West Coast Protein

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AGENDA

01 **BUSINESS AND DATA UNDERSTANDING**

Identify goals and challenges

02 **DATA PREPARATION AND MODELLING**

Customer segmentation

03 **EVALUATION AND DEPLOYMENT**

Suggest service levels and communication strategies

01

BUSINESS AND DATA UNDERSTANDING

THE CLIENT'S POSITION CAN BE FURTHER STRENGTHENED

CLIENT

- Sports nutrition producer
- Main product: protein powder
- B2B company
- Significant but not dominant market share

PARTNERS

- Retailers and wholesalers
- One or several sales channels
- Physical and online distribution
- Share of wallet varies among partners

CUSTOMER SERVICE

- Primary channels: telephone, email
- Physical visits by salespeople
- Package deals and discounts
- Big influence of relationship quality

GOAL

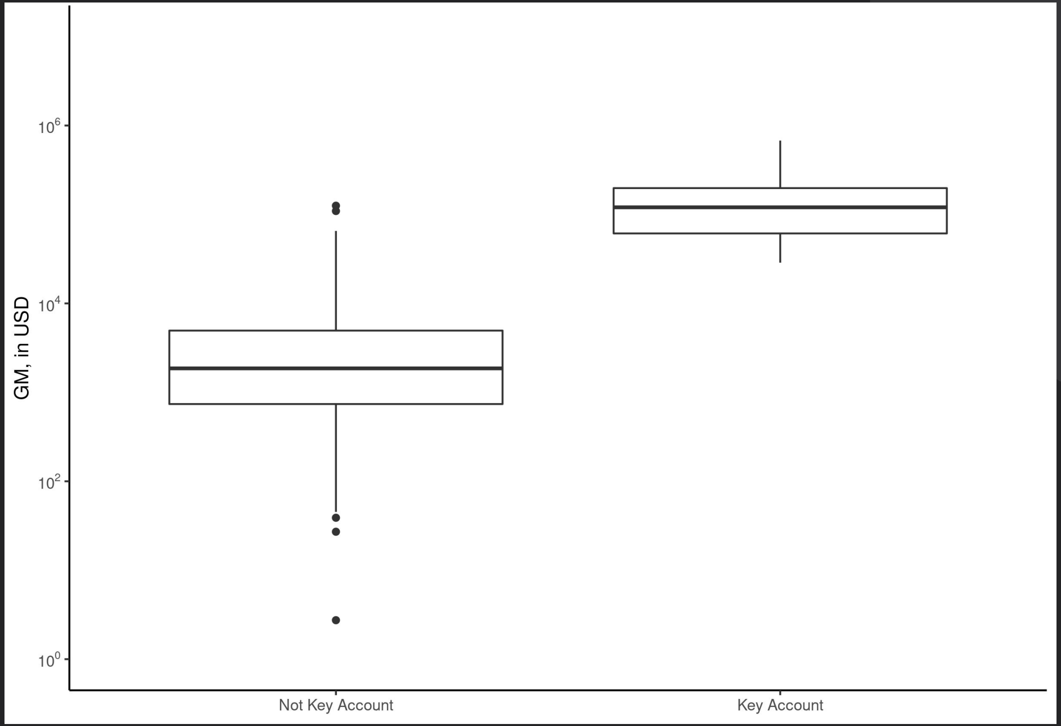
Strengthen position through **differentiated customer service.** Segments need to be identified based on sales potential.

THE AIM OF THE ANALYSIS IS CUSTOMER SEGMENTATION

1. Identify customer segments among the active partners
2. Identify which segments have the highest sales potential
3. Suggest service levels for the segments aligned with their sales potential

