

RFM Analysis

For details and key findings refer to General Information sheet

Customer Segment

All

Main program

All

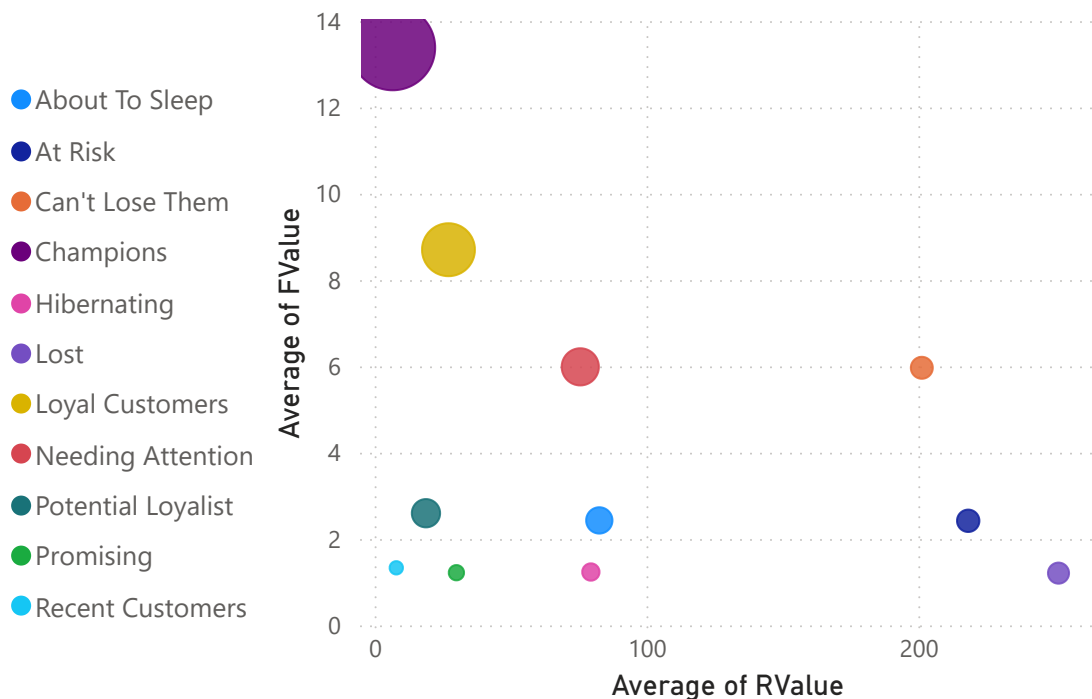
Country

All

Extreme Values Flag

All

Customer Segments by Average F and R values, Scaled by M



88.74

Average R Value

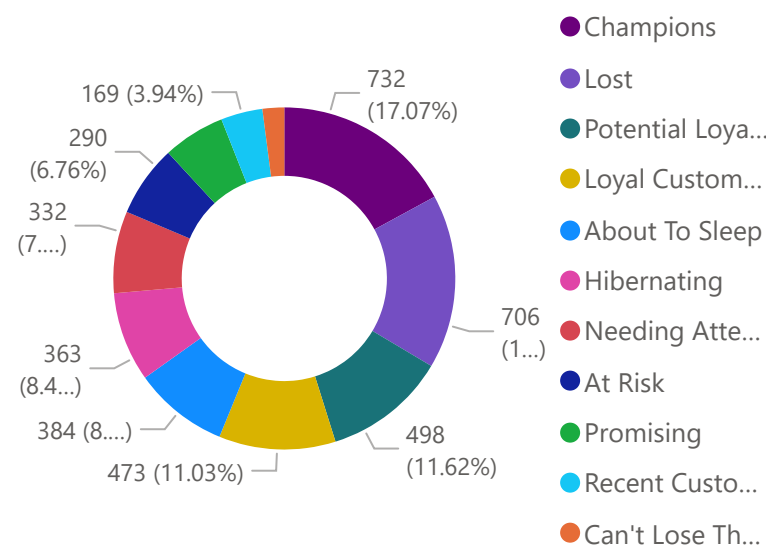
4.94

Average F Value

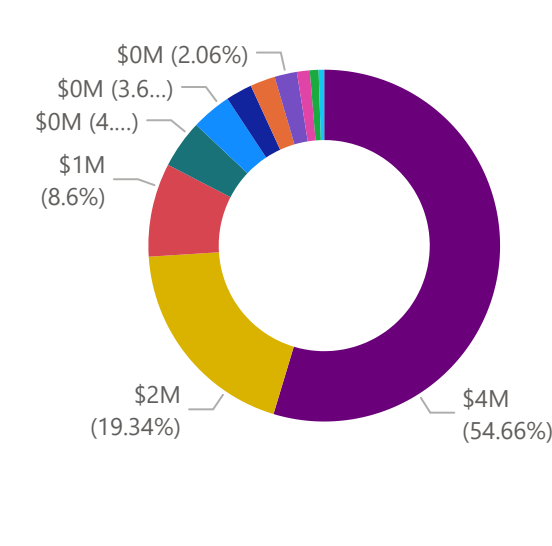
\$1,859

Average M Value

Total Customers by Customer Segment



Total Revenue by Customer Segment



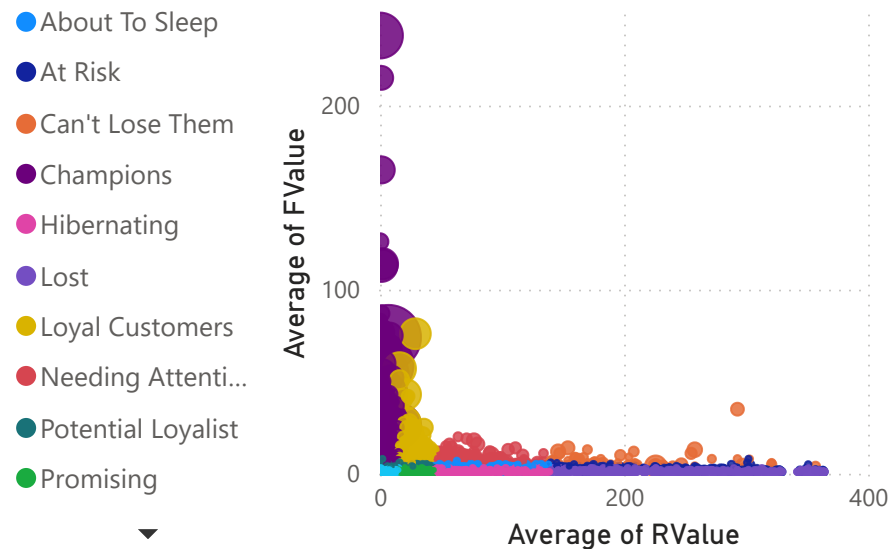
Main Marketing Program for Customer Segment

Select a Customer Segment.

Recommendations for Customer Segment

Select a Customer Segment to read recommendations.

Customers by Average F and R Values, Scaled by M



Main Figures by Customer Segment

Customer Segment	Total Customers	Customers %	Total Revenue	Revenue %	AVG Revenue	AVG Invoices	Total Items	AVG Items/Invoice	AVG Price/Item	AVG Recency
Champions	732	17.07%	\$4,356,728	54.66%	\$5,952	13.38	2,412,979	246.32	\$1.8	6.64
Loyal Customers	473	11.03%	\$1,541,353	19.34%	\$3,259	8.70	1,014,835	246.56	\$1.5	27.18
Needing Attention	332	7.74%	\$685,282	8.60%	\$2,064	5.99	418,773	210.65	\$1.6	75.66
Potential Loyalist	498	11.62%	\$353,391	4.43%	\$710	2.60	216,241	167.24	\$1.6	18.90
About To Sleep	384	8.96%	\$294,450	3.69%	\$767	2.43	197,539	211.72	\$1.5	82.66
At Risk	290	6.76%	\$193,373	2.43%	\$667	2.42	108,811	155.00	\$1.8	218.36
Can't Lose Them	88	2.05%	\$183,340	2.30%	\$2,083	5.97	95,751	182.38	\$1.9	201.30
Lost	706	16.47%	\$164,215	2.06%	\$233	1.21	92,180	108.07	\$1.8	251.58
Hibernating	363	8.47%	\$93,970	1.18%	\$259	1.23	62,579	139.69	\$1.5	79.55
Promising	252	5.88%	\$63,913	0.80%	\$254	1.22	44,681	145.54	\$1.4	30.10
Recent Customers	169	3.94%	\$40,770	0.51%	\$241	1.33	27,847	123.76	\$1.5	7.98
