Churning the Data for Stronger Client Retention

Learn SQL from Scratch

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Codeflix's Meteoric Rise and Business Model

Codeflix's Meteoric Rise

- Codeflix has operated its video streaming service for the past four months, beginning operations on December 1, 2016.

- The company offers two video subscriptions, representing two distinct market segments—a higher-end market and a cost-sensitive market.

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- The Flix 87 plan (Segment 87) provides subscribers with unlimited access to streaming video content, including new movie releases, for $87 *per month*. (High-End)

- The Flix 30 plan (Segment 30) provides subscribers with unlimited access to streaming video content (excluding new movie releases) for $30 *per month*. (Cost-Sensitive)

Client Acquisition, Retention, and Churn Rate

Client Acquisition, Retention, and Churn Rate

Codeflix has had tremendous overall growth in its client base over the past four months. With four months of history, we now can calculate three months of churn rates for clients. The bullets below highlight some critical factors around Codeflix's brief history.

- Total client acquisition (i.e., new subscriptions for both segments 87 and 30) have grown 391% since January 1.
- The churn rate has also increased steadily over the three-month period in which the rate can be measured, rising from 16.2% in January to 27.4% in March.

Month	Active Subscriptions	Canceled Subscriptions	Churn Rate
January	569	92	16.2%
February	980	186	19.0%
March	1247	342	27.4%
Overall	2796	620	22.8%

Client Acquisition, Retention, and Churn Rate (p .2)

Key questions:
- Why is the churn rate growing so rapidly?
- Does that rate increase put the company at risk of failing to operate sustainability? Can acquisition continue to add enough new customers to prevent an overall loss of the subscription base?
- What can Codeflix do to stave off, end, or lower the churn rate?

One solution is to disaggregate the data and examine subscription churn rate of the separate market segments.

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Market Segmentation and Churn Rates

Market Segmentation and Churn Rates

The churn rates for the different market segments depict different level of success for each plan, as illustrated in the table and bullets below.

- Churn rates for Segment 87 have increased dramatically from January to March, rising from 25.1% to 48.6%.
- The churn rate for Segment 30 remains relatively even around 10%; however, there was an uptick in March.
- Over time, active subscriptions have grown faster for Segment 30 than for Segment 87.

Month	Segment 87			Segment 30		
	Active Subscriptions	Canceled Subscriptions	Churn Rate	Active Subscriptions	Canceled Subscriptions	Churn Rate
January	278	70	25.1%	291	22	7.6%
February	462	148	32.0%	518	38	7.3%
March	531	258	48.6%	716	84	11.7%
Overall	1271	476	37.5%	1525	144	9.4%

Opportunities for Growth

Opportunities for Growth: Recommendations & Considerations

- Codeflix should focus on growing Segment 30 given its higher acquisition numbers over time and its much smaller churn rate.

- Depending on the relative differences in marginal benefits for each segment (i.e., marginal revenue less marginal cost), Codeflix may want to abandon or restructure the Segment 87 plan to make it more attractive to consumers.

- Codeflix should investigate why Segment 30's churn rate rose to 11.7% in March. Could the lack of popularity or consumer confidence of the plan for Segment 87 be affecting retention rates for Segment 30 (a la Movie Pass in theaters)?