Journal of Scientific and Engineering Research, 2021, 8(9):307-314



**Research Article** 

ISSN: 2394-2630 CODEN(USA): JSERBR

# **Logistic Regression for Predictive Modeling**

# Kailash Alle

Sr. Software Engineer, Comscore, Inc, **Email ID:** kailashalle@gmail.com

**Abstract** Customer retention, loyalty measurement, and recovery strategies have become crucial for businesses aiming to minimize client loss. Instead of focusing solely on acquiring new customers, companies now prioritize preventing the loss of existing ones. The telecommunications industry, with its rapid technological advancements and growing user base, generates vast amounts of data. However, this rapid and uncontrolled expansion leads to significant losses due to fraud and technical issues, necessitating the development of new analytical methodologies. This paper addresses the urgent need for effective analysis techniques to manage and interpret the vast data in the telecommunications sector. The primary objective for many providers is to retain highly profitable customers. By predicting which clients are at greater risk of churning, telecommunications companies can implement proactive measures to reduce customer churn and enhance overall business performance.

**Keywords** Customer Retention, Risk Prediction, Customer Recovery, Fraud Detection, Data Analysis, Predictive Analytics

# Introduction

Finding reasons for client loss, gauging customer loyalty, and recovering customers have all become highly essential ideas for many businesses. Companies conduct a variety of studies and efforts to prevent losing consumers rather than gaining new ones. Due to fast renewable technology, an increase in the number of users, and value-added services, the telecommunications business collects massive amounts of data. Due to the uncontrolled and rapid expansion of this area, considerable losses are incurred because of fraud and technical challenges. As a result, the creation of new analysis methodologies has become a necessity. The number one business goal for many providers is to keep extremely profitable customers. Telecommunications businesses must predict which clients are at greater risk of churning to reduce customer churn

# Analytical Question:

Which consumers are most likely to leave? What are the most important customer features/variables in terms of churn?

# **Goals and Objectives:**

The purpose of data analysis is to investigate the data, identify trends, compare key indicators, develop visualizations, and anticipate which customers are at high risk of churn using multiple regression modeling.

The goal of this project is to be able to forecast whether a certain client would churn. The churn rate, also known as attrition rate, is the rate at which a company's clients discontinue doing business with it. It's most typically expressed as the percentage of service subscribers who cancel within a specific period. We are given data on 7043 consumers, including 21 attributes from multiple services and personal qualities, which we will clean, analyze, and use to build ML model that can predicting whether a customer will churn.



# Justification for the Method

#### Assumptions Summary: Logistic Regression

We will use logistic regression because we'll be predicting whether a customer will churn or not, which is a classification problem. The logistic model is used in statistics to represent the probability of a specific class or event, such as pass or fail, win, or lose, living or dead, healthy, or sick, occurring.

# Logistic regression:

Because the dependent variable is binary, it is based on the Bernoulli (also known as binominal or Boolean) Distribution rather than the Gaussian Distribution (in our dataset, to churn or not to churn)

- [1]. The anticipated values are limited to a nominal value range: No or Yes
- [2]. It predicts the possibility of a given event rather than the actual outcomes.
- [3]. There are no predictors with a significant degree of co-relation (multi-collinearity).
- [4]. It's the formula for calculating the chances of success: In other words, a regression model with a natural logarithm of the odds output, often known as logit.

Our method will be decision tree, which is a key competitor of logistic regression and is quite resilient. The decision tree's outcomes are simple to comprehend. Before constructing the decision tree, there may be collinear independent variables, as well as extreme values and missing data. The data will be separated into smaller data groups based on the attributes, allowing us to discover which features are the most significant.

# Advantages/Benefit of The Tool

# Tools will be used:

For this assessment, I'll use Python because the study will be supported by Jupyter notebooks in Python. Python includes many established data science and machine learning tools, as well as a user-friendly interface, straightforward, and extensible programming style and grammar. Python is cross-platform, so it will function whether the analysis is viewed on a PC or laptop. When compared to other programming languages such as R or MATLAB, it is quick (Massaron, p. 8). 1 In addition, Python is often regarded as the most widely used data science in famous literature and media (CBTNuggets, p. 1).

