Coffee House

LinkedIn

Revitalizing Customer Retention: An Analysis of Coffee House's Declining Repeat Customer Rates

Presented by Shehryar Gondal

Data Analytics Challenge

AGENDA

Background/Context

Project Background

Univariate Analysis of Data

Bivariate Analysis of Data

Correlation between Variables

Conclusion

About Company

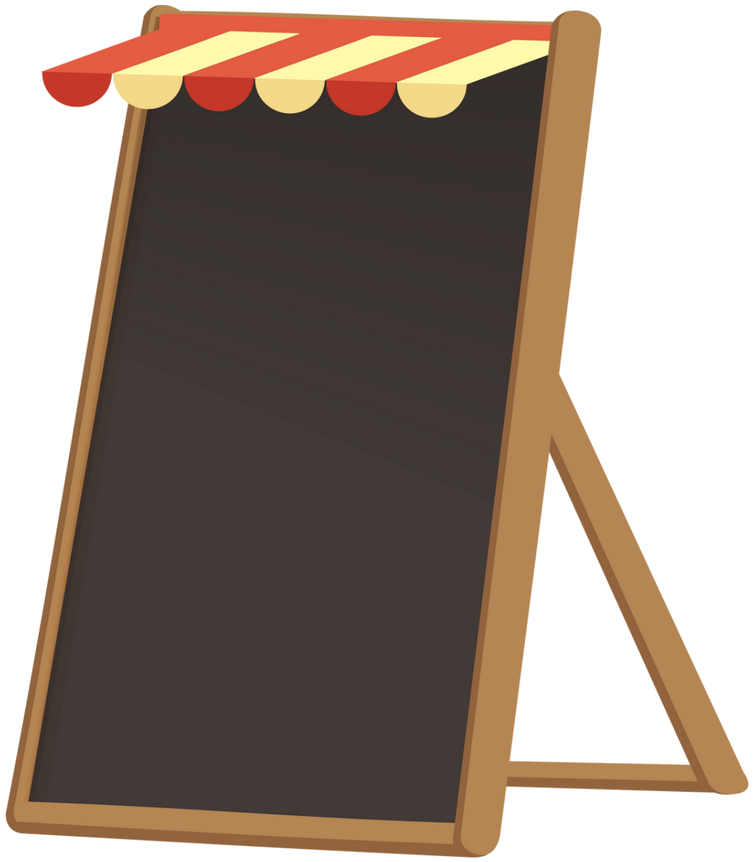
Coffee House is a multinational chain of coffeehouses and roastery reserves headquartered in Seattle, Washington.

It is the world's largest coffeehouse chain. We have a large customer base and have consistently experienced high retention rates in the past.

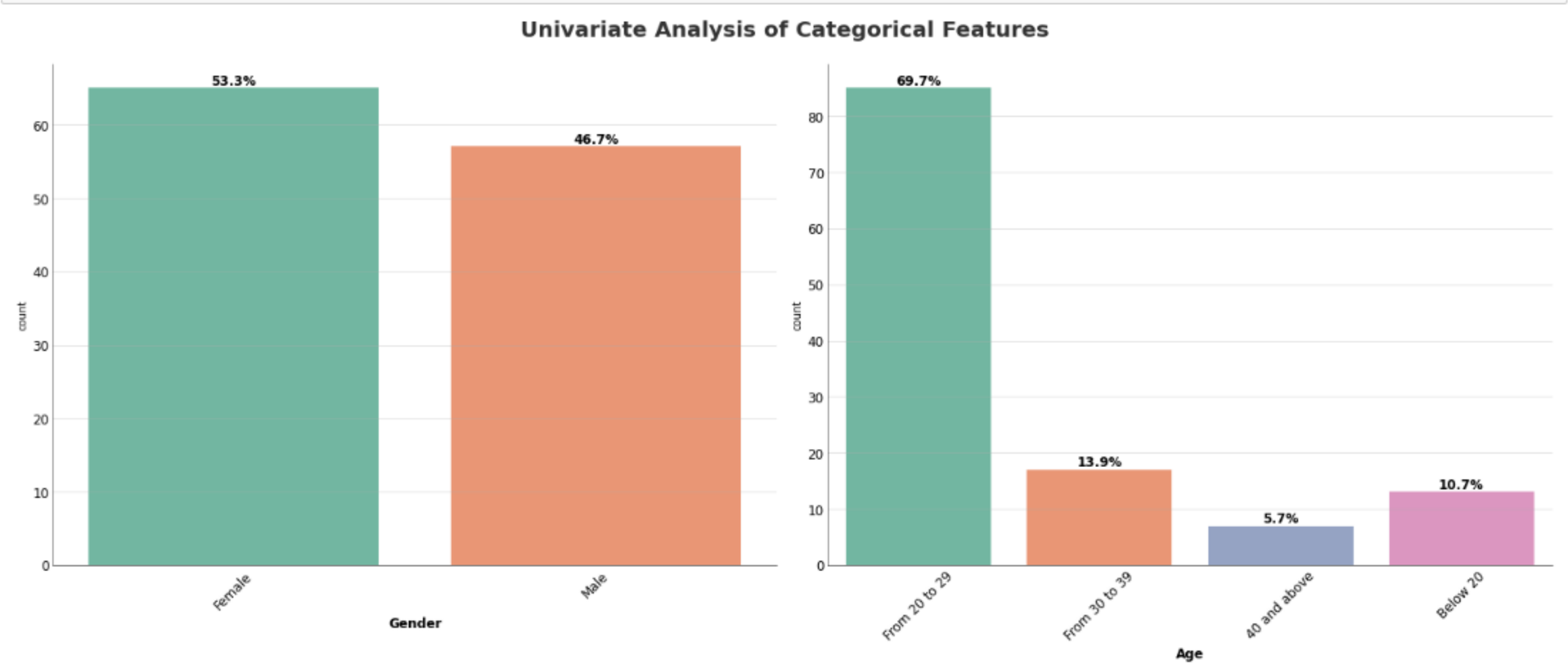
Project Background / Context

Over the past year, Coffee House noticed a decline in the number of repeat customers and a corresponding decline in revenue. After reviewing customer feedback and conducting surveys, they have determined that the decline in retention rates is likely due to a combination of factors, including a lack of variety in our product offerings, poor customer service, and increased competition from other retailers.

They have decided to conduct a data analysis project to better understand the factors contributing to the decline in retention rates and identify potential solutions to improve retention and increase revenue.

