Customer cohort analysis

Hair extensions company

Evaluated customer spend by analyzing the Lifetime Revenue (LTR) of customer, by customer type (Distributor, Salon/Stylist, etc.), and analyzed the customer purchase behavior. Additionally, performed a deep-dive into the impact of LTR on Revenue and factors driving the LTR performance to guide the Sales strategy

Air extensions company needs customer cohort analysis

Picture this...

You're looking to evaluate customer spend by analyzing the Lifetime Revenue (LTR) of customer, by customer type (Distributor, Salon/Stylist, etc.), and analyzed the customer purchase behavior. Additionally, performed a deep-dive into the impact of LTR on revenue and factors driving the LTR performance to guide the sales strategy. Expanded their footprint by brand acquisition and witnessed a slowness in overall revenue growth. There was an opportunity to analyze the customer health and performance by brand to better understand the revenue performance.

You turn to Accordion.

We partner with your team evaluate customer spend by analyzing the Lifetime Revenue (LTR) of customer, by customer type (Distributor, Salon/Stylist, etc.), and analyzed the customer purchase behavior. Additionally, performing a deep-dive into the impact of LTR on revenue and factors driving the LTR performance to guide the sales strategy, including:

1) Analyzing the customer purchase behavior to define the Lifetime tenure of the customer to estimate Lifetime Revenue (LTR), by brand and by customer type, providing a historical snapshot of customer cohort health. Customizing the analysis based on brand strategy and customer profile to define the customer spend.

2) Performing a further deep-dive into the Lifetime Revenue to understand the factors driving customer behavior by analyzing the customer repeat behavior and product mix of the customers by channel to better understand customer journey

3) Segmenting the customers based on the LTR distribution into High, Medium, Low LTR to identify high-value customers. Further, analyzing the common attributes of these high-LTR customers to understand the factors driving the LTR.

Your value is enhanced.

• You have identified that higher LTR is more often driven by increasing order frequency rather than higher ticket size providing an opportunity to design customer strategy to push for higher transactions rather than increasing the ticket size

• You have also targeted efforts to improve order frequency and focused marketing spend into promotions with high ROI resulted in 8% YoY increase in Lifetime Revenue (LTR) driven by a 9.5% increase in order frequency

KEY RESULT

• 8% YoY increase in Lifetime Revenue
• 9.5% increase in order frequency

VALUE LEVERS PULLED

• Cohort analysis

Cohort analytics for a hair extensions company

Situation

- Client expanded their footprint by brand acquisition and witnessed a slowness in overall revenue growth. There was an opportunity to analyze the customer health and performance by brand to better understand the revenue performance.
- Partnered with the client to evaluate customer spend by analyzing the Lifetime Revenue (LTR) of customer, by customer type (Distributor, Salon/Stylist, etc.), and analyzed the customer purchase behavior. Additionally, performed a deep-dive into the impact of LTR on revenue and factors driving the LTR performance to guide the sales strategy.

Accordion Value Add

- Analyzed the customer purchase behavior to define the Lifetime tenure of the customer to estimate Lifetime Revenue (LTR), by brand and by customer type, providing a historical snapshot of customer cohort health. Customized the analysis based on brand strategy and customer profile to define the customer spend.
- Performed a further deep-dive into the Lifetime Revenue to understand the factors driving customer behavior by analyzing the customer repeat behavior and product mix of the customers by channel to better understand customer journey
- Segmented the customers based on the LTR distribution into High, Medium, Low LTR to identify high-value customers. Further, analyzed the common attributes of these high-LTR customers to understand the factors driving the LTR.

