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METHODOLOGY

01 - DATA

The data is used for analysis is the transaction data of a company in the retail goods industry. The data records each customer's transaction in purchasing goods, including the transaction ID, customer ID, transaction timestamp, and the total transaction amount for each transaction.

02 - TIME

The time period during which data was collected is from January 6, 2022, to August 31, 2022.



03 - ANALYSIS METHOD

The report utilizes basic statistical methods to present insights from the data, such as sum, min, max, count, average, and median. In addition, the data is also analyzed based on the RFM model. The RFM model is used to segment the business's customers into different customer segments.

DATA MAPPING (BEFORE)

Column name	Meaning	Data type	Example
Transaction_ID	The ID of the transaction. This ID is unique in the dataset	Text	1
CustomerID	The ID for each customer. This ID is unique for each customer but can repeat in this dataset	Text	1157830
Purchase_date	The date that the transaction is occurred	Date	6/1/2022
GMV	The total amount of money for each transaction	Number	75000

DATA MAPPING (AFTER)

Column name	Meaning Data type		Example
CustomerID	The ID for each customer. This ID is unique for each customer and it is also unique in this dataset	is unique for each customer and it Text	
Purchase_date	The date that the transaction is occurred	l Date I	
date_diff	The gap between the date of the latest transaction and the date of the report for each customer	Number	61
R	Recency. This is created by quantile all the value of date_diff. The value is from 1 to 4	Text	2
frequency Total number of transactions that each customer has made		Number	1

DATA MAPPING (AFTER)

Column name	Meaning	Data type	Example
F	Frequency. This is created by quantile all the value of frequency. The value is from 1 to	Text	1
GMV	The total amount of money for each transaction		105000
M	Monetary. This is created by quantile all the value of GMV. The value is from 1 to 4	Text	4
RFM	RFM metric	Text	214



Winmart is a retail company under the Masan Group. Winmart primarily operates in the retail industry and has hundreds of branches across various provinces and cities in Vietnam.

The data was collected from a newly opened store in Da Nang over a period of 3 months. Through this analysis, we can gain insights into the operational performance of a Winmart branch in Da Nang and classify customers into different segments, facilitating better customer service across various customer groups and segments.

OVERVIEW OF CUSTOMER 360 AND RFM MODEL

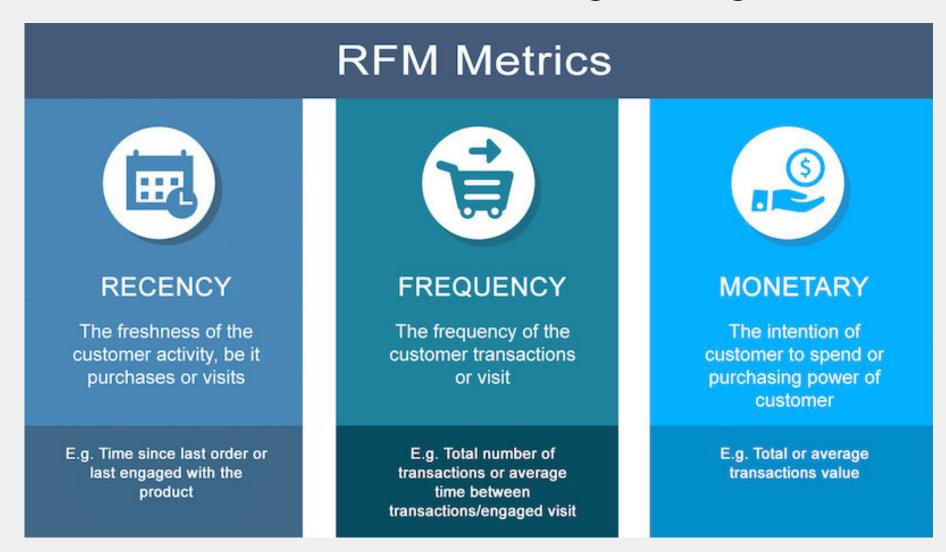
Customer 360" refers to a business strategy and technology framework that aims to create a comprehensive, unified view of a customer by aggregating and analyzing data from various touchpoints and interactions.