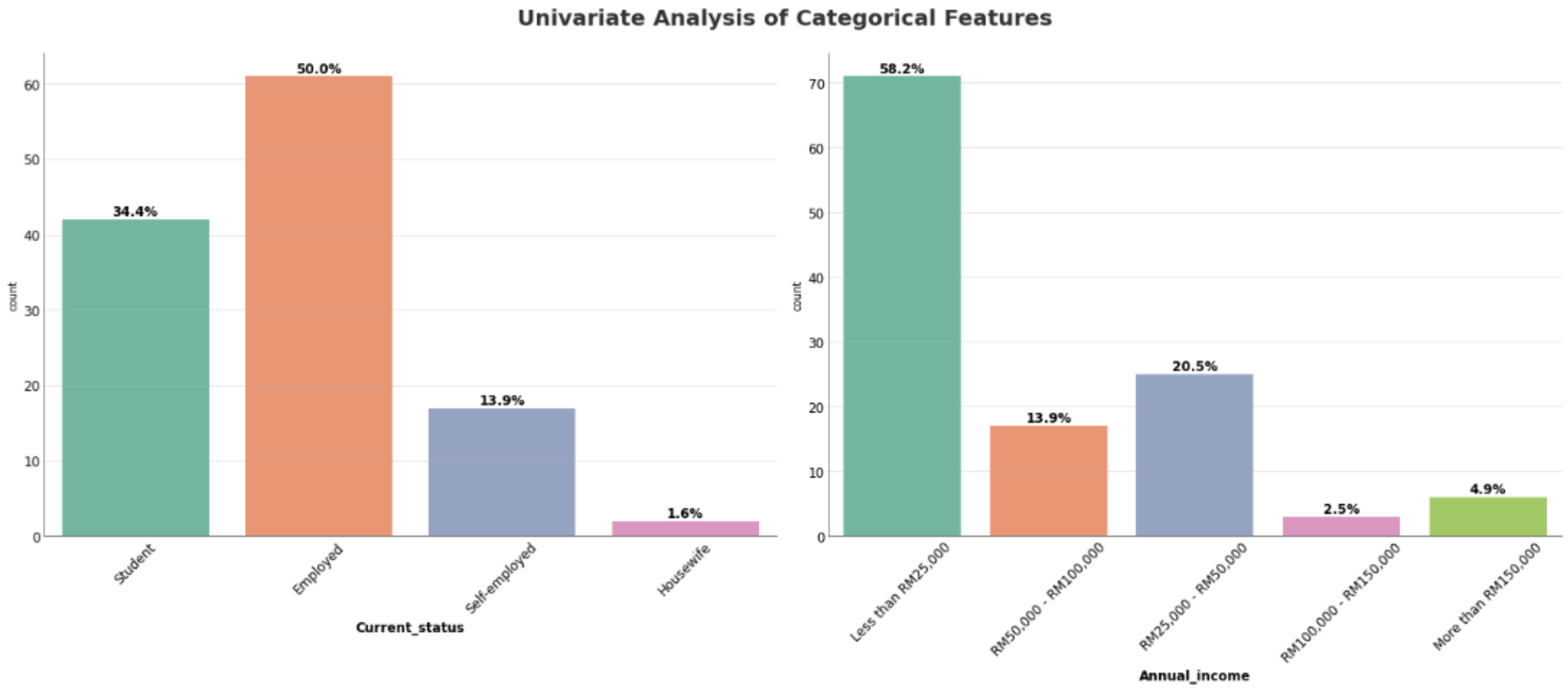


Insights and Visualization from Univariate Analysis of Data



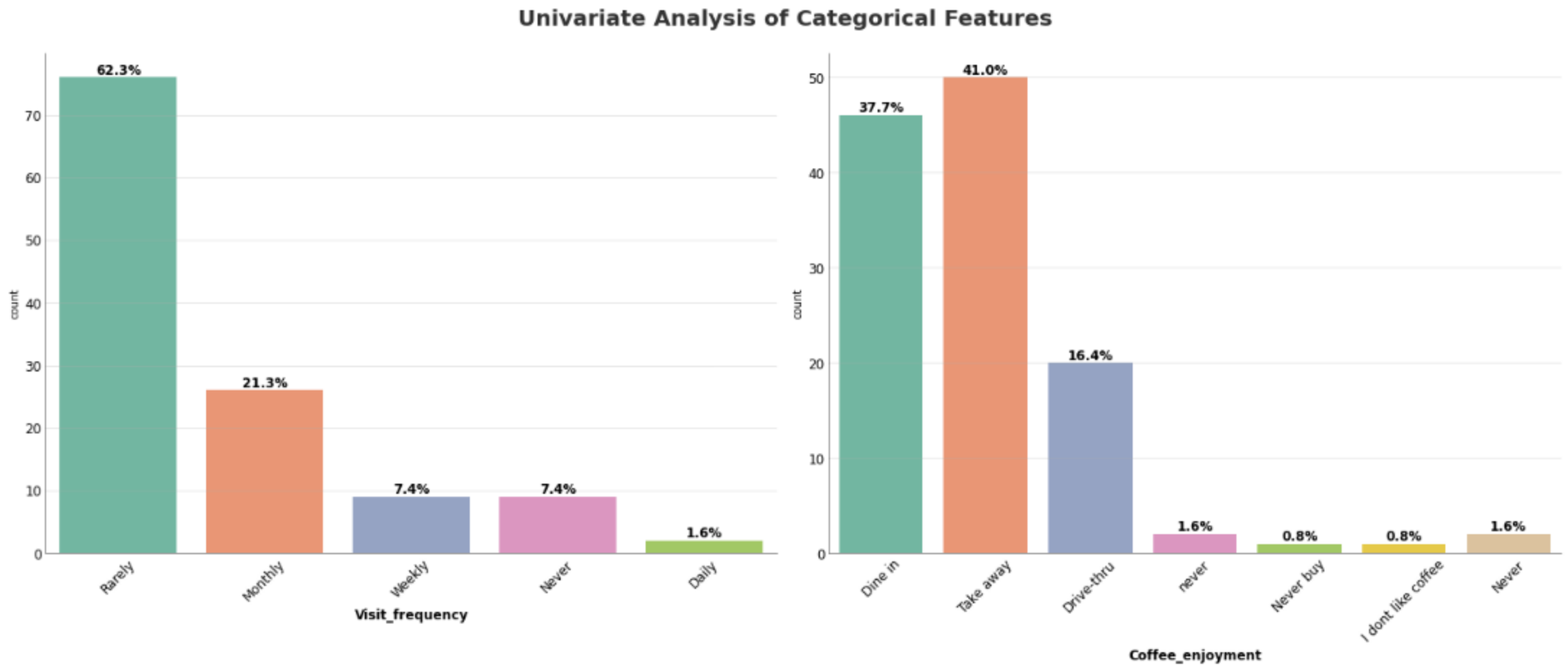
- Most of our customer who visit our cofee Shop is Female with percentage of 53.3% and then come male with Percentage of 46.7%

- Most of our customer who visit our cofee Shop have Age between 69.7% percentage then we have from 30-39 with percentage of 13.9% and then from 40 above with percenatge of 5.7% and then at least customer are from 20 below with percentage of 10.7%.



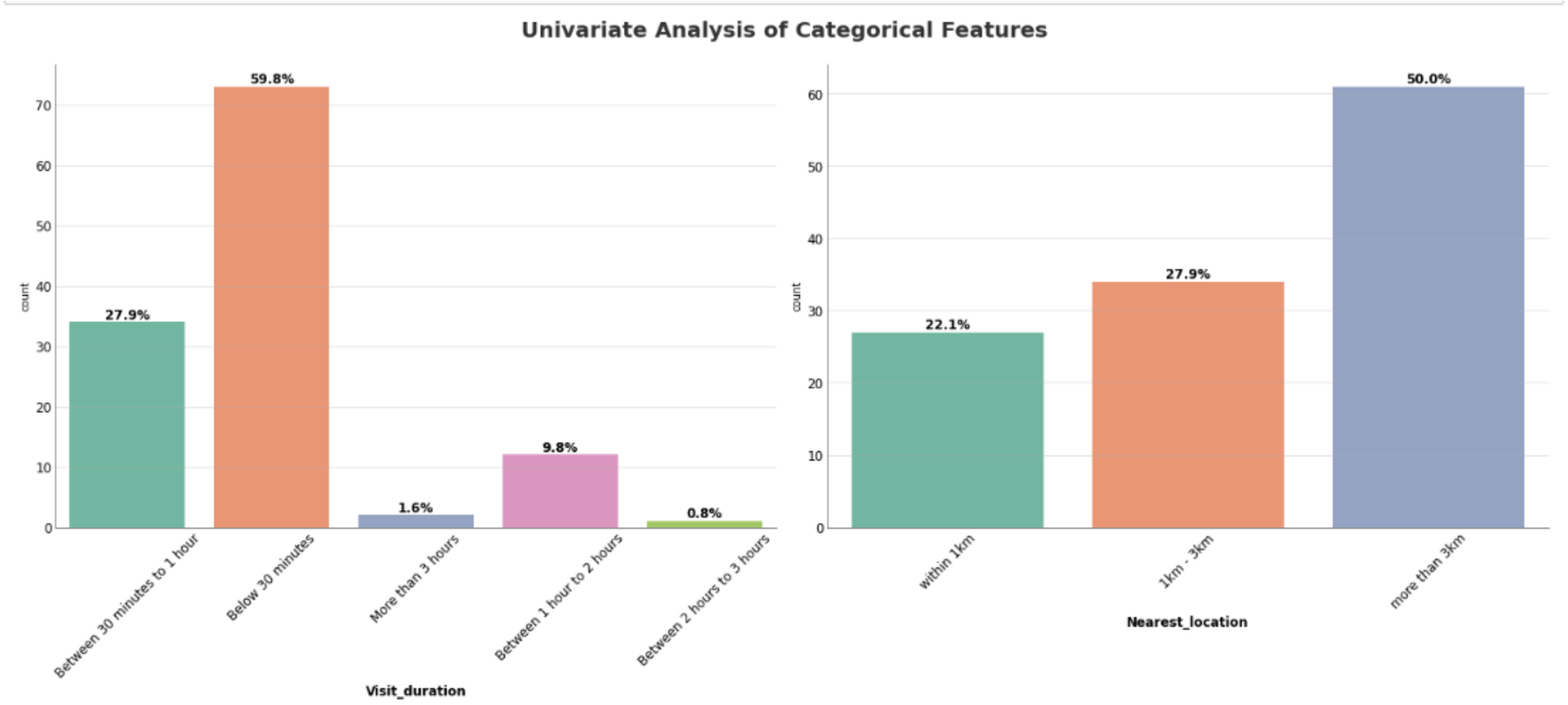
- Most of our customer who visit our cofee Shop are Employyed with Percentage of 50 % and then student with percentage if 34.4% and then self employyed with 13.9% an dthen atleast Housewifes with 1.6%.

- Most of our customer who visit our cofee Shop have Annual Income Less than RM25,000 have percenatge of 58.2% and then we have RM25,000 - RM50,000 have percenatge of 20.5% and RM50,000 - RM100,000 have percenatge of 13.9% and More than RM150,000 have percenatge of 4.9% and RM100,000 - RM150,000 have percenatge of 2.5% .