Impact

- Identified that higher LTR is more often driven by increasing order frequency rather than higher ticket size providing an opportunity to design customer strategy to push for higher transactions rather than increasing the ticket size
- Targeted efforts to improve order frequency and focused marketing spend into promotions with high ROI resulted in 8% YoY increase in Lifetime Revenue (LTR) driven by a 9.5% increase in order frequency

Approach & methodology

LIFETIME REVENUE

- Analyzed the average customer tenure to define the customer lifetime value
- Performed a **deep-dive into factors driving LTR** such as average order value (AOV), orders per customer (OPC), average selling price (ASP), units per transaction (UPT) **by various acquisition cohorts** of customers to understand the customer behavior
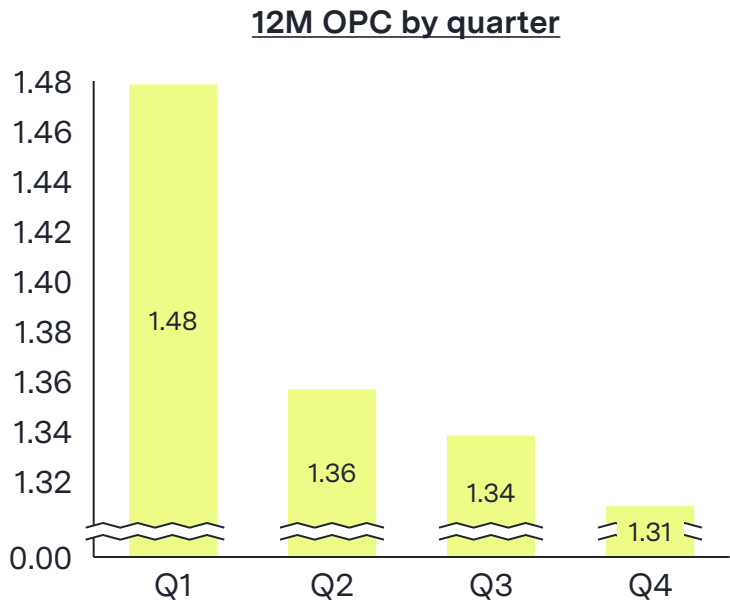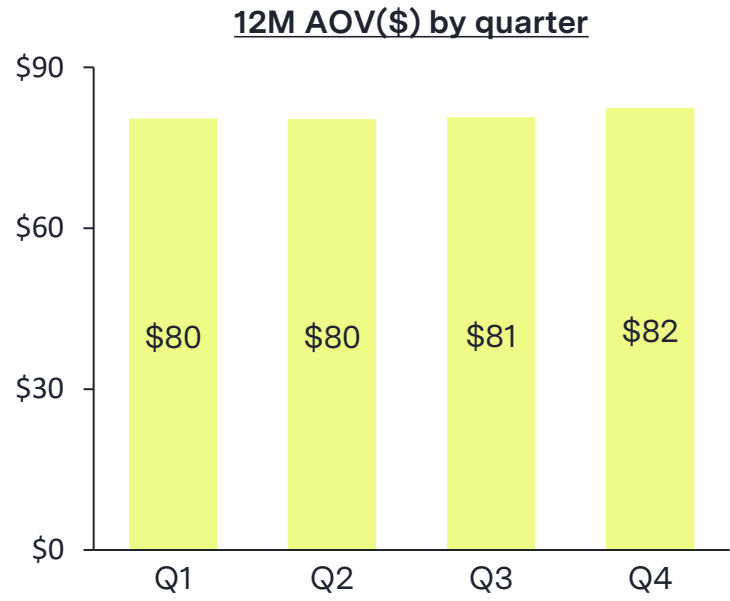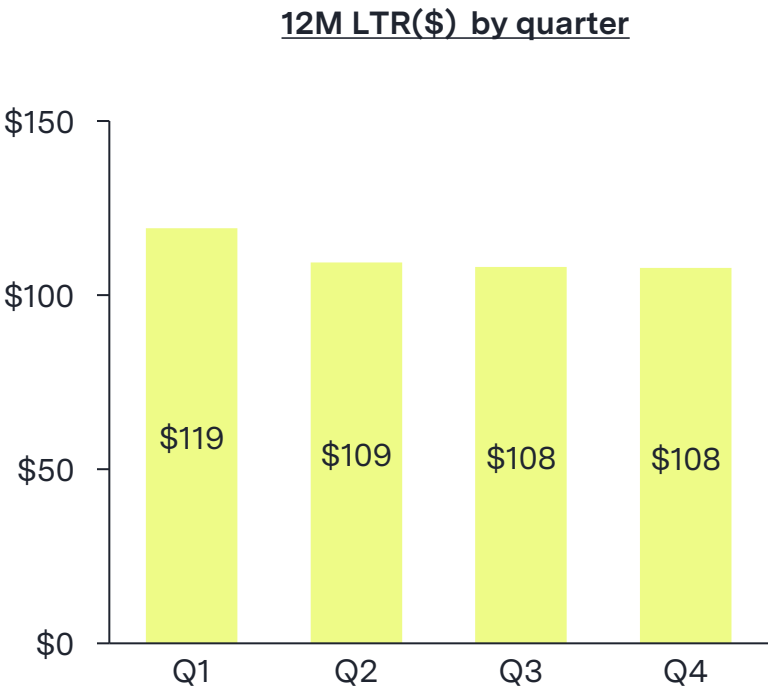
SEGMENTATION

