Executive Summary: Telecom Customer Churn Analysis

Objective:

To identify the key drivers of customer churn and provide actionable insights to reduce churn and improve retention.

Overview:

We analyzed data from 7,043 telecom customers. The overall churn rate is 26.5%, meaning more than 1 in 4 customers have discontinued their service. The analysis identifies short-term contracts, billing methods, internet service types, and early customer disengagement as the main factors contributing to churn.

Key Insights:

- **Short-Term Contracts Significantly Increase Churn**

Month-to-month contracts have a churn rate of 42.7%, compared to 11.3% for one-year contracts and 2.8% for two-year contracts. Longer commitments reduce churn dramatically.

- **Electronic Check Users Are at Higher Risk**

The churn rate for customers paying via electronic checks is 45.3%, the highest among all payment methods. Customers using auto-pay options like credit cards or bank transfers have churn rates under 17%.

- **Fiber Optic Customers More Likely to Leave**

While fiber optic offers high-speed service, these users churn at 41.9%, far higher than DSL (19%) and non-internet users (7.4%). This suggests a potential mismatch in expectations or pricing sensitivity.

- **Lack of Add-On Services Is Linked to Higher Churn**

Customers not using services like Tech Support, Online Security, or Device Protection are more likely to churn. These customers may feel less engaged or supported.

- **Early-Stage Customers Are Most at Risk**

More than 50% of churn happens within the first 6 months. In contrast, churn drops to below 5% after two years, indicating the importance of early retention efforts.

- **Senior Citizens and Paperless Billing Users Show Higher Churn**

Senior citizens churn at 42%, and paperless billing users at 33.6%, compared to much lower rates in other segments. These groups may require additional support and communication.

Recommendations:

- **Promote Long-Term Contracts**

Incentivize customers to shift from monthly to annual or biennial plans to reduce churn.

- **Encourage Auto-Payments**

Offer small discounts or rewards for switching to credit card or bank transfer payments.

- **Use Add-On Services as Retention Tools**

Bundle or promote value-added services like Tech Support or Online Security during onboarding and renewal.

- **Focus on the First 90–180 Days**

Launch onboarding campaigns, check-ins, or loyalty perks within the first 6 months to improve early-stage retention.

- **Tailor Strategies for At-Risk Segments**

Create targeted communication for senior citizens and digital-first users, who show higher churn risk.