Dynamic Churn Prediction – Know Your Customer Through Customer Behaviour

A. Amulya[1], Afifa Butool[2], Sedmaki Aishwarya[3]
[1]*Professor, Mahatma Gandhi Institute of Technology*
[2,3]*UG Student, Mahatma Gandhi Institute of Technology*

Abstract - **In today's competitive landscape, customers prioritize high-quality services, compelling organizations to focus on technologically advanced solutions to meet customer expectations. Amid this growing competition, effective customer relationship management (CRM) systems have become essential for organizations to attract new customers, strengthen existing relationships, and enhance customer retention. This, in turn, contributes to business profitability and sustainability. Leveraging machine learning models such as Artificial Neural Networks (ANN), Support Vector Machines and Random Forest Classifier techniques offers significant potential in understanding and predicting customer behavior. These advanced models enable organizations to identify churn risks, make data-driven decisions, and develop proactive strategies to improve customer satisfaction and loyalty. By integrating ANN and SVM, businesses can gain deeper insights into customer behavior, ensuring transparency and fostering trust, ultimately leading to improved retention and sustained growth.**

Keywords: **Churn analysis, Data Processing, Artificial Neural Networks, machine learning, deep learning, Support Vector Machines, Random Forest, KNN, XG Boost, SHAP, Explainable AI, CRM.**

I. INTRODUCTION

In the competitive business landscape, understanding customer behavior and addressing their needs has become a cornerstone for organizational success. Customers today demand high-quality services and personalized experiences, pushing organizations to innovate and adopt advanced technologies to stay ahead. As a result, Customer Relationship Management (CRM) systems have emerged as indispensable tools for managing customer interactions, improving retention rates, and driving business growth. However, traditional CRM systems often fall short in predicting customer churn is a critical factor impacting profitability and long-term sustainability. This project, titled Dynamic Churn Prediction - Predict Your Customer Through Customer Behavior, leverages state-of-the-art machine learning techniques to address this challenge. By integrating Artificial Neural Networks (ANN), Support Vector Machines and Random Forest Classifier the project aims to create a robust, transparent framework for identifying customers at risk of churn. ANN provides the computational power to analyze complex behavioral patterns, while XAI offers interpretability, enabling businesses to understand the underlying factors influencing customer decisions.

A. Problem Statement.

In an increasingly competitive market, retaining customers has become a significant challenge for businesses striving to maintain profitability and sustainability. Despite advancements in Customer Relationship Management (CRM) systems, many organizations struggle to effectively analyze customer behavior and identify churn risks. Traditional methods lack the precision and transparency required to make informed, proactive decisions. The absence of reliable, explainable models hinders businesses from understanding customer needs and improving loyalty. This project addresses the need for an innovative solution by utilizing Artificial Neural Networks (ANN), Support Vector Machines and Random Forest Classifier to predict customer churn, foster trust, and enhance retention strategies.

B. Existing System

Traditional models like logistic regression and decision trees are widely used for customer churn analysis due to their simplicity and interpretability. Logistic regression predicts binary outcomes by mapping probabilities using a logistic function, making it a common choice for churn prediction. Decision trees, on the other hand, employ a flowchart-like structure to model decisions based on specific features, with final predictions represented at the leaf nodes. While these models are effective for straightforward tasks, they face limitations when dealing with complex, non-linear, or large-scale customer data. Their inability to effectively capture intricate feature interactions reduces their predictive power in scenarios where understanding variable relationships is critical. Furthermore, traditional models often struggle with overfitting, learning the noise and outliers in training data too well, which hampers their ability to generalize to unseen data. Random forests, an ensemble approach of multiple decision trees, mitigate some of these issues by improving accuracy and reducing overfitting through aggregated predictions. However, the inherent challenges of data complexity and limited feature interactions remain significant drawbacks for traditional models in accurately predicting customer churn.

II. PROPOSED SYSTEM

A. Architecture of Proposed System.

The proposed system focuses on developing a robust churn prediction model by integrating Artificial Neural Networks (ANN), Support Vector Machines and Random Forest Classifier. This system aims to analyze customer behavior patterns to accurately identify potential churn risks. By leveraging ANN, the model achieves high prediction accuracy. Organizations can utilize this system to make informed, data-driven strategies, enabling proactive measures to enhance customer retention and satisfaction. The system is designed to foster trust through transparency, ultimately driving business growth and maintaining competitive advantage in a rapidly evolving market.

