CUSTOMER CHURN

PREDICTIVE CLASSIFICATION MODEL

PREPARED FOR TELCO CO.
APRIL 21, 2021

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TODAY'S MODEL REVIEW

- Business Objective
- Churn Model Solution
- Model Feature Importance
- Future Customer Data
- Next Steps

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PREVENTING CUSTOMER CHURN
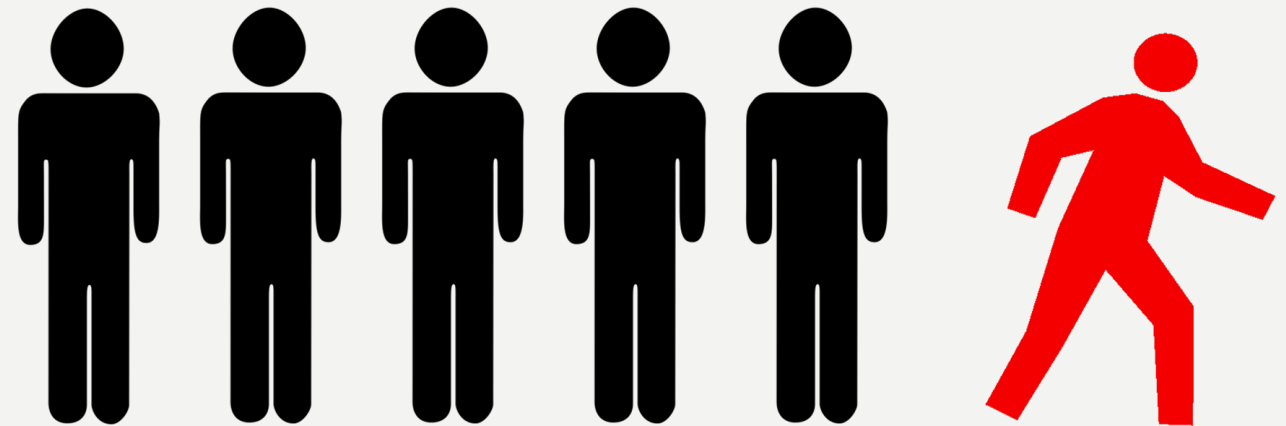
Business Objective: Telco Co. wants to deploy customer retention strategies across systems and business processes to reduce customer churn
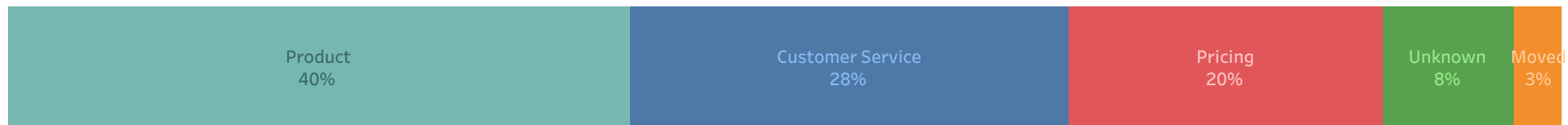
Requirements

