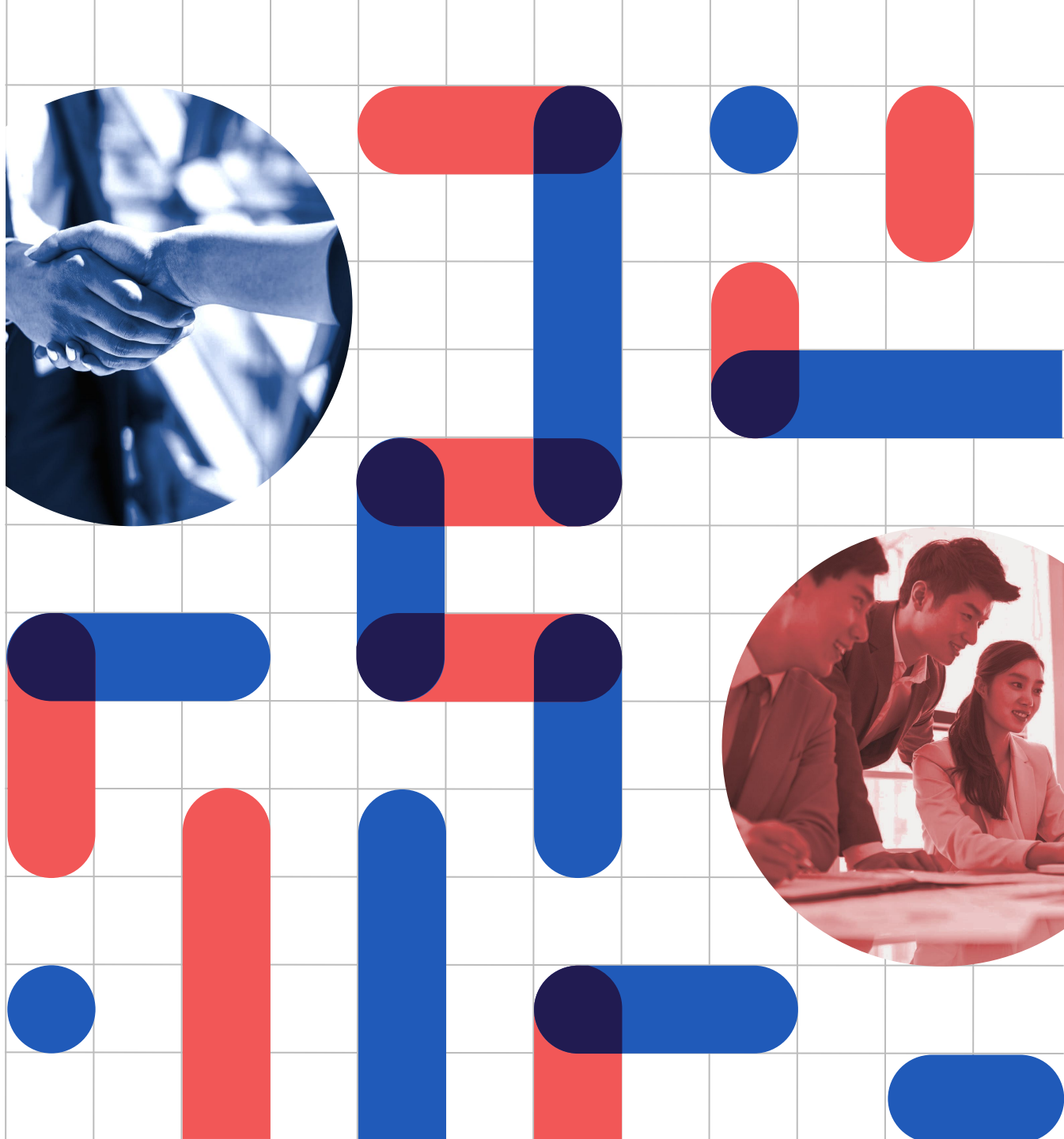


# Customer Segmentation Insights

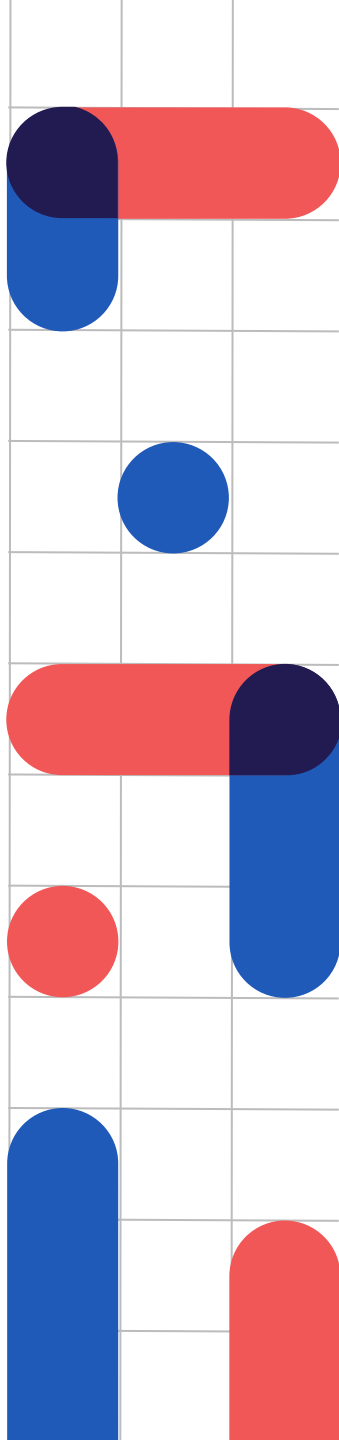
## Assignment 1

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# Approach Overview:

- Built Recency, Frequency, and Monetary (RFM) profiles for each customer.
- Applied K-Means Clustering ( $k=4$ ) on RFM data to identify distinct customer segments.
- Used both training and test datasets for robust analysis.
- Interpreted clusters based on customer behavior patterns.



# Cluster Distribution (Test Customers)

## Cluster 3

3034 customers

## Cluster 0

1058 customers

## Cluster 1

127 customers

## Cluster 2

5 customers

Majority of customers fall into Cluster 3. Clusters 1 and 2 are much smaller and represent more unique behaviors.

# Segment Analysis (Test Set)

## Cluster 3 - Most Common Group

Low spenders, infrequent buyers

Moderate recency → potential to re-engage

## Cluster 1 - Loyal & Valuable

Recent activity, frequent purchases, high spending

Focus on retention and loyalty perks

## Cluster 0 - At-risk group

High recency (inactive), low frequency and spend

May need reactivation efforts

## Cluster 2 - VIP customers

Most engaged, spend the most

Very small but extremely valuable

# Marketing Recommendations

## Cluster 3

Promote bundles or follow-up emails to encourage repeat buys.

## Cluster 1

Offer loyalty rewards, upsells, or VIP programs.

## Cluster 0

Send reactivation campaigns or limited-time discounts.

## Cluster 2

High-touch personalized offers, concierge support, premium benefits.

# Thank you!

