Development of a Classification model with Machine Learning to predict the conversion of leads for on-line training courses.

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Abstract

The dataset analyzed contains information about the leads obtained by an educational institution in India, which offers online training courses. A lead consists of many different pieces of information about a potential customer. The problem is to identify which leads get converted into actual customers.

I have first performed an exploratory analysis and cleaned the data, with particular attention to handling null values; next I have determined, through a study of the most relevant values and variables, the trends and behavior patterns with a high potential for lead conversion. Finally, I have created and adjusted a classification model to predict lead conversion, selecting among several options Random Forest Classifier, which achieves an accuracy of 0.9431.

I.- INTRODUCTION

"Lead" is a concept applied in marketing & sales. In simple terms, a lead is a potential customer, an individual or organization with an interest in what you are selling (either a product or a service). Depending on the organization, the definition of the term "lead" may vary. For some companies, a "lead" is a contact already determined to be a prospective customer, whereas other companies consider a "lead" to be any sales contact. But what remains the same across definitions is that a lead will potentially become a future client. Sales and marketing teams therefore have a responsibility to convert a maximum amount of leads to maintain a good conversion rate.

The leads in e-commerce are generated when a potential customer fills up a form on the website, calls landline requesting info, initiates a chat on the website, or interacts with the company on social media. Typically that information is captured with a CRM software. CRM stands for customer relationship management. As the name suggests, CRM software is a system for managing your relationships with customers. It is used to keep track of interactions, data, and notes about customers or potential. The data is stored in a database and is accessible to multiple people within an organization.

Marketing and commercial departments typically create a lead scoring system to help them determine the quality of a lead. Knowing the quality of a lead can help a marketing team to know how likely a lead is going to convert into a sale and it can help the marketer to offer the right kind of communication to convert someone visiting the website into a paying customer.

While much is written about the adoption, usage, and failures of Customer Relationship Management (CRM), little empirical research exists to fully examine the levers to improve the conversion performance of leads in a sales funnel**[1]**. The data collected in our case study includes leads with a lot of unstructured information about those interested in online courses for an educational institution in India. In order to get the highest number of conversions, I will analyze the trends and behavior patterns that favor conversion, segment the potential customers based on the probability of conversion and build an accurate prediction model**[2]**, which

becomes a powerful tool to help the commercial and marketing teams to focus their efforts and maximize the sales.

II.- STATE OF ART

The metric that drives the exercise is the accuracy: by that I mean the capacity to use the existing data to make a correct prediction about the conversion or not of the lead, regardless of the final result.

There are at least 3 authors[2] who have analyzed the same dataset and have developed a predictive model. To summarize their process and results, they all have selected Standard Scaler to scale the variables and the Logistic Regression as a model, reaching a wide range of accuracies (0.80, 0.82 and 0.92) which is related with the very different approaches to the data cleaning and the management of the nulls.

The authors decided as a strategy to eliminate rows with null values. This reduced substantially the size of the remaining dataset to apply the model.

The Dataset is available in kaggle:

https://www.kaggle.com/code/turanmehdiyeva/lead-prediction/data

It contains 9240 instances with 35 variables and one output target (0/1). There are 6 continuous numerical variables and 31 categorical variables (either nominal, ordinal or boolean). Qualitatively, the variables can be split into two groups:

- data about the potential customer that generated the lead, such as country, city, occupation, score given by the commercial team…
- data about the interaction with the potential customer: total on-line visits, total time spent on website…

It's a balanced dataset, the target has 38,5% of positives and 61,5% of negatives.

III.- METHODOLOGY

A. Data preparation

There are no duplicate records in the data set.

Many variables, mostly of the categorical type, contain null values in percentages that can reach 30% of the total records. My general strategy has been to replace nulls with the category "unknown". My logic has been to make the most of the information contained in the variable, even if it was not complete, since deleting rows with nulls would have reduced the size of the dataset significantly. On the other hand, I have eliminated non-relevant categorical variables (because they have only one category). To finish, I have graphically represented the distribution of the categorical variables.

Regarding the numerical variables, I have obtained their statistics and have represented them graphically to analyze symmetry, skew and outliers in terms of quantity and distance from the mode. I have also studied the correlation between the numerical variables and the target variable.

B. Trends and patterns

To identify patterns that favor conversion in the leads I scan the different categories for each variable, selecting those that fulfill two conditions: to have a significant number of leads (greater than 500 leads out of 9.074) and to have a significant degree of converted leads (more that 50% when the average is 39%).

To identify patterns that favor conversion in the leads for the numeric variables, I select with the heatmap those more correlated with the target variable and I represent them graphically in an histogram to identify the ranges where the lead conversion is higher than 50%.

C. Building a prediction model

It must be considered that, in a natural flow of work, the commercial teams will be interested -in the first instance- in generating the maximum number of leads possible, prioritizing quantity over quality. Therefore, what interests us is to help them in a second instance to predict correctly which are good leads (they probably will be converted) and bad leads (they probably won't be converted). Therefore, the main metric to evaluate the model is Accuracy: percentage of correct predictions over the total sample.

Additionally, I also present complementary metrics of the model: Precision (correct positive predictions / total positive predictions); Recall (correct positive predictions / total true positives); F1 (a mix of both

precision and recall, 2*[recall * precision] / [recall + precision] and ROC/AUC curve that shows the trade-off between sensitivity/ recall (or TPR) and False Positive Rate (1 - Specificity).

I have tested up to 7 different models of supervised classification learning, with the standard parameters. I preselect the two that get better accuracy. The best two models regarding accuracy turn out to be Random Forest**[4]** and GradientBoostingClassifier**[5]**.

