# Discover Monro's Best Customer

## Toms and Jerry Consulting

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# Roadmap

- Process Brief Introduction

- Customer Segmentation

- Strategies Based On Segmentation

- Predictive Model

- Further Steps

## Logic Process

**Ultimate Goal** | Define Monro's best customer group and implement strategy to acquire and maintain this group.

**Step 1: Measurement Building** ▶ **Step 2: Customer Segmentation** ▶ **Step 3: Customer Prediction**

Differentiated and grouped customers

⬇

**Customer-level RFM analysis**

Divided existing customers into **five** different groups

Strategy decision preparation

Developed model to predict which customers belong to which group
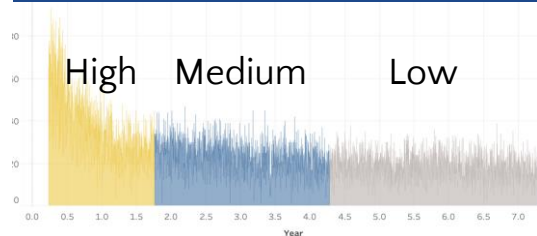
# Customer Segmentation

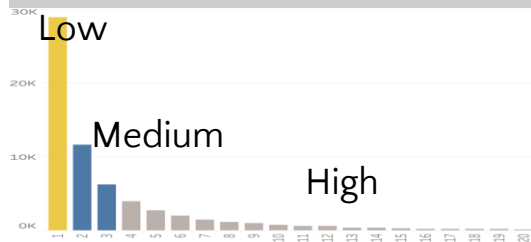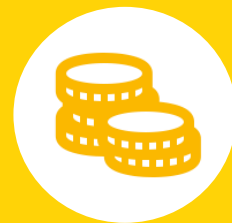RFM metrics    (High: 33% | Medium: 33–67% | Low: 67–100%)

**Recency**

High    Medium    Low

21 mos    4 yrs 3 mos    7 yrs+
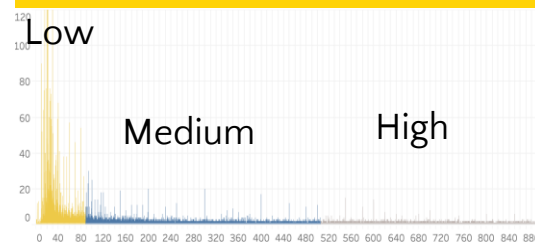
**Frequency**

