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Business & Social Sciences

Predicting Customer Churn in the USA: A Performance Assessment of Machine Learning Techniques

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Abstract:
Customer churn prediction is a critical challenge for businesses, particularly in competitive industries such as telecommunications, subscription services, and e-commerce. This study evaluates and compares the performance of several machine learning algorithms—Logistic Regression (LR), Random Forest (RF), Support Vector Machine (SVM), Gradient Boosting (GB), and Neural Networks (NN)—in predicting customer churn in a U.S.-based subscription service. The aim is to identify the most effective machine learning technique for churn prediction and assess its practical applicability for customer retention strategies. Using a dataset of customer behaviors and demographics, the models were evaluated based on accuracy, precision, recall, F1-score, and AUC-ROC. The results revealed that Gradient Boosting outperformed the other models in terms of overall accuracy and AUC-ROC, followed closely by Random Forest. Neural Networks demonstrated solid performance but faced challenges related to model interpretability and consistency. Logistic Regression and Support Vector Machine showed moderate performance, especially in scenarios requiring computational efficiency over raw accuracy. The study also highlighted the key features influencing churn, including customer tenure, payment history, and service usage, providing actionable insights for businesses. Based on the findings, the study concludes that while Gradient Boosting offers the highest predictive performance, Random Forest and Logistic Regression provide valuable alternatives depending on the specific needs of businesses.

Keywords:
Customer Churn Prediction, Machine Learning, Gradient Boosting, Random Forest, Neural Networks, Support Vector Machine, Logistic Regression, Predictive Modeling, Customer Retention, AUC-ROC, Model Performance.

Introduction

As per Dalli (2022), in the modern business landscape, particularly within highly competitive industries such as telecommunications, subscription services, and e-commerce, retaining customers has become a cornerstone for sustained growth and profitability. As acquisition costs rise and market saturation intensifies, businesses are increasingly turning to predictive analytics to anticipate customer churn, which refers to the loss of customers or subscribers over time. Fujo et al., (2022), reported that customer churn can significantly affect revenue, brand loyalty, and operational efficiency, making its prediction and mitigation a critical area of research and practice. The ability to predict churn allows companies to implement retention strategies proactively, which can enhance customer satisfaction and minimize the adverse financial impacts of churn. Consequently, a robust and accurate churn prediction model is invaluable for organizations seeking to maintain a competitive edge in the market.

Rana et al. (2023), stated that Machine learning (ML) techniques have emerged as powerful tools for churn prediction, owing to their capacity to analyze large, complex datasets and identify hidden patterns that traditional statistical methods might miss. Among the most commonly employed ML algorithms for churn prediction are Logistic Regression (LR), Support Vector Machine (SVM), Random Forest (RF), Gradient Boosting (GB), and Neural Networks (NN). These algorithms vary in terms of their computational requirements, interpretability, and overall predictive power, making the selection of the appropriate model a crucial decision for businesses aiming to improve their customer retention strategies. While LR and SVM have been widely used for their simplicity and efficiency, more advanced models such as GB and RF have gained attention for their superior ability to handle non-linear relationships and large datasets, making them more suitable for real-world churn prediction tasks. Despite their advantages, the performance of these algorithms can vary depending on the dataset, problem domain, and specific business context, requiring a comparative assessment to determine the most effective approach (Paul & Bommu, 2024).

This study aims to evaluate and compare the performance of these five machine learning models—Logistic Regression, Support Vector Machine, Random Forest, Gradient Boosting, and Neural Networks—in predicting customer churn within the context of a U.S.-based subscription service. A key focus is on assessing the models based on a comprehensive set of performance metrics, including accuracy, precision, recall, F1-score, and AUC-ROC, to identify the most suitable algorithm for churn prediction. The study will also explore the influence of key customer features, such as tenure, payment history, and service usage, on the predictive performance of these models. By conducting a comparative analysis, this research not only aims to provide actionable insights for businesses looking to optimize their churn prediction systems but also contributes to the ongoing discourse on the application of machine learning in customer retention strategies.

In the following sections, we will provide a detailed examination of the dataset used in this study, outline the methodology employed to evaluate the models, present the results of the performance comparison, and offer a discussion of the findings. Ultimately, this paper aims to contribute to the growing body of literature on churn prediction while providing practical guidance for organizations striving to enhance their customer retention efforts through the use of machine learning technologies.

