

RFM Analysis

12/2010 - 12/2011

Data Analyst Team



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PART 1: Business Report

Please note that the metrics in this report are the result of a data cleaning process for RFM Analysis. Any orders without a CustomerID or those that were cancelled/returned are excluded from this report.



1.1 Key Information



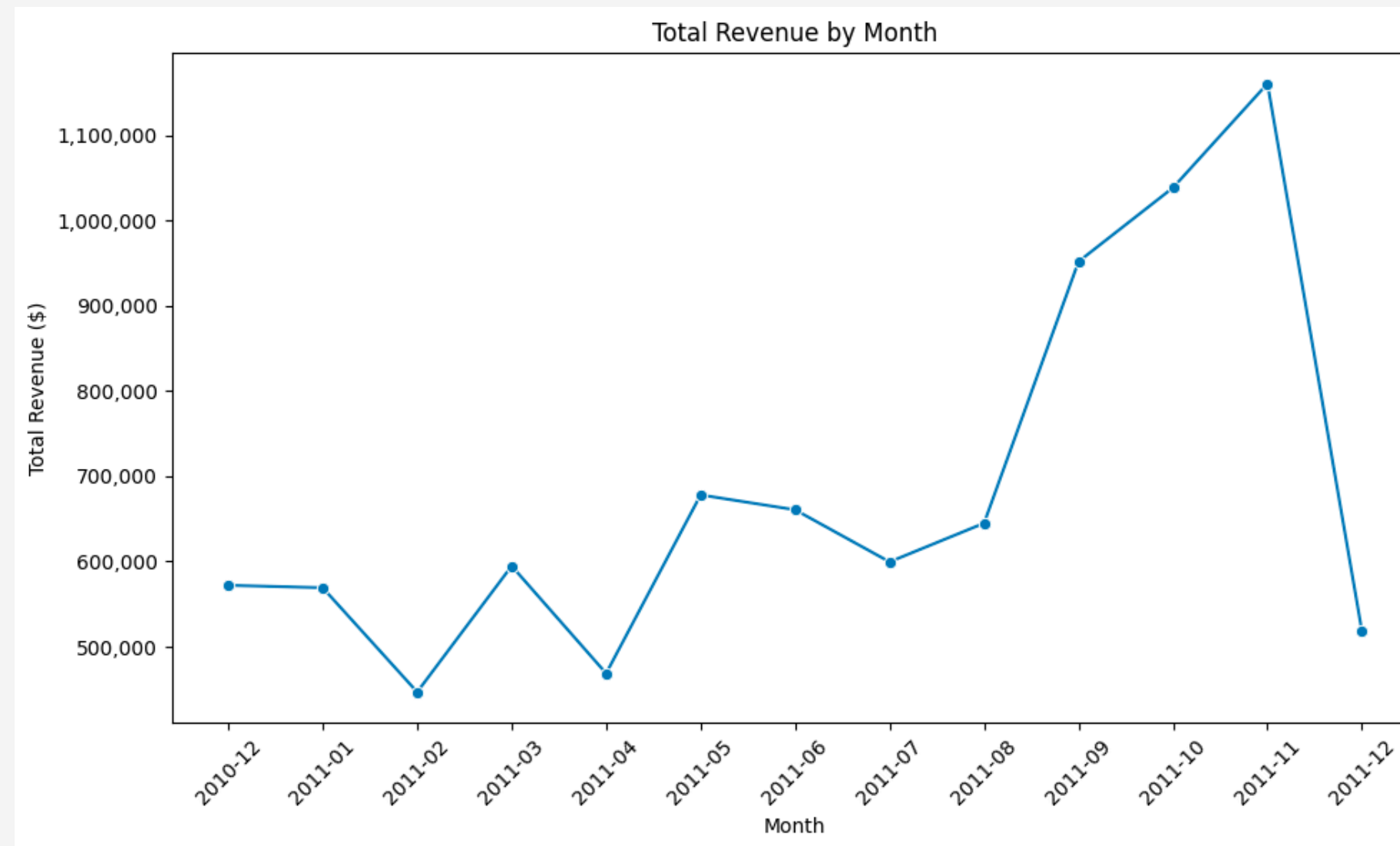
4338 customers from **37 countries**

ordered **520,000 items** in **19,000 orders**,

generating a total **revenue** of **8.9 million USD**

between **01.12.2010** and **09.12.2011**.