THE GROSS MARGIN FROM KEY AND NON-KEY ACCOUNTS DIFFER

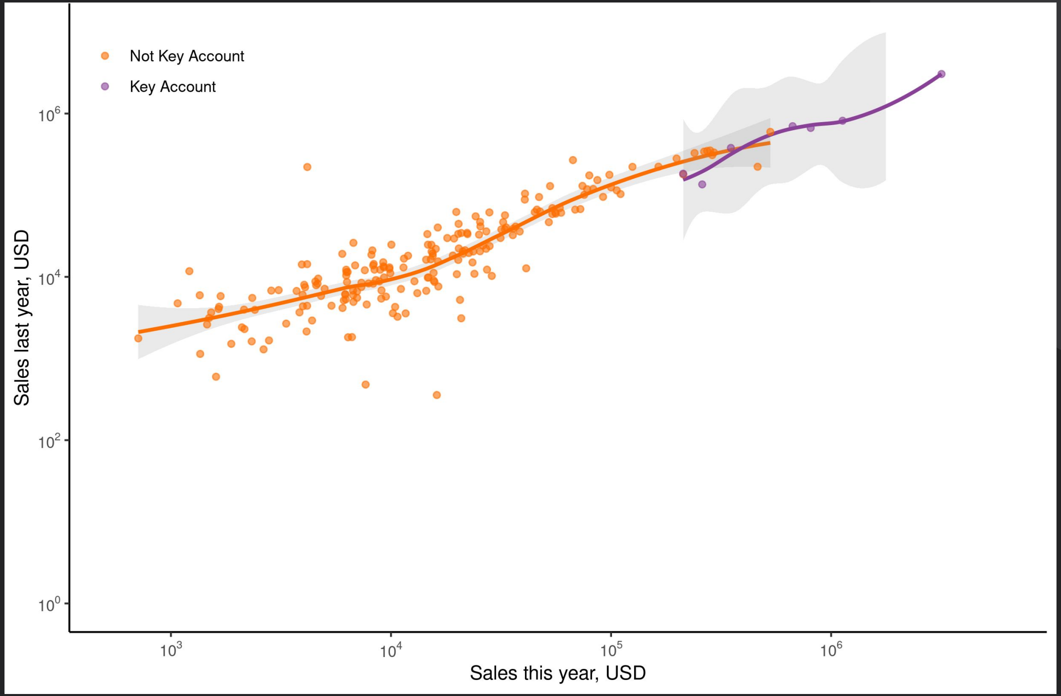
GROSS MARGIN OF PROTEIN SALES THIS YEAR



Even though the margins are different between the two groups **some of the non-key accounts** have the potential to **become key accounts**.

KEY ACCOUNTS ARE EASY TO DISTINGUISH BASED ON SALES FIGURES

CORRELATION BETWEEN SALES THIS YEAR AND LAST YEAR



Key accounts generated more sales this year and last year as well compared to most other partners. However, **there is an overlap** between the two groups.

KEY ACCOUNTS ARE EASY TO DISTINGUISH BASED ON SALES FIGURES

1 SALES CHANNELS CONDITIONAL ON KEY ACCOUNT (MEAN)

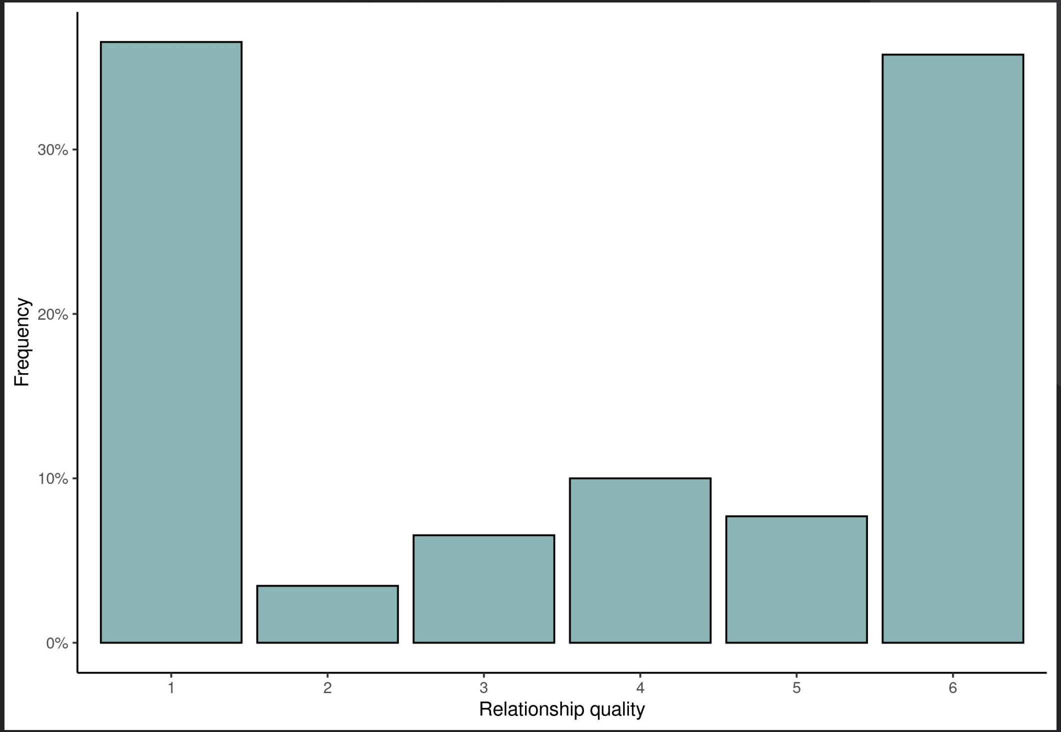
Key Account	Shop	Gym	Distributor	Webshop	Other
No	0.64	0.12	0.1	0.11	0.02
Yes	0.17	0	0.1	0.73	0

2 EXTRA CHARACTERISTICS CONDITIONAL ON KEY ACCOUNT (MEAN)

Key Account	Protein Sales	Months Ordered	Share of Wallet	Relationship Quality
No	7912	7.77	0.31	3.41
Yes	292853	11.83	0.18	2.83

