BOSTON CONSULTING GROUP

Data-Driven Churn Reduction: PowerCo SME Segment Insights

ARCHANA THARAMMAL

SItuation

PowerCo's SME division faces a **9.7% churn rate** across **14,606 customers**, posing a significant risk to revenue. Historical data on usage, pricing, and customer attributes is available to explore churn drivers and retention strategies.

Complication

- Churn was previously hard to predict, and **price sensitivity is not the primary driver**.
- A blanket discount strategy lacks precision and may lead to **unnecessary revenue loss**.
- Without clear targeting, PowerCo risks investing in retention offers that don't yield return

QUESTION?

Can we use customer data to accurately predict churn and implement a **more effective, targeted retention strategy**?

Evaluation

A machine learning model significantly improves prediction accuracy.

Key findings:

- Churn is **predictable** — top drivers are:
  - **Yearly consumption**
  - **Forecasted consumption**
  - **Net margin**
- **Customer price sensitivity is not a key churn driver**
- A **20% discount strategy** can be effective **only when targeted to high-value, high-risk customers**

Impact

- Enables a **data-driven retention plan**
- Targeted offers prevent churn **without over-discounting**
- Potential to **preserve significant margin and reduce churn by 15–25%**