Customer Analytic Report - RFM Model

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OVERVIEW ABOUT CUSTOMER360

Definition:

Customer360 refers to a comprehensive and holistic view of a customer's interactions, behaviors, preferences, and history across various touchpoints and channels throughout their journey with a company or brand. It aims to consolidate and unify customer data from multiple sources, such as sales, marketing, customer service, and website interactions, into a single, unified profile or record.

The Customer360 concept is driven by the need for organizations to have a deep understanding of their customers in order to deliver personalized and tailored experiences, improve customer satisfaction, and build long-term relationships. It enables businesses to gain insights into customer behavior, identify trends, anticipate needs, and make informed decisions that align with customer preferences and expectations.

By integrating and analyzing data from various systems and touchpoints, such as CRM systems, transactional databases, social media, and customer support platforms, Customer360 provides a 360-degree view of the customer. This comprehensive view allows organizations to deliver relevant, targeted marketing campaigns, provide personalized customer support, optimize product offerings, and enhance overall customer experience.
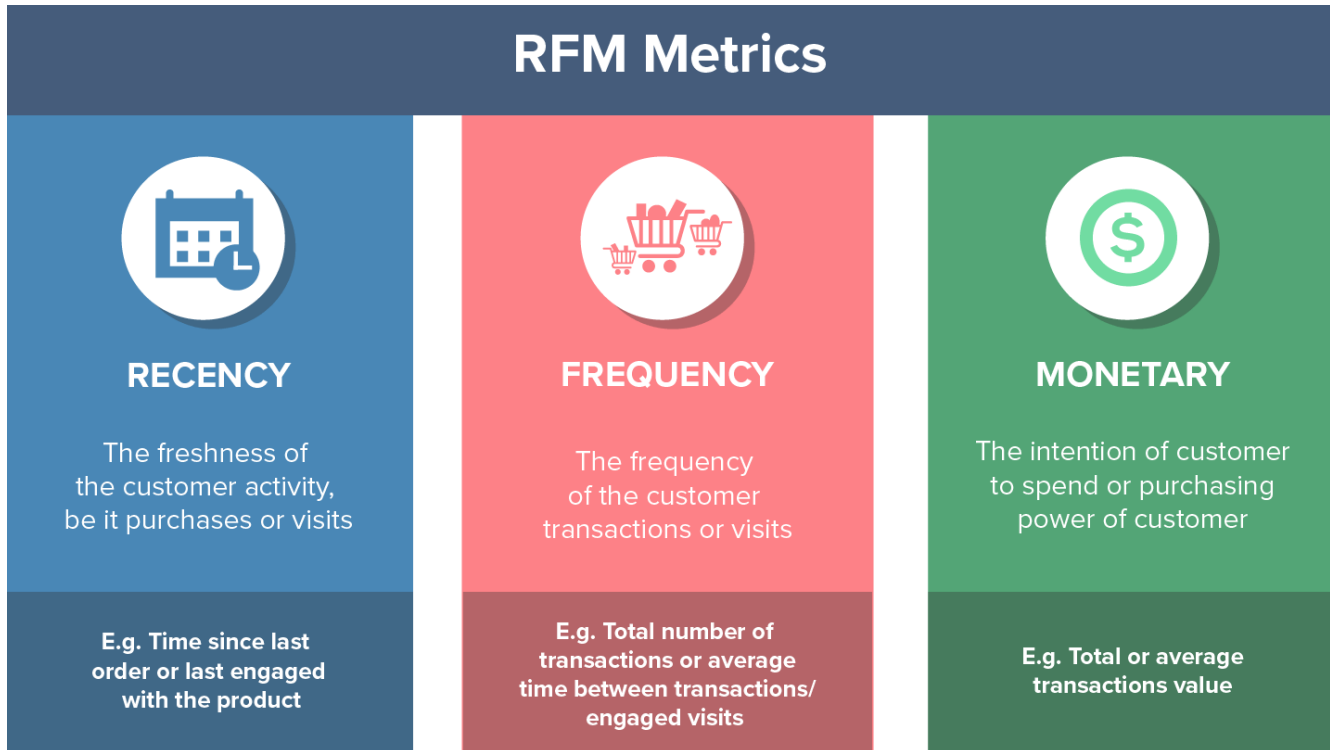
Benefit of Customer360:

1. Enhanced Customer Understanding: Customer360 provides businesses with a comprehensive view of customer interactions and behaviors, enabling a deeper understanding of their needs, preferences, and journey. This knowledge empowers organizations to tailor products, services, and marketing efforts to better meet customer expectations.