Total	4,287	100.00%	\$7,970,786	100.00%	\$1,859	4.94	4,692,216	221.48	\$1.7	88.74

R Score	FM Score	Customer Segment	Main program	Activity	Actionable Tip
1	1-2	Champions	Loyalty	Bought recently, buy often and spend the most.	Reward them with exclusive offers, early access to new products, or loyalty
2	1-2	Loyal Customers	Loyalty	Spend good money with us often. Responsive to promotions.	Upsell higher value products. Ask for reviews. Engage them.
1-2	3	Potential Loyalist	Loyalty	Recent customers, but spent a good amount and bought more than once.	Offer membership/loyalty program, recommend other products.
2	4	Promising	Onboarding	Recent shoppers, but haven't spent much.	Create brand awareness, offer free trials.
1	4	Recent Customers	Onboarding	Bought most recently, but not often.	Provide on-boarding support, give them early success, start building rela
4	1-2	Can't Lose Them	Retention High	Made biggest purchases and often, but a long time ago.	Win them back via renewals or newer products, don't lose them to com
3	1-2	Needing Attention	Retention High	Just below recency average, but above average F and M values.	Make limited time offers. Recommend based on past purchases. Reactiva
3	3	About To Sleep	Retention Low	Just bellow R and FM average. Will lose them if not reactivated.	Share valuable recources, recommend popular products/renewals at disc
4	3	At Risk	Retention Low	Spent good money and quite often, but long time ago. Need to bring them back.	Send personalized emails to reconnect, offer renewals, provide helpful re
3	4	Hibernating	Retention Low	Last order was rather long back, low spenders and low number of orders.	Offer other relevant products and special discounts. Recreate brand value
4	4	Lost	Retention Low	Lowest R and FM values.	Revive interest with reack out campaign, ignore otherwise.



