Telco Company Customer Churn Analysis

Goal

This project is aiming to figure out the behaviour of churning customers of the telco company last month, and come up with a model to predict the churning rate, providing possible strategies for further improvement.

Key takeaway

- 1. There were over one-quarter of customers churning last month, and churning customers' behavior can be stated as below:
- · No obvious patterns in gender
- Churning group mainly consists of the young generation, while it is also nonnegligible that almost 42% of senior citizens churned.
- People with no dependency are easier to churn than people with partners or dependents.
- Over 50% of customers are holding month-to-month contracts, and around 43% of them churned last month. Customers with a long contract are more stable.
- Churning customers tend to have higher charges, in both monthly charges and total charges. Services leading to a relatively larger variety
 in charges (difference between with certain service and without certain service > 20 dollars) includes phone services (especially with
 multiple lines), streaming TV, Fiber optic Internet service, and streaming movies.

2. Prediction:

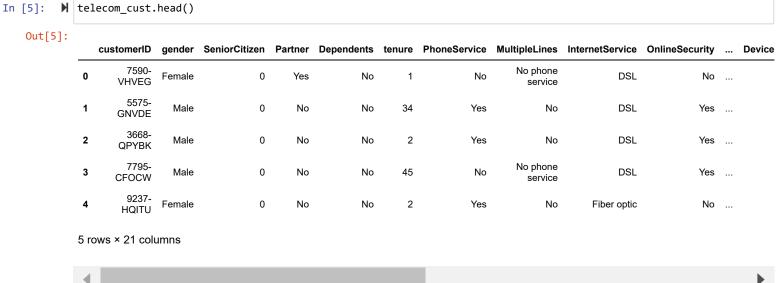
- Both the Logistic regression model and Random forest model have an accuracy of around 80% in predicting customers' retention.
- Most important attributes affecting customer's retention are tenure, month-to-month contract, and total charges, while month-to-month
 contract and total charges negatively affect retention, which implies that a customer holding a month-to-month contract or a customer
 charged a higher price will have a higher odds of churning.
- 3. Recommondation:
- Young generation is taking up 75% of total customers, so earning their loyalty could be the key to decreasing the churning rate.
- Senior citizens and dependent people take up a small proportion of the total customers, and thier churn rates are high, which implies
 current services or plans may not be suitable for them. Hence, some creative services could be provided to attract senior citizens or
 independent customers, considering their needs and customizing flexible services for them.
- · Attracting customers to purchase longer contracts by lowering monthly charges or rewarding them for a long tenure.
- Collecting customers' feedback, regarding not only technology but also customer services and their current plans. Do they pay bills smoothly? Do they satisfy with the current plan? Is the signal stable? Do they get instant help from online help desk?

Limitation

• We can not be sure about the causation for churning, since the churning may be caused by the customer life cycle, which is normal in a reasonable range. There is only very limited data from one month, if data from previous months are available, then we can compare churn rate in previous months with this month to see whether there is a consistent trend in churning in general or within each group, in order to make informed decisions to improve customer retention.

Analysis

1. Cleasing



Check data type:

```
    ★ telecom_cust.dtypes

In [7]:
    Out[7]: customerID
                                  object
            gender
                                  object
            SeniorCitizen
                                   int64
            Partner
                                  object
                                  object
            Dependents
                                   int64
            tenure
                                  object
            PhoneService
                                  object
            MultipleLines
            InternetService
                                  object
            OnlineSecurity
                                  object
            OnlineBackup
                                  object
            DeviceProtection
                                  object
                                  object
            TechSupport
                                  object
            StreamingTV
            StreamingMovies
                                  object
            Contract
                                  object
            PaperlessBilling
                                  object
            PaymentMethod
                                  object
            MonthlyCharges
                                 float64
            TotalCharges
                                  object
            Churn
                                  object
            dtype: object
```

