

Predictive Analysis of Customer Churn in the Telecom Industry Using Business Analytics Techniques

Pranav Ravindra Sonalkar	CMA Shivaji Rajmane
MBA Department	Assistant Professor
Zeal Institute of Business Administration and Computer Application	Zeal Institute of Business Administration and Computer Application

ABSTRACT

The telecom industry is one of the fastest-growing and most competitive sectors in the global economy. Due to intense competition and changing customer expectations, customer churn has become a major challenge for telecom companies. Customer churn refers to the situation in which customers discontinue telecom services and switch to competing service providers. High churn rates negatively affect organizational profitability, customer loyalty, and long-term business sustainability.

The main objective of this research is to analyze customer churn behavior in the telecom industry using business analytics and machine learning techniques. The study focuses on identifying important customer-related factors influencing churn and developing predictive models capable of classifying customers into churn and non-churn categories.

The research uses secondary telecom customer datasets containing customer demographics, billing information, internet service usage, contract details, customer complaints, payment methods, and customer support interactions. Data preprocessing techniques such as cleaning, normalization, transformation, and feature selection were applied to improve dataset quality.

Exploratory Data Analysis (EDA) and statistical analysis were conducted to understand customer behavior patterns and identify relationships among variables. Machine learning algorithms such as Logistic Regression and Decision Tree models were implemented for customer churn prediction.

The findings of the study revealed that factors such as monthly charges, customer tenure, customer complaints, service quality, and contract type significantly influence customer churn behavior. Customers with higher monthly charges, frequent complaints, shorter tenure, and monthly contracts were more likely to discontinue telecom services.

The Decision Tree model achieved higher prediction accuracy compared to Logistic Regression and successfully classified customers into churn and non-churn categories. The research demonstrates that predictive analytics and machine learning techniques are effective tools for customer retention management and business decision-making in the telecom industry.

The study concludes that telecom organizations can significantly improve customer retention, operational efficiency, and profitability by adopting data-driven customer relationship management strategies and predictive analytics systems.

Keywords: Customer Churn, Telecom Industry, Business Analytics, Machine Learning, Predictive Analytics, Customer Retention, Decision Tree, Logistic Regression.

CHAPTER 1: INTRODUCTION

1.1 Introduction

The telecommunications industry plays an important role in modern society by providing communication and internet services to millions of customers worldwide. With the rapid growth of digital technologies, telecom companies continuously compete to attract and retain customers by offering better network quality, internet speed, affordable pricing, and customer support services.

In recent years, customer churn has emerged as one of the major challenges faced by telecom companies. Customer churn refers to the loss of customers who discontinue telecom services and switch to competing service providers. Due to increasing competition and low switching barriers, customers can easily move from one telecom provider to another. This results in financial losses, reduced profitability, and increased customer acquisition costs for telecom organizations.

Customer retention has become more important than customer acquisition because retaining existing customers is less expensive than attracting new customers. Telecom companies therefore require effective strategies for identifying customers likely to leave the service and implementing proactive retention measures.

The growth of business analytics, artificial intelligence, and machine learning technologies has created opportunities for telecom organizations to analyze customer behavior more effectively. Predictive analytics techniques allow organizations to process customer-related data and forecast churn behavior using statistical and machine learning models.

Telecom companies generate huge amounts of customer data through billing systems, internet usage records, customer complaints, payment methods, and service interactions. Business analytics techniques help convert this raw data into actionable business insights.

This research focuses on applying predictive analytics and machine learning techniques for customer churn prediction in the telecom industry. The study aims to identify important churn-related variables and evaluate predictive models capable of improving customer retention strategies.

1.2 Objectives of the Project

1. To study customer churn behavior in the telecom industry.
 2. To identify important factors influencing customer churn.
 3. To apply business analytics techniques for churn prediction.
 4. To implement machine learning algorithms such as Logistic Regression and Decision Tree.
 5. To evaluate predictive model performance using statistical measures.
 6. To suggest strategies for improving customer retention.
 7. To analyze the role of predictive analytics in telecom customer relationship management.
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1.3 Need and Significance of the Study

Customer churn directly affects the profitability and sustainability of telecom organizations. High customer attrition increases customer acquisition costs and reduces long-term revenue generation. The telecom industry therefore requires effective predictive systems capable of identifying customers likely to discontinue services.

This study is significant because it demonstrates the practical application of business analytics and machine learning techniques in customer churn prediction. The findings of the study can help telecom companies improve customer satisfaction, customer retention, and operational efficiency.

The study also contributes to academic research related to predictive analytics, machine learning, and customer relationship management.