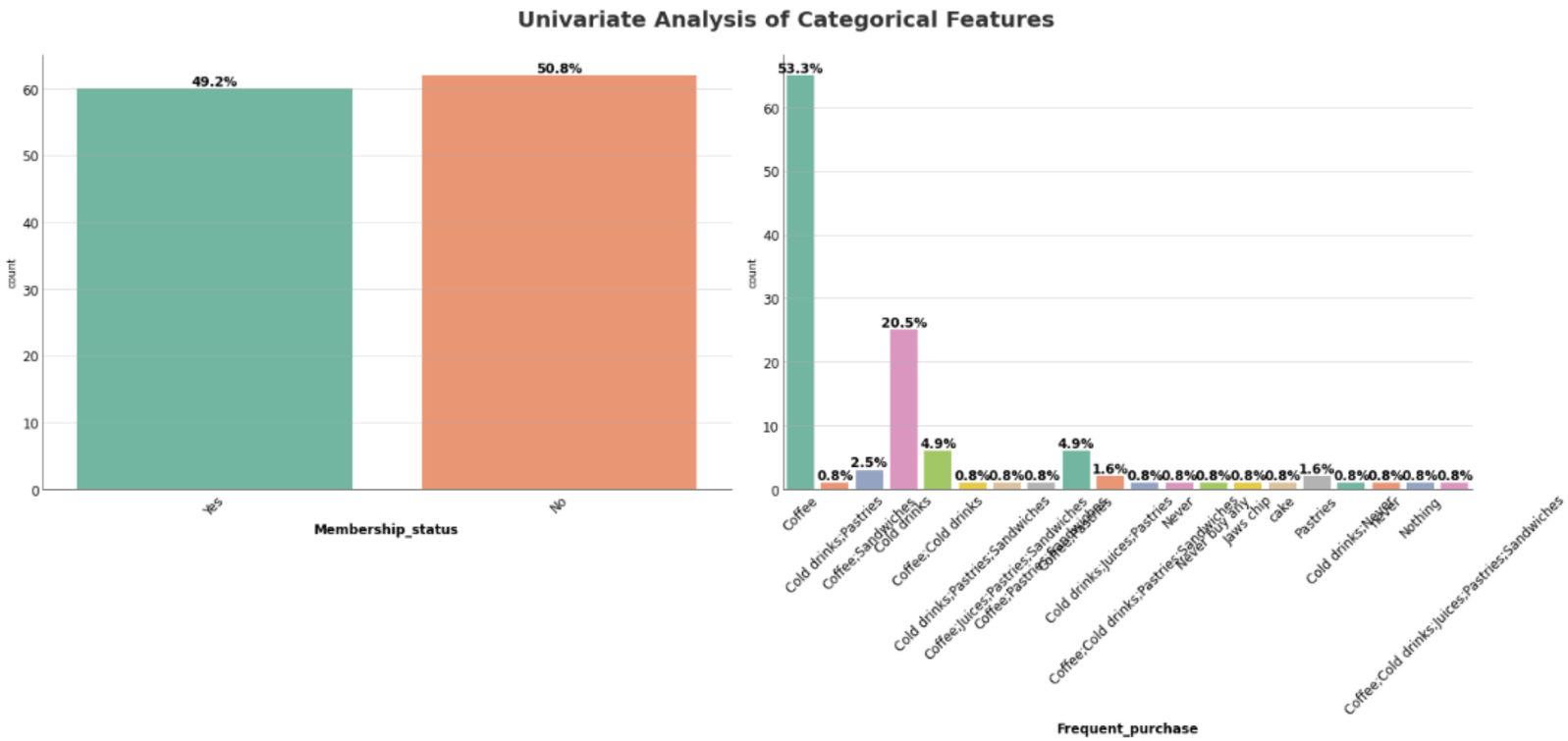
- The majority of our customers visit our coffee shop rarely, with 62.3% of respondents selecting this option in a survey. About one-fifth (21.3%) of our customers visit our coffee shop on a monthly basis. A small percentage of customers visit our coffee shop weekly (7.4%), never (7.4%), or daily (1.6%).

- The most common preference for customers is taking away their coffee, with 50 respondents (or 41.0%) selecting this option.Dining in at the coffee shop is also a popular choice, with 46 respondents (or 37.7%) selecting this option.A smaller percentage of customers prefer drive-thru service, with 20 respondents (or 16.4%) selecting this option.A small number of respondents indicated that they never buy coffee (1 person) or don't like coffee (1 person).



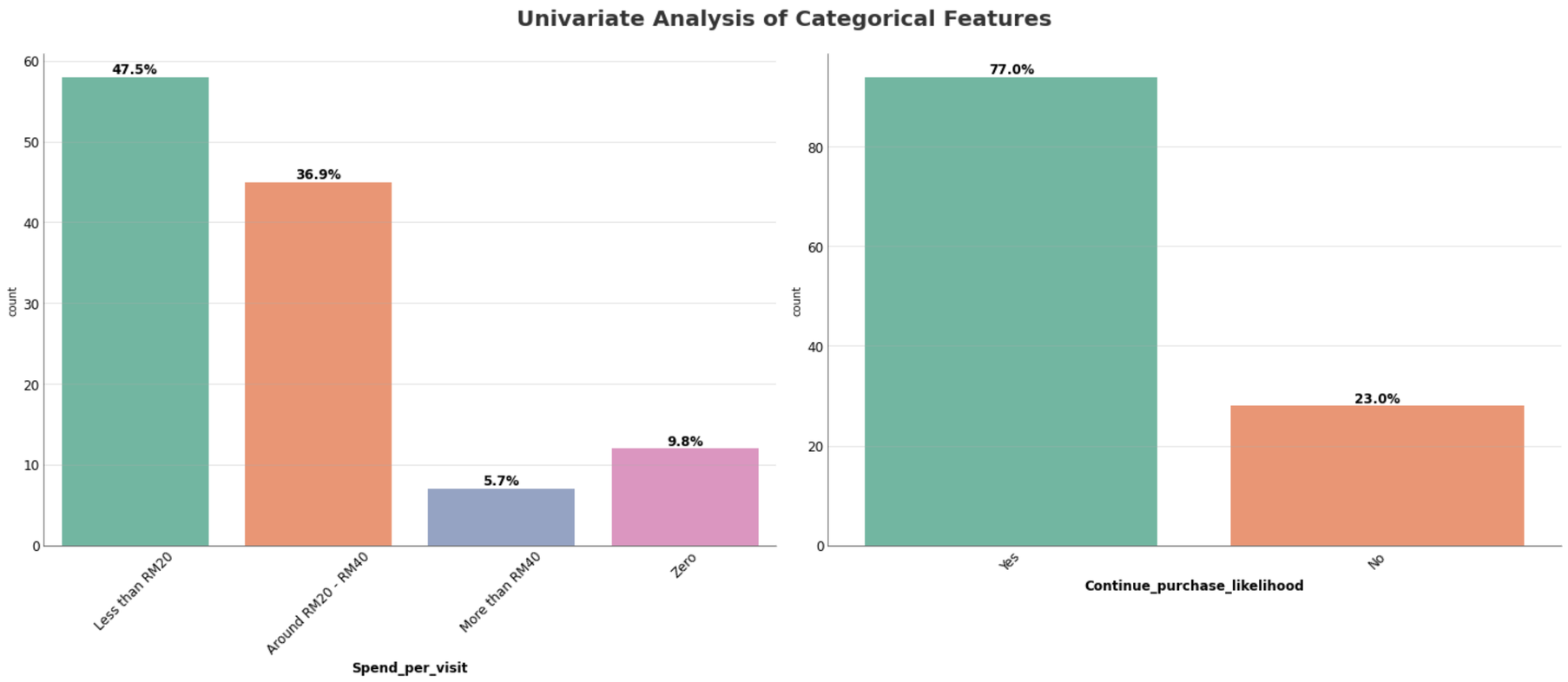
- The majority of customers (73 respondents or 59.8%) reported that their visits to the coffee shop lasted below 30 minutes.About one-third of customers (34 respondents or 27.9%) reported spending between 30 minutes to 1 hour at the coffee shop.A smaller percentage of customers (12 respondents or 9.8%) reported spending between 1 hour to 2 hours at the coffee shop.A very small number of customers (2 respondents or 1.6%) reported spending more than 3 hours at the coffee shop. One customer reported spending between 2 hours to 3 hours at the coffee shop

- The majority of customers (61 respondents or 50.0%) are willing to travel more than 3km to get to a coffee shop. About one-third of customers (34 respondents or 27.9%) are willing to travel between 1km to 3km to get to a coffee shop. A smaller percentage of customers (27 respondents or 22.1%) are only willing to travel within 1km to get to a coffee shop.



- The respondents were almost evenly split between "Yes" and "No", with 60 respondents (or 49.2%) answering "Yes" and 62 respondents (or 50.8%) answering "No".

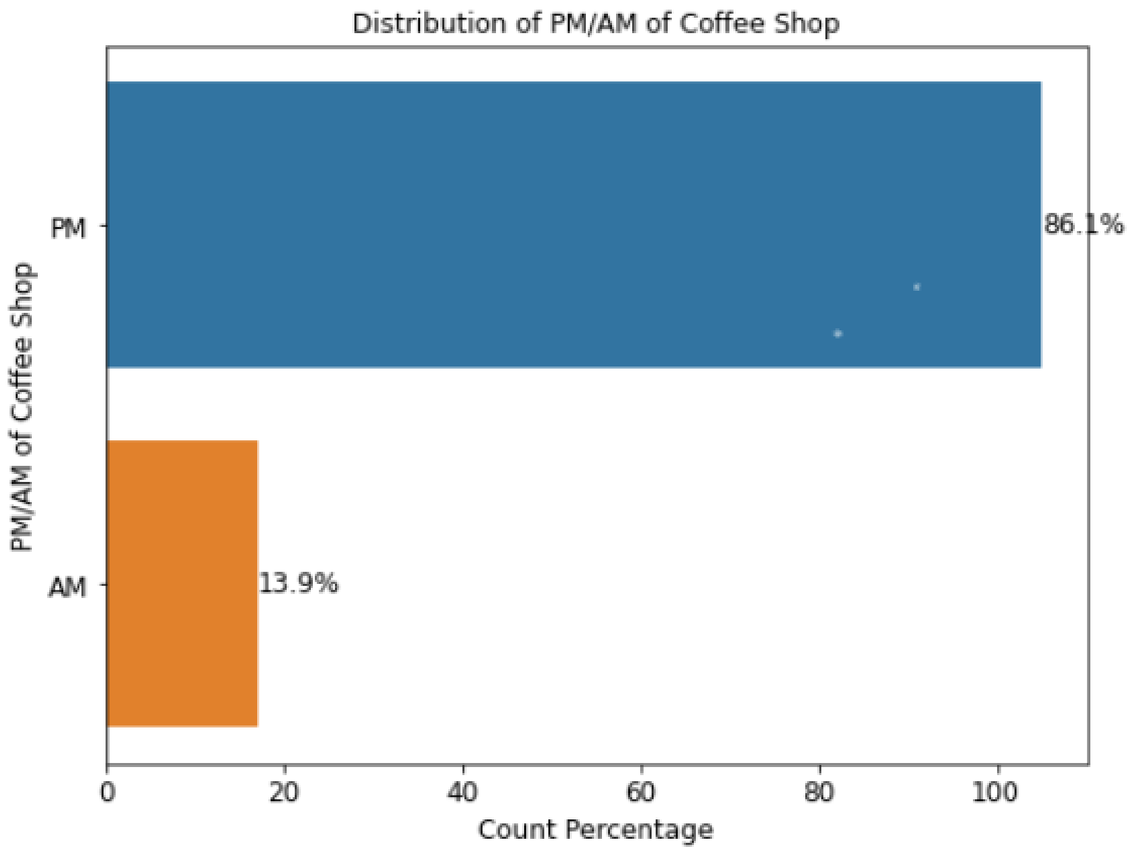
- The most popular item among customers is coffee, with 65 respondents (or 53.3%) selecting this option. Cold drinks are the second most popular item, with 25 respondents (or 20.5%) selecting this option. Some customers prefer a combination of coffee and other items, with 6 respondents (or 4.9%) selecting coffee and cold drinks, 6 respondents (or 4.9%) selecting coffee and pastries, and 3 respondents (or 2.5%) selecting coffee and sandwiches. A small number of customers prefer other items such as juices, pastries, Jaws chip, cake, and nothing. Some customers indicated that they never buy anything at the coffee shop or only order cold drinks. A few customers prefer a combination of multiple items, including coffee, cold drinks, juices, pastries, and sandwiches.