The goal of a Customer 360 approach is to provide businesses with a complete understanding of their customers' behaviors, preferences, and needs. By consolidating customer data, organizations can enhance customer experiences, improve customer satisfaction, and make more informed business decisions



OVERVIEW OF CUSTOMER 360 AND RFM MODEL

"RFM" stands for Recency, Frequency, and Monetary Value, and it is a method used in marketing and customer relationship management to analyze and categorize customers based on their behavior. The RFM model helps businesses identify and target specific customer segments for more effective marketing strategies.



RFM MAPPING

R	Definition
1	date_diff>=91 days
2	date_diff>= 61 days and date_diff <91 days
3	date_diff >=30 days and date_diff < 61 days
4	date_diff<30 days

RFM MAPPING

F	Definition
1	frequency <= 2
2	frequency >2 and frequency <=3
3	frequency >3 and frequency <=4
4	frequency >4

RFM MAPPING

М	Definition
1	GMV <= 70.000
2	GMV > 70.000 and GMV <= 75.000
3	GMV > 75.000 and GMV <= 95.000
4	GMV > 95.000

942.34K
Total number of customer

Within 3 months from the opening date, there have been up to 942.34 thousand customers who have registered as members

Within 3 months from the opening date, there have been a total of over 1 million transactions from customers

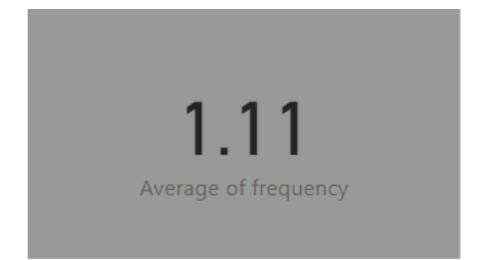
1.05M
Total number of transactions

82.76bn

Total revenue

The total revenue generated from transactions within the 3 months since the opening is 82.76 billion VND.

On average, each customer will make 1.11 transactions within the 3-month period.

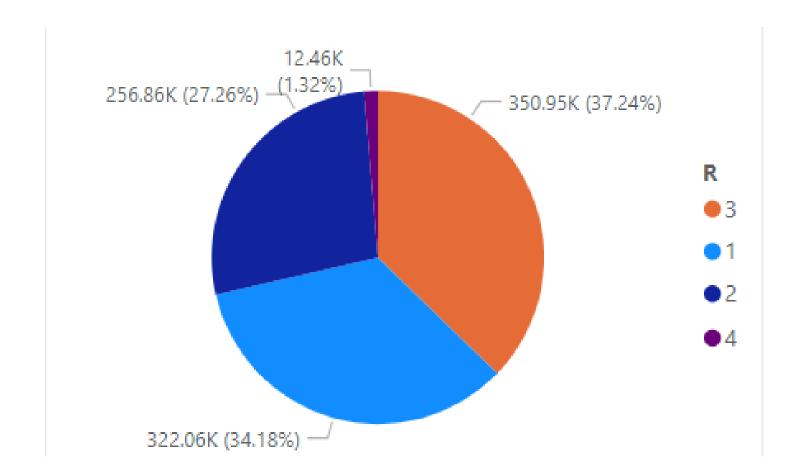


87.83K
Average of GMV

On average, for each transaction, the store will receive approximately 88,000 VND.

On average, most of the store's transactions will take place in the first month within the 3-month period after the opening.

