Executive Summary: PowerCo Customer Churn Analysis

BUSINESS CHALLENGE

PowerCo faces 9.7% annual customer churn (1,419 customers), representing $2.9M in lost revenue. Hypothesis: Price sensitivity drives churn.

KEY FINDINGS

- Price sensitivity is NOT the primary driver (ranked 5th-8th in feature importance)
- Net margin is the #1 churn predictor - low-profitability customers 3-4x more likely to leave
- Consumption pattern changes signal imminent churn
- Critical retention window: first 6 months of customer lifecycle

MODEL PERFORMANCE

- 90.4% accuracy in identifying loyal customers
- Precision-focused approach minimizes wasted retention spend
- Identified 17 high-risk customers requiring immediate intervention

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BUSINESS IMPACT

- $2.9M annual revenue at risk from predicted churners
- Model enables targeted retention: 703 customers across 3 risk tiers
- Estimated 15-20% reduction in churn through proactive interventions

RECOMMENDED ACTIONS

1. IMMEDIATE: Launch retention campaign for 17 high-priority customers (>70% churn risk)
2. Deploy monthly customer scoring using Random Forest model
3. Focus pricing strategy on margin improvement, not just competitive pricing
4. Enhance 6-month onboarding program to reduce early-stage churn

NEXT STEPS

- Pilot retention program with high-risk segment (90-day test)
- Expand model features (customer service data, payment patterns)
- Establish ROI tracking framework for retention investments