NumPy used to work with arrays,

Pandas used to load datasets,

Matplotlib used to plot charts,

Scikit-learn used for machine learning model classes,

SciPy used for mathematical problems, specifically linear algebra transformations, and

**Seaborn** used for a high-level interface and appealing visualizations. Using the Pandas library and its accompanying "read csv" function to transform our data as a data frame is a quick, exact example of loading a dataset and constructing a variable efficiently:

imported pandas as pd, df(dataframe) = pd.read csv('ChurnData.csv')

# **Appropriate Methodology:**

In this assessment, we'll begin by looking at the data and deciding on a target and independent variable. We'll next use univariant and bivariant statistics to investigate this variable. We'll also look for outliers and missing numbers, as well as update variable types for future analysis. We will conduct logistic regression when the data has been cleansed.

Because our dependent variables are binominal (Yes or No), logistic regression is an appropriate technique to investigate the research question. Based on a set of independent variables, we want to determine the chance of customer churn for certain consumers (area type, job, children, age income, etc.) As we add or remove different independent factors and determine if we'll see it's a positive or negative association with our target variable, we will gain a better understanding of the increased probability of churn.

#### **Data Objectives:**

#### The following will be part of my strategy:

- [1]. Using Pandas' read csv command, read the data collection into Python.
- [2]. Examine the data structure for a better understanding of the data collection process.

- [3]. Using the variable "churn df" to name the dataset, and "df" to name the dataframe's subsequent usable slices.
- [4]. Check for misspellings, strange variable names, and data that is missing.
- [5]. Identify outliers that may create or obscure statistical significance using histograms.
- [6]. Computing replaces missing data with relevant central tendency measures (mean, median, or mode) or just Outliers a few standard deviations above the mean are removed.

The binary categorical with only two values, YES / NO are the dependent variable "churn," which is most significant to our decision-making process. Our categorical target variable will be churn. We may find the significance of ambiguous predictor factors while cleaning the data.

- Income
- Email
- Monthly charge
- Tenure (The length of time a consumer has been with a provider.)
- Children
- Yearly-equip-failure
- Contacts
- Bandwidth\_GB\_Year 6
- Outage\_per\_week

The categorical variables (all binary Predictor except for categorical variable with two values, "Yes"/ "No," were stated) may be shown to be significant: \* Churn: Whether the consumer stopped using the service in the previous month (yes, no)\* Techie: Whether or not the customer perceives themselves to be technically savvy (as determined by a customer questionnaire completed \*Contract (at the time of signing up for services) (yes, no): The customer's contract term (one year, two years or month-on-month). \* Port\_modem: consumer using a portable modem (yes/no) \* the consumer possesses a tablet, such as or a Surface or an iPad (yes, no) \* Internet Service: The internet service provider for the customer (DSL, fiber optic, None) \* Phone: Is there a phone service for the consumer (yes, no)? \* Multiple: If the customer has more than one line (yes, no) \* Online Security: Whether the consumer has an add-on for online security (yes, no) \* Online Backup: Whether the consumer has purchased an add-on for internet backup (yes, no) \* Device Protection: Is any consumer device protection add-on? (Yes, no) \* Tech Support: Is there a technical assistance add-on for the customer (yes, no) \* Streaming TV: Whether the consumer has access to streaming television (yes, no) \* Streaming Movies: If the customer has access to on-demand movies (yes, no).

In the decisionmaking process, discrete ordinal predictor variables created from consumer surve y responses about various customer service attributes could be valuable.Customers in the surve ys provided ordinal numerical data by rating eight customer service aspects on a scale of 8 to 1 (8 being the most essential and 1 being the least important):

- Item1: Evidence of active listening
- Item2: Courteous exchange
- Item3: Respectful response
- Item4: Options
- Item5: Reliability
- Item6: Timely replacements
- Item7: Timely fixes
- Item8: Timely response

#### **Statistics in Brief:**

The dataset has 50 original columns and 10,000 records, as shown in the Python pandas data frame techniques below.

