PowerCo Churn Analysis – Executive Summary

Business Problem

- The client is experiencing customer churn, resulting in lost revenue and reduced lifetime value.

- The objective of this analysis was to identify key drivers of churn and enable proactive retention actions.

Key Metric

- Customer Churn Rate – the primary indicator of revenue leakage and customer disengagement.

- Customer Churn Rate by Price Sensitivity Segment – the most critical indicator of revenue at risk from pricing actions.

Churn Rate as per Data

- As per data provided, the churn rate is around 9.7% for the company.
- It may seem small but it affects the revenue of the company.
- We found the reason for the churn is price sensitivity
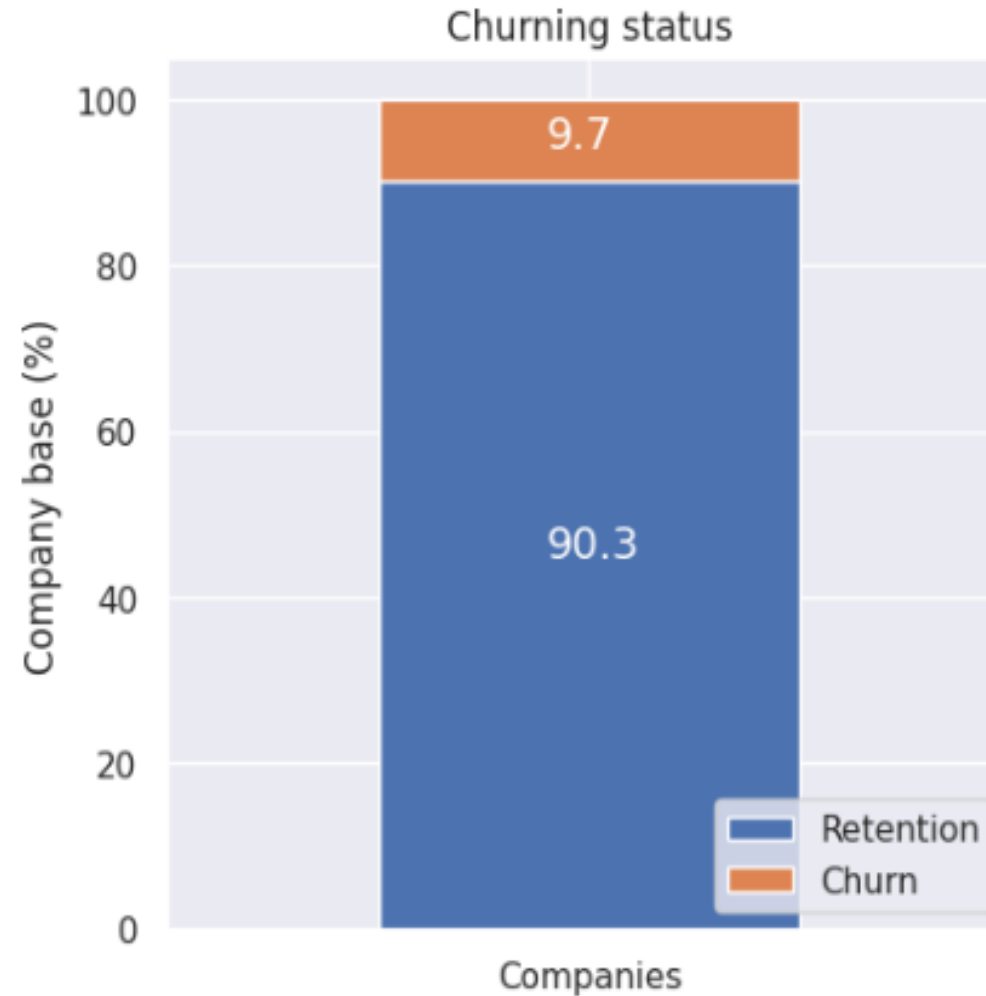
Key Finding: Price Sensitivity Drives Churn

- Our analysis **validates Estelle's hypothesis** that December-January price changes are the strongest predictor of customer churn, with our advanced model achieving **33%churn detection capability** vs. industry benchmarks of ~5%.

Estimated Business Impact

- Reducing churn among high-risk customers is expected to drive meaningful revenue uplift through improved customer retention and higher lifetime value, while lowering acquisition costs.

ACTIONABLE INSIGHTS FOR SME DIVISION

- **1. Price Communication Strategy**

- **Winter months (Dec-Jan) require proactive customer communication**

- Implement early warning system for customers with high price sensitivity scores. Deploy retention campaigns **before** price changes take effect

- **2. Customer Segmentation Priorities**

- Focus on **high-margin, high-consumption customers** with tenure >2 years

- Target customers showing declining consumption patterns. Prioritize accounts with multiple contract modifications

- **3. Revenue Protection Opportunities**

- **Immediate Impact**: 280+ additional customers retained per 10,000 customers

STRATEGIC RECOMMENDATIONS

1. Immediate Implementation (30 Days)

a. Deploy early warning system for all SME customers before price change.

b. Launch targeted retention campaigns for high-risk segments and customers.

c. Establish customer success team alerts for predictive intervention before churning.