TotalCharges should be a numerical variable

```
In [8]:  M telecom_cust.TotalCharges = pd.to_numeric(telecom_cust.TotalCharges,errors='coerce')
```

Check missing values

```
Out[9]: customerID
                             0
          gender
                             0
          SeniorCitizen
                             0
          Partner
                             0
          Dependents
                             0
          tenure
                             0
          PhoneService
                             0
                             0
          MultipleLines
          InternetService
                             0
          OnlineSecurity
                             0
                             0
          OnlineBackup
          DeviceProtection
          TechSupport
                             0
                             0
          StreamingTV
                             0
          StreamingMovies
                             0
          Contract
          PaperlessBilling
                             0
          PaymentMethod
                             0
          MonthlyCharges
                             0
          TotalCharges
                            11
          Churn
                             0
          dtype: int64
```

There are 14 entries in TotalCharges are empty. We will impute the missing values with mean of the TotalCharges.

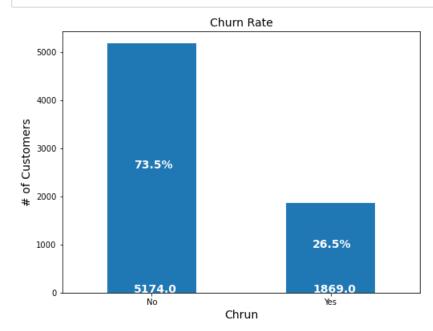
```
imputer = SimpleImputer(missing values = np.nan)
           telecom cust['TotalCharges'] = pd.DataFrame(imputer.fit transform(telecom cust[['TotalCharges']]))
           telecom_cust.isnull().sum()
   Out[10]: customerID
           gender
                             0
           SeniorCitizen
                             0
           Partner
            Dependents
            tenure
           PhoneService
                             0
           MultipleLines
            InternetService
                             0
            OnlineSecurity
                             0
           OnlineBackup
            DeviceProtection
            TechSupport
                             0
           StreamingTV
                             0
           StreamingMovies
                             0
           Contract
                             0
           PaperlessBilling
                             0
            PaymentMethod
                             0
           MonthlyCharges
                             0
            TotalCharges
                             0
           Churn
                             0
           dtype: int64
```

All data are well-prepared for further analysis now.

2. Explortary Data Analysis

2.1 Churn Rate Overview

```
ax = churn_rate.plot(kind = 'bar', stacked = True, rot = 0, figsize = (8,6))
            #ax.yaxis.set_major_formatter(mtick.PercentFormatter())
            ax.set_xlabel('Chrun', size = 14)
            ax.set_ylabel('# of Customers', size = 14)
            ax.set_title('Churn Rate', size = 14)
            totals = []
            for i in ax.patches:
                totals.append(i.get_height())
            total = sum(totals)
            for p in ax.patches:
                width, height = p.get_width(), p.get_height()
                x,y = p.get_xy()
                ax.annotate('{:.1f}%'.format(height/total*100),
                            (x+0.3*width,height*0.5),
                           color = 'white',
                           weight = 'bold',
                           size = 14)
                ax.annotate('{:.1f}'.format(height),
                            (x+0.3*width, y),
                           color = 'white',
                           weight = 'bold',
                           size = 14)
```



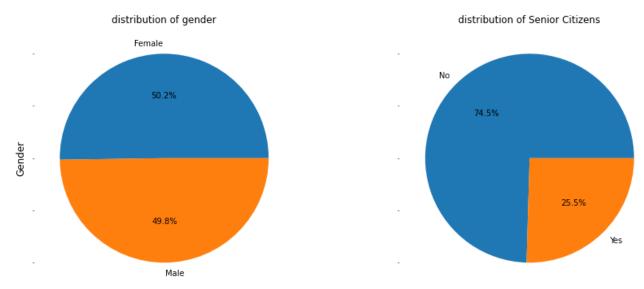
There were 26.5% customer churning in the last month.

