Chapter 2
Setting (Realistic)
Business Aims

ABSTRACT
This chapter explains different perspective of churn analysis and points out the importance of understanding what really can or cannot be done. In addition, it is important to understand common errors analysts (readers) have, so that one can be aware of them when planning and conducting churn analyses. It is advisable for the reader to move back to the introduction and Chapter 1 after finishing reading in order to once again understand the full potential and restrictions of the proposed methods and techniques. Although this chapter covers churn topics on a conceptual level, it is very important for the reader to be able to understand and express key points on this level. By using industry-related cases and by combining churn with early warning systems, the complete scope is covered, and the reader can move to the next level, techniques, explained in next chapter.

2.1 INTRODUCTION

Often while exploring all powers of analytical methods ideas what else we may analyze just pop on one after another. Being able to control obviously large potential we need to be able to manage business aims in realistic way, both in time and resources. Looking from the churn perspective, churn is important because lost customers have to be replaced with new ones, and new ones are expensive to acquire and generally generate less revenue in the near term than established customers (Berry, Linhoff,
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Figure 1. Understanding business aims

2.2 WHEN CHURN BECAME OBVIOUS IT IS TOO LATE FOR DATA MINING

As we define, churn can be voluntary or involuntary. However there is a third choice, expected churn (Berry, Linhoff, 2004). Involuntary churn, also known as forced attrition, occurs when the company, terminates the relationship most commonly...

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