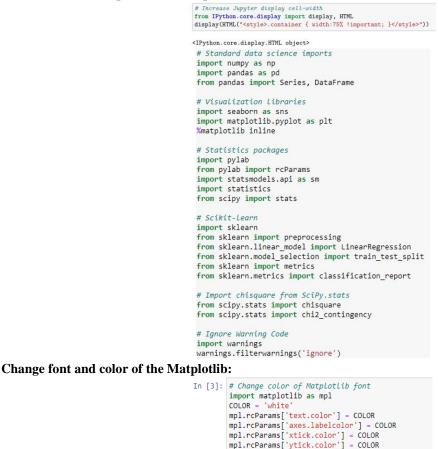
Especial user IDs and statics categorical variables ('Customer id', 'Case Order, 'Interaction, 'City, 'State, 'County, 'Zip, 'Lat, 'UID, 'Area, 'Lng', 'PaymentMethod', 'Population, 'TimeZone, 'Job, 'Marital) not included in the data frame for this research. In addition, binomial 7 "Yes" or "No" / "Male" or "Female" variables encoded to 1 or 0. This left 34 numerical independent predictor factors, including the target variable, to be determined. There appeared to be no nulls, NAs, or missing data points in the dataset, indicating that it had been well cleaned. Ordinary

distributions were discovered for "Outage sec per week, "Email" and "Monthly Charge," using histograms and boxplots as calculate the central tendency. There were no more outliers in the cleaned dataset. In a scatterplot, histograms for "Bandwidth\_GB\_Year" and "Tenure" displayed bimodal distributions, indicating a straight linear relationship. 53 years old customers are average (with standard deviation of 20 years), had two children (with a standard deviation of two children), had an income of \$39,806 (There were 10 outage-seconds every week, with a standard deviation of around 30,000, 12 times email was marked, called technical assistance few times, had fewer than one annual equipment fault, has been with the organization for almost months of 34.5, has a monthly charges of about 173, and uses 3,392 GBs.

#### **Data Preparation Procedures:**

- [1]. Create a Python data frame from a dataset.
- [2]. Rename the survey's columns/variables to make them more clearly identifiable (ex: "Item1" to "Timely\_Responses").
- [3]. Obtain a description of the data frame, including its structure (columns and rows) and data types.
- [4]. Look for the summary statistics.
- [5]. Remove the data frame's non-vital identifying (ex: "Customer id" and ex: zip code) are demographic columns.
- [6]. Search records for missing data and fill in the blanks, Outliers that are several standard deviations above the mean should be removed with the central tendency (mean/median/mode)/ delete the outliers that are more than a standard deviation above the mean.
- [7]. Make a list of dummy variables to encode category, yes/no data points into 1/0 number values.
- [8]. Create a visual representation of univariate and bivariate data.
- [9]. At the end of the data frame, add Bandwidth GB Year.
- [10]. The prepared dataset will be extracted and delivered as "churn prepared.csv" at the end.

#### Include standard imports all the required references:



Journal of Scientific and Engineering Research

Using pandas read the data from clean data file and change the names of the last eight survey columns to better describe the variables:

```
# Load data set into Pandas dataframe
churn_df = pd.read_csv("C:/Rekha/churn_clean.csv")
# Rename Last 8 survey columns for better description of variables
churn_df.rename(columns = {'Item1':'Timely_Response',
'Item2':'Timely_Replacements',
'Item3':'Timely_Replacements',
'Item5':'Options',
'Item5':'Options',
'Item6':'Respectful_Response',
'Item7':'Courteous_exchange',
'Item8':'Active_Listening'},
inplace=True)
```

#### Churn data frame with values:

# # Display Churn dataframe churn\_df

	CaseOrder	Customer_id	Interaction	City	State	County	Zip	Lat	Lng	Population	 MonthlyCharge	Bandwidth_GB_Year	Timely_Responses	Tim
0	0	K409198	aa90260b- 4141-4a24- 8e36- b04ce1f4f77b	Point Baker	AK	Prince of Wales- Hyder	99927	56.25100	-133.37571	38	171.449762	904.536110	5	
1	1	S120509	fb76459f- c047-489d- 8af9- e0f7d4ac2524	West Branch	М	Ogemaw	48661	44.32893	-84.24080	10445	242.948015	800.982766	3	
2	2	K191035	344d114c- 3736-4be5- 98f7- c72c281e2d35	Yamhili	OR	Yamhill	97148	45.35589	-123.24657	3735	159.440398	2054.706961	4	
3	3	D90850	abfa2b40- 2d43-4994- b15a- 989b8c79e311	Del Mar	CA	San Diego	92014	32.96687	-117.24798	13863	120.249493	2164.579412	4	
4	4	K662701	68a861fd- 0d20-4e51- a587- 8a90407ee574	Needville	тх	Fort Bend	77461	29.38012	-95.80673	11352	150.761216	271.493436	4	
9995	9995	M324793	45deb5a2- ae04-4518- bf0b- c82db8dbe4a4	Mount Holly	VT	Rutland	5758	43.43391	-72.78734	640	159.828800	6511.253000	3	
9996	9996	D861732	6e96b921- 0c09-4993- bbda- a1ac6411061a	Clarksville	TN	Montgomery	37042	36.56907	-87.41694	77168	208.856400	5695.952000	4	

