

Determinants of Customer Churn and Retention in the IT Industry: An Empirical Analysis

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Abstract

Customer retention has emerged as an important issue for information technology (IT) firms as customers are able to compare providers, services offered and price quotes rather easily. The current paper investigates the relationship between customer engagement, service quality and perception about pricing and customer churn and customer retention in the IT industry. The research is conducted based on primary data gathered through a structured survey in the form of a five-point Likert scale questionnaire and analyzed with SPSS software. In total, the sample size comprised 279 respondents after removing invalid observations. The reliability test showed the Cronbach's Alpha of 0.982 for 40 items, which demonstrates extremely high reliability of data. According to descriptive statistics, the sample expressed positive attitudes towards customer engagement, service quality and pricing, as well as strong intentions to retain their business with the IT company. Pearson correlations among five research variables ranged from 0.909 to 0.935 and were statistically significant at $p < 0.001$. Multiple regression found that customer engagement ($\beta = 0.205$), service quality ($\beta = 0.401$) and pricing perception ($\beta = 0.256$) had a significant impact on customer retention whereas customer churn was insignificant ($p = 0.062$). The model explained 89.8% of the variance in customer retention.

Keywords: Customer Churn, Customer Retention, Customer Engagement, Service Quality, Pricing Perception, IT Industry, Customer Relationship Management.

Introduction

The IT sector functions in an environment where there is fast-paced technology advancement, competition and ever-changing customer demands. Customers have access to information regarding alternative sources, price comparison and assessment of service delivery prior to making a decision on whether to stay or leave. As such, getting customers is not enough to ensure sustained success; it is also necessary to know why the customers stay, what makes them switch and what motivates their loyalty.

Customer churn means the end of the customer's association with the company, while customer retention means the ability of the organization to establish sustainable customer relations through meeting their needs and expectations. There are various issues that might affect both customer churn and retention. These include customer engagement, customer service, and pricing perception. If all these issues are positively experienced by the customer, it leads to loyalty, and customers are more likely to remain customers, but if the experience is negative, then it increases the chances of switching to rival companies.

The objective of this research is to examine the determinants that impact customer churn and customer retention in the intensely competitive IT sector. With customers getting more access to

alternative service providers, there is a need for organizations to know about the determinants impacting customer churn and customer retention.

This study will explore the role of the combination of customer engagement, service quality, and pricing perception in impacting customer churn and customer retention. The relationships in the study will be examined using a structured approach to research and statistical analysis techniques.

Review of Literature

New literature reveals that today customer relationships are increasingly characterized by digital interaction, service experience, value perception, and data-oriented customer retention techniques. The literature cited in the original report published during the period of 2023-2026 provides a contemporary framework for analyzing the five variables utilized in this study.

- **Customer Engagement**

Roy et al. (2023) explored the issue of customer engagement through digital interactive platforms and revealed that certain factors like autonomy and competence may be useful in enhancing various types of engagement. Gupta and Khan (2024) noted the importance of artificial intelligence in relation to customer engagement and value creation. Srivastava et al. (2025), conducting the systematic review of the existing literature on digital customer engagement, stressed the importance of increasing role played by digital technologies in business transactions. Rahman et al. (2025) showed that positive omnichannel customer experience leads to higher repurchase intention, positive feedback, referral and customer influence. Thus, it can be said that customer engagement goes beyond mere communication and implies valuable and ongoing interaction.

- **Service Quality**

Service quality remains a key element for customers' satisfaction and willingness to continue the relationship with the company. Subagja et al. (2023) stated that technology such as ChatGPT can help to increase customer-service efficiency, personalize services, and highlight such factors as employee capability, customer context, privacy, and security issues. Tedja et al. (2024), conducting a systematic review of the relevant literature, found out that there was a connection between service quality, value perception, customer satisfaction, and intention to continue a business relationship. Similarly, Rasheed and Rashid (2024) found that the factors of service quality affect satisfaction and word-of-mouth.

- **Perception of Price**

Price is now increasingly measured based on fairness, transparency and value rather than just the price itself. According to Zietsman et al. (2023), perception of price, price fairness and service quality influence perceived value and result in customer satisfaction and loyalty. Berry (2025) studied price-perception mistakes and outlined several consumer characteristics, including income, brand loyalty, product quality and price sensitivity, as potential factors influencing price perception. Thus, customers can be loyal if they find the price reasonable considering the quality and value of the product.

