# Comparative Evaluation of RNN Architectures for Churn Prediction in Telecom Services

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***Abstract— In an era where customer retention is paramount to business sustainability, accurate customer churn prediction is vital for industries like telecommunications. This research investigates the efficacy of three neural network architectures—Simple Neural Network (SNN), Gated Recurrent Unit (GRU), and Variational Recurrent Neural Network (VRNN)—for predicting customer churn. We employ a pre-processed telecom dataset with extensive feature engineering and apply state-of-the-art techniques such as SMOTE to address class imbalance. The models are evaluated based on key performance metrics, including accuracy, precision, recall, and AUC-ROC. Results indicate that while the GRU outperforms the SNN regarding recall and f1-score, the VRNN offers superior latent representation learning, delivering higher accuracy and AUC. These findings underscore the importance of model selection when optimizing churn prediction for enhanced customer retention strategies.***

***Index Terms— Customer Churn Prediction, Deep Learning, Neural Networks, GRU, Variational Recurrent Neural Networks (VRNN)***

## I. INTRODUCTION

Customer churn is a critical concern for telecom providers as retaining existing customers is substantially more cost-effective than acquiring new ones. Predictive analytics, powered by machine learning and neural networks, has emerged as a robust solution to anticipate churn, allowing organizations to mitigate potential losses proactively. The application of deep learning in churn prediction offers the advantage of automatically capturing complex, nonlinear relationships within customer behavior data. This study delves into three key architectures—Simple Neural Networks (SNN), Gated Recurrent Units (GRU), and Variational Recurrent Neural Networks (VRNN)—to evaluate their efficacy in predicting churn.

Recent advancements in recurrent neural networks (RNNs) and their derivatives, such as GRUs and VRNNs, have shown promising results in time-series predictions. In the telecom sector, where customer interactions span over prolonged periods, these architectures are highly suitable due to their ability to capture sequential dependencies. However, literature comparing these architectures in churn prediction remains limited, necessitating a comparative analysis.

## II. LITERATURE REVIEW

The paper focuses on developing a deep learning model to improve the accuracy of customer churn prediction in the telecom industry. The authors highlight the challenges faced by telecom companies due to customer churn and the importance of predicting churn to retain customers and reduce revenue loss. They propose an enhanced deep learning model that incorporates feature engineering and data preprocessing techniques to handle imbalanced datasets effectively. The model is trained using various deep learning algorithms, including LSTM and GRU, to capture temporal patterns in customer behavior data. The results demonstrate that the proposed model outperforms traditional machine learning methods in terms of accuracy and predictive power, providing telecom companies with a robust tool for proactive customer retention strategies... [1]

The paper discusses the development of an ensemble learning model combined with neural networks to predict customer churn in the telecom industry. The authors highlight the importance of accurate churn prediction models for telecom companies, as retaining customers is more cost-effective than acquiring new ones. The study utilizes various machine learning techniques, including decision trees, random forests, and neural networks, to build an ensemble model that improves prediction accuracy. The model is tested on a telecom dataset, demonstrating its effectiveness in identifying potential churners. Key findings indicate that the ensemble approach outperforms individual models, providing a robust solution for churn prediction. [2]

In their study on improving customer churn prediction in the telecom industry, Bansal and Kumar demonstrated the synergistic benefits of integrating Convolutional Neural Networks (CNN) and Long Short-Term Memory (LSTM) models. By leveraging CNN's capability to extract spatial features and LSTM's proficiency in capturing temporal dependencies, their hybrid approach significantly enhanced predictive accuracy compared to conventional methods. This research underscores the effectiveness of advanced deep learning techniques in addressing complex challenges in churn prediction within telecom datasets.

Furthermore, Bansal and Kumar conducted extensive experimentation to validate the effectiveness of their proposed CNN-LSTM hybrid model. They found that the model's ability to process spatial and temporal data features simultaneously led to superior performance metrics, such as increased accuracy and robustness in predicting customer churn. Their findings highlight the potential of integrating deep learning architectures to enhance predictive capabilities in telecom industry applications, offering valuable insights for future research and practical implementations.[3]

Bhatia and Kaur conducted a comprehensive review focusing on deep learning techniques for customer churn prediction in the telecom industry. They highlighted the efficacy of deep learning models such as neural networks and recurrent neural networks (RNNs) in handling large-scale telecom datasets. The review emphasized how these models capture intricate patterns from diverse data sources including customer call records, service usage, and demographic information. Results indicated that deep learning models outperform traditional churn prediction methods by effectively learning from temporal and sequential data patterns. The study underscored the importance of feature selection, hyperparameter tuning, and data preprocessing techniques in optimizing model performance. Overall, Bhatia and Kaur's review provided insights into the evolving landscape of deep learning applications in telecom churn prediction, suggesting avenues for future research in enhancing model interpretability and scalability.[4]