- The majority of customers (58 respondents or 47.5%) are willing to spend less than RM20 at a coffee shop.Almost one-third of customers (45 respondents or 36.9%) are willing to spend around RM20 to RM40 at a coffee shop. A smaller percentage of customers (12 respondents or 9.8%) reported spending zero at a coffee shop. Only a few customers (7 respondents or 5.7%) are willing to spend more than RM40 at a coffee shop.

- The majority of customers (94 respondents or 77.9%) indicated that they are likely to continue purchasing at the coffee shop. A smaller percentage of customers (28 respondents or 23.1%) indicated that they are not likely to continue purchasing at the coffee shop.

- The most commonly cited promotion source is social media, with 32 respondents (or 26.4%) indicating that they were influenced by this channel.
- Some customers were influenced by a combination of channels, with 14 respondents (or 11.6%) citing social media and word of mouth, and 9 respondents (or 7.4%) citing the Starbucks website/apps and social media.
- Other sources of promotion that influenced customers to visit the coffee shop include in-store displays, emails, billboards, and deal sites.
- Some respondents reported never hearing about the promotion sources, and one respondent mentioned an application offer.



- The majority of customers (105 respondents or 86.8%) indicated that they visited the coffee shop during the PM hours.

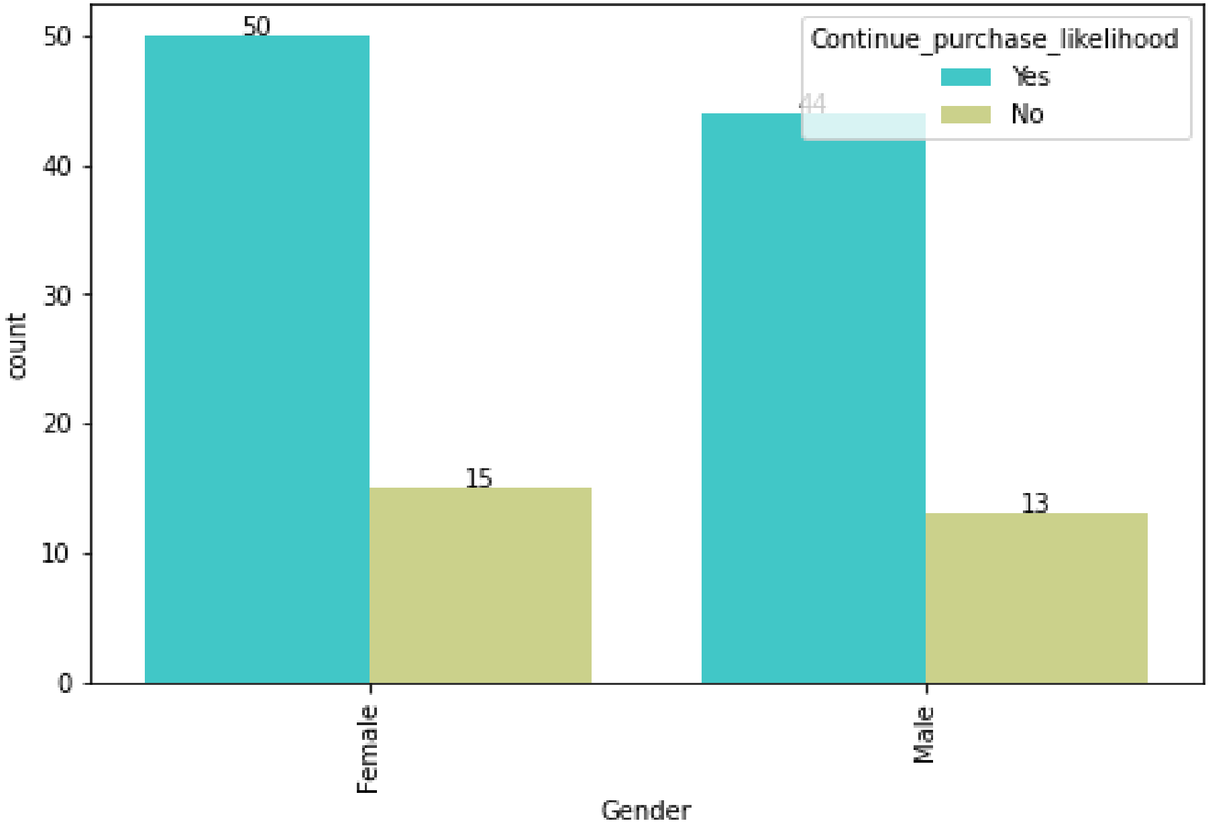
- A smaller percentage of customers (17 respondents or 14.0%) indicated that they visited the coffee shop during the AM hours

Insights and Visualization from Bivariate Analysis of Data

Insights

- Both male and female customers have similar likelihoods of continuing their purchases at the coffee shop, with slightly more female customers indicating they will continue (50 compared to 44 for male customers).
- However, the number of customers who will not continue purchasing is higher for female customers (15 compared to 13 for male customers).
- This suggests that the coffee shop may need to focus on improving its products and services to better meet the needs and preferences of female customers, in order to retain their business.
- Alternatively, the coffee shop may need to engage in more targeted marketing and promotional campaigns to attract and retain male customers, who may be more price-sensitive or have different preferences than female customers.

- **Overall, the data suggests that gender is not a strong predictor of customer retention. Therefore, the coffee shop should focus on improving its overall customer experience and implementing targeted marketing strategies that address the needs and preferences of all customers, regardless of gender.**

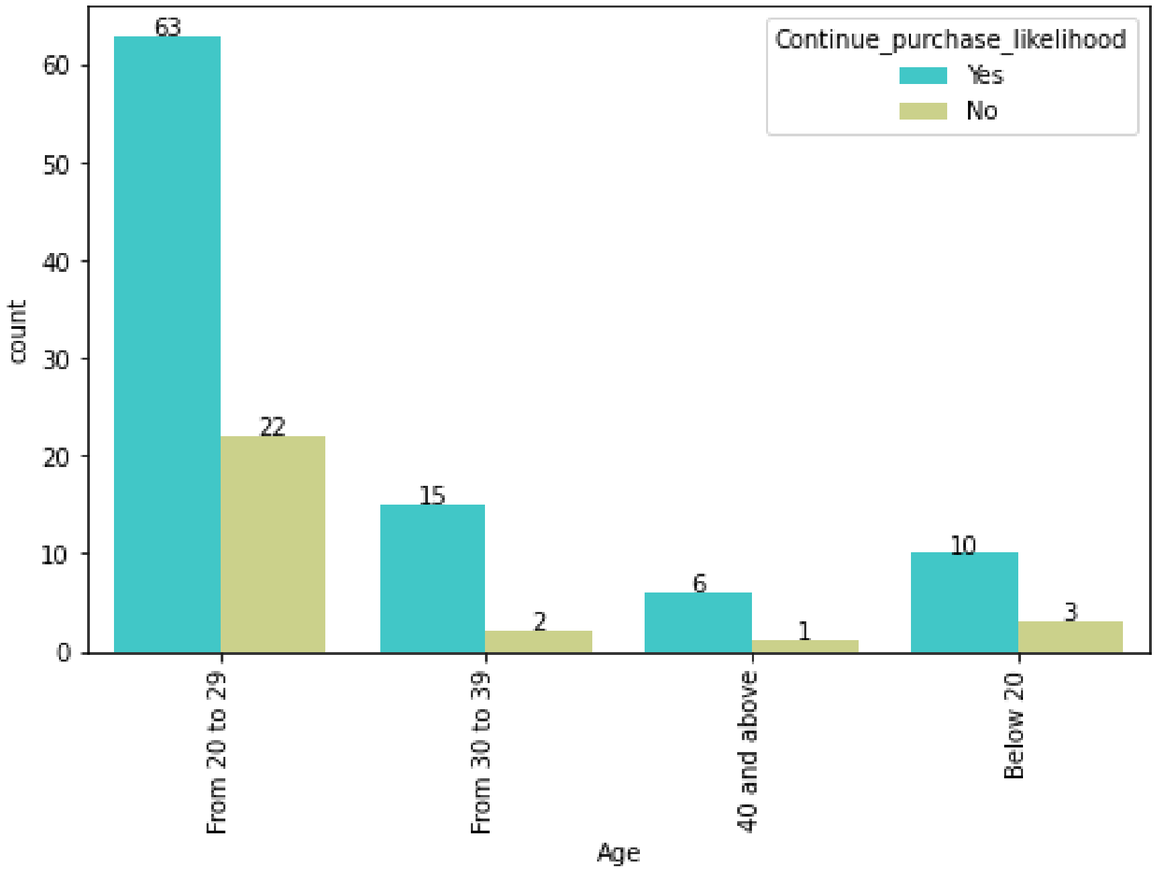


Insights

- Customers aged 20-29 are most likely to continue purchasing, while those aged 40 and above have the lowest retention rate.

