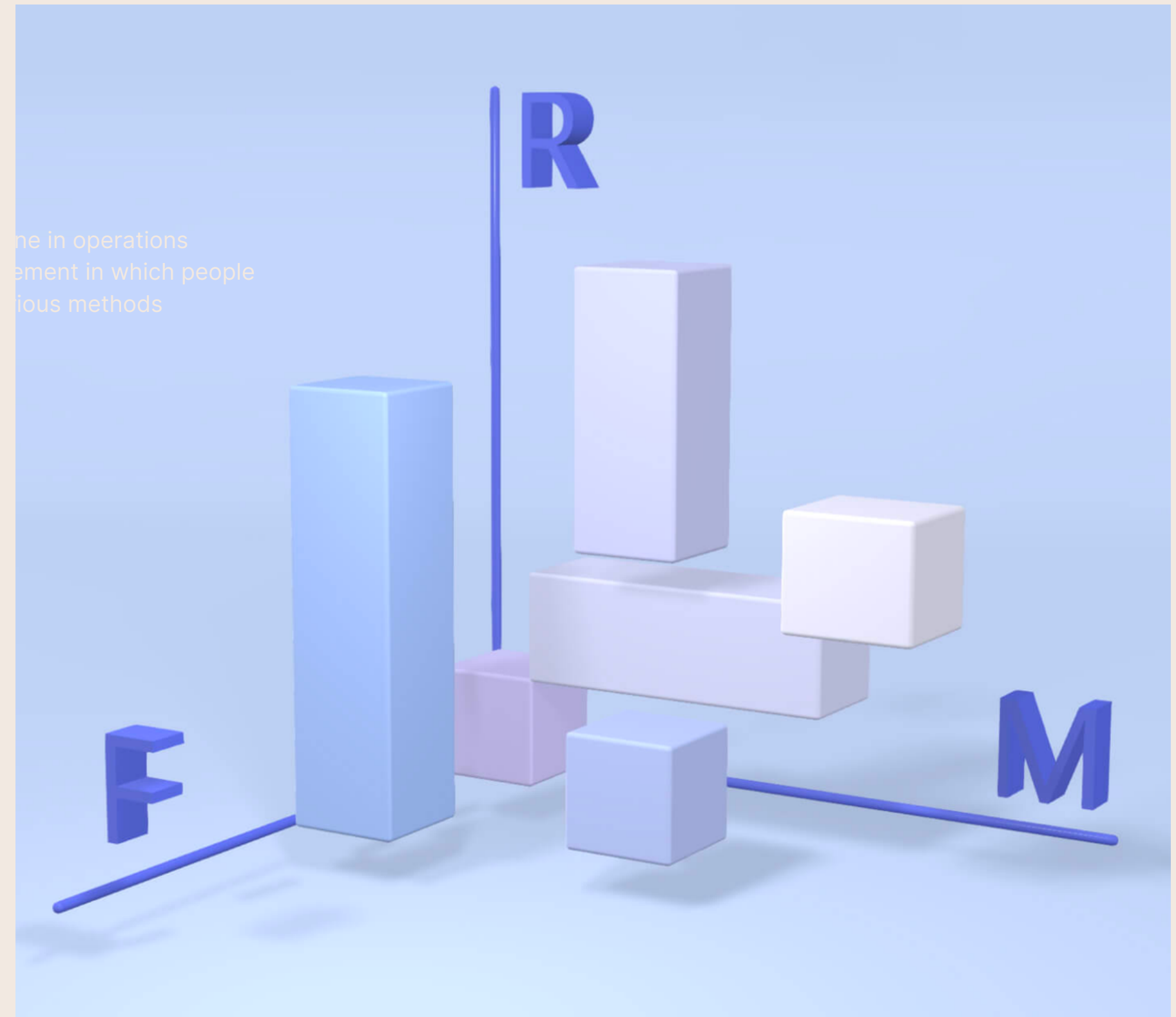


RFM MODEL

Customer Segmentation Analysis

RFM Analysis

RFM analysis is a marketing technique used to quantitatively rank and group customers based on the recency, frequency and monetary total of their recent transactions to identify the best customers and perform targeted marketing campaigns.



Recency | Frequency | Monetary



Recency

Recency of purchase

The freshness of customers activity.
eg : Time since last purchase



Frequency

Frequency of purchase

The frequency of customer transaction.
eg : The total number of recorded transactions



Monetary

Monetary value of that purchase

The willingness to spend
eg : The total transaction value.

