Executive Summary: Satesoft Customer Segmenting & RFM Analysis

Key Findings:

Customer behavior segments into five clusters based on purchase recency, transaction frequency, and total spend. Revenue contribution is highly uneven across these segments, with a small portion of customers accounting for a large share of total sales. These customers represent a critical revenue base, while lower-value and inactive segments represent growth and re-engagement opportunities. Store-level analysis shows that many stores rely heavily on a small number of top customers. Heatmap and distribution analysis indicate significant revenue concentration and large outliers in customer spend per store. This creates operational and financial risk if high-value customers reduce activity or churn. Recency distributions reveal a meaningful population of customers who have not purchased recently but historically contributed revenue. These customers present a strong opportunity for targeted re-engagement rather than broad, untargeted promotions.

Insights:

Treating all customers uniformly results in inefficient marketing spend and missed retention opportunities. High-value customers require relationship management, not discounts. Lower-frequency and lapsed customers may be more responsive to incentives and reminders. Store-level performance cannot be evaluated accurately without understanding customer concentration risk.

Recommendations

Adopt Segment-Driven Customer Strategy

High-Value / Frequent Customers: Offer VIP perks, loyalty rewards, and exclusive benefits. Lapsed / At-Risk Customers: Deploy targeted re-engagement offers and limited-time discounts. Low-Frequency / Low-Spend Customers: Encourage repeat visits through small incentives and visit-based promotions.

Monitor and Reduce Store Revenue Risk

Track the percentage of store revenue generated by top customers. Flag stores with excessive dependence on a small customer base. Encourage diversification by nurturing mid-tier customers.

Operationalize Customer Analytics

Integrate customer segment labels into CRM or POS systems. Refresh clustering on a recurring basis (quarterly or semi-annually). Use segment-level KPIs to guide marketing, retention, and store-level decision-making.

<u>Expected Business Impact:</u>

Improved customer retention and lifetime value. More efficient and targeted marketing spend. Reduced revenue volatility at the store level. Stronger data-driven decision-making across the organization.