Task 6: Executive Summary and Recommendations

1. Summary of Key Insights:

Customer Segmentation (Wealth Segment):

- **Transactions Data:**

  1. Mass Customer: 15,124

  2. Affluent Customer: 3,163

  3. High Net Worth: 1,713

- **Customer Demographics:**

  1. Mass Customer: 2,000

  2. High Net Worth: 1,021

  3. Affluent Customer: 979

Transaction Analysis:

1. **Total Revenue**: The Total Revenue column provides the overall earnings generated from transactions. This figure would indicate the company's financial performance during the observed period.

2. **Average Purchase Value (APV)**: This metric offers insight into how much customers spend per transaction on average. A higher APV indicates customers are spending more per purchase.

3. **Purchase Frequency (PF)**: Purchase frequency represents how often customers return to make purchases. A higher frequency suggests strong customer retention and engagement.

4. **Customer Lifetime Value (CLV)**: From the earlier analysis, we observed that:

   - The mean CLV is **$10.88**, while the median CLV is **$2.13**.

   - The wide range in CLV (max CLV of $1,045) shows significant variation in customer value, with some contributing much more over their lifetime.

These insights help identify high-value customers for targeted marketing efforts.

New Customer Insights:

1. **Potential Revenue**: The new customer dataset includes a Potential Revenue column, which provides insight into the estimated revenue that new customers could generate.

2. **Customer Demographics**: The wealth segment, job title, and job industry category columns can be used to segment new customers based on their economic status, occupation, and industry. This allows for tailored marketing strategies based on customer profiles.

3. **Age and Gender**: By analyzing DOB and gender, it is possible to determine the dominant age group and gender among new customers. This helps with targeted promotions and product recommendations.

CLV (Customer Lifetime Value) Analysis:

- **Mean CLV**: $10.88

- **Median CLV**: $2.13

- **Max CLV**: $1,045.01

- **CLV Distribution**: A wide range with a large standard deviation ($29.53), indicating significant variation in customer value.

2. Recommendations:

➢ *Provide recommendations for marketing strategies targeting high-value customer segments.*

1. **Personalized Marketing for High-Net-Worth Individuals:**

- **Leverage High CLV**: The high-net-worth segment shows a relatively small size but significant customer lifetime value (CLV). Focusing on personalized experiences for these customers can enhance their loyalty and increase overall spending.

- **Exclusive Offers and VIP Programs**: Create loyalty programs offering exclusive deals, early access to products, or personalized services. For instance, invite-only sales, priority shipping, or premium services can appeal to this group.

- **Targeted Communication**: Tailor marketing emails or ads showcasing luxury products or premium services that align with their lifestyle and preferences, such as high-end product lines or customized experiences.

2. **Upsell and Cross-Sell to Affluent Customers:**

- **Premium Product Bundles**: Design bundles of related high-value products or services and offer them as packages at a discount. This can help increase the average order value (APV) within this segment.

- **Highlight Value and Benefits**: Emphasize product quality and how it aligns with their affluent lifestyle. Showcase the long-term benefits of higher-priced items in your communications (e.g., longevity, prestige, superior customer service).

- **Cross-Sell Suggestions**: Use past purchase behaviour to recommend complementary products in personalized emails or website pop-ups, increasing their basket size.

3. **Segmentation-Based Discounts:**

- **Dynamic Pricing for High-Net-Worth Customers**: Implement pricing strategies that provide tailored discounts or rewards based on the customer's historical purchasing patterns or CLV. These rewards could be in the form of points that can be redeemed for exclusive products.

- **Personalized Promotions for Affluent Customers**: Offer specific promotions during key shopping periods or personal milestones (e.g., birthdays, anniversaries), which can drive engagement and improve customer loyalty.

4. **Data-Driven Customer Engagement:**

- **Wealth Segment-Focused Campaigns**: Create marketing campaigns that speak directly to wealth segments (Mass, Affluent, High Net Worth). Use product preferences (such as brand or product line) identified in the transaction data to inform ad creatives and offers.

- **Premium Content**: Engage these customers with exclusive content—such as behind-the-scenes videos, private product launches, or personalized shopping guides—which can be more impactful than broad promotional content.

5. **High-Touch Customer Service:**

- **Dedicated Account Managers**: Assign dedicated account managers or personal shoppers for high-value customers to offer them personalized service and recommendations. This personal connection builds long-term relationships and encourages repeat purchases.

- **Proactive Customer Support**: Offer priority customer support lines or concierge services to these segments, ensuring fast resolutions to issues and reinforcing the premium experience.