Pareto Principle-

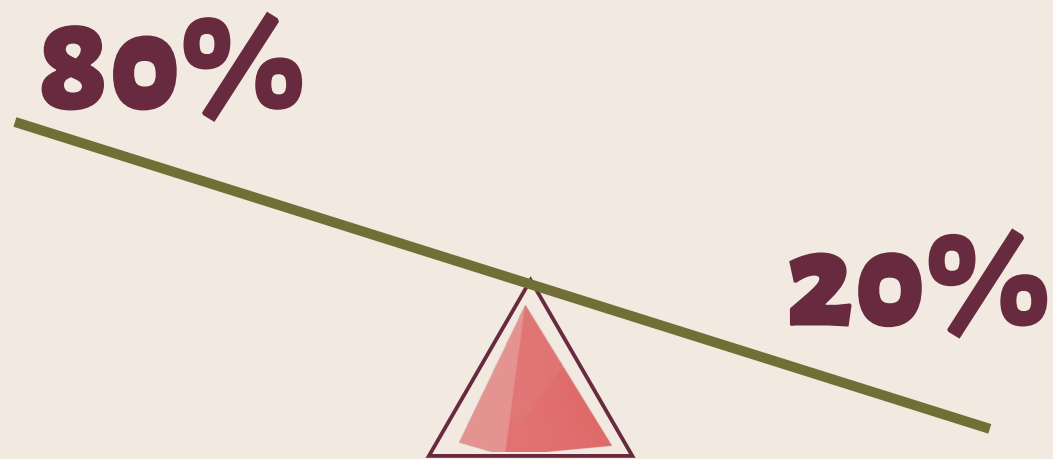
Proven Effectiveness

Pareto's rule says 80% of the results come from 20% of the causes.



Features

In the same way , 20% customers contribute to 80% of your total revenue.



Explanation-

People who spent once are more likely to spend again. People who make big ticket purchases are more likely to repeat them. Pareto Principle is at the core of RFM model. Focusing your efforts on critical segments of customers is likely to give you much higher return on investment!



STEPS OF RFM ANALYSIS

Step-1

This step includes gathering the data and importing the library and data in the respective IDE

Relevant Data Assembly

Step-2

This steps include setting up the R,F,M scores by performing the mathematical and statistical calculation on the suitable columns.

Setting Up RFM Scales

Score Designation

After calculating the R,F,M score its time for the calculation on RFM score for each and every customers

Step-3

Segment Classification

Now , segmentation of customers in done on the basis of their RFM score

Step-4

Personalization of Strategies for Relevant Segments.

