

Executive Summary:

Situation:

Our company has observed an increase in customer churn and wants to identify the reason behind it. They are particularly interested in understanding whether price sensitivity is involved and if discounting can help in retaining customers.

Complication:

We applied a predictive model to identify the drivers of customer churn and found that net margin and consumption over 12 months were the top drivers. The margin on power subscription was also an influential driver. Time was also an important factor, including the number of months customers have been active, their tenure, and the number of months since they updated their contract. We found that price sensitivity features were scattered around but not the main driver for churn.

Question:

Based on these findings, our hypothesis is that offering discounts alone may not be effective in retaining customers. Instead, we propose that the company should focus on improving net margins and reducing consumption to retain customers. Additionally, the company should pay attention to the customers' tenure and contract update dates to ensure they are satisfied with the service and provide them with incentives to renew their contracts.

Answer:

We suggest the company take the following actions:

Analyze the pricing strategy and consider making changes to improve the net margin.

Develop a plan to reduce consumption without sacrificing the quality of the service.

Provide incentives to customers to renew their contracts.

Monitor customer tenure and take steps to ensure customer satisfaction.

By implementing these solutions, we believe the company can reduce customer churn and retain more customers, resulting in increased revenue and profitability.