RELATIONSHIPS WITH PARTNERS ARE POLARIZED

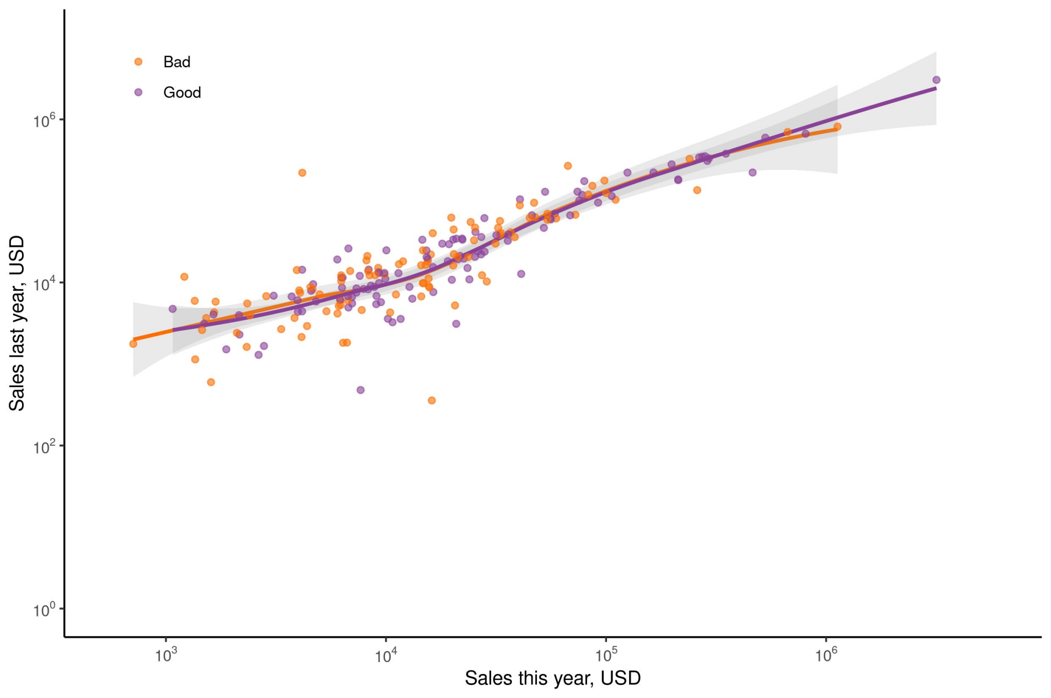
DISTRIBUTION OF RELATIONSHIP QUALITY AMONG PARTNERS



Customer service activities depend on the quality of relationships with partners. Therefore **partners with a low score** could be **excluded** from extra services even if they have a high sales potential.

RELATIONSHIP QUALITY DOES NOT CORRELATE WITH SALES

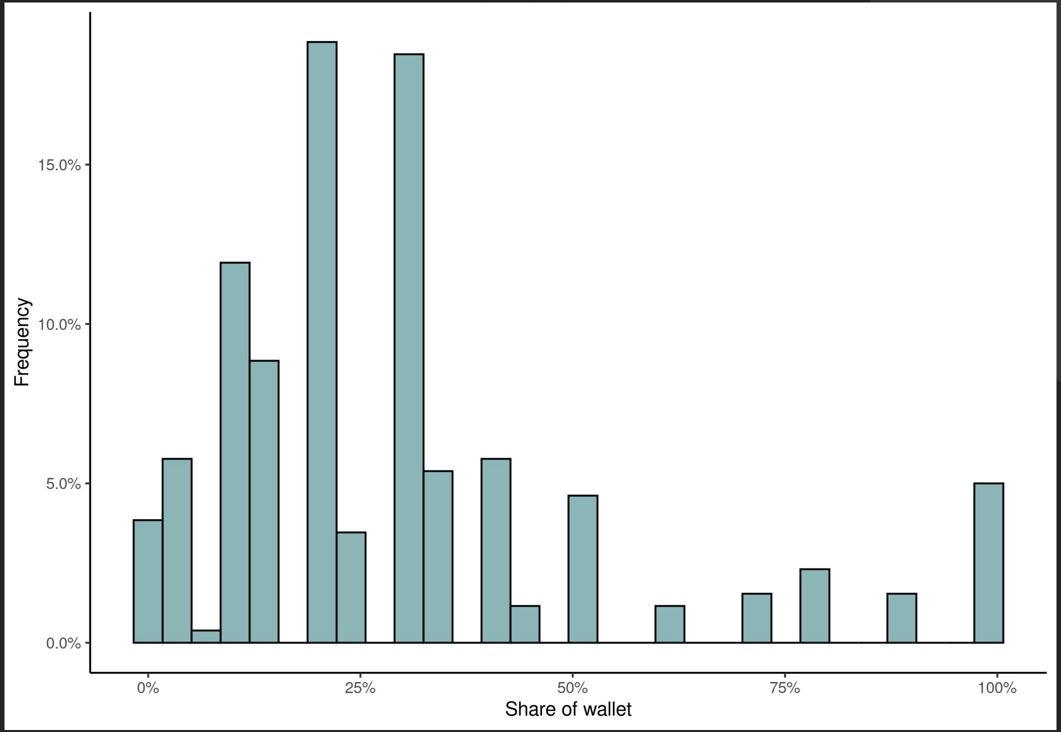
CORRELATION BETWEEN SALES THIS YEAR AND LAST YEAR



Despite the key accounts, on average there is **no difference between 'Bad' and 'Good' partners** in terms of sales.

THERE IS ROOM FOR INCREASING THE SHARE OF WALLET I.