- The coffee shop should focus on retaining customers in the 20-29 age group, while also implementing targeted marketing campaigns for other age groups with lower retention rates.

- **Overall, age is a strong predictor of customer retention. Therefore, the coffee shop should focus on improving its products and services and implementing targeted marketing strategies that address the unique needs and preferences of each age group**

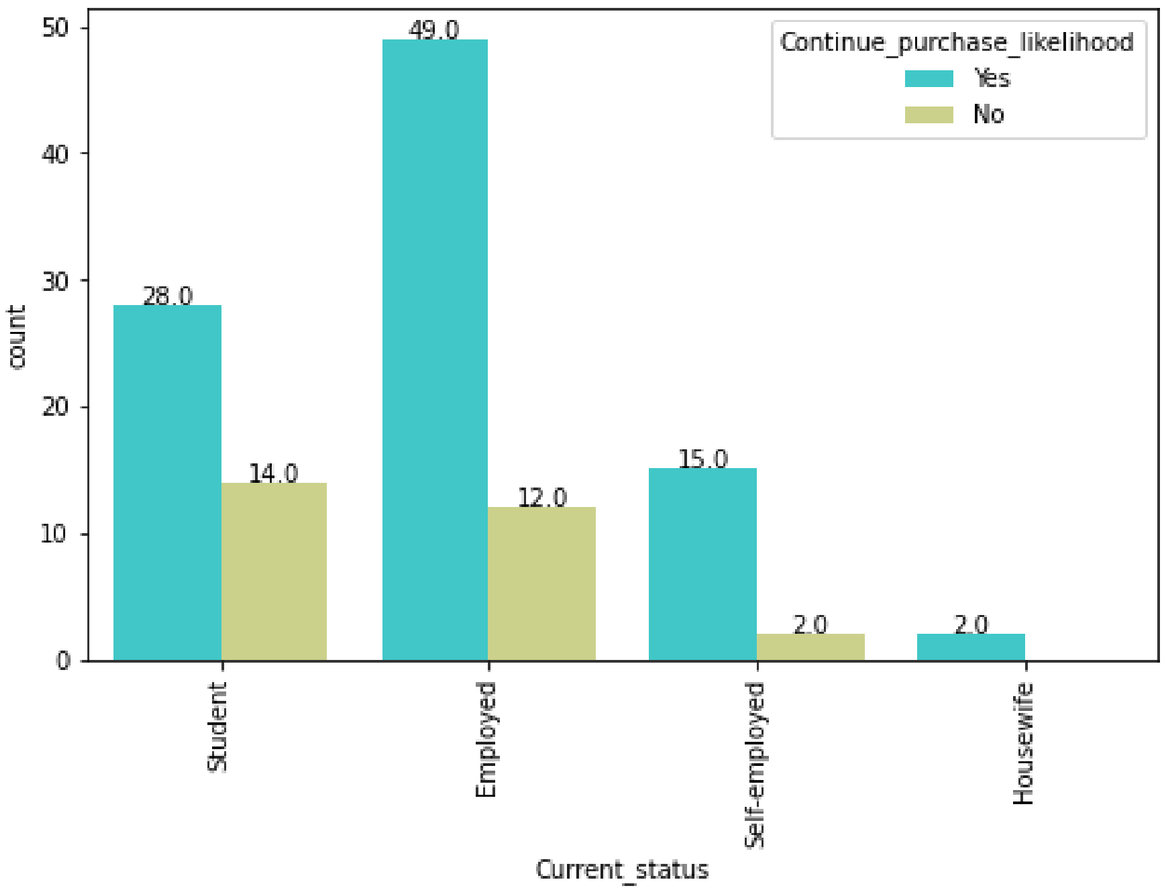


Insights

- Employed customers are the most likely to continue purchasing, while self-employed customers have the lowest retention rate.

- The coffee shop should focus on retaining employed customers, while also implementing targeted marketing campaigns for other employment categories with lower retention rates.

- **Overall, current employment status is a moderate predictor of customer retention. Therefore, the coffee shop should focus on improving its products and services and implementing targeted marketing strategies that address the unique needs and preferences of each employment category.**

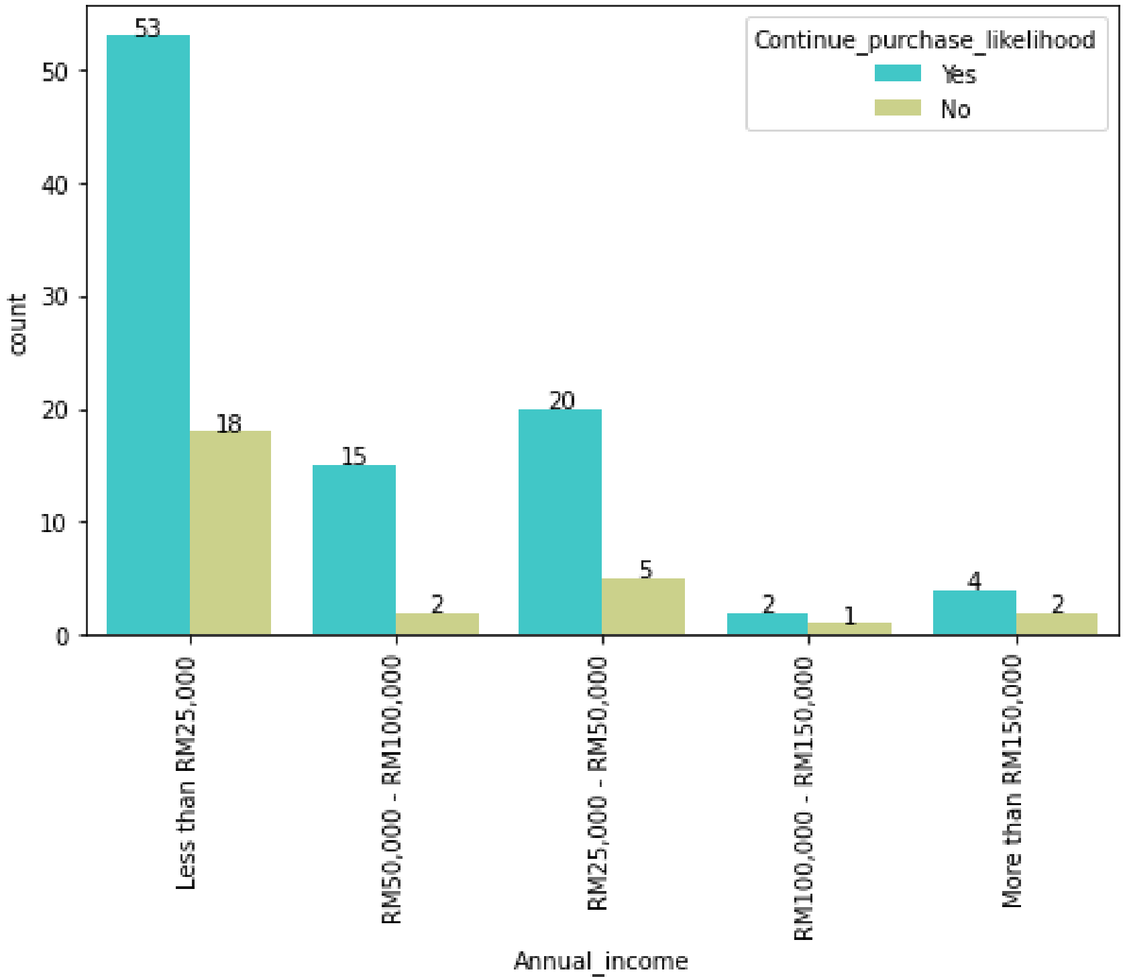


Insights

- Customers with an annual income of less than RM25,000 are the most likely to continue purchasing, while those with higher annual incomes have a lower retention rate.

- The coffee shop should focus on retaining customers with lower annual incomes, while also implementing targeted marketing campaigns for customers with higher annual incomes.

