



Exploring the Impact of Leaving on Active Members

The level of Active Members over time is a function of the Joining inflow relative to the Leaving outflow.

We've seen how the Joining inflow is the result of the linear effect of advertising and the non-linear effect of word-of-mouth referrals. Furthermore, we've explored advertising-only, relatively low levels of referral, and relatively high levels of referral on the number of Active Members over time. Now, let's address the impact of the Leaving outflow.

The average duration of membership in your community can be short or long. Nevertheless, it's finite.

Let's define the Leaving rate as being equal to the number of Active Members divided by the average Membership Duration. Let's set it to 12 months.

Recall our original Low Referral Rate and Persuasion scenario. If nobody left the community, the level of Active Members grew to 387 over 60 months. Let's see what happens to the level of Active Members when the average Membership Duration is 12 months.

When there are word-of-mouth referrals and no one leaves the community, Active Members increase at an increasing rate. The curve is convex. However, when Membership Duration is finite, there is a point at which the level of Active Members increases at a decreasing rate until it reaches a plateau. The curve becomes concave. In other words, instead of growing to 387 Active Members, the community grows to just 66.

Note that when the level of Active Members (the green line in this chart) increases, so does the Leaving rate (the blue line).

That's no mystery: The Leaving outflow in members per month is equal to the number of Active Members divided by the Membership Duration in months. As the level of Active Members goes up and the Membership Duration is held constant, the Leaving rate goes up, too.

When the Leaving outflow catches up with the Joining inflow (the red line), the level of Active Members flattens out.

Clearly, the Leaving outflow has a significant impact on the level of Active Members. Let's turn to the Active Members dashboard to further explore the effect. I've updated the dashboard to include the new Membership Duration variable.

When we're getting started, we naturally focus on the Joining inflow. Quite often, we reach for the advertising lever. After all, in this scenario, if we double the advertising budget from \$500 per month to \$1,000 per month, the level of Active Members after 60 months doubles from 66 to 132.

Alternatively, we might consider ways to extend the average Membership Duration. Doubling the Membership Duration has an equivalent effect on the level of Active Members over time.

That brings us back to the main point: The level of Active Members over time is a function of the Joining inflow and the Leaving outflow.

We should avail ourselves of all available levers. That includes asking ourselves how we might influence the rate and persuasiveness of member referrals as well as figuring out how to hold on to our members.