B. Advantages of Proposed System.

- *Enhanced Prediction Accuracy*
- *Interpretability and Transparency*
- *Data-Driven Decision Making*
- *Proactive Customer Retention*
- *Competitive Edge*

III. LITERATURE SURVEY

This research investigates the Supply chain evolution over diverse industries and forecasts a telecom churn using a publicly available dataset, our study offers a thorough technique for assessing and projecting customer attrition The procedure includes applying different machine learning models to predict customer turnover, meticulously pre-processing the data, and conducting exploratory data analysis (EDA)through informative statistics and graphics, Exploratory Data Analysis revealed important elements like rival offerings and the kind of internet service, delivering insightful information about what causes churn. The study then used various machine learning models, such as Decision Tree, Random Forest, K-Neighbours, and XG Boost classifiers. With an accuracy of 98.25 percent, Random Forest beat the Decision Tree model, which had 98.02 percent accuracy. These models are tested using accuracy, precision, recall, F1-score, and AUC-ROC. This approach emphasizes how important predictive analytics is to comprehend the dynamics of customer turnover and lays the groundwork for tactical interventions meant to improve customer happiness and retention in the telecom industry [1].

Customer churn prediction is a key challenge for businesses aiming to retain customers and optimize revenue. This paper presents a comparative analysis of several machine learning algorithms for predicting customer churn across various industries. We evaluate Logistic Regression (LR), Random Forest (RF), Support Vector Machines (SVM), Gradient Boosting Machines (GBM), and K-Nearest Neighbors (KNN) on a real-world customer dataset, focusing on performance metrics such as accuracy, precision, recall, F1-score, and AUC-ROC. We also explore various feature engineering techniques, including customer demographic data, transaction history, and behavioral data to improve model performance. Our results show that ensemble methods such as Random Forest and Gradient Boosting outperform other models in terms of overall accuracy and robustness against class imbalance. Moreover, we analyze the interpretability of the models, providing insights into the key features driving churn predictions [2].

Customer churn prediction is a critical issue in many service-oriented industries, where understanding the temporal behavior of customers is key to developing effective retention strategies. In this paper, we propose a Time Series-based Churn Prediction Model using Long Short-Term Memory (LSTM) networks, which can capture the sequential dependencies in customer behavior over time. Traditional churn prediction methods often overlook the importance of temporal patterns, leading to suboptimal performance in predicting churn. Our model leverages time-series data including customer transaction history, service usage patterns, and engagement metrics, to predict the likelihood of churn at different time points. We address the challenge of imbalanced data by employing advanced techniques such as SMOTE and cost-sensitive learning to ensure better model performance. The proposed LSTM model is evaluated against conventional machine learning algorithms, such as logistic regression, decision trees, and random forests, on real-world datasets. Experimental results show that the LSTM-based model significantly outperforms traditional methods, achieving higher accuracy, precision, recall, and F1-score in predicting customer churn [3].

Customer churn prediction is a critical challenge for e-commerce platforms aiming to retain users and maintain revenue growth. In this study, we propose a Hybrid Deep Learning Model that combines the strengths of Convolutional Neural Networks (CNN) and Long Short-Term Memory (LSTM) networks to effectively predict customer churn. The model leverages historical customer behavior, including purchase frequency, transaction amounts, session durations, and product categories, to identify patterns leading to churn. To enhance the predictive capability, the hybrid model uses CNN layers to extract spatial features from customer data and LSTM layers to capture sequential temporal dependencies. The proposed method is evaluated on real-world e-commerce datasets and compared with traditional machine learning models such as Logistic Regression, Random Forest, and Support Vector Machines (SVM). The results demonstrate that the hybrid deep learning model achieves superior performance, with significant improvements in accuracy, precision, recall, and F1-score [5].

Deep neural networks were also used in these efforts to extract features without considering the sequence information. In view

of these issues, the current study provides an effective method for predicting customer churn based on a hybrid deep learning model termed BiLSTM-CNN. The goal is to effectively estimate customer churn using benchmark data and increase the churn prediction process's accuracy. The experimental results show that when trained, tested, and validated on the benchmark dataset, the proposed BiLSTM-CNN model attained a remarkable accuracy of 81% [6].

VI. CONCLUSION

The integration of Artificial Neural Networks (ANNs) and Random Forests in customer churn analysis provides a comprehensive solution that balances predictive accuracy and explainability. ANNs excel in Behavior complex, non-linear relationships and uncovering hidden patterns in customer Behavior, while Random Forests offer robustness, interpretability, and insights into feature importance. This combination enables businesses to accurately predict customer churn while also understanding the key drivers behind it, making the results actionable for decision-making. Furthermore, the use of XAI techniques, such as SHAP and LIME, enhances transparency, allowing stakeholders to trust the models' outputs and implement targeted retention strategies effectively.

By leveraging the strengths of both models, the project demonstrates how machine learning and XAI can be applied to real-world challenges like customer churn. The insights gained from the analysis can inform marketing campaigns, personalized customer engagement, and resource allocation, further strengthening customer relationships and loyalty.

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