2.2 Churning Customer Distribution in Gender and Age

```
In [12]: | Fig,(ax1,ax2) = plt.subplots(nrows=1, ncols=2, sharey=True, figsize= (15,6))
temp = telecom_cust.gender[telecom_cust['Churn'] == 'Yes']
temp.replace(0, 'Female', inplace = True)
temp.replace(1, 'Male', inplace = True)
a_counts = temp.value_counts()
total_num = len(temp)
ax1 = (a_counts*100/total_num).plot.pie(labels=['Female', 'Male'], fontsize = 10,ax = ax1,autopct='%1.1f%%')
ax1.yaxis.set_major_formatter(mtick.PercentFormatter())
ax1.set_ylabel('Gender', fontsize = 12)
ax1.set_title('distribution of gender')

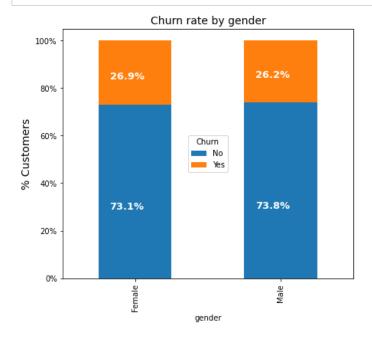
b_counts = telecom_cust.SeniorCitizen[telecom_cust['Churn'] == 'Yes'].value_counts()
ax2 = (b_counts*100/total_num).plot.pie(labels=['No', 'Yes'], fontsize = 10,ax = ax2,autopct='%1.1f%%')
ax2.yaxis.set_major_formatter(mtick.PercentFormatter())
ax2.set_ylabel('Senior Citizens', fontsize = 12)
ax2.set_title('distribution of Senior Citizens')
```

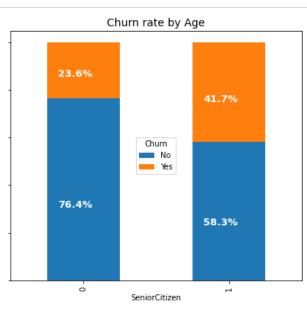
Out[12]: Text(0.5, 1.0, 'distribution of Senior Citizens')



The churning customers are distributed evenly in females and males, and most of them are young generation. However, the distribution may be affected by original consumer features, so the reason for the large proportion of young citizens in churning customers may be that the majority of customers in this telco company are young. In order to look into an accurate and unbiased changing pattern, we need to check the variety of retention within each group.

```
In [13]: ▶
              gender_churn = telecom_cust.groupby(['gender','Churn']).size().unstack()
              SeniorCitizen_churn = telecom_cust.groupby(['SeniorCitizen','Churn']).size().unstack()
              fig,(ax1,ax2) = plt.subplots(nrows=1, ncols=2, sharey=True, figsize= (15,6))
ax= (gender_churn.T/gender_churn.T.sum()*100).T.plot(kind= 'bar',stacked=True,ax=ax1)
              #adjust fig
              ax.yaxis.set_major_formatter(mtick.PercentFormatter())
              ax.legend(loc= 'center',title= 'Churn')
              ax.set_ylabel('% Customers', size= 14)
              ax.set_title('Churn rate by gender', size= 14)
              #add data labels
              for p in ax.patches:
                  width, height=p.get_width(),p.get_height()
                  x,y=p.get_xy()
                  ax.annotate('{:.1f}%'.format(height),
                           (x+0.15*width,y+0.4*height),
                           color= 'white',
                           weight= 'bold',
                           size= 13)
              ax= (SeniorCitizen_churn.T/SeniorCitizen_churn.T.sum()*100).T.plot(kind= 'bar',stacked=True,ax=ax2)
              #adjust fig
              ax.yaxis.set_major_formatter(mtick.PercentFormatter())
              ax.legend(loc= 'center',title= 'Churn')
              ax.set_ylabel('% Customers', size= 14)
              ax.set_title('Churn rate by Age', size= 14)
              #add data labels
              for p in ax.patches:
                  width, height=p.get_width(),p.get_height()
                  x,y=p.get_xy()
                  ax.annotate('{:.1f}%'.format(height),
                           (x+0.15*width,y+0.4*height),
                           color= 'white',
                           weight= 'bold',
                           size= 13)
```

