

## Zomato: RFM Analysis Report

With the barrier to entry in the restaurant aggregator and delivery business becoming lower every day, it is more crucial than ever to stand out among competitors. To succeed in such a crowded market, a firm must have something that sets it apart from the competition.

A strong understanding of the customer base is an excellent starting point for gaining a competitive edge. Business, particularly marketing in the digital space, has become increasingly targeted and specific compared to the past. Gone are the days of scattershot marketing campaigns—everything must be precise to ensure maximum effectiveness. Understanding your customer base is the most effective way to make the most of every dollar in your marketing budget.

To that end, I conducted a Recency, Frequency, and Monetary (RFM) analysis of Zomato's customers to create a more targeted marketing and retention campaign. For those that are unfamiliar with this type of analysis it is fairly simple to understand. Each customer is given a score ranging from 1 to 5 regarding how recently and frequently they have interacted with our platform and how much they have spent throughout that process. Total RFM scores range from 3 to 15 with 3 being the least engaged customer and 15 being the most engaged.

These RFM scores are then used to apportion our customer base relevant to their engagement with the platform. Those segments are as follows:

- **“Champions”** are those customers in the top 20% of RFM scores
- **“Loyal Customers”** are those customers in the top 40% of RFM scores
- **“Potential Loyalists”** are those customers in the top 60% of RFM scores
- **“At Risk”** are those customers in the bottom 40% of RFM scores
- **“Lost Customers”** are those customers in the bottom 20% of RFM scores

With our customers divided into the relevant segments, a dashboard is built to examine the relative size of each of the RFM segments and how those segments relate to various KPIs.

## Findings

The most immediate finding from the dashboard I created were the relative proportions of each RFM segment and what percentage of revenue they contribute to the business. Some of those initial findings stand out:

- **Champions** accounted for about 9% of Zomato's customers but contributed about 36% of the overall revenue.
- **Loyal Customers** accounted for about 44% of the customer base and approximately 40% of the overall revenue.
- **Potential Loyalists** accounted for approximately 24% of the customer base and 21% of the overall revenue.
- **At-Risk customers** accounted for approximately 18% of the customer base while only contributing 2% of revenue
- **Lost Customers** accounted for around 5% of the customer base and only contributed about 0.07% of revenue.

What we see in the data is that an apex of sorts is crossed at the Potential Loyalist segment in which the percentage of the customer segment compared to the whole starts to vastly outstrip the revenue contribution as the percentage of the whole.

## Recommendations

I will make recommendations for each segment of the RFM spectrum with percentage next to each heading. Ideally this percentage would correlate to what percentage of the marketing budget should be devoted to this segment to increase growth.

### Champions (10%)

This segment has average individual scores each above 4.5 on average and represent our best and most loyal customers. Given high scores across each metric of the analysis it is safe to conclude that they are highly aware of Zomato as a brand. While it is critical to continue to nourish this customer segment, too much spent on marketing to this segment runs the risk of a diminishing ROI with respect to the overall marketing budget.

## Loyal Customers (20%)

This segment has average individual scores in the high 3s for both recency and monetary measures, though the average frequency scores are closer to 3.0. As a result, allocating marketing funds to increase frequency scores would be a worthwhile investment. The percentage of revenue in this segment is still higher than the percentage of users across the platform so this segment is still quite profitable. Personalized promotions should be used to increase the frequency of engagement of this segment in an effort to drive them towards the Champion segment. We can see in the visual below that among loyal customers recency scores do well but we could stand to do some work on frequency with this demographic.

RFM User Count



## Potential Loyalists (40%)

The Loyalist segment represents the "apex," where the percentage of revenue begins to approach the percentage of users as a whole. While average Recency and Monetary

scores are in the low 3s, the average Frequency score significantly lags at approximately 1.72. I believe this segment has the strongest growth potential, as they are "on the cusp," so to speak, of transitioning into the much more profitable Loyal Customer segment. Regular communication with members of this segment, combined with targeted promotions, can help drive engagement and improve their overall Frequency scores. We can see below a readout of KPIs from the dashboard that shows frequency to be the lowest average score amongst potential loyalists. Efforts to improve this score in particular could help to guide them towards the Loyalist demographic.

