

Customer Segmentation & Retention

RFM Analysis

Company Overview

- Small in scale
- Niche market
- Low marketing budget

Aesthetic Houseware


(1 - 60 of 530 results with Ads 7)

Price (\$)


Shipping

All Sellers


Sort by: Lowest Price




Create a Kinder Planet Hoodie, Oversized Hoodie...
Ad by Etsy seller
★★★★★ (7.5k)
\$16.03 ~~\$45.80~~ (65% off)




Style #8
Lana Del Rey Poster, 10 Different Lana Del Rey Pos...
Ad by Etsy seller
★★★★★ (272)
\$13.98 ~~\$23.90~~ (40% off)




Iced Coffee Cup - Handmade Glassware and Bar...
Ad by Etsy seller
★★★★★ (236)
\$15.36 ~~\$24.95~~ (30% off)
FREE shipping




New Yorker Magazine Cover, 18 October 1976, Vin...
Ad by Etsy seller
★★★★★ (41)
\$10.45 ~~\$14.92~~ (30% off)




Beautiful Can Cooler | Pretty Seltzer Insulator | Dr...
\$5.25 ~~\$7.00~~ (25% off)



Beautiful Can Cooler | Pretty Seltzer Insulator | Dr...
\$5.25 ~~\$7.00~~ (25% off)



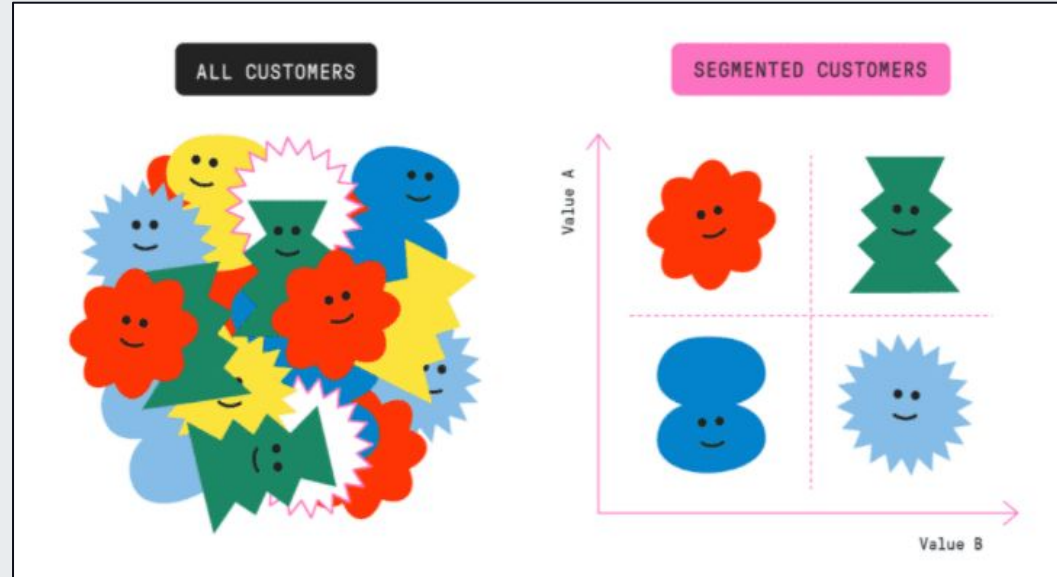
Gallery of Henri Matisse pastel prints set of 3, ton...
★★★★★ (12)
\$5.44 ~~\$10.87~~ (50% off)