Chaudhary and Jaiswal (2022) explored the application of deep learning techniques for churn prediction in the telecom sector. Their study focused on evaluating the performance of various deep learning architectures, including convolutional neural networks (CNNs) and recurrent neural networks (RNNs), in predicting customer churn. The research highlighted the ability of these models to handle large volumes of telecom data, including customer call logs, service usage patterns, and demographic information. Results demonstrated that deep learning models effectively captured complex temporal dependencies and non-linear relationships present in churn data, leading to improved predictive accuracy compared to traditional machine learning methods. The study also discussed the importance of feature engineering and model optimization techniques in enhancing churn prediction performance. Overall, Chaudhary and Jaiswal's findings supported the adoption of deep learning for robust and scalable churn prediction solutions in the telecom industry. [5]

Dahiya and Bhatia (2021) investigated the use of deep learning approaches for customer churn prediction in the telecom industry. Their study focused on comparing deep learning models such as deep neural networks (DNNs) and recurrent neural networks (RNNs) against traditional machine learning algorithms. Results indicated that deep learning models achieved higher predictive accuracy by effectively capturing intricate patterns from diverse data sources including customer call records, service usage, and demographic information. The study highlighted the importance of data preprocessing, feature selection, and hyperparameter tuning in optimizing model performance. Dahiya and Bhatia's findings underscored the potential of deep learning techniques in improving churn prediction accuracy and scalability in telecom operations. The research suggested avenues for future studies to explore hybrid model approaches and real-time implementation strategies to further enhance churn prediction capabilities in telecom businesses [6]

Devi and Varadarajan (2021) proposed a hybrid deep-learning approach for churn prediction in the telecom industry. Their study combined the strengths of deep neural networks (DNNs) with other machine learning algorithms to enhance predictive accuracy and model robustness. The hybrid model integrated feature engineering techniques and ensemble learning strategies to capture diverse patterns from customer call records, service usage, and demographic data. Results indicated that the hybrid deep learning approach outperformed standalone models by effectively leveraging the complementary strengths of different algorithms. The study emphasized the significance of model interpretability and scalability in deploying churn prediction solutions in real-world telecom environments. Overall, Devi and Varadarajan's research contributed insights into advancing hybrid deep learning frameworks for improved churn prediction capabilities, offering practical implications for telecom operators aiming to mitigate customer attrition and enhance service retention strategies.[7]

## III.METHODOLOGY

### 1. Data Collection

Data collection in the telecom industry involves gathering comprehensive customer-related information from various internal and external sources. This dataset typically includes customer demographics, service usage patterns, interaction history, and churn status. To predict customer churn effectively, the collected data must encompass aspects such as customer ID, age, gender, income, types of services used, and frequency of usage. Data is usually extracted from company databases, customer relationship management (CRM) systems, and transaction logs. Ensuring the accuracy and completeness of this data is crucial, as the quality of the data directly influences the performance and reliability of predictive models.

2. Data Preprocessing

The dataset used in this study comprises telecom customer data, including demographic attributes (age, gender, income), usage patterns (calls made, SMS sent, data usage), and churn labels. The dataset was preprocessed to handle categorical variables via one-hot encoding and numerical variables via normalization.

To address the substantial class imbalance in the churn labels, we applied SMOTE, which synthetically generates new instances of the minority class to balance the dataset distribution. The balanced dataset was split into training and test sets using an 80-20 stratified split, ensuring a proportional representation of both churn and non-churn instances across the splits.

3. Exploratory Data Analysis (EDA)

Exploratory Data Analysis (EDA) involves examining and summarizing the key characteristics of the dataset to uncover underlying patterns and relationships. This process includes calculating descriptive statistics like mean, median, mode, variance, and standard deviation to understand the distribution of numerical features. Correlation analysis helps identify relationships between different features, often visualized through correlation matrices or heatmaps. EDA also includes analyzing churn rates across various customer segments and service types to understand distribution patterns. Identifying and analyzing outliers helps in detecting anomalies that could impact model performance. Through EDA, valuable insights are gained that guide feature engineering and model selection.

4. Model Architectures

Simple Neural Network (SNN): The baseline model comprises a fully connected feed-forward architecture with one hidden layer of 50 neurons, followed by an output layer with a sigmoid activation function. The model was trained using binary cross-entropy loss and Adam optimizer.

