OG & Gym

# Question

The client is a budget gym operator, OC & Gym. They recently raised the price for both standard and flexible subscriptions, resulting in a positive impact on revenue. However, the increase has not been as much as they would have hoped.

1. How could they improve their pricing strategy?
2. What happened when the price was increased?
3. What does this suggest as possible options going forward?
4. In addition to price, what other factors influence whether a member is going to leave?
5. Bonus: Given this, to what degree can we predict individual member churn?

# Further Background Information

They feel that they don't fully understand the customer dynamics around churn as much as they would like to. They have one key competitor and believe that they could adjust their offering to compete better.

In order to find a solution, we need to address a few key questions, such as:

* what happened when prices were increased to membership
* what happened when prices were increased to revenue and
* which customers were most affected?
* Other than price, what else drives attrition?
* What do these patterns indicate about pricing strategy?
* What potential creative ideas could we suggest.
* What further data and analysis could be used to fully confirm our hypotheses?

# Data Set

## [User subscriptions](https://imperialbusiness.school/activities/ba/aib/session2/subscriptionsdataFINAL.csv)

The subscriber database holding the join date, leave date, and demographic data of every single customer.

## User visits

they provided the visitation data set, which denotes the visit time and date of every member. And these can be joined together using the customer ID column.

**The visits data is large but you should be able to summarise it effectively early on in the process, which should make the analysis much faster.**

## [Rate card](https://imperialbusiness.school/activities/ba/aib/session2/Ratecard.xlsx)

Historic gym membership prices of the client and the key competitor.

# Video Comments

In order to tackle this problem, we will need to carefully cut the data in such a way as to **isolate key trends.** For example, **new gym openings** or **seasonality** might obscure trends in member acquisition and attrition.

We'll then need to illustrate what we have found and what we might therefore recommend on the basis of our findings. **Simplicity is key**.

In addition, we'll need to think creatively about how to enhance the data sets beyond their current state. For example, **gym environment might have an impact on a member's likelihood to churn**. The visitation and member data will be able to provide clues as to what this environment is like.

Finally, we should **prioritise the groups of people that we focus on**. **Larger groups** are where the greatest business opportunity will lie. In addition to these, we have provided the pricing structure over time of the client and their key competitor. All the information we need will be held within the data sets provided.

# Notes

* The client has noted that **in certain clubs and at peak times** (7-9am, 12-1pm, 6-8pm), the workout spaces can be very crowded
* The client has one key competitor, that is a **slightly more premium offering** and who also operates across London
* There are two forms of membership, standard and flexible; flexible members can leave at any given month, while standard members must **give three months notice**
* Price increases are applied unilaterally across new and existing customers – for standard customers, they are given the option of leaving before the price rise, without having to pay for three further months
* The client does not match customers between subscriptions – if they leave and return months later, they will appear as separate CustomerIDs; survey data suggests the proportion of returning customers is very low and that this is not an issue
* When a member visits more than one time per day, only the first visit is logged; members have a maximum of one visit per day
* We **currently do not have access to the day pass data**
* For social grade, ‘A’ is the most affluent and ‘C2’ is the least – DE are unemployed / retired.

# Churn Analysis

<https://imperialbusiness.school/lesson/2-5-customer-churn-analysis-bs2301-1819/>

Customer churn is **the percentage of customers that stopped using your organisation's product or service over a certain time frame**. While it's not the happiest measure, it provides your organisation with hard facts about its customer retention, and it's therefore one of the most important metrics for a growing business to evaluate.

There are different metrics you can use to calculate customer churn, but the key is to focus on **actionable metrics**. The best kind of pure customer metrics to use for ongoing decision making subscription services are **cohort analysis** and **funnel metrics**, which help us track and mitigate churn more effectively.

The important takeaway here is that **cohort analysis** allows businesses to ask a very specific question, analyse only the relevant data, and take action it.

Reading

* [The Value of Keeping the Right Customers](https://hbr.org/2014/10/the-value-of-keeping-the-right-customers)
* [A Look into Microsoft’s Data-Driven Approach to Improving Sales](https://hbr.org/2018/12/a-look-into-microsofts-data-driven-approach-to-improving-sales)
* [A Smarter Way to Reduce Customer Defections.](https://hbr.org/sponsored/2016/05/a-smarter-way-to-reduce-customer-defections)

Cohort Analysis and Funnel Metrics

* Make churn rate an actionable metric: Actionable metrics help us recognise a problem and point us in the right direction to start solving it
* Only measure what matters: Only track metrics which are aligned with your business goals – not all data is helpful and vanity metrics can trick us into believing we have answers when we don’t
* Have a specific task: “Prevent customers from cancelling” is not specific enough
* Be 100% sure in your data!

# Tom Notes

1. How do you normally measure churn? What are the pros and cons of diff approaches?
   1. Monthly churn for % who left
   2. Survivorship – after a certain period, the % of group drops off. Day 0 ---- to last day ignore the joining date. To identify group of customer journey over the course of their membership (identify peaks and through)

Careful – pick the right time period, no daily and no biannual, most people leave before 2 years anyway.

Ignore breaks – (doesn’t apply to this case)

1. What is your customer acquisition cost?

Using a figure increase by 10 pound \_\_\_/customer

1. Do you need a model or derive from obs

Profiling and cutting data. Majority very obvious trend and obs.

Don’t go model straight ahead without understanding the data

1. 2nd gym visit + is not recorded due to IT limitation

Social demo classes

d/e unemployed and retired people

Capacity of the gym

Depends on daily visit or time visit rather than total subscription

Take a stable figure o

Day pass - can potentially include paid classes as a extra source of revenue

If we changed our price, how could the change impact relative to competitors

Final OUTPUT

Create a story, start with basic and tell a story to get to your conclusion

Answer the So What?

Frame the question?

Window?

No classification

Stick to Regression

Look up every single member and every single month

On site profit opportunities? Need a lot of assumptions

Any suggestions be very precise

# Meeting Notes