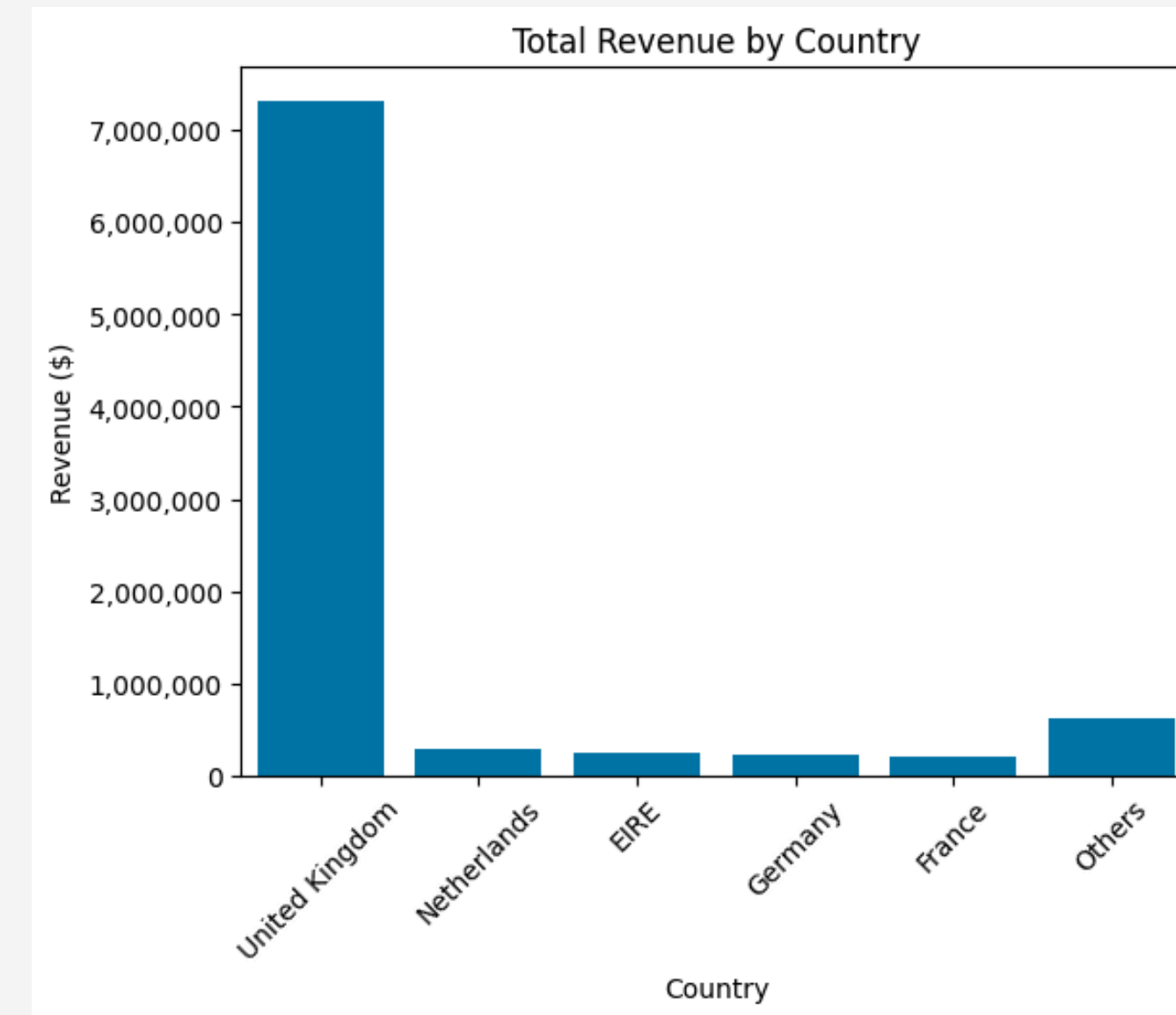
1.2 Total Revenue by Month



The **peak months** of the year are **September, October, and November 2011**.