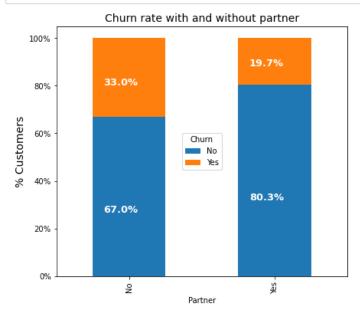


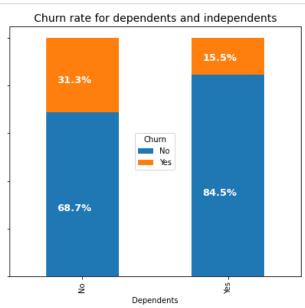


Although the young generation takes up a large proportion of churning customers, there were 41.7% senior citizens churning last month, which is way more than the churning percentage among young citizens (23.6%).

2.3 Churn rate by dependency

```
In [14]: | partner_churn = telecom_cust.groupby(['Partner', 'Churn']).size().unstack()
             dependent churn = telecom cust.groupby(['Dependents','Churn']).size().unstack()
             fig,(ax1,ax2) = plt.subplots(nrows=1, ncols=2, sharey=True, figsize= (15,6))
             ax= (partner_churn.T/partner_churn.T.sum()*100).T.plot(kind= 'bar',stacked=True,ax=ax1)
             #adjust fig
             ax.yaxis.set_major_formatter(mtick.PercentFormatter())
             ax.legend(loc= 'center',title= 'Churn')
             ax.set_ylabel('% Customers', size= 14)
             ax.set_title('Churn rate with and without partner', size= 14)
             #add data labels
             for p in ax.patches:
                 width, height=p.get_width(),p.get_height()
                 x,y=p.get_xy()
                 ax.annotate('{:.1f}%'.format(height),
                         (x+0.15*width, y+0.4*height),
                         color= 'white',
                         weight= 'bold',
                         size= 13)
             ax= (dependent_churn.T/dependent_churn.T.sum()*100).T.plot(kind= 'bar',stacked=True,ax=ax2)
             #adjust fig
             ax.yaxis.set_major_formatter(mtick.PercentFormatter())
             ax.legend(loc= 'center',title= 'Churn')
             ax.set_ylabel('% Customers', size= 14)
             ax.set_title('Churn rate for dependents and independents', size= 14)
             #add data labels
             for p in ax.patches:
                 width, height=p.get_width(),p.get_height()
                 x,y=p.get_xy()
                 ax.annotate('{:.1f}%'.format(height),
                         (x+0.15*width, y+0.4*height),
                         color= 'white',
                         weight= 'bold',
                         size= 13)
```





