

Credit Card Segmentation- Business Case

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Business Case Overview:

This case requires trainees to develop a customer segmentation to define marketing strategy. The sample dataset summarizes the usage behavior of about 9000 active credit card holders during the last 6 months. The file is at a customer level with 18 behavioral variables.

Expectations from the Trainees:

1. Advanced data preparation. Build an ‘enriched’ customer profile by deriving ‘intelligent’ KPI’s such as monthly average purchase and cash advance amount, purchases by type (one-off, installments), average amount per purchase and cash advance transaction, limit usage (balance to credit limit ratio), payments to minimum payments ratio etc.
2. Advanced reporting. Use the derived KPI’s to gain insight on the customer profiles.
3. Clustering. Apply a data reduction technique factor analysis for variable reduction technique and a clustering algorithm to reveal the behavioral segments of credit card holders

Data Dictionary:

CUST_ID	Credit card holder ID
BALANCE	Monthly average balance (based on daily balance averages)
BALANCE_FREQUENCY	Ratio of last 12 months with balance
PURCHASES	Total purchase amount spent during last 12 months
ONEOFF_PURCHASES	Total amount of one-off purchases
INSTALLMENTS_PURCHASES	Total amount of installment purchases
CASH_ADVANCE	Total cash-advance amount
PURCHASES_FREQUENCY	Frequency of purchases (percentage of months with at least one purchase)
ONEOFF_PURCHASES_FREQUENCY	Frequency of one-off-purchases
PURCHASES_INSTALLMENTS_FREQUENCY	Frequency of installment purchases
CASH_ADVANCE_FREQUENCY	Cash-Advance frequency
AVERAGE_PURCHASE_TRX	Average amount per purchase transaction
CASH_ADVANCE_TRX	Average amount per cash-advance transaction
PURCHASES_TRX	Average amount per purchase transaction
CREDIT_LIMIT	Credit limit
PAYMENTS	Total payments (due amount paid by the customer to decrease their statement balance) in the period
MINIMUM_PAYMENTS	Total minimum payments due in the period.
PRC_FULL_PAYMENT	Percentage of months with full payment of the due statement balance
TENURE	Number of months as a customer