

# CHAMPION CUSTOMER ENGAGEMENT & GROWTH STRATEGY

---

*Vishakha Gupta*



# BUSINESS SITUATION



**Global Sales Growth**



**Surpassing Pre-Pandemic Levels**



**Strategic Expansion Efforts**



**Market Penetration**



**Resilience in Adverse Conditions**

# CRM/MARKETING OBJECTIVES



**Recognize and  
Reward Top  
Customers.**



**Increase Frequency  
of Middle-of-the-  
Road Customers**



**Reactivate Inactive  
Customers:**



**Enhance Brand  
Awareness and  
Engagement**



**Diversify Product  
Offerings and  
Sustainable Solutions**



**Optimize Distribution  
Channels for Digital  
Engagement**



# ANALYSIS APPROACH

1. *Segmentation Approach*
2. *Primary SAS Studio Tasks*
  - a. *Rank Data*
  - b. *New combined RFM*
  - c. *Summary Statistics*
3. **SAS code to create Segment Assignment variable-**





# CUSTOMER SEGMENTATION

# THE CUSTOMER SEGMENTATION SOLUTION

Segment Name	Segment Description
Segment 1: 'Elite Patrons'	The Elite Patrons segment, with 2,784 members, showcases exceptional engagement and value to Champion. They exhibit recent interactions, with an average recency of about 70 days, and a high frequency of 4.36 purchase events in the last 12 months, significantly contributing an average of \$258.43 in revenue. These patrons not only engage broadly across product categories but also show a remarkable retention score of 0.82, indicating their critical role in Elite Patron's sustained success. Their average revenue per order is \$59.59, highlighting their premium purchasing behavior, with a strong inclination towards utilizing promotional offers (92.96%). This segment's behavior underscores the importance of maintaining high engagement and tailored marketing strategies to support and grow this highly valuable customer base. They make up 13% of our customer base
Segment 2: 'Dedicated Patrons'	2,081 customers who have shown a consistent purchasing pattern with Champion. They have an average recency of 251 days, indicating they are not frequent shoppers but do return to make purchases throughout the year. On average, they engage in 3.91 purchasing events annually and contribute an average annual revenue of \$235.54. This indicates a strong potential for sales per customer. With a retention score of 0.656, there is an indication of good loyalty, though there is room for improvement. Their product preference data shows a balanced interest between women's and men's products, with a small portion including children's products, indicating a diversified interest in Champion's product lines. The high usage of promotional offers (89.57%) suggests that they respond well to marketing incentives and could be further engaged with targeted promotions. They make up 10% of customer base
Segment 3: 'Prospective Patrons'	Prospective Patrons include 7,633 customers who exhibit potential for deeper brand engagement. They have an average recency of 84 days and typically make 1.4 purchases per year. With an average annual revenue of \$74.99, there is an opportunity to increase their transaction value. They demonstrate moderate brand loyalty, with a retention score of 0.594, and their product preference does not significantly lean towards women's or men's products, suggesting room to grow in either category. These segment makes up 37% of our customer base
Segment 4: 'Lost Patrons'	the largest observed group with 8,409 customers, yet they are at risk due to their lower engagement with the brand. Their average recency stands at 263 days, which is quite high, suggesting infrequent interactions with the brand. They typically make 1.4 purchases per year, with a relatively low average annual revenue of \$68.23. The average revenue per purchase event is \$47.63, and they purchase fewer items per order (1.70), all of which indicate lower spend and engagement levels. The retention score of 0.402 highlights a critical area for improvement, as this score is significantly lower compared to other segments. Product preferences show a higher inclination towards men's products, with a minor representation of children's products, suggesting a more focused approach could be beneficial. Given their propensity to respond to promotional offers (33.89%), re-engagement campaigns with targeted offers may help to rekindle their interest in the brand. They make up 40% of our customer base

Segment classification in Recency, Frequency and Monetary value respectively	
1.	Elite Patrons ('011'): These are the most valuable customers who have made recent purchases, do so regularly, and spend the most. They are highly engaged and contribute significantly to revenue.
2.	Dedicated Patrons ('010', '111'): This segment includes loyal customers who purchase frequently and have recently interacted with the business. There are two types within this segment: those who spend less ('010') and those who spend the most ('111'), indicating varying levels of monetary contribution.
3.	Prospective Patrons ('000', '001'): These customers are either newer to the brand or less engaged but have shown recent interaction. One subgroup spends less ('000'), while the other spends more when they do purchase ('001'), suggesting potential for increased engagement.
4.	Lost Patrons ('100', '101', '110'): Customers in this segment are at risk of churning or may have already lapsed. They have not made recent purchases, and their frequency and monetary contributions vary, indicating they may need targeted re-engagement efforts.