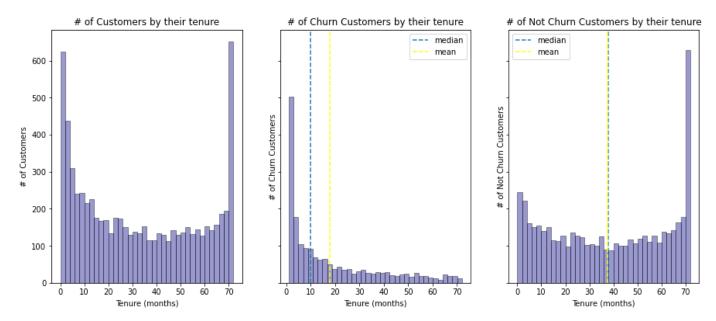
Customers who have no partner or who are independents are easier to churn.

```
In [15]:
          ₦ fig,(ax1,ax2,ax3) = plt.subplots(nrows = 1, ncols=3, sharey=True, figsize = (15,6))
             ax = sns.distplot(telecom_cust['tenure'], hist=True, kde = False,
              bins = 36,
              color= 'darkblue',hist_kws={'edgecolor':'black'},
              kde_kws={'linewidth':4},
              ax = ax1)
             ax.set_ylabel('# of Customers')
             ax.set_xlabel('Tenure (months)')
             ax.set_title('# of Customers by their tenure')
             x = telecom cust.tenure[telecom cust['Churn'] == 'Yes']
             ax = sns.distplot(x,hist=True, kde = False,
              bins = 36,
              color= 'darkblue',hist_kws={'edgecolor':'black'},
              kde_kws={'linewidth':4},
              ax = ax2
             ax.set_ylabel('# of Churn Customers')
             ax.set_xlabel('Tenure (months)')
             ax.set_title('# of Churn Customers by their tenure')
             ax.axvline(x.median(),linestyle = '--')
             ax.axvline(x.mean(),linestyle = '--',color = 'yellow')
             ax.legend(['median','mean'],loc = 'upper right')
             x = telecom_cust.tenure[telecom_cust['Churn'] == 'No']
             ax = sns.distplot(x,hist=True, kde = False,
              bins = 36,
              color= 'darkblue',hist_kws={'edgecolor':'black'},
              kde_kws={'linewidth':4},
              ax = ax3
             ax.axvline(x.median(),linestyle = '--')
             ax.axvline(x.mean(),linestyle = '--',color = 'yellow')
             ax.legend(['median','mean'],loc = 'upper left')
             ax.set_ylabel('# of Not Churn Customers')
             ax.set_xlabel('Tenure (months)')
             ax.set title('# of Not Churn Customers by their tenure')
```

C:\Users\huxia\anaconda3\lib\site-packages\seaborn\distributions.py:2551: FutureWarning: `distplot` is a depreca ted function and will be removed in a future version. Please adapt your code to use either `displot` (a figure-l evel function with similar flexibility) or `histplot` (an axes-level function for histograms).

warnings.warn(msg, FutureWarning)

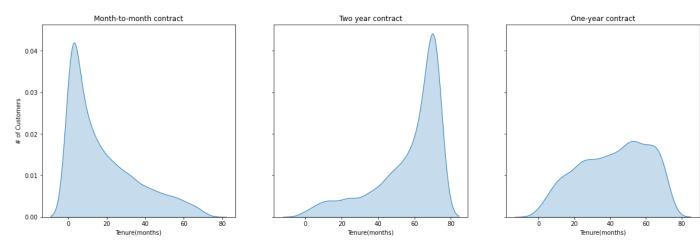
Out[15]: Text(0.5, 1.0, '# of Not Churn Customers by their tenure')



- · Churning customers tend to have shorter tenure, and the medium tenure for churning customers is less than 20 months.
- Retention customers have much more even distribution in tenure between zero to sixties months, while many people have 72 months
 tenure. The medium tenure for retention customers is around 40 months, which is twice more than churning customers'.

```
fig,(ax1,ax2,ax3) = plt.subplots(nrows = 1, ncols=3, sharey=True, figsize = (20,6))
             #plot 1 conditional subset's count: telecom cust[telecom cust['Contract']=='Month-to-month']
             ax = sns.kdeplot(telecom_cust[telecom_cust['Contract']=='Month-to-month']['tenure'],
             shade=True,
             ax=ax1)
             ax.set_ylabel('# of Customers')
             ax.set_xlabel('Tenure(months)')
             ax.set_title('Month-to-month contract')
             ax = sns.kdeplot(telecom_cust[telecom_cust['Contract']=='Two year']['tenure'],
             shade = True,
             ax=ax2)
             ax.set_ylabel('# of Customers')
             ax.set_xlabel('Tenure(months)')
             ax.set_title('Two year contract')
             ax = sns.kdeplot(telecom_cust[telecom_cust['Contract']=='One year']['tenure'],
             shade = True,
             ax=ax3)
             ax.set_ylabel('# of Customers')
             ax.set_xlabel('Tenure(months)')
             ax.set_title('One-year contract')
```

