



# Customer Segmentation Using RFM Analysis

**Prepared by:** J.G.Binuri Jayasinghe

**Date:** June 23, 2025

## Executive Summary

This project uses RFM (Recency, Frequency, Monetary) analysis to segment customers based on their purchasing behavior. The goal is to identify high-value customers, understand customer engagement patterns, and design targeted marketing strategies. Power BI was used to visualize and interpret insights from customer transaction data.

## Business Questions

- Who are our most valuable customers?
- Which customers are at risk of churn?
- How frequently do customers purchase?
- What are the spending habits of different customer segments?

## Tools Used

- Microsoft Excel – for initial data cleaning and total price calculation
- Microsoft Power BI – for data modeling, RFM scoring, visualization, and dashboard creation

## RFM Methodology

RFM analysis categorizes customers based on:

- Recency – How recently a customer made a purchase
- Frequency – How often they purchase
- Monetary – How much they spend

## Customer Segments

Based on RFM scores, customers were grouped into:

- Loyal – Recent, frequent, and high spenders (Score: 444)
- Potential Loyalists – Frequent and/or high spenders with recent activity
- At Risk – Previously active customers with no recent purchases
- Others – Customers with low scores or limited activity

## Key Insights

- Loyal customers make up the top 20% of revenue.
- At-risk customers form 15% and need reactivation strategies.
- Potential loyalists can be nurtured with targeted discounts.

## Recommendations

- Retain Loyal customers via exclusive perks and early product access.
- Offer reactivation campaigns to At Risk customers with limited-time offers.
- Encourage Potential Loyalists with reward programs or bulk discounts.
- Monitor Other segments for signs of re-engagement or churn.

## Project Files and GitHub Link

GitHub Repository: <https://github.com/Binuri321/Customer-Segmentation-RFM->