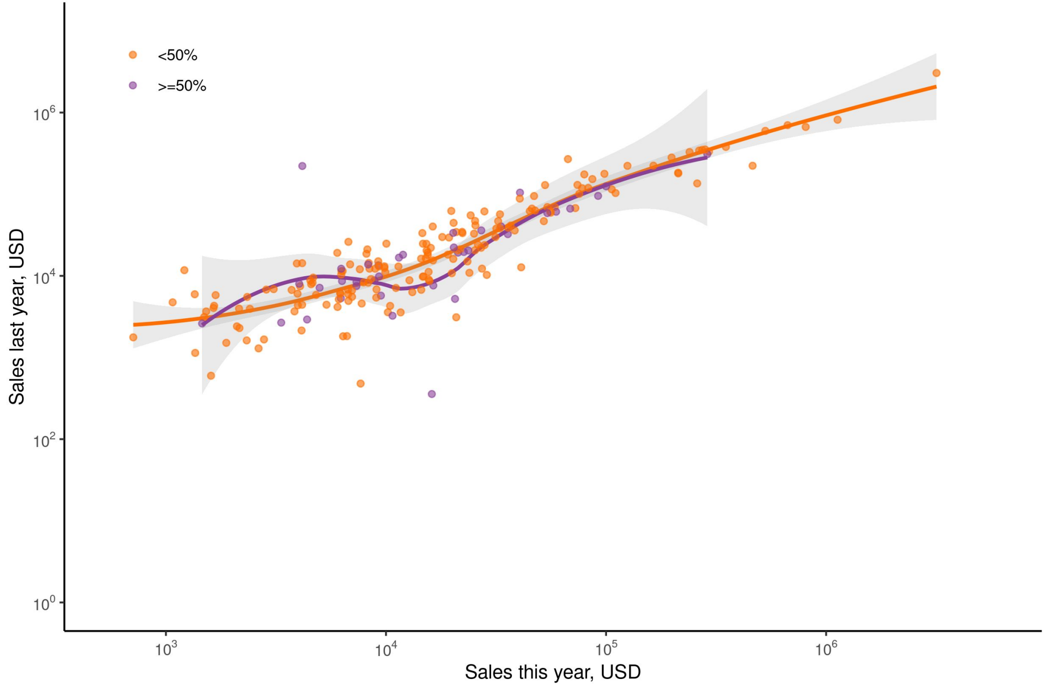
PARTNER SHARE OF WALLET ESTIMATED BY EMPLOYEES



A large share of partners is **below 50%** in terms of the share of wallet measure.

THERE IS ROOM FOR INCREASING THE SHARE OF WALLET II.

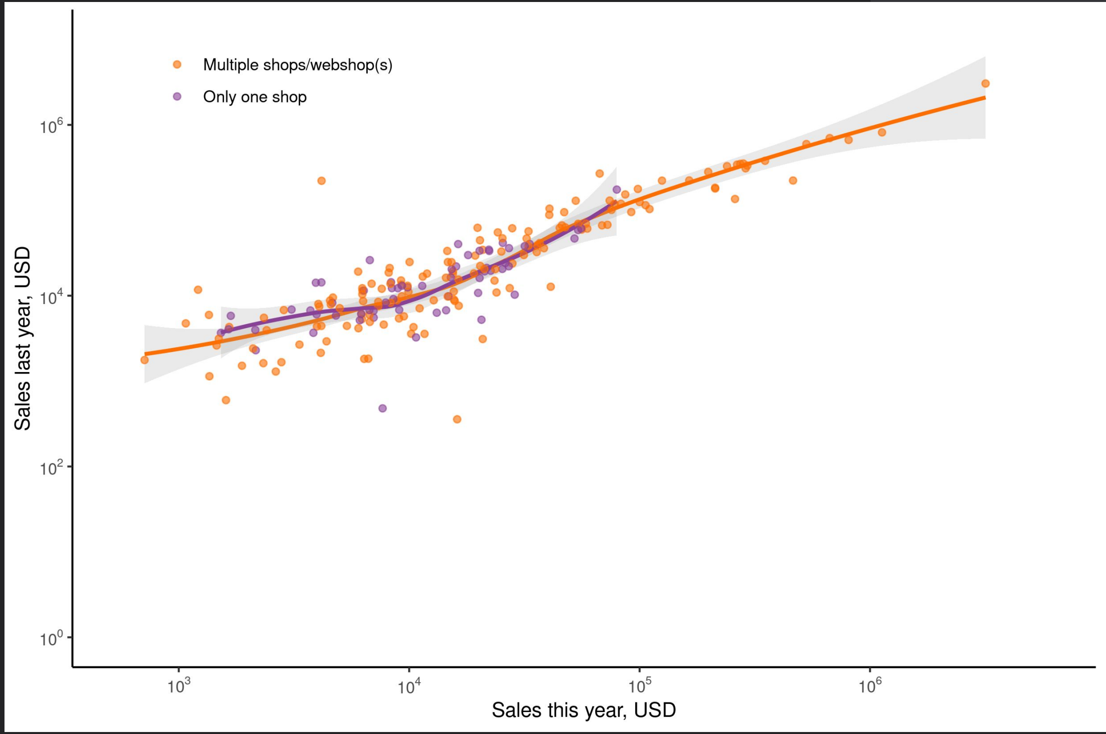
CORRELATION BETWEEN SALES THIS YEAR AND LAST YEAR



For partners who generate the **highest amounts of sales** the share of wallet is **below 50%**.

PARTNERS USING MORE CHANNELS GENERATE HIGHER SALES

CORRELATION BETWEEN SALES THIS YEAR AND LAST YEAR



Partners operating **multiple shops and/or webshops** generate **higher sales** on average compared to those who only operate one shop.