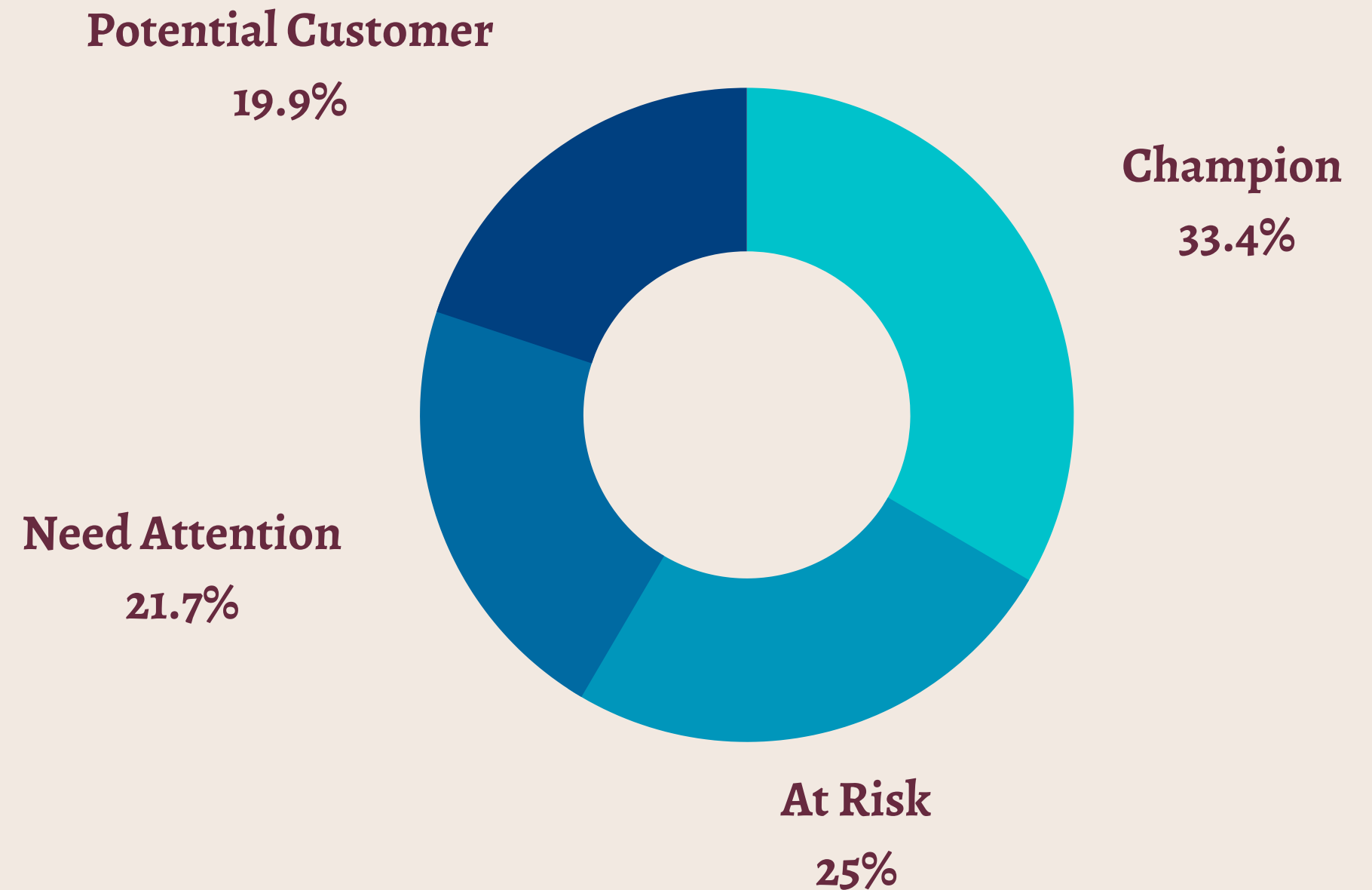
Final step of the analysis process in which we apply different business strategies on the customers.