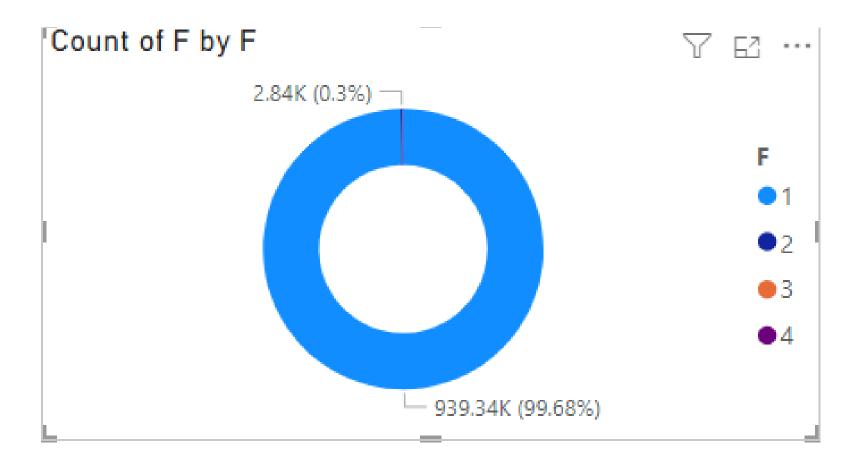
59.36Average of date_diff

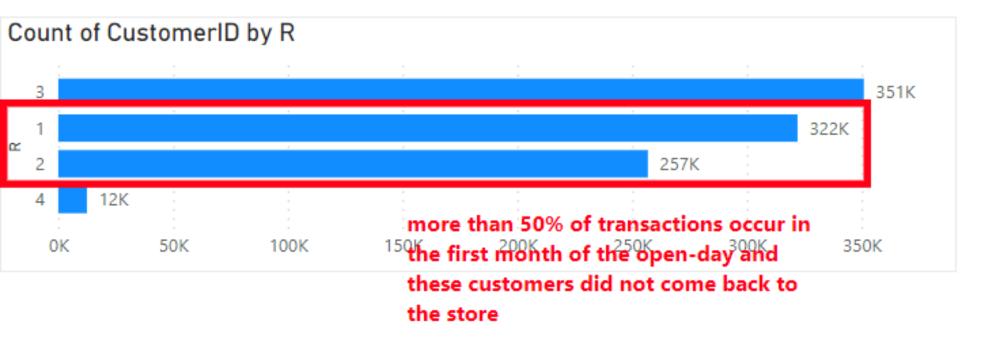


The R index is an indicator that represents the last time a customer transacted with the store in comparison to the report date. A lower R value indicates that the transaction occurred further in the past. From the chart, it can be observed that over 50% of the total transactions took place quite far from the report date (in the first month of the 3-month opening period).

The F index is an indicator representing the frequency of customer transactions with the store. A lower F value indicates a very low transaction frequency. From the chart, it can be observed that the majority (over 99%) of customers only perform 1-2 transaction.

frequency	Sum of frequency
1	839359
2	199962
3	8514
4	588
5	55
6	12
Total	1048490

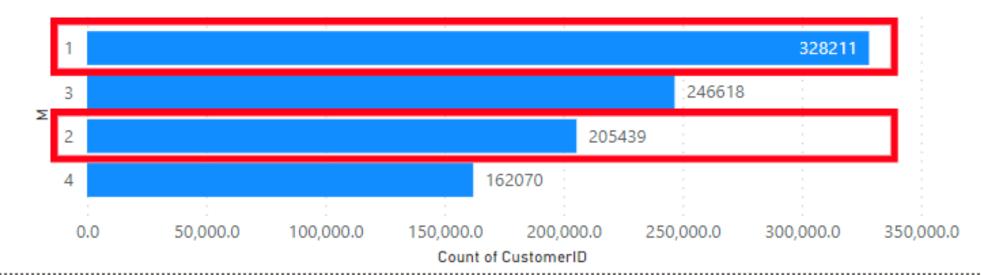




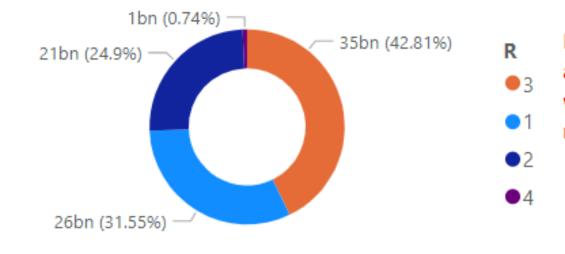




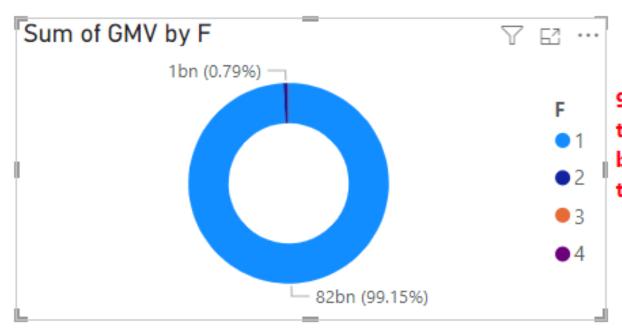
The majority of customer invoices are below 75,000 VND, accounting for over 50%.