Low
Medium
High

1 time    3 times    20 times+

**Monetary Value**

Low
Medium    High

$88    $505    $10K+

# Five customer segments make up Monro customer base



Distribution of different segments
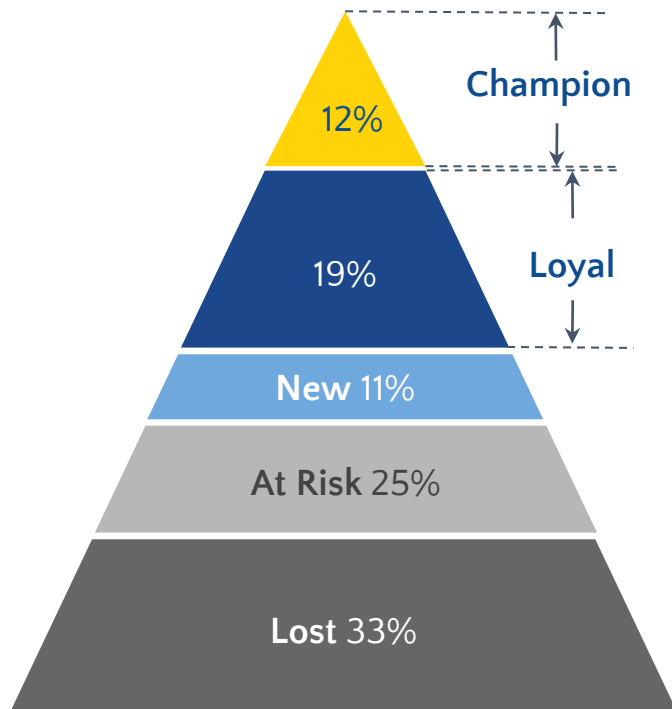
Champion **12%**
Loyal **19%**
New **11%**
At Risk **25%**
Lost **33%**
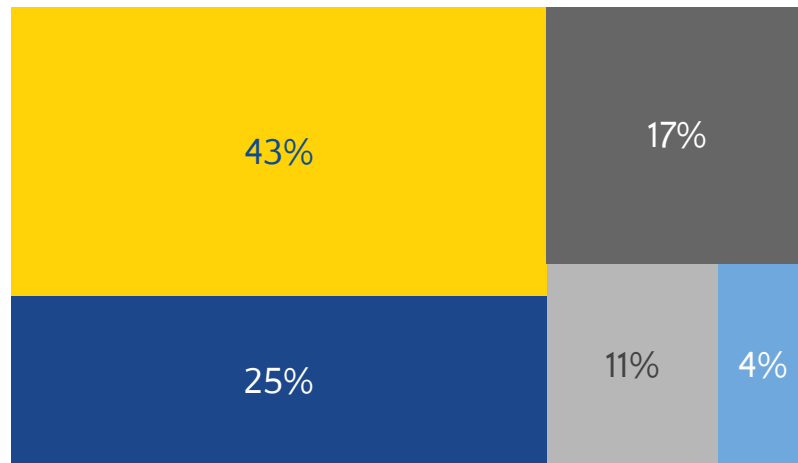
Revenue contribution of different segments

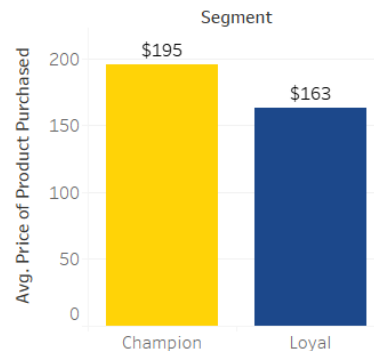43% | 17%
25% | 11% | 4%

# Strategies for Champion / Loyal Customers

# Upsell higher value products to Loyal Customers

## Avg Price per Product

Segment



| Service | Price Range |
|---------|-------------|
| **Oil Change** | $25–$50 |
| State Inspection | $150–$250 |
| Brake Repair | $300–$800 |
| Tire Replacement | $525–$725 |

## Segment:Product

Segment



| | | |
|---|---|---|
| Champion | 11.1% | 13.9% | 47.0% | 9.1% | 17.2% |
| Loyal | 10.9% | 10.2% | 53.5% | 7.4% | 16.7% |

Percentage of Total ✦

Legend:
- Tire
- Brake
- Flush
- Oil Change
- Scheduled Maintenance
- State Inspection
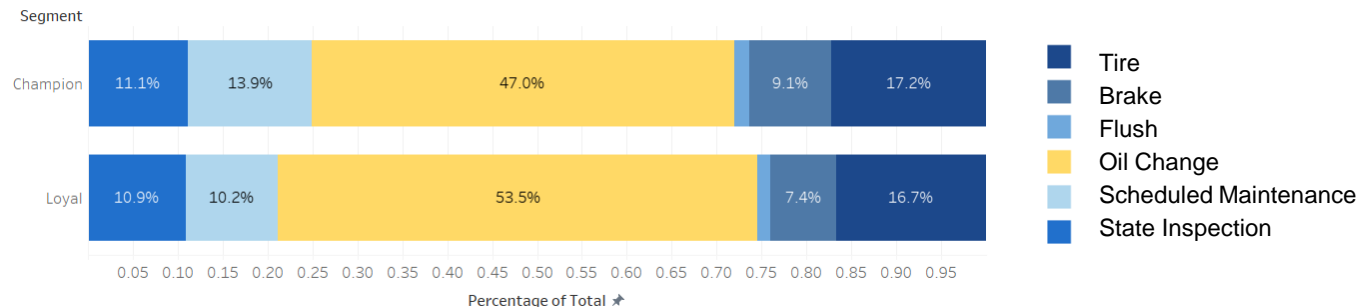
# Make full use of Champions' high WTP; Provide e-coupon for Loyal Customers