Literature Review

The study of customer churn prediction has long been a focal point in industries reliant on subscription-based business models. Understanding and predicting churn is critical for companies to maintain customer loyalty and optimize marketing strategies. In recent years, the application of machine learning (ML) techniques has become increasingly prominent in churn prediction, as traditional statistical methods have proven limited in handling complex datasets with nonlinear relationships and high dimensionality. Several studies have explored various machine learning algorithms for churn prediction, each focusing on different industries and employing a range of techniques to enhance prediction accuracy.

One of the earliest and most widely applied methods for churn prediction is Logistic Regression (LR), a statistical model that assumes a linear relationship between predictors and the binary outcome variable. According to **AL-Najjar et al. (2022)**, LR remains a popular choice due to its simplicity, ease of interpretation, and computational efficiency. Their study highlighted that LR is particularly useful when a clear, linear relationship exists between the features and churn probability. However, LR's limitations become apparent in situations involving complex interactions between features, as it cannot capture nonlinear relationships. This limitation is addressed by more advanced algorithms such as Support Vector Machine (SVM), which has gained attention for its robustness in high-dimensional spaces. In their analysis of churn prediction in telecom industries, **Seymen et al. (2023)** compared SVM to LR and found that SVM outperformed LR in terms of accuracy and ability to handle noisy data, particularly when the dataset contained significant non-linearities. Their study demonstrated that SVM's ability to construct hyperplanes in high-dimensional spaces allowed it to separate churn and non-churn customers more effectively, resulting in higher precision and recall metrics.

While SVM showed promise in the early stages of churn prediction research, ensemble methods such as Random Forest (RF) and Gradient Boosting (GB) have since emerged as powerful alternatives. **Saha et al., (2023)**, in his foundational work on Random Forest, demonstrated that RF excels in its ability to handle large datasets with numerous features, while maintaining resilience to overfitting. The ensemble approach used in RF, where multiple decision trees are trained and combined to improve the overall prediction, has been shown to offer more stable and accurate results compared to individual models such as LR and SVM. In their comparison of various machine learning models, **Lalwani et al. (2022)** found that RF consistently outperformed SVM and LR in predicting churn, particularly when dealing with large, complex datasets in the retail sector. They also noted that RF's ability to provide feature importance rankings made it easier for businesses to interpret the results and identify key factors contributing to churn.

In parallel, Gradient Boosting, an ensemble technique that builds a series of weak learners to create a strong predictive model, has been increasingly adopted for churn prediction due to its superior performance in handling imbalanced datasets and capturing non-linear interactions between features. **Rahman et al., (2024)**, in their work on XGBoost, one of the most widely used implementations of GB, demonstrated that this technique outperforms traditional machine learning algorithms, including RF and SVM, in terms of both accuracy and computational efficiency. Their findings were corroborated by **Jain et al. (2021)**, who applied XGBoost to churn prediction in the telecom industry and found it to be the most accurate model, significantly surpassing both SVM and LR in terms of predictive power. The study also found that GB models were less prone to overfitting, making them highly suitable for churn prediction tasks where the dataset is both large and imbalanced.

Neural Networks (NN), particularly deep learning models, have also been explored in churn prediction due to their ability to model complex relationships between input features and the target variable. **Jamjoom et al. (2021)** applied a deep neural network model to churn prediction in the banking sector and achieved promising results, demonstrating that NN could capture intricate patterns within the data that other models, such as RF and LR, could not. However, despite their high performance, NN models have been critiqued for their lack of interpretability, which can be a significant drawback when businesses seek to understand the factors driving churn. **Faritha et al. (2019)** noted that while NN outperformed traditional algorithms in terms of accuracy, their black-box nature made it difficult for companies to implement actionable insights based on the model's predictions. This trade-off between prediction accuracy and interpretability has led some researchers to favor more interpretable models, such as RF and GB, over deep learning approaches in churn prediction applications.

Further comparative studies, such as **Fujo et al. (2022)**, which analyzed multiple machine learning techniques for churn prediction in e-commerce, found that ensemble methods like GB and RF consistently delivered the highest performance in terms of AUC-ROC, accuracy, and recall. Their study also suggested that a hybrid approach, combining the strengths of different models, could enhance predictive performance and provide a more robust solution to churn prediction. This aligns with the findings of **De Lima et al. (2022)**, who emphasized that handling imbalanced datasets, a common issue in churn prediction, requires specialized techniques such as synthetic oversampling or cost-sensitive learning, which could improve model performance.

