RFM Score and customer segmentation analysis

Date range from "2010-12-01" to "2011-12-01"

Data cleaned by including only entries with CustomerID and true purchase history. 380,580 entries after cleaning.

Relative to their RFM score, customers are segmented into 7 groups:

Best Customers : '111' , **Loyal Customers** : 'X1X' , **Potential Loyalists**: '121', '132' , **Lost Customers**: '4XX'

Almost Lost: '3XX' , **Big Spenders**: XX1' , **One Timers**: 'X4X

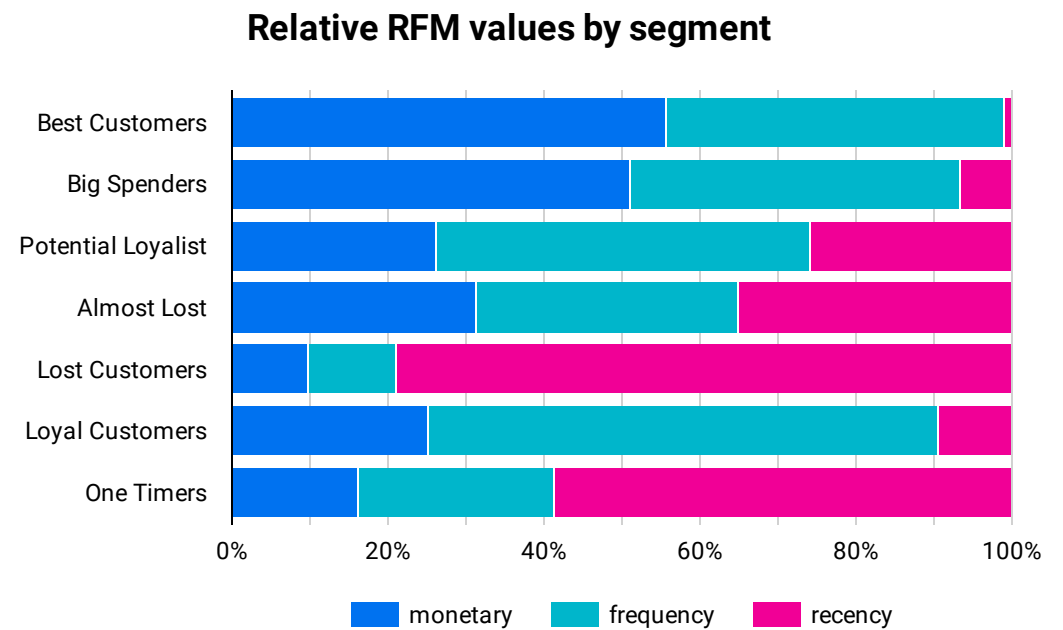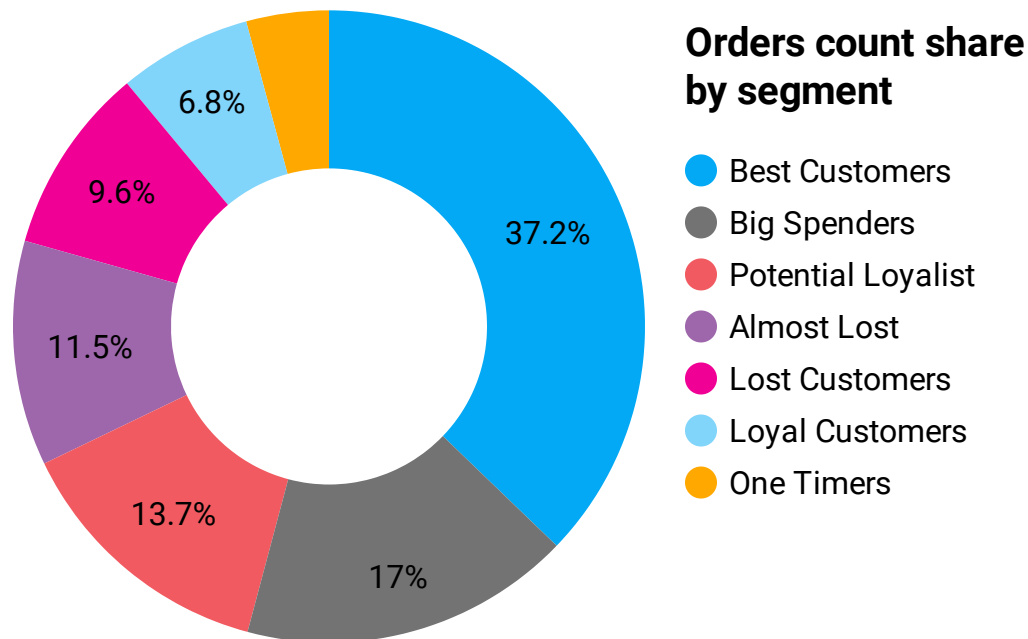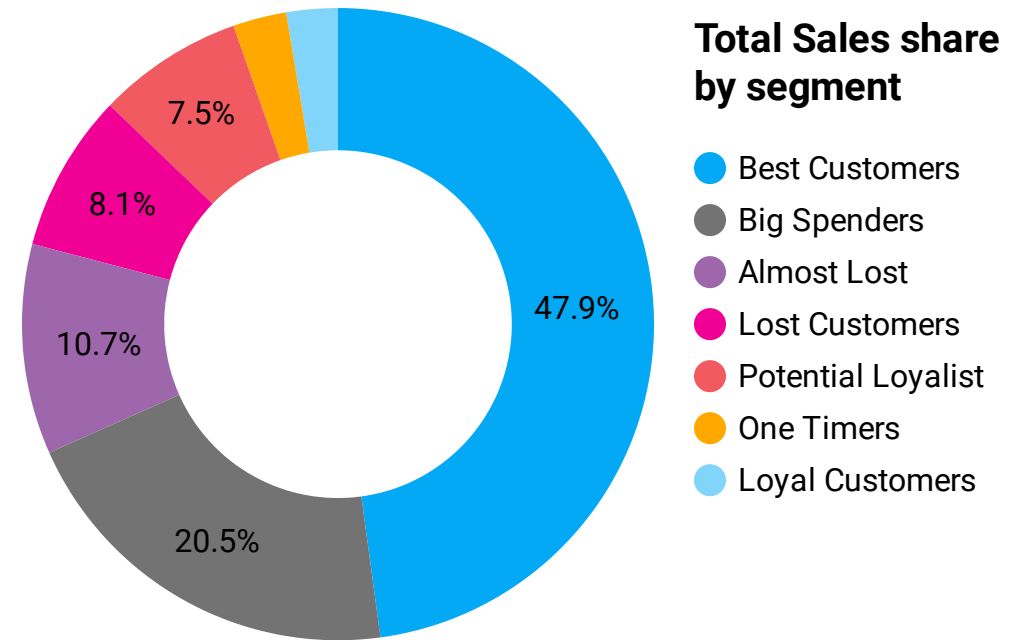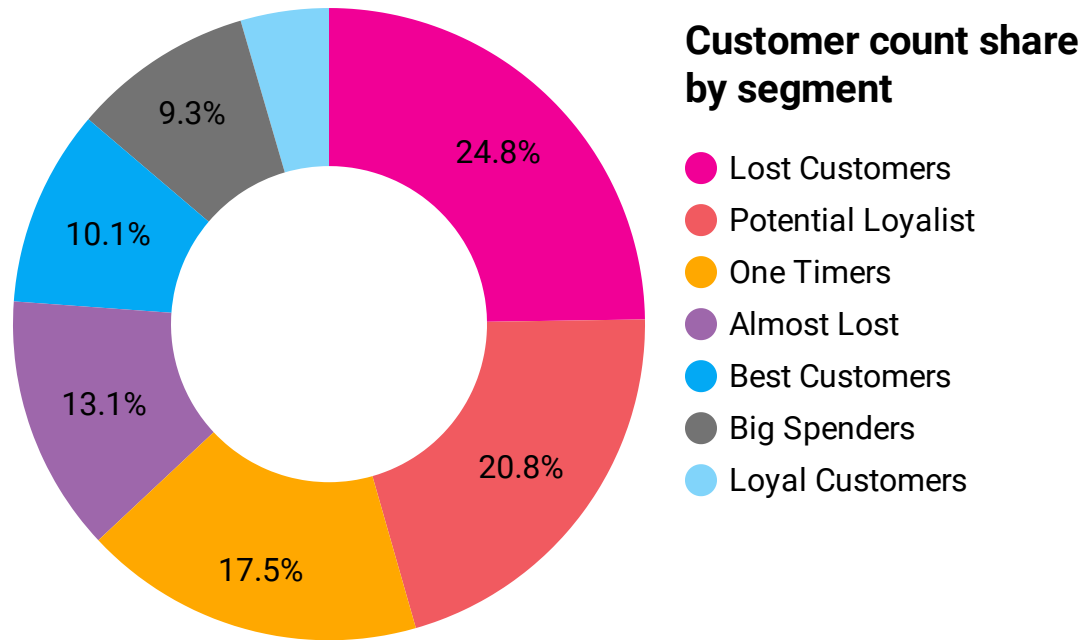| Customer count	Total sales	Total order count	AVG sales/customer
4,297	$8.39M	17,754	$1,953.27

