

PowerCo SME Customer Churn

According to recent studies carried out by the European union in its member states, energy expenses have been observed to increase progressively relative to enterprise size. For about 68% of medium sized enterprises, their electricity bills accounts for less than 1% of their turnover in comparison to 73% and 79% of very small and small enterprises. SMEs are obviously spending a higher percentage of their turnover settling their energy expenses than larger enterprises.

The possibility of SMEs negotiating price are most times dependent on factors like their consumption so that bargaining power is lower for smaller enterprises. Due to these factors, SMEs are steadily on the look out for better incentive packages that would prove greater bargains for energy expenses.

In order to model the churn of these SMEs, it would be of great need to take into cognizance the incentive offerings of competitors in the market. The major ideology behind the energy liberalization concept is to foster competition among energy providers. Understanding that consumers will naturally seek better deals, it is important to understand what the competitors are providing to take decisions.

A major factor in energy liberalization are energy policies put in place by countries. These are ultimately going to control how businesses resident in those territories react. It is thus quite normal to expect churn rate to differ by country. As PowerCo operates a venture around Europe, it would be necessary to study how the churn of consumers vary according to residency.

As reported by the European Union, certain sectors tend to accumulate more energy expenses than others. This is quite understandable as the energy consumption of sectors would vary according to their needs. This would be useful in predicting which sectors spend more on energy usage than others and tailor better packages to accommodate their needs.

Consequently, in order to create a predictive model for SME churn, we would consider the following factors:

- SME size
- Country of residence
- SME business type
- Price offering
- Competitors offering
- Incentive offered
- Energy consumption

Possible data sources may include company database of clientele and data from sources like the European Union website showing current situations in the energy markets as well as competitors' websites to peruse current and past price offerings.

