Email

Dear AD,

PowerCo is a major gas and electricity utility that supplies to corporate, SME, and residential customers.

I hope this email finds you in good health and high spirits.

I am writing to share insights and propose a strategy to tackle the customer churn issue at PowerCo, particularly focusing on the SME segment. As you are aware, the liberalization of the energy market has significantly impacted customer retention, making it crucial for us to address this concern strategically.

Customer Churn Problem:

- The liberalization of the energy market in Europe has caused noticeable customer churn, especially within the SME segment.

- A plausible hypothesis is that price changes have a direct effect on customer churn.

Client Hypothesis:

- Utilizing a predictive model could help us identify customers who are more likely to churn at their current price levels.

- Offering a discount could potentially incentivize them to stay with PowerCo.

- We are considering a 20% discount for SMEs to mitigate client churn.

Required Data:

a. Detailed information on electricity consumption, date of joining as a customer, monthly billing, and industry sector.

b. Churn data containing details about customers who have terminated their services.

c. Historical price data from PowerCo.

Proposed Solution Process:

Define an appropriate price limit based on historical pricing data and market analysis.

Conduct thorough data analysis to understand customer behavior, churn patterns, and the impact of price changes.

Implement feature engineering and predictive modeling using logistic regression and random forest techniques.

Conduct an in-depth analysis to determine how price changes impact churn rates.

Based on the analysis, formulate a discount strategy, potentially offering a 20% discount to SME customers to encourage their continued patronage.

Your guidance and insights regarding this approach would be highly valuable. I look forward to discussing this further and working collaboratively to implement an effective strategy to reduce churn and enhance customer satisfaction at PowerCo.

Best regards,

Hoorain Mahtab