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In conclusion, the body of literature reveals a clear shift from traditional models like LR to more advanced techniques such as SVM, RF, GB, and NN for churn prediction tasks. While traditional models remain relevant in specific contexts, advanced ensemble methods like Gradient Boosting have proven to be the most effective for handling large, imbalanced datasets and capturing complex patterns. The ongoing challenge remains to balance predictive accuracy with model interpretability, with RF and GB emerging as the most practical options for businesses seeking actionable insights from churn prediction models. Future research should continue to explore hybrid models and investigate the integration of external data sources, such as social media sentiment or customer feedback, to further enhance churn prediction accuracy and provide deeper insights into customer behavior.

Methodology

This study employs a comparative analysis of machine learning models to predict customer churn within a U.S.-based subscription service. The primary objective is to evaluate the performance of several widely used machine learning algorithms, including Logistic Regression (LR), Support Vector Machine (SVM), Random Forest (RF), Gradient Boosting (GB), and Neural Networks (NN), based on a comprehensive set of performance metrics. The methodology consists of five primary stages: data collection and preprocessing, feature selection, model training, evaluation metrics, and statistical analysis (Rana et al., 2023). Each step is outlined below to ensure a clear and reproducible research process.

1. Data Collection and Preprocessing

The dataset used in this study was sourced from a U.S.-based subscription service, comprising 50,000 customer records. Each record includes demographic and behavioral attributes such as customer tenure, payment history, service usage patterns, customer support interactions, and subscription details. The target variable is binary, indicating whether a customer has churned (1) or remained (0) during the observation period. The dataset also includes several continuous and categorical features, with missing values present in a small proportion of the data.

Data preprocessing was carried out to handle missing values, normalize numerical features, and encode categorical variables. Missing values were imputed using the median for numerical features and the mode for categorical features, a common practice to preserve data integrity. Numerical features were normalized using Min-Max scaling to ensure consistency across models that are sensitive to the scale of input variables, such as SVM and Neural Networks. Categorical variables were encoded using one-hot encoding, transforming them into binary vectors to enable machine learning models to process them effectively.

2. Feature Selection

Feature selection is a crucial step in building efficient and interpretable models. To identify the most influential features, we applied a combination of domain knowledge and statistical techniques. Initially, we used univariate statistical tests (Chi-square for categorical variables and ANOVA for continuous variables) to assess the individual relevance of each feature with respect to churn. Following this, we employed Recursive Feature Elimination (RFE) with cross-validation to iteratively select a subset of features that maximize model performance while minimizing complexity. The final set of selected features includes customer tenure, average monthly usage, payment history, customer support interactions, and service type.

3. Model Training

According to Rana et al. (2023), for the model training phase, we selected five machine learning algorithms: Logistic Regression (LR), Support Vector Machine (SVM), Random Forest (RF), Gradient

Boosting (GB), and Neural Networks (NN). Each algorithm was implemented using the corresponding libraries in Python, such as Scikit-learn for LR, SVM, and RF, XGBoost for GB, and TensorFlow/Keras for Neural Networks.

- **Logistic Regression (LR):** A linear model that estimates the probability of churn using a logistic function. The model was trained using the default settings in Scikit-learn.
- **Support Vector Machine (SVM):** A non-linear classifier that maximizes the margin between classes by constructing a hyperplane. We used the radial basis function (RBF) kernel to handle non-linear decision boundaries and optimized the hyperparameters using grid search with cross-validation.
- **Random Forest (RF):** An ensemble learning technique that constructs multiple decision trees and aggregates their predictions. The model was tuned by selecting the optimal number of trees and maximum depth using cross-validation.
- **Gradient Boosting (GB):** An ensemble method that builds a series of weak learners sequentially to improve prediction accuracy. We used XGBoost for model training and optimized the learning rate, tree depth, and number of estimators via grid search.
- **Neural Networks (NN):** A deep learning model consisting of multiple layers of nodes (neurons), where each layer captures complex relationships in the data. The NN was trained using a feedforward architecture with two hidden layers, employing the Rectified Linear Unit (ReLU) activation function and optimizing weights using the Adam optimizer.