Crochet Swirly Cat Coasters- Cat Coasters- Cute ...
★★★★★ (35)
\$5.50

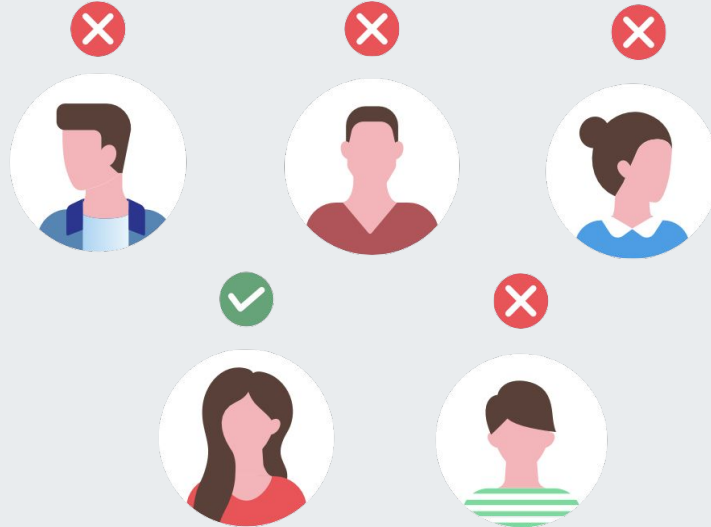
Why Segment Customers

- Organized insights
- Targeted marketing solutions
- Improved sales and customer retention



RFM Analysis: **Find** our valuable customers

- Who are our best customers?
- Which of our customers might leave?
- Who have the potential to become best customers?