To List the data frame columns:

# List of Dataframe Columns
df = churn\_df.columns
print(df)

To List the number of records and columns of dataset:

# Find number of records and columns of dataset
churn\_df.shape

#### (10000, 51)

#### To List the churn data set statics:

# Describe Churn dataset statistics
churn\_df.describe()

	CaseOrder	Zip	Lat	Lng	Population	Children	Age	Income	Outage_sec_perweek	Email	-	MonthlyCharge	Bandwidth_GB_Year	Time
count	10000.00000	10000.000000	10000.000000	10000.000000	10000.000000	10000.000000	10000.000000	10000.000000	10000.000000	10000.000000	-	10000.000000	10000.000000	
mean	4999.50000	49153 319600	38.757567	-90.782536	9756.562400	1.822500	53.207500	38256.017897	11.452955	12.016000		174.076305	3397.166397	
std	2886.89568	27532 196108	5.437389	15.156142	14432.698671	1.925971	18.003457	24747.872761	7.025921	3.025898		43.335473	2072.718575	
min	0.00000	601.000000	17.966120	-171.688150	0.000000	0.000000	18.000000	740.660000	-1.348571	1.000000		77.505230	155.506715	
25%	2499.75000	26292.500000	35.341828	-97.082812	738.000000	1.000000	41.000000	23660,790000	8.054362	10.000000		141.071078	1312.130487	
50%	4999.50000	48869.500000	39.395800	-87.918800	2910.500000	1.000000	53.000000	33186.785000	10.202896	12.000000		169.915400	3382.424000	
75%	7499.25000	71866 500000	42.106908	-80.088745	13168.000000	3.000000	65.000000	45504.192500	12.487644	14.000000		203.777441	5466.284500	
max	9999.00000	99929.000000	70.640660	-65.667850	111850.000000	10.000000	89.000000	258900.700000	47.049280	23.000000		315.878600	7158.982000	



Dataset with missing data points:

a points: # Discover missing da		
<pre>data_nulls = churn_df print(data_nulls)</pre>	.isnull().sum(	)
Timezone	0	
Children	0	
Age	0	
Education	0	
Employment	0	
Income	0	
Gender	0	
Churn	0	
Outage sec perweek	0	
Email	0	
Contacts	0	
Yearly_equip_failure	0	
Techie	2477	
Contract	0	
Port modem	ø	
Tablet	0	
InternetService	0	
Phone	1026	
Multiple	0	
OnlineSecurity	õ	
OnlineBackup	ĕ	
DeviceProtection	õ	
TechSupport	991	
StreamingTV	0	
StreamingMovies	õ	
PaperlessBilling	ē	
Tenure	ĕ	
MonthlyCharge	õ	
Bandwidth GB Year	ē	
Timely Responses	ē	
Timely_Fixes	õ	
Timely_Replacements	õ	
Reliability	0	
Options	0	
Respectful_Response	0	
courteous exchange	0	
Active_Listening	0	
dtype: int64	0	
zation		