Step-5

Customer Segmentation

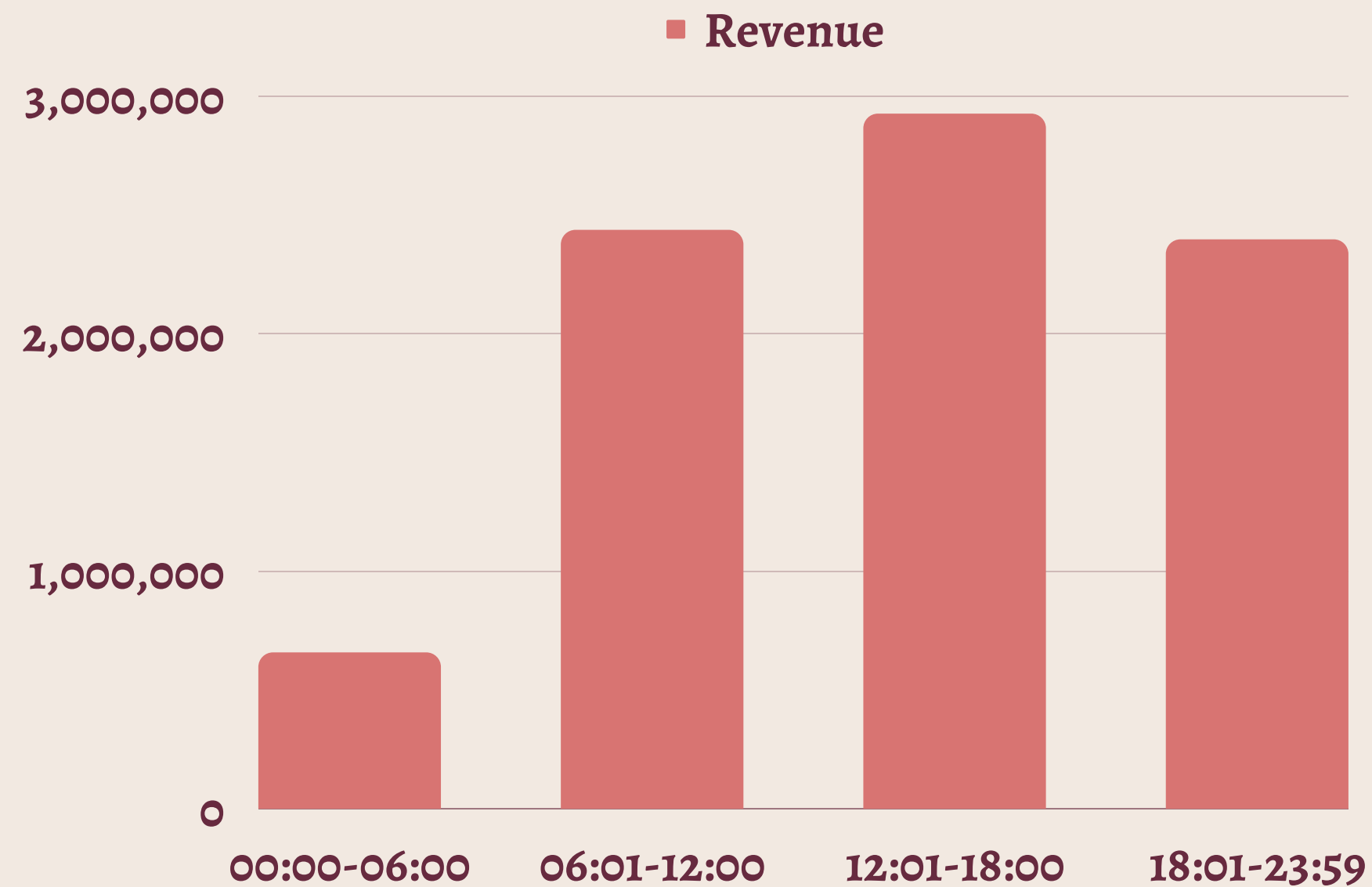
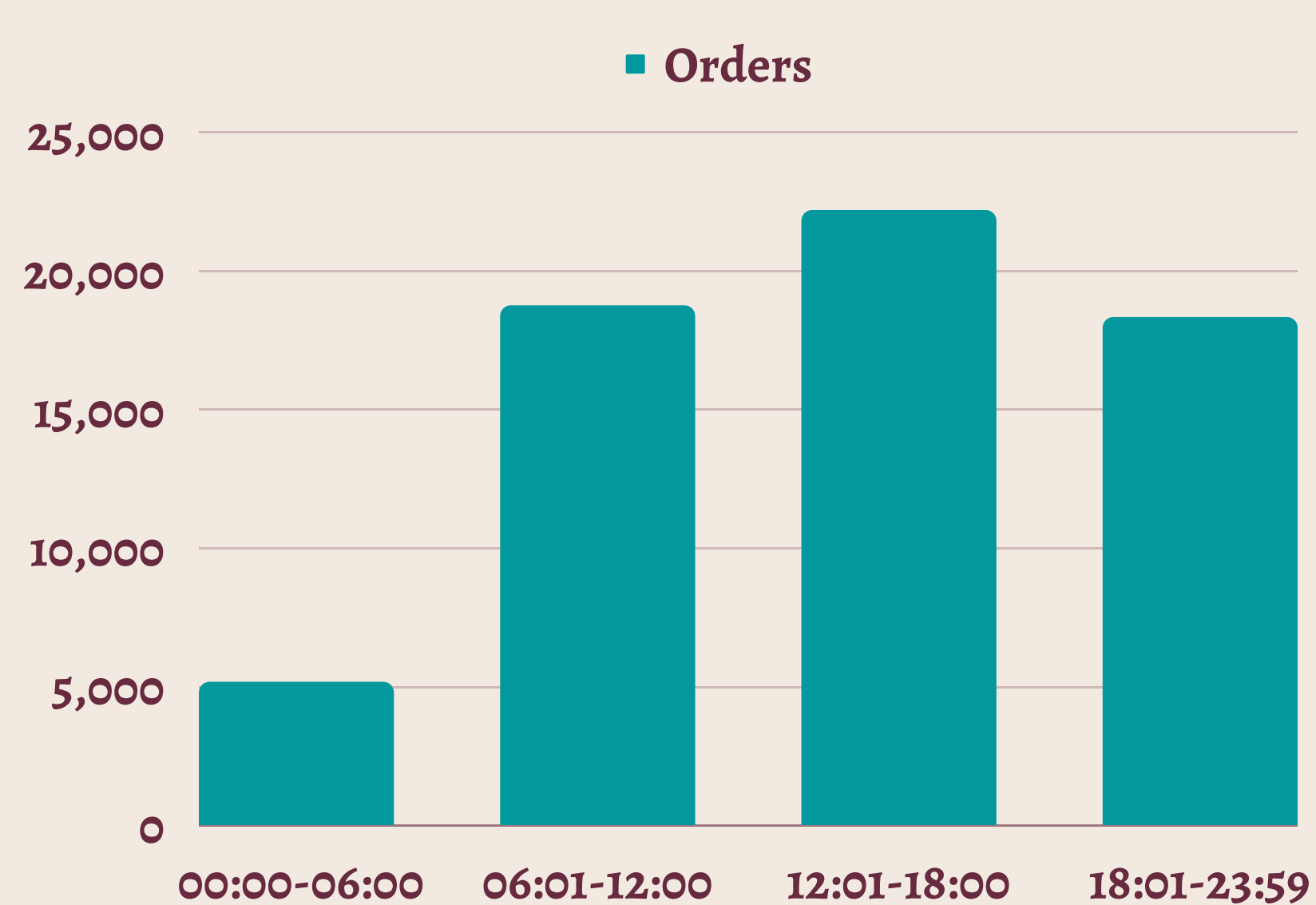
Based on the RFM analysis customer segmentation , our customers are categorised into 4 categories -