Sum of GMV by R

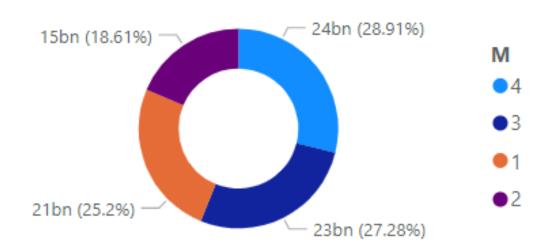


More than 50% of GMV are from the transactions which are in the first month



99% of revenue is from the customers who just bought only 1-2 times in the store

Sum of GMV by M



The revenue will be evenly distributed among each group within the M index.

SUMMARY

The data has revealed that within the first 3 months of the store's opening, it has been remarkably successful in attracting customer registrations, with nearly 1 million customers signing up as members. The store has also drawn in almost 1 million transactions, generating over 80 billion VND in revenue.

However, a notable observation is that the average usage frequency per customer is only 1.1 and 99% of F index is 1, indicating that, during the 3-month period after the opening, the majority of customers perform only one – two transactions. Most transactions occur in the first month when the average of date_diff is nearly 60 days and more than 50% of the R index are 1 and 2.

From this, it can be inferred that the store's retail strategy for this market may not be entirely suitable, as the rate of customer return to the store after the initial usage of the product or service is very low.

DATA ANALYSIS RFM Count of RFM T I 114439

Count of RFM

After combining the three indices R, F, M, we have a total of 34 RFM groups.

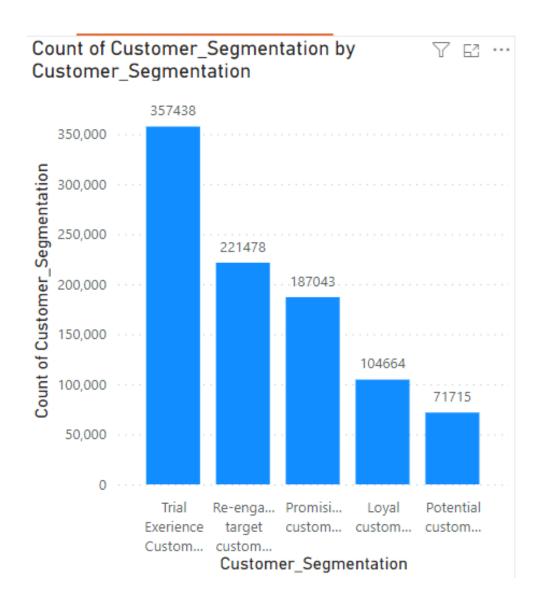
Total

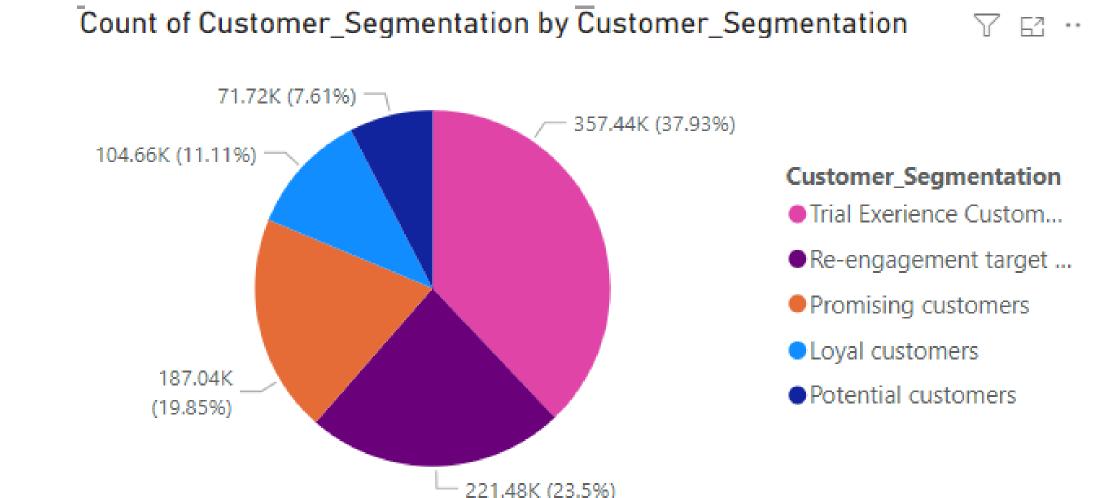
The table presents the RFM groups and their allocation in terms of their respective frequency.