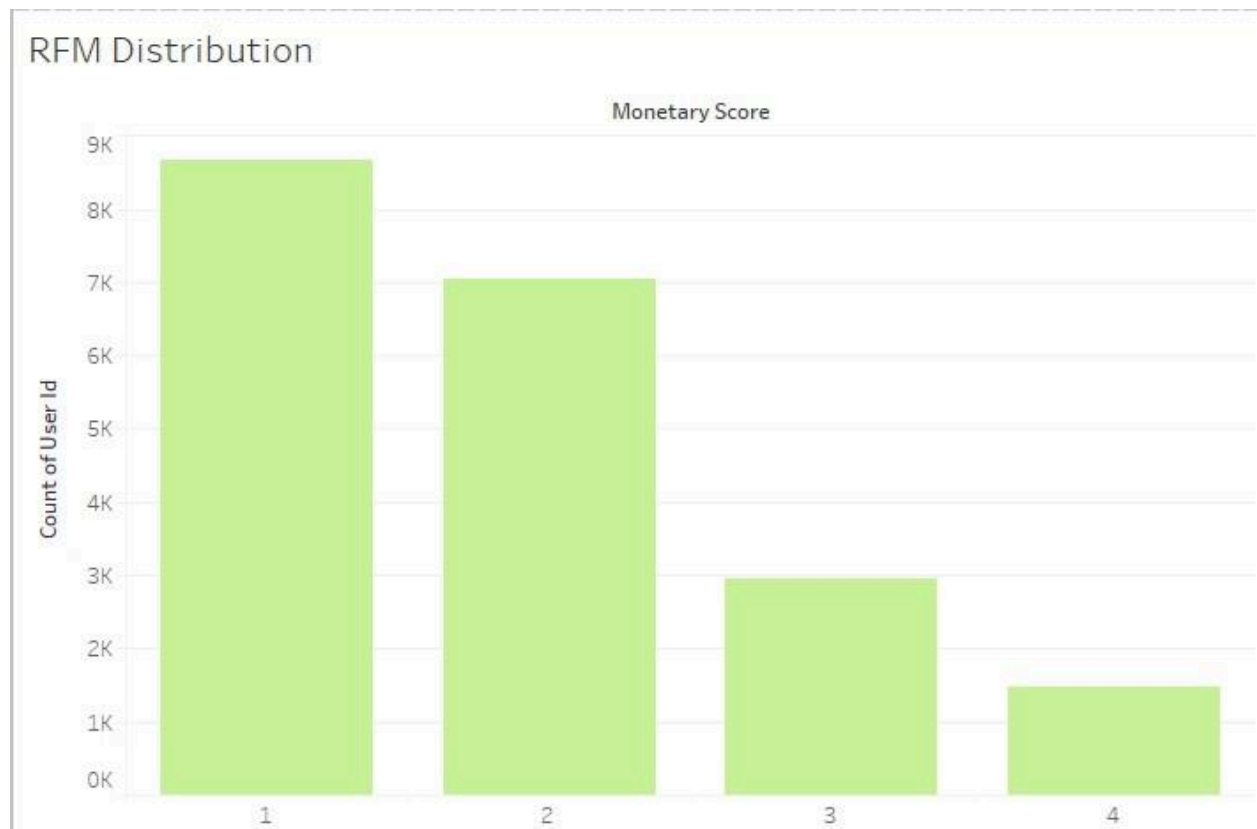
Average Frequency Score	Average Sale Amount	Average Recency Score	Average Monetary Score	Average RFM Score
2.194	5,403	2.897	2.900	7.991

### **At-Risk Customers (25%)**

By the time we reach this customer segment, average individual scores drop significantly, indicating a disengaged group. This segment represents approximately 18% of the total user base but contributes only 3% of total revenue, highlighting a sharp imbalance in value.

Despite this, there remains potential to re-engage these customers and move some of them down the pipeline toward becoming Potential Loyalists. Strategic initiatives, such as "We Miss You" emails, time-sensitive promotional offers, and personalized incentives, could help rekindle their interest and encourage them to return. Additionally, analyzing their previous purchasing behaviors and preferences could guide more targeted efforts, making it easier to re-establish their connection with the brand and transition them into a more valuable customer segment. The visual on the next page shows the average monetary scores of this segment. While still not as low as their average frequency it is still of great concern and any effort to move this

demographic towards the Potential Loyalist demographic would involve improvements in all 3 scores.



### Lost Customers (5%)

This segment represents the lowest priority for allocation of the marketing budget compared to all other groups. The reasoning is straightforward: the data strongly suggests that these customers have churned, meaning they are no longer actively engaged with the brand. Re-engaging them would not be an efficient use of limited marketing resources, as the likelihood of rekindling their interest is low.

Instead of focusing on this segment, marketing efforts and funds are better directed toward groups with higher growth potential or those who are more likely to convert into loyal customers. While some churned customers might respond to targeted outreach, the overall return on investment (ROI) from pursuing this segment is expected to be minimal. For these reasons, this group should remain a low priority

unless specific subsegments show signs of renewed interest or untapped potential through additional data analysis.

## **Conclusion**

The findings from this RFM analysis highlight the importance of targeted marketing strategies to optimize Zomato's customer engagement and revenue generation. By dividing the customer base into actionable segments—Champions, Loyal Customers, Potential Loyalists, At-Risk Customers, and Lost Customers—we can make data-driven decisions that maximize the return on investment (ROI) for every marketing dollar spent.

The analysis reveals that the bulk of Zomato's revenue is driven by the top-performing segments, such as Champions and Loyal Customers, while segments like Potential Loyalists offer significant opportunities for growth. These findings underscore the importance of nurturing existing relationships with high-value customers while strategically investing in segments with the potential for upward movement, such as Potential Loyalists and At-Risk Customers.

At the same time, the data also highlights areas where resources should be minimized, such as the Lost Customers segment, where efforts to re-engage are unlikely to yield substantial returns. This prioritization ensures that marketing efforts remain focused and cost-effective, concentrating on initiatives that drive the most meaningful results.

## **Link to the Dashboard on Tableau Public:**

<https://public.tableau.com/app/profile/matthew.cook5582/viz/RFMZomato/Dashboard1?publish=yes>