

Customer Churn Analysis wrt Payment Method

Dataset: kaggle

1. Overview of Customer Churn

The dataset explores the relationship between customer churn and the payment methods used by customers. Churn refers to customers discontinuing their service, a critical metric for companies aiming to maintain customer retention and long-term revenue. Reducing churn is essential for profitability and growth, and this report identifies patterns related to the payment methods used by customers.

2. Key Insights from the Payment Method Analysis

Churn Rates by Payment Method

1. Electronic Check:
 - This payment method has the highest churn rate among all methods.
 - 45% of customers using electronic checks (1071 out of 2365) have churned.
 - Insight: Customers using electronic checks are more likely to leave, possibly due to a cumbersome or less reliable payment process.
2. Mailed Check:
 - 19% of customers using mailed checks (308 out of 1612) have churned.
 - Although not as high as electronic check users, mailed check users still show a moderate level of dissatisfaction leading to churn.
3. Bank Transfer (automatic):
 - Only 17% of customers using bank transfers (258 out of 1544) have churned.
 - This lower churn rate suggests that the automatic nature of this payment method likely reduces customer friction, contributing to better retention.

4. Credit Card (automatic):

- Customers using automatic credit card payments show a churn rate of only 15% (232 out of 1522).
- Similar to bank transfers, automatic credit card payments correlate with the lowest churn rate among payment methods.

3. Visual Representation of Churn by Payment Method

Observations:

- Electronic check users represent the highest churn.
- Mailed check users also have a noticeable churn rate.
- Automatic payments, such as bank transfers and credit cards, have much lower churn rates, highlighting the importance of automating payments for customer retention.

4. Percentage-Based Insights

- Electronic Check churn rate: 45% (1071/2365)
- Mailed Check churn rate: 19% (308/1612)
- Bank Transfer (automatic) churn rate: 17% (258/1544)
- Credit Card (automatic) churn rate: 15% (232/1522)

These percentages highlight that manual payment methods, especially electronic checks, are associated with higher churn rates, while automated payment methods lead to significantly lower churn.

5. Business Recommendations

1. Encourage Customers to Use Automatic Payments

- Bank Transfer and Credit Card (automatic) methods have the lowest churn rates. Offering incentives such as discounts or loyalty points for customers who switch to automatic payments may help lower overall churn rates.

2. Review the Electronic Check Process

- Since 45% of customers using electronic checks churn, it's crucial to investigate potential issues related to this payment method. Improving

the reliability or ease of use for this method could improve customer satisfaction and retention.

3. Targeted Marketing for High-Risk Groups

- Marketing campaigns could focus on encouraging customers who use electronic or mailed checks to switch to automatic payments, highlighting convenience and reliability.

4. Customer Feedback Collection

- Actively seeking feedback from customers who use manual payment methods (like mailed or electronic checks) could uncover specific pain points that can be addressed to reduce churn.

6. Conclusion

The analysis shows a strong correlation between payment methods and customer churn. Automatic payment methods (bank transfers and credit cards) are strongly associated with lower churn rates, while manual payment methods, particularly electronic checks, are linked to much higher churn rates. Encouraging customers to adopt automatic payments and improving the user experience for manual payment methods could enhance customer retention and reduce churn rates.