**Customer Segmentation**

Customer Segmentation is the practice of dividing a customer base into groups of individuals that are similar in specific ways relevant to marketing . This is implemented using **RFM**.

**RFM** (**Recency, Frequency, Monetary**) is a very Simple Technique that we can apply it very easy and get the super useful analysis for our Customer Segmentation. RFM considers recency , frequency and monetary values for each customer. Combines them, and then groups them into different customer segments .

**Recency (R) as days since last purchase**: How many days ago was their last purchase?

**Frequency (F) as total number of transactions**: How many times has the customer purchased from our store?

**Monetary (M) as total money spent**: How much money has this customer spent?

The categories are :

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| Best Customers | Recency , frequency and monetary is high |
| Loyal Customers | Frequent Visitors |
| Big Spenders | Spends huge amount in the store |
| Promising Customers | Recent shoppers, but haven’t spent much. |
| Customers Needing Attention | Above average recency, frequency and monetary values. May not have bought very recently though |
| At Risk Customers | Spent big money and purchased often. But long time ago. |
| Lost Customers | Last purchase was long back, low spenders and low number of orders |
| Lost Inconsequential Customers | lowest recency, frequency, monetary |