers are having month to month contracts followed by one year contracts. Churn customers with two years contracts are the least among all. Thus, we can conclude that when the contract period is short, the chances of customer churn to occur will be higher.

#### **Paperless Billing**

• The use of paperless billing in churn customers is slightly higher compared to non churn customers.

#### **Payment Method**

 Based on the payment method distribution, electronic check payment occupied 56.7% of the churn customer. Thus, it can be said that electronic check payment will have a huge impact in customer attrition.

#### **Monthly Charges**

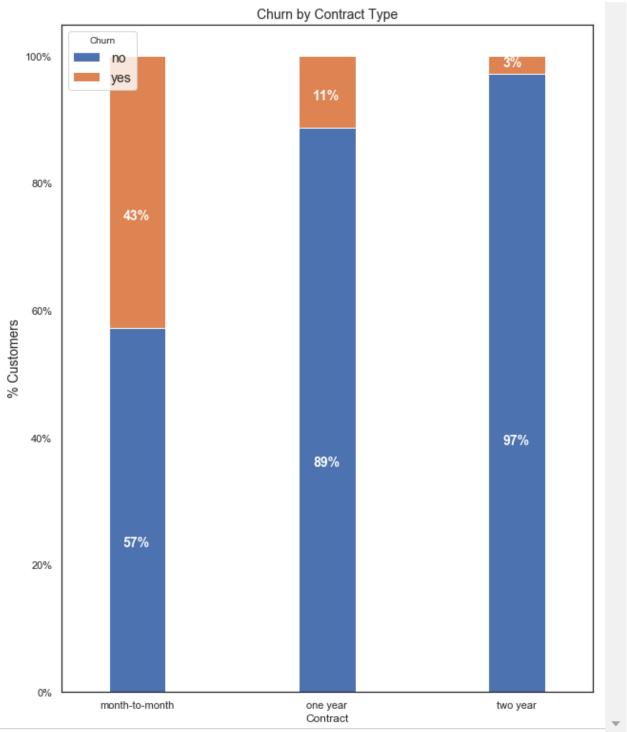
• From the histogram, the monthly charges for most of the non churn customers in Telecom is around 20, which is the lowest charge. This could potentially mean that the lower the charges is, the easier it is to retain the customers.

#### **Total Charges**

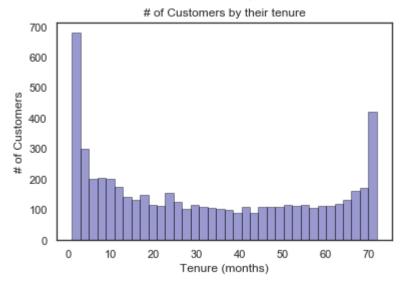
 Based on the histogram below, it can be seen that the churn is higher when the total charges are lower.

```
# Additional EDA for contract type with churn rate
In [15]:
           contract_churn = train_data.groupby(['Contract','Churn']).size().unstack()
           ax = (contract_churn.T*100.0 / contract_churn.T.sum()).T.plot(kind='bar',
                                                                             width = 0.3,
                                                                             stacked = True,
                                                                             rot = 0,
                                                                             figsize = (10,13)
           ax.yaxis.set major formatter(mtick.PercentFormatter())
           ax.legend(loc='best',prop={'size':14},title = 'Churn')
           ax.set_ylabel('% Customers',size = 14)
           ax.set title('Churn by Contract Type',size = 14)
           # Code to add the data labels on the stacked bar chart
           for p in ax.patches:
               width, height = p.get_width(), p.get_height()
               x, y = p.get_xy()
               ax.annotate(\{\cdot, 0\}%'.format(height), (p.get x()+.25*width, p.get y()+.4*height)
                            color = 'white',
                           weight = 'bold',
                           size = 14)
```

**→** 

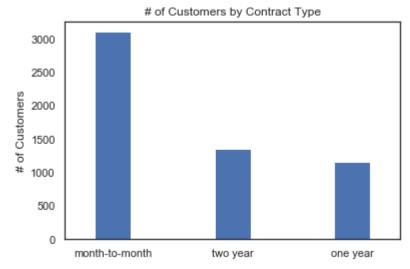


Out[16]: Text(0.5, 1.0, '# of Customers by their tenure')