**Champion**

Do not provide coupon to extract full WTP

**Loyal Customer**

**Send e-coupon** to induce Loyal Customers to try premium services

# Build loyalty program to maintain relationship;
# Utilize advocacy program to improve brand image

**Loyalty Program**

**Advocacy Program**

Purchase reaches a given amount

↓

Join loyalty program

↓

**Accumulate loyalty points by making purchase**

↓

**Get rewards with loyalty points**

**Ask customers with high loyalty to provide positive reviews**

Online:
Official website – product/store review

Offline:
Introduce a friend to Monro

# Maintain relationship and make full use of high willingness to pay & loyalty
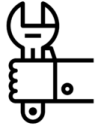
**Product**
- Upsell higher value products to Loyal Customers

**Promotion**
- Make full use of Champions' high WTP
- Send e-coupon to induce Loyal Customers to try premium services

**Communication**
- Build loyalty program to maintain relationship
- Utilize advocacy program to improve brand image

**Strategies for Increasing New Customers' Loyalty**

Increase new customers' frequency by promoting Prepaid Maintenance(PPM) Plan

**62%** of car owners will return to dealerships during their term of

prepaid maintenance plan.

**56%** will return to dealerships after their plan expires.

# Increase new customers' frequency by promoting Prepaid Maintenance(PPM) Plan
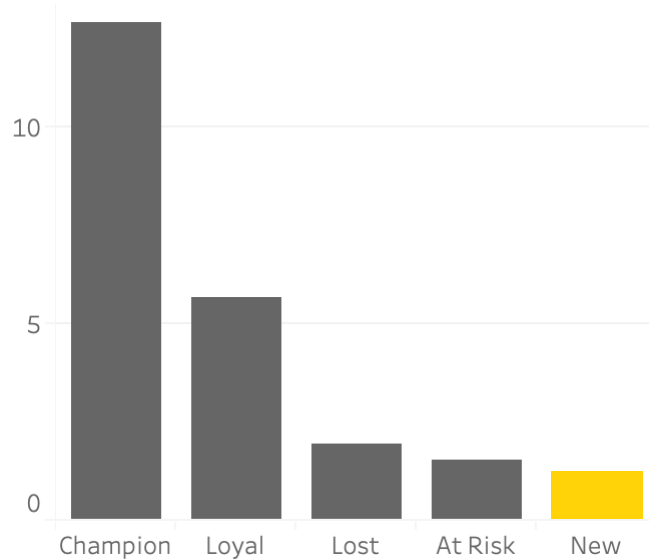


**Average visit frequencies of different segments**



## Pre-Paid Maintenance
**Services/parts Covered:**
- Oil changes