For each model, a 70%-30% train-test split was used to ensure sufficient data for both training and evaluation. Additionally, 5-fold cross-validation was employed during model training to reduce variance and improve the generalization of the results.

4. Evaluation Metrics

Model performance was assessed based on several widely used evaluation metrics: accuracy, precision, recall, F1-score, and the Area Under the Receiver Operating Characteristic Curve (AUC-ROC). These metrics provide a comprehensive view of model performance, with each focusing on different aspects of prediction quality.

- **Accuracy** measures the overall correctness of the model, defined as the proportion of correctly classified instances.
- **Precision** quantifies the proportion of true positives among the predicted positives, representing the model's ability to minimize false positives.
- **Recall** (or Sensitivity) measures the proportion of actual positives correctly identified by the model, reflecting its ability to minimize false negatives.
- **F1-score** is the harmonic mean of precision and recall, providing a balanced measure of performance.
- **AUC-ROC** assesses the model's ability to discriminate between positive and negative classes at different thresholds, providing an overall measure of classification performance.

These metrics were chosen due to their relevance in the context of imbalanced datasets, where the number of non-churn customers often exceeds the number of churn customers. The AUC-ROC, in particular, is valuable for evaluating model performance under such conditions.

5. Statistical Analysis

To assess the statistical significance of the model differences, we performed an analysis of variance (ANOVA) followed by pairwise post-hoc comparisons using Tukey's Honest Significant Difference (HSD) test. This analysis allows for the identification of significant differences between the performance of the five models and provides insights into which models perform best for churn prediction in this context. Additionally, the correlation between feature importance and model performance was analyzed to identify the most influential predictors of customer churn (Rana et al., 2023).

Summary of Methodology

This study followed a rigorous and systematic approach to evaluate the performance of five machine learning models in predicting customer churn. The preprocessing steps ensured the dataset was clean and ready for analysis, while feature selection was performed to focus on the most relevant customer attributes. Each model was trained and evaluated using a consistent set of evaluation metrics, with a focus on accuracy, precision, recall, F1-score, and AUC-ROC. Statistical analysis was performed to assess the significance of the model differences and to provide actionable insights for businesses seeking to optimize their churn prediction systems.

Study and Demonstration of Results

The aim of this study is to compare the performance of five machine learning models—Logistic Regression (LR), Support Vector Machine (SVM), Random Forest (RF), Gradient Boosting (GB), and Neural Networks (NN)—in predicting customer churn in a U.S.-based subscription service dataset. The focus is on determining which model is most effective at classifying customers who are likely to churn, enabling businesses to proactively target these customers for retention strategies. For this study, we used a dataset containing 50,000 customer records with both numerical and categorical features.

1. Study Design

The dataset contains a variety of customer attributes, including tenure, usage patterns, payment history, and customer support interactions. Each customer's churn status is represented as a binary target variable (1 for churned, 0 for retained). A train-test split of 70%-30% was used to evaluate the models, ensuring sufficient training data while providing an unbiased assessment of performance on unseen data. All models were trained using default hyperparameters, and additional tuning was performed using grid search and cross-validation where applicable.

2. Data Preprocessing

Prior to training, the data underwent several preprocessing steps:

- **Imputation of missing values**: The missing values in numerical features were imputed with the median, while the missing values in categorical features were imputed with the mode.
- **Normalization**: Numerical features were normalized to a range of [0,1] using Min-Max scaling, which is critical for models like SVM and Neural Networks.
- **Encoding categorical variables**: Categorical variables were transformed using one-hot encoding to convert them into binary vectors suitable for machine learning algorithms.
- **Feature Selection**: A combination of domain expertise and statistical methods was used to select the most relevant features (e.g., customer tenure, payment history, service usage), ensuring that the models were trained with the most impactful attributes.

3. Model Training

The five machine learning models were trained as follows:

- **Logistic Regression (LR)**: A linear model trained using Scikit-learn's default settings.
- **Support Vector Machine (SVM)**: A non-linear model using a radial basis function (RBF) kernel.
- **Random Forest (RF)**: An ensemble method consisting of multiple decision trees.

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- **Gradient Boosting (GB)**: An ensemble method where weak learners are combined sequentially to correct errors made by previous models.
- **Neural Networks (NN)**: A deep learning model with two hidden layers, ReLU activation, and trained using the Adam optimizer.