2. Customer Segmentation Focus

a. Target the High-Value Customers: Customers with >$2,500 annual value and tenure >=2 years.

b. Checking Risk Indicators: Declining consumption + multiple contract modifications

c. Price Sensitivity: Proactive communication during winter pricing periods with the customers.
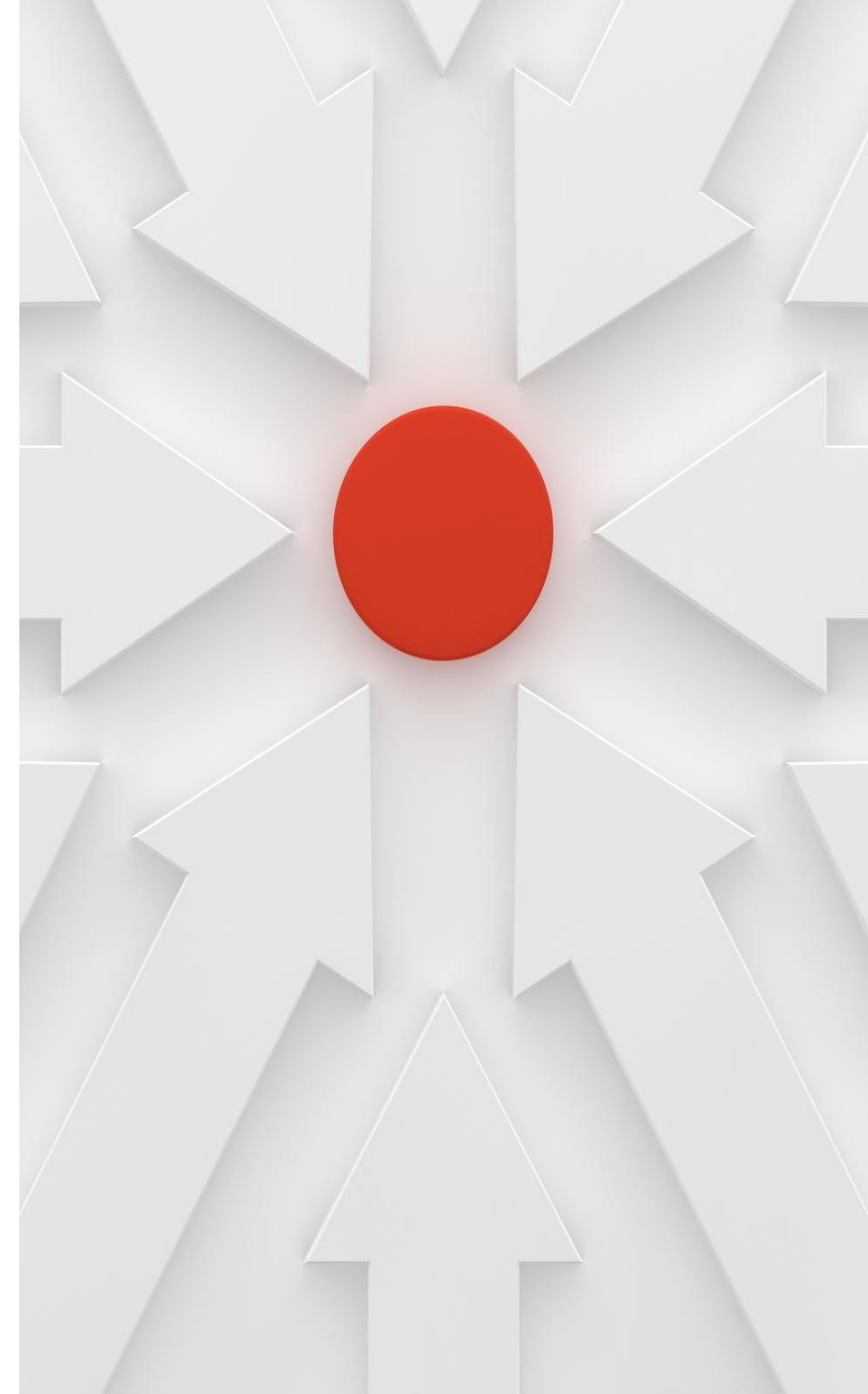
REQUIRED DECISIONS & NEXT STEPS

- **Budget Approval**: Customer success team expansion and technology deployment

- Dedicated retention campaign budget allocation and check Retention campaign response rates.

- **Strategic Commitment**: Winter pricing communication strategy revision

- Identify the Number of high-risk customers and contact them.

Recommended Next Steps (Next 4–8 Weeks)

1) Segment customers by price sensitivity and churn risk.

2) Design differentiated pricing and save-offer strategies.

3) Pilot targeted interventions and track churn and revenue uplift.

4) Scale successful pricing actions across the SME portfolio.