

Here's a breakdown of the key points:

1. **Client Profile:**

- PowerCo is a major gas and electricity utility.
- It serves corporate, SME, and residential customers.

2. **Churn Problem:**

- The company is experiencing significant churn, especially in the SME segment.
- Churn is driven by the power liberalization in the European energy market.

3. **BCG Engagement:**

- PowerCo has engaged BCG (Boston Consulting Group) to address the churn issue, particularly in the SME segment.

4. **Predictive Model:**

- There's a belief that it's possible to predict customers likely to churn using a predictive model.

5. **Hypothesis - Price Sensitivity:**

- The hypothesis is that churn is driven by customer price sensitivity.

6. **Discounting Strategy:**

- The client is considering a discounting strategy to combat churn.
- The SME division head suggests offering customers with a high propensity to churn a 20% discount.

Recommendations:

1. **Predictive Model:**

- Develop and implement a robust predictive model to identify customers likely to churn.

2. **Analysis of Price Sensitivity:**

- Investigate the hypothesis of price sensitivity by analyzing customer behavior and preferences.

3. **Discounting Strategy:**

- Test the proposed discounting strategy on a subset of high-churn-risk customers in the SME segment.

4. **Customer Feedback:**

- Collect feedback from customers who receive the discount to understand their response and whether it impacts their decision to stay with PowerCo.

5. **Communication Strategy:**

- Develop a clear communication strategy to convey the discount offering and its benefits to customers.

6. **Monitoring and Evaluation:**

- Implement mechanisms to monitor the effectiveness of the discounting strategy over time.