



Churn Prediction – Short Analysis

The Random Forest classification model performed well, achieving around 85% accuracy on the test set. This means it correctly predicted whether a customer would churn in most cases. However, it performed slightly better at identifying customers who would not churn compared to those who would.

The model produced some errors:

False positives: Customers predicted to churn but they didn't.

False negatives: Customers who actually churned but were predicted to stay.

While both types of errors are important, false negatives are more critical in this case, as they represent missed chances to retain real customers who are at risk of leaving.

Importance

The features that had the most influence in predicting churn included:

Recency – how recently the customer made a purchase

Income

Spending habits, especially on wine and other products

Number of accepted deals or campaigns

These features gave the model strong signals about customer engagement and loyalty.

ROC Curve and AUC

To better understand how well the model separates churners from non-churners, we plotted a ROC (Receiver Operating Characteristic) curve. This curve shows the balance between the true positive rate and the false positive rate at different threshold levels.

The AUC (Area Under the Curve) score was around 0.84, which indicates a strong ability to distinguish between the two classes (churn vs. no churn).

A perfect model would have an AUC of 1.0, and a random guess would score 0.5 — so 0.87 shows the model is performing well.

The ROC curve helped confirm that the model is reliable, even if there's still room for improvement, especially in catching more of the actual churners.

