Business Analytics-Group Project 1.Version1

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#### 1.Importing Libraries

library(plyr) # for data manipulation  
library(dplyr) # for data-preprocessing and data manipulation

##   
## Attaching package: 'dplyr'

## The following objects are masked from 'package:plyr':  
##   
## arrange, count, desc, failwith, id, mutate, rename, summarise,  
## summarize

## The following objects are masked from 'package:stats':  
##   
## filter, lag

## The following objects are masked from 'package:base':  
##   
## intersect, setdiff, setequal, union

library(tidyverse) # for dplyr,ggplot

## ── Attaching packages ──────────────────────────────────────────────────────────────────────────────────────────────── tidyverse 1.3.0 ──

## ✓ ggplot2 3.3.2 ✓ purrr 0.3.4  
## ✓ tibble 3.0.3 ✓ stringr 1.4.0  
## ✓ tidyr 1.1.2 ✓ forcats 0.5.0  
## ✓ readr 1.3.1

## ── Conflicts ─────────────────────────────────────────────────────────────────────────────────────────────────── tidyverse\_conflicts() ──  
## x dplyr::arrange() masks plyr::arrange()  
## x purrr::compact() masks plyr::compact()  
## x dplyr::count() masks plyr::count()  
## x dplyr::failwith() masks plyr::failwith()  
## x dplyr::filter() masks stats::filter()  
## x dplyr::id() masks plyr::id()  
## x dplyr::lag() masks stats::lag()  
## x dplyr::mutate() masks plyr::mutate()  
## x dplyr::rename() masks plyr::rename()  
## x dplyr::summarise() masks plyr::summarise()  
## x dplyr::summarize() masks plyr::summarize()

library(ggplot2) #for ggplots  
library(caret) #for data splitting , modeling tuning , pre-processing

## Loading required package: lattice

##   
## Attaching package: 'caret'

## The following object is masked from 'package:purrr':  
##   
## lift

library(party) # for decision tree

## Loading required package: grid

## Loading required package: mvtnorm

## Loading required package: modeltools

## Loading required package: stats4

##   
## Attaching package: 'modeltools'

## The following object is masked from 'package:plyr':  
##   
## empty

## Loading required package: strucchange

## Loading required package: zoo

##   
## Attaching package: 'zoo'

## The following objects are masked from 'package:base':  
##   
## as.Date, as.Date.numeric

## Loading required package: sandwich

##   
## Attaching package: 'strucchange'

## The following object is masked from 'package:stringr':  
##   
## boundary

library(ggcorrplot) # for correlations.  
library(stats) # for the stepwise search.  
library(rpart) # for decision tree  
library(rpart.plot) #fro decision tree

#### 2. loading and Reading the dataset

#setwd("~/Documents/BusinessAnalyticsGroupProject/R code and Script")   
  
  
#Loading the training data to analyze and build model  
Churn\_Train <- read.csv("~/Desktop/Churn\_Train.csv")  
summary(Churn\_Train)

## state account\_length area\_code international\_plan  
## Length:3333 Min. :-209.00 Length:3333 Length:3333   
## Class :character 1st Qu.: 72.00 Class :character Class :character   
## Mode :character Median : 100.00 Mode :character Mode :character   
## Mean : 97.32   
## 3rd Qu.: 127.00   
## Max. : 243.00   
## NA's :501   
## voice\_mail\_plan number\_vmail\_messages total\_day\_minutes total\_day\_calls  
## Length:3333 Min. :-10.000 Min. : 0.0 Min. : 0.0   
## Class :character 1st Qu.: 0.000 1st Qu.: 149.3 1st Qu.: 87.0   
## Mode :character Median : 0.000 Median : 190.5 Median :101.0   
## Mean : 7.333 Mean : 418.9 Mean :100.3   
## 3rd Qu.: 16.000 3rd Qu.: 237.8 3rd Qu.:114.0   
## Max. : 51.000 Max. :2185.1 Max. :165.0   
## NA's :200 NA's :200 NA's :200   
## total\_day\_charge total\_eve\_minutes total\_eve\_calls total\_eve\_charge  
## Min. : 0.00 Min. : 0.0 Min. : 0.0 Min. : 0.00   
## 1st Qu.:24.45 1st Qu.: 170.5 1st Qu.: 87.0 1st Qu.:14.14   
## Median :30.65 Median : 209.9 Median :100.0 Median :17.09   
## Mean :30.63 Mean : 324.3 Mean :100.1 Mean :17.08   
## 3rd Qu.:36.84 3rd Qu.: 257.6 3rd Qu.:114.0 3rd Qu.:20.00   
## Max. :59.64 Max. :1244.2 Max. :170.0 Max. :30.91   
## NA's :200 NA's :301 NA's :200 NA's :200   
## total\_night\_minutes total\_night\_calls total\_night\_charge total\_intl\_minutes  
## Min. : 23.2 Min. : 33.0 Min. : 1.040 Min. : 0.00   
## 1st Qu.:167.3 1st Qu.: 87.0 1st Qu.: 7.530 1st Qu.: 8.50   
## Median :201.4 Median :100.0 Median : 9.060 Median :10.30   
## Mean :201.2 Mean :100.1 Mean : 9.054 Mean :10.23   
## 3rd Qu.:235.3 3rd Qu.:113.0 3rd Qu.:10.590 3rd Qu.:12.10   
## Max. :395.0 Max. :175.0 Max. :17.770 Max. :20.00   
## NA's :200 NA's :200 NA's :200   
## total\_intl\_calls total\_intl\_charge number\_customer\_service\_calls  
## Min. : 0.00 Min. :0.000 Min. :0.000   
## 1st Qu.: 3.00 1st Qu.:2.300 1st Qu.:1.000   
## Median : 4.00 Median :2.780 Median :1.000   
## Mean : 4.47 Mean :2.762 Mean :1.561   
## 3rd Qu.: 6.00 3rd Qu.:3.270 3rd Qu.:2.000   
## Max. :20.00 Max. :5.400 Max. :9.000   
## NA's :301 NA's :200 NA's :200   
## churn   
## Length:3333   
## Class :character   
## Mode :character   
##   
##   
##   
##

