

# CUSTOMER CHURN

## What is customer churn?

Customer churn, also known as customer retention, customer turnover, or customer defection, is the loss of clients or customers.

Churn rates are calculated by dividing the number of customers who cancel their account in each month by the total number of customers at the beginning of that same month, then multiplying the result by 100.

## Example:

$3,000 / 10,000 * 100 = 30\%$  Churn Rate

Telephone service companies use customer attrition 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.

Companies usually make a distinction between voluntary churn and involuntary churn. Voluntary churn occurs due to a decision by the customer to switch to another company or service provider, involuntary churn occurs due to circumstances such as a customer's relocation to a long-term care facility, death, or the relocation to a distant location. In most applications, involuntary reasons for churn are excluded from the analytical models. Analysts tend to concentrate on voluntary churn, because it typically occurs due to factors of the company-customer relationship which companies' control, such as how billing interactions are handled or how after-sales help is provided.

predictive analytics use churn prediction models that predict customer churn by assessing their propensity of risk to churn. Since these models generate a small, prioritized list of potential defectors, they are effective at focusing customer retention marketing programs on the subset of the customer base who are most vulnerable to churn.

## impact of churn rate?

**Low churn:** If the customers having more subscribing within period of months it represented the low churn

**high churn:** If the customers having less subscribing within period of months it represented the high churn

### Importance of churn rate?

- Churn rates are important because losing customers means losing revenue
- it tells you how many customers you're losing monthly
- If your churn rate is too high, it's time to take a closer look at your business and see where you can improve.

### What are the Causes of Customer Churn?

High Price

Lack of new features

Poor customer service

Competitors' marketing efforts

### Ways to Reduce Customer Churn

- Improve your customer service resolve any issues such as calls and email queries as quickly as possible
- Updating product with new features
- Giving discount to the customer whose churn rate having high
- Giving offer to the customer whose churn rate having high

### Business Objective

- Maximize the Company's profit by retaining customer
- Minimize the Customer churn by identifying the key cause of the problem

### The main objective of the project is to:

- Finding factors and causes that influence customers to churn.
- Retain churn customers by taking appropriate steps
- Providing offers based on affecting factors.