What is RFM Analysis

How recently, how often, and how much money a customer has given our brand



RECENCY

The freshness of
the customer activity,
be it purchases or visits



FREQUENCY

The frequency
of the customer
transactions or visits



MONETARY

The intention of customer
to spend or purchasing
power of customer

From Customer Journey To Our data



When a Customer

- **Customer ID**

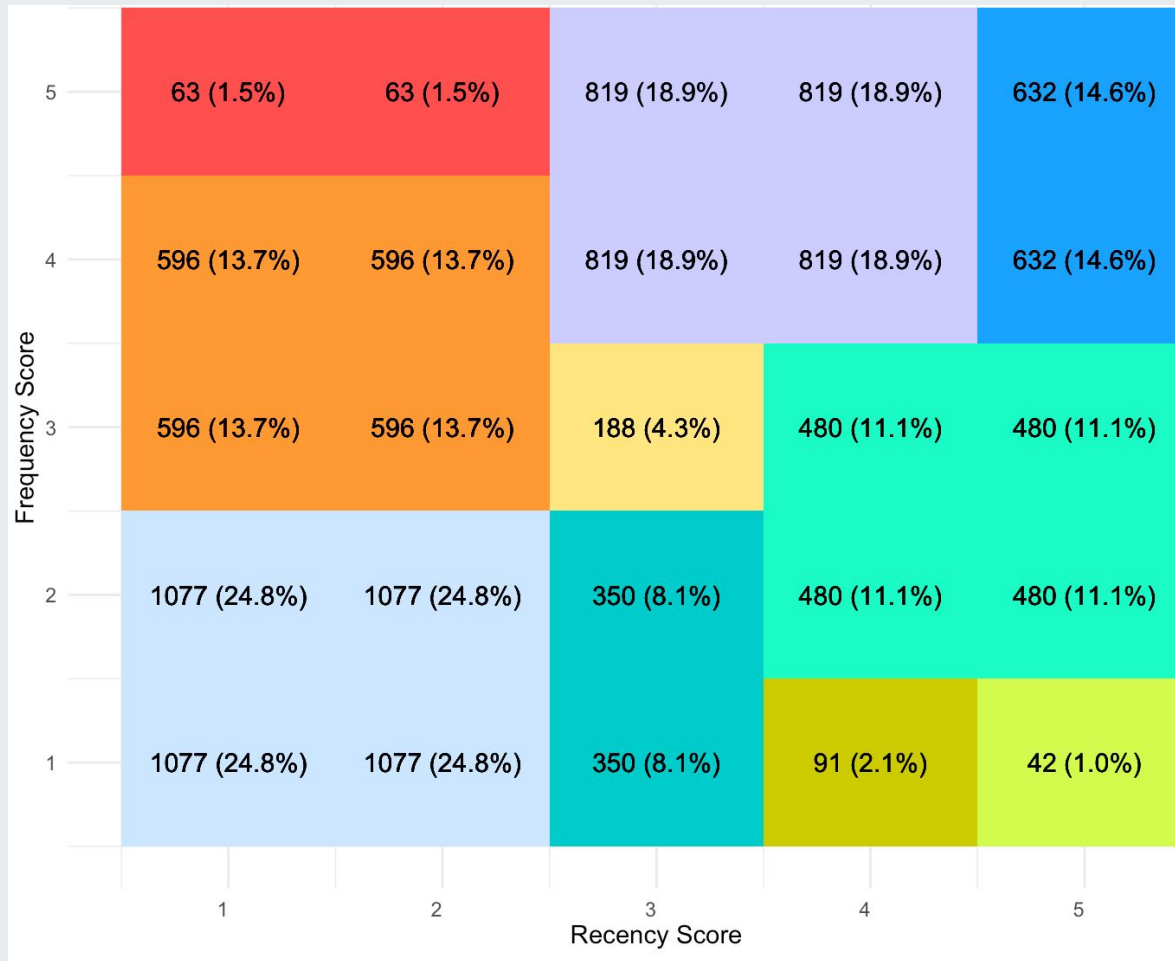
Buys Our Product

- Product Description
- **Unit Price**

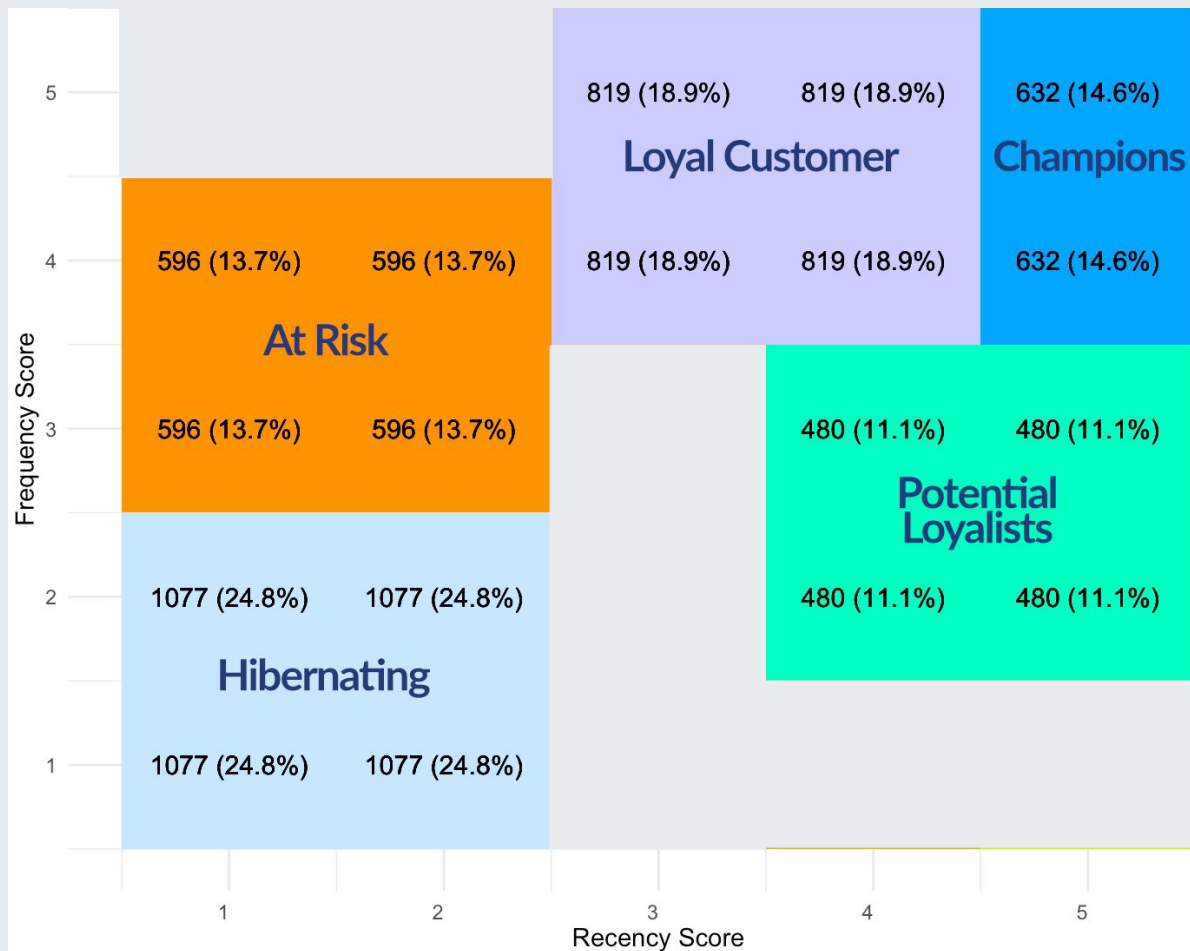
They Spent money

- **Quantity bought**
- **Total money spent**
- **Transaction date**
- **Order ID**