- Champion Customers
- Customers At Risk
- Customers that needs attention
- Potential Customers

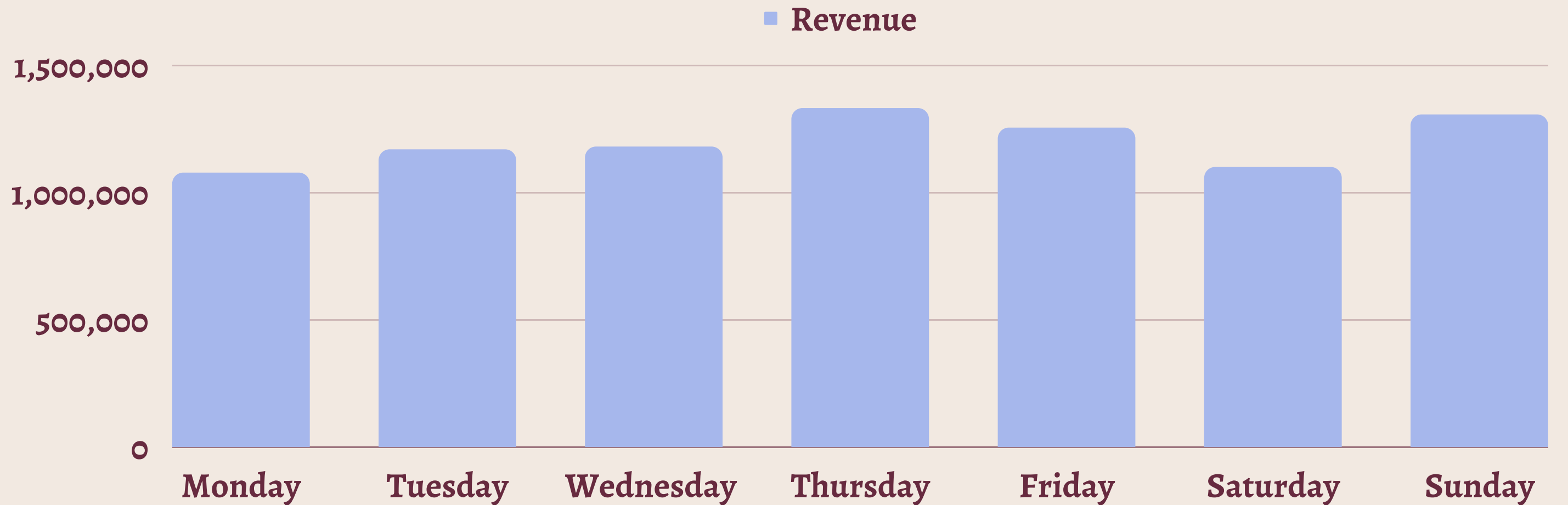
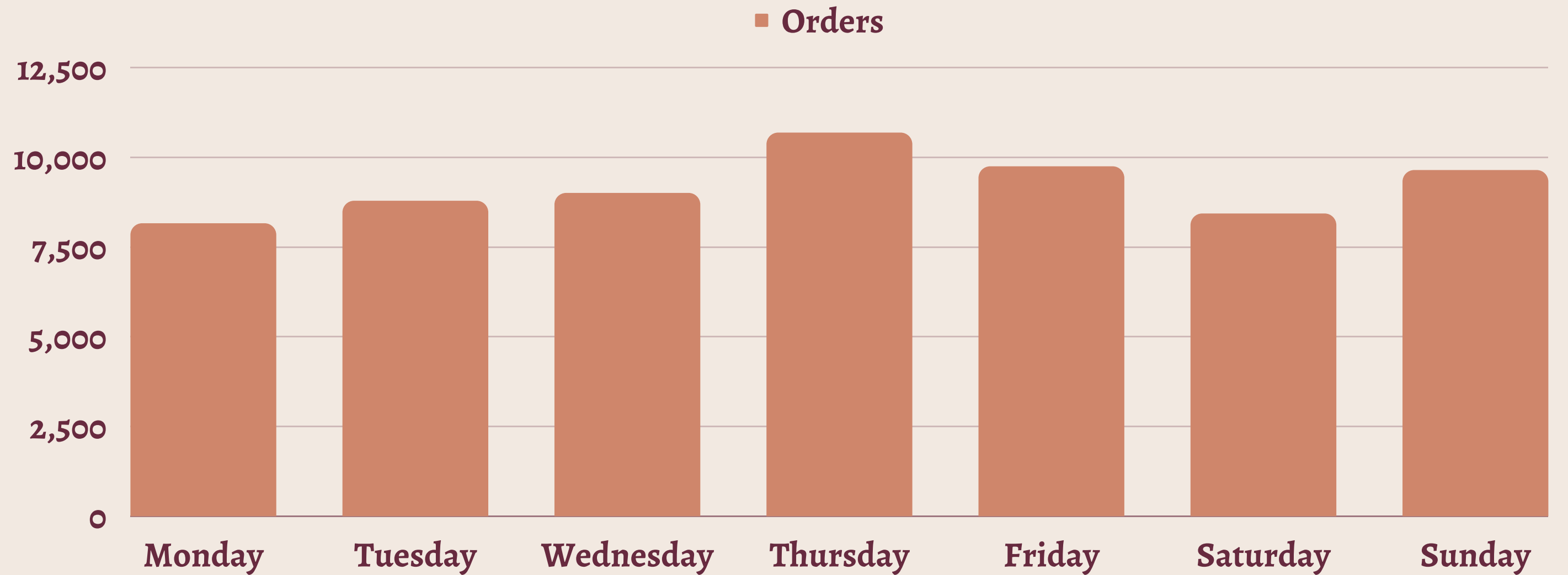




