

Dear AD:

Based on the information provided we have to work on the following hypotheses, which are

- The churn that is driven by customer price sensitivity
- The discounting strategy offering customers a 20% discount to dissuade the churn might be effective.

To test these hypotheses, we need to model the churn probabilities of customers, and derive the effect of prices on churn rates. We will need the following data to be able to build the models:

1. The SME customer data - contains the SME customer's characteristics of each client.
2. Churn data - Indicate if the SME customer has churned.
3. Price data - Indicate the price the client charges each customer at granular time intervals

Once we have the data,

1. We would need to define what price sensitivity is and calculate it.
2. We need to do the exploratory analysis to confirm if the churn is driven by customer price sensitivity.
3. Based on the data obtained, build a binary classification model (e.g., Logistic Regression, Random Forest, etc)
4. We can find the most appropriate model that fits best.
5. We can understand the impact of price on churn.
6. The model allows us to estimate the business impact of the client's proposed discounting strategy.

Regards

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