

Customer Behaviour Based Segmentation

Through R-F-M analysis



RECENCY

The freshness of
the customer activity,
be it purchases or visits



FREQUENCY

The frequency
of the customer
transactions or visits



MONETARY

The intention of customer
to spend or purchasing
power of customer

Customer Buckets created by Segmentation

Churned Customers


 25%

 66%

- Customers who used to buy stuff frequently and in large-decent quantities before but have stopped.

New Customers

 14%

 2%

- Bought very recently for average price but are not very frequent.

Hibernating

 13%

 3%

- Customers that constitute of only about 3% of our revenue.
- Low priority

Needs Attention

 10%

 14%

- Last order was not very recent.
- Might be considering to shift to competitors.

Loyal Customers

 10%

 3%

- Very active and very valuable customers
- Good ROI

At Risk Customers

 9%

 3%

- Above average customers who bought recently.

Lost Customers

 7%

 1%

- Very low priority customers w low recency, frequency and monetary values.

Promising Customers

 6%

 1%

- Bought recently but not frequently.
- Further analysis can be done to convert them into loyal customers.

Best Customers

 3%

 4%

- Best in all 3 aspects of recency, frequency and monetary values.
- Most valuable customers.

Big Spenders

 2%

 2%

- Not recent or frequent but they spend a lot of money in their purchases.

Customer Buckets analysis by Demographic

1

Age

- Across all the segments, Early Middle Age (25-45) seems to be the largest demographic of customers.
- Even for churned customers, the largest segment is it Early Middle Age segment.

2

Income

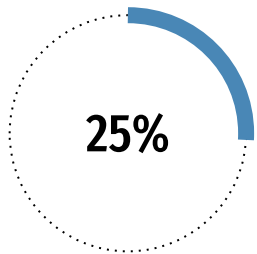
- There is no clear largest segment across all the buckets. Which means our products are bought by all age groups.
- However for Churned Customers(largest bucket), our largest income demographic is Low Income Group (<£36,452/year).

3

Location

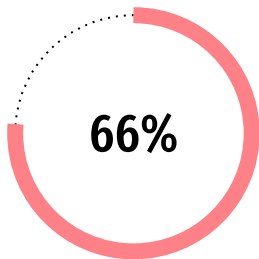
- 90% of our orders come from United Kingdom.

Insights



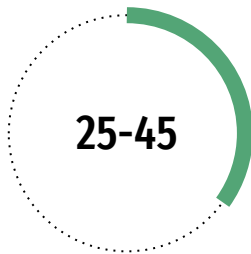
**Customer
Distribution by
Count**

- Churned Customers is the biggest bucket by number.



**Customer
Distribution by
Money Spent**

- Most money spent is also by Churned Customer bucket.



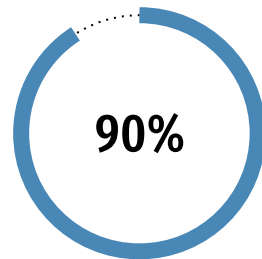
Age Demographic

- The largest segment for Age demographic is Early-Middle Age (25-45)



Income Demographic





- The income group that spends the most on our churned customers is Low Income Group (for Churned Customers)