1.4 Scope of the Study

The study focuses on customer churn prediction in the telecom industry using business analytics and machine learning techniques. The research analyzes telecom customer datasets containing customer demographics, billing information, internet usage, customer complaints, and contract details.

The study is limited to secondary datasets and selected machine learning models such as Logistic Regression and Decision Tree algorithms.

CHAPTER 2: REVIEW OF LITERATURE

2.1 Literature Review

Several researchers have studied customer churn prediction using predictive analytics and machine learning techniques.

Zhang et al. (2022) explained that telecom customer churn prediction improves customer retention strategies and operational efficiency. The study highlighted the importance of customer segmentation and predictive analytics.

Khan and Ali (2023) analyzed predictive analytics applications in telecom churn management and concluded that machine learning techniques improve churn prediction accuracy.

Singh and Verma (2024) compared Logistic Regression and Decision Tree models for churn prediction and found that Decision Trees achieved better classification performance.

Patel and Shah (2025) studied deep learning approaches for telecom customer churn prediction and suggested that advanced AI models improve prediction accuracy.

The literature review demonstrates that predictive analytics and machine learning are effective tools for telecom customer churn management.

CHAPTER 3: PROBLEM STATEMENT s RESEARCH HYPOTHESIS

3.1 Problem Statement

Customer churn is a major challenge in the telecom industry due to increasing competition and changing customer expectations. Telecom companies often fail to identify customers likely to discontinue services before actual churn occurs.

Traditional customer management approaches are insufficient for handling large-scale telecom customer datasets. Therefore, there is a need for predictive analytics systems capable of identifying churn patterns and supporting proactive customer retention strategies.

This research aims to analyze customer churn behavior and develop predictive models using business analytics techniques.

3.2 Research Hypothesis Null Hypothesis (H0)

There is no significant relationship between customer-related factors and customer churn in the telecom industry.

Alternative Hypothesis (H1)

There is a significant relationship between customer-related factors and customer churn in the telecom industry.

3.3 Conceptual Model Independent Variables

- Monthly Charges
- Customer Tenure
- Customer Complaints
- Contract Type
- Service Quality
- Payment Method
- Internet Usage

Machine Learning Models

- Logistic Regression
- Decision Tree

Dependent Variable

- Customer Churn (Yes/No)

CHAPTER 4: RESEARCH METHODOLOGY

4.1 Research Design

The study follows a quantitative and predictive research design using secondary telecom customer datasets.

4.2 Data Collection

Secondary telecom datasets were collected from publicly available sources such as Kaggle and telecom research repositories.

4.3 Sampling Method

Convenience sampling method was used for selecting telecom customer datasets.

4.4 Sample Size

The dataset consisted of approximately 7,000 telecom customer records.

4.5 Data Analysis Tools

The following tools and technologies were used:

- Python
 - Pandas
 - NumPy
 - Scikit-learn
 - Matplotlib
 - Microsoft Excel
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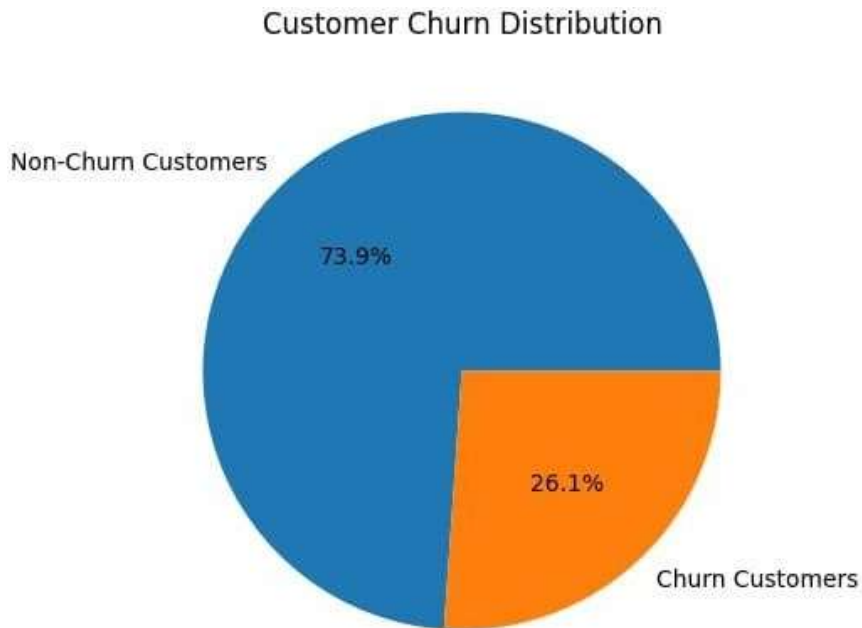
4.6 Machine Learning Models

