CUSTOMER SEGMENTATION

PRESENTED BY COMPUTATIONAL SUCCESS CONSULTING

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WHAT IS CUSTOMER SEGMENTATION

- Process of dividing customers into groups based on similarities

- Purpose to better understand the value, characteristics, needs and behaviors of different customer segments

- Inform and optimize marketing strategies, customer engagement and product development

THE IMPORTANCE OF CUSTOMER SEGMENTATION TO ONLINE RETAILERS

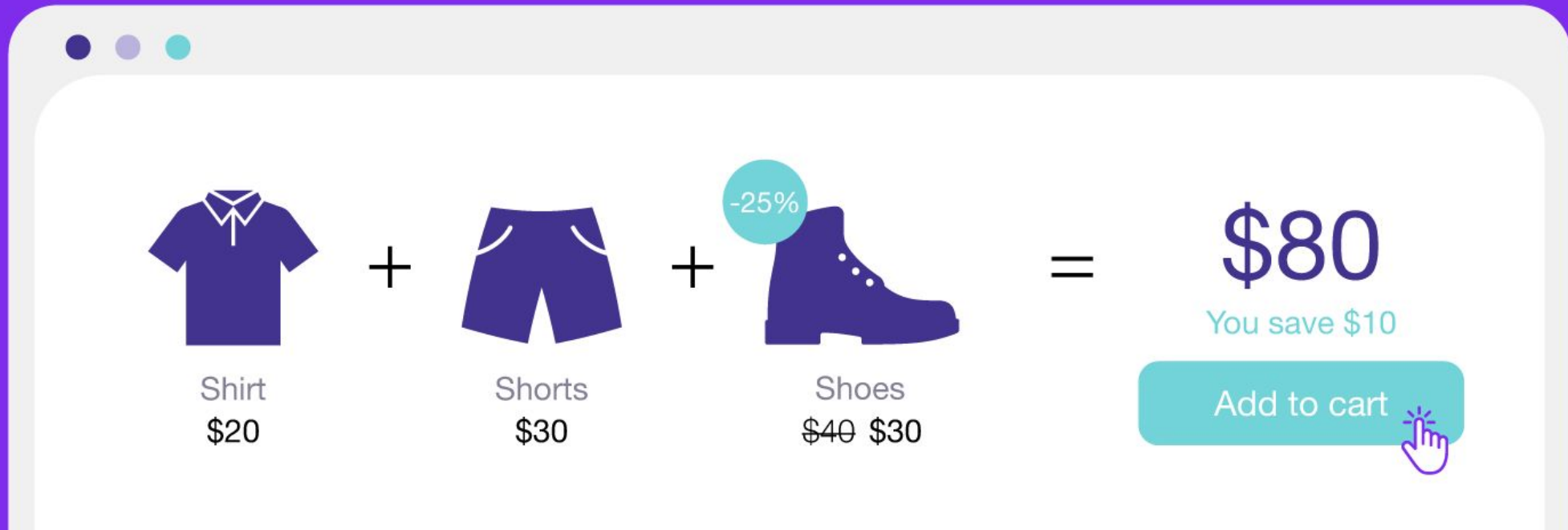IT'S ABOUT GETTING THE RIGHT CUSTOMERS

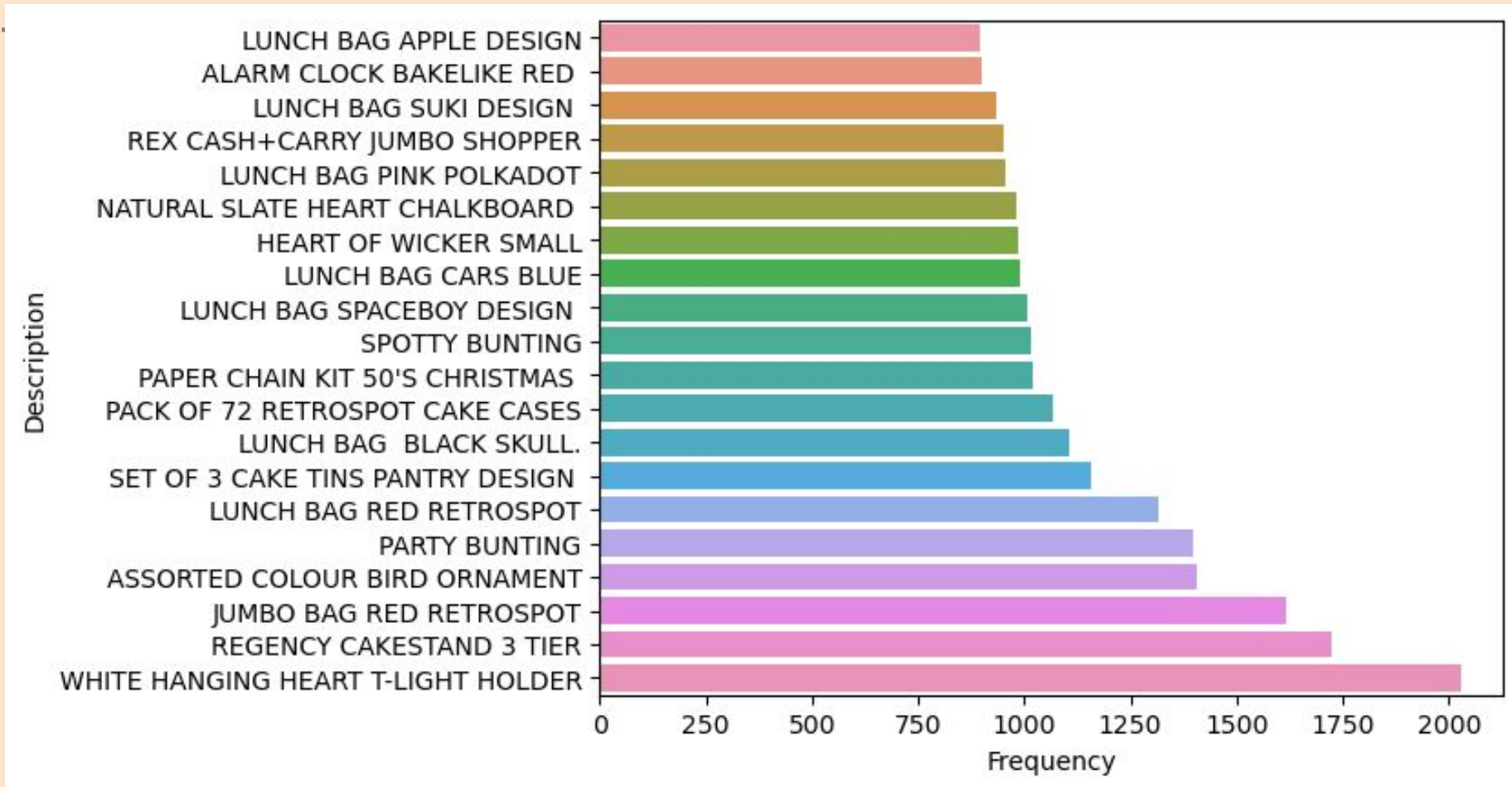HIGHER CONVERSION RATES

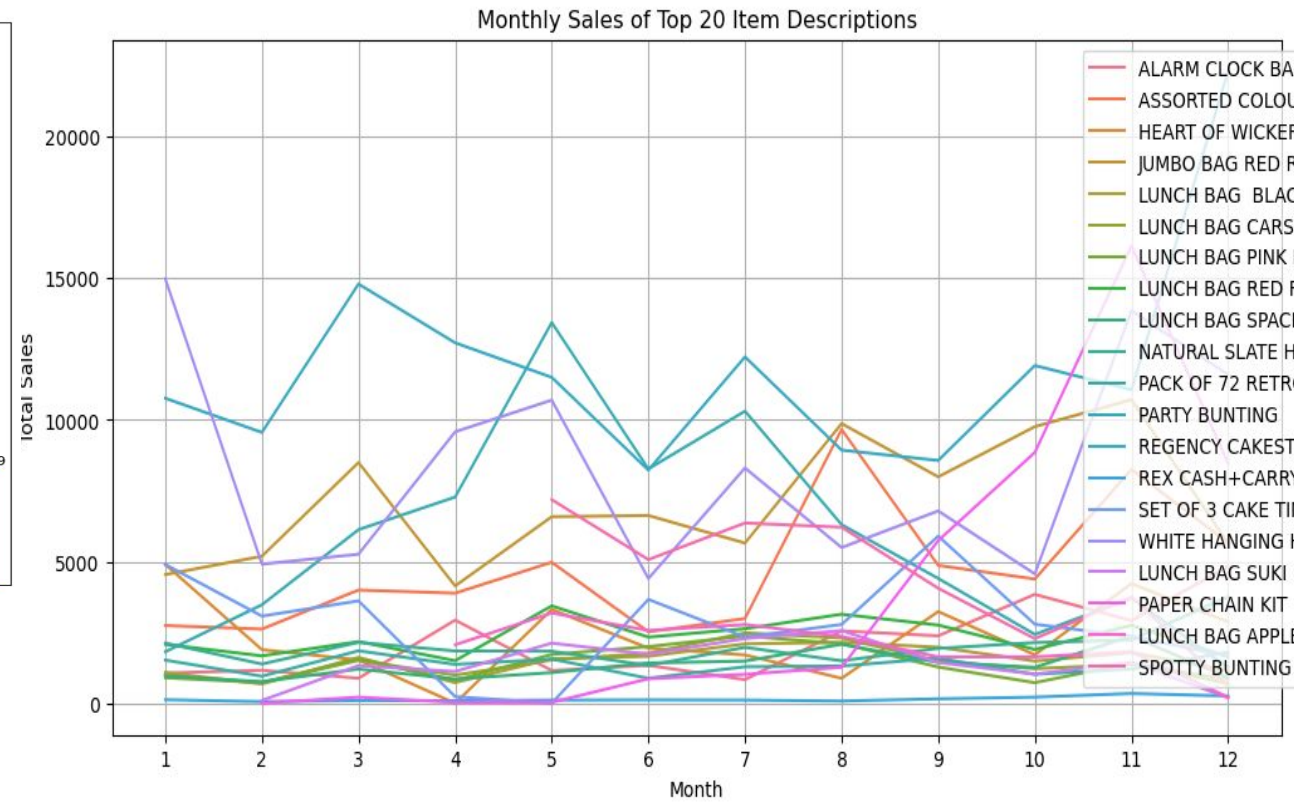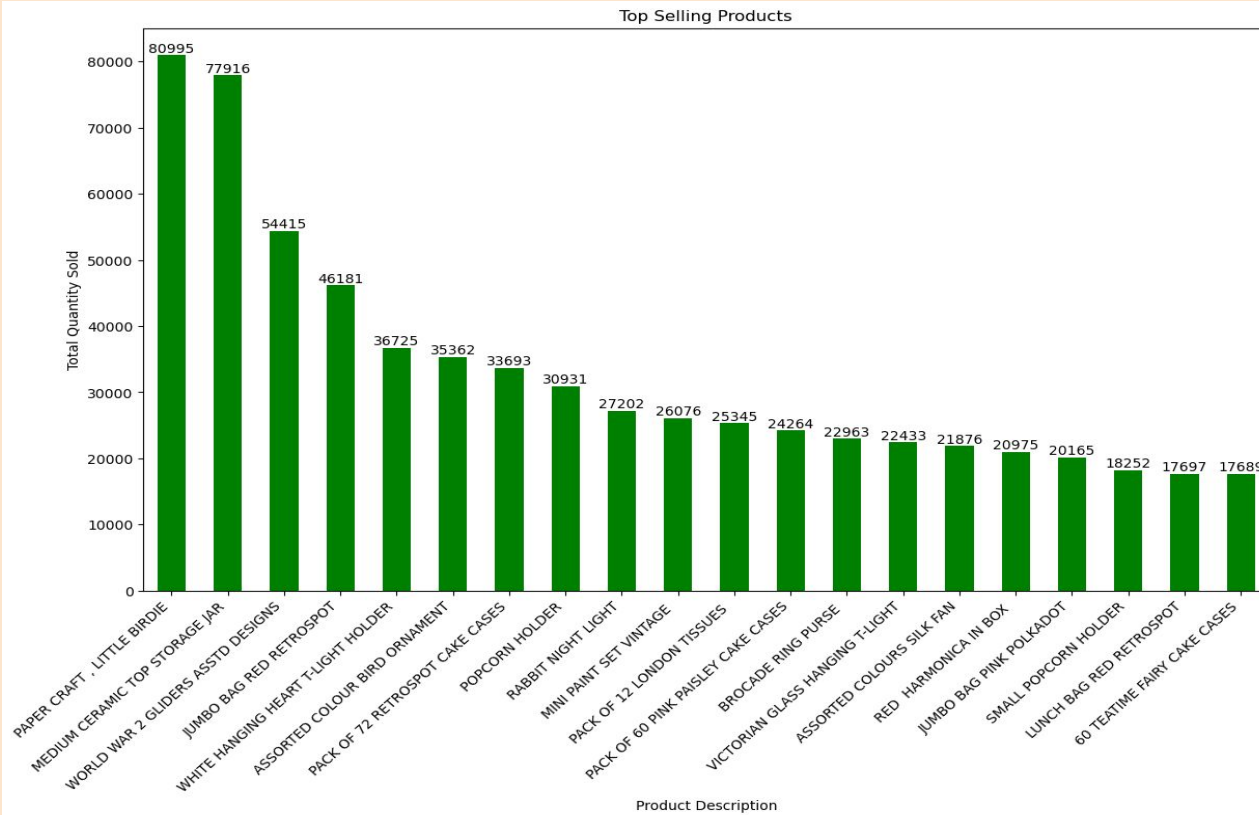HIGHER