**Birla Institute of Technology & Science, Pilani**

**Third Semester**

**GROUP :231**

**Exercise : 2**

**Assignment II**

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Cluster Analysis and Labelling:

We will examine each of the three clusters created using K-Means:

**Segmentation using Age and Spending Score (Cluster 1):**

Cluster Characteristics: This segment appears to include customers with varying ages but relatively low spending scores.

Label: **"Occasional Spenders."**

**Segmentation using Annual Income and Spending Score (Cluster 2):**

Cluster Characteristics: This segment consists of customers with **moderate to high annual incomes** and **varying spending scores.**

Label: **"Moderate Spenders."**

**Segmentation using Age, Annual Income, and Spending Score (Cluster 3):**

Cluster Characteristics: This segment includes **a mix of age groups, annual incomes, and spending scores.** It's a diverse group.

Label: **"Diverse Shoppers."**

**Marketing Offers for Different Customer Categories:**

Based on the segmentation into "Occasional Spenders," "Moderate Spenders," and "Diverse Shoppers," we can tailor marketing offers as follows:

**Occasional Spenders:**

**Offer:** special discounts or promotions for products that are usually less expensive (e.g., small pizza sizes, appetizers, or combos).

**Logic:** Encourage occasional spenders to visit more frequently by offering attractive deals on low-cost items. The goal is to increase their spending frequency.

**Moderate Spenders:**

**Offer:** Implement loyalty programs that reward moderate spenders with points for each purchase, leading to discounts or free items after accumulating a certain number of points.

**Logic:** Encourage moderate spenders to return to the pizza shop regularly and incentivize them to spend more by rewarding their loyalty.

**Diverse Shoppers:**

**Offer:** Introduce a diverse menu with a wide range of options, including gourmet pizzas, specialty drinks, and dessert items. Offer customizable options to cater to various preferences.

**Logic:** Recognize the diversity within this segment and provide a diverse menu to appeal to a broad range of tastes and spending capacities. Make the pizza shop a one-stop destination for a variety of dining preferences.

**Capturing Mall Visits:**

To capture mall visits of existing customers, consider implementing the following mechanisms:

Mall Loyalty Cards: Partner with the mall management to introduce a loyalty card system that tracks visits and purchases. Customers can scan their cards during each visit to earn rewards or discounts.

Mobile App: Develop a mobile app that allows customers to check in when they arrive at the mall. Offer incentives, such as discounts or special offers, for using the app to check in.

QR Codes: Place QR codes at the entrance of the mall. Customers can scan the code with their smartphones upon entry to log their visits. Offer rewards for regular visits.

Mall Wi-Fi: If the mall offers free Wi-Fi, consider using it to track customer visits. Customers who connect to the Wi-Fi can be counted as mall visitors.

These mechanisms not only capture mall visits but also provide valuable data for understanding customer behaviour and tailoring marketing strategies effectively.

**To solve the Business**

**Cluster 1: "Young and Budget-Conscious"**

**Characteristics**: This cluster includes younger customers with lower annual income and moderate spending scores.

**Explanation**: These customers are likely college students or young adults with limited disposable income. They are budget-conscious and may appreciate cost-effective offers.

**Cluster 2: "Young and High-Spending"**

**Characteristics**: This cluster consists of younger customers with lower annual income but high spending scores.

**Explanation**: These customers are young and willing to spend more. They may be interested in offers that provide value for their money or discounts on premium items.

**Cluster 3: "Middle-Aged and Moderate Income"**

**Characteristics**: This cluster includes middle-aged customers with moderate annual income and moderate spending scores.

**Explanation:** These customers are financially stable and may prefer quality dining experiences. Offers like meal combos or loyalty programs can attract them.

**Cluster 4: "Middle-Aged and High-Spending"**

**Characteristics:** This cluster consists of middle-aged customers with higher annual income and high spending scores.

**Explanation:** These customers have higher disposable income and are willing to spend. They might appreciate special offers on premium pizzas or family-sized deals.

**Cluster 5: "Mature and Budget-Conscious"**

**Characteristics:** This cluster includes mature customers with moderate annual income and moderate spending scores.

**Explanation:** These customers may be retirees or individuals with a fixed income. Offers like senior discounts or value meals can be appealing to them.

**Marketing Offers for Each Cluster:**

Now, **marketing offers tailored to these customer segments:**

**Cluster 1: Young and Budget-Conscious**

**Offer**: Student Discount Combo

**Logic**: Young customers with limited income often appreciate discounts. Offering a special combo for students can attract them.

**Cluster 2: Young and High-Spending**

**Offer**: Premium Pizza Night

**Logic**: Young customers willing to spend may enjoy a premium pizza night with unique toppings or specialty pizzas.

**Cluster 3:** **Middle-Aged and Moderate Income**

**Offer:** Family Meal Deal

**Logic:** Middle-aged customers with moderate income often dine with families. A family meal deal can encourage them to visit with loved ones.

**Cluster 4: Middle-Aged and High-Spending**

**Offer**: VIP Pizza Club Membership

**Logic:** These customers may appreciate exclusive offers and experiences. A VIP club with discounts and exclusive pizza varieties can be enticing.

**Cluster 5: Mature and Budget-Conscious**

**Offer:** Senior Value Meal

**Logic**: Older customers on a budget can benefit from senior discounts and value meals, encouraging them to dine at the restaurant.

These marketing offers are tailored to the specific characteristics and potential preferences of each customer segment. By understanding the needs and behaviours of these clusters, a pizza business can optimize its marketing strategy to better reach and serve its diverse customer base. This approach can lead to increased customer engagement and satisfaction, ultimately driving business growth.