#### C4: Imagination/Visualization

	issing values in dataset eeks, p. 1)""
# Install appr pip install r	napriate Library missingno
# Importing th import missing	
<pre># Visualize # msno.matrix(cl</pre>	issing values as a matrix hurn_df);
Requirement a	lready satisfied: missingno in c:\users\kaila\anaconda3\lib\site-packages (0.5.0)
	<pre>lready satisfied: scipy in c:\users\kaila\anaconda3\lib\site-packages (from missingno) (1.6.2)</pre>
	lready satisfied: seaborn in c:\users\kaila\anaconda3\lib\site-packages (from missingno) (0.11.1)
	lready satisfied: numpy in c:\users\kaila\anaconda3\lib\site-packages (from missingno) (1.20.1)
	lready satisfied: matplotlib in c:\users\kaila\anaconda3\lib\site-packages (from missingno) (3.3.4)
	lready satisfied: cycler>=0.10 in c:\users\kaila\anaconda3\lib\site-packages (from matplotlib->missingno) (0.10.0)
	lready satisfied: pyparsing!=2.0.4,!=2.1.2,!=2.1.6,>=2.0.3 in c:\users\kaila\anaconda3\lib\site-packages (from matplotlib->missingno) (2.4.
	lready satisfied: kiwisolver>=1.0.1 in c:\users\kaila\anaconda3\lib\site-packages (from matplotlib->missingno) (1.3.1)
	lready satisfied: pillow>=6.2.0 in c:\users\kaila\anaconda3\lib\site-packages (from matplotlib->missingno) (8.2.0)
	lready satisfied: python-dateutil>=2.1 in c:\users\kaila\anaconda3\lib\site-packages (from matplotlib->missingno) (2.8.1)
	Iready satisfied: six in c:\users\kaila\anaconda3\lib\site-packages (from cycler>=0.10->matplotlib->missingno) (1.15.0)
	lready satisfied: pandas>=0.23 in c:\users\kaila\anaconda3\lib\site-packages (from seaborn->missingno) (1.2.4)
Requirement a.	<pre>lready satisfied: pytz&gt;=2017.3 in c:\users\kaila\anaconda3\lib\site-packages (from pandas&gt;=0.23-&gt;seaborn-&gt;missingno) (2021.1)</pre>

#### Analysis and Comparison of Models

#### Initial Model of regression from all predictors:

""Develop the initial estimated regression equation that could be used to predict the probability of customer churn, given the churn\_df = pd.read\_csv('churn\_prepared\_log.csv') churn\_dff = pd.get\_dummies(churn\_df, drop\_first=True) churn\_logit\_model = sm.logit(churn\_dff\_UDummychurn'], churn\_df[['Children','Age','Income','Outage\_sec\_perweek','Email','Contacts' 'Tenure','MonthlyCharge','Bandwidth\_GB\_Year','Timely\_Responses', 'Timely\_Fixes', 'Timely\_Replacements', 'Reliability', 'Options', 'Respectful\_Response', 'courteous\_exchange', 'Active\_Listening', 'Intercept']]).fit() print(churn\_logit\_model.summary())

#### Using model with all categorical dummy variables:

Optimization terminated successfully.

Current function value: 0.289981

ssion Results	
No. Observations:	10000
Df Residuals:	9968
Df Model:	31
Pseudo R-squ.:	0.4985
Log-Likelihood:	-2899.8
LL-Null:	-5782.2
LLR p-value:	0.000
	Pseudo R-squ.: Log-Likelihood: LL-Null:



# **Comparison of Early Models**

As we added categorical dummy variables to our continuous variables in our pseudo-R grew from 0.4473 to 0.5296 in the second run of our MLE model. We'll take this as a sign that the categorical data points are responsible for some of our variance. As our initial regression equation, we'll employ those 31 variables.

# Model of Multiple Linear Regression in Its Early Stages:

Multiple regression with 30 independent variables (17 continuous & 13 categorical): y = (104.85 + 30.86)

\* Children - 3.31 \* Income - 0.26 \* Age + 0.00 \* Outage\_sec\_perweek - 0.31 \*Contacts + 0.67 \* Yearly\_equip\_failure + 0.62\* Email + 2.95 \* DummyTechie + 3.93 \* DummyContract + 0.47 \* DummyPort\_modem - 1.98 \* DummyInternetService - 2.15 \* DummyTablet - 373.71 \* DummyPhone -76.08 \* DummyMultiple + 67.49 \* DummyDeviceProtection - 52.58 \* DummyOnlineBackup + 24.89 \* DummyStreamingTV - 2.64\* DummyOnlineSecurity - 12.66 \* DummyPaperlessBilling + 82.01 \* Tenure +

3.28 \* DummyTechSupport + 30.48 \* MonthlyCharge - 8.9 \* Timely\_Responses + 3.47 \* Timely\_Fixes -

0.18 \* Timely\_Replacements - 0.27 \* Reliability + 2.72 \* Options + 1.72 \* Respectful\_Response - 1.35 \* courteous exchange + 5.78 \* Active Listening.

