

Data Science Project 5

Customer Segmentation





Topik diskusi hari ini

1. **What is Customer Segmentation?**
2. **What is RFM?**
3. **Why must we do Customer Segmentation?**
4. **Hands-On**

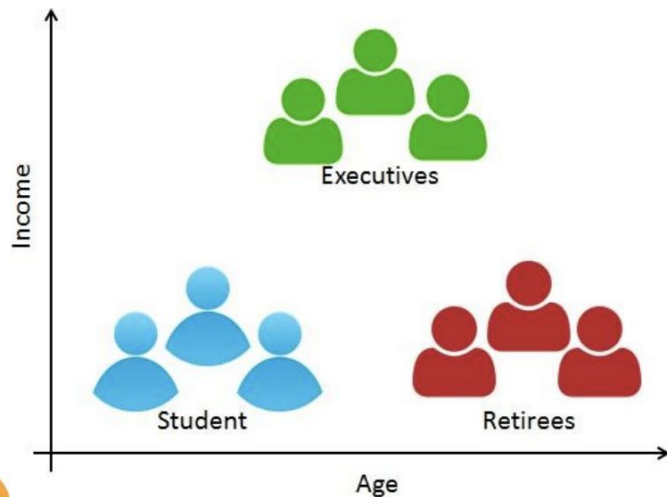




Customer Segmentation



- **Customer Segmentation** is the process by which we divide our customers up based on **common characteristics** (demographics, behavior, etc)
- The objective of customer segmentation is to **market** those customers more **effectively**
- The customer segments could be used to create a **persona**, a personification of a customer segment, that could be used to **understand** the customer's needs **better**.





Persona



MARK, 22

DEMOGRAPHICS

- Rents a 2 bedroom apartment in uptown Charlotte, NC with old teammates from lacrosse.
- Currently an intern for a large sports management company and a bar tender at a high end cocktail bar on the weekends.
- Recently single and using dating apps. An only child and rescued a puppy 4 months ago.
- Graduated with a 3.8 in Health Sciences from UNCW. Owes \$28,000 in private loans.

BEHAVIORAL IDENTIFIERS

- Hobbies include eating out, lifting weights, playing club lacrosse, drinking draft beer, tailgating for UNC, and watching live music.
- Prefers chat systems for customer service and support. Values quick responses and 24 hour availability.
- Wants fast shipping. Values a low price. Prefers online marketing, light colors, and simple websites.
- Shops online between 7pm-3am. Buys during pay periods at the end of the month and often uses promo codes.
- Owns an Android and shops on mobile with referrals from social media such as Instagram and Facebook.
- Studied abroad in Chile. Can speak Spanish and some Italian. Travels on a budget and prefers hostels to hotels.
- Personal goals to be out of debt by 2024, to be engaged in 4 years, and to work in a university sports medicine department.
- Very fit and active but has a bad diet due to eating on a budget and drinking often. Seeks out health information daily.



JUSTIN, 31

DEMOGRAPHICS

- Rents a 1 bedroom apartment in uptown Atlanta with his partner. Saving to buy a home next year.
- Works 40 hours a week in a 5 star hotel as a superintendent with a net income of \$120,000.
- Recently engaged to his boyfriend of 5 years with plans to marry in NYC in the winter.
- Graduated from a community college with honors and held office in 3 on-campus clubs.

BEHAVIORAL IDENTIFIERS

- Hobbies include vegan cooking, yoga, monthly massages, playing the drums, volunteering, drinking cocktails and watching local plays.
- Prefers to call for customer service and support. Values follow up summery emails and easy to read directions.
- Wants free shipping on large orders. Values quality and privacy. Extremely brand loyal. Prefers email marketing.
- Shops online between 9am-3pm and makes multiple returns. Uses Paypal at checkout.
- Owns an iPhone and tablet. Shops on this tablet with referrals from email marketing and promotions.
- Travels in the USA twice a year to visit family in Maine and California. Prefers long road trips and holiday travel.
- Personal goals to become a general manager within 4 years and to purchase a suburban home after his wedding and honeymoon.
- Cooks very healthy and with local products. Has great self care and is very active.