- Tire rotations

**Example of Chevrolet Prepaid Maintenance Plan**

# Include high–frequency products in PPM and offer different plans
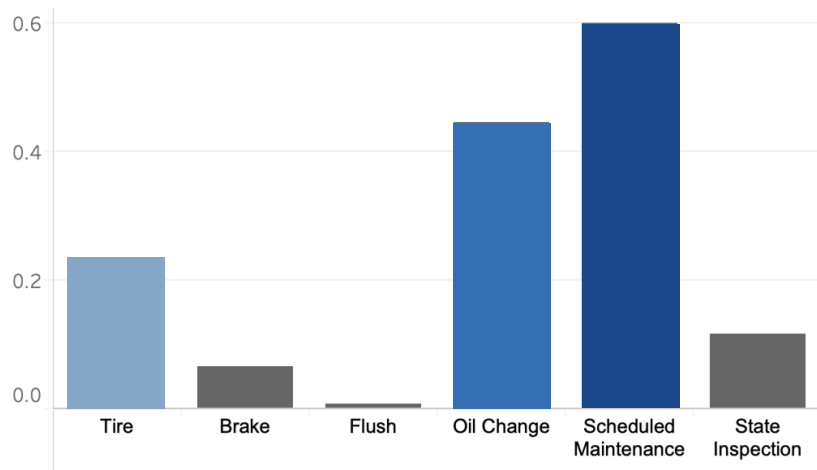


**Avg buying frequency of six products**

| Service and Product | Frequency |
|---|---|
| **Oil Change** | 3,000 – 7,500 miles/ 0.5 – 1 year |
| **Tire Rotation** | 5,000 – 7,500 miles/0.5 – 1 years |
| **Scheduled Maintenance** | 1 year (depends on make) |
| State Inspection | 1 year / 2 year |
| Flush | 30,000 miles / 5 years |
| Brake | 25,000 – 70,000 miles / 4–10 years |
| Tire | 5–10 years |

# Include high-frequency products in PPM and offer different plans
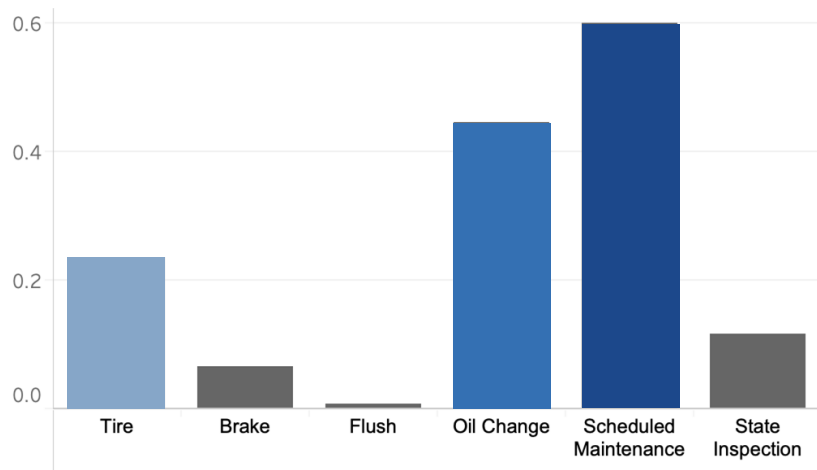


**Avg buying frequency of six products**

Recommendations on Monro's prepaid maintenance plan:

– Include **oil change and tire rotation** in Basic Prepaid Maintenance Plan.

– Combine **repair and appearance service** with **maintenance service**.

– Offer **different or customized plans** for customers.

# Strengthen communication with new customers

## Familiar with Monro

**Offline:**

Offer introduction manual about all the products onsite or mailing manuals to their address.

**Online**

Send welcome letter with product manual attached after customers' first visit.

## Improve After-sales Experience

**Evaluation:**

Deliver quick evaluation after visit and link feedbacks to customer's system data.

**Follow-up:**

Send thank-you letter and reminders for PPM customers their remaining service. Offer online follow-up consultant and free follow-up service.

