

Required Activity 9.5

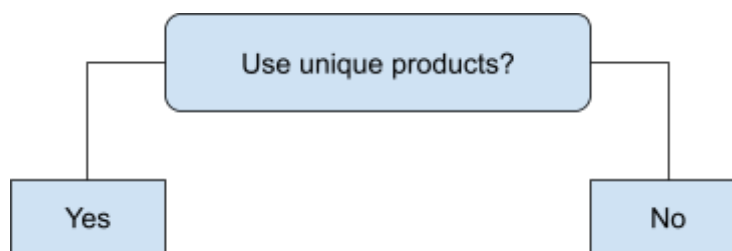
In my current role at a SaaS company that provides compliance software primarily to financial organisations, the issue of customer churn has been a concern. In this post, I will discuss how decision trees can be employed to predict and prevent churn in our organisation.

Identifying potential splits

1. Uniqueness of Service

The initial and crucial factor to consider is whether the customer is using any unique products or services provided by our company. Some of our offerings are exclusive due to partnerships with related industries. If a customer is required to have one of these products by regulation, they are significantly less likely to churn.

The first node of the decision tree is whether the customer is using unique products or not. If they are not, the likelihood of churn is low.



2. Contract Renewal Status

For customers not using unique products, we need to evaluate their contract renewal status. If their contract is not up for renewal in the next six months, they are more likely to continue their subscription.

If the contract is up for renewal, we proceed to the next level of the decision tree.

3. Customer Tenure

Analysing the customer's tenure with our company is essential. For long-standing customers who have been with us for three or more years, churn is significantly lower. They are likely to continue their subscription.

For customers with less than three years of tenure, we further assess three factors:

4. Service Uptime

We analyse the service uptime for customers with less than three years of tenure. If service uptime has been consistently above 98%, the likelihood of renewal is high.

If service uptime has been consistently below 98%, we consider:

5. Contract Provider

For customers experiencing subpar service uptime, we examine whether they are a direct client or if they have signed a contract through a reseller. If they are a direct customer, they are likely to leave on renewal.

For customers who have come through a reseller, we must ask one final question.

6. Other Services

Looking at whether a customer has other services with the reseller through which they signed is a good indicator of their likelihood to churn. If they have other services, they are more likely to stay and renew.

If they have no other services with their reseller, they are likely to churn.

Final words

The decision tree created for our organisation is designed to predict and prevent churn by considering various factors. It takes into account the uniqueness of the services used, contract renewal status, customer tenure, service uptime, contract provider and the presence of other contracts with resellers. By applying this decision tree to our customer data, we can proactively identify at-risk customers and implement targeted strategies, such as offering incentives or improving service quality, to prevent churn.

Result

