Objective :

Prepare a detailed report analyzing customer segments identified through and suggest for improving the company's retention rate.

Write a report analyzing customer retention cohorts and k-means cluster profiles (RFM). Summarize retention patterns, describe each cluster, and propose tailored strategies to improve retention. Link cohorts to clusters (try to find where each cohort belong in the clusters), highlight risks and opportunities, and recommend actions to engage regulars, win back at-risk, and nurture high-value/VIP customers

cluster metrics & revenue contribution

Cluster	Recency_days	Frequency	Monetary	Customer	Revenue in %
0	43.2	4.2	195,421	3,023	56.9%
1	248.9	1.8	69,191.6	1,077	7.2%
2	1.7	153.5	12,345,024.6	6	7.1%
3	11.8	25.3	1,120,633.6	266	28.7%

Cohort summary
- Early drop-off: Many first time buyer fall out by month 2-3; land in cluster 1 (lapsed)
- Cluster 0 are active regulars, buy every 6 weeks and drive 57% of revenue.
- Cluster 3 are loyalists that buy every 12 days and generate 29% of revenue.
- Cluster 2(VIP/Wholesalers) are loyalists but extremely in frequency/spend.

Analysis of clusters

Steep early drop-off (Cluster 1 - Lapsed)

Observation: Avg. Recency – 249 days <approximately>

Low frequency – 1.8

Low monetary – 69191.6

Over 1,000 customers are here.

- This group is mostly first-time or one-off buyers who never returned
- Cohorts that joined during promo spikes likely over-represented here.

Main Risks :

- Perception of low quality/ fit
- Unseen value after first buy or friction (delivery)
- Algorithm drag on IG
- Lots of inactive followers

Opportunities

1. **Win-back sequence (14 days)**

   Day 1 : "Missed you" + 1-tap poll (price/styled/ delivery)

   Day 2 : create a "2nd purchase pathway" bundle offer discount

       within 30 days

   Day 3 : Fix friction: DM asks "where did we lose you ? Price , style or

       delivery? " then address it.

   …

   Day 7 : € X off or free delivery

   …

   Day 14 : Social proof carousel (customer purchase + reply-to-Dm CTA)

KPI and targets

- If we can recover 10% – 15% of them, it will significantly boost sales.

- Many may have been impulses buyers (e.g drawn by IG promo, didn't feel the need to return)

Healthy core of repeater (Cluster 0 - Active Regulars)

Observation: Avg. recency ~ 43 days

Frequency 4.2 (moderate)

Monetary ~ 195,000

Largest Cluster = 3,000 customers (approximately)

Interpretation:

- They are the stable middle class of the customer base.
- They buy every 1 – 2 months, not daily but they keep coming back.
- This is where the bulk of long-term retention lies.

Risks:

- These customers are the foundation, they stabilize revenue.
- If neglected, they can easily slip into lapsed cluster 1.

Opportunities:

- Push frequency up (e.g from 4.2 -> 6)
- Use seasonal promotions (holidays, weddings, graduations).
- Introduce a loyalty program or " buy X and get 1 free".

KPI and targets

- Lift frequency from 4.2 -> 5.0 -> 112.5m projected uplift
- Keep Day-45 inactive rate under 25% for new cohorts feeding cohort 0.

Cluster 3 : Loyalists / power regular

Customer – 266 customers

 6% - base

Recency – 1.12m, 29% of revenue

30% of orders

Diagnosis:

- High cadence, consistent spend, the engine of recurring cash flow

- Many graduate here from cluster 0; some new cohorts enter directly (props).

Main Risks:

- Engagement fatigue if every drop looks the same.

- Poaching by competitors with early access or better logistics.

Opportunities:

- Punch-card loyalty: Every 5th order , they receive a free gift.

- Private access (close friends/ whatsapp) and broadcast early picks

- Referral Loop: referral credit for new customers who buys

KPIS and targets

- +10% frequency -> approximately 29.8 m profit

- Referral attributed revenue >= 10% of cluster 3 revenue.

Cluster 2: VIP/Whales including wholesalers

Recency 1.7 days

Frequency 153.5

Monetary 12.35m

7.1% of revenue from just 6 people

Diagnosis: Likely wholesaler buy big, buy often; restock on cycles.

- Losing one costs = 12.3M approximately (~ 1.2% of total revenue)

- Stock-outs or slow fulfillment pushes them to rivals

Opportunities:

- Concierge/ account management

- Tiered trade pricing and reserved stock : hold goods for 24 – 48h. Early access to premium and quality product.

- Quarterly previews

- Replicate the profile: find 5 – 10 lookalike wholesalers from c3 and new cohorts.

KPIs and target

- 0 chum in cluster 2

- +5 new vips in 90 days

- One-time fulfillment > 95% Stock-out rate < 3% on vip SKUs