

Customer Lifecycle Analysis

(Yoga Fitness Chain)

The analysis is a comprehensive study to understand various aspects related to customer behavior such as life-time value, tenure, loyalty, behavior based on the usage patterns etc. Additionally, we evaluated the impact of an ongoing marketing campaign on the business.

Customer Lifecycle Analysis

ABOUT THE CLIENT: Client is a PE-owned fast-growing yoga studio chain across the U.S

SITUATION VALUE ADDED IMPACT

- Customer behavioral patterns were untapped and there was an opportunity to derive insights based on historical transactional data and demographic data to drive actions related to acquisition, conversion and retention
- Partnered with the client to build a comprehensive model to understand the behavior patterns of the customers that the Marketing, Finance and Operations teams could leverage

- Built a statistical model based on historical data to calculate the lifetime value and average tenure of a customer by product
- Modeled repurchase behavior (including reacquisition after churn) of customers based on historical product usage frequency
- Analyzed the customer behavior during the free trial week period and their subsequent conversion to paid product
- Identified characteristics which define loyal customers and showcased their relative importance based on share of revenue contribution
- Calculated the true incremental value of Marketing campaign in terms of increase in # students and their revenue contribution

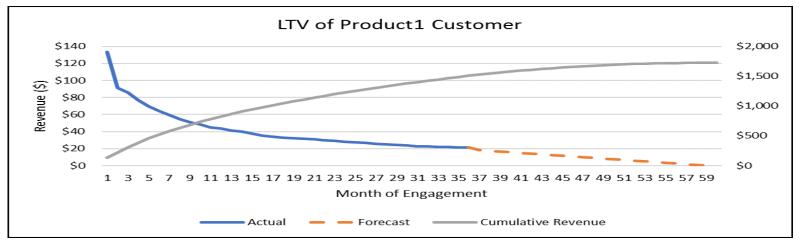
- Enabled client to quantify the future value of existing/new customers to make informed decisions in terms of the customer acquisition/customer retention spend. Client leveraged the analysis to set up targeted campaigns for upselling and retaining customers.
- Client was able to track the performance of the business entities across all markets based on monthly spends, conversion rates, churn rates etc.
- Client is now able to make informed decisions while designing marketing campaigns by understanding the effectiveness of the historical campaigns.

INPUTS PROCESSING PROCESSING OUTPUTS

Approach & Methodology - LTV

Calculated the LTV and Tenure using multiple approaches such as:

- By extrapolating the 36month revenue data and tenure data for future months using exponential smoothening techniques
- By evaluating the spends of clients who churned in X years post onboarding.
- This way we have visibility into LTV of customers as per their tenure
- By evaluating the customer retention rates for cohorts, based on their first purchase date, over several years.



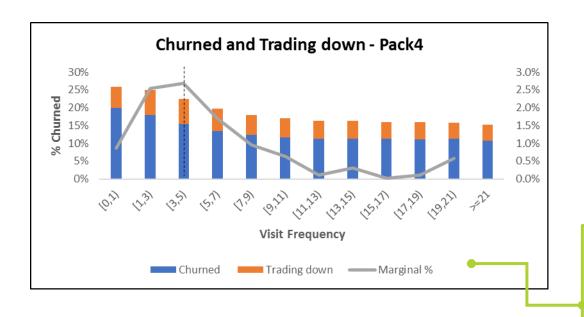
Cumulative Revenue (\$'000)												
	2016				2017				2018			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Year 1	\$7,000	\$4,000	\$3,000	\$1,000	\$9,000	\$6,000	\$5,000	\$2,000	\$9,000	\$6,000	\$4,000	\$2,000
Year 2	\$12,000	\$9,000	\$9,000	\$7,000	\$15,000	\$12,000	\$12,000	\$10,000	\$15,000	\$11,000	\$12,000	\$10,000
Year 3	\$16,000	\$12,000	\$13,000	\$11,000	\$20,000	\$16,000	\$18,000	\$15,000				
Year 4	\$19,000	\$15,000	\$16,000	\$15,000								

	Student Retention by Cohort								
	2015	2016	2017	2018	2019				
Year 1	100%	100%	100%	100%	100%				
Year 2	26%	25%	23%	25%	-				
Year 3	18%	17%	17%	_	-				
Year 4	14%	14%	_	_	-				
Year 5	13%	-	_	_	-				

Approach & Methodology – Re-purchase

- Segmented the customers based on visit frequencies.
- Evaluated purchase activities for each segment to estimate metrics like Trade-up, Trade-down, churn and retention.
- Using the marginal % change in churn we identified the segments of customers to be focused on for marketing purposes.

