

# Main Analysis Types

## Sprint 3: Customer Segmentation & RFM Project

In a constantly growing business, understanding your customers behavior is one of the most important parts for success. This is where customer segmentation and RFM steps in. Segmentation means sorting your customers into groups who are similar, so we can treat them uniquely by the groups they are assigned. RFM is like looking at a customer's shopping habits - how recently they bought (R), how often (F), and how much they spend (M). By doing this, we can find out who your best customers are, how to engage those customers who haven't shopped in a while, and make your marketing campaigns even better. These tools help businesses understand customers like never before, making relationships stronger and businesses more successful.

In this project I received the RFM dataset with information about the customer invoices, when they bought, what they bought, how much of the products they bought and for what amount, from where I will bring insights about customers segments, their buying habits and I will give some recommendation where what we could do with each of the segmented group.

### 1. Main Questions

So first of all the main question for the business which is:

- How our segmented groups perform and where we need to pay more attention.
- What suggestions would be for each of the segmented groups in order to increase their engagement.

### 2. Preparation & Process

In the second part I went through the data to check what kind of data is provided in the 'rfm' table and what kind of information I need to segment the customers.

In here I saw that I have a data set with customers invoices, and checked that there is some data which I can exclude, to have better analysis results.

So for having better segments I excluded some data:

- As I need only the customer's data, as I checked the data, I saw that there is a particular amount of rows where customerid field does not have any values. As for segmentation we need only the customer's information, all rows with customerID equals null where excluded.
- Later on, as I checked the data, I saw that there are row's that have unit\_price = 0 and quantity = 0, which I excluded for the reason that those rows have possible returns or have other purposes.

So after excluding those values now I can better segment customers and I created a query, which segments all the customers by the relevant values to the groups.

The query and the results can be found in the google sheets:

Link-

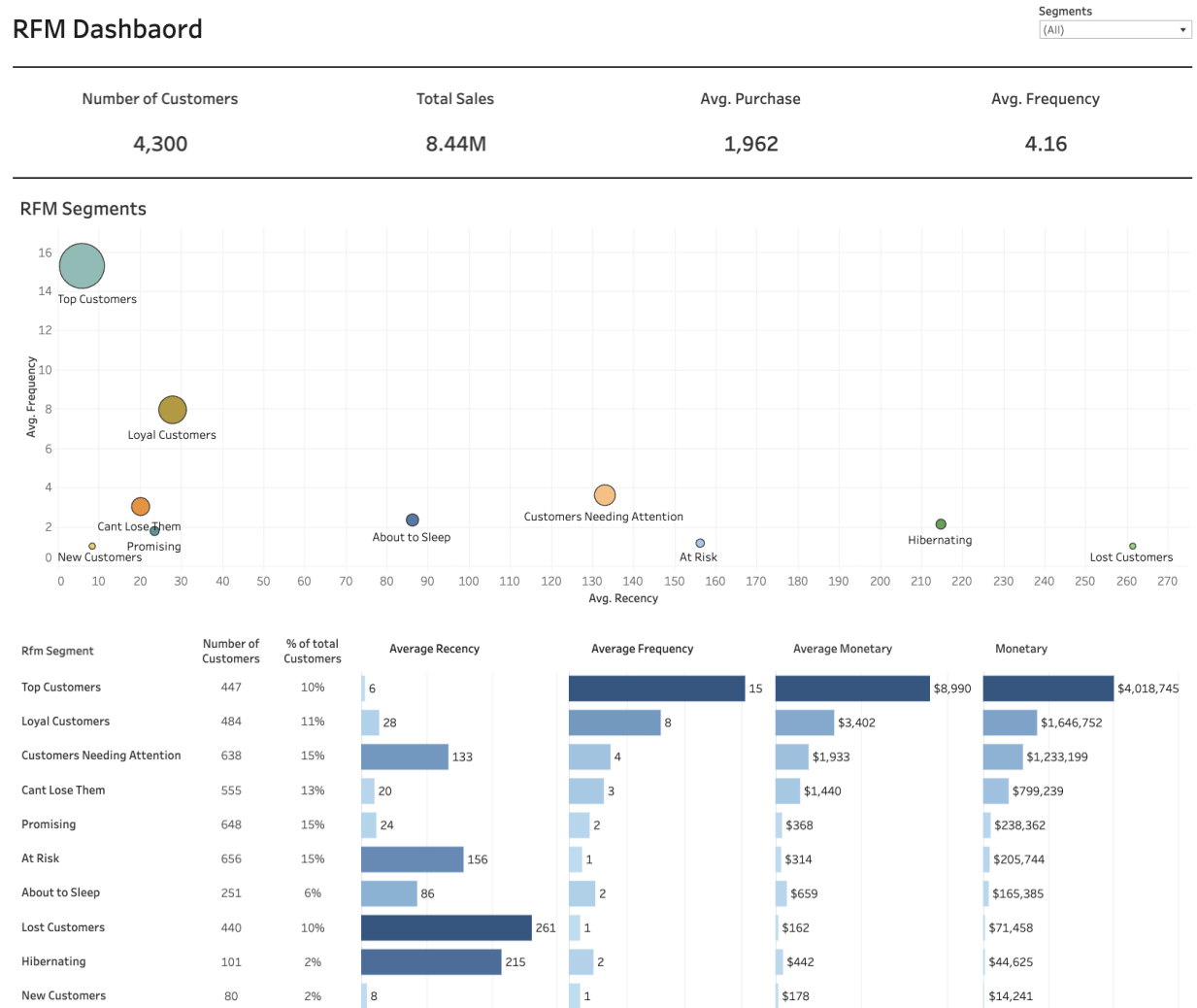
<https://docs.google.com/spreadsheets/d/1FHvBB0K8QPogSMOWPP-4qA2cNI9nyKkzell09olasfk/edit?usp=sharing>