- **Churn and Retention of Customers**

Modern churn research increasingly incorporates customer relationship management and predictive analysis. As shown by Sumanasri et al. (2023), the techniques of Random Forest and Power BI can be used for churn prediction. Similarly, Li (2024) used predictive analysis based on historical customer data to predict member churn. Ribeiro et al. (2024) conducted a systematic review of telecommunications research and showed the importance of determining the switching determinants for customer retention. In 2025, Praba et al. compared different machine-learning methods for churn prediction, whereas Ambuli et al. proposed hybrid XGBoost-MLP model. Zeinali et al. (2026) incorporated business intelligence, CRM and machine learning for predictive customer retention, while Schemm et al. (2026) created churn prediction model for a B2B company. It appears that the tendency in modern churn research is to shift from reactive towards proactive retention management.

- **Research Gaps**

While modern studies analyze customer engagement, service quality, pricing and churn or retention separately or in specific industry context, the present report has found that there is a need for an integrative research of the customer engagement, service quality and price perception with consideration of churn and retention. The present study is aimed at addressing this research gap by analyzing all the above variables at once.

Research Question, Objectives and Hypothesis

- **Research question**
 - In which way do the variables of customer engagement, service quality and perception of prices impact the customer's tendency towards churning and customer retention in the IT industry, respectively?
 - What is the nature of the relationship between customer churn and customer retention?
- **Research Objectives**
 - To analyze the influence of customer engagement on the customer churn in the IT industry.
 - To analyze the influence of service quality on customer churn in the IT industry.
 - To analyze the influence of customer engagement on customer retention in the IT industry.
 - To analyze the influence of pricing perception on customer retention in the IT industry.
 - To analyze the relationship between customer churn and customer retention in the IT industry.
- **Research Hypothesis**

H1: Customer engagement has a significant impact on customer churn.

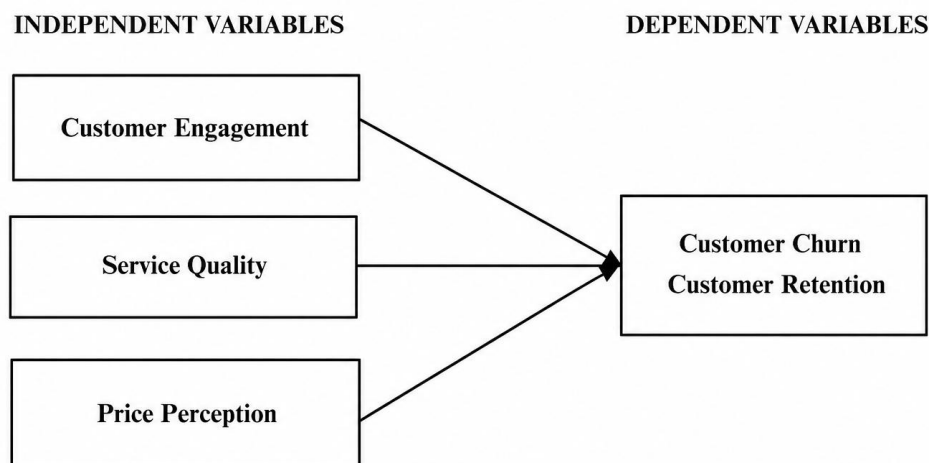
H2: Service quality has a significant impact on customer churn.

H3: Customer engagement has a significant impact on customer retention.

H4: Pricing perception has a significant impact on customer retention.

H5: There is a significant relationship between customer churn and customer retention.

CONCEPTUAL FRAMEWORK



Source: Author own compilation

Research Methodology

For this research paper, the study utilized a quantitative research design and descriptive and analytical approaches. The descriptive research design was employed to comprehend the perceptions of the respondents about customer engagement, service quality, pricing perception, and churn and retention. On the other hand, the analytical research design helped analyze the correlations and predictive influences of the variables in this study.

The primary data were gathered using a structured online questionnaire based on the five-point Likert scale starting from Strongly Disagree to Strongly Agree. Five main constructs were included in the questionnaire such as customer engagement, service quality, pricing perception, customer churn and customer retention. The secondary data came from academic sources in the form of journal articles. Initially, the methodology section had stated that the sample would comprise 200 respondents; however, in the SPSS analysis, 279 valid answers without any exclusion were found. As a result, the final number of respondents used for analyzing is 279.