Out[16]: Text(0.5, 1.0, 'One-year contract')

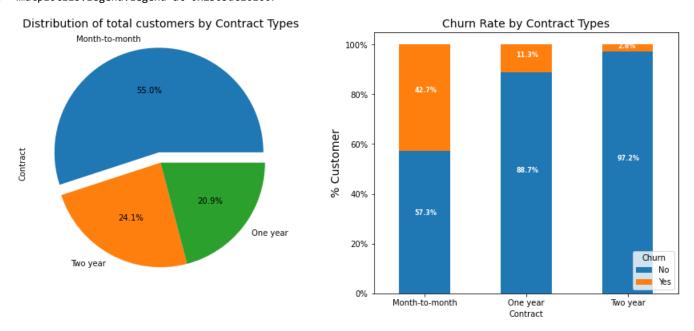


- People with Month-to-Month contracts tend to churn with less than 1-year tenure
- People with Two-year contracts tend to churn after 3-year tenure
- · People with One-year contracts have an even distribution of tenure, and the medium is around 40 months.

2.6 Churn Rate by Contract Type

```
In [17]: | fig,(ax1,ax2) = plt.subplots(nrows=1, ncols=2, sharey=False, figsize= (15,6))
             counts = telecom_cust['Contract'].value_counts()
             ax1 = (counts*100/total_num).plot.pie(ax = ax1,autopct='%1.1f%%',explode=(0.1, 0, 0))
             ax1.yaxis.set_major_formatter(mtick.PercentFormatter())
             ax1.set_title('Distribution of total customers by Contract Types',size = 14)
             df1 = telecom_cust.groupby(['Churn','Contract']).size().unstack()
             df2 = df1/df1.sum()*100
             ax2 = df2.T.plot(kind = 'bar', stacked = True, rot = 0, ax = ax2)
             ax2.yaxis.set_major_formatter(mtick.PercentFormatter())
             ax2.set_ylabel('% Customer', size = 14)
             ax2.set_title('Churn Rate by Contract Types', size = 14)
             for p in ax2.patches:
                  width, height = p.get_width(),p.get_height()
                  x,y = p.get_xy()
                  ax2.annotate('{:.1f}%'.format(height),
                  (x+0.3*width,y+0.55*height),
                  color = 'white',
                  weight = 'bold',
                  size = 8)
             ax2.legend(loc = 'lower right',title = 'Churn')
```

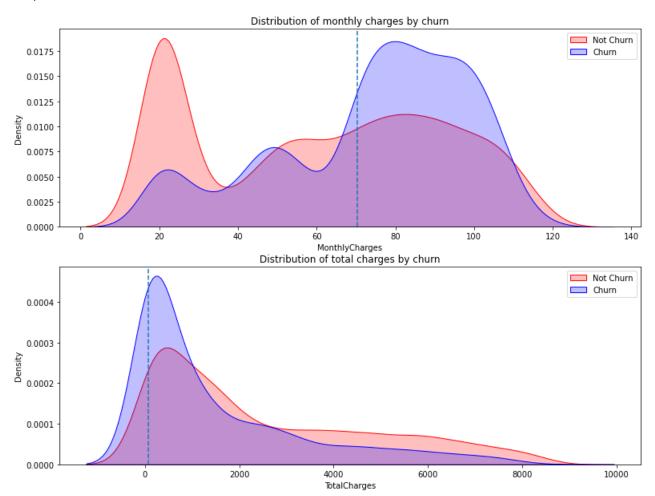
Out[17]: <matplotlib.legend.Legend at 0x2305dc16160>