Top 24 RFM

Customer Segmentation	Description	RFM
Trial Experience Customers	Customers who use the service on the first opening days, make small purchases, and do not return to the store within the next 3 months.	111, 211, 112, 212
Re-engagement target customers	Customers who use the service on the first opening days, make a large initial purchase, but have not returned within the following three months.	113, 213, 114, 214, 224
Potential customers	Utilizing the service on the last days of the third month, they may not be aware of their likelihood to become repeat customers, but their spending amount is very low.	312, 411, 412, 321, 421

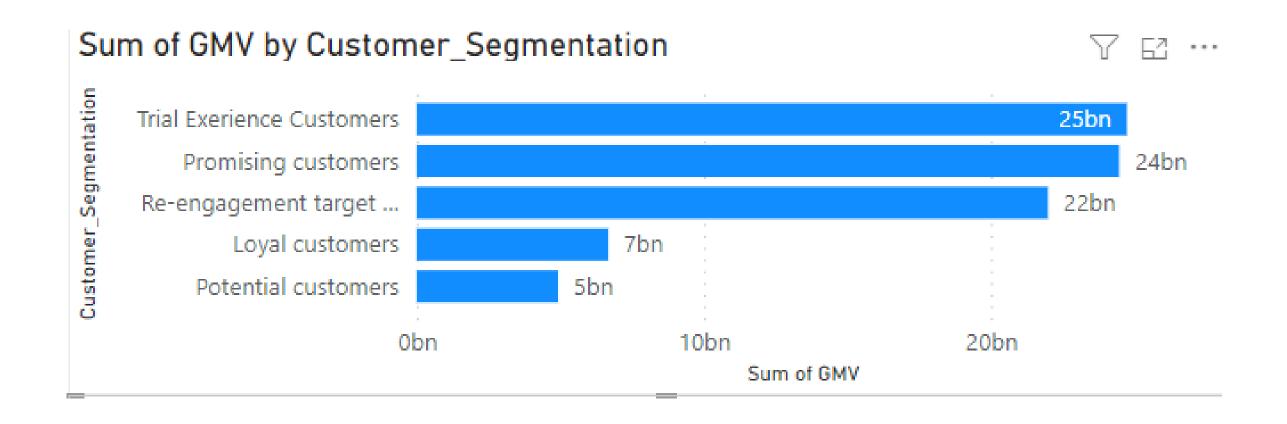
Customer Segmentation	Description	RFM
Promising customers	Utilizing the service on the last days of the third month, there is still uncertainty about their return; however, they spend significantly for their first experience.	314, 313, 324, 414, 413, 424, 323, 423
Loyal customers	The group of customers uses the service regularly, spends a considerable amount, and contributes to the store's profitability.	334





