CHAMPION BEHAVIORAL CUSTOMER SEGMENTATION

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BUSINESS SITUATION / MARKETING OBJECTIVES

Business Situation

- Champion, previously under Hanesbrands Inc., was acquired by Authentic Brands Group in September 2024.

- The brand primarily relies on influencer outreach, PR, and major retail partnerships while aiming to expand its direct-to-consumer (DTC) business.

CRM & Marketing Communication Objectives

- Leverage RFM segmentation to personalize marketing efforts and enhance customer engagement.

- Implement targeted campaigns to:

1. Reward high-value customers for their loyalty.

2. Encourage mid-tier customers to increase their purchase frequency.

3. Reactivate inactive customers with tailored incentives.

ANALYSIS APPROACH

Description of the Segmentation Approach

- The segmentation was based on the RFM(Recency, Frequency, Monetary) model, which evaluates customers' past purchasing behaviors to identify patterns.

- The mean values of Recency, Frequency, and Monetary were used to categorize customers into meaningful segments.

- The goal was to identify customer groups that require different marketing approaches, such as re-engaging inactive customers or rewarding loyal ones.

Primary SAS Studio Tasks Utilized in the Analysis

- **RFM Segmentation Ranking:**

- Used the Rank Data task to classify customers based on RFM values.

- Customers were sorted into groups using quantile ranking.

- **Correlation Analysis:**

- A correlation Matrix was utilized to observe relationships between variables, such as frequency and monetary value.

- **Box Plot Analysis:**

- Box plots were utilized to identify outliers, particularly in retention scores and promotional usage.

THE CUSTOMER SEGMENTATION SOLUTION

Segment Name	Segment Description
Segment 1: At Risk Customers	Customers with long recency (long time since last purchase) but low purchase frequency. They have lower retention scores and require re-engagement strategies. A re-engagement strategy, such as personalized offers or reminders, could help bring them back.
Segment 2: Growth Customers	Customers with low recency (recent buyers) and moderate frequency but potential for higher spending. They could be nurtured with targeted promotions.
Segment 3: Inactive Customers	Customers with low purchase frequency and declining engagement over time. This group needs a win-back campaign.
Segment 4: Loyal Customers	Customers with high frequency, high monetary value, and strong retention. They should be rewarded with loyalty programs and VIP perks.

CUSTOMER SEGMENT PROFILES

| Profile Element	At Risk Customers N=2013	Growth Customers N=7633	Inactive Customers N=8311	Loyal Customers N=2950
Recency (in days)	267	84	262	69.6
Frequency (last 12 months)	3.95	1.40	1.37	4.30
Monetary (last 12 months)	$242.24	$74.99	$68.32	$246.77
Avg. Items per Order	2.08	1.80	1.70	2.02
Avg. Revenue per Order	$61.29	$51.35	$47.97	$57.13
% Customers that Used a Promotional Offer*	89.8%	31.6%	33.1%	92.9%
Estimated Annual Retention Rate*	64%	59%	40%	82%

Mean Values were used for all Segments

CUSTOMER SEGMENT PROFILES

Profile Element	At Risk Customers N=2013	Growth Customers N=7633	Inactive Customers N=8311	Loyal Customers N=2950
% Customers that only purchased women's products*	39.9%	47.9%	37.3%	44.3%
% Customers that only purchased men's products*	38.4%	46.5%	58.2%	33.8%
% Customers that purchased women's and men's products*	16.9%	2.5%	3.2%	19.1%
% Customers whose purchases included kids products*	4.7%	2.9%	1.3%	2.8%