- Leveraging the LTR distribution, defined the **LTR cut-off limits** to segment the customers into **High/Medium/Low value** segments to **compare the customer behavior** across these segments
- **Identified key factors driving LTR** across high, medium and low value customers to help guide customer retention strategies

RETENTION AND PRODUCT MIX

- **Evaluated product mix** at a category and sub-category level based on sales and volume to understand change in the mix of products by sales channels historically
- **Analyzed** the historical **12 month - customer retention and customer churn rate** across the acquisition cohorts to understand the evolving nature of customer retention
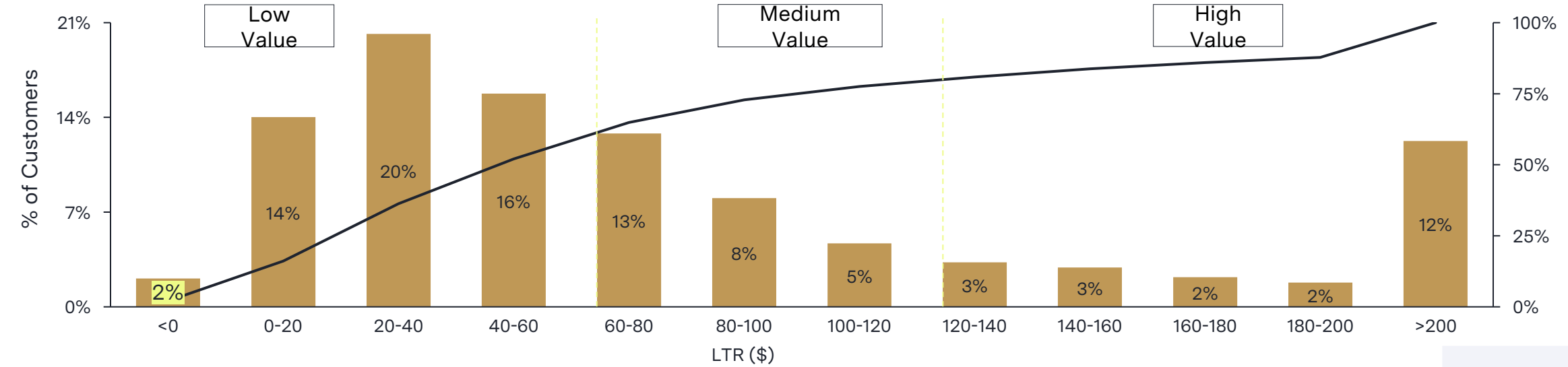
LTR Analysis