# CUSTOMER SEGMENT PROFILES

Profile Element	Segment 1 Elite Patrons	Segment 2 Dedicated Patrons	Segment 3 Prospective Patrons	Segment 4 Lost Patrons
Recency (in days)	69	250	84	263
Frequency (last 12 months)	4.4	3.5	1.4	1.4
Monetary (last 12 months)	\$258	\$235	\$75	\$68
Avg. Items per Order	2.1	2.03	1.8	1.7
Avg. Revenue per Order	\$60	\$60	\$51	\$48
% Customers that Used a Promotional Offer*	93%	90%	32%	34%
Estimated Annual Retention Rate*	82%	66%	59%	40%

\*Description Statistic is the mean

# CUSTOMER SEGMENT PROFILES

Profile Element	Segment 1 Elite Patrons	Segment 2 Dedicated Patrons	Segment 3 Prospective Patrons	Segment 4 Lost Patrons
% Customers that only purchased <u>women's</u> products*	45%	38%	48%	37%
% Customers that only purchased <u>men's</u> products*	33%	41%	47%	58%
% Customers that purchased <u>women's and men's</u> products*	20%	16%	3%	4%
% Customers whose purchases included <u>kids</u> products*	2%	5%	3%	1%

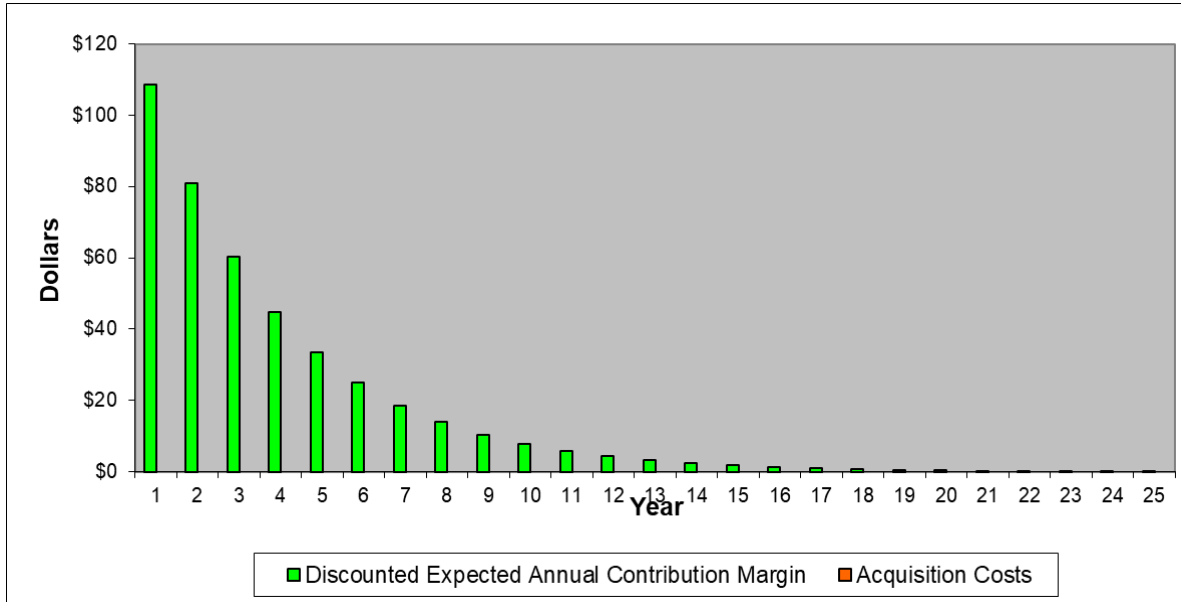
\*Descriptive statistic is the mean



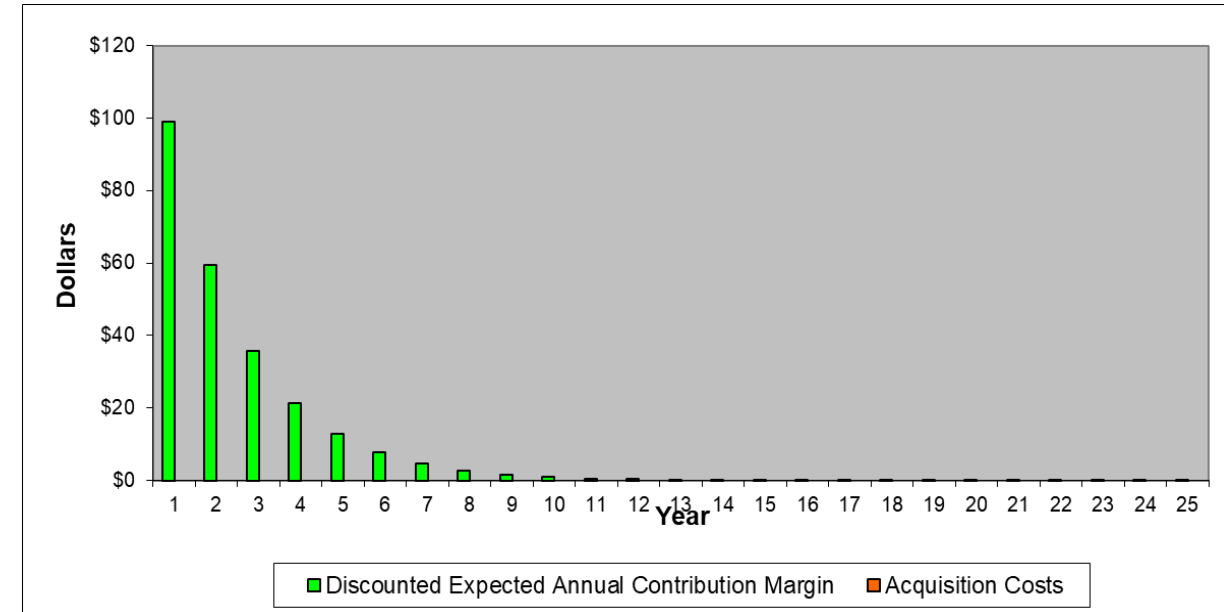
# CUSTOMER LIFETIME VALUE ANALYSIS

Customer Segment	Annual contribution margin	Retention Rate	Years of purchasing life (L)	Customer Lifetime Value (CLV)
Elite Patrons	\$108.46	82%	5.56	\$426.09
Dedicated Patrons	\$99	66%	2.94	\$247.50
Prospective Patrons	\$31.50	59%	2.44	\$67.94
Lost Patrons	\$28.59	40%	1.67	\$44.93