General Information

Database for RFM Analysis: [Link to Database](#)

Analysis Date: July 15, 2024

Prepared by: **Greta Šaumanė**

Data Period: from **December 1, 2010** to **November 30, 2011** (inclusive).

Definitions:

- **R (Recency)** - Number of days between **December 1, 2011** and the day of the most recent invoice for each customer.
- **F (Frequency)** - Count of total invoices per customer during the analysis period.
- **M (Monetary)** - Total revenue generated by each customer.
- **Total Customers** - The dataset contains a total count of customers, with customers operating in different markets counted separately (e.g., 8 customer IDs operating across 2 markets).
- **Note:** Only customers with **positive total revenue** were analyzed. **52 customers** with zero or negative total revenue were excluded from the analysis.

RFM Scoring Methodology

- **Quartiles Calculation** - Quartiles were calculated using the **Approx_Quantiles** function in BigQuery, dividing the data into four quartiles for Recency, Frequency, and Monetary values.
- **RFM Scores Assignment** - RFM scores were assigned as follows:
 - **Recency (R)** - Score of **1** for the most recent invoices, and higher numbers for less recent transactions.
 - **Frequency (F)** and **Monetary (M)** - Score of **1** for the highest frequency and monetary values, and higher numbers for lower values.
- **Extreme Value Detection** - Extreme Values were identified using the **Interquartile Range (IQR)** method for Outlier detection. Only Frequency (F) and Monetary (M) extreme values were flagged; Recency (R) extreme values were not flagged.

Customer Segmentation

- **Segmentation:** - Customers were segmented based on their **average R and cumulative FM scores**.
- Segmentation principles were inspired by the **RFM modeling guide** from [DMA](#).
- **Detailed Segments** - For a full description of customer segments, please refer to the [RFM Segments](#) sheet.

Dashboard Slicers for Analysis

- **Customer Segment Slicer** - Use this slicer to select and filter specific customer segments for analysis.
- **Country Slicer** - Options include:
 - **All Countries.**
 - **United Kingdom Only.**
 - **All Except United Kingdom** (Select All, then deselect "United Kingdom").
- **Note:** The United Kingdom accounts for 90% of customers, so other markets are too small to be analyzed separately.
- **Extreme Values Flag Slicer** - Use this slicer to filter data based on extreme value status:
 - **All Customers.**
 - **In Range** (no extreme values).
 - **FM** (both Frequency and Monetary extreme values).
 - **F** extreme values only.
 - **M** extreme values only.

Key Findings

11 Customer Segments have been identified, as outlined in the "RFM Segments" sheet. The following findings are based on all customers, including extreme values.

Customer Segment Findings

1. Loyalty Group

This group consists of **Champions**, **Loyal Customers**, and **Potential Loyalists**:

- **Champions** (17% of customers, 55% of total revenue):
 - **Average Revenue:** 3x the total average.
 - **Number of Invoices:** 2.7x the total average.
 - **Recency:** <7 days (compared to a total average of 89 days).
 - **Key Driver: Frequency** is the main factor driving revenue, as the number of items per invoice and average item price are only slightly above the total average.
- **Loyal Customers** (11% of customers, 19% of total revenue):
 - **Key Driver:** Frequency drives revenue, with a slightly higher number of items per invoice than the average. However, the average price is below the total average.
- **Potential Loyalists** (11% of customers, 4.5% of total revenue):
 - **Opportunity:** Focus on increasing **frequency** and **average items per invoice** to move customers into higher-value segments.

Recommendation:

Champions, Loyal Customers, and Potential Loyalists should be unified into a **Loyalty Program** with targeted communication. Strategies could include:

- Membership offers.
- Exclusive deals.
- Early access to products.
- Cross-sell and upsell opportunities.
- Requesting reviews and promoting customer advocacy.

2. Retention High Group

This group includes **Needing Attention** and **Can't Lose Them** segments:

- **Needing Attention:**
 - Recency: 76 days; Above-average revenue and frequency.
- **Can't Lose Them:**
 - Recency: 200 days; Also shows above-average revenue and frequency.

Recommendation:

These segments require **aggressive reactivation** with time-sensitive offers based on past purchases, renewals, or new product releases. The importance of this group is high, and multiple communication channels (e.g., email, SMS, and social media) should be used to reconnect with these customers.

3. Onboarding Group

Includes **Recent Customers** and **Promising Customers**:

- Customers in this group haven't spent much yet but have made recent purchases.