

Power Co Customer Churn Problem

Problem

There is a significant churn problem for **Power Co** due to energy market liberalization in Europe. The largest group of customers churning out are the Small and Medium Enterprises (SMEs).

The client attributes this problem due to price sensitivity of the utilities. To rectify the problem, they have suggested offering a 20% discount to clients that are at a higher chance of churning out.

Other possible causes of the consumer churn

The factors that could affect the churn problem are:

1. Quality of service offered by **Power Co**
2. Services offered by competitor

Quality of service offered by Power Co

The following factors can affect the quality of service, thereby causing consumer churn:

1. Stability of the supply - no. of hours the SME receives power supply
2. Quantity of the supply matching the demand - the amount of supply it receives - measured in either:
 - a. Volts
 - b. Watts

The quantity demanded varies depending on the industry the SME is operating in. Most manufacturing industries require high voltage, high power outputs (such as equipment manufacturers, battery manufacturers)

3. Type of power supply - AC or DC
4. Servicing of the electrical network - How frequently the maintenance services are offered
5. Pricing strategy - apart from the price sensitivity issue, the pricing model of **Power Co** also decides the churn of the service. The following pricing parameters must also be evaluated:
 - a. Charges based on the service offered
 - b. Maintenance costs
 - c. Fixed deposits
 - d. Equipment and other logistical costs

Competitor services

The following services offered by the competitors influence customer choices:

1. Pricing strategy for similar services offered
2. Extra incentives offered by the competitor

Pricing strategies can be compared effectively for analysis, but the incentives cannot be gauged qualitatively for modeling purposes.

Conclusions and future decisions

Following actions must be taken to perform a detailed analysis:

1. Comprehensive market study of the competitors on:
 - a. Their pricing strategies
 - b. The service plans offered
2. Collection of consumer data with the following information:
 - a. Type of serviced opted
 - b. Quantity of service
 - c. Pricing plans (monthly / yearly)
 - d. Timings of utility received (24/7 or for fixed amounts of day)
 - e. Maintenance schedule of the supply
3. Collection of pricing data with the following information:
 - a. Base price of supply
 - b. Pricing strategy (as mentioned under Quality of service offered by **Power Co**)