#Loading the file containing the list of consumers that we need to predict their future churn  
load("~/Downloads/Customers\_To\_Predict.RData")  
  
  
# removed the "area\_code\_" part of the string in "area\_code" variable.  
Churn\_Train$area\_code <- as.factor(sub("area\_code\_", "", Churn\_Train$area\_code))   
Customers\_To\_Predict$area\_code <- as.factor(sub("area\_code\_", "", Customers\_To\_Predict$area\_code))

#### Analysing Count of the NA Values in the Dataset

sapply(Churn\_Train, function(x) sum(is.na(x))) # NA data

## state account\_length   
## 0 501   
## area\_code international\_plan   
## 0 0   
## voice\_mail\_plan number\_vmail\_messages   
## 0 200   
## total\_day\_minutes total\_day\_calls   
## 200 200   
## total\_day\_charge total\_eve\_minutes   
## 200 301   
## total\_eve\_calls total\_eve\_charge   
## 200 200   
## total\_night\_minutes total\_night\_calls   
## 200 0   
## total\_night\_charge total\_intl\_minutes   
## 200 200   
## total\_intl\_calls total\_intl\_charge   
## 301 200   
## number\_customer\_service\_calls churn   
## 200 0

sapply(Customers\_To\_Predict, function(x) sum(is.na(x))) # no NA data

## state account\_length   
## 0 0   
## area\_code international\_plan   
## 0 0   
## voice\_mail\_plan number\_vmail\_messages   
## 0 0   
## total\_day\_minutes total\_day\_calls   
## 0 0   
## total\_day\_charge total\_eve\_minutes   
## 0 0   
## total\_eve\_calls total\_eve\_charge   
## 0 0   
## total\_night\_minutes total\_night\_calls   
## 0 0   
## total\_night\_charge total\_intl\_minutes   
## 0 0   
## total\_intl\_calls total\_intl\_charge   
## 0 0   
## number\_customer\_service\_calls   
## 0

As we can see that the current dataset Churn\_Train has lots of NA values .Removing them from the dataset will be lead to the loss of useful information and can imapct data analysis and model predictions.

Therefore , we can use mice()to impute NA values. It creates multiple imputations as compared to a single imputation (such as mean) takes care of uncertainty in missing values.

#### Imputing Missing Values

##   
## Attaching package: 'mice'

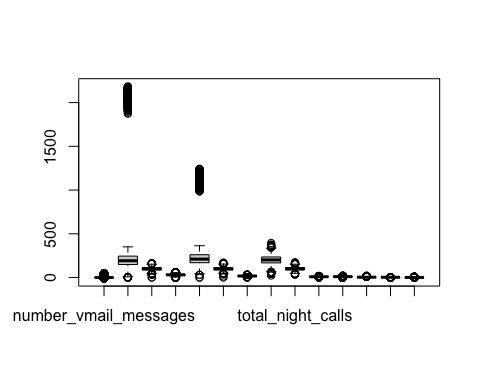
## The following object is masked from 'package:stats':  
##   
## filter

## The following objects are masked from 'package:base':  
##   
## cbind, rbind

## Warning: Number of logged events: 5604

#### Exploratory Data Analysis

# May be a few outliers but, to be honest, nothing seems so extreme that I think it is worth changing. Most of the variables seem fairly normally distributed and no significant extremes that I can tell.  
boxplot(Churn\_Train[, 6:19])

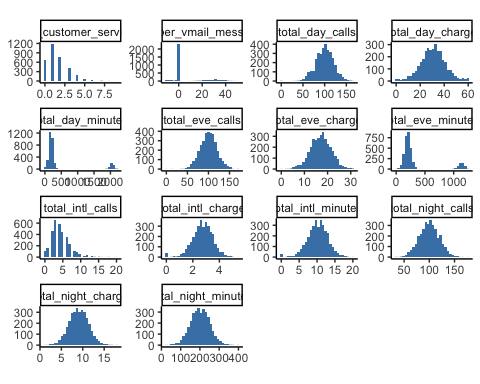
 Interpretation of Boxplot:

Based on the boxplot chart , we can see that most of the variables in the Churn\_Train dataset are normally distributed with an exception of “total day minutes” and “total evening minutes” with outliers.

Similarly, we can see below the individual graphs displaying distribution for each variable .

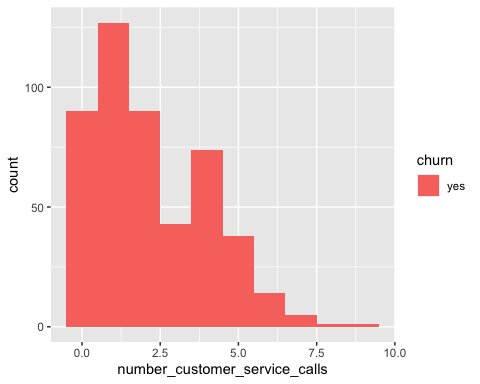
Churn\_Train[, 6:19] %>%   
 gather(key = Variable, value = Value) %>%   
 ggplot() +  
 geom\_histogram(aes(x = Value), fill = "steelblue") +  
 facet\_wrap(~Variable, scales='free') +  
 theme\_classic() +  
 theme(aspect.ratio = 0.5, axis.title = element\_blank(), panel.grid = element\_blank())

## `stat\_bin()` using `bins = 30`. Pick better value with `binwidth`.

 Interpretation : We can clearly see the beautiful bell curve distribution of data for most of the variables.

“Total day minutes” and “total evening minutes” have some small no. of outliers.Also,“Customer service calls” data is also rightly skewed.

Churn\_Train %>%   
 filter(churn == "yes") %>%  
 ggplot(mapping = aes(x = number\_customer\_service\_calls)) +  
 geom\_histogram(aes(fill = churn), binwidth = 1) # Showing the number of customer service calls per churned customer.



Churn\_Train %>%   
 group\_by(churn) %>%   
 tally(churn == "yes") # total churned in data set.