AVERAGE ORDER VALUES
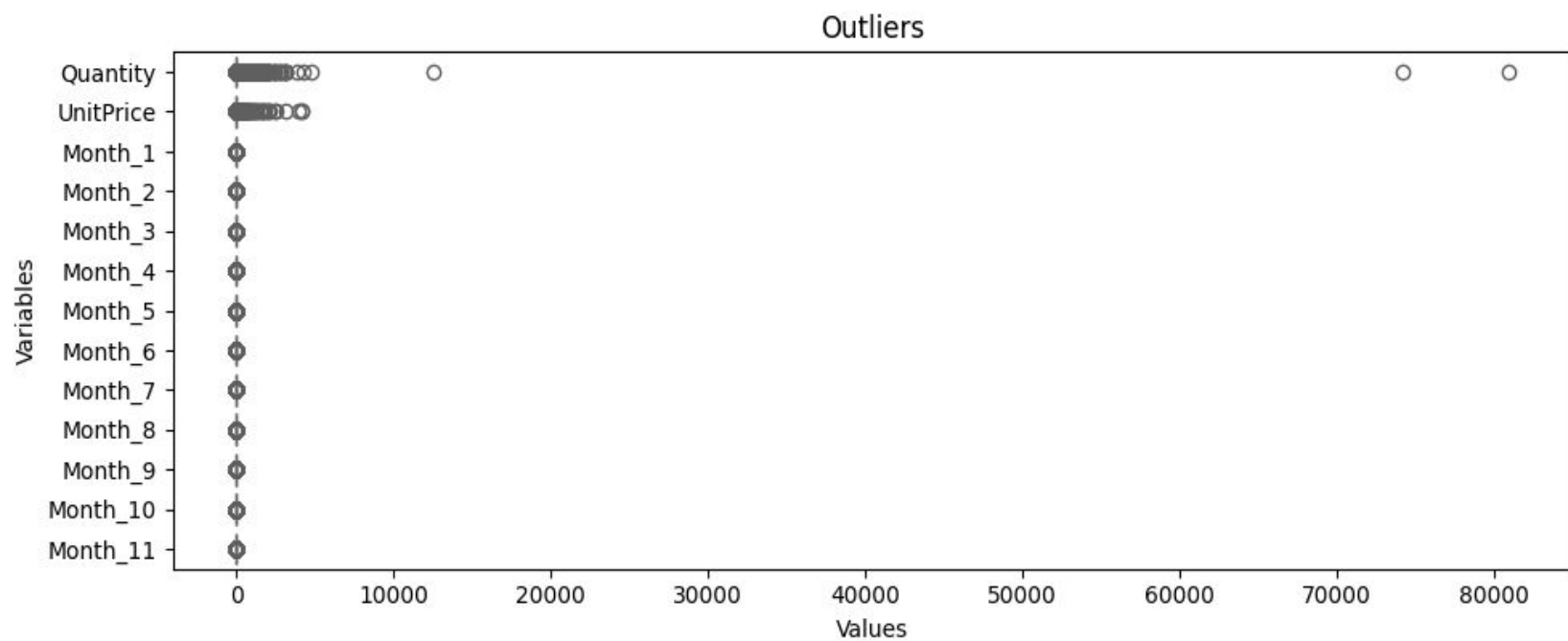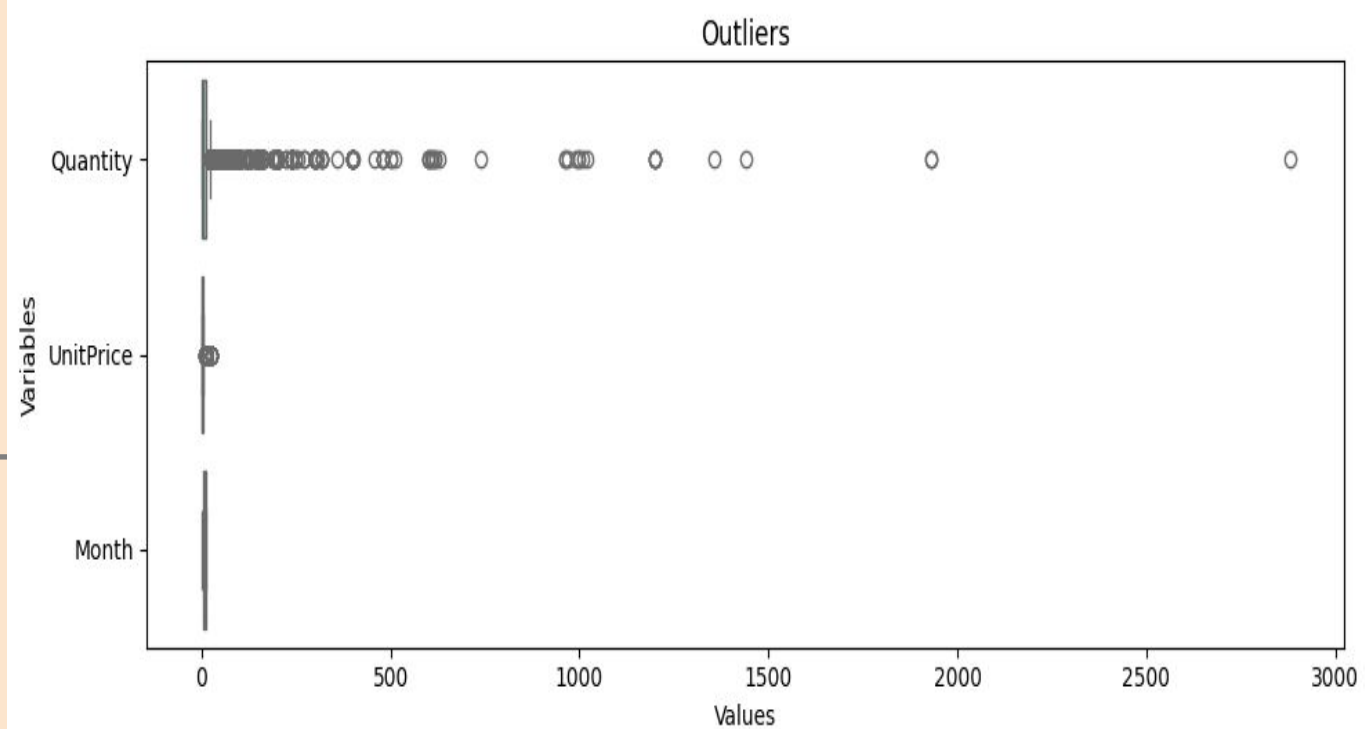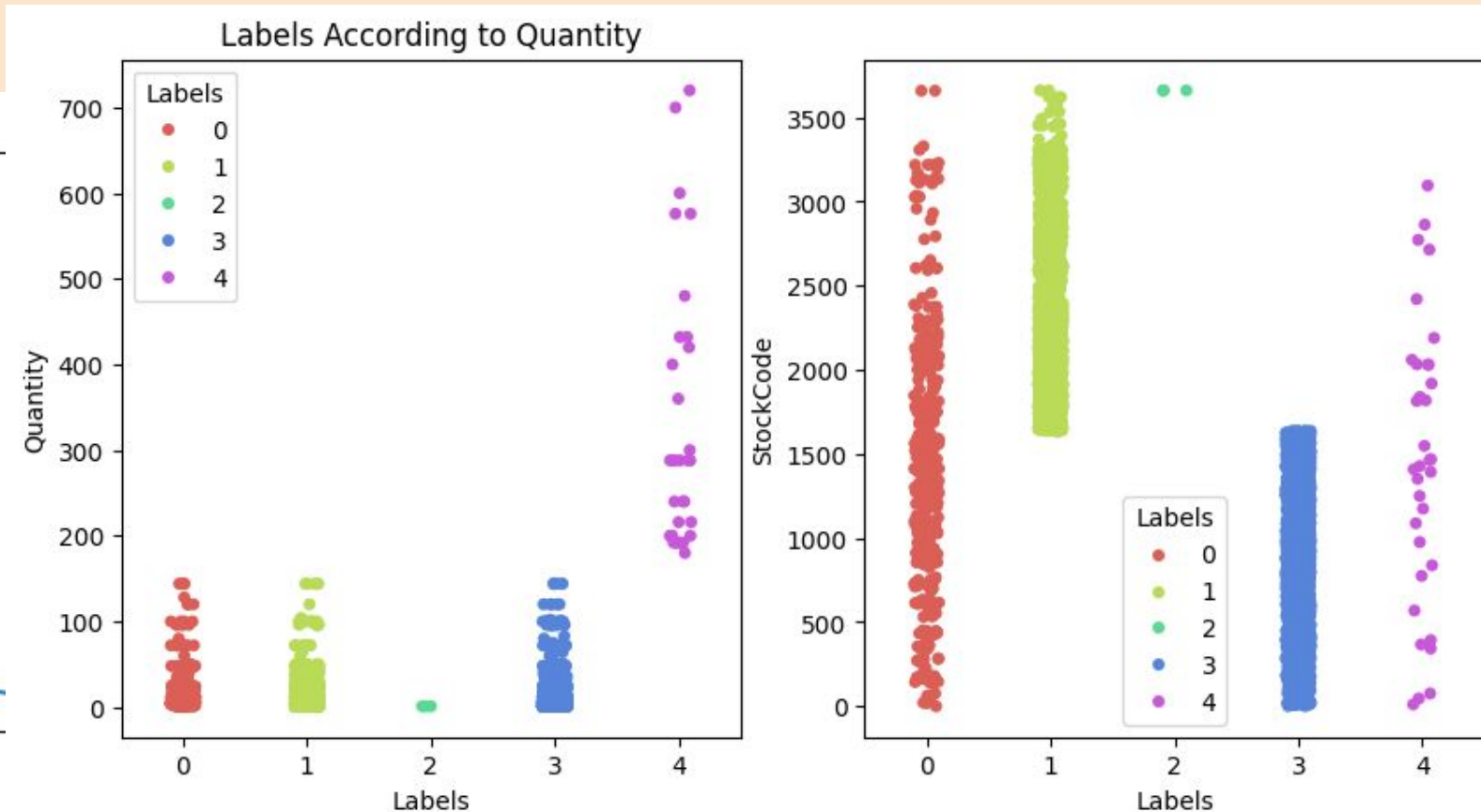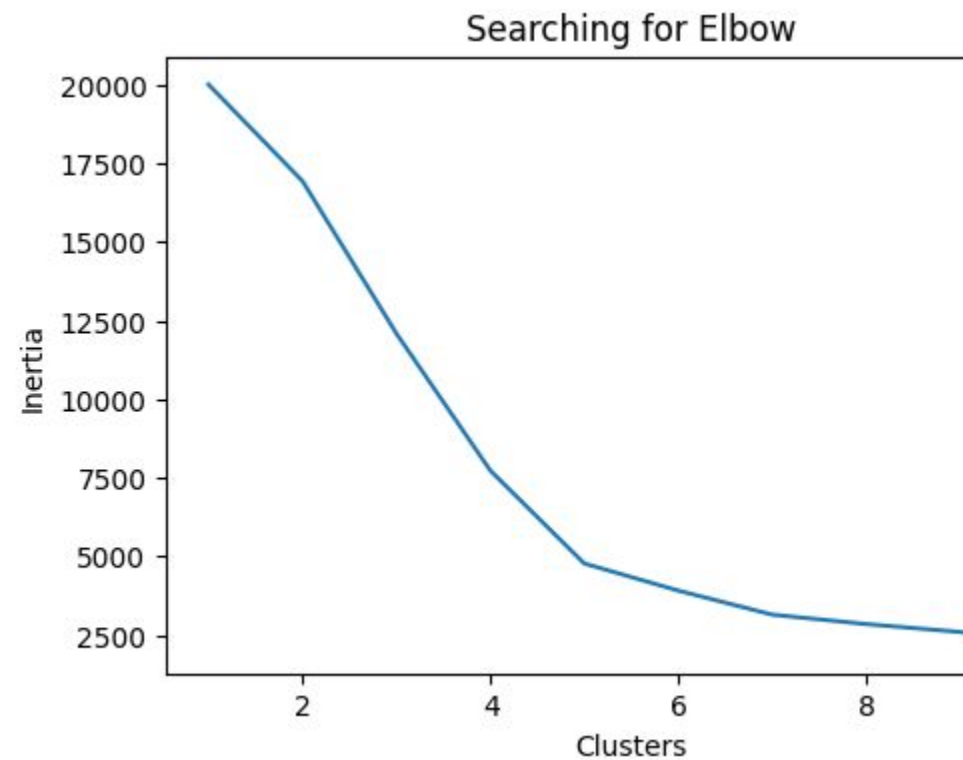
INCREASED PROFITS