2. Personalized Experiences: With a complete view of the customer, businesses can deliver personalized experiences across touchpoints. Customer360 allows for targeted marketing campaigns, customized product recommendations, and tailored customer support, fostering stronger relationships and increasing customer satisfaction.

3. Improved Customer Engagement: By leveraging Customer360, businesses can engage customers more effectively. Understanding customer preferences and past interactions enables organizations to create relevant and timely communications, resulting in higher customer engagement, increased brand loyalty, and improved retention rates.

4. Data-Driven Decision Making: Customer360 provides businesses with actionable insights derived from customer data. This data-driven approach helps in making informed decisions related to product development, marketing strategies, and customer service initiatives, leading to improved business outcomes and ROI.

5. Enhanced Customer Service: Customer360 enables businesses to provide exceptional customer service. Having access to a comprehensive customer profile allows customer support teams to quickly understand customer history and preferences, leading to more efficient and personalized support interactions, faster issue resolution, and increased customer satisfaction.

RFM MODEL

Definition:

The RFM model is a customer segmentation framework that analyzes Recency, Frequency, and Monetary Value. Here's a brief description of each component of the RFM model:

RFM Metrics

RECENCY	FREQUENCY	MONETARY
The freshness of the customer activity, be it purchases or visits	The frequency of the customer transactions or visits	The intention of customer to spend or purchasing power of customer
E.g. Time since last order or last engaged with the product	E.g. Total number of transactions or average time between transactions/ engaged visits	E.g. Total or average transactions value

 By combining these dimensions, businesses can personalize their strategies based on customer behavior. For example, recent and frequent customers might receive exclusive offers, while inactive or low-value customers can be targeted for re-engagement. The RFM model maximizes customer lifetime value and business growth by focusing resources on valuable customer segments. It provides insights into customer behavior and guides retention and cross-selling efforts.

Benefit of RFM model

|	
Customer Segmentation	•RFM model enables businesses to segment their customers based on purchasing behavior, guiding targeted marketing efforts.
Targeted Marketing Campaigns	•RFM model allows personalized marketing, improving response rates and ROI.
Customer Retention	•RFM identifies customers for targeted retention strategies, reducing churn and improving retention rates.
Cross-Selling and Upselling Opportunities	•RFM highlights opportunities for recommending additional products or upgrades to high-value customers.
Resource Optimization	•RFM helps allocate resources effectively by prioritizing high-value customer segments.
Customer Lifetime Value (CLV) Optimization	•RFM focuses on high-LTV customers, fostering loyalty and long-term profitability.

Overall, the RFM model provides businesses with actionable insights into customer behavior, enabling them to make informed decisions and develop effective strategies to enhance customer engagement, retention, and profitability.