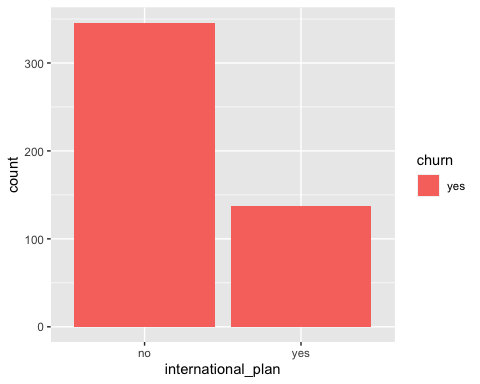
## # A tibble: 2 x 2  
## churn n  
## <chr> <int>  
## 1 no 0  
## 2 yes 483

Churn\_Train %>%   
 filter(churn == "yes" & number\_customer\_service\_calls >= 1 & number\_customer\_service\_calls <= 4) %>%   
 tally()/483 # 67% of all the customers who churned made 1 to 4 calls to customer service.

## n  
## 1 0.6915114

Churn\_Train %>%   
 filter(churn == "yes") %>%  
 ggplot(mapping = aes(x = international\_plan)) +  
 geom\_histogram(aes(fill = churn), stat = "count")

## Warning: Ignoring unknown parameters: binwidth, bins, pad

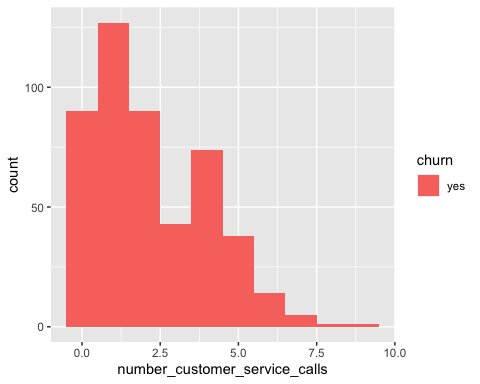


Churn\_Train %>%   
 group\_by(international\_plan) %>%   
 filter(churn == "yes") %>%   
 select(international\_plan) %>%   
 dplyr:: summarise("Churn Count" =n(), "Percent" = n()/483)

## `summarise()` ungrouping output (override with `.groups` argument)

## # A tibble: 2 x 3  
## international\_plan `Churn Count` Percent  
## <chr> <int> <dbl>  
## 1 no 346 0.716  
## 2 yes 137 0.284

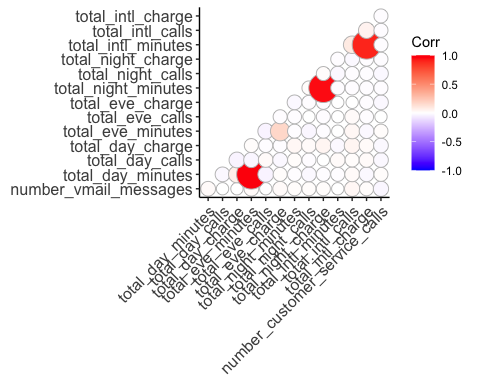
# 28% of all international plan subscribers will churn.  
  
Churn\_Train %>%   
 filter(churn == "yes") %>%  
 ggplot(mapping = aes(x = number\_customer\_service\_calls)) +  
 geom\_histogram(aes(fill = churn), binwidth = 1)

 #### Correlation between variables of Train\_Churn and dataset.

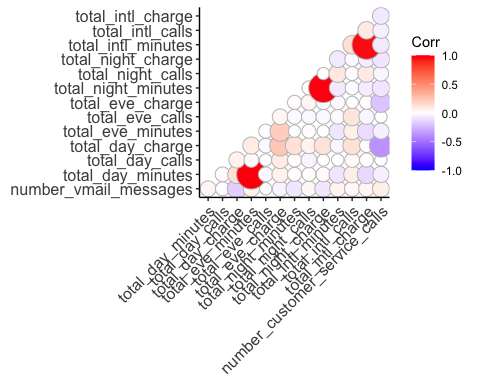
Here, we will analyze the correlation of variables in the following:

1. Complete Train\_Churn dataset and
2. when churn== Yes

Churn\_Train %>%   
 filter(churn=="yes") -> churn  
cor(Churn\_Train[, 6:19]) -> cc  
cor(churn[, 6:19]) ->cc2  
# ggplot to determine the correlation between variables in the Churn\_Train dataset  
ggcorrplot(cc, method = "circle", type = "lower", ggtheme = theme\_classic)



# ggplot to determine the correlation between variables when the customer have churn  
ggcorrplot(cc2, method = "circle", type = "lower", ggtheme = theme\_classic)

 Interpretation of the correlation chart:

#####Complete Churn\_Train dataset:-

#### Positive Relation :

1. total evening minutes and total day minutes
2. total evening charges and total evening minutes
3. total night charges and total night minutes
4. total international charge and total international minutes

#####subset of Churn\_Train (Churn==""Yes)

#### Positive Correlation :

1.total evening minutes and total day minutes

2.total night charge and total night minutes

3.total international charge and total international minutes

#### Negative Correlation :

1.number customer service calls and total day charge,total evening charge,total night minutes,total international calls and charges

2.total day charge and number of voice mail messages

3.total evening charges and total evening charge

4.total night charge and total day charge

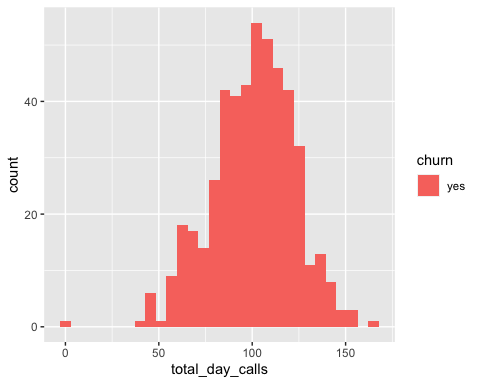
Strong negative correlation between total day minutes and total evening minutes. Meaning that the as the evening minutes increase the total day minutes decrease. Also, a slight negative correlation between the total evening minutes and the total evening charges.

Looking at the correlation of just the people who churned, some possible interesting information appeared. There is a strong correlation between the totals day charges and the number of Customer Service Calls. The higher the charges the more calls were made. The same was true for customer service calls and total evening charges although less of a relationship compared to day charges.

Lets , Analyze data in more detail for total day calls , number of customer service calls and total day charge.

