Dear Sir,

This is my report for PowerCo regarding the major steps needed to test the hypothesis, the churn is driven by the customers’ price sensitivities.

First of all, the data needed for the hypothesis will be:

* Customer data for Pre-liberalisation periods and the post liberalization periods.
* Detailed price data over the pre and post-liberalisation periods for the 3 segments.

Also, the major steps needed to test the hypothesis include;

1. Making assumptions(we assume that the SME’s churn is based on price sensitivities.)
2. Taking an initial position(Loss of SME customers is as a result of price sensitivities)
3. Determine the alternate position(Loss of SME customers is not affected by price sensitivities.)
4. Setting acceptance criteria(95% confidence interval)
5. Conducting fact based tests.
6. Evaluating the results- Does the evaluation support that the churn is driven by the customers’ price sensitivities. Are we confident that the result is not due to chance?
7. Reaching one of the following conclusion: Rejecting the original position that, the churn is driven by the customers’ price sensitivities and being in favor of alternate position or failing to reject the initial position.

From the results, we will be able to understand the factors of the churning relative to price changes. Also, the model will allow us to know the business impact of the client’s proposed discounting strategy.

Kind regards,

Barbara Zen.