Customer Segmentation using RFM analysis

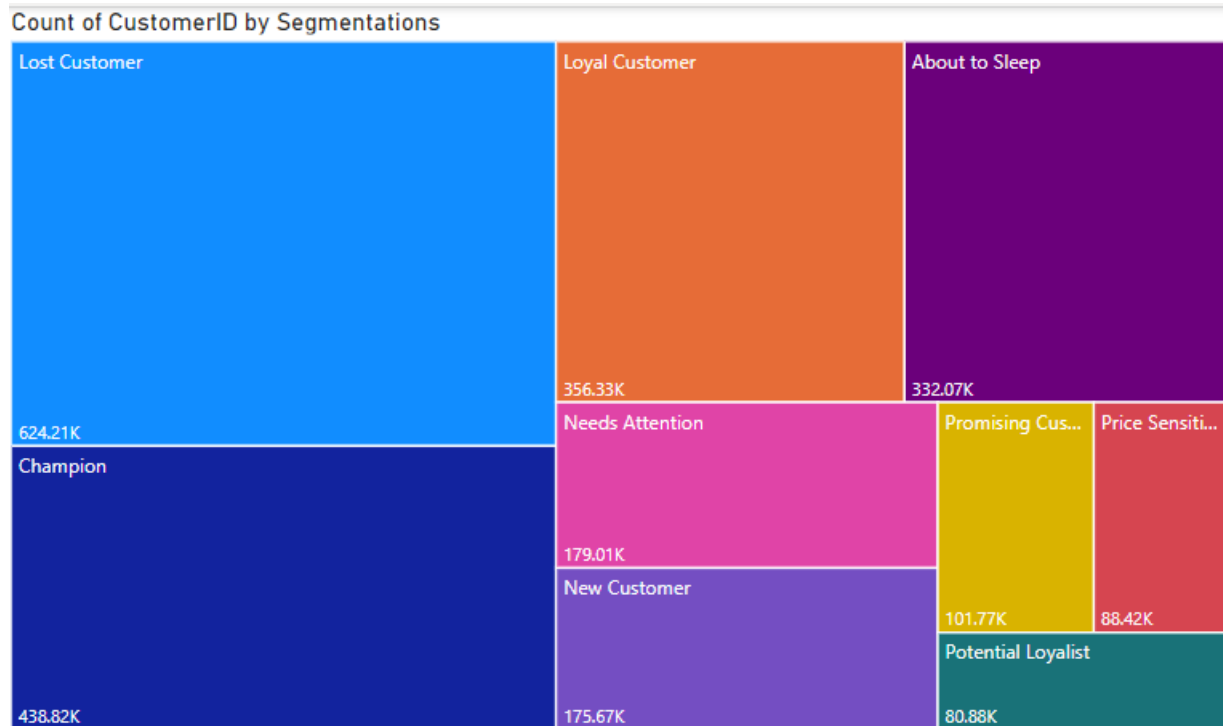| RFM Segment	Description	RFM Scores
Champions	The customers with the highest RFM scores are the most valuable for the business, as they make frequent and high-value purchases, indicating their potential loyalty.	444,443,434,344
Loyal Customer	Customers loyal to the brand; they may not spend as much as VIP customers, but they use the service regularly and have used the service recently	442, 441, 432, 431,433, 343, 342, 341
Potential Loyalist	Customers to become loyal customers; they use the service less frequently, but they have a high level of spending	424, 423, 324, 323, 413, 414, 343, 334
Promising Customers	Customers with high Frequency scores, indicating frequent purchases, but possibly lower monetary value or recent purchases.	333, 332, 331, 313
New Customer	Customers who have recently used the service; they haven't had many purchasing opportunities, so their spending is not high and not frequent	422, 421, 412, 411, 311, 321, 312, 322
Price Sensitive	Customers who spend regularly, but at a low level, possibly due to being picky or frugal in spending	131, 132, 141, 142, 231, 232, 241, 242
Needs Attention	Customers who have spent a lot and used the service regularly in the past, but it has been a while since they last used the service	244, 234, 243, 233, 224, 214, 213, 134, 144, 143, 133
About to Sleep	Customers with low Recency and Frequency scores, indicating a few past purchases but not recent or frequent ones.	223, 221, 222, 211, 212, 124
Lost Customer	Customers who have used the service before but no longer return	111, 112, 113, 114, 121, 122, 123