- **Overall, annual income is a moderate predictor of customer retention. Therefore, the coffee shop should focus on improving its products and services and implementing targeted marketing strategies that address the unique needs and preferences of customers in different income groups.**

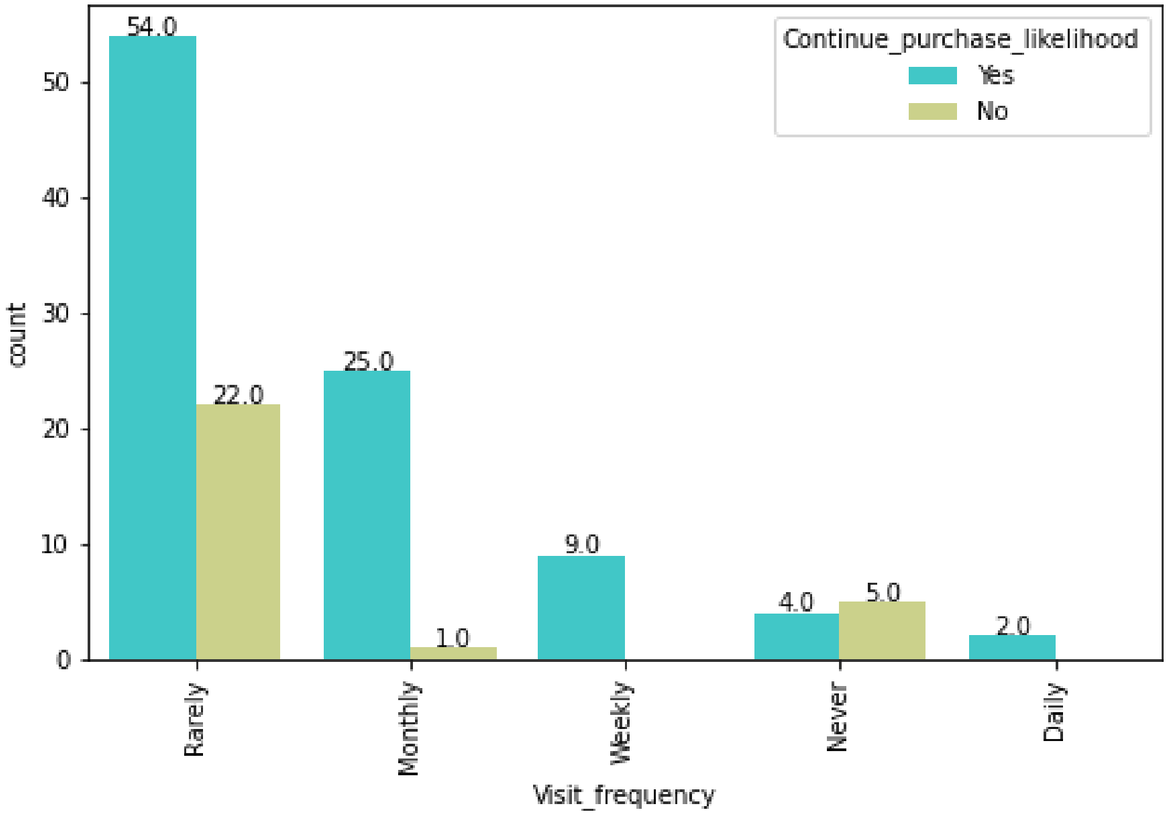


Insights

- Customers who visit the coffee shop rarely are the most likely to continue purchasing, while those who never or visit on a weekly basis have a very low retention rate.

- The coffee shop should focus on retaining customers who visit on a rare or monthly basis, while also implementing targeted marketing campaigns for customers who never or weekly visit.

- **Overall, visit frequency is a moderate predictor of customer retention. Therefore, the coffee shop should focus on improving its products and services and implementing targeted marketing strategies that address the unique needs and preferences of customers in different visit frequency categories.**



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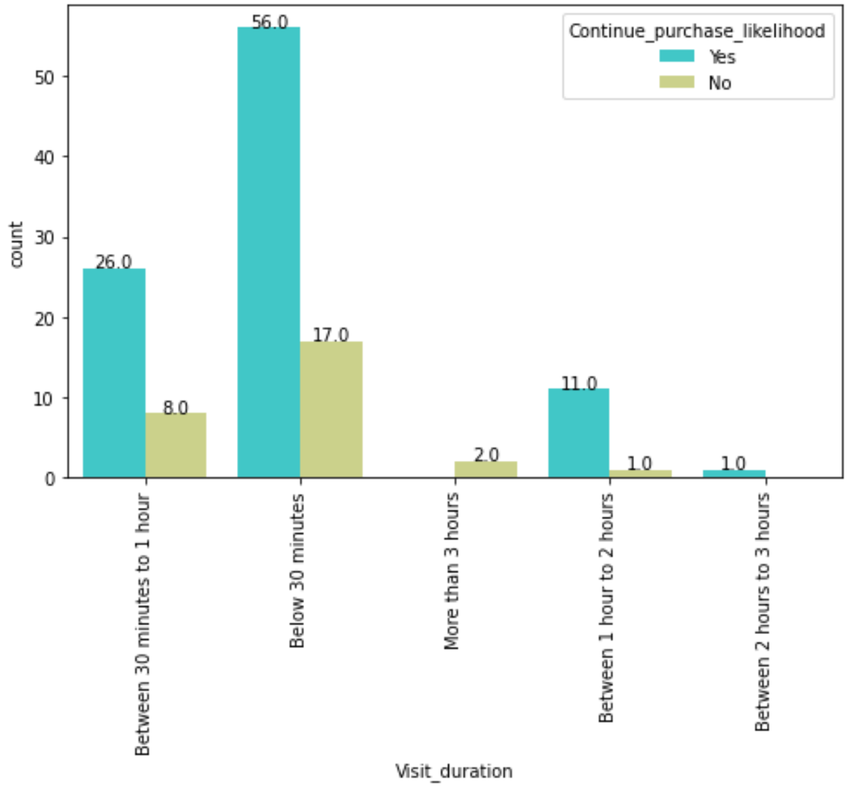
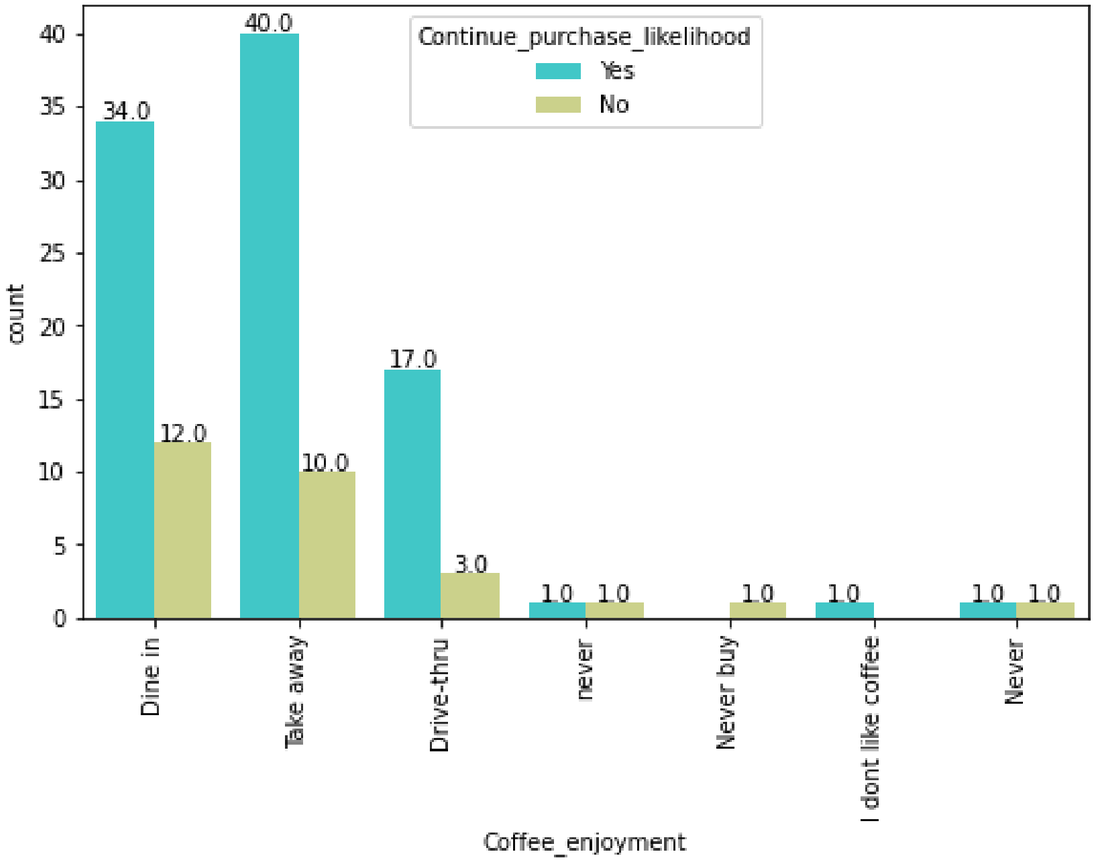


Insights

- Customers who prefer to take away their coffee are the most likely to continue their purchases, while those who prefer drive-thru service have a low retention rate.

- The coffee shop should focus on improving the quality of its take away and dine-in services to better meet the needs and preferences of its customers.

