RFM SEGMENTATION

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Problem statement

To understand customer segments and tailor specific strategies to them, in order to improve customer retention, increase revenue, and optimize marketing efforts.

KPIs

Total no. of customers	4,300
Total sales	$8.35 M
Average sales per customer	$1,945.88
Average frequency rate	4.1

RFM categories

1) Best customers

2) Big spenders

3) Loyal customers

4) Promising

5) Customers needing attention

6) New customers

7) At risk

8) About to sleep

9) Can't loose them

10) Hibernating

11) Lost

RFM metrics

No	RFM segment	No of customers	% of total
1.	Customers Needing Attention	675	15.5%
2.	Best customers	579	13.3%
3.	Loyal Customers	522	12.2%
4.	Promising	571	13.3%
5.	Hibernating	426	9.8%
6.	Lost	445	10.5%

RFM metrics

No	RFM segment	No of customers	% of total
7.	Big Spenders	390	9.1%
8.	Can't Lose Them	203	4.7%
9.	At Risk	212	4.9%
10.	About to Sleep	187	4.4%
11.	Recent Customers	90	2.1%

Key Customer Segments for Marketing Focus

Customers Needing Attention

This is the largest segment with a substantial share of the client base.

Though they have yet to switch to a low-value or lost segment, these customers are in danger of disengaging.

Promising

With the right nurturing, customers in this segment have the potential to grow into more valuable clients such as the "Best Customers" or "Loyal Customers" segments.

Key Customer Segments for Marketing Focus

At risk

This segment is showing signs of disengagement and is at a critical point where they could either re-engage or be lost. Focused efforts to understand their needs and address any issues can help retain these customers and prevent revenue loss.

Can't Lose Them

These are high-value customers who are currently at risk of becoming lost. They are essential to the business's revenue, thus losing them would be quite detrimental.

Recent Customers

Although a small segment, these new customers have high potential to be nurtured into loyal or even best customers.

Recommendations: Retention strategies

- Development of personalized retention campaigns for '**Customers Needing Attention**' and '**At Risk**' segments, focusing on addressing their specific needs and concerns. This can include personalized offers and recommendations, discounts, engagement emails, win-back campaigns, exclusive access to new products.

- Implementation of loyalty programs and exclusive offers for '**Best Customers**' and '**Loyal Customers**' to strengthen their engagement and encourage repeat purchases. This can include VIP Loyalty Program, special discount, anniversary offers, referral rewards, and milestone rewards.

Recommendations: Reactivation Campaigns

- Implementation of targeted reactivation campaigns for **'Hibernating', 'About to sleep', 'Cant loose them'** and **'Lost'** customers, by offering them incentives to return and re-engage with the brand. This can include special discounts, reminder of loyalty points, personalized follow-ups, reconnect campaigns, and social media retargeting.

- More analysis should be carried out to identify the reasons for disengagement and addressing them in the reactivation strategies.

Recommendations: Growth and Upsell Opportunities

- For '**Big Spenders**' and '**Promising**' customers, cross-selling and upselling strategies should be implemented to maximize their lifetime value.

Recommendations: Customer Onboarding

- Optimizing the onboarding experience for '**Recent Customers**' by providing personalized guidance, product recommendations, and early engagement opportunities to encourage long-term loyalty.

Conclusion

This analysis identifies all the RFM segments, and the various strategies to maximize engagement across the board.

By addressing both ends of the high-value and low-value customer spectrum, we can optimize overall customer value and ensure sustainable business success.

Thank you

Any question?