Convenience sampling, which is a type of non-probability sampling technique, was applied to contact those respondents who had previous experience with IT products or services. The frequency and percentage analysis, descriptive statistics, reliability test using Cronbach's Alpha, Pearson correlation and multiple regression were used to analyse the data statistically. In this case, the statistical significance will be taken at the 0.05 level.

The research is limited due to some issues. First of all, the analysis is related to the IT industry and uses convenience sampling; therefore, generalization cannot be made. Moreover, the results are only the perceptions of the respondents during one period of time and can be affected by response bias. There are many other factors not considered in the research model, namely trust, brand image, switching cost, satisfaction, product features and technological innovation.

Data Analysis and Results

- **Reliability analysis**

Cronbach's Alpha was used as the measure of internal consistency of the questionnaire. This method yielded the reliability of 0.982 based on 279 responses to the questions. Thus, as the value of coefficient is significantly higher than the traditional 0.70, one can speak of the high internal consistency of the test.

Table 5.1: Reliability Statistics

Cronbach's Alpha	N of Items
.982	40

- **Descriptive analysis**

Item-level mean values of customer engagement are 4.01 and 4.58. The maximum value is 4.58, meaning that the organization performed excellently in communicating, appreciating and developing relations with customers. In general, the obtained results show that customers have positive views on how the organization communicates with them and works with their feedbacks.

Service quality showed mean values of 3.96 and 4.51. The results show that the customers' view of the provided service is generally positive. The areas, which received the highest evaluations are professionalism of the organization's employees and their respectful treatment of the customers. It should be noted that lower value shows that consistency of this aspect can be improved.

Pricing perception showed item-level mean values of 3.99 and 4.57. The customers had generally positive perception of prices set by the organization. However, lower item value shows that more information about components of the price can increase the level of their trust.

Customer churn showed item-level mean values of 3.98 and 4.46, showing that customers realize the possibility of leaving the organization because of more valuable offers made by competitors. Customer retention had values ranging from 4.03 to 4.52.

- **Correlation analysis**

All pairwise correlations between the five variables proved to be statistically significant and demonstrated a rather high degree of their positive associations ($0.909 \leq r \leq 0.935$, $p < 0.001$). Specifically, the highest coefficient was observed between service quality and customer churn ($r = 0.935$), while customer engagement and customer churn demonstrated $r = 0.909$. Pricing perception and customer retention were positively associated ($r = 0.916$). It has been found out that there is a significant relationship between customer engagement, service quality, and pricing and customer retention.

Table 5.3: Correlation Analysis

		CE	SQ	PP	CC	CR
Customer Engagement	Pearson Correlation	1	.911	.921	.909	.910
	Sig. (2-tailed)		<.001	<.001	<.001	<.001
	N	279	279	279	279	279
Service Quality	Pearson Correlation	.911	1	.915	.935	.929
	Sig. (2-tailed)	<.001		<.001	<.001	<.001
	N	279	279	279	279	279
Pricing Perception	Pearson Correlation	.921	.915	1	.912	.916
	Sig. (2-tailed)	<.001	<.001		<.001	<.001
	N	279	279	279	279	279
Customer Churn	Pearson Correlation	.909	.935	.912	1	.909
	Sig. (2-tailed)	<.001	<.001	<.001		<.001
	N	279	279	279	279	279
Customer Retention	Pearson Correlation	.910	.929	.916	.909	1
	Sig. (2-tailed)	<.001	<.001	<.001	<.001	
	N	279	279	279	279	279

• Regression Analysis

Customer retention was analyzed using multiple regression. Customer engagement, service quality, pricing perception and customer churn served as predictors. The regression model generated $R = 0.948$ and $R^2 = 0.898$, which means that about 89.8% of variance in the dependent variable was explained by the predictors. The ANOVA test results confirm the general significance of the model ($F = 602.423$, $p < 0.001$).

The strongest predictor of customer retention was service quality ($\beta = 0.401$, $p < 0.001$). It was followed by pricing perception ($\beta = 0.256$, $p < 0.001$) and customer engagement ($\beta = 0.205$, $p < 0.001$). Customer churn was not a statistically significant individual predictor in this regression model ($\beta = 0.115$, $p = 0.062$). The variables customer engagement, service quality, and perceived pricing have statistically significant positive effect on customer retention because their significance levels are less than 0.05. Customer churn has no statistically significant effect on customer retention since its significance level (0.062) is higher than 0.05.