6. **Focus on Lifetime Value (CLV) Expansion:**

- **Retention Campaigns**: Since the CLV for high-value customers tends to be much higher, it's crucial to maintain their engagement through targeted retention campaigns, such as offering exclusive post-purchase follow-ups, loyalty perks, and renewal discounts.

- **Reward Referral Programs**: Encourage high-value customers to refer friends and family by offering exclusive incentives. High Net Worth individuals tend to have networks with similar spending power.

7. Tailored Omnichannel Marketing:

- **Omnichannel Engagement**: Ensure that affluent and high net worth customers experience seamless communication across channels (email, social media, in-store, and mobile). Personalize their journey with consistent messaging and offers that reflect their preferences and past behavior.

- **Event Marketing**: Host exclusive in-person or virtual events (e.g., VIP product launches, webinars with industry experts) to create a sense of exclusivity and community among high-value customers.

By adopting these strategies, you can deepen engagement, drive repeat purchases, and boost CLV among high-value customer segments. Would you like more detailed recommendations on any specific strategy?

> ***Suggest potential areas for business expansion based on new customer location analysis.***

Steps for Location-Based Expansion Analysis:

1. **Identify High-Concentration Regions**:

   o Analyse the geographic distribution of new customers (e.g., city, state, postal code) to identify regions with the highest number of new customers. These areas may present opportunities for physical store expansions or increased marketing efforts.

2. **Assess Untapped or Low-Concentration Regions**:

   o Identify areas with fewer or no customers. These regions may represent potential growth opportunities if the business can improve awareness, marketing efforts, or product accessibility in those locations.

3. **Demographic Alignment**:

   o Combine geographic data with demographic factors like wealth segments, occupation, or age to identify regions where the target high-value customers (e.g., affluent or high net worth) reside.

Potential Areas for Business Expansion:

1. Regions with High Customer Density (Physical or Digital Presence)

- If certain cities or regions show a large influx of new customers, this signals strong brand recognition and demand. Expanding physical stores or pop-up locations in these areas could further increase revenue.

- **Strategy**: Increase the number of stores, distribution centres, or service offerings in high-density regions. Use local partnerships to further strengthen the brand's presence.

2. Untapped or Low-Density Regions with High Potential

- Locations where new customer density is low but demographic data suggests a high number of affluent or high net worth individuals present a potential opportunity. A focused marketing strategy or improved distribution in these regions could unlock growth.

- **Strategy**: Launch targeted digital marketing campaigns and online-only promotions, or explore partnerships with local retailers to test the market before physical expansion.

3. High Online Demand in Non-Metropolitan Areas

- If new customer data shows strong online sales in non-metropolitan regions, this indicates demand without the need for immediate physical expansion. Investing in stronger e-commerce infrastructure and optimizing shipping/logistics for these regions can enhance customer satisfaction and growth.

- **Strategy**: Improve e-commerce logistics (faster shipping, better local promotions), or explore setting up regional fulfilment centres.

4. International Expansion Opportunities

- If the data reveals new customers from international markets, it could indicate a rising demand for the brand in those countries. Exploring foreign markets through e-commerce, or partnerships with international retailers, could present significant growth opportunities.

- **Strategy**: Start with online international sales, build localized versions of the website, and explore local partnerships for easier market entry.

5. Focus on Urban vs. Suburban Areas

- If the majority of new customers are from urban areas, there may still be an opportunity to grow the business in suburban or rural locations. Alternatively, if suburban customers dominate, this signals urban markets as potential areas for increased marketing efforts.

- **Strategy**: Customize marketing campaigns to the lifestyle of urban or suburban residents, using different products, offers, and communications suited to each group.

6. Regional Product Preferences

- Certain regions may have preferences for specific product lines (e.g., luxury products in affluent urban areas, budget-friendly products in more suburban/rural areas). Adjusting product offerings based on regional tastes can help businesses tailor their expansions.

- **Strategy**: Tailor inventory and marketing strategies in different regions based on the dominant customer preferences (e.g., luxury vs. mid-range products).

Using the Dataset:

By analyzing the **NewCustomerList** and **CustomerAddress** datasets:

- **Map new customer locations**: We can identify clusters of new customers by region and city.

- **Cross-reference with wealth segment**: Identify where high-net-worth and affluent customers are concentrated.

- **Assess potential growth areas**: Focus marketing and store expansions in areas where high-value customers are located but current brand presence is minimal.

Would you like to explore specific regions or demographic insights from the dataset? If you provide location data, we can map out detailed expansion recommendations.

> ### Recommend improvements in product offerings based on transaction analysis.