# CUSTOMER LIFETIME VALUE ANALYSIS

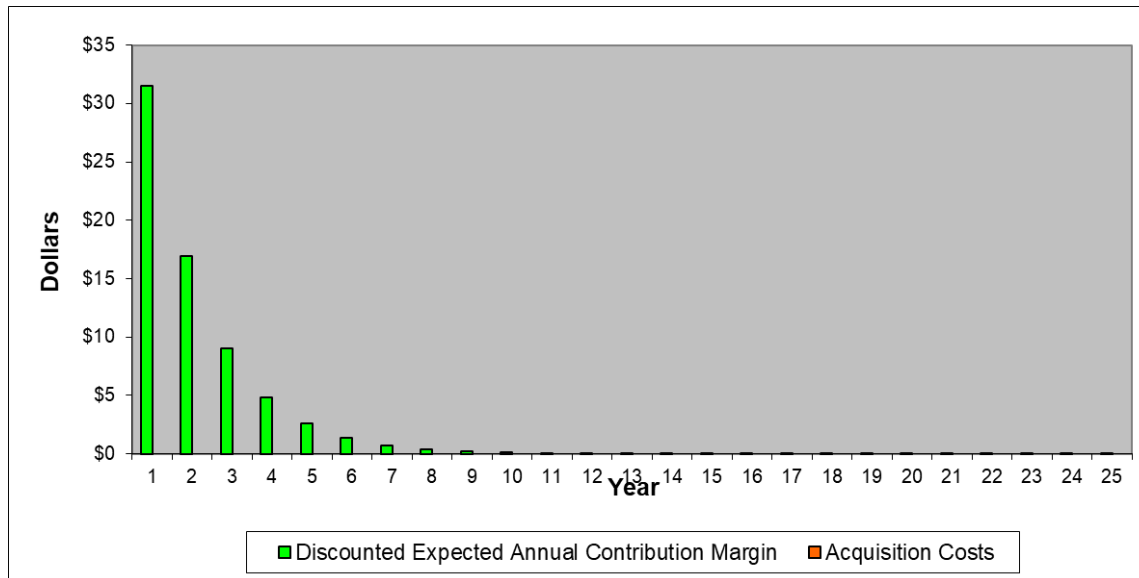


Elite Patrons: CLV= \$ 426.09  
Years of purchasing Life= 5.56

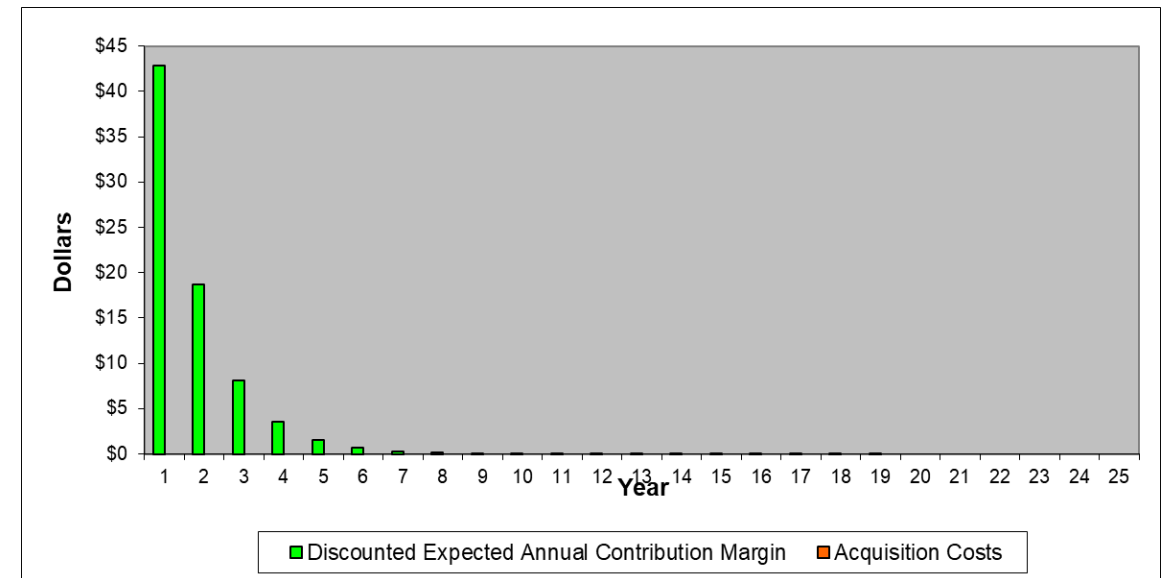


Dedicated Patrons: CLV= \$ 247.50  
Years of purchasing Life= 2.94

# CUSTOMER LIFETIME VALUE ANALYSIS



Prospective Patrons: CLV= \$ 67.94  
Years of purchasing Life= 2.44 years



Lost Patrons: CLV= \$ 44.93  
Years of purchasing Life= 1.67

# MARKETING PRIORITIES & RECOMMENDATIONS BY SEGMENT

Segment Name	Strategic Marketing Priority	Specific Marketing Recommendations (1 or 2 recommendations per segment, suggestions can be related to research, targeting, messaging/positioning, offers, etc.). Be as specific as possible.
'Elite Patrons'	High CLV and long purchasing life, strategies should focus on retention and value maximization. This could involve exclusive membership programs, personalized services, and premium product offerings to encourage continued loyalty and high spending.	<ul style="list-style-type: none"><li>• Develop premium loyalty programs offering personalized experiences or products.</li><li>• Implement an invitation-only VIP service or events to deepen their engagement and increase their average revenue per order. Such as create a 'By Invitation Only' annual event for Elite Patrons where they can preview and purchase from new collections. This not only gives them a sense of exclusivity but also encourages early adoption of new products.</li></ul>
'Dedicated Patrons'	Increase the CLV of these moderately valuable customers by enhancing the frequency of their interactions and transactions with the brand. Utilize data analytics to identify cross-selling and up-selling opportunities. Encourage increased engagement through personalized marketing campaigns that promote products and offers aligned with their past behavior.	<ul style="list-style-type: none"><li>•Cross-Selling Optimization: Offer a 'Complete the Look' upsell option after a dedicated Patron makes a purchase, suggesting items that complement their purchase. This could be supported by an AI-driven recommendation system on the website that analyzes previous purchases.</li><li>•Engaging Post-Purchase Communication: Personalized follow-ups with tailored offers and feedback opportunities.</li></ul>
'Prospective Patrons'	They have a lower CLV and shorter purchasing life, indicating that they are likely newer customers. The strategic priority should be conversion and nurturing, possibly through welcome offers, engaging educational content about the products, and incentives for initial and repeat purchases to extend their purchasing life.	<ul style="list-style-type: none"><li>• Introduce a 'Starter Pack' offering that bundles popular items at a slight discount. This can be advertised through social media channels where prospective patrons are active, using targeted ads based on their browsing and interaction history.</li></ul>
'Lost Patrons'	Re-engage these low-CLV customers who are at risk of churning or may have already churned. Implement targeted reactivation campaigns and analyze churn indicators to offer personalized incentives that address their reasons for lapse.	<ul style="list-style-type: none"><li>• Launch a 'We Want You Back' email campaign featuring a limited-time welcome-back discount code. This campaign can be personalized based on their past purchases and could also ask for feedback on why they left, providing valuable insights for future strategy adjustments.</li></ul>