Country Demographic

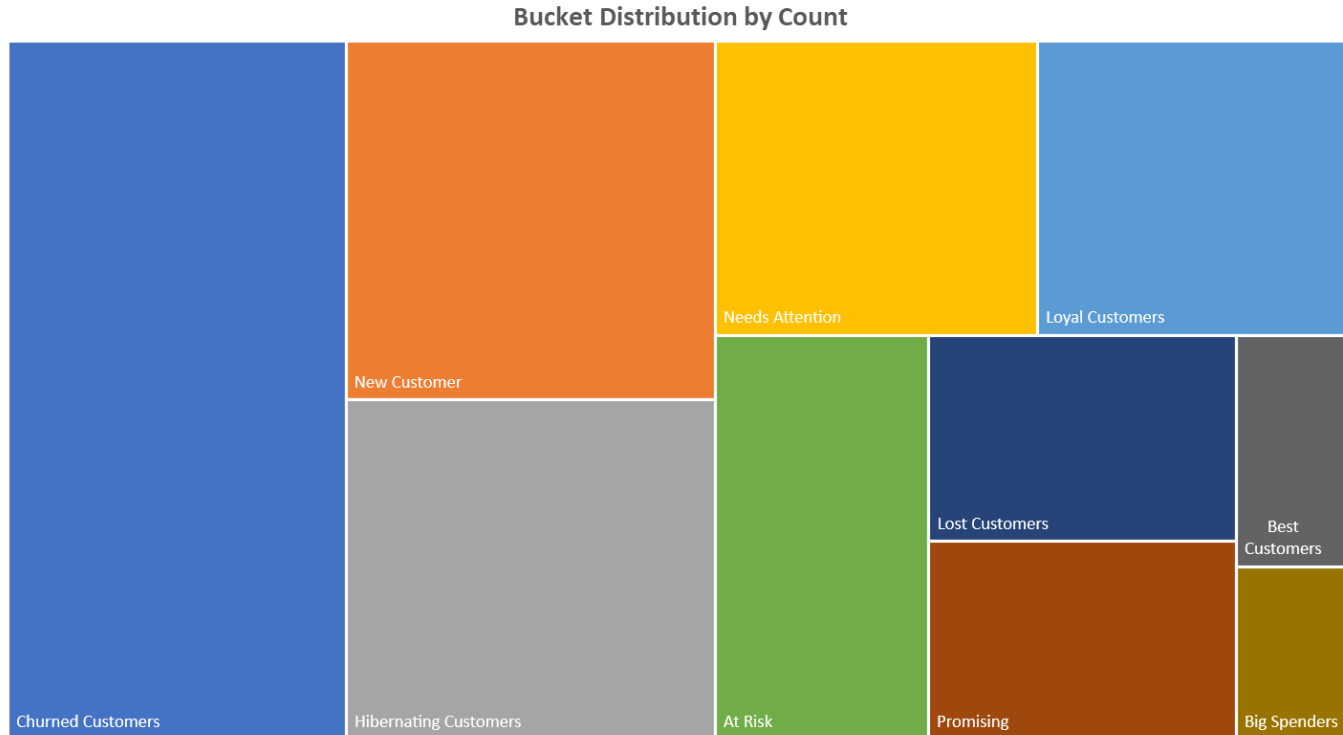
- Most orders come from the United Kingdom.

Suggestions for the Marketing Team

	Customer Group	Problem Insights	Possible Marketing Solution
1. 	Churned Customers (25% by count and 66% of money spent)	<ul style="list-style-type: none"> Customers gone to Competitors Low Attention given to them on a customer support level. 	<ul style="list-style-type: none"> Recommendations based on their previous buying activity and offer them new and popular products w discounts. Send them feedback forms which gives them discount for future products when filled.
2. 	Early Middle Age (25-45)	<ul style="list-style-type: none"> Products more suited for people in the Early Middle Age 	<ul style="list-style-type: none"> Targeted advertisement to these customers for special discounts.
3. 	Low Income Group (<£36,452/yr)	<ul style="list-style-type: none"> Across all the buckets income doesn't play a special role however in the Churned Customer bucket, Low Income Group is the biggest income segment. 	<ul style="list-style-type: none"> Exclusive offers on expensive products for people in the low income group to lure them into buying expensive products
4. 	Location – United Kingdome (90%)	<ul style="list-style-type: none"> Since our store is UK based, most of our customers are from UK 	<ul style="list-style-type: none"> Targeted marketing towards customers in United Kingdom by providing free or discounted shipping.

