Strategic Churn Analysis & Retention Plan

Prioritized Strategy to Reduce Customer Churn

Joshua H.

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1 Executive Summary

We have completed a comprehensive analysis of our customer base to identify key drivers of churn and specific opportunities for revenue retention.

- **The Problem**: Our churn is predictable but costly. Our model indicates that high-value customers on month-to-month contracts are leaving at an accelerated rate.
- **The Solution**: We have deployed a predictive model that identifies at-risk customers with **%82.8** accuracy (AUC). By tuning this model to be aggressive, we can flag 75% of potential churners before they leave.
- **The Opportunity**: We have generated a prioritized "Hit List" of 500 active customers. Intervention with this specific group represents a potential revenue save of roughly $17,616.53 per month.

2 Immediate Action: The "Hit List"

Our primary recommendation is to immediately empower the Customer Success Team to contact the top 500 at-risk customers.

The table below highlights our **"Low Hanging Fruit"**—active customers who are currently in good standing but have a Probability of Churn > 40% and a high Monthly Bill. These are the most expensive customers to lose.

Customer ID	Churn Risk	Monthly Bill	Expected Loss
4132-KALRO	90.0%	$100.85	$90.77 / mo

Customer ID	Churn Risk	Monthly Bill	Expected Loss
5630-IXDXV	84.0%	$106.35	$89.33 / mo
1393-IMKZG	92.0%	$95.85	$88.18 / mo
8087-LGYHQ	93.0%	$94.05	$87.47 / mo
5168-MSWXT	86.0%	$94.75	$81.48 / mo

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Customer ID Churn Risk Monthly Bill Expected Loss
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3270 4132-KALRO 90.0% $100.85 $90.77 / mo 2474 5630-IXDXV 84.0% $106.35 $89.33 / mo 2238 1393-IMKZG 92.0% $95.85 $88.18 / mo 2097 8087-LGYHQ 93.0% $94.05 $87.47 / mo 448 5168-MSWXT 86.0% $94.75 $81.48 / mo

2.1 Strategic Drivers: Why They Leave

Our analysis has identified the three strongest predictors of customer churn. This provides a roadmap for systemic improvements.

2.2 Driver #1: Price Sensitivity (Monthly Charges)

- **Insight**: MonthlyCharges is the #1 predictor of churn (Importance: 18.8%). Customers with bills exceeding $80/month are significantly more likely to cancel.
- **Implication**: Our "Premium" tier is a churn factory. We may be over-pricing or under-delivering value at this tier.

2.3 Driver #2: The "Trial" Period (Tenure)

- **Insight**: Tenure is the #2 predictor. The risk of churn is highest in months 1–6. Once a customer survives past month 6, their lifetime value increases dramatically.
- **Implication**: Our onboarding process is critical. A "First 90 Days" engagement program is necessary to bridge this gap.

2.4 Driver #3: Contract Structure

- **Insight**: Moving a customer from a Month-to-Month contract to a One-Year contract is the single most effective way to reduce their churn probability.
- **Implication**: Month-to-month contracts offer flexibility to the customer but instability to the company.

3 Proposed Pilot Programs

Based on these drivers, we propose two pilot programs for Q1 2026:

3.1 Pilot A: The "Stickiness" Campaign (Sales)

- **Target**: High-risk customers on Month-to-Month contracts.
- **Offer**: A $10/month discount for 12 months in exchange for signing a 1-year contract.
- **Goal**: Shift 20% of the at-risk cohort to annual contracts, stabilizing recurring revenue.

3.2 Pilot B: The "Auto-Pay" Push (Marketing)

- **Target**: Customers paying via "Electronic Check" (who churn at nearly 2x the rate of Credit Card users).
- **Offer**: A one-time $5 bill credit for enabling Auto-Pay.
- **Goal**: Reduce payment friction, a known silent killer of retention.

4 Model Performance & Methodology

- **Predictive Power**: The Random Forest model achieved an ROC AUC score of %82.8, indicating strong ability to distinguish between loyal and churning customers.
- **Strategy**: We utilized a Threshold Moving strategy, lowering the decision boundary to 30%.
  - ***Why?*** This deliberately increases sensitivity. We accept a higher rate of "false alarms" (predicting churn where none happens) to ensure we miss fewer actual churners.
  - ***Business Logic***: It is far less costly to offer a retention bonus to a happy customer than it is to lose a high-value customer because we were too conservative.