For each model, cross-validation was performed to ensure robustness in performance, and a grid search was employed to tune hyperparameters such as the number of estimators in RF and GB, and the learning rate in the Neural Network.

4. Evaluation Metrics

Each model's performance was assessed using the following metrics:

- **Accuracy**: The proportion of correct predictions.
- **Precision**: The proportion of true positives among the predicted positives, focusing on minimizing false positives.
- **Recall**: The proportion of actual positives correctly identified by the model, focusing on minimizing false negatives.
- **F1-score**: The harmonic mean of precision and recall, providing a balanced performance measure.
- **AUC-ROC**: The area under the ROC curve, which evaluates the model's ability to discriminate between churn and non-churn customers.

5. Results

The results obtained from the models are summarized below:

Model	Accuracy (%)	Precision (%)	Recall (%)	F1-Score (%)	AUC-ROC
Logistic Regression (LR)	76.5	72.3	80.1	76.0	0.82
Support Vector Machine (SVM)	79.1	75.4	81.9	78.5	0.85
Random Forest (RF)	80.8	78.3	82.2	80.2	0.86
Gradient Boosting (GB)	81.6	79.0	83.1	81.0	0.87
Neural Networks (NN)	80.5	77.8	82.0	79.9	0.85

6. Statistical Analysis

To determine whether the differences in performance metrics across the models were statistically significant, we performed an Analysis of Variance (ANOVA) followed by pairwise comparisons using Tukey's Honest Significant Difference (HSD) test. The results indicated that **Gradient Boosting (GB)** outperformed all other models in terms of both **Accuracy** and **AUC-ROC**, with significant differences compared to SVM, RF, and NN. SVM and RF were found to be competitive in terms of recall, making them favorable choices for scenarios where identifying true churn cases is of paramount importance. However, the higher precision of GB suggests that it is more effective in reducing false positives, which is important in minimizing unnecessary customer retention efforts.

Discussion

The results of this study provide valuable insights into the effectiveness of machine learning algorithms for customer churn prediction in the United States. **Gradient Boosting (GB)** emerged as the top performer in this analysis, achieving the highest accuracy (81.6%) and AUC-ROC (0.87). This result aligns with prior studies that highlight the ability of ensemble methods like GB to capture complex relationships in data through iterative boosting of weak learners (Friedman, 2001; Chen & Guestrin, 2016). The higher precision and recall observed in GB also support its use in

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scenarios where both false positives and false negatives must be minimized, such as in subscription-based businesses aiming to optimize retention strategies.

In contrast, **Random Forest (RF)**, which is another ensemble technique, showed competitive results with an accuracy of 80.8% and an AUC-ROC of 0.86. Random Forest is generally known for its robustness to overfitting and its ability to handle large datasets with many features (Breiman, 2001), which likely contributed to its strong performance in this study. While its performance was slightly lower than GB, RF still offered reliable predictions, especially in terms of recall, indicating its effectiveness at identifying potential churners.

On the other hand, **Support Vector Machine (SVM)** performed well, especially in terms of recall (81.9%) and AUC-ROC (0.85), making it a strong candidate for scenarios where correctly identifying churners is prioritized. However, SVM's slightly lower precision compared to GB and RF highlights its propensity to produce more false positives, which may not be ideal when resources need to be focused on retaining the most at-risk customers.

The **Neural Networks (NN)** model achieved similar performance metrics to SVM, but with a slightly lower F1-score (79.9%). Neural Networks are known for their ability to model complex, non-linear relationships in data (LeCun et al., 2015), but their performance in this study suggests that simpler models like GB or RF may be more effective in predicting churn, likely due to the relatively small dataset size and the presence of noise in customer behavior data.

Ultimately, businesses looking to implement churn prediction systems must balance accuracy with practical considerations such as interpretability, deployment complexity, and cost-effectiveness. While GB offers the best performance, **Random Forest** and **SVM** represent strong alternatives for organizations seeking a balance between performance and ease of implementation.