02

DATA PREPARATION AND MODELLING

DATA PREPARATION STEPS WERE NECESSARY

FILTERING

1. Filter for Active Partners
2. Drop variables with a lot of missing values: Amazon web, SIze of the shop
3. Drop observations where values of Population and Sales Channel Gym are missing
4. Filter Key Accounts

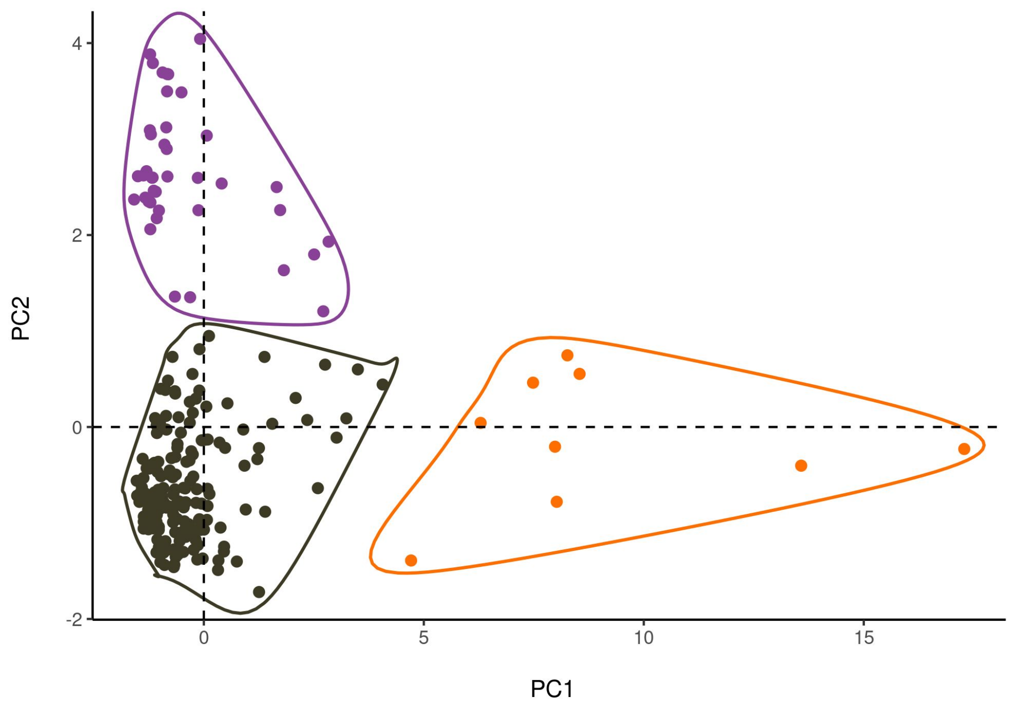
SCALING

1. Keep numeric variables
2. Standardize by subtracting mean and dividing by standard deviation

PCA and K-means clustering can be applied

THE FIRST ITERATION IDENTIFIED POTENTIAL KEY ACCOUNTS

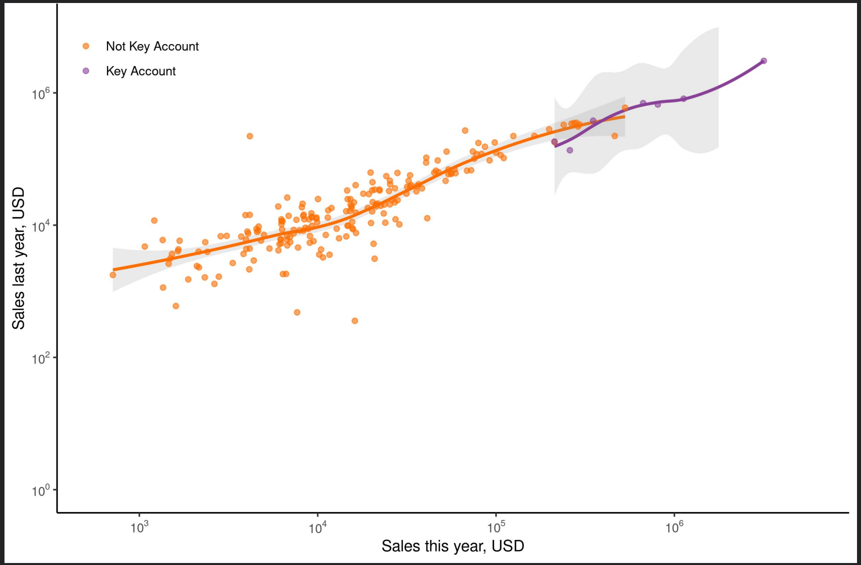
INITIAL THREE CLUSTERS OF PARTNERS



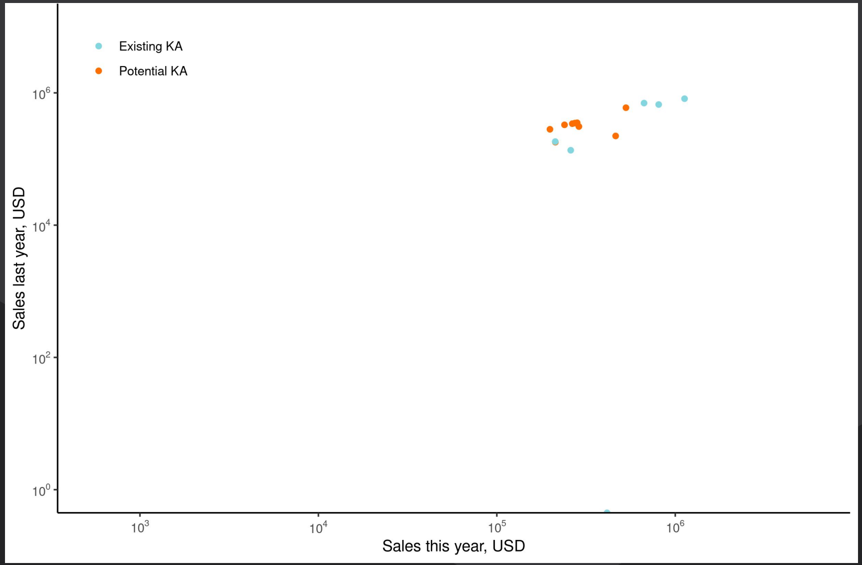
- Partners in the Orange Cluster have the same performance as current Key Accounts