# MARKETING BUDGET ALLOCATION RECOMMENDATIONS

Segment Name	% of Customers*	Average CLV	Marketing Allocation Recommendation**	Marketing Budget Allocation Rationale (see note below)
'Elite Patrons'	13%	\$426.09	15%	Given their high Customer Lifetime Value (CLV) and long purchasing life, it's essential to allocate a significant portion of the budget towards retaining and maximizing the value of elite patrons. Strategies such as exclusive membership programs, personalized services, and premium product offerings require higher investment to maintain their loyalty and encourage continued high spending.
'Dedicated Patrons'	10%	\$247.50	30%	While active patrons have a moderate CLV and purchasing life, they still represent a valuable segment that contributes to ongoing revenue. Allocating a substantial portion of the budget towards this group allows for targeted upselling and cross-selling initiatives, loyalty rewards programs, and personalized marketing efforts to further increase their CLV and frequency of purchases.
'Prospective Patrons'	37%	\$67.94	20%	With lower CLV and shorter purchasing life, prospective patrons require investment in conversion and nurturing strategies to turn them into active customers. Allocating a portion of the budget towards welcome offers, educational content, and incentives for initial and repeat purchases can help extend their purchasing life and increase their overall value to the brand over time.
'Lost Patrons'	40%	\$44.93	35%	Despite having a CLV similar to active patrons, lost patrons are at risk of churning or have already churned, necessitating efforts to re-engage them with the brand. Re-engagement campaigns, special comeback offers, and feedback surveys require a smaller but targeted investment to understand their inactivity and increase their CLV through successful reactivation.



# APPENDIX

## SAS code used in creating the segments

```
data work.RFM2; /*output dataset name for Champion assignment*/

set work.RFM1; /*input dataset name*/

/*new variable containing the final RFM segment assignments*/

length segment_assignment $30.;

/*The code below is used to assign each unique combined_RFM value into a final segment assignment*/

/*The code below is an example 4 segment solution - IT IS JUST INTENDED TO BE AN EXAMPLE*/

/*copy and add 1 more line of code if want 5 final segments - segment_assignment values should be updated to 'Segment 1' through 'Segment 5'*/

/*copy and add 2 more lines of code if want 6 final segments - segment_assignment values should be updated to 'Segment 1' through 'Segment 6'*/

/*delete one of the lines of code if you only want 3 final segments*/

/*each line should include 1 or more mutually exclusive combined_RFM values*/

/*all 8 unique combined_RFM values should be included in one of the lines of code below*/

/*WATCH the RFM Segmentation Demonstration Video - Part 5 of 6 SAS Code #2 if you have questions*/

if combined_RFM in ('011') then segment_assignment = '1. Elite Patrons';

if combined_RFM in ('010', '111') then segment_assignment = '2. Dedicated Patrons';

if combined_RFM in ('000', '001') then segment_assignment = '3. Prospective Patrons';

if combined_RFM in ('110', '100', '101') then segment_assignment = '4. Lost Patrons';

run;
```