

REPORT

Title: Optimizing Customer Segmentation for Effective Promo Campaigns

Executive Summary:

Customer data analysis has identified four distinct customer clusters with varying responsiveness to promotional campaigns. The primary goal is to provide the marketing team with insights into these clusters to tailor their promotional efforts effectively. Our ideal target customer is in Cluster 1, which contributes significantly to overall revenue and has the highest acceptance rate of promotional offers. The marketing team should promote wine and meat categories, leverage the catalog and adjust web offers to increase interest for clients in Cluster 1 to visit the website more often. Analyze Promo campaigns 1, 5, and 6 and target with similar campaign clients from cluster 1 or offer more campaigns like 6 to all customers.

Detailed Findings:

1. Targeting the Ideal Customer - Cluster 1:

Cluster 1, which accounts for 56.5% of all accepted offers and 52.1% of total spending, is our ideal target group. Customers in this cluster have higher average incomes and high education levels and are predominantly adults in their midlife without dependents.

Recommendations:

Focus promotional campaigns on Cluster 1 customers, who are more likely to accept offers and contribute significantly to store revenue.

Analyze the characteristics of Cluster 1 customers (e.g., demographics, preferred products, and communication channels) to tailor promotional strategies for other customer segments.

2. Leveraging High-spend Categories:

Wine and meat are the highest spending categories for all clusters. Targeting these high-spend categories can increase overall revenue.

Recommendations:

Prioritize wine and meat promotions for all clusters.

3. Optimizing Marketing Channels:

Catalog purchases are popular among Cluster 1 customers (29.8%), while Cluster 3 and 4 prefer web channel purchases (38.7% and 36.6%). In-store purchases are most common among Cluster 2 customers (54.8%).

Recommendations:

Increase catalog promotions targeting Cluster 1 customers.

Enhance the web channel experience and advertisements targeting Cluster 3 and 4 customers.

Explore in-store deals opportunities for Cluster 2 customers.

4. Improving Website Efficiency:

Cluster 2 and 3 customers visit the website more frequently but have lower conversion rates. This indicates potential barriers to conversion, such as product offerings, pricing, or user experience. Customers from Cluster 1 have a high website conversion rate but the lowest number of monthly visits. That tells that customers from Cluster 1 either can't find relevant offers through the website or are not aware of it enough, or not happy about their experience.

Recommendations:

Conduct user experience research and A/B testing for customers in Clusters 2 and 3 to identify potential barriers to conversion.

Experiment with different website layouts, product recommendations, and personalized promotions to improve conversion rates for these clusters.

Find out why customers from Cluster 1 only visit the website sparingly. It can be a massive booster to revenue since they have the highest website conversion rate.

5. Tailoring Promotions Based on Income and Education:

Lower-income customers (Cluster 2) are more sensitive to price and likely to respond to discount offers. In contrast, higher-income customers (Cluster 1) tend to accept promo campaigns on premium products.

Recommendations:

For lower-income customers (Cluster 2 and potentially Cluster 3), focus on offering more deals and affordable options to incentivize spending.

For higher-income customers (Cluster 1 and Cluster 0), focus on promo campaigns on premium products.

6. Emulating Successful Promotions:

Promotion #6 was the most efficient, with high customer acceptance rates, especially Cluster 1. Implement similar campaigns to increase overall promotional efficiency.

Recommendations:

Launch more campaigns similar to Promo #6, targeting all customers.

Study the features of Promo #1 and #5, which were successful with Cluster 1 customers, and apply those learnings to future campaigns