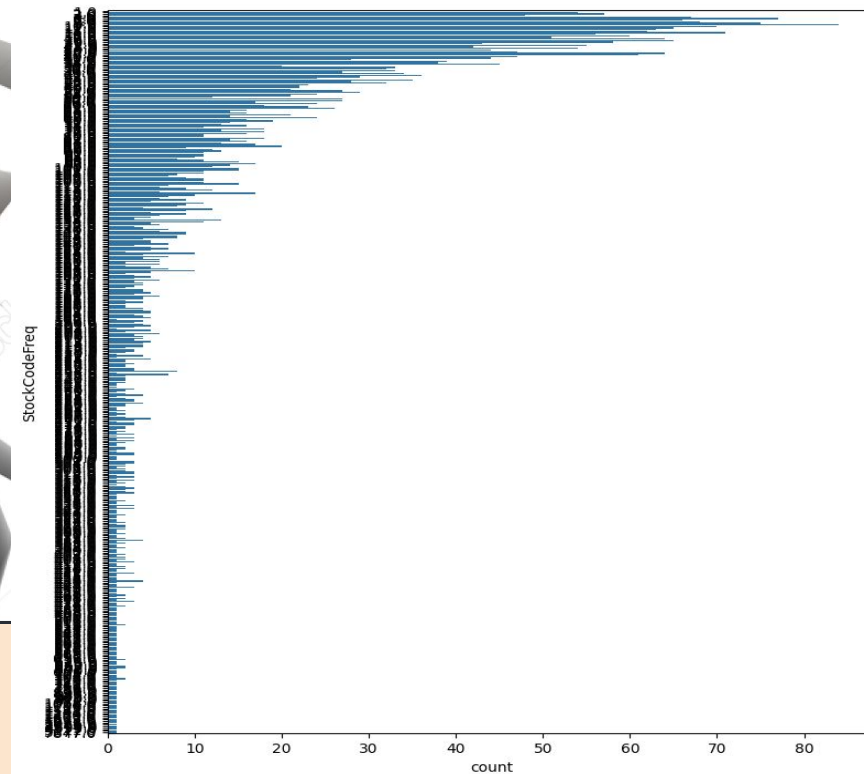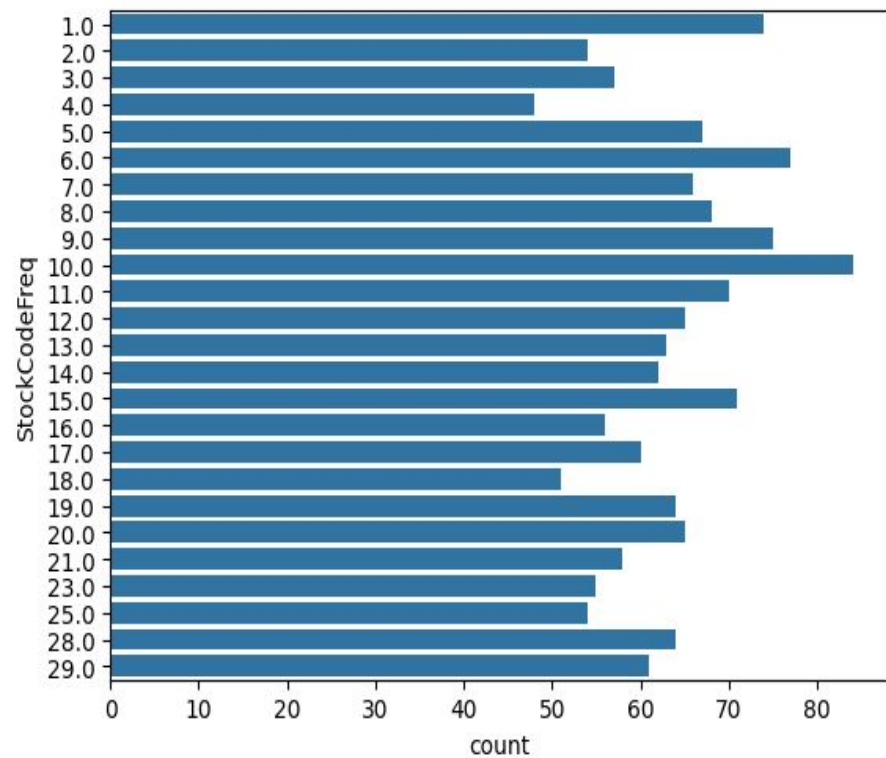# Initial Modeling and Ideas