MAGGIE, 52

DEMOGRAPHICS

- Owns a 4 bedroom home in coastal NC and 2 high end cars. Lives in a suburban gated neighborhood.
- Human Resource Director of a small media company for 5 years with a \$88,000 salary.
- Happily married for 12 years with 2 sons and a house hold income of above \$220,000.
- Well educated with an HR degree from a state university. Graduated without debt.

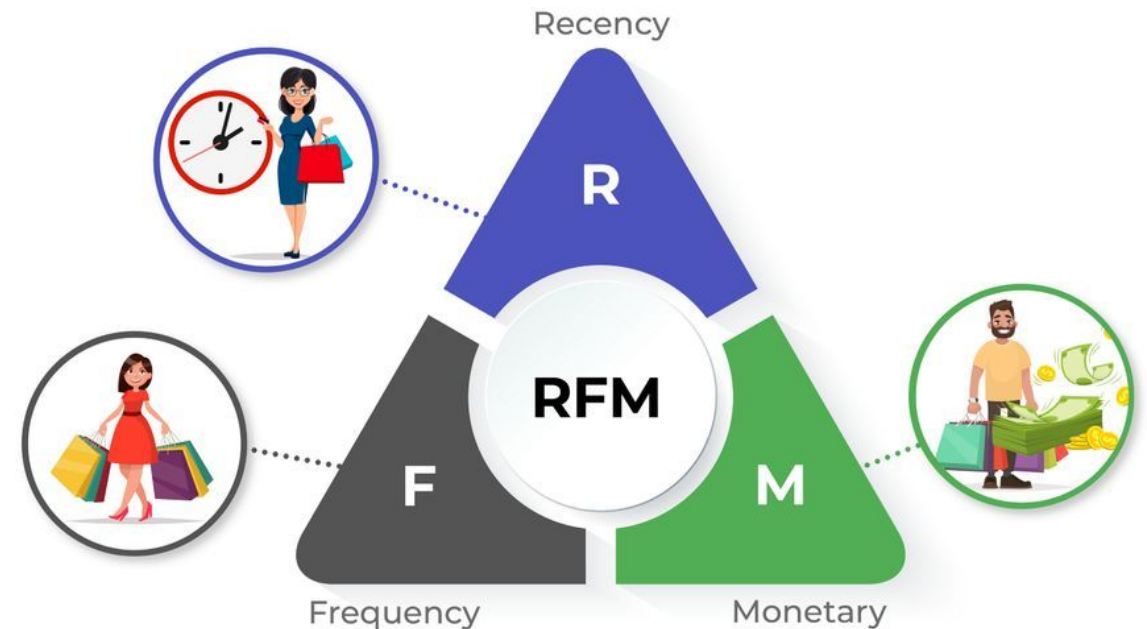
BEHAVIORAL IDENTIFIERS

- Hobbies include reading, playing tennis, networking at the country club, being involved in youth groups and visiting the beach.
- Strong need for customer service and support. Values face to face communication and rewards systems.
- Wants a simple product. Values quantity and brand image. Prefers print marketing and bold graphics.
- Shops in department stores after 5pm. Buys in bulk on sale items. Referred by a previous client.
- Owns an iPhone but makes purchases online with a desktop Mac computer. Needs a simple check out system.
- Well traveled in Europe. Prefers traveling in off peak times in chain hotels and loves pre-planned travel like cruises.
- Personal goals to retire by age 65, to own a vacation home on the Spanish Riviera and for her sons to attend an ivy league university.
- In very good health but very busy and often stressed. Visits group exercise programs.



Recency (R) Frequency (F) Monetary (M)

- **Recency:** How recently did the customer purchase?
- **Frequency:** How often do they purchase?
- **Monetary:** How much do they spend?
- A customer who have **purchased recently, purchase more often, and spend more** is more likely to purchase our product again.





Why is it Important?

- Not just important, but **vital**, in order to optimize our **marketing strategies**, maximize a **customer's value**, and improve **customer experience**
- To make sure our communication are both **effective** and **appropriate**



**Thank
YOU**