- We marked them as Potential Key accounts and separated them from the rest
- The Purple and Black Clusters are relatively big so there is a need to further split them

THE GROUP OF KEY ACCOUNTS SHOULD BE EXTENDED

BEFORE CLUSTERING



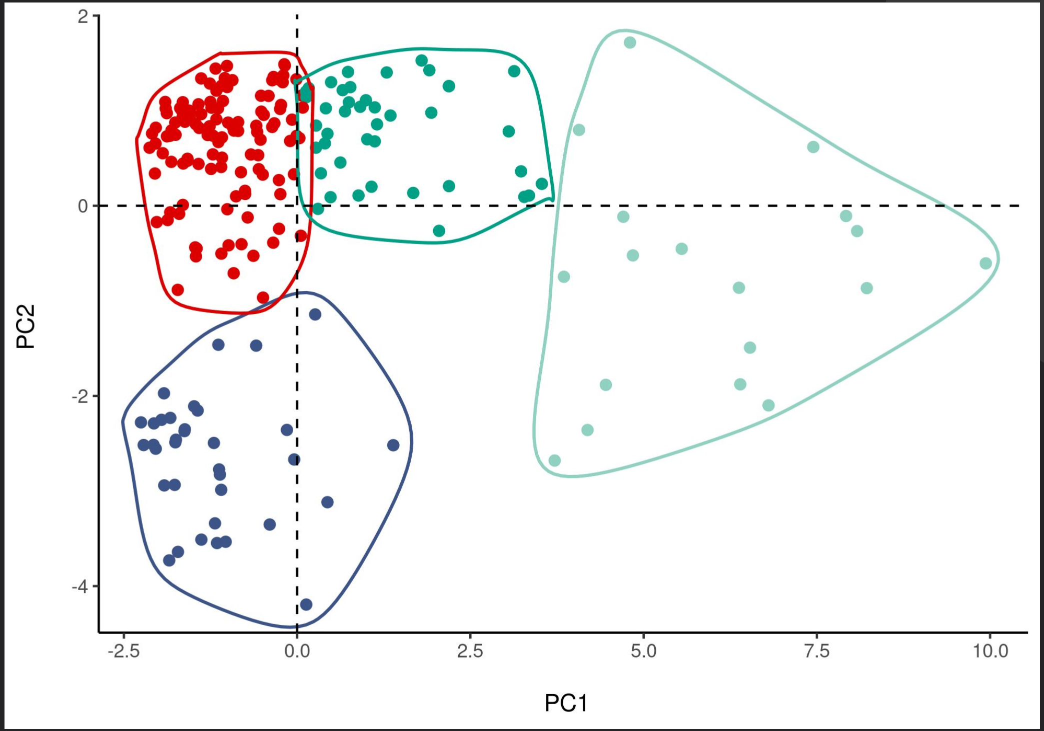
AFTER CLUSTERING



Clustering proved our initial assumption that some of the non-key accounts should actually be key accounts based on their characteristics.

THE SECOND ITERATION IDENTIFIED 4 CUSTOMER SEGMENTS

FOUR CLUSTERS OF NON-KEY ACCOUNTS



- The clusters differ along the sales and distribution channel dimensions
- The clusters vary in size but too many segments would increase the cost of differentiated customer service too much
- We decided to add these 4 segments to the previously identified 2

