



Capstone: Churn Rates

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1. Codeflix

1.1 Company Info

Codeflix is a streaming video start-up

- Launched in December 2016
- Offers subscription video service; minimum length of subscription is 31 days
- Currently, four months into operations and management would like to measure user churn rates

1.2 User Data

User data is available from **12/1/16– 3/31/17**

- The following information is collected from each user:

id - the subscription id

subscription_start - the start date of the subscription

subscription_end - the end date of the subscription

segment - this identifies which segment the subscription owner belongs to

id	subscription_start	subscription_end	segment
1	2016-12-01	2017-02-01	87
2	2016-12-01	2017-01-24	87
3	2016-12-01	2017-03-07	87
4	2016-12-01	2017-02-12	87
5	2016-12-01	2017-03-09	87

- Churn rates can be calculated for the months of **January, February, and March**; December rates cannot be calculated as there are no subscription end dates for that month
- Users are categorized into **two segments - 87 and 30**

2. Churn Rate Data

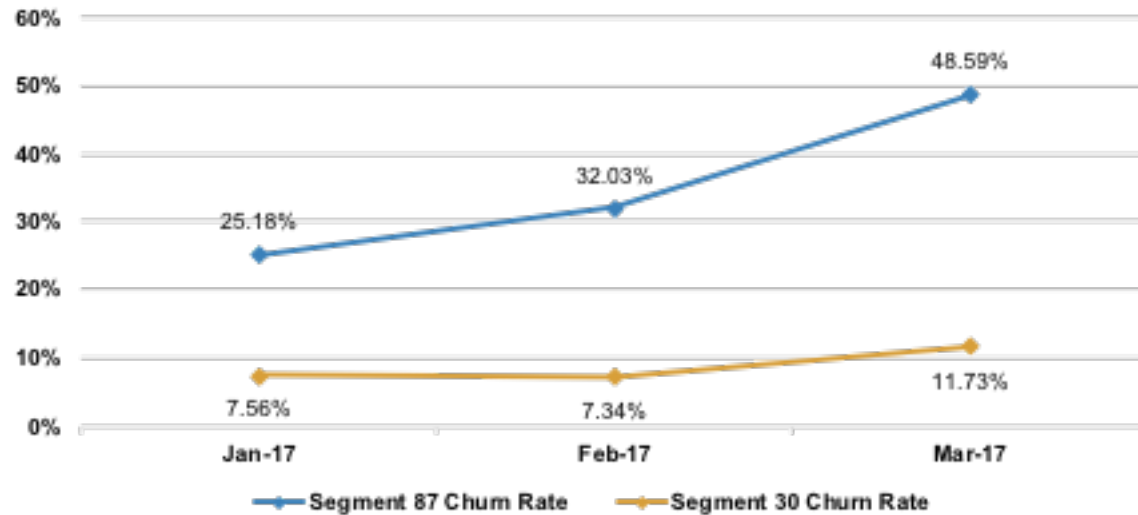
2.1 Monthly Churn Rates

Codeflix monthly churn rates for each user segment are as follows:

Month	Segment 87 Churn Rate	Segment 30 Churn Rate
January 2017	25.18%	7.56%
February 2017	32.03%	7.34%
March 2017	48.59%	11.73%

2.2 Churn Rate Trend

Churn rates for both segments increase over the three-month period



3. Segment Analysis

3.1 User Segment 87

Segment 87 consists of 1,000 users

- Churn rate is initially 25.18% in January and increases by 7 percentage points in February and then by another 16 points in March (approx. 23 percentage points overall)
- Overall churn increases at a rate of approximately 93% from January to March ($48.59 - 25.18 / 25.18$)

Month	Segment 87 Churn Rate	Month-over-month % Increase
January 2017	25.18%	-
February 2017	32.03%	27.20%
March 2017	48.59%	51.70%

3.2 User Segment 30

Segment 30 consists of 1,000 users

- Churn rate is initially 7.56% in January and stays relatively flat in February and then increases by 4 points in March
- Overall churn increases at a rate of approximately 55% from January to March ($11.73 - 7.56 / 7.56$)

Month	Segment 30 Churn Rate	Month-over-month % Increase
January 2017	7.56%	-
February 2017	7.34%	(2.9%)
March 2017	11.73%	59.81%

3.3 Conclusion

Based on the results, ***Segment 30 users have an overall lower churn rate compared to Segment 87 users***

- *Segment 30* users seem to be higher quality customers that are less likely to cancel their subscriptions; therefore Codeflix should focus resources on expanding this segment and acquire similar users
 - Success possibly due to effective marketing campaigns that target optimal audiences who will value the product
- *Segment 80* users are churning out at higher rates; Codeflix should avoid acquiring similar users or should do follow-up research into the demographics of this segment and dive deeper into the reasons for the high rate of cancellations (e.g. pricing, content availability, platform, etc.)
 - Understanding why these customers are churning out can lead to potential product developments and/or improved marketing strategy