DETAIL ANALYSIS

Overview
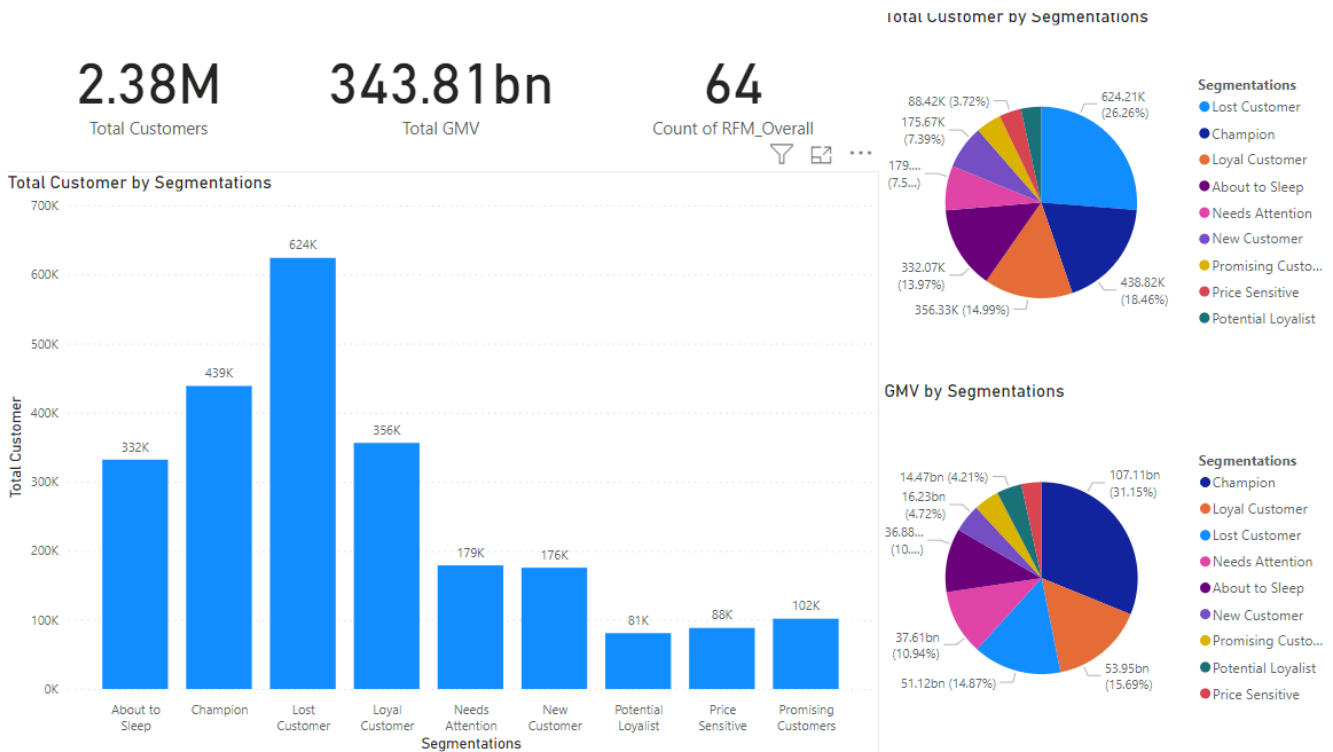
The data is aggregated from 2.38M customers, with purchase data from 01-06-2022 to 31-08-2022.

Data Distribution

Count of CustomerID by Segmentations

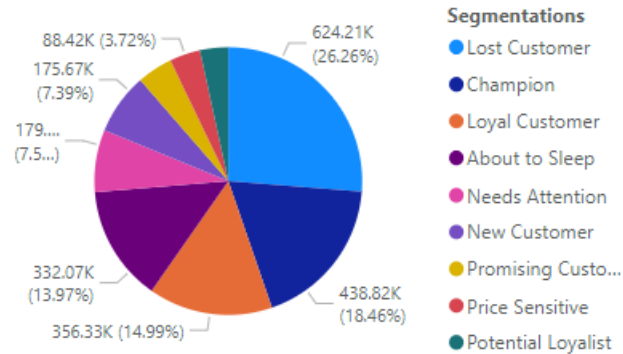|		
Lost Customer	**Loyal Customer**	**About to Sleep**
624.21K	356.33K	332.07K
Champion	**Needs Attention**	**Promising Cus...** / **Price Sensiti...**
	179.01K	
	New Customer	101.77K / 88.42K
		Potential Loyalist
438.82K	175.67K	80.88K

