

Executive Summary

Customer Segmentation & Lifetime Value Analysis

Date: September 17, 2025

To: Executive Leadership, Marketing Department

From: Dylan, Data Analytics

Subject: Data-Driven Strategy to Mitigate Churn Risk and Maximize Customer Lifetime Value

Business Problem & Opportunity

Our company faces critical challenges: high customer acquisition costs, unpredictable churn, and inefficient one-size-fits-all marketing strategies. This comprehensive customer analytics project segments our customer base, predicts churn, and develops a data-driven strategy to optimize marketing spend while protecting our most valuable revenue streams.

This analysis reveals a critical business risk that demands immediate action.

Key Findings

Analysis covers 4,338 customers and 397,884 transactions

Critical Risk: Extreme Customer Concentration

- 21.5% of customers ("Champions") generate 70.2% of total revenue
- This "70/20 rule" creates dangerous dependency on a small customer cohort
- Loss of even 10% of Champions would eliminate £625,534 in annual revenue

High-Value Customer Segments Identified

- "Loyal Core" average CLV: £14,678
- 12.9x more valuable than "At-Risk" customers (£1,135 CLV)
- Clear segmentation enables targeted retention strategies

"Whale" Accounts Require Special Handling

- 12 extreme outlier accounts identified (likely B2B/reseller clients)
- Require dedicated account management separate from B2C marketing
- Represent disproportionate revenue opportunity

Churn is Now Predictable

- Predictive model achieved 74% accuracy (AUC 0.74)
 - Can identify high-value customers at 90-day churn risk
 - Enables proactive rather than reactive retention
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Strategic Recommendations

Phase 1: Immediate Action (0-30 Days)

High-ROI Retention Campaign

- **Target:** 4 "Loyal Core" customers with >50% churn probability
- **Action:** Personalized 15% discount offers
- **Investment:** £3,640
- **Projected ROI:** 303% (£14,678 lifetime value protected)

Phase 2: Short-Term Initiatives (1-3 Months)

Secure Core Revenue

- Assign dedicated managers to 12 "Whale" accounts
- Launch automated win-back campaigns for "At-Risk" segment (90-day trigger)

Phase 3: Long-Term Strategy (3-12 Months)

Build Future Value

- Develop formal loyalty program
 - Enhance new customer onboarding
 - Convert "At-Risk" customers to "Loyal Core" status
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Projected Business Impact

Metric	Improvement	Financial Impact
Marketing ROI	15-25% increase	Through targeted spend allocation
Customer Churn	10-20% reduction	Among highest-value segments
Revenue Protection	£625K+ safeguarded	From Champions retention

Bottom Line: This analysis provides a clear roadmap to transform our customer strategy from reactive to predictive, protecting our most valuable revenue while building sustainable growth.