

4. CUSTOMERS RETENTION ANALYSIS

Cohort retention analysis is a powerful method used to understand and evaluate customer retention over time, providing insights into the long-term value of customers and the effectiveness of business strategies. It involves grouping customers based on a specific time period (the cohort), usually their first interaction or purchase, and then tracking their subsequent behavior, such as repeat purchases or engagement rates, over multiple time intervals.

4.1. APPROACH

Cohorts are created based on the month of customer's first transaction. This groups customers who share a similar initial experience, allowing you to analyze their retention patterns. Retention rate is calculated by dividing the number of customers who make repeat purchases by the total number of customers in the initial cohort. Heatmaps and retention curves can be used to visually represent how cohorts evolve over time. The main task within the cohort retention analysis is to identify cohorts with the highest and lowest retention rates, as well as understand what factors contribute to corresponding behavior.

4.2. INSIGHTS AND RECOMMENDATIONS

The transaction frequency chart below offers a clear picture of customer engagement levels, allowing for data-driven decision-making in marketing, customer service, and business strategies.

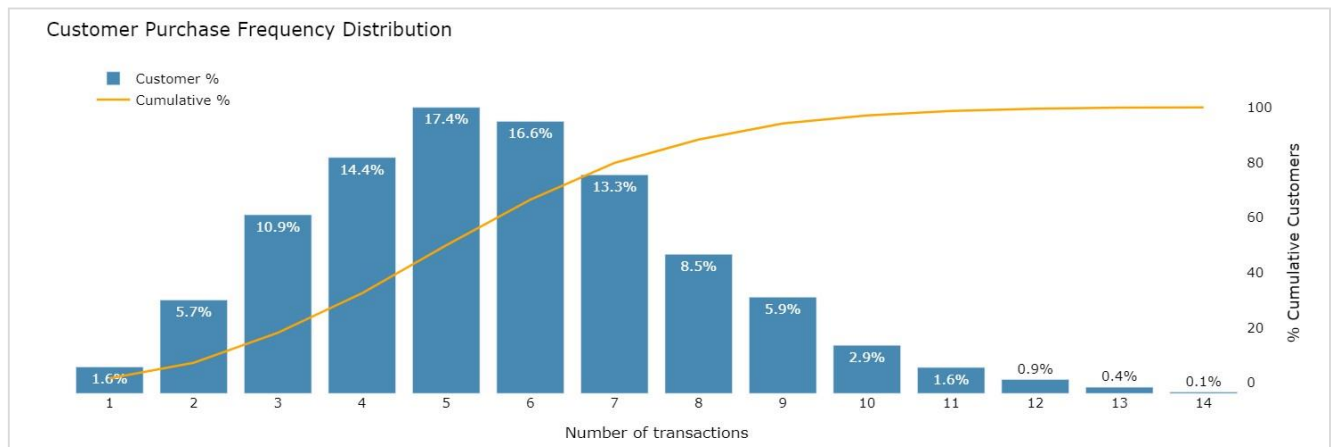


Figure 9 – Customer's transactions frequency

The transaction frequency chart confirmed that 5 transactions are the most common behavior among customers. Furthermore, approximately half of all customers engage in a range of 4 to 7 transactions, showcasing a consistent and substantial pattern of activity. Additionally, 18% of customers made 3 and less transactions within the observed period of time.

The heatmap below presents the retention ratio for customer's cohort.

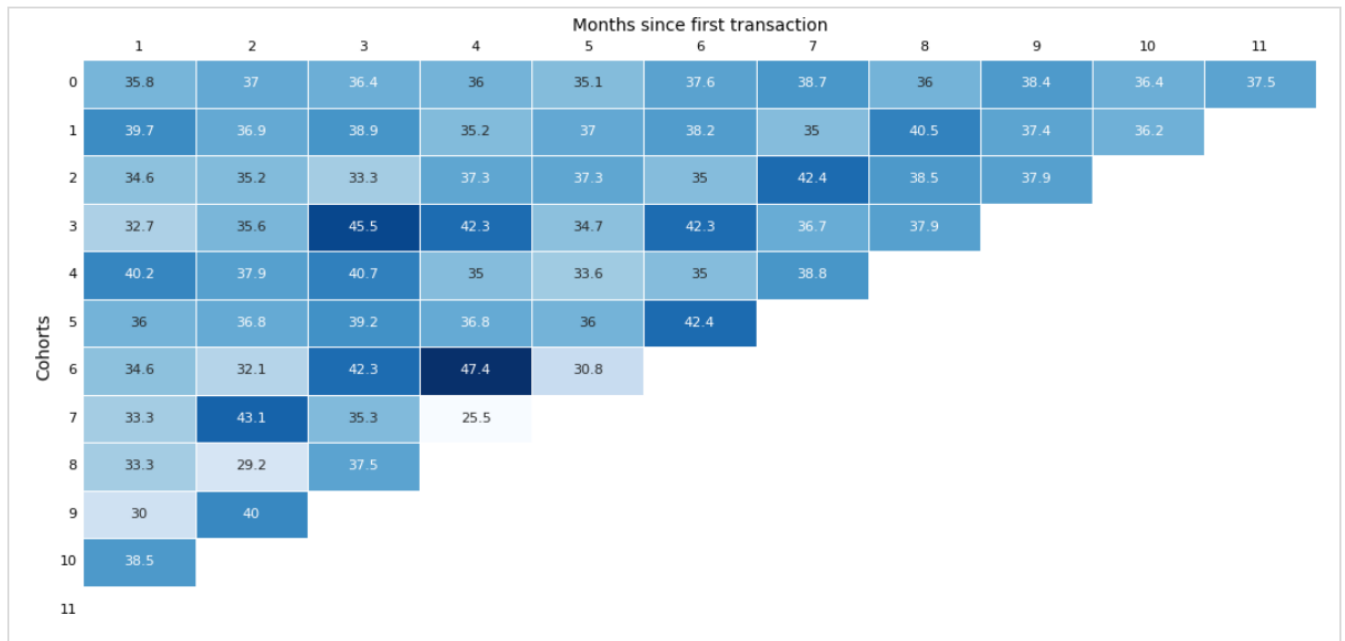


Figure 10 – Customer's retention

As can be seen in the figure above, the retention percentages are relatively consistent, with most cohorts having retention rates between 30% and 40%. There's one exception where the retention rate is less than 30%. Segmentation analysis and investigation of seasonal and geographical trends are planned to dive deeper into cohort segmentation results.