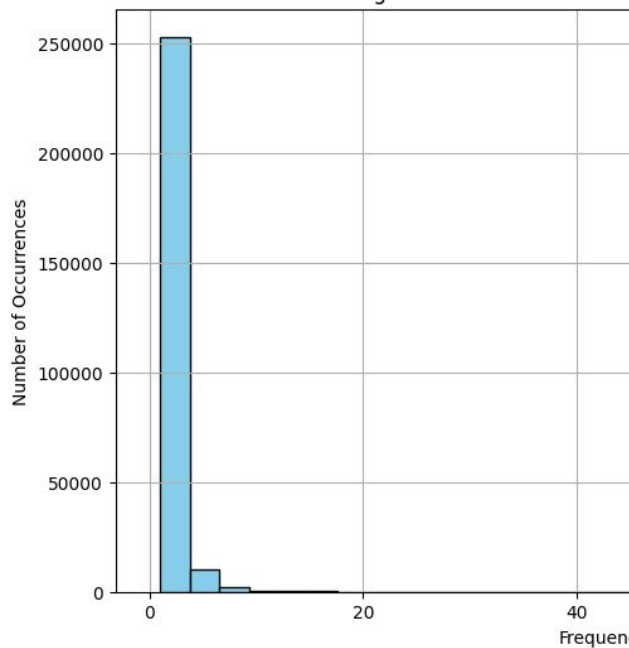# Pro4 Online Retailer

What can CSC do for Pro4?