1. Develop predictive model to classify customer churn risk

2. Explain relative influence that each predictor has on overall model predictions

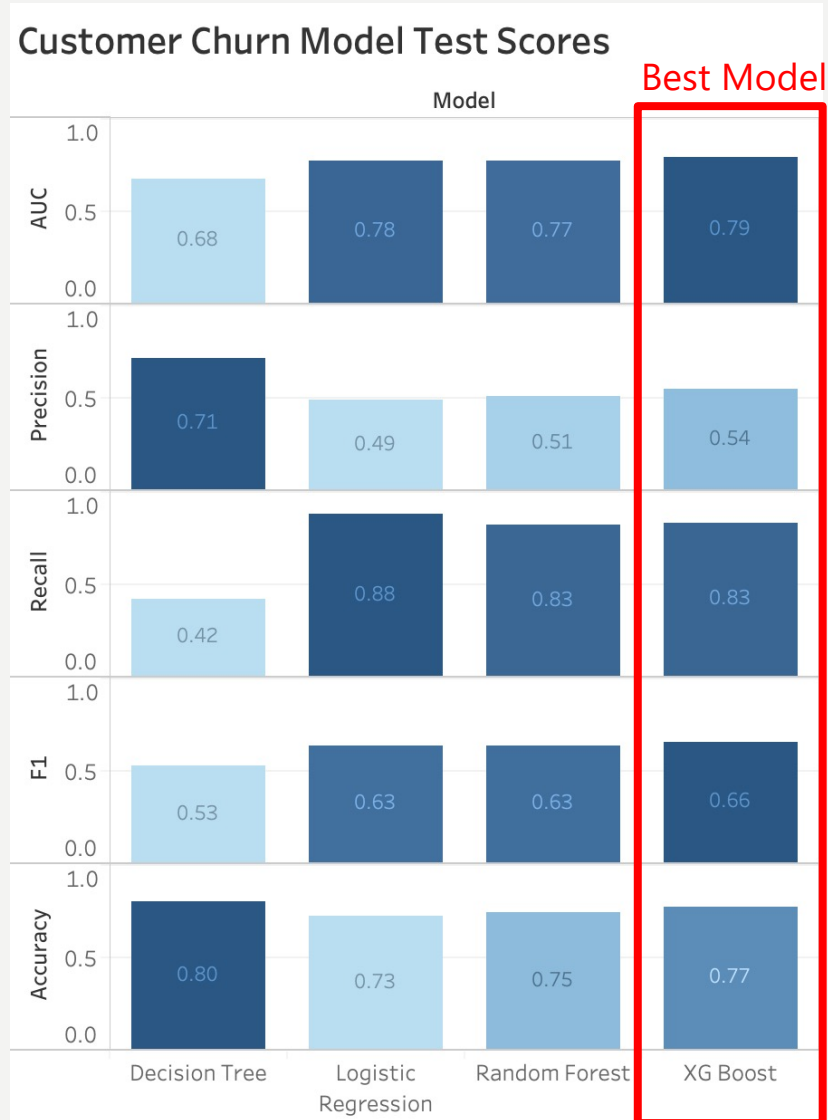3. Suggest potential solutions to reducing customer churn