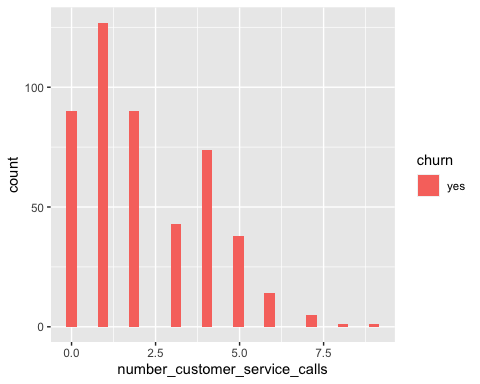
Churn\_Train %>%   
 filter(churn=="yes") %>%   
 ggplot(mapping = aes(x = total\_day\_calls)) +  
 geom\_histogram(aes(fill = churn))

## `stat\_bin()` using `bins = 30`. Pick better value with `binwidth`.



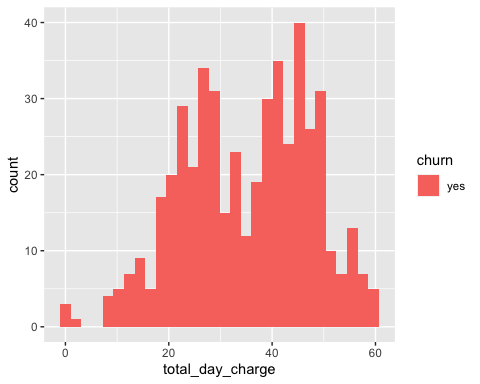
Churn\_Train %>%   
 filter(churn=="yes") %>%   
 ggplot(mapping = aes(x = number\_customer\_service\_calls)) +  
 geom\_histogram(aes(fill = churn))

## `stat\_bin()` using `bins = 30`. Pick better value with `binwidth`.



Churn\_Train %>%   
 filter(churn=="yes") %>%   
 ggplot(mapping = aes(x = total\_day\_charge)) +  
 geom\_histogram(aes(fill = churn))

## `stat\_bin()` using `bins = 30`. Pick better value with `binwidth`.



Most of the people seem to churn between 75 to 125 calls per day, making 1 to 5 customer service calls, and when the charges are between 10 and 60 per day.

Based on the above, I might suggest that the reason people are churning is that the cost of daily phone call charges during the day are too much. FYI I think this data is really old as I remember when Cell Phone companies used to charge more for calls made during the day than the evening…

# Data Pre-Processing

## 1.Updating the values of churn to 1 or 0  
  
Churn\_Train$churn<- ifelse(Churn\_Train$churn=="yes",1,0)  
  
  
##2.Factorization of Churn\_Train data  
  
Churn\_Train$area\_code<- as.factor(Churn\_Train$area\_code) # added because of decision trees  
Churn\_Train$state<- as.factor(Churn\_Train$state)  
Churn\_Train$international\_plan<-as.factor(Churn\_Train$international\_plan)  
Churn\_Train$voice\_mail\_plan <-as.factor(Churn\_Train$voice\_mail\_plan)  
Churn\_Train$churn<- as.factor(Churn\_Train$churn)  
  
  
## 3.Validating the structure of the Churn\_Train data  
str(Churn\_Train)

## 'data.frame': 3333 obs. of 20 variables:  
## $ state : Factor w/ 51 levels "AK","AL","AR",..: 34 12 8 12 36 25 28 39 13 16 ...  
## $ account\_length : int 125 108 82 126 83 89 135 28 86 65 ...  
## $ area\_code : Factor w/ 3 levels "408","415","510": 3 2 2 1 2 2 2 2 1 2 ...  
## $ international\_plan : Factor w/ 2 levels "no","yes": 1 1 1 1 1 1 1 1 1 1 ...  
## $ voice\_mail\_plan : Factor w/ 2 levels "no","yes": 1 1 1 2 1 1 1 1 1 1 ...  
## $ number\_vmail\_messages : int 0 0 0 30 0 0 0 0 0 0 ...  
## $ total\_day\_minutes : num 2013 292 300 110 337 ...  
## $ total\_day\_calls : int 99 99 109 71 120 81 81 87 115 137 ...  
## $ total\_day\_charge : num 28.7 49.6 51 18.8 57.4 ...  
## $ total\_eve\_minutes : num 1108 221 181 182 227 ...  
## $ total\_eve\_calls : int 107 93 100 108 116 74 114 92 112 83 ...  
## $ total\_eve\_charge : num 14.9 18.8 15.4 15.5 19.3 ...  
## $ total\_night\_minutes : num 243 229 270 184 154 ...  
## $ total\_night\_calls : int 92 110 73 88 114 120 82 112 95 111 ...  
## $ total\_night\_charge : num 10.95 10.31 12.15 8.27 6.93 ...  
## $ total\_intl\_minutes : num 10.9 14 11.7 11 15.8 9.1 10.3 10.1 9.8 12.7 ...  
## $ total\_intl\_calls : int 7 9 4 8 7 4 6 3 7 6 ...  
## $ total\_intl\_charge : num 2.94 3.78 3.16 2.97 4.27 2.46 2.78 2.73 2.65 3.43 ...  
## $ number\_customer\_service\_calls: int 0 2 0 2 0 1 1 3 2 4 ...  
## $ churn : Factor w/ 2 levels "0","1": 1 2 2 1 2 1 1 1 1 2 ...

Decision trees and logistic regression are two very popular algorithms and can be used to customer churn prediction with strong predictive performance and good comprehensibility.

Therefore, we will be using classification model such as a logistic regression and decision tree model to determine the predictive ability for each model. Based on the results , we will choose one model to predict Customer churn probability.

## Determining the predictive ability of Logistic regression and Decision trees models :

Steps:

1. Partitioning the Churn\_Train data into train\_data and validation\_data.
2. Building Decision Tree model and Predicting the results on the validation dataset and using confusion matrix to validate the performance.
3. Building Logistic Regression model and Predicting the results on the validation data set and using confusion matrix to validate the performance of the model.
4. Comparing the results and Selecting model.