- **Overall, coffee enjoyment is a moderate predictor of customer retention. Therefore, the coffee shop should focus on improving its products and services and implementing targeted marketing strategies that address the unique needs and preferences of customers in different coffee enjoyment categories.**



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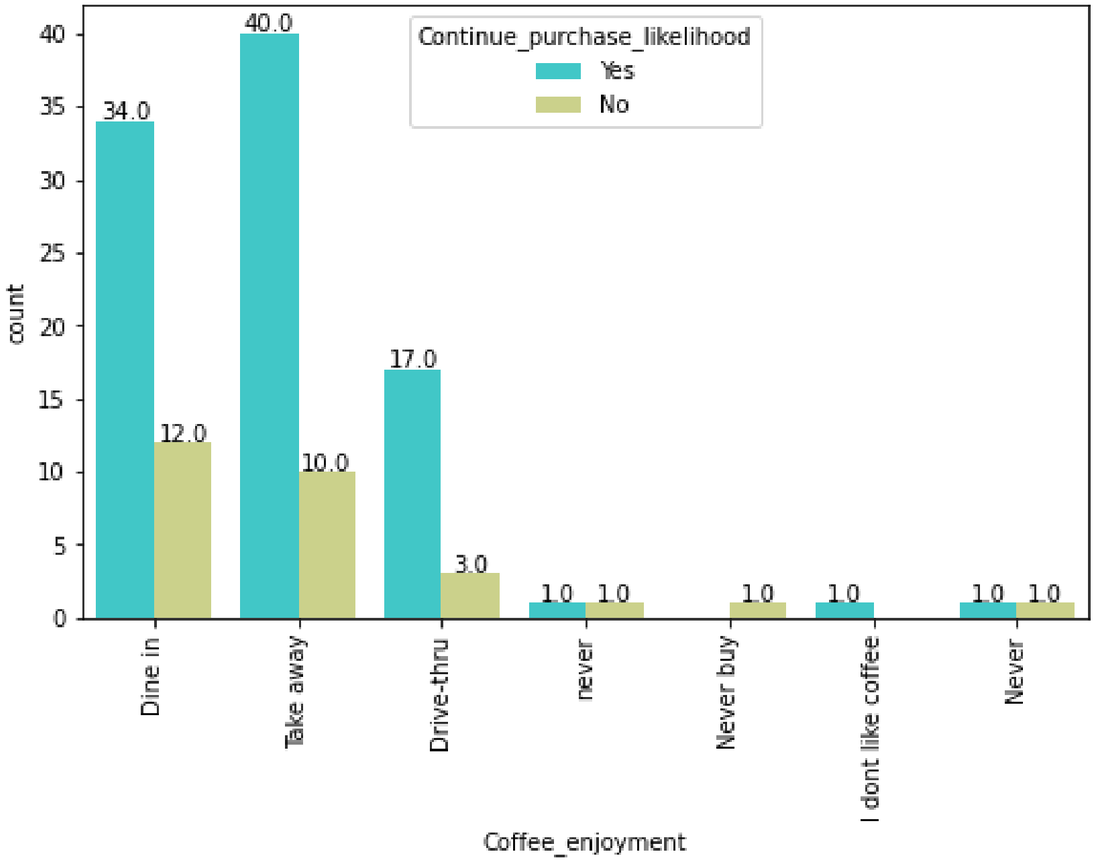

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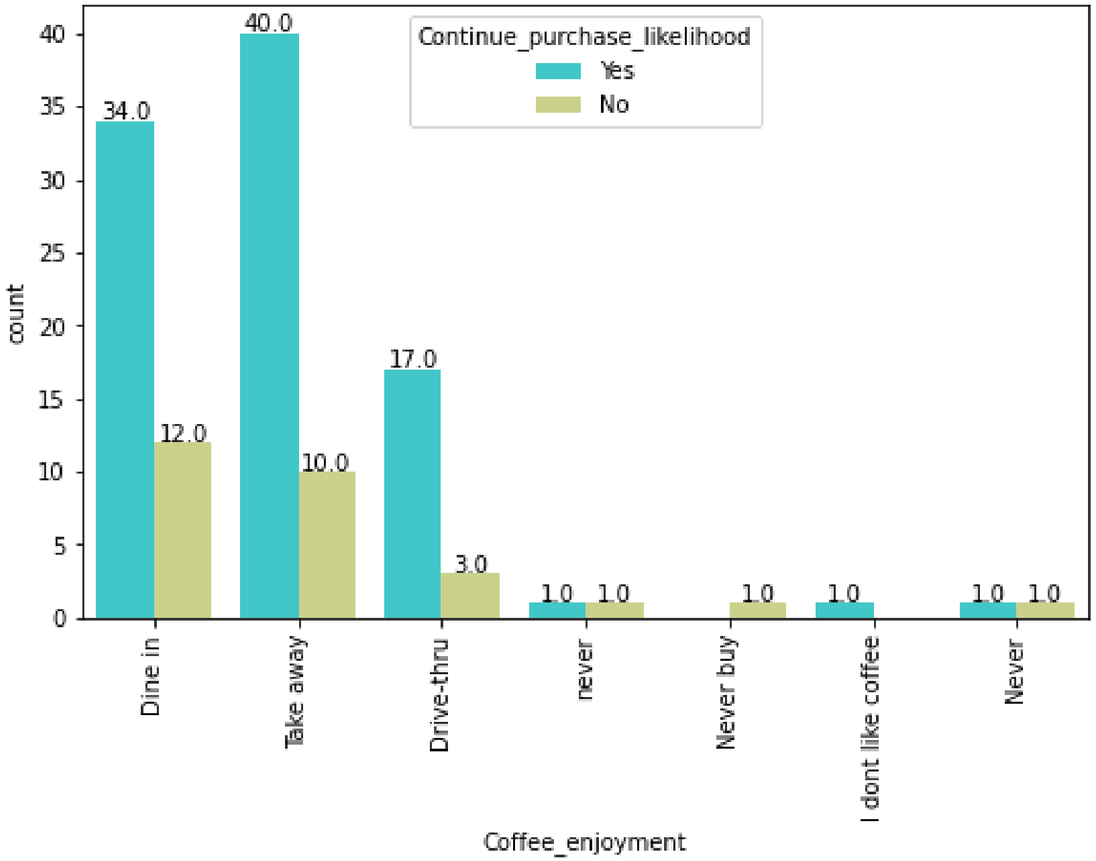


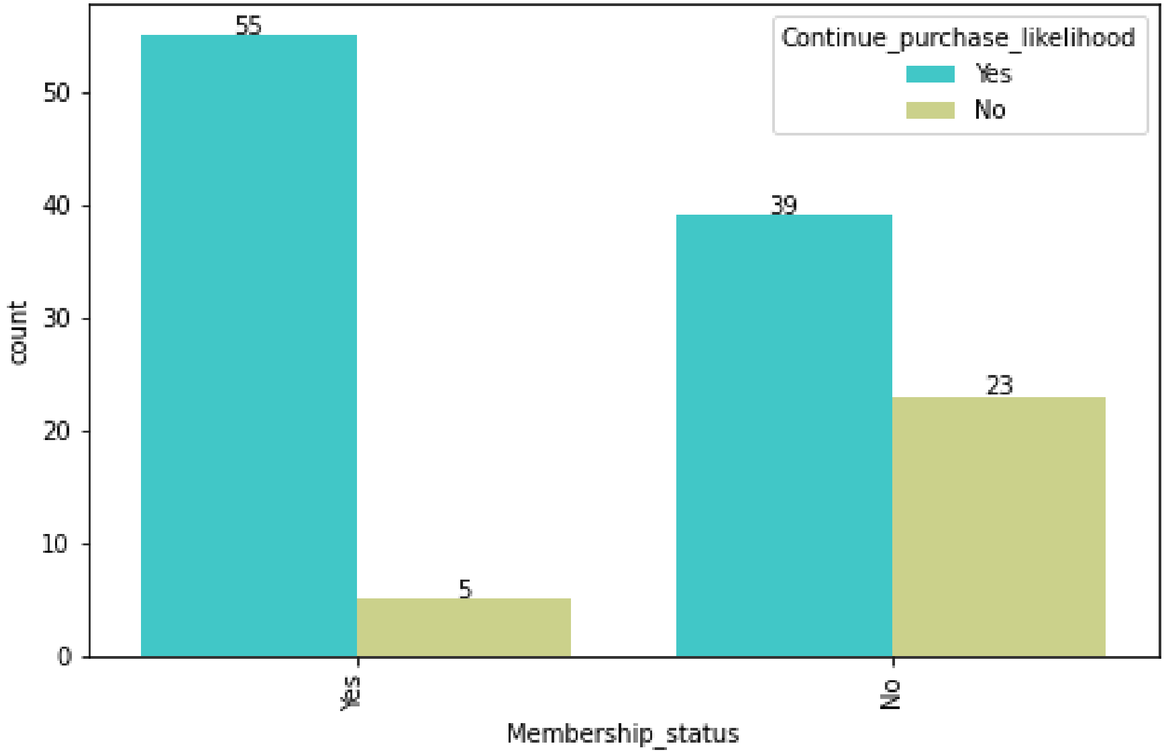
Insights

- Customers who are Coffee House members have a higher retention rate, with 55 indicating they will continue and only 5 indicating they will not continue.

- On the other hand, customers who are not members have a lower retention rate, with 39 indicating they will continue and 23 indicating they will not continue.

- This suggests that offering a membership program can be an effective strategy for increasing customer retention. The coffee shop can consider offering exclusive deals and promotions for members, which may encourage more customers to sign up.

