

## Title: Causes for Rising Churn Rates of Banks

### Overarching Motivation:

Quoting article from Forbes regarding McKinsey's Global Banking Report (2019):

- Banks' churn rates in developed countries have increased: "In the US, the churn rate has risen from 4.2% in 2013 to 5.6% in 2017, and in France from 2.0% to 4.5% over the same period."
- "Millennials and much younger people tend to churn significantly more than people did in the past, which is a reason the challengers have done brilliantly well. Younger people tend to be multi-bank more and willing to churn".

A lot of retail banks which are equipped with IT Tools, have launched their business since an eye-opening advent of the FinTech industry. Accordingly, the number of suppliers (including FinTech companies) for retail banking services gets bigger. To cope with tougher competition than ever, legacy retail banks recently have been trying to keep their market share by preventing churn rates from increasing, which requires them to allocate more marketing budgets and as a result, harm their profitability. Thus, if banks can effectively find main causes of churning, it will be easier and more proficient for banks to keep their market share.

We can assume that there are many factors motivating customers to move from one bank to another. In this project, we are trying to pin-point the exact reasons for this problem given the available dataset.

### Tentative Approaches:

We have identified 20-potential variables which can be factors for churning ratio in legacy banks. Thus, our approach will be to shortlist and identify most significant reasons. For this purpose, we are planning to apply logistic regression or Support Vector Machine.

### Outcomes & Features:

We will come up with different logistic regression models from various potential variables which have effects on churn rates:

- Customers' Age, Level of Education, and Income<sup>1</sup>

### Tentative Data Source:

Taking into consideration potential variables, we have found a potential dataset from Kaggle:

<https://www.kaggle.com/sakshigoyal7/credit-card-customers>

---

<sup>1</sup> These factors can be controlled by Bank Policies and Modern Banking Tools.