#### Churn Train data partitioning (60%,40%)

set.seed(2020)  
partition<- createDataPartition(Churn\_Train$churn,p=0.6,list=FALSE)  
  
train\_data<- Churn\_Train[partition,]  
validation\_data<- Churn\_Train[-partition,]

#### Building Decision tree model:

#1. Decision Tree   
DecisionTree\_model <- ctree(churn~ ., train\_data[,-1]) #not including state column  
pred\_tree <- predict(DecisionTree\_model, validation\_data)  
  
#table  
table(pred\_tree)

## pred\_tree  
## 0 1   
## 1191 142

#3. Decision Tree with states  
#DecisionTree\_model\_ws <- ctree(churn~ ., train\_data) #not including state column  
#pred\_tree\_ws <- predict(DecisionTree\_model\_ws, validation\_data)  
#table(pred\_tree\_ws)

#### Confusion matrix for decision trees

#confusion matrix  
confusionMatrix(pred\_tree,validation\_data$churn) ## without states

## Confusion Matrix and Statistics  
##   
## Reference  
## Prediction 0 1  
## 0 1108 83  
## 1 32 110  
##   
## Accuracy : 0.9137   
## 95% CI : (0.8974, 0.9283)  
## No Information Rate : 0.8552   
## P-Value [Acc > NIR] : 6.138e-11   
##   
## Kappa : 0.6087   
##   
## Mcnemar's Test P-Value : 3.124e-06   
##   
## Sensitivity : 0.9719   
## Specificity : 0.5699   
## Pos Pred Value : 0.9303   
## Neg Pred Value : 0.7746   
## Prevalence : 0.8552   
## Detection Rate : 0.8312   
## Detection Prevalence : 0.8935   
## Balanced Accuracy : 0.7709   
##   
## 'Positive' Class : 0   
##

Result: Model 2 , “DecisionTree\_model” ( model without states column) has better accuracy than other Model.

#### Building Logistic Regression :

## Applying logistic regression model without states column  
Logistic\_Model <- glm(churn ~ .,family=binomial(link="logit"),data=train\_data[,-1])  
summary(Logistic\_Model)

##   
## Call:  
## glm(formula = churn ~ ., family = binomial(link = "logit"), data = train\_data[,   
## -1])  
##   
## Deviance Residuals:   
## Min 1Q Median 3Q Max   
## -2.0151 -0.5174 -0.3426 -0.2068 3.0539   
##   
## Coefficients:  
## Estimate Std. Error z value Pr(>|z|)   
## (Intercept) -7.690e+00 9.175e-01 -8.382 < 2e-16 \*\*\*  
## account\_length -1.112e-03 1.494e-03 -0.745 0.4565   
## area\_code415 -2.690e-02 1.741e-01 -0.154 0.8772   
## area\_code510 -1.708e-01 2.022e-01 -0.845 0.3982   
## international\_planyes 2.019e+00 1.870e-01 10.800 < 2e-16 \*\*\*  
## voice\_mail\_planyes -9.016e-01 3.704e-01 -2.434 0.0149 \*   
## number\_vmail\_messages -5.063e-03 1.245e-02 -0.407 0.6842   
## total\_day\_minutes -2.721e-06 1.393e-03 -0.002 0.9984   
## total\_day\_calls 3.253e-03 3.545e-03 0.918 0.3588   
## total\_day\_charge 6.450e-02 9.319e-03 6.922 4.46e-12 \*\*\*  
## total\_eve\_minutes -2.562e-04 2.765e-03 -0.093 0.9262   
## total\_eve\_calls 1.119e-04 3.540e-03 0.032 0.9748   
## total\_eve\_charge 8.317e-02 3.666e-02 2.269 0.0233 \*   
## total\_night\_minutes 3.143e-03 4.787e-03 0.657 0.5114   
## total\_night\_calls -3.232e-03 3.664e-03 -0.882 0.3776   
## total\_night\_charge 1.258e-02 1.063e-01 0.118 0.9058   
## total\_intl\_minutes -4.720e-02 6.587e-02 -0.717 0.4736   
## total\_intl\_calls -6.883e-02 3.045e-02 -2.260 0.0238 \*   
## total\_intl\_charge 5.888e-01 2.489e-01 2.365 0.0180 \*   
## number\_customer\_service\_calls 4.729e-01 5.075e-02 9.319 < 2e-16 \*\*\*  
## ---  
## Signif. codes: 0 '\*\*\*' 0.001 '\*\*' 0.01 '\*' 0.05 '.' 0.1 ' ' 1  
##   
## (Dispersion parameter for binomial family taken to be 1)  
##   
## Null deviance: 1655.7 on 1999 degrees of freedom  
## Residual deviance: 1309.1 on 1980 degrees of freedom  
## AIC: 1349.1  
##   
## Number of Fisher Scoring iterations: 6

## Predicting churn results based on the logistic model  
predict\_validation<-predict(Logistic\_Model,newdata = validation\_data,type='response')  
  
## Categorizing the result based on the cutoff value(0.5)  
resultcheck<-ifelse(predict\_validation>0.5,1,0)

#### Building Improvised Logistic Regression model

Logistic\_Model2 <-glm(formula = churn ~ account\_length + area\_code + international\_plan +   
 voice\_mail\_plan + number\_vmail\_messages + total\_day\_minutes +   
 total\_day\_calls + total\_day\_charge + total\_eve\_minutes +   
 total\_eve\_charge + total\_night\_minutes + total\_night\_charge +   
 total\_intl\_minutes + total\_intl\_calls + number\_customer\_service\_calls +   
 total\_day\_charge:number\_customer\_service\_calls + total\_day\_charge:total\_eve\_charge +   
 voice\_mail\_plan:total\_day\_charge + international\_plan:total\_intl\_minutes +   
 international\_plan:number\_customer\_service\_calls + total\_eve\_charge:number\_customer\_service\_calls +   
 total\_day\_charge:total\_night\_charge + international\_plan:total\_intl\_calls +   
 area\_code:number\_vmail\_messages + voice\_mail\_plan:total\_intl\_calls +   
 total\_intl\_calls:number\_customer\_service\_calls + total\_day\_calls:total\_eve\_charge +   
 number\_vmail\_messages:total\_intl\_calls + international\_plan:total\_day\_calls +   
 voice\_mail\_plan:total\_night\_charge + total\_night\_minutes:number\_customer\_service\_calls +   
 total\_eve\_charge:total\_intl\_calls + voice\_mail\_plan:total\_eve\_charge +   
 total\_eve\_charge:total\_night\_minutes + total\_day\_charge:total\_intl\_calls +   
 area\_code:total\_day\_minutes + international\_plan:total\_eve\_minutes +   
 international\_plan:total\_day\_minutes + international\_plan:total\_eve\_charge +   
 total\_night\_minutes:total\_night\_charge, family = binomial(link = "logit"),   
 data = train\_data)  
summary(Logistic\_Model2)