Current Churn Rate: 26.7%

Reason Given by Churned Customer

| Product 40% | Customer Service 28% | Pricing 20% | Unknown 8% | Moved 3% |

ACTIONS TO REDUCE CUSTOMER CHURN

Customer Churn Model Test Scores

Best Model

3-Tier Approach Based On Score Confidence

1 Confidence: High (84% certain on 18% of churn)
Action: Proactive discount or free add-on service

2 Confidence: Moderate (71% certain on 26% of churn)
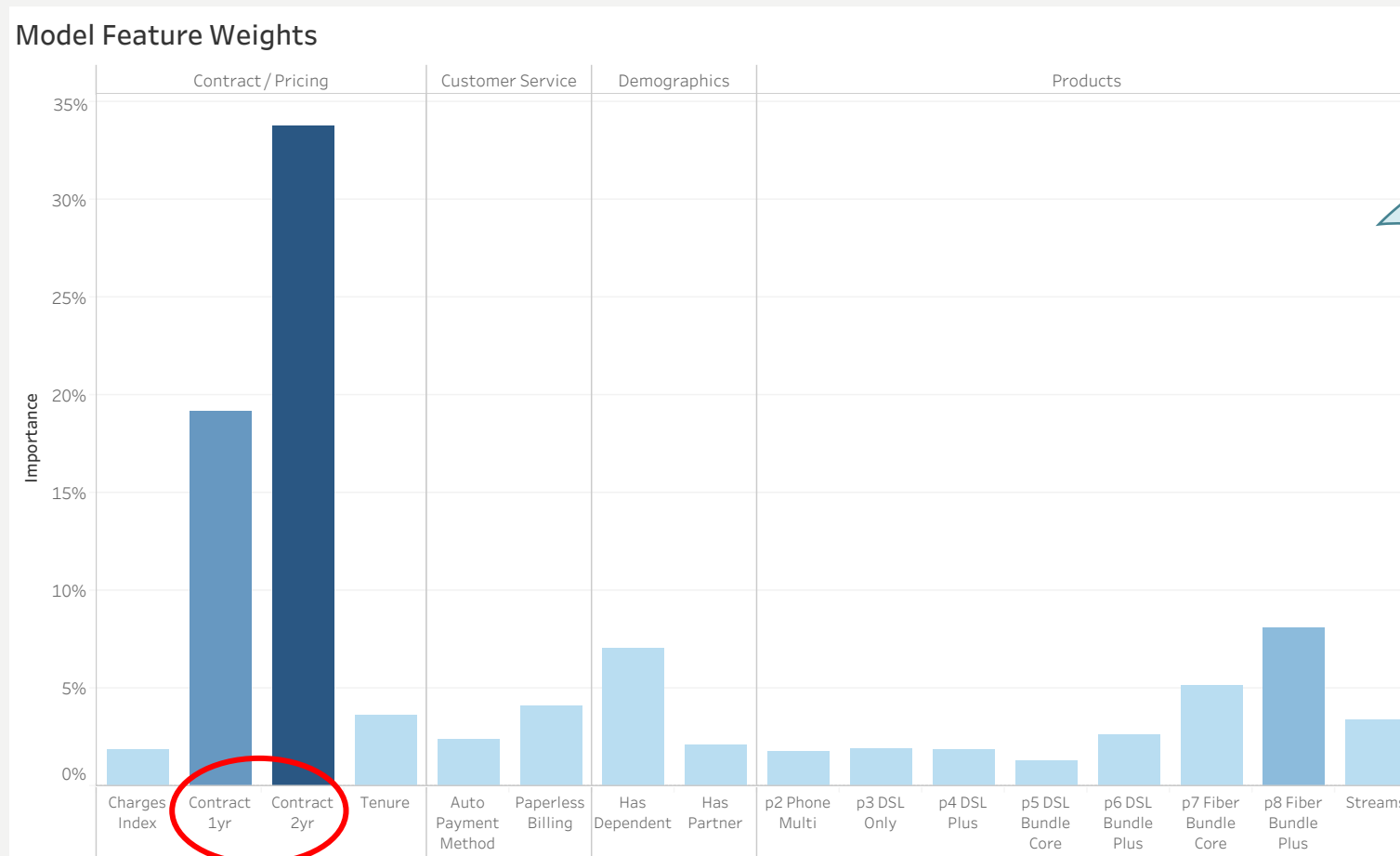Action: Empower customer service retention options

3 Confidence: Low (49% certain on 19% of churn)
Action: Add to watch list, communication stream

*** 3 scenarios combined address 63% of churn*

RELATIVE FEATURE IMPORTANCE
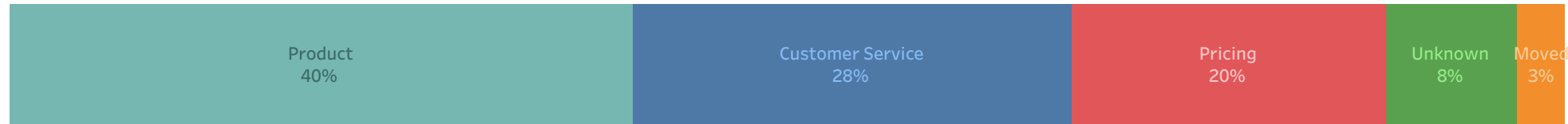
Model Feature Weights

Predicting Churn

- **Strong Impact**
  - Annual contracts not M-T-M

- **Moderate Impact**
  - Internet-based service
  - Has dependents

- **Minor Impact**
  - Paperless billing
  - Has partner
  - Customer tenure
  - Auto payments
  - Relative charges

FUTURE CUSTOMER DATA POSSIBILITIES

Reason Given by Churned Customer

Product 40%	Customer Service 28%	Pricing 20%	Unknown 8%	Moved 3%

Predictive capabilities may be expanded with broader customer data profiles. Explore potential data such as:

- **Product** – Service Utilization, Quality & SLA, Devices, Competitor Coverage

- **Customer Service** – Contacts/Call/Emails, Tickets, Portal/App Usage, Sentiment Analysis

- **Marketing** – Relative Price Point, Value Received, Pending Contract Renewal, Marketing Engagement

- **Demographics** – Credit Score, Income, Home Ownership, Household Size, Persona/Lifecyle, Time at Address

- **Geographic** – Block/Neighborhood Linkage

NEXT STEPS

1. Technical workshop to finalize solution requirements
2. Continue iterating model for improvements
3. Brainstorming session for future data possibilities and insights into products and processes

- Questions?

"In God we trust, all others bring data." – Edward Deming

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THANKS