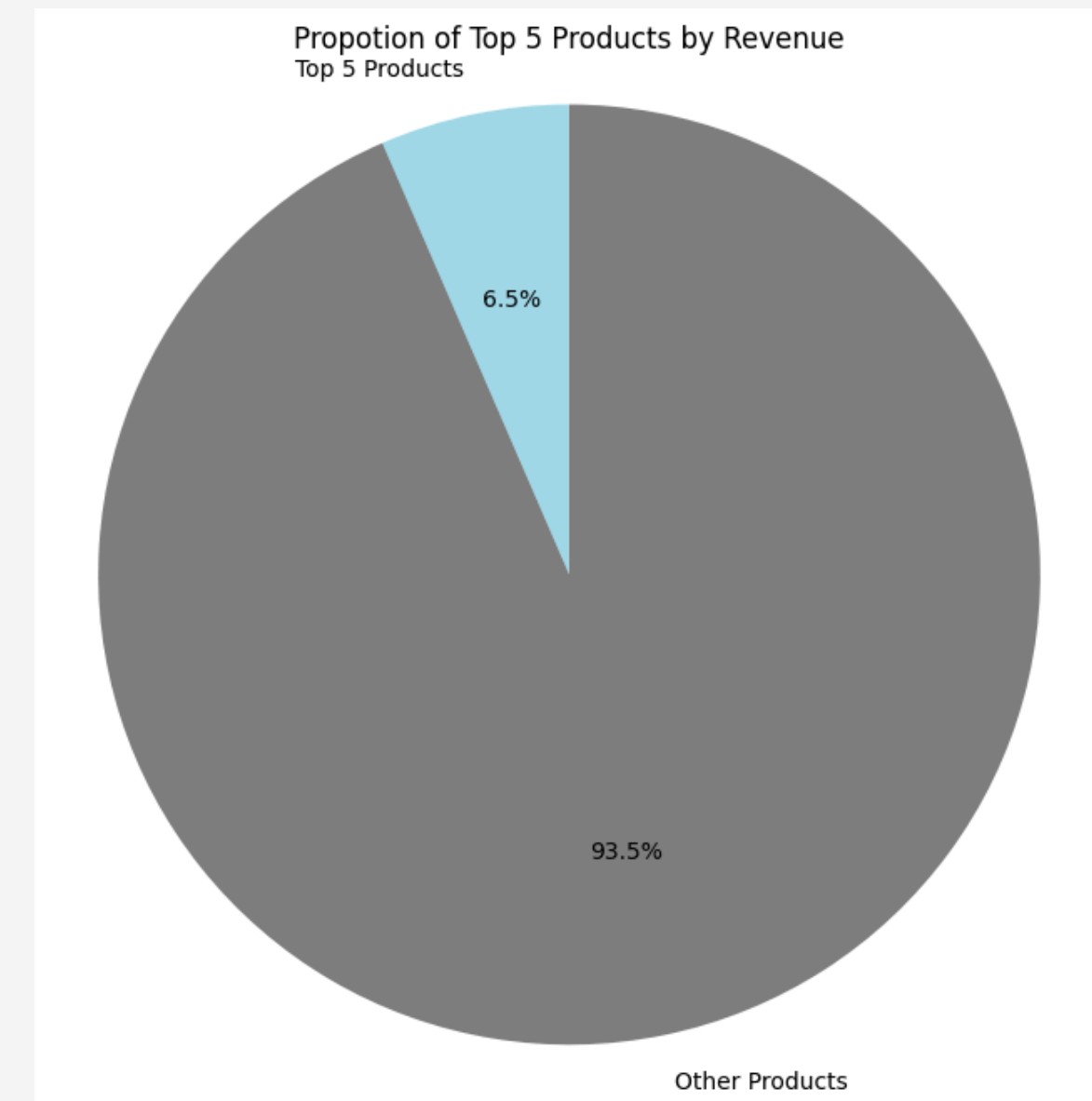
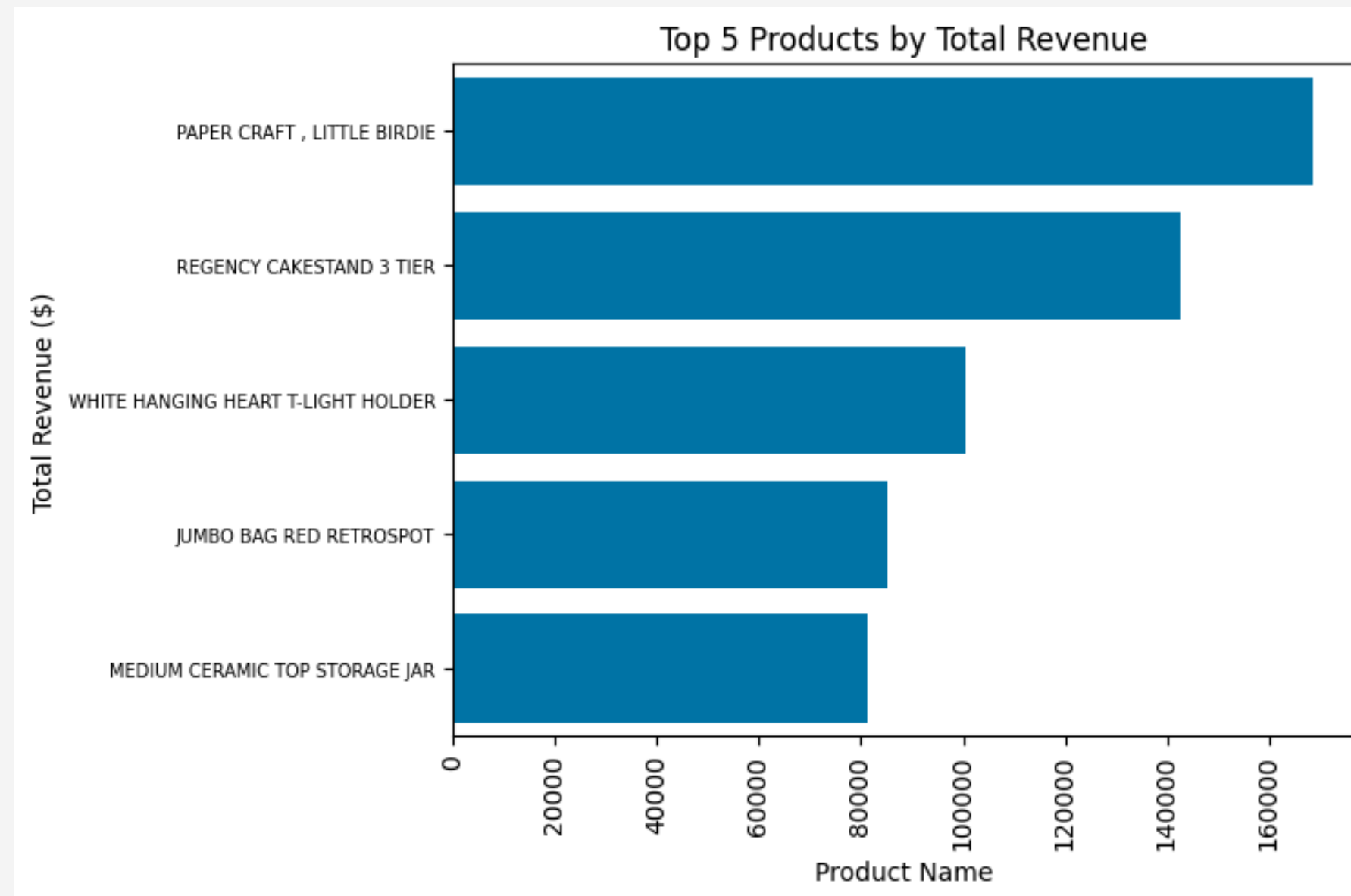
Note: The report's last date is 09.12.2011, so the data for December is not accurate.