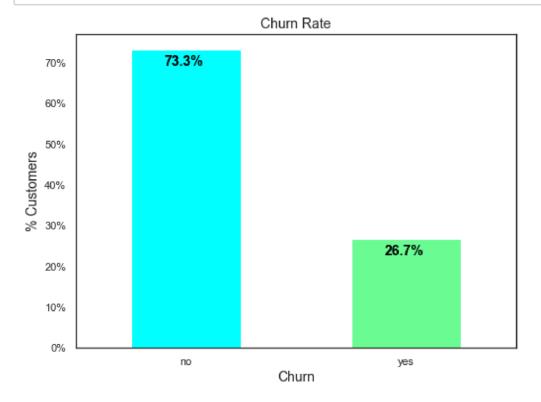
```
In[17]: # Cutomers by contract type
ax = train_data['Contract'].value_counts().plot(kind = 'bar',rot = 0, width = 0.3
ax.set_ylabel('# of Customers')
ax.set_title('# of Customers by Contract Type')
```

Out[17]: Text(0.5, 1.0, '# of Customers by Contract Type')



# Balance the number of churners and nonchurners

```
# Showing original ratio for both churn and non-churn customer
colors = ['#00FFFF','#6AFB92']
ax = (train_data['Churn'].value_counts()*100.0 /len(train_data)).plot(kind='bar'
                                                          rot = 0, color = colors
                                                         figsize = (8,6))
ax.yaxis.set_major_formatter(mtick.PercentFormatter())
ax.set_ylabel('% Customers',size = 14)
ax.set_xlabel('Churn',size = 14)
ax.set_title('Churn Rate', size = 14)
# Create a list to collect the plt.patches data
totals = []
# Find the values and append to list
for i in ax.patches:
    totals.append(i.get width())
# Set individual bar lables using above list
total = sum(totals)
for i in ax.patches:
    # get_width pulls left or right; get_y pushes up or down
    ax.text(i.get_x()+.15, i.get_height()-4.0, \
           str(round((i.get_height()/total), 1))+'%',
           fontsize=12,
           color='black'
           weight = 'bold',
           size = 14)
```



```
In [19]: # Balance the number of the churners and non-churners
         churners_number = len(train_data[train_data['Churn'] == 'yes'])
         print("Number of churners: ", churners_number)
         churners = (train_data[train_data['Churn'] == 'yes'])
         non_churners = train_data[train_data['Churn'] == 'no'].sample(n=churners_number)
         print("Number of non-churners: ", len(non_churners))
         balance_train_data = churners.append(non_churners)
         Number of churners: 1500
         Number of non-churners: 1500
In [20]: # Split X_train set, X_test set and y_train set,y_test set
         X_train = balance_train_data.drop('Churn',axis=1)
         X_test = test_data.drop('Churn',axis=1)
         y_train = balance_train_data['Churn']
         y test = test data['Churn']
         X_test.head()
Out[20]:
```

	gender	SeniorCitizen	Partner	Dependents	tenure	PhoneService	MultipleLines	InternetServ
5561	male	no	no	no	1	yes	no	
5814	male	no	no	no	16	yes	no	
2645	female	no	no	no	1	yes	no	
3983	male	no	no	no	1	no	no	
6438	male	yes	no	no	1	yes	yes	fiber o
4								<b>&gt;</b>

## **Data Preparation**

After doing the EDA, we think that tenure, contract, InternetService, PaymentMethod and MonthlyCharges from our datasets are important in predicting the churn rate. This is because these five features are having a stronger association with the churn rate. Hence, we plan to

construct one modelling with all features in our dataset excluding the customer ID and another one with only the five key features to determine which of them is more suitable to predict our customer churn.

## **Data Preprocessing**

```
In [21]: # Categorical columns
         encode cat cols
                           = X_train.nunique()[X_train.nunique() < 6].keys().tolist()</pre>
         # Label encoding categorical columns
         le = LabelEncoder()
         for i in encode_cat_cols :
             X_train[i] = le.fit_transform(X_train[i])
             X_test[i] = le.transform(X_test[i])
         # standard scaling the numerical columns
         scaler = StandardScaler()
         col_names_1 = ['MonthlyCharges']
         features_train_1 = X_train[col_names_1]
         features_test_1 = X_test[col_names_1]
         X_train['MonthlyCharges'] = scaler.fit_transform(features_train_1)
         X_test['MonthlyCharges'] = scaler.transform(features_test_1)
         col names 2 = ['tenure']
         features_train_2 = X_train[col_names_2]
         features_test_2 = X_test[col_names_2]
         X_train['tenure'] = scaler.fit_transform(features_train_2)
         X_test['tenure'] = scaler.transform(features_test_2)
         col_names_3 = ['TotalCharges']
         features_train_3 = X_train[col_names_3]
         features_test_3 = X_test[col_names_3]
         X_train['TotalCharges'] = scaler.fit_transform(features_train_3)
         X_test['TotalCharges'] = scaler.transform(features_test_3)
         # Label Encoding y_train and y_test
         y_train = le.fit_transform(y_train)
         y_test = le.transform(y_test)
         X_train
```