Poor Grouping

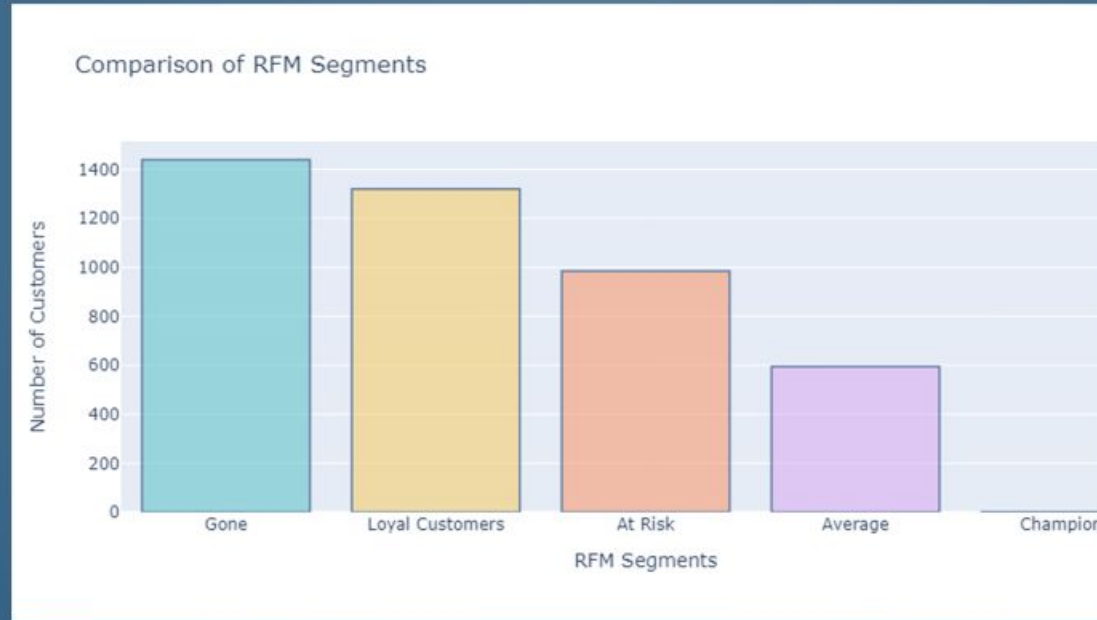# Clustering Item Quantity vs Stock Code

PITFALLS

CUSTOMER SEGMENTS RFM

Comparison of RFM Segments based on AVG Recency, Frequency, and Monetary Scores
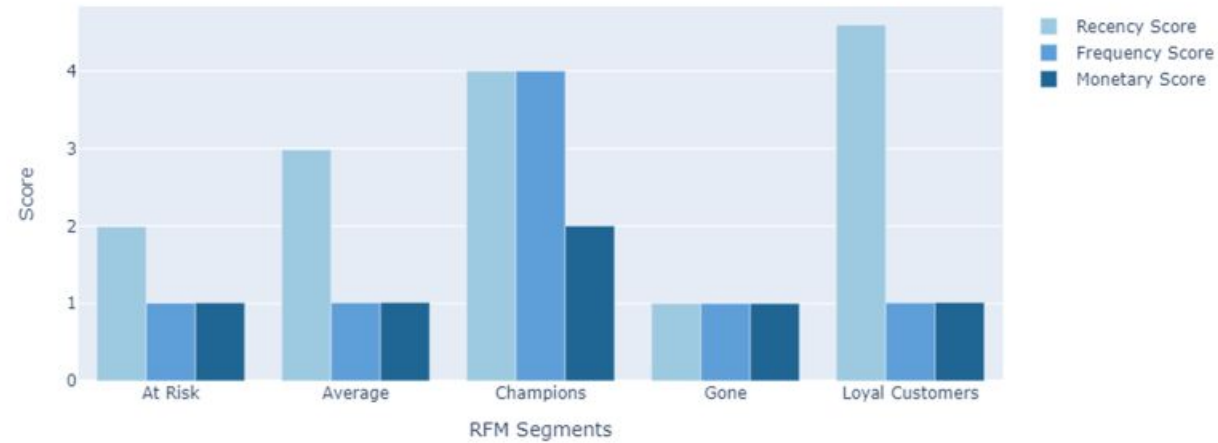
CUSTOMER SEGMENTS AVG RFM

RFM Customer Segments by Value

Low-Value		High-Value	Mid-Value
Gone	At Risk	Loyal Customers	Average
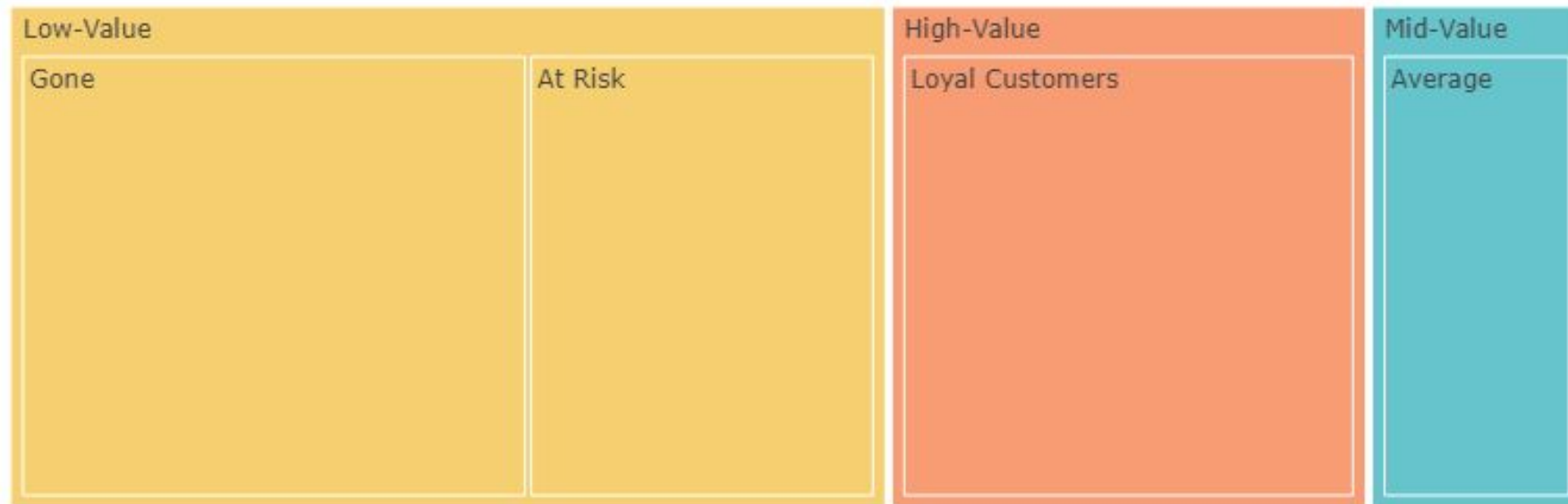
K-Nearest Neighbor Classification

Low-Value vs Mid/High-Value Customers

KNN Results

86.63% overall accuracy

0 = 'Low Value'