1.3 Total Revenue by Geography



The UK continues to dominate with a revenue **share** of **82.06%**, contributing over **7 million USD**.

1.4 Top 5 Best Sellers by Revenue



These are the top 5 bestselling products. However, from the pie chart, we can see that they **do not contribute a significant portion** of the total revenue. This suggests that SuperStore has a **wide range of product lines**, and we will **not** analyze further using the Product dimension.

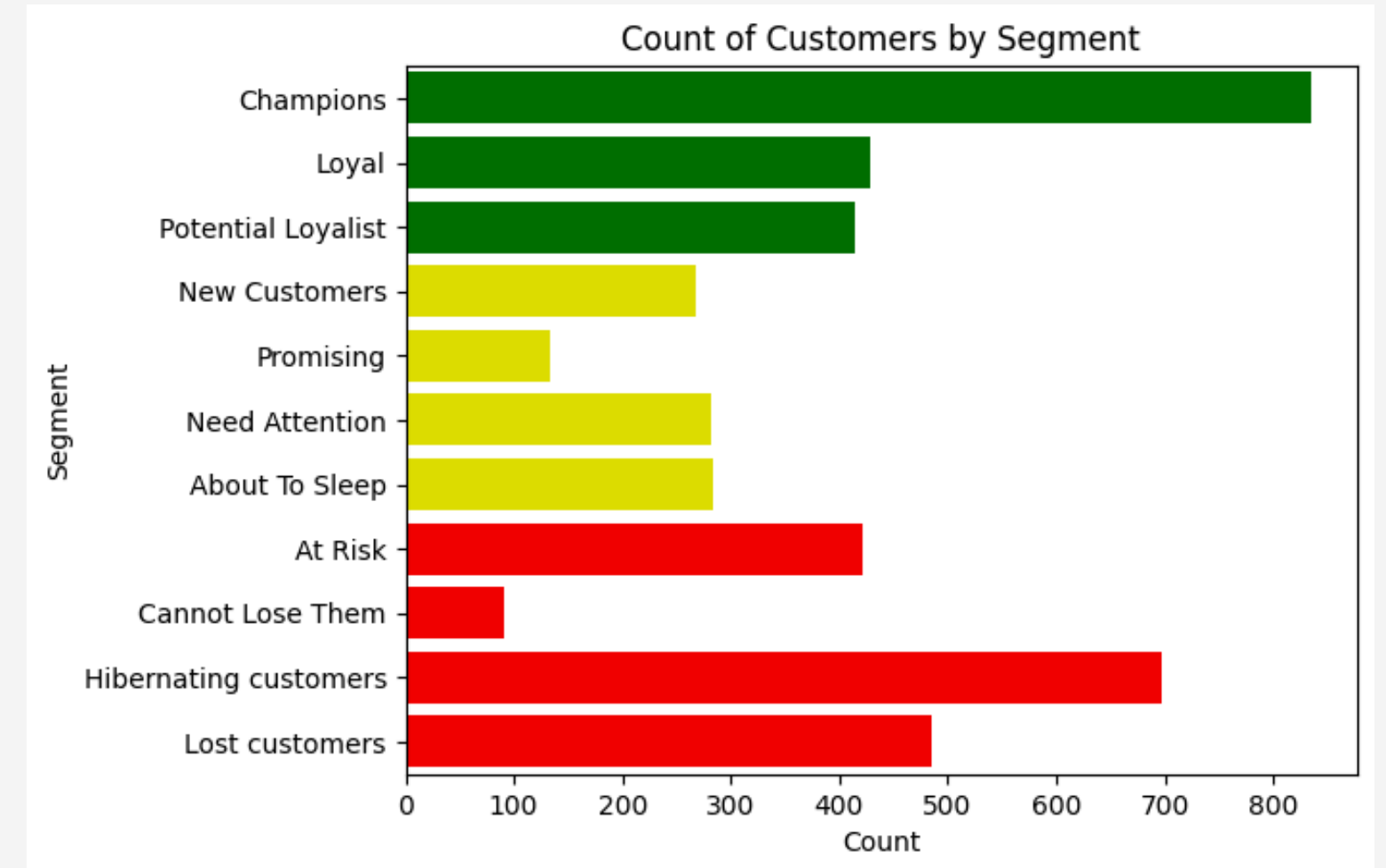
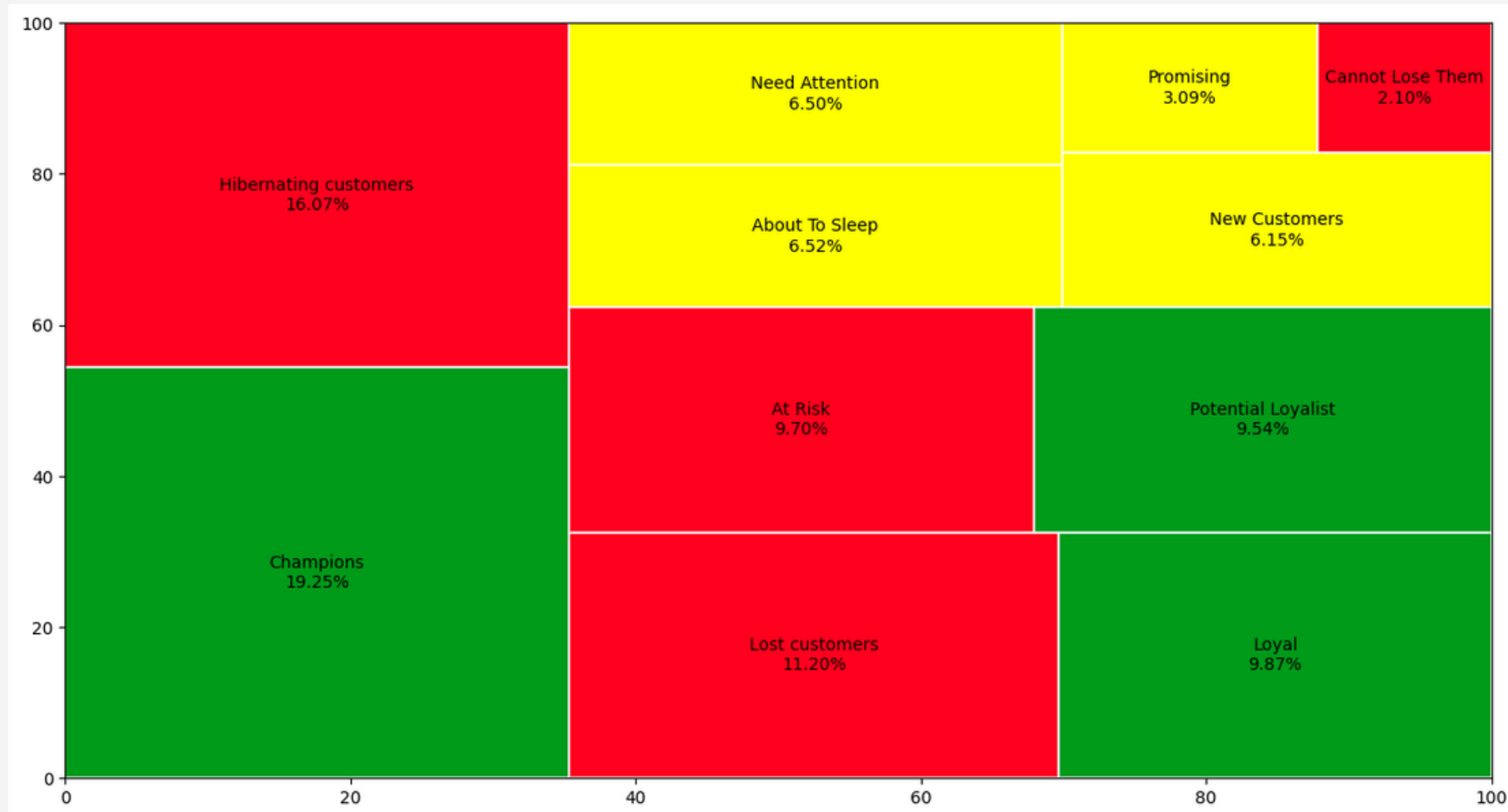
PART 2: Customer Segment Report