Hourly Analysis Of Orders And Their Revenue

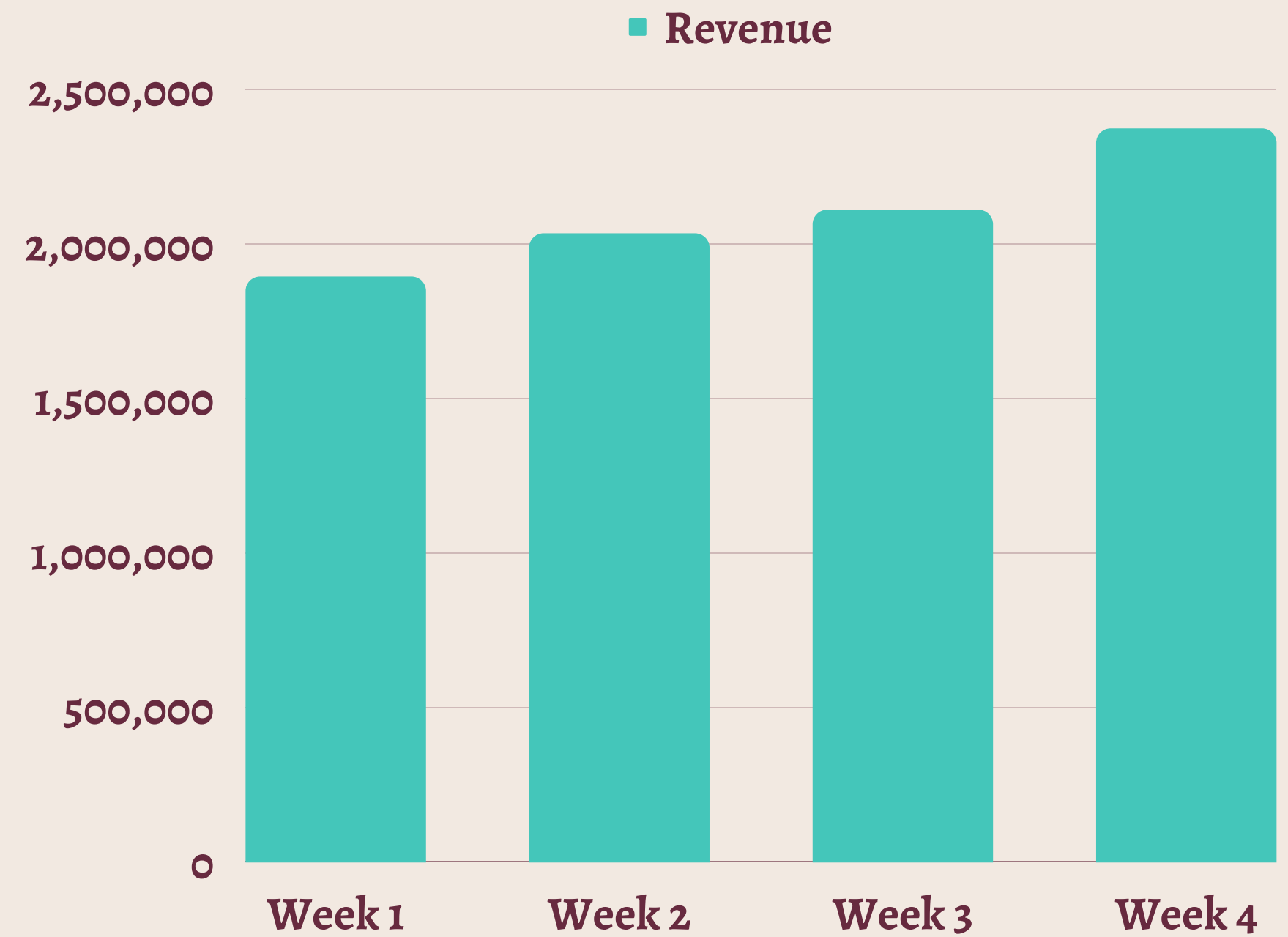
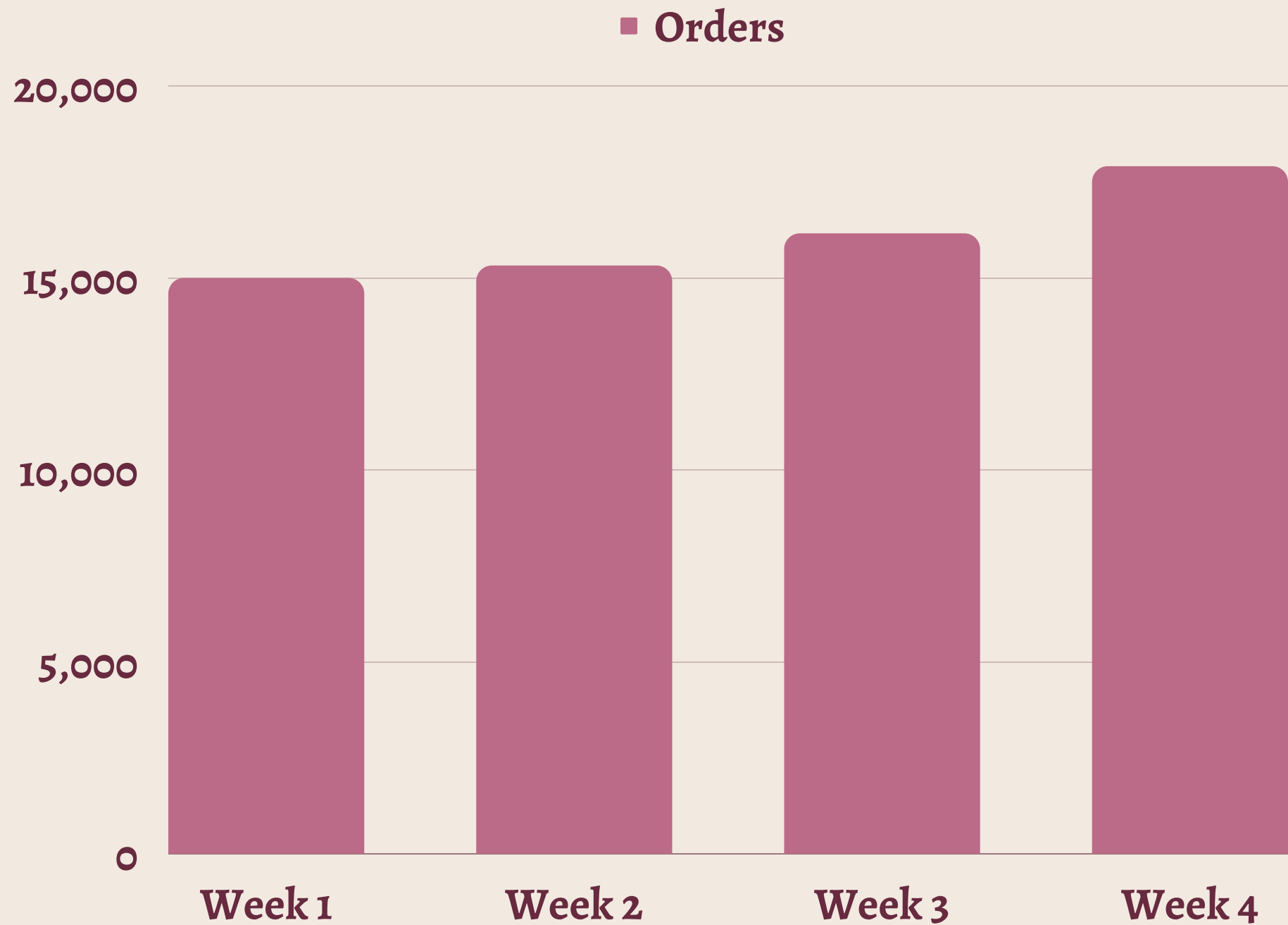