Recency score	Recency quartile
1	1 - 16
2	17 - 50
3	51 - 146
4	147 - 365

Frequency score	Frequency quartile
1	5 - 200
2	3 - 4
3	2
4	1

Monetary score	Monetary quartile
1	1595.5 - 268478
2	656.7 - 1594.3
3	305 - 656.6
4	2.9 - 304.6

Segment	Customer Count	Total purchase	AVG purchase	Order count	AVG order count	AVG Recency
Best Customers	433	4,016,475.48	9,275.92	6,604	15.25	7.41
Big Spenders	398	1,719,157.33	4,319.49	3,010	7.56	26.22
Potential Loyalist	894	626,974.72	701.31	2,434	2.72	32.76
Almost Lost	564	902,032.95	1,599.35	2,043	3.62	83.87
Lost Customers	1,064	678,044.3	637.26	1,703	1.6	244.51
Loyal Customers	194	220,705.54	1,137.66	1,210	6.24	20
One Timers	750	229,824.79	306.43	750	1	51.77

Customer count share by segment

- Lost Customers — 24.8%
- Potential Loyalist — 20.8%
- One Timers — 17.5%
- Almost Lost — 13.1%
- Best Customers — 10.1%
- Big Spenders — 9.3%
- Loyal Customers

Total Sales share by segment

- Best Customers — 47.9%
- Big Spenders — 20.5%
- Almost Lost — 10.7%
- Lost Customers — 8.1%
- Potential Loyalist — 7.5%
- One Timers
- Loyal Customers

Orders count share by segment

- Best Customers — 37.2%
- Big Spenders — 17%
- Potential Loyalist — 13.7%
- Almost Lost — 11.5%
- Lost Customers — 9.6%
- Loyal Customers — 6.8%
- One Timers

Relative RFM values by segment

- Best Customers
- Big Spenders
- Potential Loyalist
- Almost Lost
- Lost Customers
- Loyal Customers
- One Timers

monetary   frequency   recency

AVG customer expenditure vs. AVG recency per segment

— Recency (Days since the last purchase) ■ AVG Customer expenditure

Segments (left to right): Lost Customers, Almost Lost, One Timers, Potential Loyalist, Big Spenders, Loyal Customers, Best Customers

Customer count and order count by segment

— Order count ■ Customer count

Segments (left to right): Best Customers, Big Spenders, Potential Loyalist, Almost Lost, Lost Customers, Loyal Customers, One Timers

- Although they make up 10% of the customers, **Best Customers** are responsible for almost half of the sales and more than a third of the orders.

- The runner-ups are **Loyal Customers** with 14.3% of the customers and a quarter of sales amount and orders. they have the potential to become Best Customers by reducing their recency values or increasing their order count.

- **Potential Loyalist** show promising stats with 7.5% of the sales and 13.7% of the orders. Taking the third place in recency value with an average of 32.8 days since the last purchase, they have the proper characteristics for marketing campaigns to be turned into loyal ones.

- The **Big Spenders** have a relatively low order count/customer count ratio but they are responsible for 7.2% of the total sales. By increasing the number of their orders, they can bring good amount of revenue to the table.

- Although **One Timers** have a relatively low score of recency, their average order value sits on the last place among others. They tend to spend in very low amounts and they are not very promising for future expenditures.

- The **Almost Lost** group makes up for the 15% of the customer counts and has a proper ratio of order/customer count but with second to last place for recency values, they may be a hard target to catch.

- **Lost Customers** segment has the highest number of customers with almost quarter of the total. Even though they have the lowest recency value, their AVG order amount sits in the middle. With proper marketing, a good share of them could be acquired to be shifted into potential loyalists.