In part 2, 11 customer segments are grouped into larger categories, distinguished by color as follows:

- Tier 1 (Green): Champions, Loyal, Potential Loyalist
- Tier 2 (Yellow): New Customers, Promising, Need Attention, About to Sleep
- Tier 3 (Red): At Risk, Cannot Lose Them, Hibernating Customers, Lost Customers

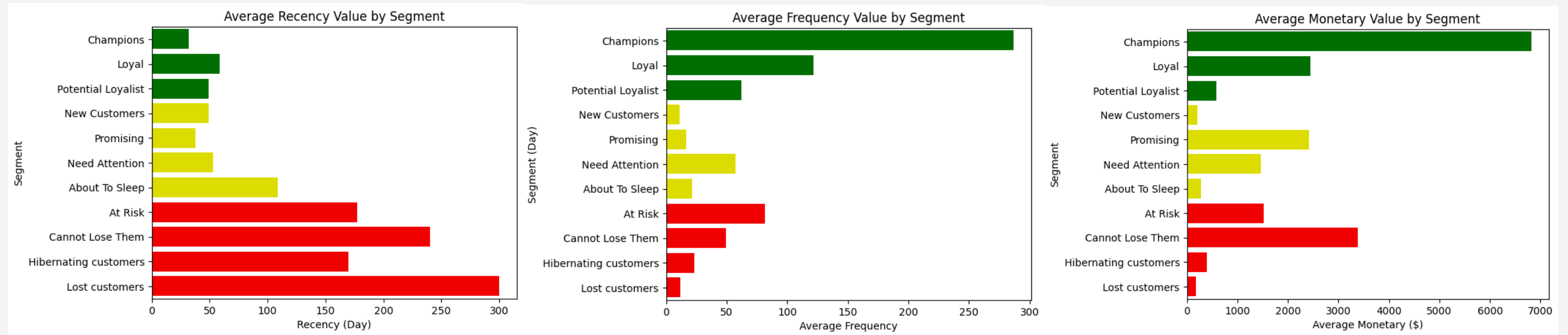


2.1 Propotion of Customer by Segment



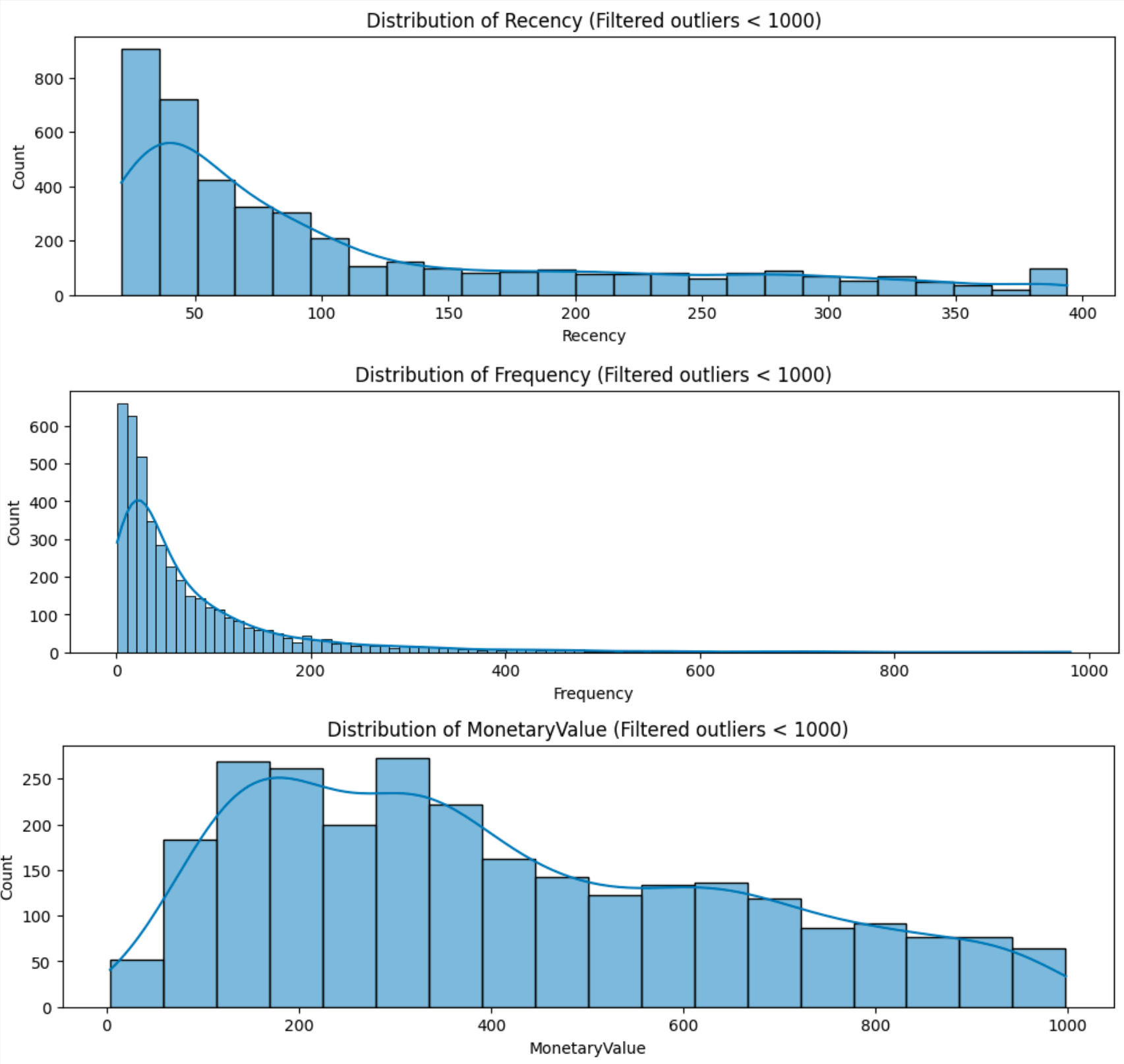
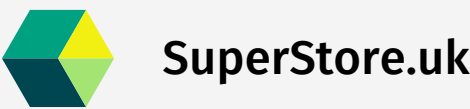
Among the 4338 customers, nearly **20% are in “Champions” group**. The **Tier 1** customer group also holds a **significant share**. On the other hand, **Hibernating Customers, ranking second in size**, will be a key focus in the upcoming analyses.