1 = 'Mid to High Value'

Focus: At Risk Customers

Convert into Average Customers

RFM Customer Segments by Value
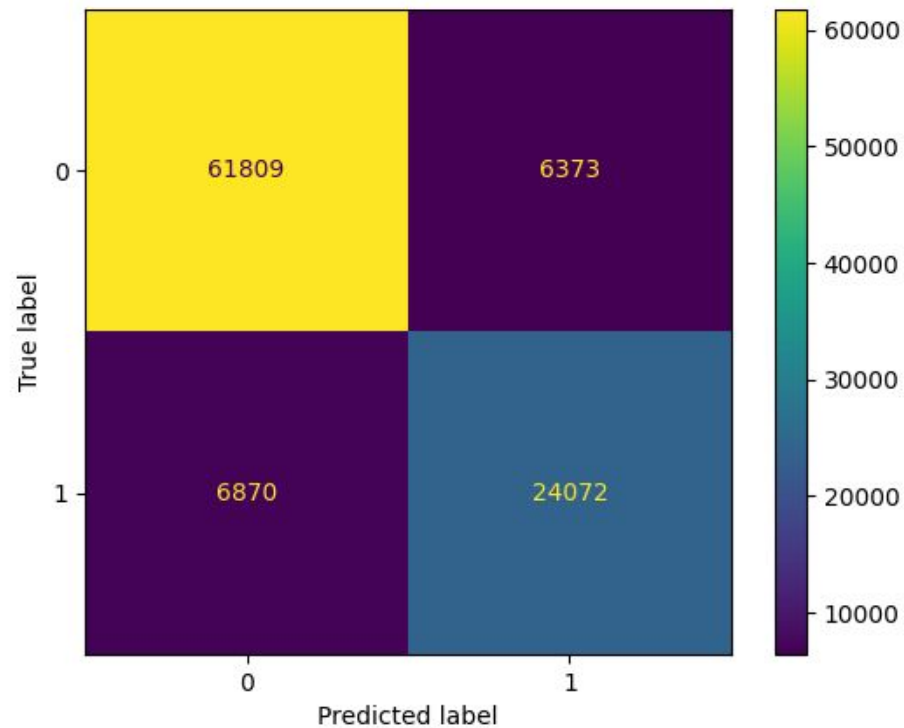
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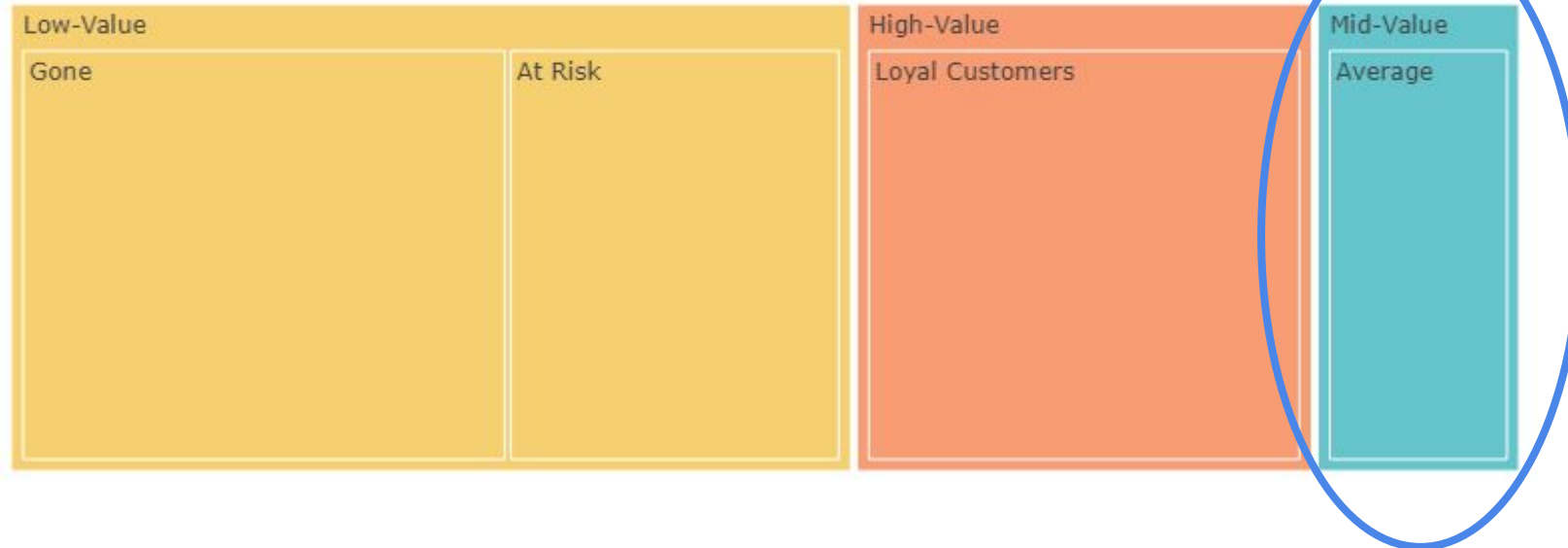
Conclusions

- **Pro4 Implements CSC's Machine Learning to Identify At-Risk Customers**

- **Targeted Marketing Campaigns**
  - Incentives
  - Discounts
  - Reminders

- **Enacted Before Gone Customers**

Limitations

- ## Need for a Larger Data Set

  - Longer than a Year
  - More Columns: i.e. Wholesale vs Retail, Time Spent on Site before Purchase

- ## Missing 'CustomerID'

- ## Reason for Returns

- ## Manual Entries

If We Had More Time
Optimize More WordClouds for Presentation

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Questions?