
MKTA

MANAGERIAL SEGMENTATION

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RECENCY, FREQUENCY AND MONETARY VALUE

- Here we have converted our raw data into customer data in which we have recency, frequency and average purchase amount.
- Recency tells us the last purchase or any transaction of a customer at our store.
- Frequency help us to understand number of visits by customer at store.
- Monetary value gives us the average purchase value



	recency	frequency	monetary_value
customer_id			
10	3829.0	1	30.0
80	343.0	7	500.0
90	758.0	10	1158.0
120	1401.0	1	20.0
130	2970.0	2	100.0
160	2963.0	2	60.0
190	2211.0	5	340.0
220	2058.0	2	50.0
230	3985.0	1	50.0
240	463.0	4	65.0
260	3710.0	1	15.0
280	2065.0	2	40.0
290	787.0	7	545.0
320	3739.0	1	15.0

RFM SCORE ANALYSIS

27 Unique Segments Based
On RFM Score

	SCORE		
	1	2	3
recency	days>730	730<days<365	days<=365
frequency	freq=1	1<freq<3	freq>3
monetary	dollar<40	40<dollar<=60	dollar>60

	recency	frequency	monetary_value	r_score	f_score	m_score	RFM_Score
customer_id							
10	3829.0	1	30.0	1	1	1	111
80	343.0	7	500.0	3	3	3	333
90	758.0	10	1158.0	1	3	3	133
120	1401.0	1	20.0	1	1	1	111
130	2970.0	2	100.0	1	2	3	123

- Based on above logic we have created 3 new columns in which we have r_score, f_score, m_score.
- Recency less than 365 has got a score 3, recency between 365 and 730 got a score 2, recency greater than 730 got a score of 1.
- Frequency greater than 3 got a score of 3, frequency between 3 and 2 got a score of 2 and frequency which is equal to 1 got a score of 1.
- Monetary value greater than 60 got a score of 3, monetary value between 40 dollar and 60 dollar got a score of 2 and monetary value less than 40 got a score of 1.
- And at last, we have calculated RFM score using $\rightarrow r*(100)+f*(10)+M$ logic. So, by this we can understand that customers who got rfm score 333 are really a great customer for the store.

RFM SCORE ANALYSIS

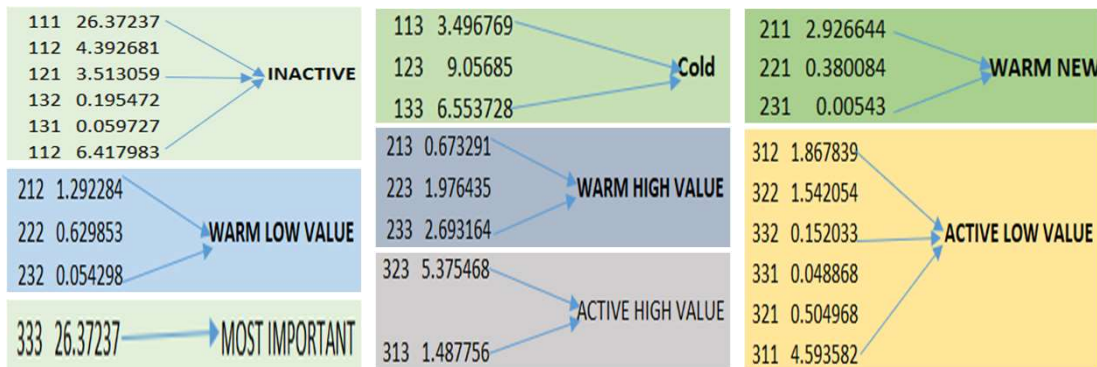
111	26.372373
333	13.737308
123	9.056850
133	6.553728
112	6.417983
323	5.375468
311	4.593582
122	4.392681
121	3.513059
113	3.496769
211	2.926644
233	2.693164
223	1.976435
312	1.867839
322	1.542054
313	1.487756
212	1.292284
213	0.673291
222	0.629853
321	0.504968
221	0.380084
132	0.195472
332	0.152033
131	0.059727
232	0.054298
331	0.048868
231	0.005430

111	4857
333	2530
123	1668
133	1207
112	1182
323	990
311	846
122	809
121	647
113	644
211	539
233	496
223	364
312	344
322	284
313	274
212	238
213	124
222	116
321	93
221	70
132	36
332	28
131	11
232	10
331	9
231	1

- Here we can see highest number of customers are in III segment which accounts for 26.37 percent that means these customers are those customers whose recency is very high, frequency is equal to one and average purchase value is less than 20, that means from these customers we are not going to get good returns.
- But we have good news also that second highest customers are from 333 segment which accounts to 13 percent and from here we can expect good returns.
- Here we can see that we have 27 segments which is not so easy to analyze and process to make some marketing campaign so what we are going to do we are going to reduce it to 8.

MANAGERIAL SEGMENTATION

CLUBBING LOGIC



- Here we have segmented the 27 initial segments into new 8 segments based on the above logics.
- Here we can see that highest number of customers are in Inactive segment, followed by cold.
- Next we have Most Important Customers, Active Low and Active High which account to approximately 30 percent. And this segment is our cash cow from where our store is earning and generating revenue.

	segment_count	segment_amv	segment_percentage	sales_amount
Active High	1264	233.748188	6.863224	295457.71
Active Low	1604	37.654439	8.709345	60397.72
Cold	3519	238.053012	19.107346	837708.55
Inactive	7542	32.484792	40.951295	245000.30
Most Important	2530	538.545731	13.737308	1362520.70
Warm High	984	364.448547	5.342890	358617.37
Warm Low	364	53.420330	1.976435	19445.00
Warm New	610	24.914016	3.312157	15197.55

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SEGMENT EXPLANATION

- Here our most important segment is “Most Important” cause here our RFM score is 333 and from here our store is generating maximum profit.
- Now next our priority of concern is Active High and Active Low these customer segments are loyal to us and are helping store to generate good amount of revenue.
- Next, we have Warm new, Warm High and Warm Low customers now this segment need our proper attention cause from here we have earned good amount of money in past but in present time we are not able to generate revenue from them, so we need to run marketing campaigns for this set of customers to bring back these set of customers to our store.
- Next, we have cold and inactive customers. In this segment we are least interested because it is not possible to bring back these customers to our store.

TARGETED CUSTOMER SEGMENTS AND OFFERINGS

WARM HIGH and **ACTIVE LOW**

- Discounts
- Special Offers
- Free Trials
- Subscription Service
- Loyalty Programs
- Engage Customer with Chat
- Email Marketing
- Social Media Campaign