# Strategies for increasing new customers' loyalty

**Promotion**

- Promote different **PPM (Prepaid Maintenance)** plan for new customers

**Communication**

- Offer **product manuals** help new customers get familiar with Monro
- Offer **follow-up service** and request **evaluation** to improve customer experience
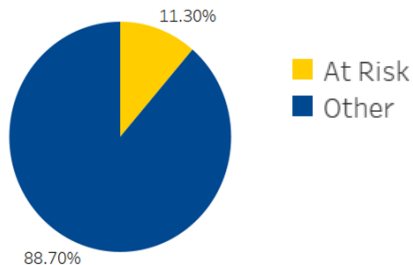
**Strategies for At-Risk Customers / Lost Customers**

# Strategies for re-engaging At-Risk Customers

The proportion of sales generated by At-Risk segment



11.30%

- At Risk
- Other

88.70%

The number of customers within each segment



**Promotion**

- Send out email coupons
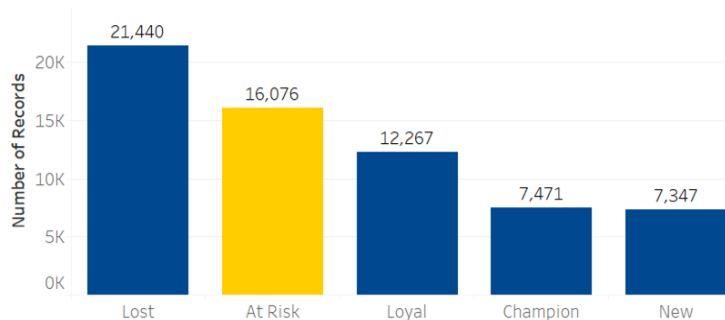
**Communication**

- Deliver warm greeting email on holidays
- Send brief intro email of new products if any

# Listen to and learn lessons from Lost Customers

**Why did you leave Monro?**

| What does Monro want to know | How to do |
|---|---|
| ➜ Existing problems | ➜ Paid online survey & focus group |
| ➜ Weakness compared to competitor | ➜ Data validation |
| ➜ New industry trend | |

# Predictive Model

# Predict how valuable a new customer would be to Monro

Male, 3–15–year–old luxury SUV, New England

| Predicted Segment: Champion | Predicted Lifetime Value: $732.72 |
|---|---|
| **Predict Segment**<br>Implement strategies accordingly | **Predict Lifetime Value**<br>Manage promotion budget |