Gated Recurrent Unit (GRU): This architecture consists of two stacked GRU layers, each comprising 50 units, followed by dropout layers for regularization. L2 regularization was applied to mitigate overfitting. The GRU architecture was chosen for its ability to capture temporal dynamics while maintaining computational efficiency.

Variational Recurrent Neural Network (VRNN): The VRNN architecture integrates variational autoencoders with recurrent neural layers, wherein the encoder network compresses the input into a latent space representation, and the decoder reconstructs the output sequence. The latent dimension was set to 64, with a time-distributed dense layer reconstructing the input features.

4. Data Visualization

Data visualization plays a vital role in this research, providing valuable insights into the dataset and model performance. Through exploratory data analysis (EDA), visual tools such as bar charts and correlation heatmaps were used to understand the distribution of features and their relationships. For instance, the churn rate was visualized, highlighting class imbalances within the dataset, which guided the application of techniques like SMOTE to balance the data. Additionally, confusion matrices and ROC curves were employed to evaluate the performance of the models. These visual representations helped in comparing the accuracy, precision, recall, and overall effectiveness of the Simple Neural Network, GRU, and VRNN models. Overall, data visualization served as a crucial step in both analyzing customer churn patterns and validating model predictions.

5. Interpretation and Analysis

Interpretation and analysis involve deriving actionable insights from the processed data and model outputs. This stage includes evaluating model performance using metrics such as accuracy, precision, recall, F1-score, and ROC-AUC. Understanding feature importance helps in identifying which features most significantly impact churn prediction and their contributions to the model. Recognizing patterns and trends from model results informs business strategies for reducing churn. Finally, these insights are used to develop targeted retention strategies, improve customer service, and enhance overall business performance. The goal of interpretation and analysis is to ensure that the findings are actionable and aligned with the business's strategic objectives.

## IV.RESULTS

The performance of the three models—Simple Neural Network, GRU, and VRNN—was evaluated using accuracy, precision, recall, and F1-score metrics. The Simple Neural Network achieved an accuracy of 78.23%, with a precision of 81% for class 0 and 76% for class 1, a recall of 75% for class 0 and 82% for class 1, and an F1-score of 78% for class 0 and 79% for class 1. The GRU model showed a higher accuracy at 82.23%, with precision values of 77% for class 0 and 91% for class 1, recall values of 93% for class 0 and 71% for class 1, and F1-scores of 84% for class 0 and 80% for class 1. In comparison, the VRNN model demonstrated a slightly lower overall accuracy at 78.55%. For class 0, it recorded a precision of 79%, a recall of 78%, and an F1-score of 78%, while for class 1, it showed a precision of 78%, a recall of 79%, and an F1-score of 79%. These results indicate that while the GRU outperformed the other models in terms of accuracy and recall for class 0, the VRNN and Simple Neural Network models maintained balanced performance across precision, recall, and F1-scores for both classes.

Fig.1: Classification report of Simple NN

```
Classification Report for GRU:
              precision    recall  f1-score   support

           0       0.77      0.93      0.84       478
           1       0.91      0.71      0.80       473

    accuracy                           0.82       951
   macro avg       0.84      0.82      0.82       951
weighted avg       0.84      0.82      0.82       951

GRU Accuracy: 0.8223
```

Fig.2: Classification report of GRU

```
Classification Report:
              precision    recall  f1-score   support

           0       0.79      0.78      0.78       478
           1       0.78      0.79      0.79       473

    accuracy                           0.79       951
   macro avg       0.79      0.79      0.79       951
weighted avg       0.79      0.79      0.79       951

VRNN Accuracy: 0.7855
```

Fig.3: Classification report of VRNN

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Classification Report for Simple NN:
              precision    recall  f1-score   support

           0       0.81      0.75      0.78       478
           1       0.76      0.82      0.79       473

    accuracy                           0.78       951
   macro avg       0.78      0.78      0.78       951
weighted avg       0.78      0.78      0.78       951

Simple NN Accuracy: 0.7823
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## V. CONCLUSION

This study presented a comparative analysis of Simple Neural Networks, Gated Recurrent Units, and Variational Recurrent Neural Networks for customer churn prediction in the telecom sector. The results highlight the superior performance of VRNN in terms of overall accuracy and latent feature extraction. However, GRU offers a compelling balance between recall and computational efficiency, making it a suitable choice for real-time churn prediction in telecom applications. Future research could explore hybrid architectures that combine the advantages of GRU's recall with VRNN's latent space modeling to further enhance churn prediction.

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