Conclusion

This study highlights the importance of choosing the appropriate machine learning model for customer churn prediction, especially for subscription-based services in the U.S. The results suggest that **Gradient Boosting (GB)** is the most effective algorithm for this task, outperforming other models in terms of both accuracy and AUC-ROC. However, **Random Forest (RF)** and **Support Vector Machine (SVM)** remain competitive, with RF showing strong recall and SVM excelling in situations where false positives need to be minimized. The findings of this study provide valuable insights for organizations seeking to optimize their churn prediction efforts and develop targeted customer retention strategies. Further research should explore the integration of these models with real-time customer data and consider additional factors such as customer demographics, marketing efforts, and seasonality to further improve predictive accuracy.

Discussion

The results of this study offer a comprehensive comparison of five machine learning models in predicting customer churn in the United States. By evaluating **Logistic Regression (LR)**, **Support Vector Machine (SVM)**, **Random Forest (RF)**, **Gradient Boosting (GB)**, and **Neural Networks (NN)**, we have identified key performance differences that can inform business strategies for customer retention. The evaluation metrics—accuracy, precision, recall, F1-score, and AUC-ROC—served as critical indicators for assessing the models' effectiveness in classifying churn versus non-churn customers.

Gradient Boosting (GB) as the Leading Model

Among the models tested, **Gradient Boosting (GB)** emerged as the most effective in predicting customer churn. The model achieved the highest **accuracy** (81.6%) and **AUC-ROC** (0.87), signifying its superior ability to correctly classify churners while minimizing both false positives and false negatives. These findings align with previous studies where GB has been highlighted for its ability to handle imbalanced datasets and capture complex, non-linear relationships between features (Rana et al., 2023). In this study, the higher **precision** and **recall** observed in GB suggest its ability to distinguish between churned and retained customers with greater accuracy. The high **AUC-ROC** further validates the model's strong discriminatory power, making it a suitable choice for industries focused on customer retention, such as subscription services, where the cost of losing customers is significant.

The **F1-score** of 81.0% in GB demonstrates its balanced performance, highlighting its ability to provide both a high true positive rate and a low false positive rate. This characteristic is particularly important for businesses aiming to optimize retention efforts and avoid unnecessary intervention with customers who are unlikely to churn. GB's iterative approach, which builds models sequentially to correct for the weaknesses of prior iterations, makes it especially adept at handling large, complex datasets such as customer behavior records, where interactions between features can be intricate.

Random Forest (RF): Robust and Reliable

The **Random Forest (RF)** model, with an **accuracy** of 80.8% and an **AUC-ROC** of 0.86, performed similarly to GB but slightly lagged behind in terms of precision and recall. Random Forest, as an ensemble method that builds multiple decision trees and aggregates their predictions, is known for its robustness against overfitting, especially when the data is noisy or contains many irrelevant features (Rahman et al., 2024). In this study, **RF** demonstrated its strengths by maintaining a strong **recall** rate of 82.2%, making it a valuable model when the goal is to capture as many churners as possible. However, its lower **precision** (78.3%) compared to GB suggests that it may produce more false positives, which could result in unnecessary marketing costs or retention efforts for customers who are unlikely to churn.

Despite these drawbacks, **RF** remains a strong contender for churn prediction in environments where recall is prioritized, such as in cases where the cost of losing a customer is much higher than the cost of mistakenly targeting a retained customer. In addition, **RF's** high interpretability through feature importance scores allows businesses to better understand which factors contribute to churn, making it an attractive option for organizations seeking actionable insights.

Support Vector Machine (SVM): A Balanced Approach

Support Vector Machine (SVM) was another model that performed well, especially in terms of **recall** (81.9%) and **AUC-ROC** (0.85). SVM is known for its ability to model complex, non-linear decision boundaries through kernel functions, and its strong performance in binary classification tasks has been well-documented in prior literature (Saha et al., 2023). The **SVM** model achieved an accuracy of 79.1%, which, although lower than GB and RF, still indicates competitive performance. However, the relatively lower **precision** (75.4%) in comparison to the other models highlights a trade-off inherent in SVM's decision-making process. This lower precision indicates that SVM tends to classify more instances as churners than the other models, leading to a higher false positive rate.

For businesses where minimizing false positives is critical—such as in cases where marketing budgets are constrained and targeting the wrong customers could lead to wasted resources—**SVM's** performance may be less desirable than GB or RF. Nevertheless, **SVM**'s high recall makes it a strong candidate for applications where the detection of as many churners as possible is prioritized, such as in highly competitive markets where preventing customer loss is crucial.

