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7/3/19

Customer Segmentation Strategy

There are a few ways to design a customer segmentation strategy and I have used a few of these for the analysis below.

New vs. Existing

We can segment our customers by new and existing businesses. This will allow us to track both retention and customer acquisition. Combining this type of segmentation with other data such as Amount, Loss Reason, and Won Order will allow us to find patterns in how to retain existing businesses and what works best when trying to acquire new clients.

First purchase

This is a cohort analysis which will allow us to track customers by particular time periods. In this report such an analysis is used to keep track of customer retention. Which will allow us to dig deeper into why a customer sticks, For example maybe a particular cohort might have made their first deal during some promotional period, and we can see how that affects their behavior over time.

Loss Reason

For deals that have been lost we can segment the customers by their loss reason as shown in the donut chart below.
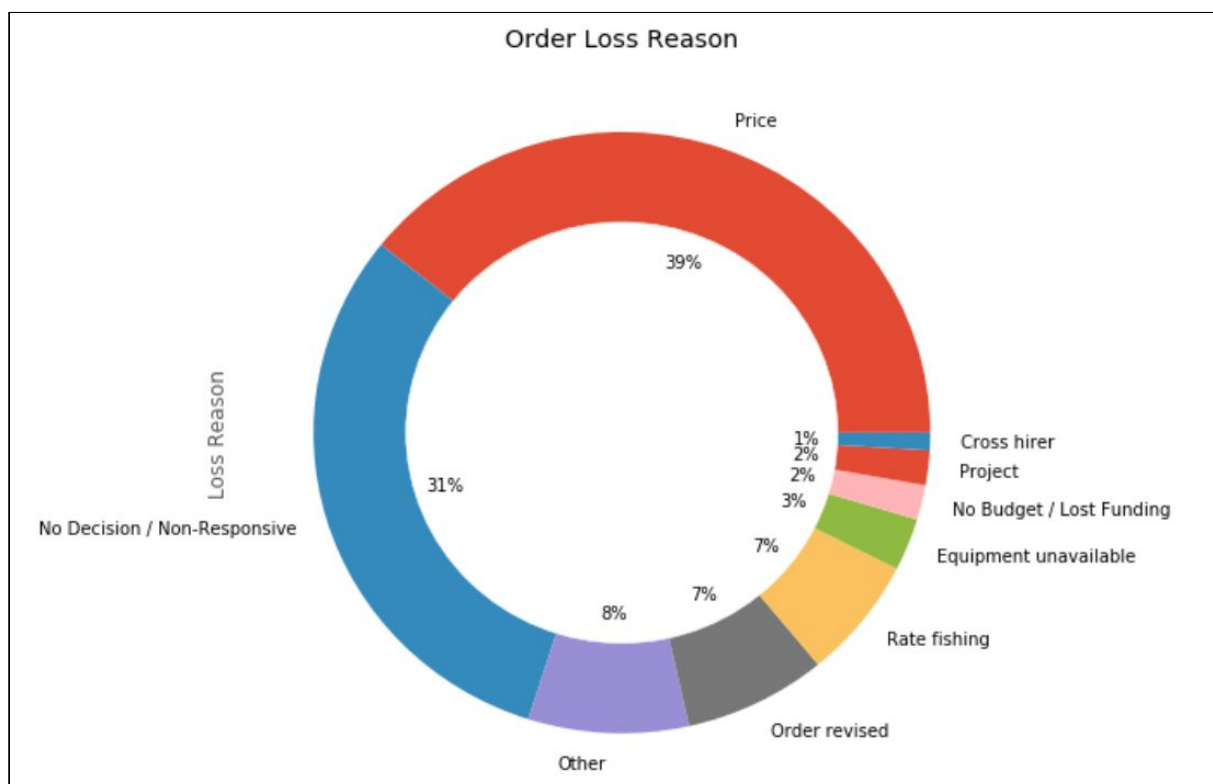
This way we can target the customers directly based on the reason why they did not make a deal. And allow us to predict whether future customers are likely to make a deal or not.

Spend Size

We can categorize the customers by the amount of money they spend on the platform. For example divide all customers into three categories Big, Medium and Small.

Small: 0-10,000

Medium : 10,000-100,000

Big: 100,000+

This will allow us to track their behaviors and see what the majority of the client base is like. We can then use this information to target them with specific deals that we would know they are more likely to make.