##   
## Call:  
## glm(formula = churn ~ account\_length + area\_code + international\_plan +   
## voice\_mail\_plan + number\_vmail\_messages + total\_day\_minutes +   
## total\_day\_calls + total\_day\_charge + total\_eve\_minutes +   
## total\_eve\_charge + total\_night\_minutes + total\_night\_charge +   
## total\_intl\_minutes + total\_intl\_calls + number\_customer\_service\_calls +   
## total\_day\_charge:number\_customer\_service\_calls + total\_day\_charge:total\_eve\_charge +   
## voice\_mail\_plan:total\_day\_charge + international\_plan:total\_intl\_minutes +   
## international\_plan:number\_customer\_service\_calls + total\_eve\_charge:number\_customer\_service\_calls +   
## total\_day\_charge:total\_night\_charge + international\_plan:total\_intl\_calls +   
## area\_code:number\_vmail\_messages + voice\_mail\_plan:total\_intl\_calls +   
## total\_intl\_calls:number\_customer\_service\_calls + total\_day\_calls:total\_eve\_charge +   
## number\_vmail\_messages:total\_intl\_calls + international\_plan:total\_day\_calls +   
## voice\_mail\_plan:total\_night\_charge + total\_night\_minutes:number\_customer\_service\_calls +   
## total\_eve\_charge:total\_intl\_calls + voice\_mail\_plan:total\_eve\_charge +   
## total\_eve\_charge:total\_night\_minutes + total\_day\_charge:total\_intl\_calls +   
## area\_code:total\_day\_minutes + international\_plan:total\_eve\_minutes +   
## international\_plan:total\_day\_minutes + international\_plan:total\_eve\_charge +   
## total\_night\_minutes:total\_night\_charge, family = binomial(link = "logit"),   
## data = train\_data)  
##   
## Deviance Residuals:   
## Min 1Q Median 3Q Max   
## -3.2865 -0.4251 -0.2259 -0.0984 3.6117   
##   
## Coefficients:  
## Estimate Std. Error  
## (Intercept) 3.965e-01 3.571e+00  
## account\_length 8.488e-04 1.758e-03  
## area\_code415 2.913e-02 2.548e-01  
## area\_code510 9.459e-02 2.985e-01  
## international\_planyes 5.560e+00 2.035e+00  
## voice\_mail\_planyes 3.746e+00 1.505e+00  
## number\_vmail\_messages 5.521e-02 2.877e-02  
## total\_day\_minutes 3.456e-03 1.740e-03  
## total\_day\_calls -4.570e-02 1.787e-02  
## total\_day\_charge -9.784e-02 5.622e-02  
## total\_eve\_minutes -7.326e-03 3.450e-03  
## total\_eve\_charge -6.442e-01 1.760e-01  
## total\_night\_minutes -1.837e-03 1.152e-02  
## total\_night\_charge -2.052e-01 2.287e-01  
## total\_intl\_minutes 3.622e-02 3.245e-02  
## total\_intl\_calls 9.001e-02 1.940e-01  
## number\_customer\_service\_calls 3.463e+00 4.361e-01  
## total\_day\_charge:number\_customer\_service\_calls -5.665e-02 6.513e-03  
## total\_day\_charge:total\_eve\_charge 1.450e-02 2.237e-03  
## voice\_mail\_planyes:total\_day\_charge -1.141e-01 2.284e-02  
## international\_planyes:total\_intl\_minutes 4.403e-01 9.744e-02  
## international\_planyes:number\_customer\_service\_calls -4.799e-01 1.659e-01  
## total\_eve\_charge:number\_customer\_service\_calls -3.888e-02 1.459e-02  
## total\_day\_charge:total\_night\_charge 5.346e-03 4.337e-03  
## international\_planyes:total\_intl\_calls -3.936e-01 1.037e-01  
## area\_code415:number\_vmail\_messages -1.314e-02 1.736e-02  
## area\_code510:number\_vmail\_messages -4.564e-03 2.020e-02  
## voice\_mail\_planyes:total\_intl\_calls 3.611e-01 1.353e-01  
## total\_intl\_calls:number\_customer\_service\_calls -4.529e-02 2.587e-02  
## total\_day\_calls:total\_eve\_charge 3.183e-03 9.962e-04  
## number\_vmail\_messages:total\_intl\_calls -1.037e-02 4.900e-03  
## international\_planyes:total\_day\_calls -2.263e-02 1.058e-02  
## voice\_mail\_planyes:total\_night\_charge -1.610e-01 9.812e-02  
## total\_night\_minutes:number\_customer\_service\_calls -4.829e-04 1.230e-03  
## total\_eve\_charge:total\_intl\_calls -7.581e-03 7.357e-03  
## voice\_mail\_planyes:total\_eve\_charge -7.409e-02 5.304e-02  
## total\_eve\_charge:total\_night\_minutes 6.199e-04 4.280e-04  
## total\_day\_charge:total\_intl\_calls 3.193e-03 3.383e-03  
## area\_code415:total\_day\_minutes -1.652e-05 3.313e-04  
## area\_code510:total\_day\_minutes -6.591e-04 4.195e-04  
## international\_planyes:total\_eve\_minutes 4.513e-02 8.206e-03  
## international\_planyes:total\_day\_minutes -2.195e-02 4.084e-03  
## international\_planyes:total\_eve\_charge -4.744e-01 1.118e-01  
## total\_night\_minutes:total\_night\_charge -5.832e-05 5.526e-04  
## z value Pr(>|z|)   
## (Intercept) 0.111 0.911608   
## account\_length 0.483 0.629261   
## area\_code415 0.114 0.909000   
## area\_code510 0.317 0.751355   
## international\_planyes 2.732 0.006286 \*\*   
## voice\_mail\_planyes 2.489 0.012825 \*   
## number\_vmail\_messages 1.919 0.054945 .   
## total\_day\_minutes 1.986 0.047020 \*   
## total\_day\_calls -2.557 0.010557 \*   
## total\_day\_charge -1.740 0.081777 .   
## total\_eve\_minutes -2.123 0.033712 \*   
## total\_eve\_charge -3.660 0.000252 \*\*\*  
## total\_night\_minutes -0.159 0.873328   
## total\_night\_charge -0.897 0.369629   
## total\_intl\_minutes 1.116 0.264354   
## total\_intl\_calls 0.464 0.642610   
## number\_customer\_service\_calls 7.940 2.02e-15 \*\*\*  
## total\_day\_charge:number\_customer\_service\_calls -8.699 < 2e-16 \*\*\*  
## total\_day\_charge:total\_eve\_charge 6.480 9.15e-11 \*\*\*  
## voice\_mail\_planyes:total\_day\_charge -4.997 5.81e-07 \*\*\*  
## international\_planyes:total\_intl\_minutes 4.519 6.22e-06 \*\*\*  
## international\_planyes:number\_customer\_service\_calls -2.892 0.003830 \*\*   
## total\_eve\_charge:number\_customer\_service\_calls -2.665 0.007690 \*\*   
## total\_day\_charge:total\_night\_charge 1.232 0.217763   
## international\_planyes:total\_intl\_calls -3.794 0.000148 \*\*\*  
## area\_code415:number\_vmail\_messages -0.757 0.449138   
## area\_code510:number\_vmail\_messages -0.226 0.821271   
## voice\_mail\_planyes:total\_intl\_calls 2.668 0.007622 \*\*   
## total\_intl\_calls:number\_customer\_service\_calls -1.751 0.080009 .   
## total\_day\_calls:total\_eve\_charge 3.195 0.001398 \*\*   
## number\_vmail\_messages:total\_intl\_calls -2.117 0.034279 \*   
## international\_planyes:total\_day\_calls -2.139 0.032436 \*   
## voice\_mail\_planyes:total\_night\_charge -1.641 0.100793   
## total\_night\_minutes:number\_customer\_service\_calls -0.393 0.694555   
## total\_eve\_charge:total\_intl\_calls -1.030 0.302804   
## voice\_mail\_planyes:total\_eve\_charge -1.397 0.162428   
## total\_eve\_charge:total\_night\_minutes 1.448 0.147485   
## total\_day\_charge:total\_intl\_calls 0.944 0.345212   
## area\_code415:total\_day\_minutes -0.050 0.960221   
## area\_code510:total\_day\_minutes -1.571 0.116125   
## international\_planyes:total\_eve\_minutes 5.499 3.81e-08 \*\*\*  
## international\_planyes:total\_day\_minutes -5.375 7.65e-08 \*\*\*  
## international\_planyes:total\_eve\_charge -4.244 2.20e-05 \*\*\*  
## total\_night\_minutes:total\_night\_charge -0.106 0.915957   
## ---  
## Signif. codes: 0 '\*\*\*' 0.001 '\*\*' 0.01 '\*' 0.05 '.' 0.1 ' ' 1  
##   
## (Dispersion parameter for binomial family taken to be 1)  
##   
## Null deviance: 1655.7 on 1999 degrees of freedom  
## Residual deviance: 1013.3 on 1956 degrees of freedom  
## AIC: 1101.3  
##   
## Number of Fisher Scoring iterations: 6

