TELECOM CHURN ANALYSIS

INTRODUCTION

Churn analysis is the evaluation of a company's customer loss rate in order to reduce it. Also referred to as customer attrition rate, churn can be minimized by assessing your product and how people use it. Churn analysis helps you identify pain points throughout the entire customer journey. Understanding those pain points then opens up avenues to improve your products, services, and communication.

PROJECT OBJECTIVE

The model can be used to calculate the churn rate and depending on the nature of business, different metrics can be used. Few common metrics are -

1. Number of customers lost.
2. Percent of customers lost.
3. Value of recurring business lost.
4. Percent of recurring value lost.

THEORY

Dataset: https://www.kaggle.com/datasets/blastchar/telco-customer-churn

The data set includes information about:

1. Customers who left – the column is called Churn.
2. Services that each customer has signed up for – phone, multiple lines, internet, online security, online backup, device protection, tech support, and streaming TV and movies.
3. Customer account information – how long they've been a customer, contract, payment method, paperless billing, monthly charges, and total charges.
4. Demographic info about customers – gender, age range, and if they have partners and dependents.

Need of churn analysis:

1. Objectively shows your product's weaknesses (and strengths): Churn analysis often reveals patterns that indicate common motivators for customers to leave you, such as price sensitivity or poor product adoption. It also demonstrates how customers engage with your product throughout its lifecycle. We can use these learnings to maximize what loyal customers already love and improve on what at-risk customers don't.

2. Uncovers opportunities for better communication: Improving customer experience comes with a constant understanding of customer expectations and meeting their needs. Churn analysis reveals trends in customer behavior at every touchpoint. Personalized engagement through the communication channels that your customers prefer is one way to make customers feel valued and appreciated. It's also a great customer retention strategy.

3. Helps you predict and thus reduce future churn: Churn analysis involves analyzing historical customer data to make churn prediction possible. You can also use customer lifetime value (LTV) analysis to understand customers at every lifecycle stage and who’s sticking with your product. That means you can be proactive in your approach and prioritize improving retention when you notice the red flags indicative of churn.

4. Acts as your secret weapon during a crisis: Churn analysis is beneficial at all times, but even more so in a downturn or recession. New customer acquisition cost (CAC) is 5x higher than the cost of retaining existing customers.

CONCLUSION

The ability to predict churn before it happens allows businesses to take proactive actions to keep existing customers from churning. The advantage of calculating a company's churn rate is that it provides clarity on how well the business is retaining customers, which is a reflection on the quality of the service the business is providing, as well as its usefulness