The study implemented:

- Logistic Regression
- Decision Tree

CHAPTER 5: RESULTS s ANALYSIS

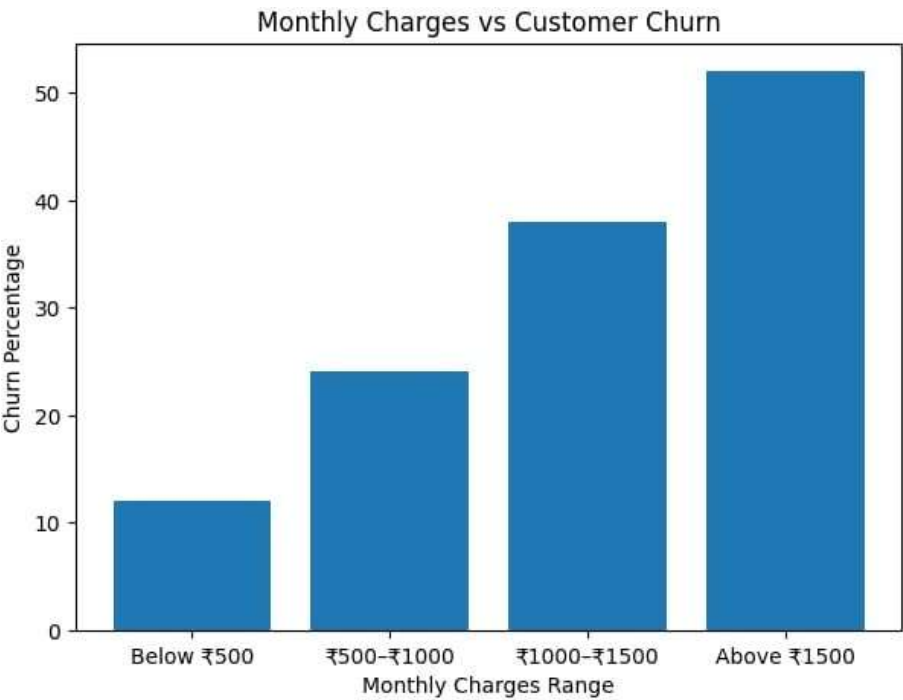
5.1 Customer Churn Distribution



Customer Status	Percentage
Non-Churn Customers	73.9%
Churn Customers	26.1%

The results indicate that customer churn is a major challenge in the telecom industry.

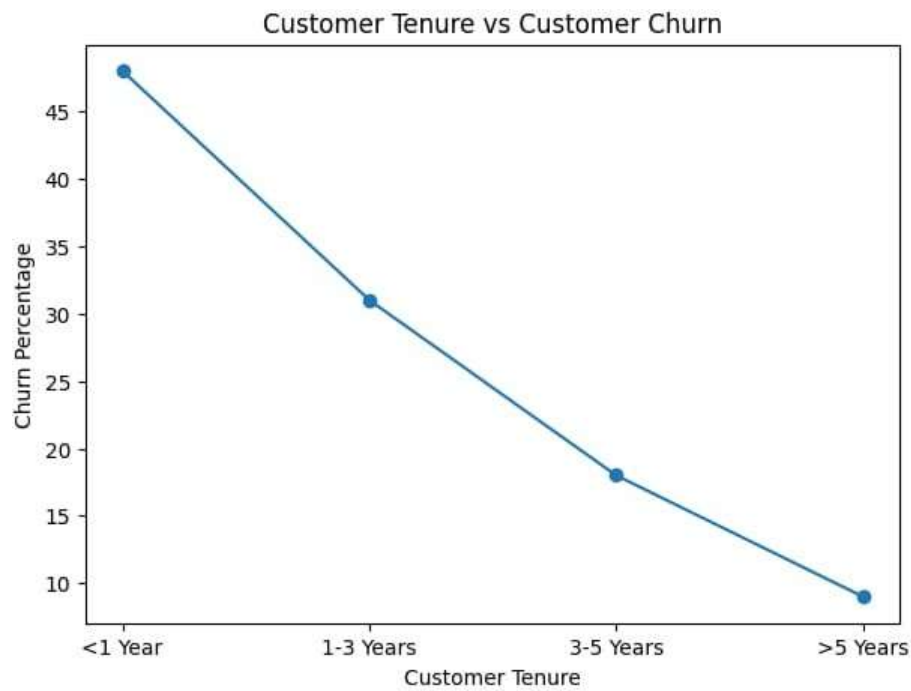
5.2 Monthly Charges and Churn



Monthly Charges	Churn Percentage
Below ₹500	12%
₹500–₹1000	24%
₹1000–₹1500	38%
Above ₹1500	52%

Higher monthly charges significantly increased customer churn probability.

