

# Sun Country Airlines - Customer Segmentation

## Introduction:

For Sun Country airlines, a business in a competitive industry involving millions of customers, it is certainly useful to always gain more understanding of its customers. Rich data and proper analysis strategies could potentially lead to crucial insights that give a company an advantage to operate in its market.

## Business Objective:

Key questions that the customer segmentation analysis focuses on are:

1. How can Sun Country better target its customers with promotions?
2. What approach can Sun Country follow to increase its UFly memberships?

Summarizing the above from an analytical perspective, what the company needs are:

- More new customers
- More repeat customers

Our team has performed various methods to mine insightful information from the data. As a primary focus in this summary, we discuss clustering analyses to segment Sun Country's customers into specific groups based on their characteristics.

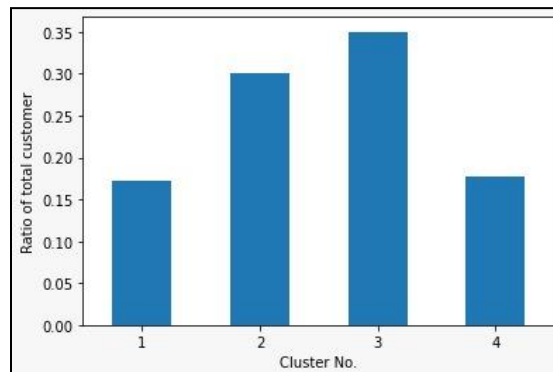
## Clustering Analysis Overview:

Cluster analysis is a technique to group similar observations (customers) into a number of clusters (groups) based on the observed values of several variables (customer demographics and purchase information) for each individual.

## Clustering results:

We identified 4 groups of customers distinct along the following characteristics:

- Membership status
- Average number of tickets per year
- Average discounts per 10 tickets
- Mode of booking



## Customer group characteristics:

### Cluster - 1: SCA website booking semi-members

- Group consists of 25% standard members, rest non-members who prefer to book through the SCA website.
- Average spending of this group is \$260 per ticket
- 40% of the tickets bought in this group are discounted

### Cluster - 2: Outside booking non-members - low travelers

- Group consists of non-members with just 7% standard members.
- Customers travel once every year on average
- All customers have traveled in coach

### Cluster - 3: Discount loving vacation travelers

- Group consists of non-members with just 12% standard members.
- 22% customers traveled for vacation in the past 2 years
- 35% of the customers booked through tour operator portals

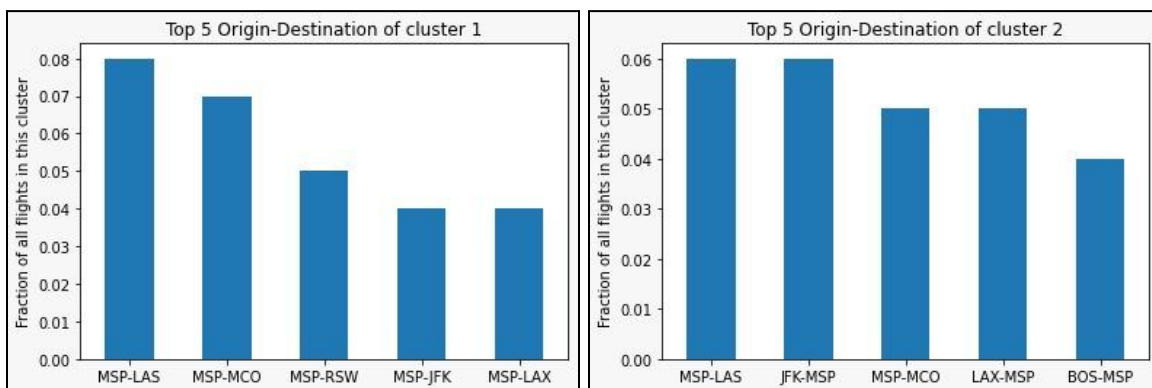
### Cluster - 4: High spending loyal members

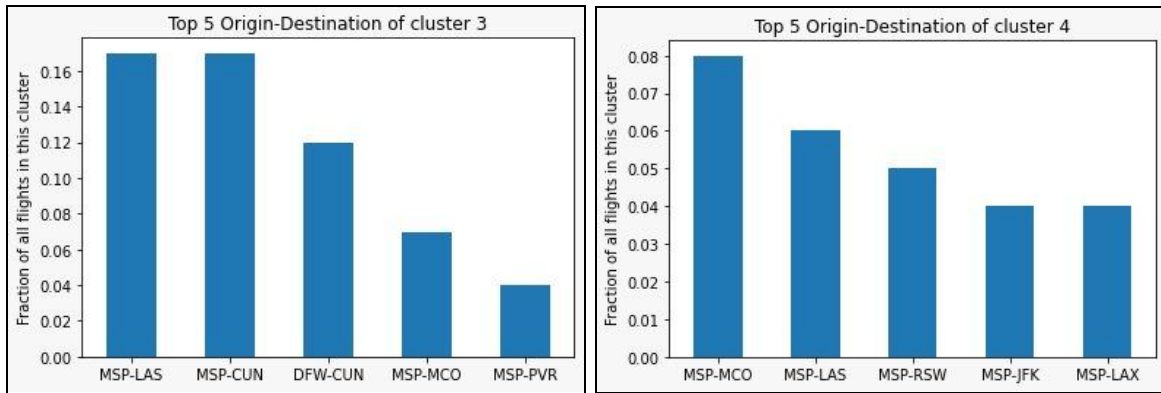
- Group consists 35% of members (with all elite customers under its hood)
- They travel approximately thrice in 2 years.
- 60% bookings are through Reservations and 40% through SCA portal
- 25% of the tickets booked are first class

## Recommendations:

### Overview:

- Proxy for what a non-flyer (not customers of the company yet) with Sun Country Airlines would want is what non-members and occasional vacation travelers often prefer. Using the different customer groups, we can visualize the top origin and destinations for each, while focusing on the different kinds of promotions that the company can focus on for the most common flights.





### Customer targeting and strategy:

- Discounts can be focused on the top routes for each segment, proportional to each route's usage. For example, 8% of the allocated marketing spend on discounts can be focused on the top route in customer group 1.
- Customers should ideally be targeted on the common platforms they book in. For example, customer group - 4 has 35% members who book through SCA website using their membership portal. As these customers travel the top routes almost thrice in 2 years, for every 3 tickets bought, Sun Country can provide offers on the next ticket. This would help in customer retention at the elite and standard class.
- Vacation travelers often book accommodation at their destination along with a flight ticket. As Sun Country has partnerships with resorts and hotel operators, tickets can be offered with free accommodation for the travel date to attract more customers.

### Conclusion:

SCA's key business issues have been addressed through customer segmentation and recommendations have been provided for building customer base and customer retention.