#### Out[21]:

	gender	SeniorCitizen	Partner	Dependents	tenure	PhoneService	MultipleLines	InternetS
6498	0	0	0	0	-1.104475	1	0	
4062	0	0	0	0	-1.104475	1	0	
5901	1	0	1	1	0.898250	1	1	
381	1	0	0	0	-1.104475	1	0	
5779	0	0	0	0	0.481016	1	0	
1537	0	0	1	1	1.857890	1	1	
3069	0	0	0	0	-0.728964	1	0	

200	0	0	1	0	-0.019666	1	0			
3021	1	0	0	0	-0.937582	1	0			
	gender	SeniorCitizen	Partner	Dependents	tenure	PhoneService	MultipleLines	InternetS		
2555	0	0	0	0	-0.812411	1	0			
3000 rows x 19 columns										
4								•		

## **Modelling**

## **Using All features**

#### **KNN**

## **Logistic Regression**

```
In [23]: # Logistic Regression
lr = LogisticRegression()
lr.fit(X_train, y_train)

y_predict = lr.predict(X_test)
print(accuracy_score(y_predict, y_test))

confusion_matrix(y_test, y_predict)

0.736318407960199
```

## **Support Vector Machine (SVM)**

#### **Random Forest Classifier**

```
In [25]: # Random Forest Classifier
    rf = RandomForestClassifier()
    rf.fit(X_train, y_train)
    y_predict = rf.predict(X_test)

print (accuracy_score(y_test, y_predict))
```

0.7427149964463398

## **Gaussian Naive Bayes**

```
In [26]: # Gaussian Naive Bayes
gnb = GaussianNB()
gnb.fit(X_train, y_train)
y_predict = gnb.predict(X_test)

# Evaluation
print(accuracy_score(y_test, y_predict))
```

0.7164179104477612

## Modelling

## **Using Five Features**

## **KNN**

## **Determine best parameters for KNN**

```
In [29]: k_range = list(range(1,31))
    weight_options = ["uniform", "distance"]

    param_grid = dict(n_neighbors = k_range, weights = weight_options)
#print (param_grid)

grid_search = GridSearchCV(knn, param_grid, cv = 10, scoring = 'accuracy')
grid_search.fit(X_train_used,y_train)
best_params = grid_search.best_params_
    print(best_params)

{'n_neighbors': 25, 'weights': 'uniform'}
```

## **Tuning parameters for KNN**

## **Logistic Regression**

# Determine best parameters for Logistic Regression

## **Tuning parameters for Logistic Regression**

[ 85, 284]], dtype=int64)

## **Support Vector Machine (SVM)**

## **Determine best parameters for SVM**

## **Tuning parameters for SVM**

[ 78, 291]], dtype=int64)

#### **Random Forest Classifier**

```
In [37]: # Before tuning parameters
    rf = RandomForestClassifier()
    rf.fit(X_train_used, y_train)
    y_predict = rf.predict(X_test_used)
    print (accuracy_score(y_test, y_predict))
```

0.7327647476901208

# **Determine best parameters for Random Forest**

Fitting 3 folds for each of 864 candidates, totalling 2592 fits

```
[Parallel(n jobs=-1)]: Using backend LokyBackend with 4 concurrent workers.
[Parallel(n_jobs=-1)]: Done 33 tasks
                                           | elapsed:
                                                         7.5s
[Parallel(n_jobs=-1)]: Done 154 tasks
                                           | elapsed:
                                                        36.6s
[Parallel(n_jobs=-1)]: Done 357 tasks
                                           elapsed: 1.5min
[Parallel(n jobs=-1)]: Done 640 tasks
                                           | elapsed: 2.7min
[Parallel(n jobs=-1)]: Done 1005 tasks
                                            | elapsed: 4.2min
[Parallel(n jobs=-1)]: Done 1450 tasks
                                            | elapsed: 6.1min
[Parallel(n_jobs=-1)]: Done 1977 tasks
                                            | elapsed: 8.4min
[Parallel(n jobs=-1)]: Done 2584 tasks
                                            | elapsed: 10.9min
[Parallel(n_jobs=-1)]: Done 2592 out of 2592 | elapsed: 11.0min finished
{'max_depth': 100, 'max_features': 'log2', 'max_leaf_nodes': 20, 'min_samples_l
eaf': 5, 'min_samples_split': 12, 'n_estimators': 100}
```