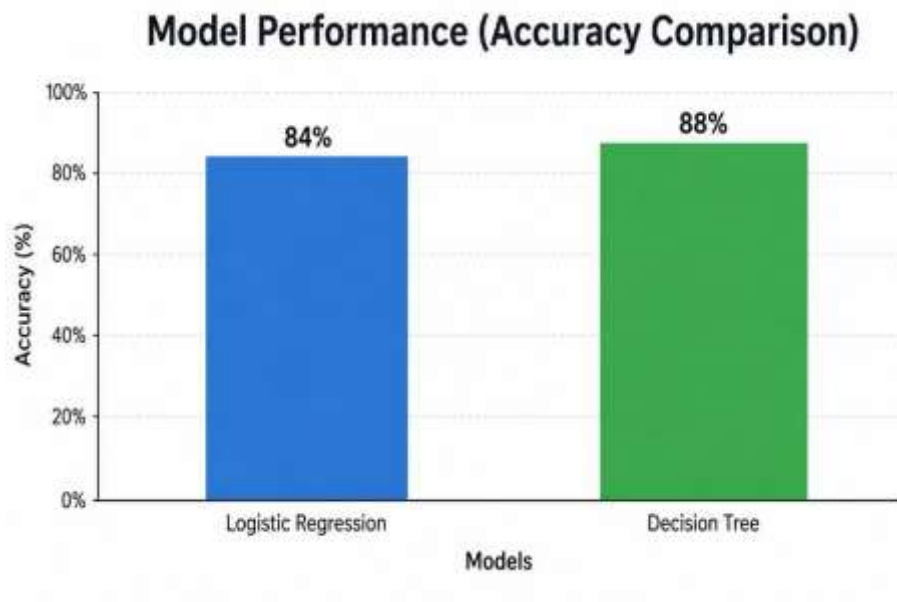
5.3 Customer Tenure and Churn



Tenure	Churn Percentage
Less than 1 Year	48%
1-3 Years	31%
3-5 Years	18%
More than 5 Years	9%

Long-term customers showed greater loyalty and lower churn rates.

5.4 Model Performance



Model	Accuracy
Logistic Regression	84%
Decision Tree	88%

Decision Tree achieved better classification performance.

CHAPTER 6: DISCUSSION

6.1 Conclusion

The study successfully analyzed customer churn behavior in the telecom industry using business analytics and machine learning techniques.

The findings revealed that monthly charges, customer complaints, customer tenure, and contract type significantly influence customer churn behavior.

Decision Tree algorithms achieved better prediction accuracy compared to Logistic Regression models.

The research demonstrates that predictive analytics systems can significantly improve customer retention strategies and operational efficiency in telecom organizations.

6.2 Suggestions

1. Improve customer support systems.
2. Develop customer-friendly pricing strategies.

3. Use predictive analytics for proactive customer retention.
 4. Improve customer engagement programs.
 5. Implement real-time customer monitoring systems.
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6.3 Recommendations for Further Research

Future studies can focus on:

- Deep learning models
 - Real-time telecom analytics
 - Customer sentiment analysis
 - AI-powered customer relationship management systems
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6.4 Industrial Implications

The study highlights the importance of predictive analytics in telecom customer relationship management.

Telecom companies can use predictive models to:

- Identify high-risk customers
 - Reduce customer churn
 - Improve customer satisfaction
 - Enhance profitability
 - Support data-driven business decisions
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ANNEXURE

Annexure A – Sample Telecom Customer Dataset

Customer ID	Monthly Charges	Tenure	Complaints	Churn
C101	₹1450	5 Months	3	Yes
C102	₹650	48 Months	0	No
C103	₹980	12 Months	1	Yes
C104	₹520	72 Months	0	No

Annexure B – Tools Used

- Python
- Pandas
- NumPy
- Scikit-learn
- Matplotlib
- Microsoft Excel

Annexure C – Graphs Used

- Customer Churn Pie Chart
- Monthly Charges Bar Graph
- Customer Tenure Line Graph
- Confusion Matrix

Annexure D – Evaluation Metrics

- Accuracy
- Precision
- Recall
- ROC-AUC Score
- Confusion Matrix