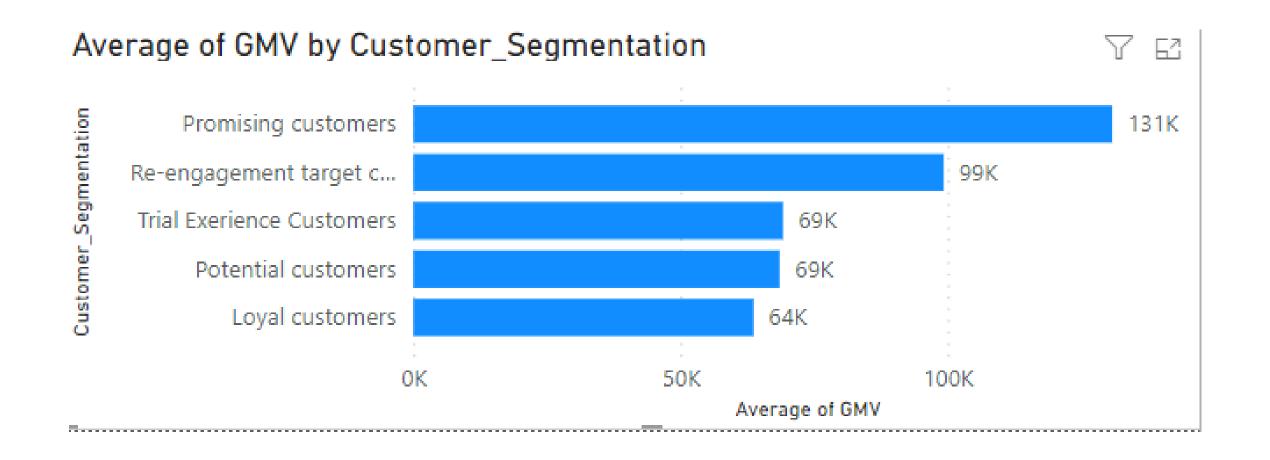
The primary customer files of the business consist of the Trial Experience Customers and Re-engagement Target Customers, as these two files account for over 60% of the business's customer base. These two customer groups seem to be challenging for the business to retain.

The remaining customer files make up about 40% of the business's customers, including the Promising Customer group (20%), Loyal Customer group (11%), and Potential Customers (9%). Among these customer groups, only the Loyal Customer group truly provides assurance to the business, ensuring long-term benefits. The other two groups require efforts in nurturing customers to transform them into the Loyal Customer group.



The store's revenue is derived from the three main customer groups: Trial Experience Customers, Promising Customers, and Reengagement Target Customers. These three groups collectively contribute 71 billion VND out of the total revenue of 80 billion VND over the store's three-month period. However, two out of these three customer groups have already left the business, and the remaining group requires significant nurturing to transform these customers into loyal patrons of the business.

The Loyal Customer group, despite bringing in 7 billion VND, accounts for less than 10% of the total store revenue.



The Promising Customers group generates the highest revenue per individual, while the Loyal Customer group provides the lowest revenue per customer. The Potential Customers group falls in between, slightly higher than the Loyal Customers group.

SUMMARY

The business situation of the store in the first 3 months is quite unfavorable, as:

- More than 50% of customers have already left the business.
- 30% of the remaining customer groups require significant nurturing before transforming them into consistently loyal customers.
- Only 10% are considered loyal customers. In a retail business, having only 10% of customers being loyal is a dire situation.
- Over 50% of the store's revenue comes from customers who have abandoned the business, posing a significant risk.
- 25% of the store's revenue comes from customers that need extensive nurturing, incurring substantial costs.
- Regular revenue is generated only from the Loyal Customer group, but this group contributes only 10% of the store's total revenue."

OPINION OF THE REPORT AUTHOR

The actual situation of the store: The company is operating inefficiently in the first 3 months of operation due to several factors:

- Almost all transactions occur in the first month, with very few transactions taking place in the following two months. This suggests that the company is implementing customer service policies that are not effective, leading customers to visit only once and not return to the store.
- The average frequency of each customer visiting the store is only 1.1, indicating that a customer tends to use the service only once in the first 3 months of operation.
- Over 50% of the company's customers have already left.
- 40% of the remaining customers require nurturing.
- Only 10% of customers are considered loyal, meaning the store has a loyalty rate of just 10%.
- The primary revenue in the first 3 months comes from customers who have abandoned the business and the customer group that needs nurturing, while the loyal customer group contributes less than 10% of the revenue."

RECOMMENDATION

- The store needs to thoroughly review its services, products, store layout—basically everything related to customer service—in order to improve overall store operations. It's highly likely that poor customer service is the primary cause of the current unfavorable store situation.
- Attracting additional new customers through various customer incentive programs, promotions, etc.
- Allocating some resources to reconnect with customers in the re-engagement target group to encourage their return to the store.
- Allocating a significant portion of resources to nurture the Potential Customers and Promising Customers groups, aiming to transform them into loyal and devoted customers.
- Allocating substantial resources to retain loyal customers and encourage them to make more purchases through cross-selling and up-selling, as revenue from this customer group, in general, is not yet high.