Patterns Between Won & Lost Deals

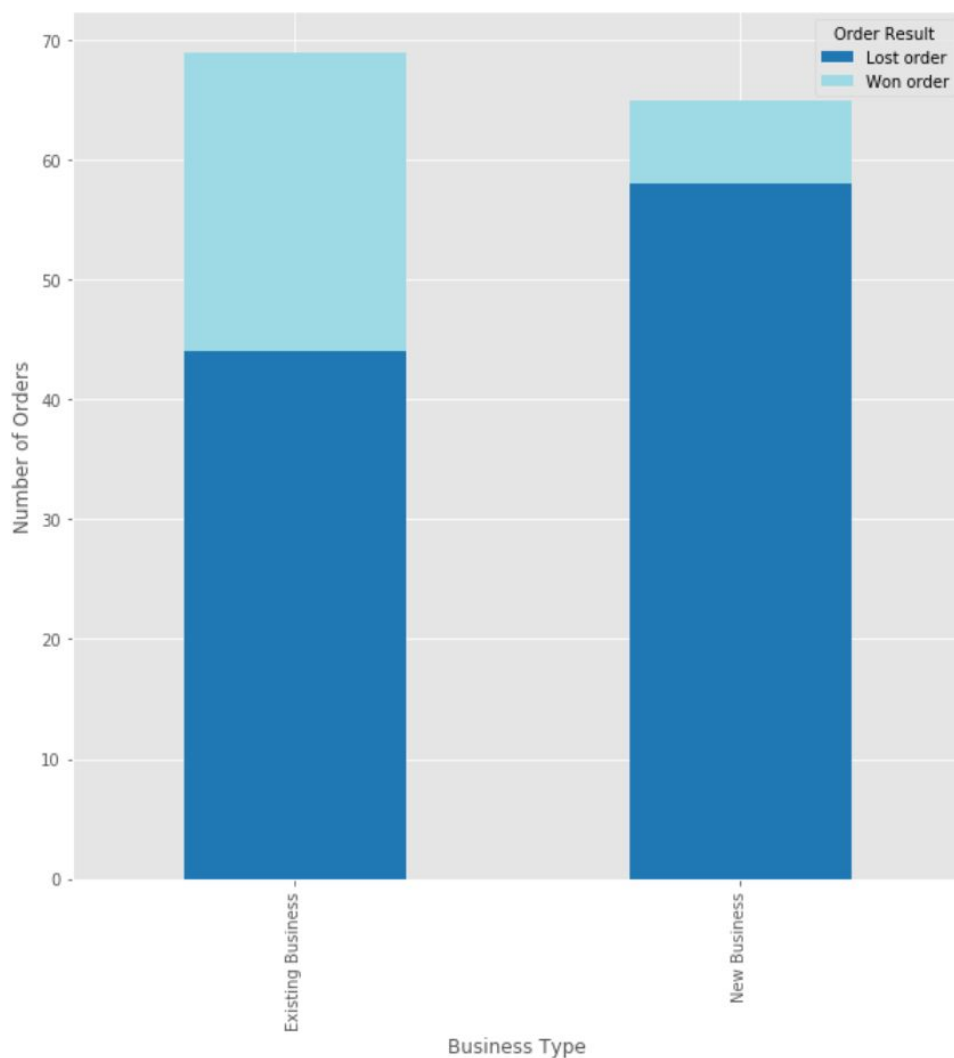**Spread of wins and losses by business type:**

Fig. 1

Tenderd is doing better at securing deals with existing customers than with new customers.

