PROJECT MOTIVATION/BACKGROUND

(WHAT IS CUSTOMER CHURN)

Customers can be a fickle bunch—happy one day, gone the next. While It is often considered to be a measure of failure rather than success, it is one of the most important metrics to track. One industry in which churn rates are particularly useful is the telecommunications industry, because most customers have multiple options from which to choose within a geographic location.

(Why is it Important?)

Customer churn is an important metric to track **because lost customers equal lost revenue.** For some customers, you’ll lose them, and you won’t be able to change their mind no matter what you do. However, for others, you may be able to turn the tide if you work to identify the churn risks when they first emerge**.**

Churn impacts nearly every aspect of a company, from the product and revenue to [customer loyalty](https://www.zendesk.com/blog/customer-loyalty/) and customer satisfaction. When evaluated alongside other [key customer retention metrics](https://www.zendesk.com/blog/calculate-customer-retention-rate/), churn rate is a powerful way to assess what a brand is doing well and where it needs to improve.

The average churn rate in the telecom industry is approximately 1.9% per month across the four major carriers but could rise as high as 67% annually for prepaid services. Since the cost of acquiring new customers is up to 25 times higher than the cost of retaining them, fostering customer loyalty is key.

Customer retention is incredibly important to maintaining consistent growth and financial planning.

**“For any service company that bills on a recurring basis, a key variable is the rate of churn. Harvard Business Review.”**

Depending on the nature of a company’s business, churn rate may be monitored annually, quarterly, monthly, weekly, or even daily. While all companies strive to have loyal customers and a churn rate of zero, the reality is that customers come and go. Therefore, it’s important for companies to come to grips with what is causing customers to cut ties with their business and consider [customer retention strategies](safari-reader://www.zendesk.com/blog/customer-retention-strategies/) that could help.

(WHY DOES IT OCCUR)

Industry retention surveys have shown that while price and product are important, most people leave any service because of dissatisfaction with the way they are treated.

The leading cause for customer churn in telecom is poor customer service experiences, such as

* Long wait times
* ineffective self-service options
* incompetent service agents
* unresolved issues
* convoluted billing

### Competitors Having More to Offer all contribute to customer dissatisfaction.

(HOW TO ANALYSE/HOW IT EFFECTS)

To avoid customer churn in the telecom industry, companies should address the below factors.

1. Service quality.
2. Features and content availability.
3. Lower cost substitutes from competitors.
4. Negative customer service experiences.
5. Advanced analytics.
6. Improving business and operations.
7. Customer experience processes.

Annual churn rates for telecommunication companies average between 10 percent and 67 percent. With low switching costs and an abundance of alternative providers, customer satisfaction is the most effective means of reducing customer churn in telecom. And the most effective means of improving the customer experience is fully taking advantage of the vast streams of rich telecom customer data. It can be a valuable source for

* meaningful insights and to train customer churn models.
* Learn from the past and have strategic information at hand to improve future experiences, it’s all about machine learning.

Even small reductions in churn would lead to:

* Increased revenue
* Higher referrals
* Increased upsell revenue
* Higher LTV and thus more customer acquisition channels.