Building Target Market Segments

Problem Statement

Sriram comes here for the motive of building target market strategy that is split into segments. For this , RFM analysis is required to determine which customers are the most valuable to the company so that we can increase customer retention which connects the customer satisfaction level and boosts the remarketing strategy.

Empathy Map

What does he thinks and feel

- He is a very **attention to detail person**
- He does not feel spending huge amount of money
- He thinks that **high ROI** brings good customer experience

What does he hear

- He always moves away from one sided policy
- He is always enjoying hearing from others who come up with **effective marketing solutions**

What does he say and do?

- Sriram is very passionate about the numbers
- He is **analyst by heart** and always believe in data based decision making

What does he sees

- He sees the long term growth and a good ROI
- He is keen to **optimise marketing strategies** for business

Demographic Analysis of RFM Segments

	Young	Customers whose age is less than 25	The young age of the customers contributes to 18%
	Middle-Age	Customers whose age is between 25 and 55	The middle age of the customers contributes to 70%
	Old Age	Customers whose age is greater than 55	The old age of the customers contributes to 12%

Findings: *Most of the customers whose age is between 25-55 years has the maximum RFM score that means they are the most recent customers, they give max. preference to shopping and their spendings are on the higher side with respect to young and old age group customers.*

Behavioral Analysis of segmented customers

Has the potential to convert into loyal customers and are treated as ok customers

Potential Loyal Customers/Big spenders

Loyal Customers

Buy more with high monetary spending and repeat buyers

Deadbeats

Has not interested in purchase, not repeat buyers. Are treated as lost customers

Overall Behavioral Analysis of the segmented customers

- Segmented customers are classified into

- Deadbeats
- Potential loyal customers/big spenders
- Loyal customers

- **Strategies that shriram used to take after RFM analysis:**

- Focus on potential loyal customers to nudge and push them in order to turn into loyal customers by giving them coupons, discounts, freebies etc
- Cut the investments on deadbeats as they are not going to give anything to our business.
- We have to retain the loyal customers as they are giving better returns to our business. So, we have to focus more on these customers.

Customer_ID	(Multiple Items)																											
Count of Customer_ID	Column Labels																											
Row Labels	1-1-1	1-1-2	1-1-3	1-2-1	1-2-2	1-2-3	1-3-1	1-3-2	1-3-3	2-1-1	2-1-2	2-1-3	2-2-1	2-2-2	2-2-3	2-3-1	2-3-2	2-3-3	3-1-1	3-1-2	3-1-3	3-2-1	3-2-2	3-2-3	3-3-1	3-3-2	3-3-3	Grand Total
mid-age	171	43	16	45	155	81	5	78	488	254	85	12	56	232	70	8	68	244	340	75	20	129	225	47	17	58	79	3101
old	19	13	2	7	25	9		16	83	43	11	2	10	28	9	1	13	44	70	18	3	22	40	8	2	13	20	531
Young	40	7	1	10	28	20	1	14	102	71	15	7	7	72	15		18	62	87	21	4	24	53	13	3	20	25	740
Grand Total	**230**	**63**	**19**	**62**	**208**	**110**	**6**	**108**	**673**	**368**	**111**	**21**	**73**	**332**	**94**	**9**	**99**	**350**	**497**	**114**	**27**	**175**	**318**	**68**	**22**	**91**	**124**	**4372**

Source Link: Final Analysis

Appendices

- Sriram is looking forward to implement certain marketing strategies for the business after doing RFM analysis
- He is more focused towards 3-3-3 segment of the customers , 3-2-1, 3-1-3 customers as the bucket count is more. Approx 80% of the total customers are from this segment which is a good indicator.
- Sriram knows that 1-1-1, 1-2-3, 1-3-2 and so forth are churn customers as they did not give returns to the business.

Key observations from the analysis:

- In order to sustain in the market, it is advisable to retain your potential loyal customers and loyal customers who are giving higher returns when you are investing in your business. This will not only boost your sales but also improves your brand loyalty as well as reputation of your business.
- Those segment who does not give any returns to the business, they are basically lost customer. So I would suggest sriram to cut it off simply from your business and never focused on such customers.

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