1. Focus on High-Margin Products:

- **Analysis Insight**: By examining the list_price, standard_cost, and revenue generated per product, you can identify products with high margins (where the difference between list price and standard cost is significant).

- **Recommendation**: Increase the focus on promoting and stocking high-margin products, especially among high-value customers. Consider bundling these products with complementary items to increase average purchase value (APV).

2. Tailor Product Lines to Customer Segments:

- **Analysis Insight**: The transaction data includes customer wealth segments (Mass, Affluent, High Net Worth) along with product categories (product line, product class, brand). This allows the business to identify which product lines are preferred by each segment.

- **Recommendation**:

  - **High Net Worth**: Focus on premium product lines and exclusive or limited-edition items. Offer customizable options or exclusive collections to enhance appeal.

  - **Affluent Customers**: Introduce high-end but slightly more accessible versions of luxury products. Consider premium upgrades or product bundles targeting this segment.

  - **Mass Customers**: Focus on affordable, high-quality products. Introduce entry-level versions of premium products to encourage upselling in the future.

3. **Address Product Gaps with Customer Feedback:**

- **Analysis Insight**: Look for product categories with high return rates or lower purchase frequency. These may indicate issues with quality, fit, or customer satisfaction.

- **Recommendation**: Investigate the reasons behind product returns or lower-than-expected sales. Gather customer feedback to improve or redesign these products. For categories with untapped potential, consider expanding the range or enhancing product quality.

4. **Invest in Trending Product Categories:**

- **Analysis Insight**: Analyze the transaction history to identify product lines or classes that are experiencing a surge in sales. Certain product categories may trend seasonally or due to external factors.

- **Recommendation**: Stock more of the trending product categories and introduce new variations or styles to meet growing demand. Consider running seasonal promotions or marketing campaigns around these products.

5. **Enhance Online-Exclusive Product Offerings:**

- **Analysis Insight**: If the online_order column shows a growing share of transactions coming from online purchases, it signals a demand for products sold online.

- **Recommendation**: Introduce exclusive product lines that are available only through online channels. This can incentivize customers to shop online and expand digital sales. Offer limited-time online promotions or discounts to drive further online engagement.

6. **Optimize Product Size and Class Mix:**

- **Analysis Insight**: Transaction data includes information on product_size and product_class, which provides insights into customer preferences for product specifications.

- **Recommendation**:

  o Adjust the inventory mix based on the most popular product sizes and classes.

  o Reduce or eliminate less popular sizes and classes to optimize inventory and reduce carrying costs.

  o Consider adding new sizes for popular products if customer demand indicates the need for more variety (e.g., larger or smaller options).

7. **Offer Product Bundles for Cross-Selling:**

- **Analysis Insight**: Transaction data can highlight which products are frequently bought together. This helps in identifying cross-selling opportunities.

- **Recommendation**: Create product bundles that group frequently purchased items together at a slight discount, encouraging customers to buy more. Bundling can also help increase sales of slower-moving products when paired with popular items.

8. **Introduce Subscription Services:**

- **Analysis Insight**: If there are recurring purchases of certain product types, this indicates that customers may be interested in convenient, automated reorder services.

- **Recommendation**: Consider offering subscription services for frequently purchased items. This can increase purchase frequency and customer retention, as customers appreciate the convenience of regular deliveries.

9. **Streamline Underperforming Product Lines:**

- **Analysis Insight**: Some products may have low sales volume or profitability, taking up unnecessary shelf space or inventory.

- **Recommendation**: Phase out or reduce investment in underperforming product lines or categories. Redirect resources to more profitable or high-demand products. Use clearance sales or special promotions to move remaining inventory.

10. **Focus on Seasonal or Limited-Time Offers:**

- **Analysis Insight**: Analyzing transaction trends over time (transaction_date) can help identify peak purchasing periods and seasonal product demand.

- **Recommendation**: Plan seasonal promotions and introduce limited-time offers around peak sales periods. Seasonal exclusives can drive urgency and increase demand. For example, offering a winter collection or holiday-themed products can tap into seasonal trends.

11. Brand Expansion Opportunities:

- **Analysis Insight**: The brand column in the transaction data helps identify which brands are most popular with customers.

- **Recommendation**:

  - Expand partnerships with high-performing brands, offering exclusive collaborations or collections to boost sales.

  - For underperforming brands, consider renegotiating terms or discontinuing them in favour of more popular alternatives.

By using the transaction data to tailor product offerings to customer preferences and market demands, the business can optimize its product mix, improve customer satisfaction, and boost overall profitability.

Video Link:

https://drive.google.com/file/d/1Bv1zLcdKLNzN6hddaxrOylyonrfntWtA/view?usp=sharing