- **Overall, membership status is a moderate predictor of customer retention. Therefore, the coffee shop should also focus on improving other aspects of its business, such as product quality, customer service, and atmosphere, to create a positive experience for all customers, regardless of membership status.**



Insights

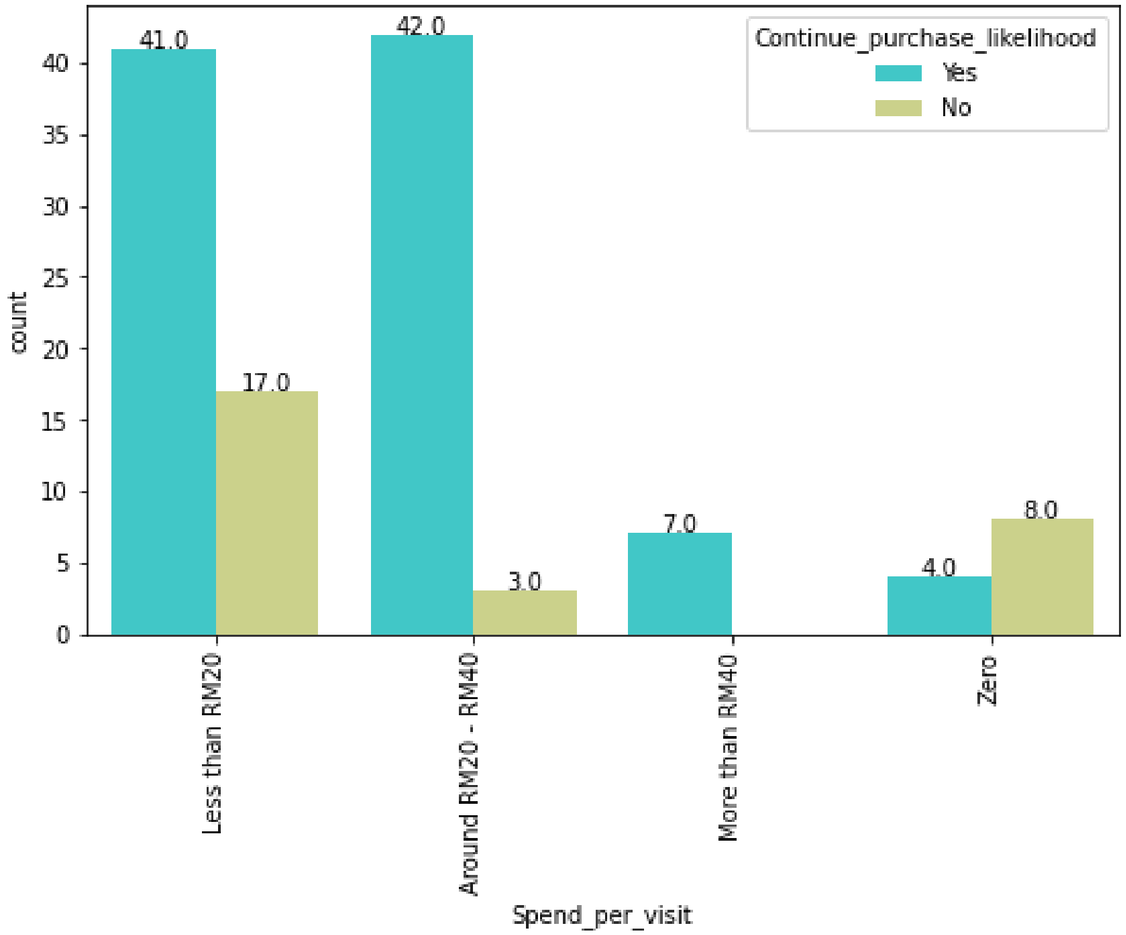
- Customers who spend less than RM20 per visit are less likely to return. Consider revising pricing strategy to attract and retain price-sensitive customers.

- Customers who spend around RM20 - RM40 per visit are more likely to continue purchasing. Focus on retaining these customers and offer incentives or promotions to encourage them to return.

- Customers who spend more than RM40 per visit are likely to continue purchasing. Continue to offer high-quality products and services to justify premium prices.

- Customers who spend zero at the coffee shop are also less likely to return. Improve product offerings or service quality to attract and retain these customers.

- **Overall, customer spending patterns are strongly related to customer retention. Implement targeted marketing and promotional campaigns to retain customers who spend around RM20 - RM40 per visit, while addressing the needs and preferences of customers who spend less or more.**



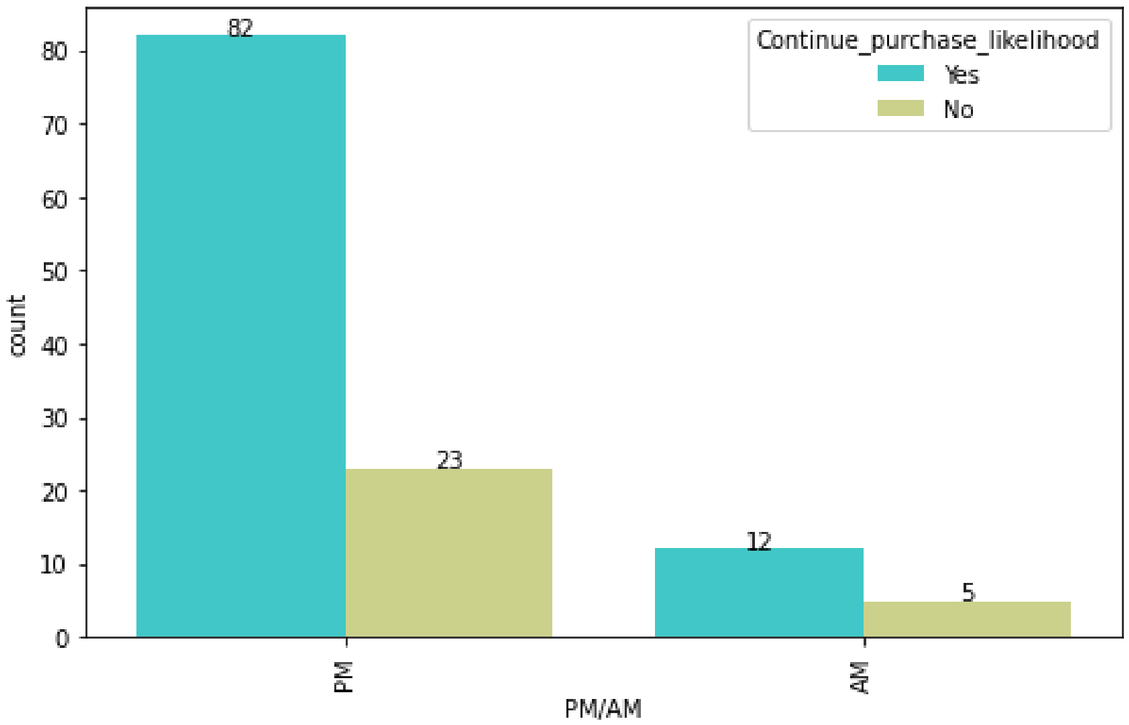
Insights

- Customers who tend to visit the coffee shop in the evening (PM) have a lower retention rate, with 23 indicating they will not continue and 82 indicating they will continue.

- Customers who tend to visit the coffee shop in the morning (AM) have a higher retention rate, with 12 indicating they will continue and 5 indicating they will not continue.

- This suggests that the coffee shop should consider expanding its marketing and advertising efforts to attract more customers in the morning. Additionally, the coffee shop could consider offering promotions and discounts during the evening to encourage customers to visit during this time.

- **Overall, the time of day when customers visit the coffee shop is a strong predictor of customer retention. Therefore, the coffee shop should focus on improving its products and services and implementing targeted marketing strategies that address the unique needs and preferences of customers who visit during different times of the day.**



Why I Chose 'Continue_purchase_likelihood' as dependent Variable ?

I chose **'Continue_purchase_likelihood'** as the dependent variable because it represents the likelihood of a customer continuing to make purchases at Coffee House. This variable can serve as a good proxy for customer retention, as it reflects the customer's intention to continue engaging with the brand.

Customer retention is a critical aspect of a business, as retaining existing customers often costs less than acquiring new ones. Furthermore, loyal customers are more likely to make repeat purchases and recommend the brand to others, which can lead to increased revenue and business growth.

By analyzing the relationship between the independent variables (customer behavior, preferences, and experiences) and 'Continue_purchase_likelihood', you can identify the factors that have the most significant impact on customer retention. This information can be used to develop strategies to improve customer satisfaction, increase customer loyalty, and ultimately boost sales and revenue.

Key Factors Influencing Customer Retention: Insights from Statistical Models

The feature selection using a Random Forest classifier and extracts feature importance scores. The output shows the ranking of the selected features based on their importance score in descending order.

The top 3 features that have the highest importance score for customer retention are:

- **Price_range_rating .**
- **Spend_per_visit.**
- **Brand_quality_rating .**

These features suggest that customers are more likely to be retained if they perceive the price range of the products to be reasonable, spend more per visit, and have a high perception of the brand quality.

A Coffee shop may focus on improving the price range, promoting brand quality, and providing a comfortable ambiance to retain customers. Additionally, offering loyalty programs and incentives for frequent customers may also improve customer retention.

Insights and Suggestions to Improve Customer Retention

Targeted Marketing

The majority of customers are between 20-29 years old (69.7%). The coffee shop should consider creating special deals or events that cater to younger customers to attract them

Enhance Customer Experience

Customers prefer to take away their coffee (41%) or dine-in (37.7%), indicating that drive-thru service (16.4%) is not as popular. The coffee shop should consider modifying its drive-thru service to make it more appealing to customers.

Pricing

The majority of customers (47.5%) are willing to spend less than RM20 at a coffee shop, and only a few customers (5.7%) are willing to spend more than RM40. The coffee shop should consider pricing its products accordingly to make them more affordable and competitive.

Retention Strategy

Most customers (77.9%) indicated that they are likely to continue purchasing at the coffee shop. The coffee shop should focus on retaining these loyal customers by offering them loyalty programs, discounts, and other incentives to encourage them to visit more often.

Insights and Suggestions to Improve Customer Retention

Promotion and Marketing

- Social media is the most commonly cited promotion source (26.4%). The coffee shop should continue to leverage social media to promote its products and services.
- Word-of-mouth is also an essential marketing tool. The coffee shop should encourage its loyal customers to recommend it to their friends and family.

Timing

The majority of customers (86.8%) visit the coffee shop during PM hours. The coffee shop should consider extending its opening hours to attract more customers during AM hours.

Other Factors

- The coffee shop should also consider improving its offerings to cater to customers' preferences, such as offering a wider variety of menu items and beverages.
- Customers are willing to travel more than 3km (50%) to reach a coffee shop, indicating that the coffee shop may attract customers from further away by offering better products and services.
- The coffee shop should also consider creating a loyalty program that rewards customers for their repeat business, which will increase customer retention and loyalty.

Thank You