12M LTR($) by quarter

12M AOV($) by quarter

$80	$80	$81	$82
Q1	Q2	Q3	Q4

$119	$109	$108	$108
Q1	Q2	Q3	Q4

12M OPC by quarter

1.48	1.36	1.34	1.31
Q1	Q2	Q3	Q4

12M LTR deep-dive by 12M AOV and 12M OPC

Segmentation analysis

Customer Distribution by LTR($)

Low Value | Medium Value | High Value

21% / 14% / 7% / 0% — % of Customers (left axis)
100% / 75% / 50% / 25% / 0% (right axis)

- <0: 2%
- 0-20: 14%
- 20-40: 20%
- 40-60: 16%
- 60-80: 13%
- 80-100: 8%
- 100-120: 5%
- 120-140: 3%
- 140-160: 3%
- 160-180: 2%
- 180-200: 2%
- >200: 12%

LTR ($)

Customer Segmentation – Current vs. Target

Legend:
- High Value
- Medium Value
- Low Value

Current:
- High Value: 22%
- Medium Value: 26%
- Low Value: 52%

Ideal:
- High Value: 20%
- Medium Value: 60%
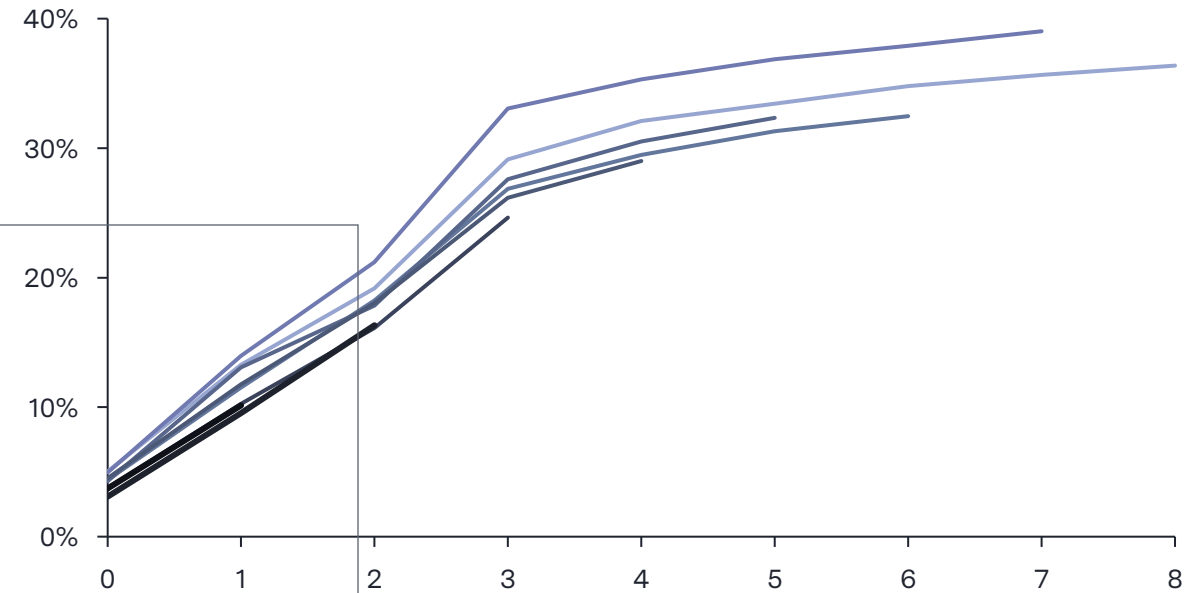- Low Value: 20%
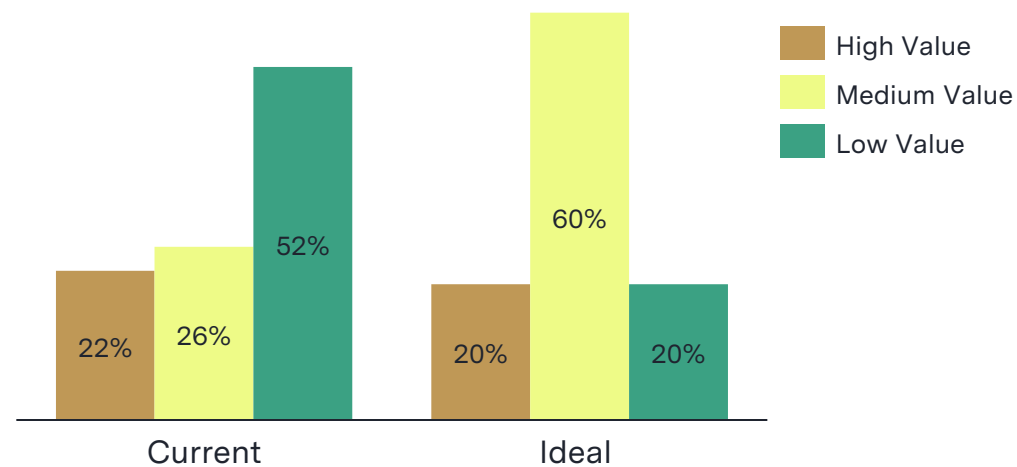
Classification of customers based on LTR