Mean Values were used for all Segments

CUSTOMER LIFETIME VALUE ANALYSIS

Customer Lifetime Value Analysis
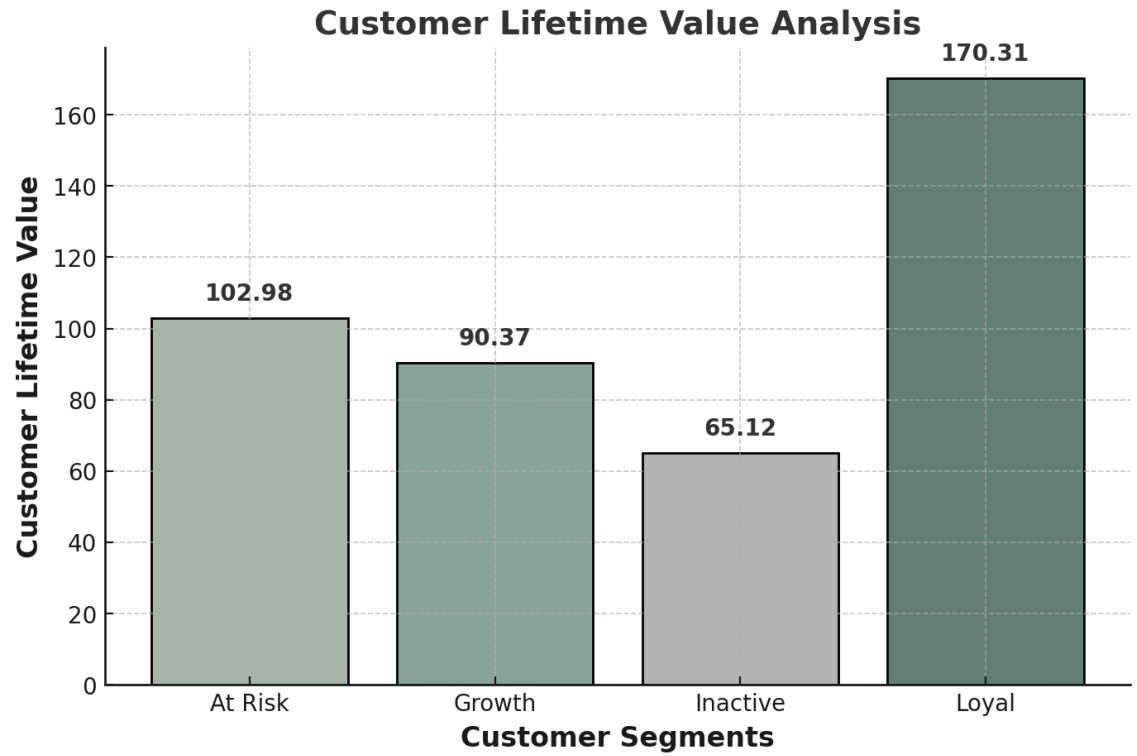
MARKETING PRIORITIES & RECOMMENDATIONS BY SEGMENT

| Segment Name	Strategic Marketing Priority	Specific Marketing Recommendations
At Risk Customers	Focus on retention efforts and incentives to prevent customer churn.	• Send personalized email campaigns featuring exclusive deals on Champion's most popular product categories (e.g., performance wear or hoodies) based on each customer's past purchases. Include a "We Miss You!" subject line to grab attention. • Offer 2x loyalty points for purchases made within the next 14 days and highlight these points to unlock free shipping or future discounts.
Growth Customers	Encourage higher spending and increased purchase frequency.	• Provide personalized upsell recommendations via email and social media ads, showcasing complementary products (e.g., recommending compression shirts or gym accessories to customers who frequently buy athletic shorts). • Introduce "Built Your Fit" bundle deals, where customers can create custom sets of workout gear at a 10% discount when they add 3+ items to their cart.
Inactive Customers	Focus on reactivation efforts with engaging promotions.	• Offer a "Welcome Back" email series with a 20% off discount code for their next purchase. Include product images of trending items and Champion's latest product line. • Send reminder emails about Champion's best-selling hoodies, new performance gear, and limited-edition collaborations to reignite interest.
Loyal Customers	Maintain engagement and reward loyalty.	• Create a Champion VIP Club offering early access to new product launches and exclusive discounts. Send VIP members a quarterly rewards email showcasing their earned points and personalized deals. • Send personalized thank-you emails with a 15% off 'Thank You' code and specific product recommendation based on past purchases (e.g., suggesting sweatpants or casualwear if they've frequently bought hoodies).

MARKETING BUDGET ALLOCATION RECOMMENDATIONS

Segment Name	% of Customers	Average CLV	Marketing Allocation Recommendation	Marketing Budget Allocation Rationale
At Risk Customers	10%	$102.98	11%	These customers are at high risk of leaving, yet they still hold significant value. Prioritize personalized retention campaigns, such as targeted email offers, loyalty incentives, and proactive customer service outreach. Investing in these strategies can improve retention rates and protect revenue from this vulnerable segment.
Growth Customers	36%	$90.37	35%	This segment offers substantial growth potential. Focus on proactive engagement strategies such as tailored product recommendations, loyalty point accelerators, and exclusive promotions designed to increase purchase frequency and order value. Investing heavily here is justified given their size and potential.
Inactive Customers	40%	$65.12	28%	While these customers have been disengaged, strategic reactivation efforts can help reignite interest. Implement personalized "We Miss You" campaigns, targeted discounts, and special incentives to encourage repeat purchases. Allocating a moderate budget allows for broad yet cost-effective outreach.
Loyal Customers	14%	$170.31	26%	This high-value segment is crucial for sustained revenue. Invest in relationship-building strategies such as personalized appreciation messages, VIP rewards programs, and early access to new products. Strengthening their emotional connection to the brand can deepen loyalty and increase advocacy.