03

EVALUATION AND DEPLOYMENT

THE FINAL 6 SEGMENTS DIFFER IN THEIR SALES POTENTIAL

KEY ACCOUNTS

Highest sales, most of it comes from webshops

PREMIUM PARTNERS

Mostly distributors, relatively large share of wallet

VISIONARIES

Mostly shops, high potential for more webshop sales

POTENTIAL KEY ACCOUNTS

High sales, more differentiated sales channels

CHALLENGERS

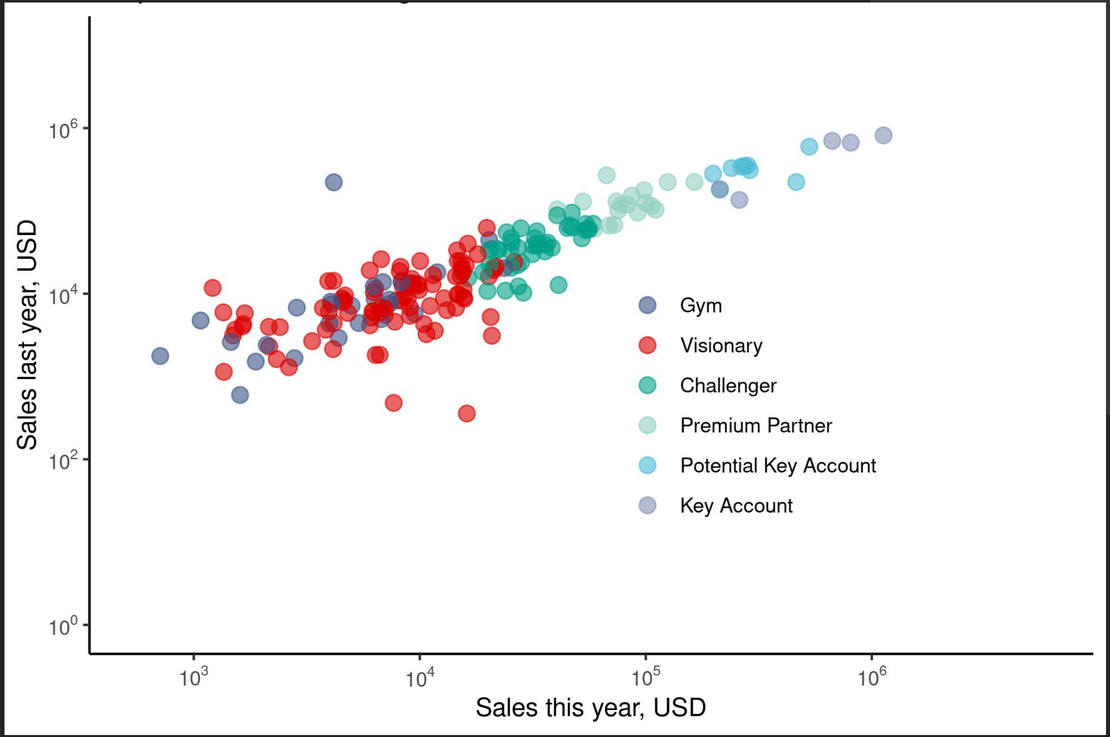
Mostly shops, frequent orders

GYMS

Almost entirely gyms, largest share of wallet

THE 6 SEGMENTS CAN BE SEPARATED ALONG THEIR SALES VOLUMES

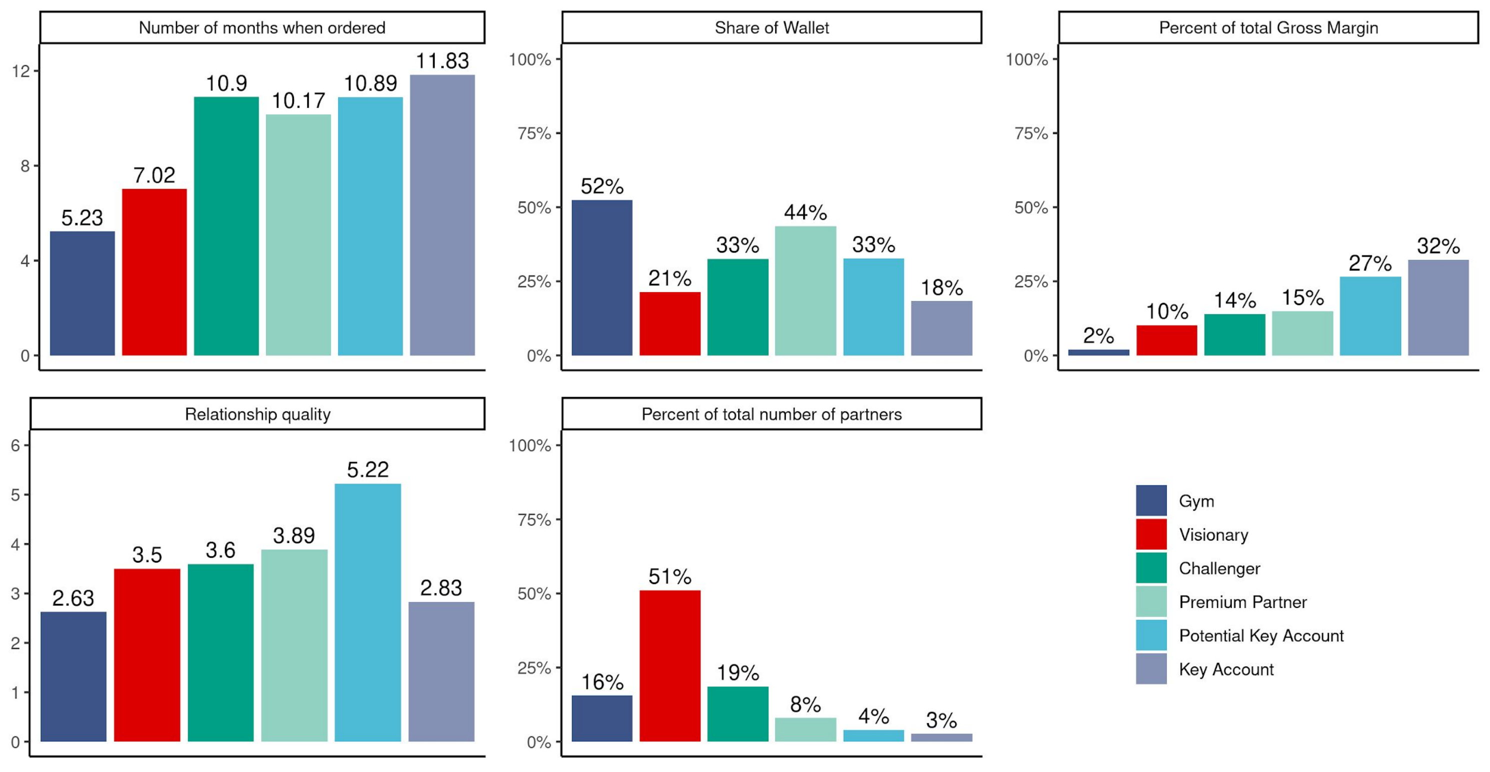
PROPOSED CUSTOMER SEGMENTS



The sales of the segments show a decreasing trend. **Overlaps** are most common between **Key Accounts and Potential Key Accounts** as well as **Visionaries and Gyms**.

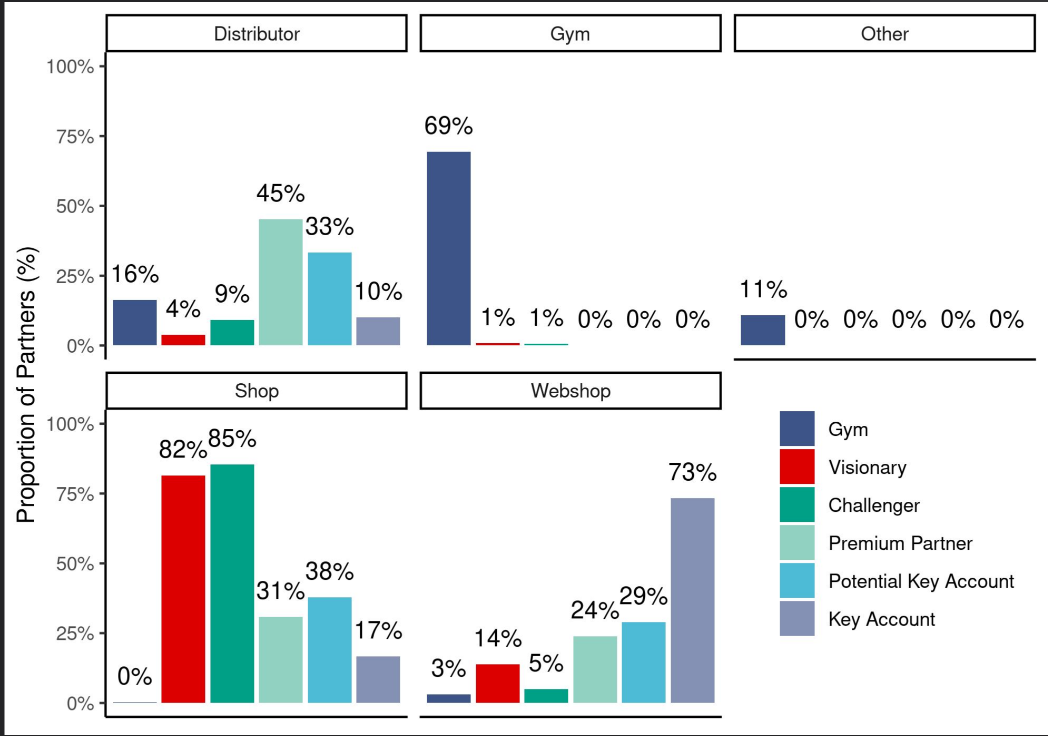
RELATIONSHIP QUALITY FOR NEW SEGMENTS IS RELATIVELY HIGH

GENERAL CHARACTERISTICS ACROSS CUSTOMER SEGMENTS



HIGH POTENTIAL SEGMENTS MOSTLY OPERATE WEBSHOPS AND SHO

SALES CHANNELS ACROSS CUSTOMER SEGMENTS



All segments **differentiate** their sales activities using different channels. However, almost every segment has a **dominant channel** through which it generates most of its sales.

WE PROPOSE 4 SERVICE LEVELS FOR THE 6 SEGMENTS

KEY ACCOUNTS + POTENTIAL KEY ACCOUNTS

- In person visits
- Package deals
- Free samples
- Shorter delivery time
- Choice of communication

PREMIUM PARTNER

- Package deals
- Shorter delivery time
- Telephone, email

CHALLENGER + VISIONARY

- Package deals
- Printed posters
- Telephone, email

GYM

- Printed posters
- Telephone, email

- Partners with highest potential receive the most services
- Free samples are offered to those who have a potential to increase the share of wallet
- Shops are offered PR materials to boost sales
- Webshops are offered online PR materials

THE 4 LEVELS SUPPORT THE WORK OF SALESPEOPLE

RELATIONSHIP QUALITY

- Top segments have the best scores on average

IN PERSON VISITS

- Less in-person meetings result in less planning and travelling

FREE SAMPLES

- Free samples are only offered to the two smallest segments

COMMUNI-CATION

- Except for the top 2 segments salespeople can negotiate the preferred means of keeping contact

THANK YOU FOR YOUR ATTENTION!

Do you have any questions?