Table 5.4: Regression Analysis

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.948	.898	.896	.20675

Discussion

The results confirm that customer retention in the IT context is significantly related to the quality of customer relationship. According to the results of the descriptive analysis, the respondents generally viewed engagement, service quality, and pricing positively. According to the results of the regression analysis, the most significant predictor of retention is service quality. The finding is consistent with recent literature, which states that good and fast customer service is the main component of customer satisfaction and relationship continuation.

The results suggest that customer engagement significantly promotes customer retention. The finding is consistent with recent literature, which shows that digital and omnichannel experiences positively affect repurchase intentions, feedback, and customer influence. Engagement in an IT company can include regular communication, customized service provision, feedback processes, mentoring, or service updates. Therefore, the result indicates that the customers who feel their voice is being heard tend to continue their relationships with the providers.

Perceived pricing is another factor which has a significant predictive ability in relation to retention. The finding is consistent with the literature, according to which perceived price and fairness have an impact on the perception of perceived value and loyalty. The reason why technology customers evaluate pricing decisions together with service quality and outcomes needs to be taken into account. As a result, the organizations should not only keep prices low. They should make the link between price and value clear for the customers.

One of the interesting results is that customer churn had a very high correlation with the other variables but was not a significant individual predictor of retention when other predictors were introduced into the regression analysis model. This finding is important because there is a difference between a correlation between variables and a predictive ability of a variable. The result indicates that the perceptions related to churn have a lot in common with perceptions related to service quality, engagement, and pricing.

The very high R^2 of 0.898 shows that the combination of customer engagement, service quality, pricing perception, and churn-related perceptions has a significant explanatory power in respect to retention responses. At the same time, the value cannot be used as proof that these factors cause 89.8% of customer retention in the entire IT population.

Practical Implications

Several important implications for organizations in the IT industry follow from the findings. Firstly, it is service quality that requires special attention from managers since it became the most powerful determinant of customer retention. Managers need to watch their organization's performance regarding response time, service consistency, technical support, problem-solving, and delivery reliability but not rely only on customers' surveys on satisfaction level.

Secondly, the organization needs to increase the level of customer engagement via communication, feedback, personal interaction, and proactive support. Customer engagement can be measured to find out whether there is any decrease in interaction, complaints solving, and participation before the end of the customer relationship.

Thirdly, the organization must adopt transparent and value-based pricing policy. Customers need to be informed about what kind of services are included, how much additional services cost, how they will benefit from this price. Such policy may decrease uncertainty and help customers feel themselves to be treated fairly.

Fourthly, the organization needs to adopt an early-warning approach to detect customer churn. Decreasing customer engagement, recurrent complaints, decreasing usage/purchase, service problems, and comparisons with competitors may serve as such warning signs. Analytical and predictive approaches might also help to determine potential churners.

Finally, customer retention should be cross-functional task. Sales, marketing, technical, customer support departments and management need to exchange customers' information and coordinate their efforts on customer retention. The customer-centric approach combining service quality, customer engagement and pricing will work better compared to viewing churn as a task for one department.

Conclusion

This paper investigated the determinants of customer churn and customer retention within the IT sector, with special focus on customer engagement, service quality and pricing perception. The research tool used in this investigation proved reliable due to high response rate of 279, while descriptive results revealed relatively positive perceptions of engagement, service quality and pricing as well as good intentions of customer retention.

Correlation analysis found strong statistically significant relationship between customer engagement, service quality, pricing perception, customer churn and customer retention. Notably, the results of regression analysis revealed that customer engagement, service quality and pricing perception significantly predicted customer retention, with service quality being the most important. Customer churn was strongly associated with other variables, but did not contribute independently to customer retention at 5% significance level.

This paper, therefore, confirms the importance of managing customer retention based on customer experience rather than customer churn management after they decided to switch away. It is possible for the IT organizations to build better customer relationships by providing reliable services, keeping in contact with customers, conveying value and setting clear pricing policy. Future researches could expand on this study employing probability sampling, collecting larger sample sizes from IT sector, adopting longitudinal approach and using additional variables including satisfaction, trust, switching costs, brand image and innovation.

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