**Tuning parameters for Random Forest** 

0.7533759772565742
0.7533759772565742

## **Gaussian Naive Bayes**

```
In [40]: # Gaussian Naive Bayes
gnb = GaussianNB()
gnb.fit(X_train_used, y_train)
y_predict = gnb.predict(X_test_used)

# Evaluation
print(accuracy_score(y_test, y_predict))
```

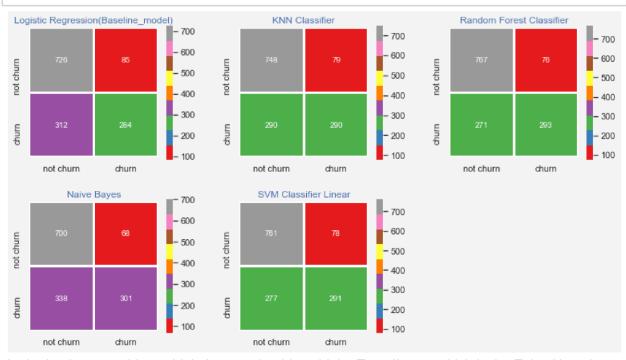
0.7114427860696517

After the modelling processes, we found out that the accuracy score of the model that uses only five key features is slightly lower than using all features. Since we can obtain an almost similar result from both of the modelling, we decided to use only the five features to predict our customer churn as more features will cause a longer training time.

#### **Evaluation**

#### **Confusion Matrix**

```
In [41]: | def telecom_churn_prediction_alg(X_train_used,X_test_used,y_train,y_test):
          model.fit(X_train_used,y_train)
           predictions = model.predict(X_test_used)
                        = accuracy_score(y_test,predictions)
         #confusion matrix
         #conf_matrix = confusion_matrix(y_test,predictions)
         lst = [lr,knn,rf,gnb,svc]
         length = len(lst)
                = ['Logistic Regression(Baseline_model)', 'KNN Classifier',
         mods
                   'Random Forest Classifier', "Naive Bayes", 'SVM Classifier Linear']
         fig = plt.figure(figsize=(13,15))
         fig.set_facecolor("#F3F3F3")
         for i,j,k in itertools.zip_longest(lst,range(length),mods) :
            plt.subplot(4,3,j+1)
            predictions = i.predict(X_test_used)
             conf_matrix = confusion_matrix(predictions,y_test)
             sns.heatmap(conf_matrix,annot=True,fmt = "d",square = True,
                         xticklabels=["not churn","churn"],
                         yticklabels=["not churn","churn"],
                         linewidths = 2,linecolor = "w",cmap = "Set1")
             plt.title(k,color = "b")
             plt.subplots_adjust(wspace = .3,hspace = .3)
```



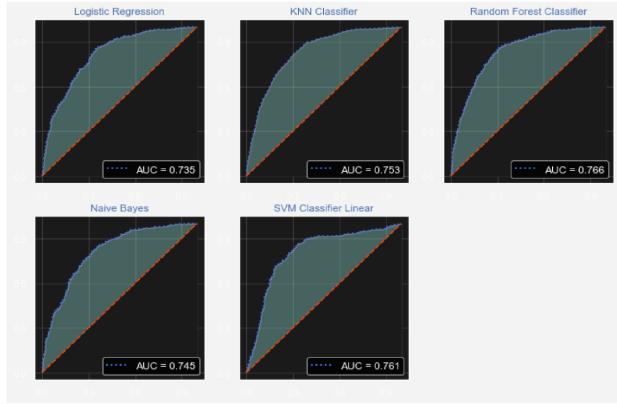
In the business world, we think that we should avoid the Type II error which is the False Negative

(FP). In our case, false negative means that we predicted not churn, but it actually is a churn. We should avoid this kind of error. This is because if we assume a particular customer will not churn, then we will not take any action to retain that customer. However, they eventually change their service provider, this will lead to a higher churn rate as proper action is not taken on time.

The result above shows the confusion matrix of the five modelling algorithms. Based on the confusion matrix, we can see that the Random Forest algorithm has the lowest FN and Naive Bayes has the highest FN.