There have been 244 deals between April 2018 and June 2019. Fig.1 splits those deals between existing and new businesses. These are then subdivided into lost and won deals. Of the 244 deals only 134 have recorded values for business type. Tenderd has won approximately 36% of these deals with existing businesses vs about only 11% with new businesses.
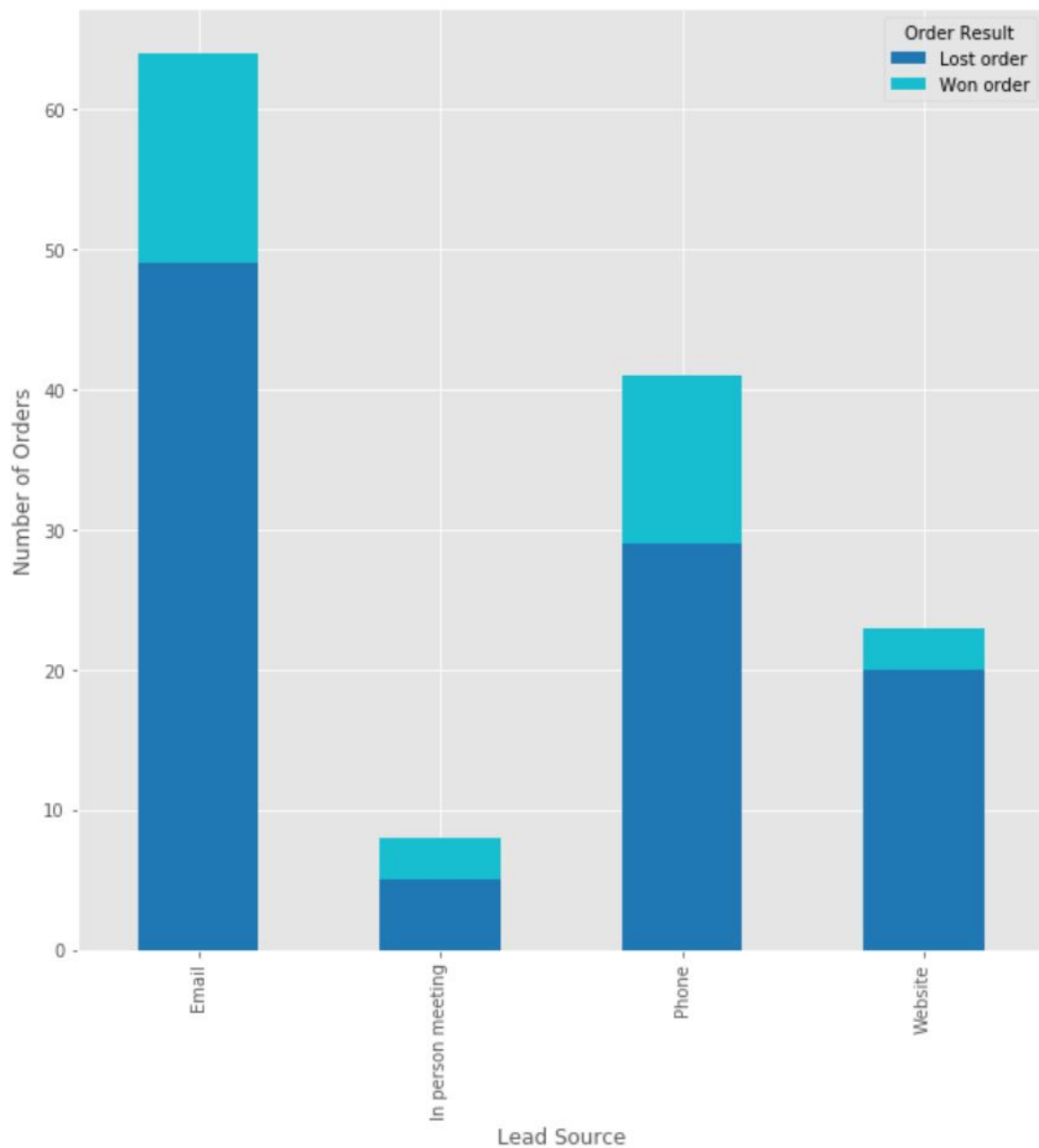
Spread of wins and losses by lead source:

Fig. 2

Email: 22% wins
In person meeting: 37.5% wins
Phone: 29% wins

Website: 15% wins

Currently In person meetings and phone leads seem to be giving the most wins. For the short term you should focus on getting more leads via these sources. For the long term you should focus on optimizing the website to drive more sales there, as website sales are usually the least resource intensive.
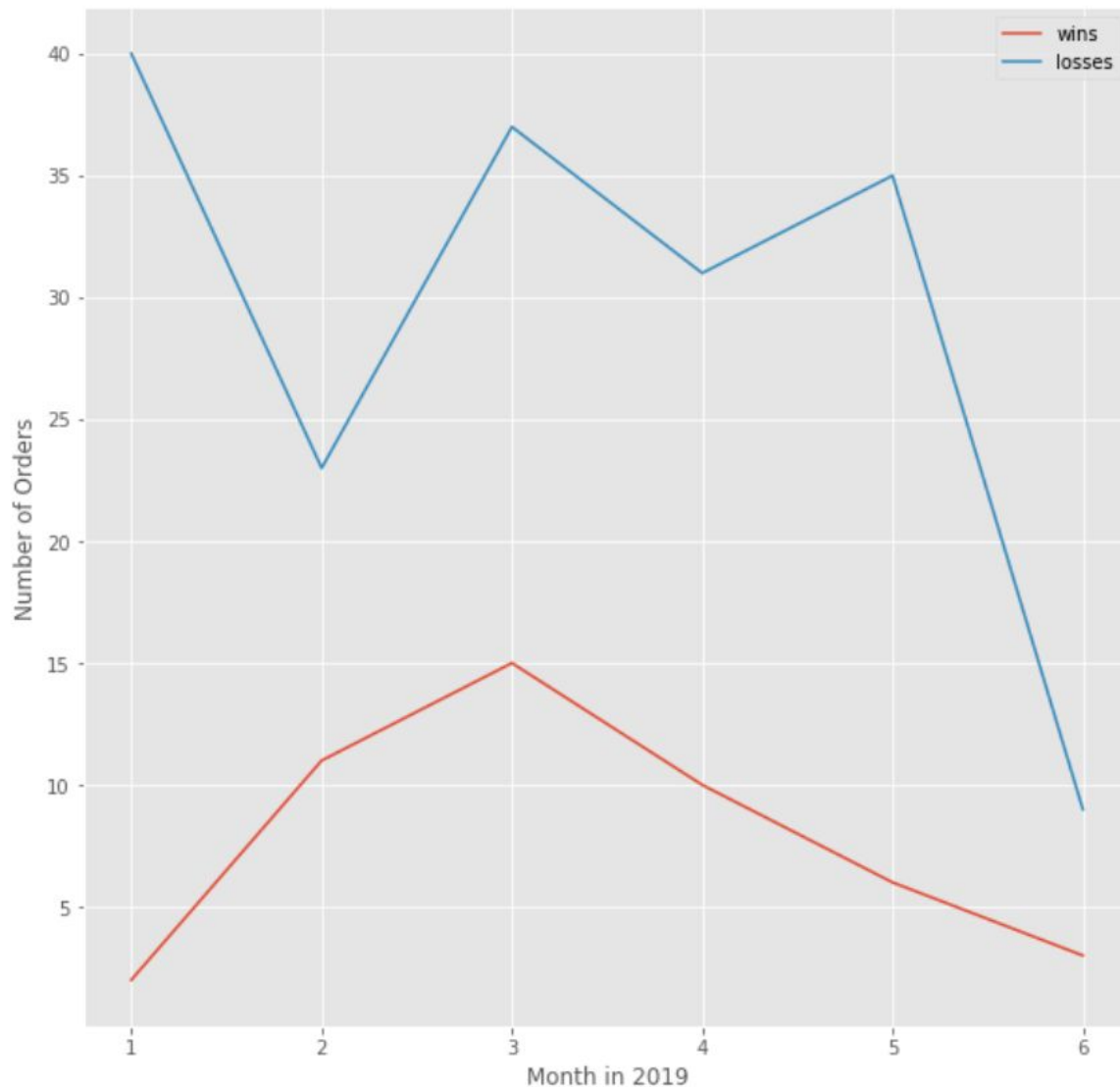
2019 win vs. loss trend:

Fig.3

The 2018 data was backfilled into the dataset and only contained the orders that were won and has therefore not been included in Fig.3.

