Dear Iman,

Here is my thought on how to tackle the problem from PowerCo.

In 2008, the EU created a new energy policy that entailed the liberalization of power in the energy market of Europe and the policy was fully adopted in 2009.

This power liberalisation created conditions for the entry of new energy providers in the market and this has created a very high level of competition for companies in the industry as a result our client is experiencing significant customer churn, especially in the SME segment since they most like to go for cost effective offers.

Two hypothesis has been postulated as a solution for this problem:

1. The prediction of customers likely to churn using a predictive model.
2. Using a discounting strategy to offer customers at high propensity to churn a 20% discount.

For me, to solve this problem, we just need to acquire the previous sales data from our client. We use this data to train a logistic regression model since this is a classification problem of whether a customer will churn or not. To get the customers that are most likely to churn, we set the model threshold to around 0.7 and then use this wonderful model to make new predictions after it has been tested.

The customers with high propensity to churn can then be offered a discount before they churn. This will then help tackle customers that are likely to churn.

Best Regards,

Abraham