predict\_validation2<-predict(Logistic\_Model2,newdata = validation\_data,type='response')  
  
resultcheck2<-ifelse(predict\_validation2>0.5,1,0)

#### Accuracy check for all logistic regression models

##Logistic method  
error<-mean(resultcheck!=validation\_data$churn)  
accuracy<-1-error  
print(accuracy)

## [1] 0.8514629

#improvised model for logistic regression  
error2<-mean(resultcheck2!=validation\_data$churn)  
accuracy2<-1-error2  
print(accuracy2)

## [1] 0.9017254

Result: Accuracy of the improvised model using the step() function has better performance.

#### Lets make a confusion matrix for the logistic regression performed above (with states column /without states column)

## Logistic Regression  
table(validation\_data$churn, resultcheck > 0.5)

##   
## FALSE TRUE  
## 0 1103 37  
## 1 161 32

#confusion matrix  
resultcheck<- as.factor(resultcheck)  
confusionMatrix(resultcheck,validation\_data$churn)

## Confusion Matrix and Statistics  
##   
## Reference  
## Prediction 0 1  
## 0 1103 161  
## 1 37 32  
##   
## Accuracy : 0.8515   
## 95% CI : (0.8312, 0.8701)  
## No Information Rate : 0.8552   
## P-Value [Acc > NIR] : 0.6684   
##   
## Kappa : 0.1819   
##   
## Mcnemar's Test P-Value : <2e-16   
##   
## Sensitivity : 0.9675   
## Specificity : 0.1658   
## Pos Pred Value : 0.8726   
## Neg Pred Value : 0.4638   
## Prevalence : 0.8552   
## Detection Rate : 0.8275   
## Detection Prevalence : 0.9482   
## Balanced Accuracy : 0.5667   
##   
## 'Positive' Class : 0   
##

##Improvised model  
table(validation\_data$churn, resultcheck2 > 0.5)

##   
## FALSE TRUE  
## 0 1111 29  
## 1 102 91

#confusion matrix  
resultcheck2<- as.factor(resultcheck2)  
confusionMatrix(resultcheck2,validation\_data$churn)