Weekly Analysis Of Orders And Revenue



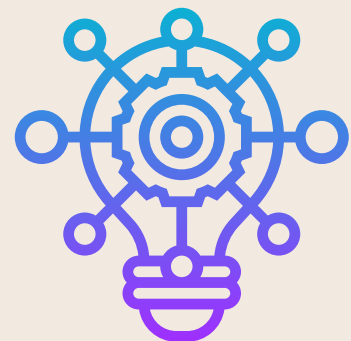


Monthly Analysis Of Orders And Revenue In Terms Of Weeks



Insights Drawn

Some key points from the previous shown graph -



We are having a big portion of customers in Champions Category followed by Customers at Risk , then Customers who needs attention and lastly our potential customers

In the monthly analysis of the Orders and Revenue , we observed that most of the orders are placed after the mid month i.e ; mostly orders are paced in the last week of the month followed by second last week of the month

In the hourly analysis of Orders and Revenue , we observed a pattern that mostly orders and placed in between 12 pm to 6pm followed by other two times i.e ; 6am to 12pm and 6pm to 12 am

In the weekly analysis of Orders and Revenue , we observed that mostly orders are placed on Thursday followed by Friday and Sunday and the revenues are generated by following the similar patterns

Customer Segments That Makes Market Profitable



1. Core - Your Best Customers

RFM Score -444

Highly engaged customers who have bought the most recent, the most often, and generated the most revenue.

Marketing Strategies: Focus on loyalty programs and new product introductions. These customers have proven to have a higher willingness to pay, so don't use discount pricing to generate incremental sales. Instead, focus on value added offers through product recommendations based on previous purchases.

2. Loyal - Your Most Loyal Customers

RFM Score: X4X

Customers who buy the most often from your store.

Marketing Strategies: Loyalty programs are effective for these repeat visitors. Advocacy programs and reviews are also common X4X strategies. Lastly, consider rewarding these customers with Free Shipping or other like benefits.

Customer Segments That Makes Market Profitable

3. Whales - Your Highest Paying Customers

RFM Score -XX4

Customers who have generated the most revenue for your store.

Marketing Strategies: These customers have demonstrated a high willingness to pay. Consider premium offers, subscription tiers, luxury products, or value add cross/up-sells to increase AOV. Don't waste margin on discounts.

4. Promising - Faithful customers

RFM Score -X42 & X41

Customers who return often, but do not spend a lot.

Marketing Strategies: You've already succeeded in creating loyalty. Focus on increasing monetization through product recommendations based on past purchases and incentives tied to spending thresholds (pegged to your store AOV).

Customer Segments That Makes Market Profitable

5. Rookies - Your Newest Customers

RFM Score -41X

First time buyers on your site.

Marketing Strategies: Most customers never graduate to loyal. Having clear strategies in place for first time buyers such as triggered welcome emails will pay dividends.

6. Slipping - Once Loyal, Now Gone

RFM Score -11X

Great past customers who haven't bought in awhile.

Marketing Strategies: Customers leave for a variety of reasons. Depending on your situation price deals, new product launches, or other retention strategies.



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Contact slide

Get In Touch

You can have data without information , but you cannot have information without data .

by-Daniel Keys Moran