## **Receiver Operating Characteristic (ROC)**

```
In [42]: lst = [lr,knn,rf,gnb,svc]
        length = len(lst)
               = ['Logistic Regression', 'KNN Classifier',
        mods
                   'Random Forest Classifier',"Naive Bayes",'SVM Classifier Linear']
        plt.style.use("dark_background")
        fig = plt.figure(figsize=(12,16))
        fig.set_facecolor("#F3F3F3")
        for i,j,k in itertools.zip_longest(lst,range(length),mods) :
            qx = plt.subplot(4,3,j+1)
            predictions
                          = i.predict(X_test_used)
            probabilities = i.predict_proba(X_test_used)
            fpr,tpr,thresholds = roc_curve(y_test,probabilities[:,1])
            plt.plot(fpr,tpr,linestyle = "dotted",
                      color = "royalblue",linewidth = 2,
                      label = "AUC = " + str(np.around(roc_auc_score(y_test,predictions),
            plt.plot([0,1],[0,1],linestyle = "dashed",
                      color = "orangered",linewidth = 1.5)
            plt.fill_between(fpr,tpr,alpha = .4)
            plt.fill_between([0,1],[0,1],color = "k")
            plt.legend(loc = "lower right",
                        prop = {"size" : 12})
            qx.set_facecolor("k")
            plt.grid(True,alpha = .15)
            plt.title(k,color = "b")
            plt.xticks(np.arange(0,1,.3))
            plt.yticks(np.arange(0,1,.3))
```



When AUC is between 0.5 and 1, there is a higher possibility that the model will be able to differentiate the churn and not churn customers. This is because the model can detect a higher number of true positive and true negative rather than false negative and false positive. By referring to the five ROC curves above, we can clearly see that the AUC of the five models have reached a value between 0.5 and 1. However, Random Forest model has the highest Area Under Curve (AUC).

## **Modal Comparison**

```
In [43]: #gives model report in dataframe
        def model report(model,x train used,X test used,y train,y test,name):
           model.fit(x_train_used,y_train)
           predictions = model.predict(X_test_used)
                        = accuracy_score(y_test,predictions)
           accuracy
           recallscore = recall_score(y_test,predictions)
           precision = precision_score(y_test,predictions)
           roc auc
                        = roc_auc_score(y_test,predictions)
           f1score
                        = f1_score(y_test,predictions)
            df = pd.DataFrame({"Model"
                                                 : [name],
                                "Accuracy_score" : [accuracy],
                               "Recall_score" : [recallscore],
                               "Precision"
                                                 : [precision],
                               "f1 score" : [f1score],
                               "Area_under_curve": [roc_auc],
                              })
            return df
        #outputs for every model
        model1 = model report(lr,X train used,X test used,y train,y test, "Logistic Regre
        model2 = model_report(knn,X_train_used,X_test_used,y_train,y_test,"KNN Classifier
        rfc = RandomForestClassifier(n_estimators = 1000,
                                      random_state = 123,
                                      max_depth = 9,
                                      criterion = "gini")
        model3 = model_report(rf,X_train_used,X_test_used,y_train,y_test,"Random Forest ¢
        model4 = model_report(gnb,X_train_used,X_test_used,y_train,y_test,"Naive Bayes")
        model5 = model report(svc,X train used,X test used,y train,y test,"SVM Classifier
        #concat all models
        model performances = pd.concat([model1,model2,model3,
                                        model4,model5],axis = 0).reset index()
        model_performances = model_performances.drop(columns = "index",axis =1)
        table = ff.create table(np.round(model performances,4))
        py.iplot(table)
```

Model	Accuracy_score	Recall_score	Precision	f1_score	Area_under_curve
Logistic Regression	0.7178	0.7696	0.4765	0.5886	0.7345
KNN Classifier	0.7377	0.7859	0.5	0.6112	0.7533
Random Forest Classifier	0.752	0.8022	0.5175	0.6291	0.7681
Naive Bayes	0.7114	0.8157	0.471	0.5972	0.745
SVM Classifier	0.7477	0.7886	0.5123	0.6211	0.7609

The table above shows the accuracy score, recall score, precision, F1 score and Area under the curve of all the five modelling techniques. From the table, we can conclude that Random Forest model has the highest accuracy score.

## **Deployment**

Among the five modelling techniques that we have constructed, we decided to choose the Random Forest because it has the highest values for the accuracy\_score, precision, f1\_score and area\_under\_curve.