Among the total customer base of 2.38 million, the Champion segment stands out with the highest number of customers, reaching 439,000 individuals. This segment represents a significant proportion of the overall customer distribution, accounting for 18.46%.
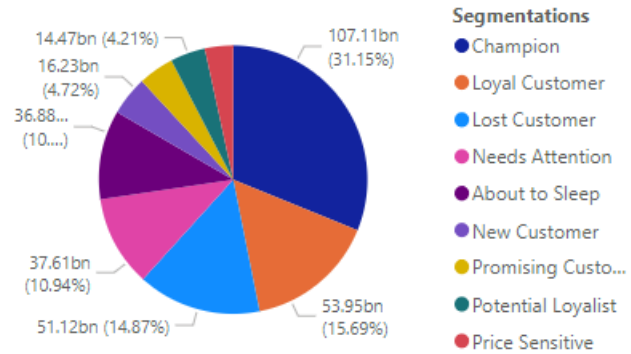
However, the Lost Customer segment poses a notable concern, comprising a substantial portion of the customer base at 624,000 customers, equivalent to 26.26%. This indicates a significant loss of customers, which can have a considerable impact on the business. It is crucial to delve deeper into this segment and thoroughly analyze its characteristics to identify effective solutions and mitigate customer attrition.

Revenue by Customer Segment

Total Customer by Segmentations

- 624.21K (26.26%)
- 88.42K (3.72%)
- 175.67K (7.39%)
- 179.... (7.5...)
- 332.07K (13.97%)
- 356.33K (14.99%)
- 438.82K (18.46%)

Segmentations
- Lost Customer
- Champion
- Loyal Customer
- About to Sleep
- Needs Attention
- New Customer
- Promising Custo...
- Price Sensitive
- Potential Loyalist

GMV by Segmentations

- 107.11bn (31.15%)
- 14.47bn (4.21%)
- 16.23bn (4.72%)
- 36.88... (10....)
- 37.61bn (10.94%)
- 51.12bn (14.87%)
- 53.95bn (15.69%)

Segmentations
- Champion
- Loyal Customer
- Lost Customer
- Needs Attention
- About to Sleep
- New Customer
- Promising Custo...
- Potential Loyalist
- Price Sensitive

The chart provides further evidence of the paramount importance of the Champion segment. Despite constituting only approximately 19% of the customer base, this segment remarkably contributes to 31.15% of the total revenue. Consequently, it is imperative to allocate focused attention to customer care programs and appreciation initiatives targeting this high-value group.

Another noteworthy group in terms of revenue generation, despite its relatively smaller size, is the Need Attention Customer segment. This segment comprises customers with substantial Monetary scores and possesses considerable potential to ascend to the ranks of Champions and Loyal Customers through well-planned interventions.

On the other hand, the Loyal Customer group, although strategically vital for many businesses, exhibits a disproportionately low representation both in terms of customer quantity and revenue within this customer database. Despite their relatively moderate spending patterns, these customers exhibit consistent purchasing behavior, yielding stable revenue streams for the enterprise. Thus, it is essential to prioritize the development of comprehensive marketing strategies and customer engagement approaches to enhance the prominence and significance of this customer segment.

SUMMARIZE

Insights from the analysis emphasize the importance of the Champion segment, directing resources through targeted customer care programs for amplified engagement and spending.

The Need Attention Customer segment offers revenue growth potential, requiring strategic interventions to nurture loyalty. A tailored approach is needed for the Loyal Customer segment, implementing comprehensive marketing strategies to drive incremental growth.

Addressing the Lost Customer segment is crucial, with thorough analysis and proactive retention strategies to rebuild relationships and minimize revenue loss. Utilizing data-driven techniques enables proactive measures to retain customer loyalty, fostering business growth and profitability.