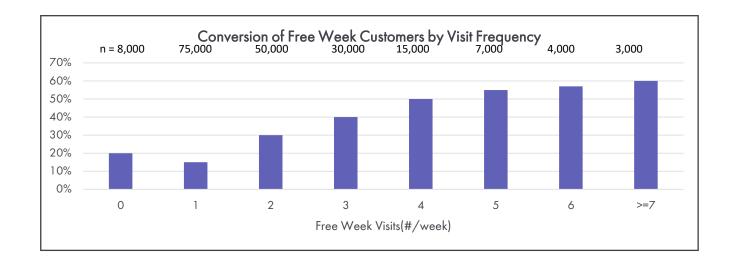
Low Value Product client trading up to other high value packs								
Visit Frequency (Preceding		% Share trading up to	High Value	High Value	High Value	Total %		
3 Months)	# Instances	High Value Pack 1	Pack 2	Pack 3	Pack 4	trading up		
[0,1)	24,000	3%	4%	0%	4%	12%		
[1,2)	50,000	3%	4%	0%	5%	11%		
[2,3)	20,000	4%	6%	0%	7%	17%		
[3,4)	8,000	5%	8%	1%	8%	22%		
[4,5)	3,000	6%	9%	1%	10%	25%		
[5,6)	1,000	6%	9%	1%	15%	31%		
[6,7)	600	6%	11%	0%	18%	36%		
[7,8)	200	5%	14%	1%	17%	36%		
[8,9)	100	7%	8%	4%	24%	42%		
[9,10)	50	5%	8%	4%	20%	36%		
>=10	100	6%	12%	5%	26%	49%		

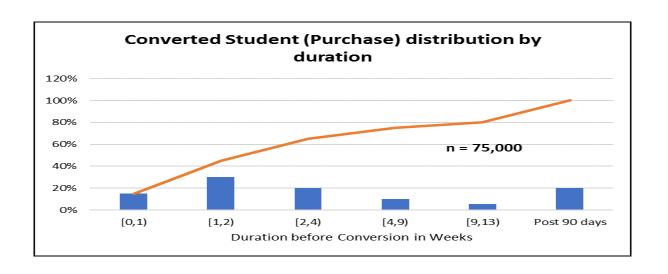


Marginal % change is difference in churn % of consecutive visit based segments

Approach & Methodology – Customer Conversion

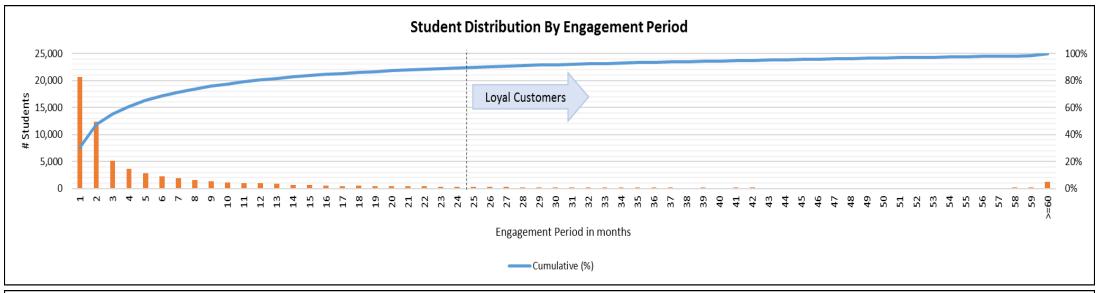
- Customer leads are segmented based on their # of free week visits.
- Identified a cutoff visits/ week to narrow down on leads which are likely to convert.
- Identified a cut off duration post free week to narrow down on leads which are likely to convert. The chart also highlights the period within which maximum conversions occurred.

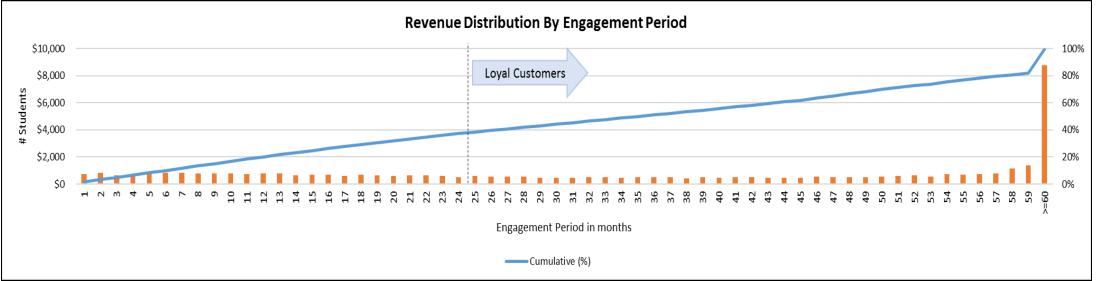




Approach & Methodology – Customer Loyalty

• Using the distribution of students by engagement, identified the loyal students and calculated their revenue contribution





Approach & Methodology – Campaign Evaluation

- Behavior of campaign and non-campaign students are compared using the churn rates of the both sets over their initial 6month period.
- Calculated the true incremental value of campaign based on incremental students & revenue based on projections using historical data.