APPENDIX

```sas
2  data WORK.RANK;
3  set  WORK.RANK;
4
5
6  length segment_assignment $30.;
7
8
9  if combined_RFM in ('011','010') then segment_assignment = 'Loyal Customers';
10 if combined_RFM in ('001','000') then segment_assignment = 'Growth Customers';
11 if combined_RFM in ('111','110') then segment_assignment = 'At Risk Customers';
12 if combined_RFM in ('101','100') then segment_assignment = 'Inactive Customers';
13
14
15 RUN;
16
17
```
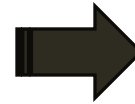
segment_assignment	N Obs	Variable	Mean	Minimum	Maximum	Median	N	Sum
At Risk Customers	2013	recency	267.2155986	183.0000000	365.0000000	253.0000000	2013	537905.00
		frequency	3.9458520	3.0000000	18.0000000	3.0000000	2013	7943.00
		monetary	242.2402285	49.3600000	981.4800000	207.3000000	2013	487629.58
		average_items_per_order	2.0859414	1.0000000	8.0000000	2.0000000	2013	4199.00
		average_revenue_per_order	61.2891207	10.0000000	206.0000000	56.0000000	2013	123375.00
		offer_indicator	0.8981619	0	1.0000000	1.0000000	2013	1808.00
		retention_score	0.6449081	0.5500000	0.8000000	0.6500000	2013	1298.20
		product_womens_only	0.3994039	0	1.0000000	0	2013	804.0000000
		product_mens_only	0.3840040	0	1.0000000	0	2013	773.0000000
		product_kids_included	0.0471932	0	1.0000000	0	2013	95.0000000
		product_womens_mens	0.1693989	0	1.0000000	0	2013	341.0000000
Growth Customers	7633	recency	84.0123149	1.0000000	176.0000000	78.0000000	7633	641266.00
		frequency	1.4028560	1.0000000	2.0000000	1.0000000	7633	10708.00
		monetary	74.9873025	5.6500000	503.3200000	56.6800000	7633	572378.08
		average_items_per_order	1.8067601	1.0000000	22.0000000	1.0000000	7633	13791.00
		average_revenue_per_order	51.3505830	6.0000000	290.0000000	44.0000000	7633	391959.00
		offer_indicator	0.3157343	0	1.0000000	0	7633	2410.00
		retention_score	0.5944321	0.4500000	0.7500000	0.6000000	7633	4537.30
		product_womens_only	0.4792349	0	1.0000000	0	7633	3658.00
		product_mens_only	0.4650858	0	1.0000000	0	7633	3550.00
		product_kids_included	0.0298703	0	1.0000000	0	7633	228.0000000
		product_womens_mens	0.0258090	0	1.0000000	0	7633	197.0000000
Inactive Customers	8311	recency	262.3743232	183.0000000	365.0000000	253.0000000	8311	2180593.00
		frequency	1.3726387	1.0000000	2.0000000	1.0000000	8311	11408.00
		monetary	68.3196896	4.2400000	497.8500000	49.4500000	8311	567804.94
		average_items_per_order	1.7005174	1.0000000	10.0000000	1.0000000	8311	14133.00
		average_revenue_per_order	47.9723258	4.0000000	326.0000000	39.0000000	8311	398698.00
		offer_indicator	0.3311274	0	1.0000000	0	8311	2752.00
		retention_score	0.3995548	0.2500000	0.6000000	0.3500000	8311	3320.70
		product_womens_only	0.3726387	0	1.0000000	0	8311	3097.00
		product_mens_only	0.5824810	0	1.0000000	1.0000000	8311	4841.00
		product_kids_included	0.0129948	0	1.0000000	0	8311	108.0000000
		product_womens_mens	0.0318855	0	1.0000000	0	8311	265.0000000
Loyal Customers	2950	recency	69.6640678	1.0000000	176.0000000	64.0000000	2950	205509.00
		frequency	4.2979661	3.0000000	12.0000000	4.0000000	2950	12679.00
		monetary	246.7652407	22.5700000	871.1700000	207.5500000	2950	727957.46
		average_items_per_order	2.0247458	1.0000000	8.0000000	2.0000000	2950	5973.00
		average_revenue_per_order	57.1345763	8.0000000	207.0000000	52.0000000	2950	168547.00
		offer_indicator	0.9294915	0	1.0000000	1.0000000	2950	2742.00
		retention_score	0.8180508	0.7000000	0.9500000	0.8000000	2950	2413.25
		product_womens_only	0.4427119	0	1.0000000	0	2950	1306.00
		product_mens_only	0.3383051	0	1.0000000	0	2950	998.0000000
		product_kids_included	0.0281356	0	1.0000000	0	2950	83.0000000
		product_womens_mens	0.1908475	0	1.0000000	0	2950	563.0000000