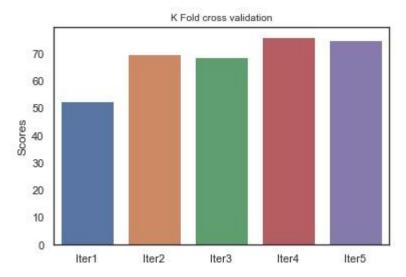
Choosing an appropriate modelling is very important to predict customer churn rate. This will help us to know more about whether the customer will be churn or not in the future by fitting them into our modelling. By knowing which of the customer will be churn after predicting using a suitable modelling technique, telecom companies are able to take immediate actions such as customizing them different promotional activities to gain back their retention and prevent them from churning.

#### K fold cross validation

```
In [44]: X = X_train_used.append(X_test_used)
         y = np.concatenate((y_train,y_test))
         # KFold Cross Validation approach
         kf = KFold(n_splits=5,shuffle=False)
         kf.split(X)
         # Initialize the accuracy of the models to blank list. The accuracy of each model
         accuracy_model = []
         # Iterate over each train-test split
         for train_index, test_index in kf.split(X):
             # Split train-test
             X_train_used, X_test_used = X.iloc[train_index], X.iloc[test_index]
             y_train, y_test = y[train_index], y[test_index]
             # Train the model
             model = rf.fit(X_train_used, y_train)
             # Append to accuracy model the accuracy of the model
             accuracy_model.append(accuracy_score(y_test, model.predict(X_test_used), norm
         # Print the accuracy
          print(accuracy_model)
```

[52.721088435374156, 69.84126984126983, 68.89897843359817, 76.04994324631102, 7 5.14188422247446]

# In[45]: # Visualize accuracy for each iteration scores = pd.DataFrame(accuracy\_model,columns=['Scores']) sns.set(style="white", rc={"lines.linewidth": 3}) sns.barplot(x=['Iter1','Iter2','Iter3','Iter4','Iter5'],y="Scores",data=scores) plt.title('K Fold cross validation', fontsize=10) plt.show() sns.set()



We use the K-fold cross validation to check whether the selected model has the overfit problem or not. We need to make sure that the model will provide us a consistent result when predicting different sets of data. When the model provides us an accurate result during our modelling process but provides a bad result when using another set of data to do the modelling, this means that this model is imperfect because overfitting may occur as the model only fits a certain dataset.

From the bar chart above, we can clearly see that the accuracy score of the five iterations are in the acceptable range. So, we can conclude that Random Forest model do not have overfit problem.

#### Conclusion

We have selected the Random Forest Classifier model to predict our customer churn rate. Random Forests is a powerful algorithm in Machine Learning. Primarily, Random Forest will take the input data from the initial dataset and some features variables will be randomly chosen to grow the tree. So, in our model, there are 5 key variables that have a strong correlation with churn rate that are used to grow the tree. Every tree in the forest should not be cut off unless it reaches the end of the tree and predicts its churn and not churn. In this way, Random Forest can create strong classifiers to our churn rate and make predictions accurately. It can be used to solve classification and regression problems. Basically, our assignment is counted as a classification problem as the model needs to classify the churn rate to "Yes" or "No". Most of our columns are categorical variables and only two columns which are "Monthly Charges" and "Total Charges".

And, we can see that Random Forest works well with both categorical and continuous variables which can be found in our datasets, and hence we have selected Random Forest as our model.

The Random Forest modelling technique has the ability to handle big data with numerous variables that might go up to thousands which is greatly needed for our data. It can automatically balance the data sets when a class is more infrequent than other classes in the data. The method also handles variables fast, making it suitable for complicated tasks. Apart from that, the Random Forest is also considered one of the most stable algorithms among all models because it will not seriously affect the overall algorithm even if a new data point is introduced in the dataset. The newly introduced data will mostly only impact one tree as it is very hard for it to impact all the trees. On the other hand, there were some limitations when using the Random Forest model. One of the limitations is time consuming. When determining the best parameters for the Random Forest using GridSearchCV, it took quite a long time for the tuning to complete, an approximately 15-30 minutes is required in our case. This is because Random Forest consists of many parameters that we can tune, hence there will be a large number of different parameter lists which are required to be tried out by the GridSearchCV.

Another limitation is that our accuracy for the Random Forest is only around 0.7 and each time when we run the model, there will be a slight difference in the result. So we were unable to make sure that our churn prediction for every customer is 100% accurate. This means that sometimes it may predict the wrong customer churn. In conclusion, Random Forest is a fast, simple and a flexible model to use but not without some limitations.

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