Feb 2019 was a good month as there was both an increase in wins and a decrease in losses. It would be interesting to find what might have been done differently in that particular month and if it is a repeatable action you should be able to use that to boost sales.
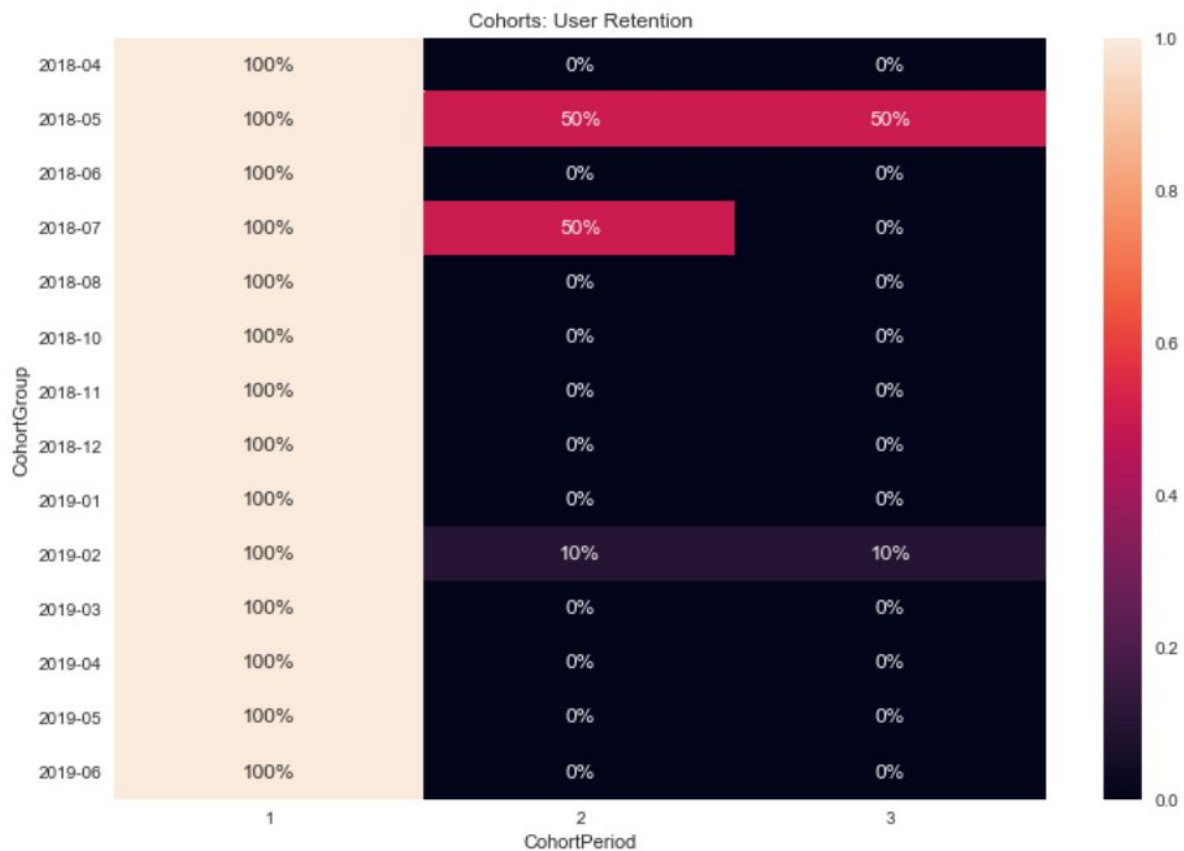
Cohort Analysis

Fig.4

Fig.5 is the result of a cohort analysis of user retention. Maximum user retention is for 3 months. Usually you expect to see a gradual decrease in retention going down the cohort group because the most recent cohorts have not been tracked as long as the ones on the top. This data follows a similar pattern here but there is one spike in the Feb 2019 (2019-02 on y-axis in fig.5). Here 10% of the customers have returned in March and another 10% again in April. Targeting the cohort group of Feb 2019 for more insights is a good idea as they have shown the most promise in 2019. Cohort of May 2018 (2018-05 on fig 5.) has shown the best retention rate overall and it would be interesting to see how these customers were targeted and if there is a repeatable pattern there that can be followed to improve retention.

Further work and other data to track

Customer segmentation
Customer segmentation can be done geographically but the current data on project location is quite messy and needs organization and consistency to be useable. I would recommend building a data pipeline as that would make future analysis more efficient and you would gain a valuable asset if your data warehouse stored organized and consistent data.

It's also a good idea to track data about where the client is geographically based out of, as you would be able to segment your customers based on region, and find out which regions are most lucrative and which are not doing so great.

Client Size
Tracking how big clients are by company size/ revenue is usually static data so easy to keep a record of and will allow for another way to segment your customers and gain some more insight.

Product ID
Track specific equipment by giving them product Id numbers, and you will be able to tell which equipment is more in demand than others.

Machine Learning
Once you start tracking more data like mentioned above, I think it would be worth investing some time into building a machine learning model that would be able to predict client churn before it happens and will give you a head start to figure out a way to retain the client.