How do we segment our customers



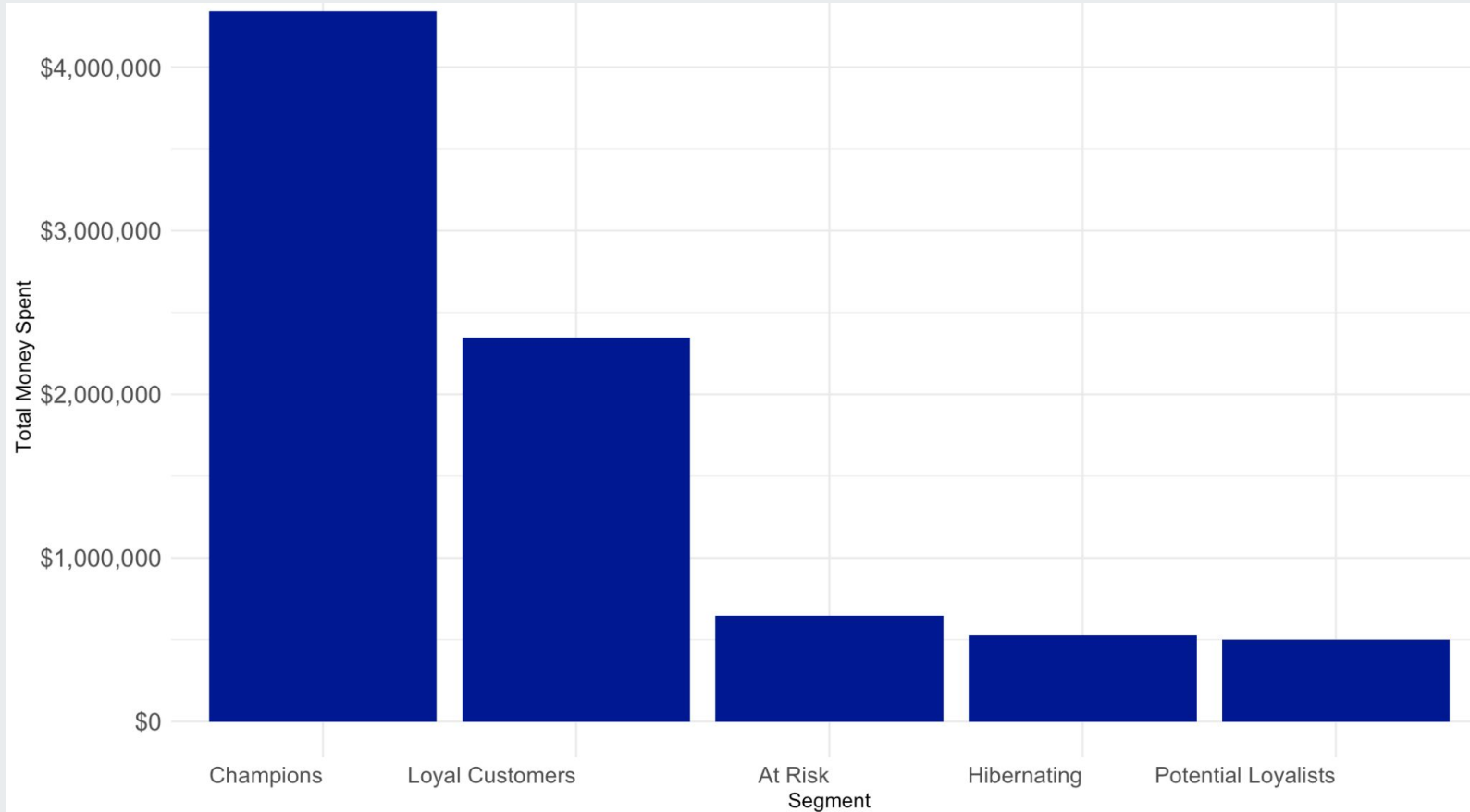
How do we segment our customers



Over 80% of Customers:

- **Hibernating-25%**
- **Loyal Customer-20%**
- **Champions-15%**
- At Risk
- Potential Loyalists

Top 5 Segment by Total Money Spent



The Five Segments

- Champions
- Loyal Customers
- At-Risk Customers
- Hibernating Customers
- Potential Loyalists

Referral Programs

Exclusive Offers

Special Discounts

Limited-time Deals

Unique Value Proposition

Projected Outcome

- Enhanced Customer Understanding
- Cost-effective Marketing Solutions
- Improved Resource Allocation
- Increased Customer Retention
- More Accurate Predictions of Future Trends

Appendix A: Heatmap for 10 Segmentations

```
ggplot(rfm_counts2, aes(x = RecencyScore, y = FrequencyScore, fill = Segment)) +  
  geom_tile(color = "white") +  
  geom_text(aes(label = sprintf("%s (%0.1f%%)", SegmentCount, TotalPercentage)), size = 3.5) +  
  scale_fill_manual(values = color_scheme) + # your_color_scheme should be a named vector of colors  
  labs(title = "Recency and Frequency Grid", x = "Recency Score", y = "Frequency Score", fill = "Segment") +  
  theme_minimal() +  
  theme(  
    plot.title = element_text(hjust = 0.5),  
    axis.text.x = element_text(angle = 0, vjust = 0.5, hjust = 1),  
    axis.text.y = element_text(hjust = 0.5),  
    legend.position = "bottom",  
    legend.title.align = 0.5  
  )
```

Software: R Studio

Appendix B: Bar Chart for Top 5 Segment by Total Money Spent

```
ggplot(top_money_summary, aes(x = reorder(Segment, -TotalMoneySpent), y = TotalMoneySpent)) +  
  geom_bar(stat = "identity", fill = "darkblue") +  
  labs(x = "Segment", y = "Total Money Spent", title = "Total Money Spent for Top 5 Customer Segment") +  
  theme_minimal() +  
  theme(axis.text.x = element_text(hjust = 1, size = 12), axis.text.y = element_text(size = 13)) +  
  scale_y_continuous(labels = scales::dollar_format()) # Format y-axis labels as currency  
  
#new graph for money  
top_money_summary <- money_summary %>%  
  arrange(desc(TotalMoneySpent)) %>%  
  head(5)
```

Software: R Studio

Appendix C: RFM Research & Implementation

Optimal Selection for Direct Mail: <https://www.jstor.org/stable/184136?seq=1>

Customer Segmentation and Strategy Development Based on User Behavior Analysis, RFM Model and Data Mining Techniques: A Case Study: <https://ieeexplore.ieee.org/abstract/document/8592638>

New RFM-D classification model for improving customer analysis and response prediction:
<https://www.sciencedirect.com/science/article/pii/S2090447923001430>

CUSTOMER SEGMENTATION AND PROFILING WITH RFM ANALYSIS:
https://www.researchgate.net/publication/340924556_CUSTOMER_SEGMENTATION_AND_PROFILING_WITH_RFM_ANALYSIS#:~:text=RFM%20is%20a%20model%20used,an%20integer%20number%2C%20typically

[Guide]: RFM Analysis w/ predictive segmentation examples: <https://www.barilliance.com/rfm-analysis/>

[Dataset]: <https://www.kaggle.com/code/nazlisener/customer-segmentation-using-rfm/input>