Customer Segmentation

Outcomes of the Customer Segmentation for the marketing reward program

Outline

- Methodology

- Results

- Considerations / Outlook

Methodology

- Analyzed customer cohort: Users active for the last 12 months, excluding users who booked within the last 7 days.

- Segmentation: Statistical modelling using kmeans clustering to ensure a model-based segmentation with less bias.

- Validation: Comparing metrics and inspecting mean score values

Results

Customer Segments Share %

```
customer_segments
Hotel Discount Hunter                        31.71
Frequent Flight Traveler                     25.97
Flight Discount Hunter                       19.03
Churn-risk Users                             13.01
Frequent Hotel Traveller                      8.08
Frequent Traveller with Cancellations         2.20
```

Targeted Perks by Segment

Segment	Reward Perk
Frequent Hotel Traveller	🏨 Free hotel meal
Frequent Flight Traveller	🧳 Free checked bags
Traveller with Cancellations	❌ No cancellation fees
Flight Discount Hunter	✈️ Exclusive flight discounts
Hotel Discount Hunter	🏷️ Exclusive hotel discounts
Churn-Risk User	🛏️ 1 night free hotel with flight

Considerations / Outlook

- Kmeans clustering was first approach -> additional models can be tested and validated

- Measuring cost/benefits to allocate resources for building a model in production

- Running A/B-Tests on one user group first to measure performance improvement before rolling out reward program

- Use test results to improve the model (iterative process)