**Not good performance with limited features**    Accuracy = 0.29

# Improve model performance by including better predictors

**Customer Demographics**

e.g. age, marital status, income, occupation

**Purchase Information**

e.g. product purchased, price

**Promotion Information**

e.g. campaign, coupon, how he/she came to Monro

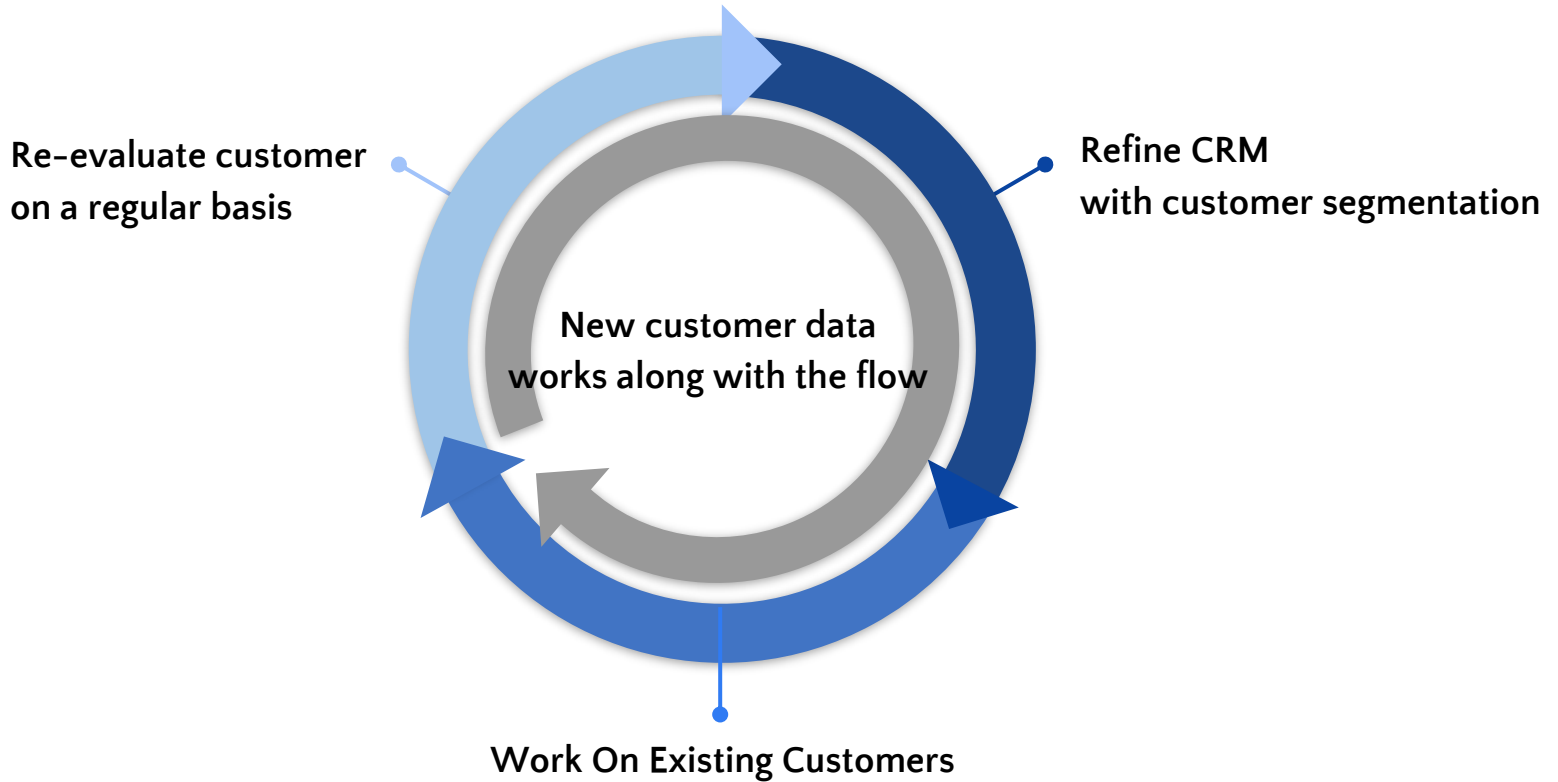**Vehicle information**

e.g. Under warranty or not

# Further Steps

# Future plan implementation flow



Re-evaluate customer
on a regular basis

Refine CRM
with customer segmentation

New customer data
works along with the flow

Work On Existing Customers

# Discover Monro's Best Customer

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## Appendix I: RFM Customer Segmentation Standards

|  | Recency | Frequency | Monetary Value |
|---|---|---|---|
| **Champion** | 3 | 3 | 3 |
| **Loyal** | 3 | 3 | 1–2 |
|  | 3 | 2 | 2–3 |
|  | 2 | 3 | 1–3 |
| **New** | 3 | 2 | 1 |
|  | 3 | 1 | 1–3 |
| **At Risk** | 2 | 1–2 | 1–3 |
| **Lost** | 1 | 1–3 | 1–3 |

**Levels**:
3 – High
2 – Medium
1 – Low

# Appendix II: Predictive Model

mlogit_model <- multinom(segment ~ isluxury + Car_Type + CarAgeGroup + Gender + Region,

data = seg_data, maxit = 1000)

- **Dependent Variable: Segments** ("Champion", "Loyal", "New", "At Risk", "Lost")
- **Independent Variables**: informations acquired after a new customer's first visit
  - isLuxury (T/F)
  - Car Type ("Family Car", "Truck", "SUV", "MPV", "Sports Car")
  - Car Age Group ("below 3", "3-15", "15-27", "27-40", "above 40")
  - Gender (M,F,U)
  - Region ("Great Lakes", "Mideast", "New England", "Rocky Mountain/Midwest", "Southeast", "Southwest", "West Coast")