### 3. Analysis

From the query result where I segmented customers, using calculated recency, frequency and monetary values, I prepared a Tableau dashboard for a business to have a quick look of how each segment performs and bring key insights about main group.

Tableau Dashboard can be found in Tableau public:

Link - <https://public.tableau.com/app/profile/linas.sutkaitis/viz/RFMDashboard-Gradedtask/RFMDashbaord>



All the customers were grouped into particular groups (Top Customers, Loyal Customers, Cant Lose them, Promising, New customers, Customers needing attention, About to sleep, At risk, Hibernating, Lost Customers).

And after we can see a clear view of our customers, now we can answer business questions.

- How our segmented groups perform and where we need to pay more attention.
- What suggestions would be for each of the segmented groups in order to increase their engagement.

So Let's go deeper with each group and what kind of recommendation we could give for the business.

**Top Customers** - Our Top customers which spend the most, bought recently and most often, for the data we can see that they generate the most of our revenue and have a high average monetary value. As to continue to be our customers what we need to do to occasionally reward them for being our top customers.

**Loyal Customers** - Spends a good amount of money with us and are responsive to promotions, from the data we can see that they spend a lot of money and buy recently. The recommendation for them could be that we could upsell a higher value products and engage them more, asking for review etc. to convert them to our top customers

**Customers Needing attention** - Above our recency, frequency and monetary values, which might not be very recency. We can create a limited time offer for them to reactivate them by recommendation of past purchase, where we could expect them to buy more.

**Can't Lose Them** - Customers who make big purchases and buy often, but haven't returned to us in a long time. We need to win these clients back, by offering renewal rewards, offering new products and of course engaging more with them about what kind of product they need.

**Promising** - Our recent customers, which did not spend much. We can create more efficient marketing campaigns for them about our brand, what we are, and create brand awareness and offer free trials for the products.

**At Risk** - Customers who often purchase our product, but a long time ago. We can create personalized emails for them to engage them more, offer renewals and provide more information about our products and services.

**About to sleep** - Existing customers who haven't made purchases in a long time and are near the verge of being a lost customer. We need to give a push to them, offer valuable information about our brand, create the most relevant message for them and offer our popular product in order to reconnect with them.

**Lost Customers** - Customers that have the lowest recency, frequency and monetary values. From the data we can see that there are about 10% of our customers. We need to revive our interest in our brand and products with more engaging marketing campaigns, offers and understand what kind of problems they might have with our product.

**Hibernating** - customers whose last purchase was long ago, spend not much and order a small amount of products. With these customers we need subtle reminders of the brand and gradually increase more compelling offers if the initial reminder would not work.

**New Customers** - Customers who purchase recently, but less frequently and not spending much of the money. With these customers we need to engage more as they could be our top customers in the future. We can create more personalized campaigns about their last purchase, send more information about the brand and remind us more often to offer discounts for their next purchases.

#### 4. Key Insights

- As from the customer segmentation we can see that our customers who are promising (15%), customers who need attention (15%), customers which are at risk (15%) segments, combined there are 45% of our current customers. We need to pay more attention to these groups. As for those groups we need to create more personalized email campaigns to engage them more, create a recommendation about their last purchases, maybe they will love similar products we can offer, offer free trials or discounts of our product, in order to create more brand awareness and bring them back.
- For the top customers (10%) and our loyal customer (11%), which are 21% of our all customers which generates the most of the revenue, we can offer some reward for being out our top customers and try to upsell higher value product for the loyal customers as they have potential to become our Top customers.
- For the customers in Cant lose them (13%) segment, we need to engage with them offering our new products, renewal rewards and talk to them to better understand their needs.
- For the Lost Customers (10%), we need to pay attention to why these customers are not buying from us anymore and try to engage them to subtly offer our products based on their last purchases.
- For the customer segments which are hibernating (2%), about to sleep (6%), which are 8% of our customers we need to re-engage with them, with subtle reminders of our brand and create the most relevant message and offer our popular products.