Subject: Proposal for Addressing Customer Churn in SME Segment through Predictive Modeling

Dear AD,

I hope this email finds you well.

PowerCo is a major gas and electricity utility supplying corporate, SME, and residential customers. In light of the recent liberalization of the energy market in Europe, we have observed significant customer churn, particularly in the SME segment. Our preliminary hypothesis suggests that price changes play a critical role in influencing customer churn.

Churn Problem

1. **Market Liberalization Impact**: The liberalization of the energy market has intensified competition, leading to an increased churn rate, especially among SME customers.
2. **Price Sensitivity Hypothesis**: We hypothesize that changes in pricing significantly affect customer retention rates.

Client Hypothesis

1. **Predictive Modeling**: Developing a predictive model could help identify customers who are more likely to churn at their current price.
2. **Retention Strategy**: Offering a discount might incentivize these at-risk customers to remain with PowerCo.
3. **Proposed Discount**: The SME segment is considering a 20% discount to mitigate churn.

Required Data

To effectively address the churn issue, we will require the following data: a. **Electricity Consumption Details**: Customer electricity consumption data, date of joining, monthly bill, and industry type. b. **Churn Data**: Information on customers who have churned, including reasons if available. c. **Historical Price Data**: Past pricing data from PowerCo.

Process of Solution (Work Plan)

1. **Define Price Limits**: Establish acceptable price limits to determine the threshold for potential discounts.
2. **Data Analysis**: Conduct a thorough analysis of the collected data to identify patterns and correlations.
3. **Feature Engineering**: Develop relevant features for the predictive model using techniques such as Logistic Regression and Random Forest.
4. **Impact Analysis**: Investigate the impact of price changes on customer churn in depth.
5. **Discount Strategy Development**: Based on our findings, define a strategic discount plan to reduce churn.

We believe that this approach will provide valuable insights and actionable strategies to retain SME customers and reduce churn.

I look forward to your feedback and am happy to discuss this proposal in more detail at your convenience.

Best regards,

Thella Srikanth