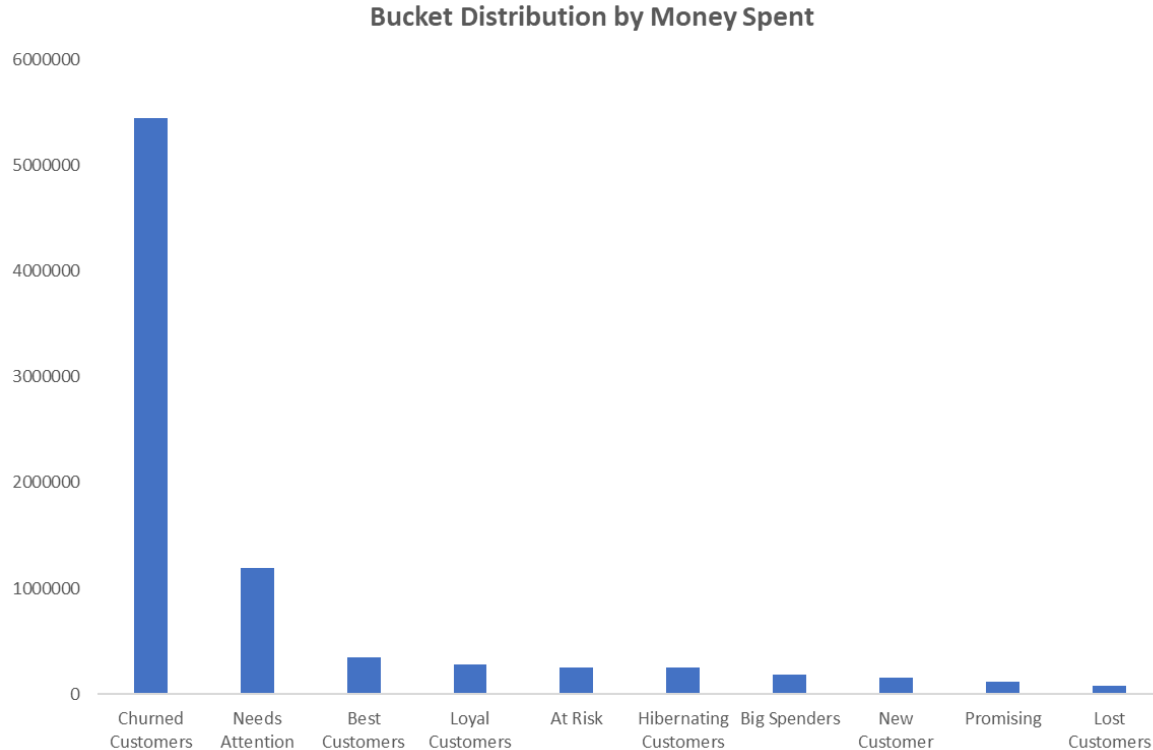
Appendix – Figures

Figure 1: Chart for bucket distribution by count



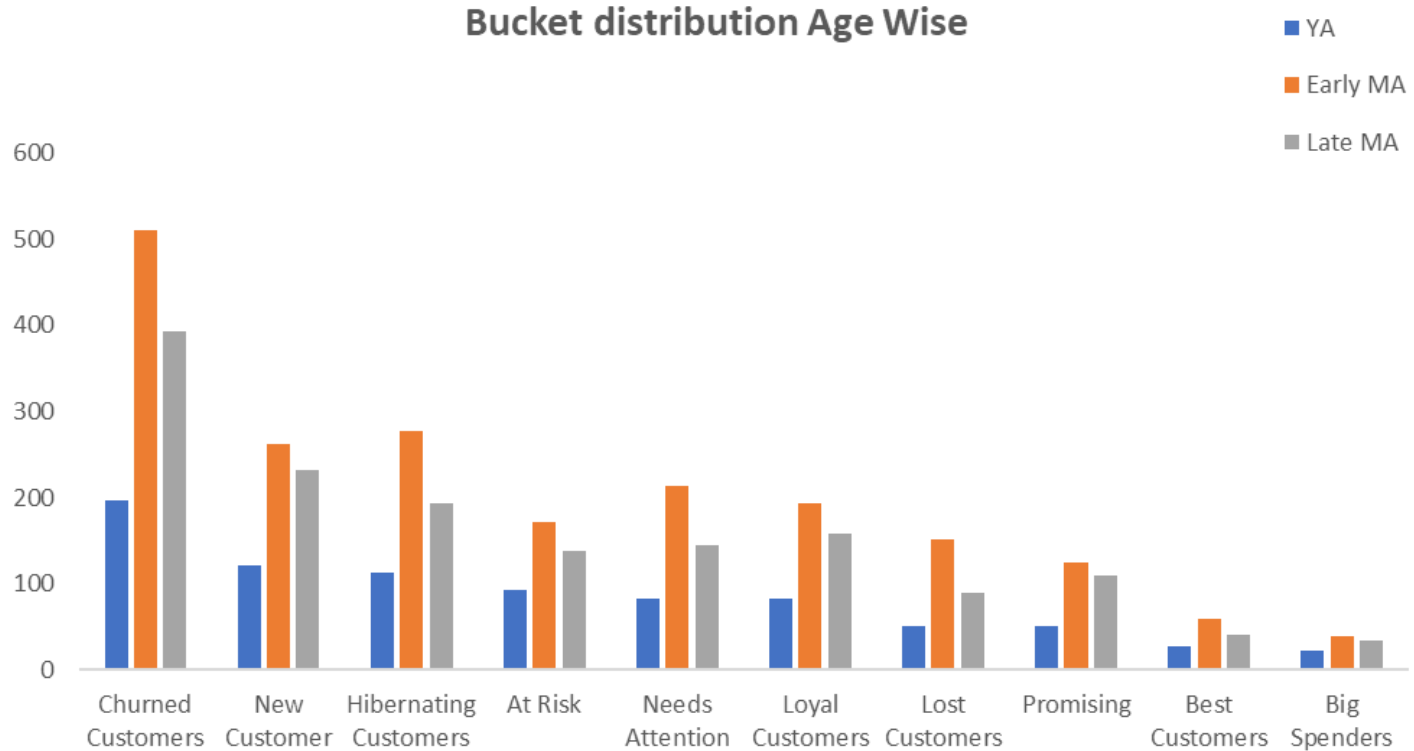
Appendix – Figures

Figure 2: Chart for bucket distribution by money spent



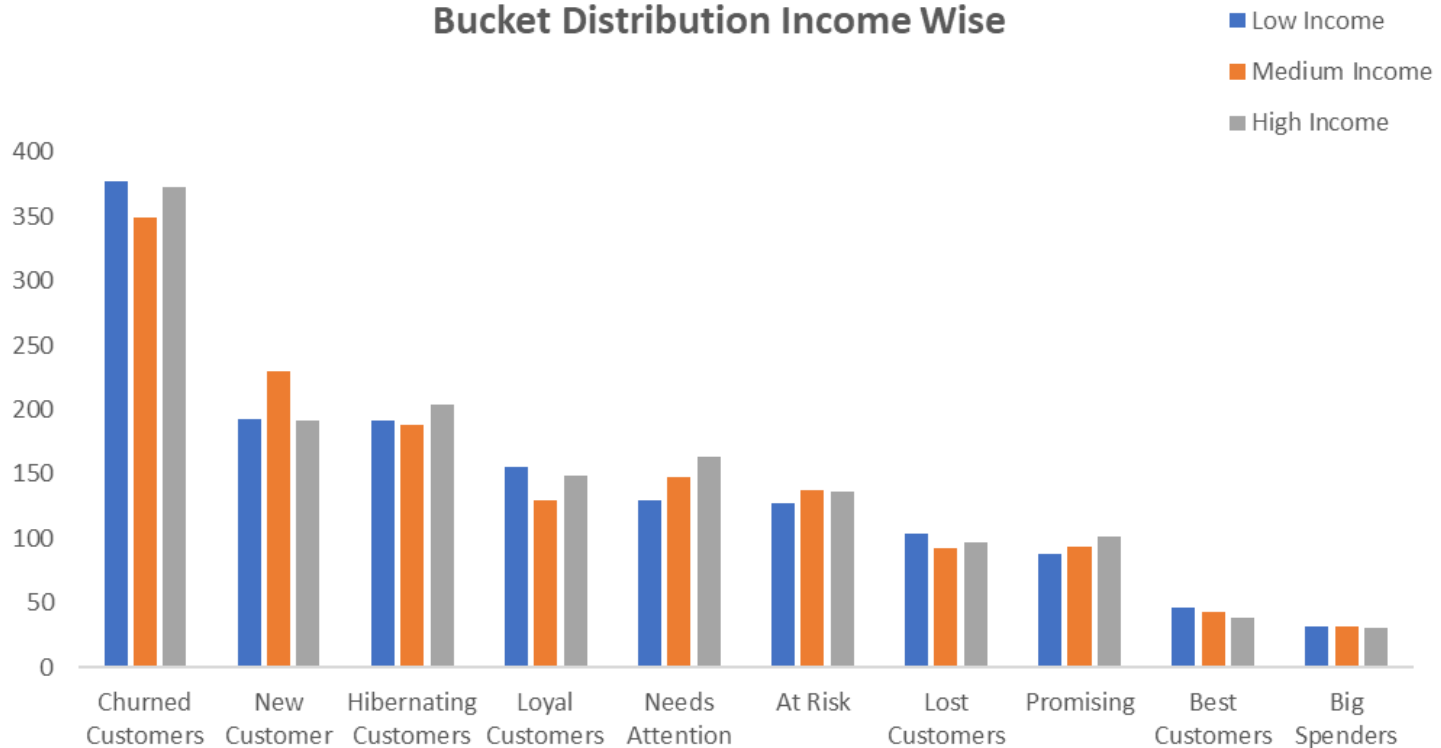
Appendix – Figures

Figure 3: Chart for bucket distribution by demographic - Age



Appendix – Figures

Figure 4: Chart for bucket distribution by demographic - Income



Appendix – Figures

Figure 5: Chart for bucket distribution by demographic – Country (Top 5)



Appendix – Links

Link 1: Excel for all analysis - [Excel Assignment - 2](#)

END

