

SME Customer Churn Analysis

Strategic Predictive Modeling and Retention Optimization for
PowerCo SME Division

 BCG Engagement  January 2026

Current Business Situation

- SME division experiencing a critical churn rate of **9.7%**.
- Urgent need to protect market share and divisional profitability.
- BCG mandated to investigate **price sensitivity** as the core attrition driver.
- Goal: Develop a proactive identification tool for at-risk accounts.



The Challenge: Hidden Drivers



Beyond Price Sensitivity

Initial hypotheses focused solely on price hikes, but Exploratory Data Analysis (EDA) revealed a more complex reality:

- Pricing is **not the sole** or dominant factor.
- Consumption patterns and tenure play vital roles.
- Simple pricing adjustments are **ineffective** standalone solutions.

Core Strategic Objectives

"Can we build a robust predictive model to identify high-risk customers, and which specific drivers should we target to maximize the impact of a 20% discount strategy?"

Identification

Accurately flagging potential churners before they exit.

Optimization

Focusing resources on high-value, high-risk clusters.

Retention

Applying the right incentive to the right customer.

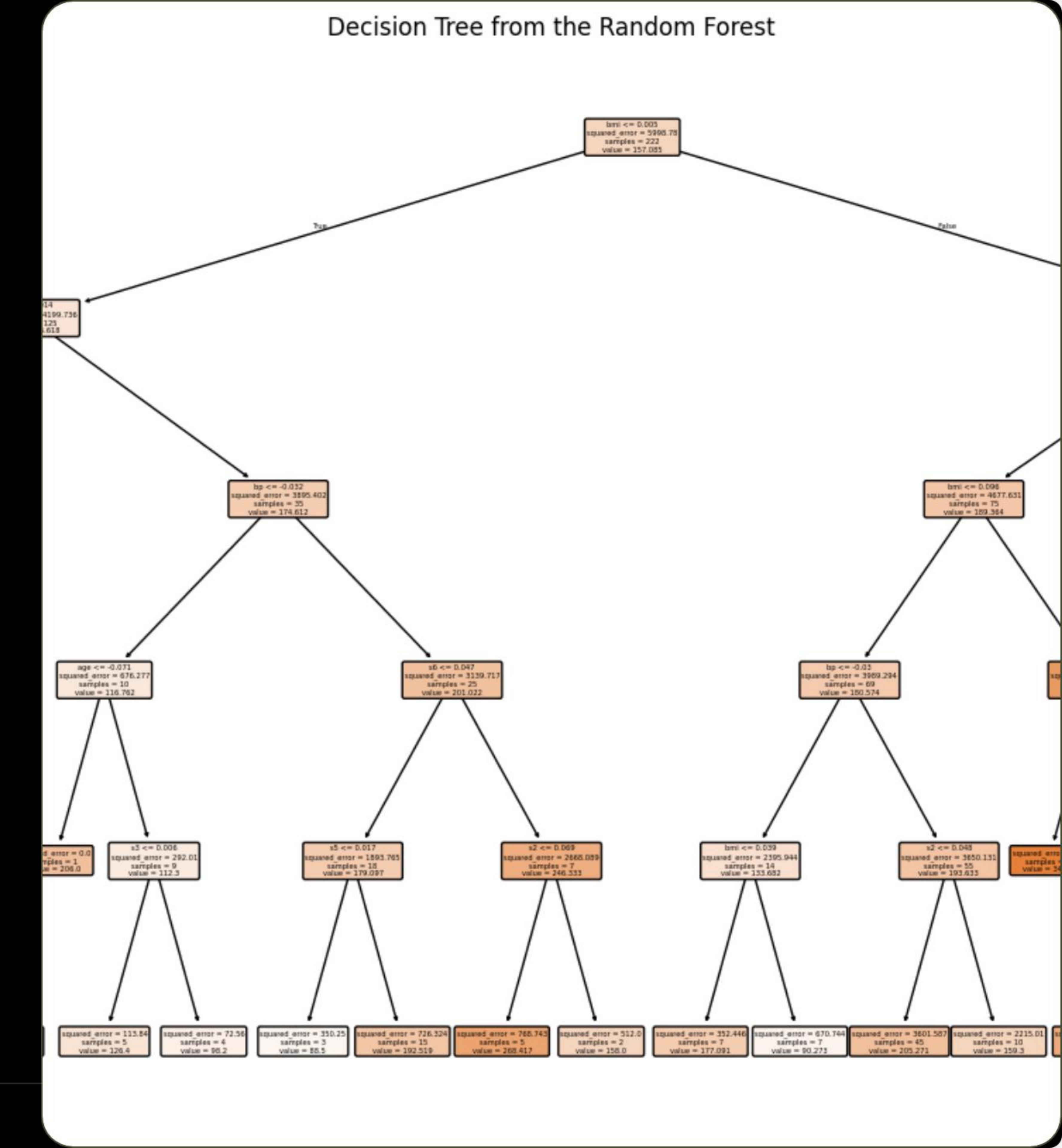
The Predictive Engine

Our **Random Forest Classifier** provides high-precision signals to optimize retention efforts.

90%

Model Accuracy Rating

Ensemble learning ensures stability across diverse contract types and consumption behaviors.



Significant Predictors of Churn

Analysis confirms that behavioral patterns outweigh direct price volatility as churn indicators.

High

Annual Consumption

High

Net Margin

Med

Meter Rent Forecast

Low

Price Difference

Nuance in Price Sensitivity

Dec-Jan Price Shift

While a detectable "Dec-Jan" price difference exists for some churners, it serves as a **secondary signal**.

- Overall usage behavior is more predictive.
- Price sensitivity is visible but not dominant.
- Targeted intervention must account for tenure.



Strategy: Targeted Retention

The 5% Target Policy

Avoid broad, margin-eroding price cuts. Instead, apply the **20% discount** exclusively to the top 5% of customers flagged by the model.

High Precision

Focusing on the highest risk / highest value accounts first.

20%

Retention Discount

TOP 5%

Model High-Risk Flags

Financial Impact & Efficiency



Revenue Leakage Mitigation

- Proactive intervention stops millions in lost margin.
- Maintains **price integrity** for 90% of the loyal base.
- Protects divisional bottom line from broad-scale discounting.
- Directly targets the clusters with highest revenue potential.

Execution Roadmap: Next Steps

Phase	Action Item	Key Metric
Pilot	Deploy model in one specific sales channel	20% Offer Conversion Rate
Refinement	Integrate behavioral logs (e.g., service calls)	Recall Improvement
Scale	Full division rollout across all SME segments	Overall Churn Reduction

Strategic Summary

The Churn Fact

Consumption (cons_12m) and net margin are the primary attrition predictors.

The Model Edge

Random Forest delivers 90% accuracy for proactive identification.

The Profit Play

Selective 20% discounting maximizes ROI and protects price integrity.

Questions?

Thank you for your attention to the SME Churn Strategy.

Strategic Analytics | BCG Engagement Team

Image Sources



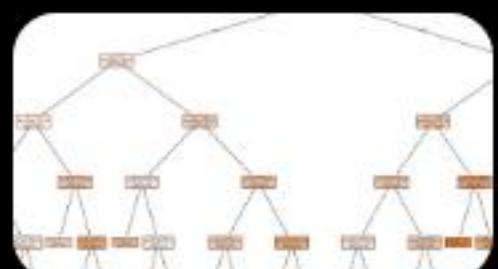
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Source: www.fusioncharts.com



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