## Confusion Matrix and Statistics  
##   
## Reference  
## Prediction 0 1  
## 0 1111 102  
## 1 29 91  
##   
## Accuracy : 0.9017   
## 95% CI : (0.8845, 0.9172)  
## No Information Rate : 0.8552   
## P-Value [Acc > NIR] : 2.518e-07   
##   
## Kappa : 0.5292   
##   
## Mcnemar's Test P-Value : 3.161e-10   
##   
## Sensitivity : 0.9746   
## Specificity : 0.4715   
## Pos Pred Value : 0.9159   
## Neg Pred Value : 0.7583   
## Prevalence : 0.8552   
## Detection Rate : 0.8335   
## Detection Prevalence : 0.9100   
## Balanced Accuracy : 0.7230   
##   
## 'Positive' Class : 0   
##

#Comparing the logistic models using Anova  
anova(Logistic\_Model,Logistic\_Model2,test="Chisq")

## Analysis of Deviance Table  
##   
## Model 1: churn ~ account\_length + area\_code + international\_plan + voice\_mail\_plan +   
## number\_vmail\_messages + total\_day\_minutes + total\_day\_calls +   
## total\_day\_charge + total\_eve\_minutes + total\_eve\_calls +   
## total\_eve\_charge + total\_night\_minutes + total\_night\_calls +   
## total\_night\_charge + total\_intl\_minutes + total\_intl\_calls +   
## total\_intl\_charge + number\_customer\_service\_calls  
## Model 2: churn ~ account\_length + area\_code + international\_plan + voice\_mail\_plan +   
## number\_vmail\_messages + total\_day\_minutes + total\_day\_calls +   
## total\_day\_charge + total\_eve\_minutes + total\_eve\_charge +   
## total\_night\_minutes + total\_night\_charge + total\_intl\_minutes +   
## total\_intl\_calls + number\_customer\_service\_calls + total\_day\_charge:number\_customer\_service\_calls +   
## total\_day\_charge:total\_eve\_charge + voice\_mail\_plan:total\_day\_charge +   
## international\_plan:total\_intl\_minutes + international\_plan:number\_customer\_service\_calls +   
## total\_eve\_charge:number\_customer\_service\_calls + total\_day\_charge:total\_night\_charge +   
## international\_plan:total\_intl\_calls + area\_code:number\_vmail\_messages +   
## voice\_mail\_plan:total\_intl\_calls + total\_intl\_calls:number\_customer\_service\_calls +   
## total\_day\_calls:total\_eve\_charge + number\_vmail\_messages:total\_intl\_calls +   
## international\_plan:total\_day\_calls + voice\_mail\_plan:total\_night\_charge +   
## total\_night\_minutes:number\_customer\_service\_calls + total\_eve\_charge:total\_intl\_calls +   
## voice\_mail\_plan:total\_eve\_charge + total\_eve\_charge:total\_night\_minutes +   
## total\_day\_charge:total\_intl\_calls + area\_code:total\_day\_minutes +   
## international\_plan:total\_eve\_minutes + international\_plan:total\_day\_minutes +   
## international\_plan:total\_eve\_charge + total\_night\_minutes:total\_night\_charge  
## Resid. Df Resid. Dev Df Deviance Pr(>Chi)   
## 1 1980 1309.1   
## 2 1956 1013.3 24 295.82 < 2.2e-16 \*\*\*  
## ---  
## Signif. codes: 0 '\*\*\*' 0.001 '\*\*' 0.01 '\*' 0.05 '.' 0.1 ' ' 1

As per the targeted approach the company will be trying to identify in advance customers who are likely to churn. The company then targets those customers with special programs or incentives. Therefore Accuracy is the top criteria for the model selection.

Observation:

1. Based on Anova model comparison and Confusion matrix results we can say that the performance has improved significantly by the improvised model.The Accuracy improved by 5 percent. Therefore, we will consider the improvised logistic regression model as the best logistic model with an accuracy of 90%
2. The improved Accuracy is good for the logistic model however , we are getting slightly better accuracy from the decision tree model(Accuracy 91%) when comparing the results.

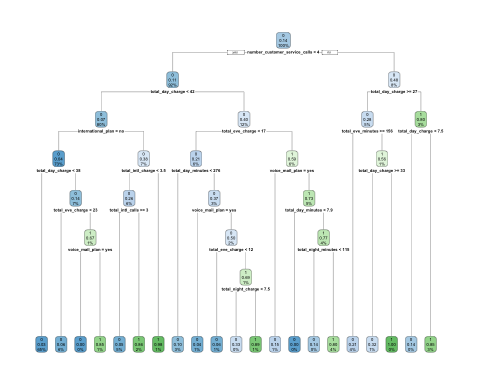
Model Comparison result:-

Therefore, we would like to choose Decision trees as the best model to predict the customers who are likely to churn.

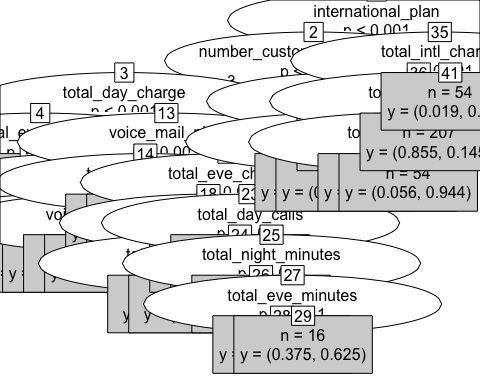
#### Implementing model based on the above result:

#### Decision Tree

#Building the model on the Churn\_train dataset using ctree()  
Model\_ABC\_Wireless <- ctree(Churn\_Train$churn~ ., Churn\_Train[,-1])  
  
#rpart () used on the decision tree  
dcplot<-rpart(Churn\_Train$churn ~.,data=Churn\_Train[,-1],method='class')  
  
#plotting the decision tree using rpart  
rpart.plot(dcplot,extra=106)



# Decision tree plot  
plot(Model\_ABC\_Wireless, type='simple')



# Predicting the Churn results based on the model  
Churn\_Prob <- predict(Model\_ABC\_Wireless, Customers\_To\_Predict)  
  
#Results of pred\_tree  
table(Churn\_Prob) # 0=900, customer not likely to churn ,1=100 ,customer likely to churn

## Churn\_Prob  
## 0 1   
## 922 78

#plotting the prediction results :  
plot(Churn\_Prob,xlab="1= customer likely to churn ,0= customer will not churn" , ylab="Customers",main="Prediction of customers who are likely to churn",col="orange")

