Hi LDS,

FACTORS EFFECTING PRICE SENSITIVITY (HYPOTHESIS FOR PRICE SENSITIVITY)

Ease Of Comparison

All products are substitutes to each other, but some are more obvious than others. How obvious, depends on the ease of comparison. The easier it is to compare your product to alternatives, the higher the price sensitivity will be and thus will effect the ratio of churn.

Expenditure Effect

Buyers are more price sensitive when the expenditure is larger, A one-residential customer may not pay much attention to the price ups and downs, but Small & Medium Enterprise that buys in large quantities will.

End-Benefit Effect

This effect is especially important when. What is the end-benefit? Is it cost minimization, maximum output, quality improvement?

Customers buying a product from public sector knows that price does not contain extra expenditure of the sector, but from the private sector the price contain other prices related to make the product, means you have to pay more to buy product from private sector as it has their own expenditure and they adjust this by price variation. This is called the fairness effect.

Hypothesis Test

Hypothesis Test 1: (Ease of Comparison)

H_0 will be the number customer who drop the product by comparing the product with others,
H_1 will be number of customer who do not compare the product with others,

Analyse the data, if data suggest to have a null hypothesis condition then assume that most of the customer are sensitive and compare the product with others if variation in price occur and the reason for the customer loss. On the other hand, data suggest to have number of customer who do not compare the product when price is adjusted then this is not the reason for customer loss.

Hypothesis Test 2: (Expenditure Effect)

H_0 will be number of customers who own enterprise and drop the product,
H_1 will be number of residential customer and drop the product,

By analysing data , check whether data suggest that most number of customer own a enterprise and dropped the product or switch to another provider, if most number of customer with enterprise drop the product then price matters to enterprise owners.

And as already concluded that the churn rises most in the SME customer.

Hypothesis Test 3: (End-Benefit Effect)

H_0 will be number of customer who drop the product due to privatization,
H_1 will be number of customer who does not drop the product due to privatization,

By analysing data, check whether data suggest that most number of customers drop the product due to the privatization if yes, then will be the reason of customer loss. Otherwise privatization did not effect the customer traffic.

Regards,

Abdul Rafay