Actionable Analytic Insights

"I'm having trouble retaining my customers in a price-sensitive environment."

This Utility Corporation provides electric power, natural gas, and energy management services across the United States.

Industry: Energy

Annual Revenue: $19.6 billion

The Situation

For this major deregulated energy provider new competitors were entering the marketplace, making it difficult to retain customers in a cost competitive environment. For residential customers, price is an overwhelmingly predominant factor when choosing a provider. While consumers are interested in green energy and reputation of suppliers, they are generally not willing to pay more for it.

How this Impacted the Business

Each year as energy prices change, even a slight increase motivates consumers to start looking for a cheaper energy rate and was leading to unexpected customer churn. Revenue projections were becoming less reliable, which negatively impacted budgets, staffing, and investment planning. To improve confidence in revenue forecasts, this client needed to know how many customers were likely to switch to a competitor based on current pricing and know how to adjust their pricing strategies and marketing efforts to retain as many customers as possible without impacting margins.

Price Sensitive
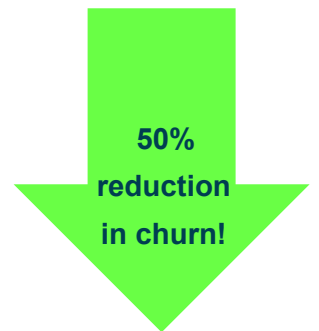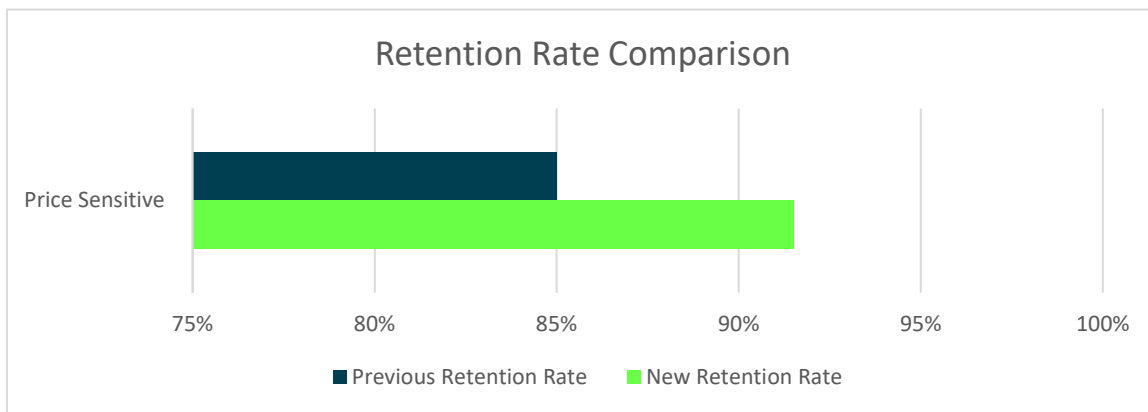Consumer Churn Rate
15%

Partnering for Success

DataDelivers was engaged to uncover insights that addressed this challenge. To start, customers were segmented according to their sensitivity to price changes when their contracts expire, identifying varying levels of tolerance for price increases before seeking out alternatives. Models were developed that predicted how much of an increase a customer was willing to pay and what conditions would lead to a shopping event.

This presented an opportunity to sacrifice a bit of profit for a subset of customers, rather than losing them all together. Additionally, a retention-to-profit strategy was implemented to optimize profit ratios among the current customer base without negatively affecting customer churn. These strategies were implemented across marketing channels impacting customer communications in real-time.

Delivering Results

Through the DataDelivers' machine-learning system, this major energy provider is now able to offer the right price to the right customer, yielding a reduction in churn of 50% with no reduction in margin overall.

Retention Rate Comparison

Price Sensitive	

75% 80% 85% 90% 95% 100%

■ Previous Retention Rate   ■ New Retention Rate

50% reduction in churn!