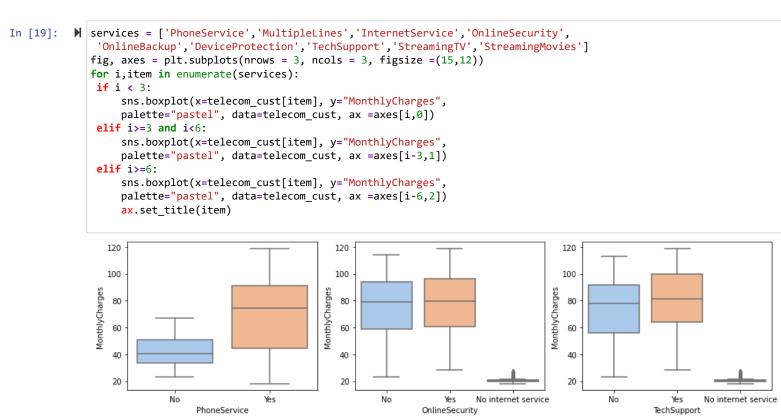
Short-term contract customers take up 55% of total customers, but almost half of Month-to-Month contract customers churned last month, while long-term contract customers are relatively more stable. There were 11.3% churning in one-year contract customers and 2.8% churning in two-year contract customers.

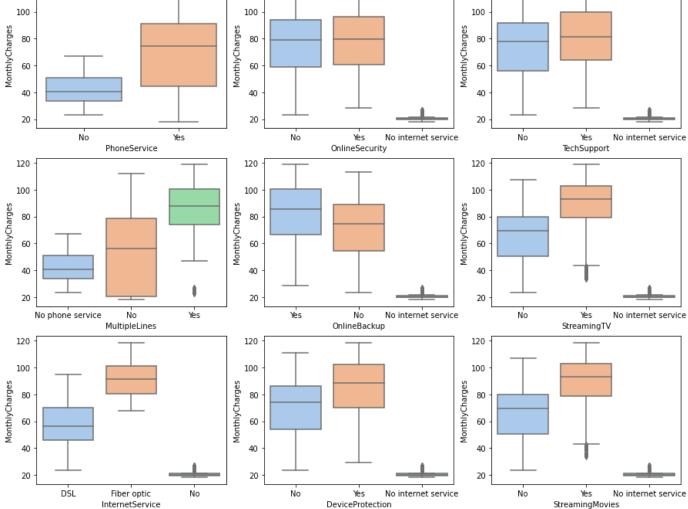
2.7 Density of Mothly Charges by Churning and Not Churning Customers

Out[18]: <matplotlib.lines.Line2D at 0x2305de8b130>



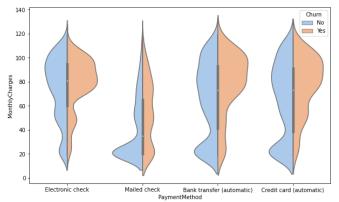
Churing customers tend to have higher charges, in both monthly charges and total charges.

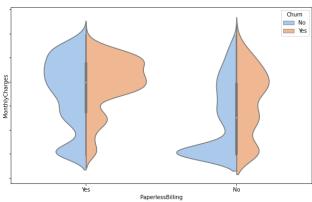




Seviece leading to relative large variaty in charges includes: pnhone services (espectially with multiple lines), streaming TV, Fiber optic Internet service and streaming movies.

2.9 Churn Rate by Payment method





Churing customers tend to pay larger amount of charges through electronic check, bank transfer or creadit card, and prefer paperless billing.

