

ABSTRACT

Increasing number of companies engaged in insurance business in Indonesia resulted in the rising of business competition and customer freedom in choosing an insurance product that will be used. This can potentially increase customer churn. Churn is a process that could reduce company's profit. Therefore, companies must be able to minimize the level of churn by increasing customer loyalty as one of means to increase profitability.

PT Asuransi Paradiso as one of the vehicle insurance company provider in Indonesia, states that customers extend their contract ranging from 60% annually, while the remaining 40% did not use the product again (churn). Customer churn percentages of firms in each year can be viewed as an opportunity to improve profitability if the company can change the status of the potential churned customer into a loyal customer. Therefore, PT Asuransi Paradiso needs to know the patterns of customer's characteristic in order to take action to prevent customer churn by making various improvements in handling customers to increase profitability. The company also needs to maintain and manage a good relationship with customers by implementing strategies that apply the concept of Customer Relationship Management (CRM).

Customer characteristic patterns generated from processing the data stored in corporate databases using the data mining technique. Data mining technique that is used is the function of classification with decision tree method. Implementation of data mining techniques produce characteristic patterns of customers who already have the status of churn, loyal, or indecision. Characteristic pattern that is formed is used as input in the making of application of customer status determination. Application of this research is designed to meet the functional and non functional needs defined in the needs analysis.

Application of customer status determination testing that carried out using test data results 78% accuracy level. The draft strategy recommendations based on the status of customers generated applications. Further research can be developed by analyzing the effect of churned customer for the company's profitability.

Key words: Churn, Customer Relationship Management, Data Mining.