2.2 Average RFM rate by Segment



The RFM analysis indicates that SuperStore has a **stable base of “Champion” customers**, contributing a dominant share of the total revenue. While the **“Hibernating Customers”** group represent a **large portion of the overall customer base**, they **do not generate significant revenue**. In contrast, the **“Cannot Lose Them”** group, though small in number, contributes a **substantial amount of revenue** and **should be prioritized for attention**.

2.3 Distribution of Customer RFM by Segment



PART 3: Insights

- The **largest market** remains the **UK**, along with neighboring countries and those within the EU.
- The peak months are **September to November 2011**, with the highest sales in November. Hypothesis: This surge could be due to the **year-end shopping season** and **Black Friday**.
- SuperStore has a **stable base of “Champion”** customers, who contribute the **majority of the revenue**. These customers tend to make **large purchases** and have a **high purchase frequency**, making them **key drivers of the company's sales**.
- Even within Tier 1, the **“Loyalist”** and **“Potential Loyalist”** groups have **not generated** as much **revenue** as **expected**. In particular, the **“Potential Loyalist”** group, which accounts for nearly 10% of the total customers, contributes only around **5% of the total revenue**.
- **Hibernating Customers**, while ranking second in number, contribute very little to the total revenue.
- Conversely, there are few customers in the **“Cannot Lose Them”** group, but they generate a **substantial portion of the revenue**.

PART 4: Recommendations

Retaining “Champions”

SuperStore currently generates significant revenue from its loyal customers, especially the Champions. The key to the success of this group is their high purchase frequency, consistently buying in large quantities, with their **Frequency (F)** score standing out compared to other groups. It is crucial to focus on this customer segment to maintain their loyalty.

Focusing on “Loyalist” and “Potential Loyalist”

The next marketing strategy should focus on the two remaining Tier 1 groups: Loyalist and Potential Loyalist. For these groups, the priority is to **improve Frequency** to **elevate them to the next tier**. Particularly for B2B customers, boosting Frequency should be a priority.

Suggestions: Loyalty Programs, Personalized Solutions, and offering supplementary products or expanded service packages.

Promoting “Cannot Lose Them” Customers

Suggestions: Win-back Programs, Win-back Emails. Offer a special discount or promotion personalized based on their past purchases. For customers who have not made a purchase in a while, send a personalized email or offer that highlights new products or services that may be of interest to them, along with a special discount or promotion tailored to their purchase history.

Sources

The Data Analyst team utilized the Sales Team's business performance report in Spreadsheet format. All processes related to data filtering, analysis, and chart visualization were conducted using Python.

For security reasons, if code references are needed, please contact the DA team.



Any Questions?

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