Neural Networks (NN): Complexity with Limited Improvement

The **Neural Networks (NN)** model achieved an **accuracy** of 80.5% and **AUC-ROC** of 0.85, placing it in a similar performance range as **SVM**. However, its **F1-score** of 79.9% is slightly lower than that of **SVM** and **RF**, suggesting that despite the complexity of neural networks and their potential for modeling non-linear relationships, they did not provide a substantial advantage over simpler ensemble models in this case. **NNs** tend to perform well with larger datasets and more complex feature interactions, but their performance in this study suggests that the dataset may not have been sufficiently large or complex to fully leverage the advantages of deep learning architectures.

The **NN** model did show high **recall** (82.0%), similar to **RF** and **SVM**, but its lower **precision** compared to **GB** and **RF** suggests that it struggled with false positives. This may be due to the overfitting tendencies often seen in deep learning models, where the network becomes too specialized to the training data and struggles to generalize to new data (Seymen et al., 2023). Additionally, the **NN** model's training time was significantly longer than that of the other models, which may be a disadvantage in real-world scenarios where time and computational resources are limited.

Implications for Business Applications

The results of this study offer valuable insights into the use of machine learning for customer churn prediction in the U.S. subscription-based service industry. For businesses focused on **retaining** as many customers as possible while minimizing unnecessary retention efforts, **Gradient Boosting (GB)** is the optimal choice due to its high accuracy, precision, and recall. **Random Forest (RF)** is also a strong candidate when recall is the priority, as it excels at identifying churners, albeit at the cost of increased false positives.

For businesses seeking a balance between precision and recall, **SVM** provides a compelling alternative, especially in cases where false positives must be minimized. Finally, while **Neural Networks (NN)** offer the potential for greater accuracy in larger, more complex datasets, they did not outperform the ensemble methods in this study, suggesting that simpler models may be more effective for churn prediction in this context.

Limitations and Future Work

Despite the promising results, this study has several limitations. First, the dataset used was limited to 50,000 customer records, which may not fully capture the diversity of churn behavior across different industries. Future work could incorporate larger, more diverse datasets to validate the findings. Additionally, the models were trained using only a basic set of features, and future studies could explore the inclusion of more granular customer data, such as social media sentiment or customer lifetime value, to improve prediction accuracy. Furthermore, the use of hyperparameter tuning in this study was limited, and more comprehensive search techniques such as Bayesian optimization could be applied to further enhance model performance.

In conclusion, this study provides valuable insights into the effectiveness of machine learning models for customer churn prediction and highlights the importance of selecting the appropriate model based on business priorities such as precision, recall, and interpretability. The findings underscore the potential of **Gradient Boosting** and **Random Forest** as powerful tools for optimizing customer retention strategies.

Conclusion

This study evaluated the performance of five machine learning models—Logistic Regression (LR), Support Vector Machine (SVM), Random Forest (RF), Gradient Boosting (GB), and Neural Networks (NN)—in predicting customer churn within the United States. The results demonstrated that **Gradient Boosting (GB)** outperformed the other models in terms of accuracy, precision, recall, F1-

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score, and AUC-ROC, making it the most suitable model for predicting customer churn in industries with a strong focus on retention. GB's ability to model complex relationships within the dataset, along with its balance between precision and recall, positions it as an excellent tool for customer retention efforts. **Random Forest (RF)** followed closely, with strong recall and interpretability, making it a good choice for businesses that prioritize identifying as many churners as possible, even at the expense of some false positives.

Support Vector Machine (SVM), while slightly less accurate than GB and RF, proved effective in scenarios where recall was prioritized. Its capacity to model non-linear relationships in the data makes it a viable alternative, particularly for businesses where retaining churners is a top priority. **Neural Networks (NN)**, despite their complexity, did not outperform the ensemble models, indicating that more advanced models may not always offer a significant advantage over simpler, more interpretable algorithms in churn prediction tasks.

This study provides valuable insights into the practical application of machine learning models for churn prediction and offers a guideline for businesses in choosing the most appropriate model based on their specific needs—whether that is maximizing accuracy, precision, recall, or interpretability. While **Gradient Boosting** and **Random Forest** showed the most promise, future research could explore incorporating more granular customer data and the use of hyperparameter tuning to further enhance model performance. Ultimately, this research emphasizes the importance of aligning machine learning model selection with business objectives for optimal customer retention strategies.

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