Then I have applied cross-validation**[6]** in both models on the total dataset to ensure that no overfitting occurs. I have tuned the hyperparameters**[7]** to try to maximize accuracy and then I made the final selection of the model, presenting the confusion matrix**[8]**.

V.- RESULTS

A. Trends and patterns

There are 6 key indicators (shown below) of a high probability that the lead will be converted:

In the data about the potential customer:

1. When the potential customer is a working professional (Fig 1).

In the data about the interaction with the potential customer:

2. - When the lead has been originated by a form filled on-line (Fig 1).
3. - When the last activity carried out by the potential customer has been to send an SMS to X Education (Fig 1).
4. - When the lead has been tagged by the commercial team with: “Will revert after reading the email”(Fig 1).
5. - When the lead is qualified by the commercial team as: “High in relevance” or “Low in relevance” or “Might be”(Fig 1).
6. - When the total time spent by the customer on the website exceeds 800 min (Fig 2).

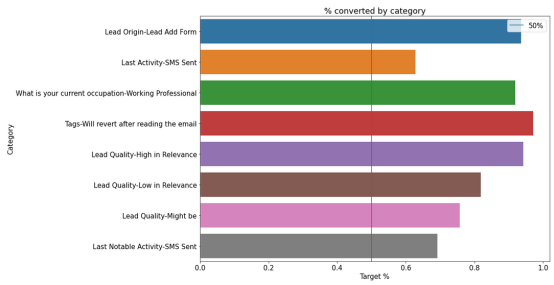

Fig.1. Categories with high conversion rate (>50%)

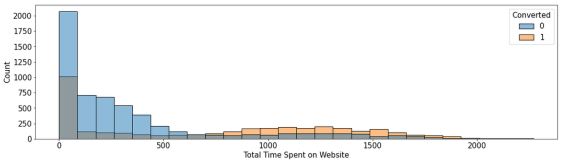

Fig.2. Conversion of leads > 50% when total time spent > 800 min

B. Prediction model

I obtained the following metrics with the algorithm to obtain an initial test of models**[9]**:

	Accuracy	Precision	Recall	F1	Roc_Auc
Logistic Regression	0.938	0.910	0.929	0.919	0.936
Random Forest	0.940	0.910	0.935	0.922	0.939
Decision Tree	0.924	0.903	0.903	0.903	0.920
K-Nearest Neighbor	0.903	0.846	0.899	0.872	0.902
AdaBoostClassifier	0.936	0.895	0.938	0.916	0.936
GradientBoostingClassifier	0.940	0.910	0.935	0.922	0.939
Balanced Bagging Classifier	0.940	0.925	0.922	0.923	0.937

Table I. Testing models metrics

The 2 models that obtain the best metrics are Random Forest and Gradient Boosting Classifier. The adjustment of the hyperparameters to optimize the accuracy results in a small improvement:

	Accuracy	Precision	Recall	F1	Roc_Auc
Random Forest	0.9401	0.9095	0.9351	0.9221	0.9392
GradientBoostingClassifier	0.9401	0.9095	0.9351	0.9221	0.9392
Random Forest Optimized	0.9431	0.9057	0.9459	0.9254	0.9436
GradientBoostingClassifier Optimized	0.9412	0.9105	0.9370	0.9235	0.9404

Table II. Metrics after hyperparameter tuning

The result of both models is very similar, although Random Forest Classifier Optimized obtains the best accuracy of 0.9431. Thus, this is my final selection. The accuracy achieved is better than the ones of the other studies on the same dataset that I’ve reviewed.

I observe that for the precision metric the best result corresponds to the other model, Gradient Boosting Classifier Optimized. This is not a surprise, depending on the most relevant metric selected, different models can offer the best results.

I represent the results of the confusion matrix (predicted vs. actual) that I have obtained with Random Forest Classifier Optimized for the accuracy metric on the test subset (Fig.3):

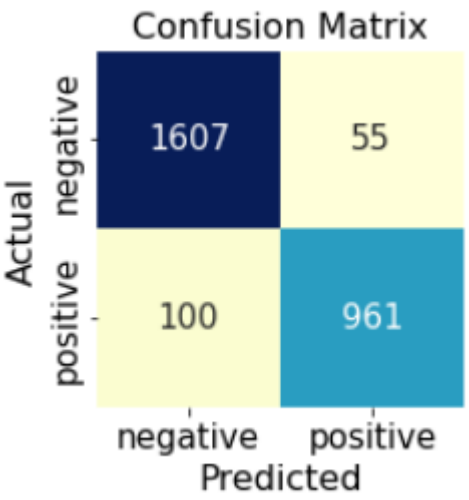

Fig.3. Confusion Matrix with selected model

VI-. CONCLUSIONS

Obtaining the maximum possible number of leads from potential clients of a company (and subsequently registering them in the CRM) is a powerful way to increase the sales or launch new products. But the large amount of accumulated information, if it is not worked properly, can generate a dispersion of resources and unfocus the organization. This contradiction is known as "The costly conflict"**[10]** and is humorously depicted in the following cartoon (Fig. 4).

Fig.4. The Costly Conflict

Conducting telephone marketing campaigns among a company's clients is an excellent way to increase sales or launch new products. But they have the disadvantage of being expensive, they can often be annoying for customers and we also have no predictions of their outcome.

In this project I have developed a model to solve this problem in the specific case that concerns us, marketing of online courses. In the first place, through an analysis of the data, I have segmented the potential customers based on the probability of their conversion into clients of the online courses, which allows establishing strong guidelines to focus the marketing action. Secondly, the model achieved a prediction of the result of the lead with an accuracy greater than 0.94. This allows, among other improvements, to optimize resources, select the target leads to maximize sales and finally, it is a powerful tool to establish robust sales predictions for online courses

VI.- REFERENCES

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