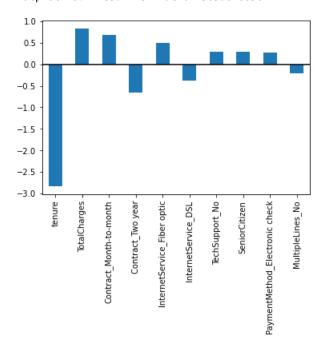
Prediction

1. Logistic Regression

```
In [21]:
          ▶ #get dummy variable
             df = telecom_cust.iloc[:,1:]
             df['Churn'].replace(to_replace = 'Yes', value = 1, inplace = True)
             df['Churn'].replace(to_replace = 'No', value = 0, inplace = True)
             df_dummies = pd.get_dummies(df)
             y = df_dummies['Churn'].values
             x = df_dummies.drop(columns=['Churn'])
             #scale all the variables to arange of 0 to 1
             from sklearn.preprocessing import MinMaxScaler
             features = x.columns.values #get columns name
             scaler = MinMaxScaler(feature_range= (0,1)) #fit a scaler
             scaler.fit(x)
             \#transform x through the scaler and reset the dataframe
             x = pd.DataFrame(scaler.transform(x))
             #set dataframe's column name
             x.columns = features
```

```
In [25]: #weight of all the variable
weights = pd.Series(model.coef_[0],index=x.columns.values) #coef is [[]], need to take [0]
ax = weights.sort_values(ascending = False,key=abs)[:10].plot(kind = 'bar')#print varabiles with largest weights
ax.axhline(0,color = 'black')
```

Out[25]: <matplotlib.lines.Line2D at 0x2305d870b50>



Most important attributes affecting customer's retention are tenure, month-to-month contract and total charges, while month-to-month contract and total charges are giving negative impacts.

2. Random Forest

```
Fitting 3 folds for each of 10 candidates, totalling 30 fits
             [Parallel(n_jobs=-1)]: Using backend LokyBackend with 8 concurrent workers.
             [Parallel(n_jobs=-1)]: Done 30 out of 30 | elapsed:
                                                                     39.2s finished
   Out[28]: RandomizedSearchCV(cv=3, estimator=RandomForestClassifier(), n jobs=-1,
                                param_distributions={'max_features': ['auto', 'sqrt'],
                                                      'max_leaf_nodes': [10, 64, 118, 173,
                                                                         227, 282, 336, 391,
                                                                         445, 500],
                                                      'n_estimators': [500, 666, 833, 1000,
                                                                       1166, 1333, 1500, 1666,
                                                                       1833, 2000],
                                                      'oob_score': [True, False]},
                                verbose=2)
In [29]:
         Out[29]: {'oob_score': True,
              'n estimators': 2000,
              'max_leaf_nodes': 64,
              'max_features': 'sqrt'}
In [30]:
          model_rf_rscv = RandomForestClassifier(n_estimators=1166,
              oob_score= True,
              n_jobs=-1,
              random_state = 123,
              max_features='sqrt',
             max_leaf_nodes=64)
             #fit
             model_rf_rscv.fit(x_train,y_train)
             #predict
             prediction_test_rscv = model_rf_rscv.predict(x_test)
             #compare and get accuracy
             metrics.accuracy_score(y_test,prediction_test_rscv)
   Out[30]: 0.791292001893043
In [31]: | importances = model_rf_rscv.feature_importances_
             weights = pd.Series(importances,index = x.columns.values)
             weights.sort_values(ascending = True)[-10:].plot(kind = 'barh')
   Out[31]: <AxesSubplot:>
                                tenure
                   Contract Month-to-month
                            TotalCharges
                          TechSupport_No
                  InternetService_Fiber optic
                          MonthlyCharges
                        OnlineSecurity_No
              PaymentMethod_Electronic check
                        Contract_Two year
                         OnlineBackup_No
                                   0.00
                                          0.02
                                                0.04
                                                      0.06
                                                            0.08
                                                                  0.10
                                                                        0.12
                                                                              0.14
```

Most important attributes affecting customer's retention are tenure, month-to-month contract and total charges.