#### **Model Reduction Justification**

We have a pseudo-R value of 0.5296, which is clearly not good for the variance of our model, based on the MLE model we created earlier. Except for variables DummyTechie, DummyContract, DummyInternetService, and DummyOnlineBackup, the coefficients in the above model are quite low (less than 0.5). The p-values for those variables are also less than 0.000, implying that they are significant.

After that, pick a 0.05 p-value and include all variables in your analysis with 0.05 p-values. Any predictor variable with a p-value larger than 0.05 will be removed from our model as statistically insignificant.

The continuous predictor variables will be included in our next MLE run:

- MonthlyCharge
- Age
- Bandwidth\_GB\_Year
- Tenure

In addition, categorical predictor factors include:

- Dummy Contract
- Dummy Techie
- Dummy Internet Service
- Dummy Port\_modem
- Dummy Multiple
- Dummy Phone
- Dummy Online Backup
- Dummy Online Security
- Dummy Tech Support
- Dummy Device Protection

We'll use another MLE model to test the reduced number of predictor variables against our DummyChurn dependent variable.

#### Perform the Following Steps to Reduced Multiple Regression Model

#### Models of comparison

the model still shows 52 percent of difference, It was proven by the pseudo-R. (31 to 15), the number of variables, in order to preserve predictor variables, we suggest a 0.05 alpha criterion. We can see that the bulk of our dummy variables (which are optional services that a client can add to their contract) have negative values because Churn = 1 What counts to decision-makers and marketers is that inverse correlations suggest that if a customer subscribes to more of the firm's services, he or she will spend more money with the company, they're less likely to churn and leave if you give them something extra, like an extra port modem or an online backup. Clearly, delivering more services to clients and improving their overall experience with the organization by assisting them in understanding

Alle K

all of the alternatives available to them as a subscriber, It is in the best interest of maintaining clients, not simply mobile phone service.

# Do the following to summarize your findings and assumptions: Results

Discuss the findings of your data analysis, considering the following points:

- [1]. The final multiple regression equation, which includes four independent variables, is as follows: y = DummyTechie 1.1367 \* DummyInternetServices + 0.2365 \* -0.8634 + 0.3952 \* DummyOnlineBackup \* DummyContract 0.2771
- [2]. According to the coefficients, for every unit of:
- [3]. Bandwidth GB Year will grow by 31.18 units, children.
- [4]. Bandwidth GB Year will rise by 81.94 units, tenure.
- [5]. Bandwidth GB Year will be increased by 1.07 units, fixes.
- [6]. Bandwidth GB Year will be reduced by 3.66 units, replacements.
- [7]. Children and Tenure have statistically significant p-values of 0.000, while Fixes have p-values of 0.000.
- [8]. The data set is a little limited for this analysis, and more years would probably assist.

# Recommendations

It's vital for decision-makers and marketers to recognize that Churn, one of our objective variables, and some of our predictor variables, have an inverse connection. This means that as a consumer uses more of the company's services, they will be charged more, they are less likely to leave if you provide them with extras like a second port modem/ an online backup.

it is in the organization's best interests to provide extra services to consumers and to improve their overall experience with the company by supporting customers in comprehending as a subscriber, they get access to all the options offered to them. It's not just about cell phone service. Based on the negative coefficients of extra services, we propose new market segments.

Furthermore, because there is a straight linear relationship between bandwidth used annually and telecom firm tenure, it is reasonable to suggest that the corporation utilize all its marketing and customer service resources to retain the clients it has acquired, as they stay with the company for a longer period, The more bandwidth they consume, the more bandwidth they consume. This would require ensuring customer issues are quickly target and that the equipment provided is of great quality to restrict the frequency of equipment replacements

# **Documentary Evidence**

Panopto recording:

https://wgu.hosted.panopto.com/Panopto/Pages/Viewer.aspx?id=0a66f963-ac4c-4597-b3d5- adef01443b3d https://wgu.hosted.panopto.com/Panopto/Pages/Viewer.aspx?id=2b8cc5b7-e49b-4f75-8284-ade900256f35&query=kailash

# Third Party Evidence

Practiced code: Bivariate plotting with pandas URL: https://www.kaggle.com Article: Predict Customer Churn in Python URL: https://towardsdatascience.com/

# References

- [1]. Massaron, L. & Boschetti, A. (2016). Regression Analysis with Python. Packt Publishing
- [2]. CBTNuggets. (2018, September 20). Why Data Scientists Love Python.