Customer repeat rate

Cumulative Repeat Rate (12-month) by Acquisition month, %
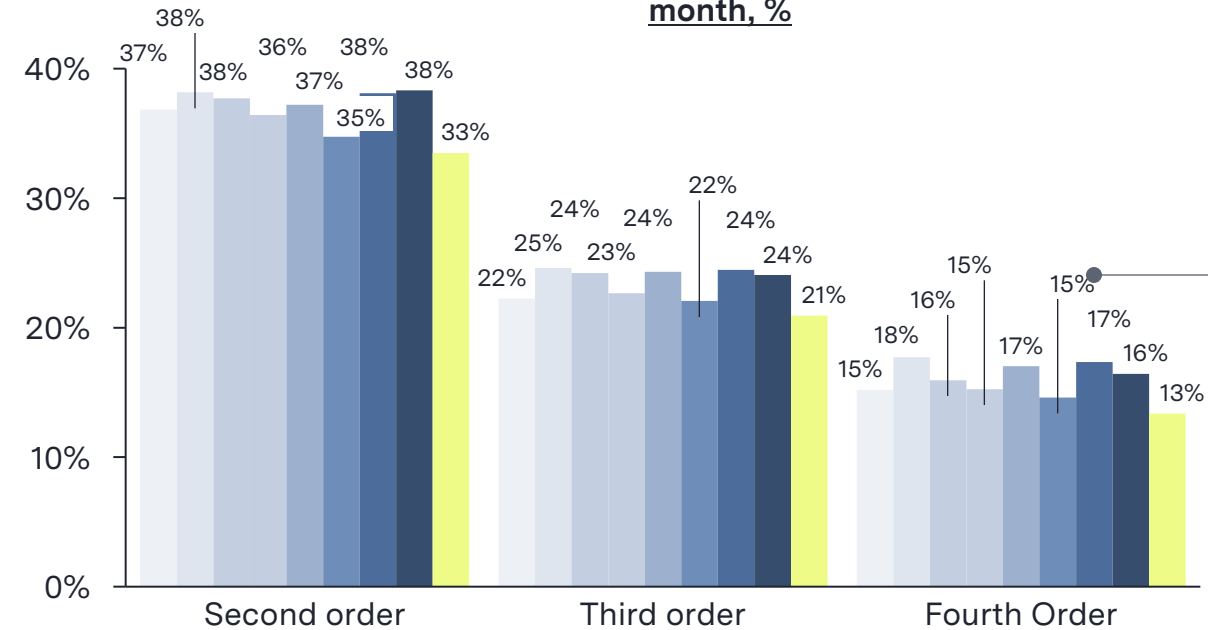
Cumulative Repeat rate (2nd Order) by Acquisition month, %

Legend:
Jan, Feb, Mar, Apr, May, Jun, Jul, Aug, Sep

Cohort Repeat Rate trends across time-based customer cohorts