Transaction Segregation

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Transaction data

- Companies collect large amounts of customer and transaction data?
- How useful is it?
- How can you make business decisions based on this data?

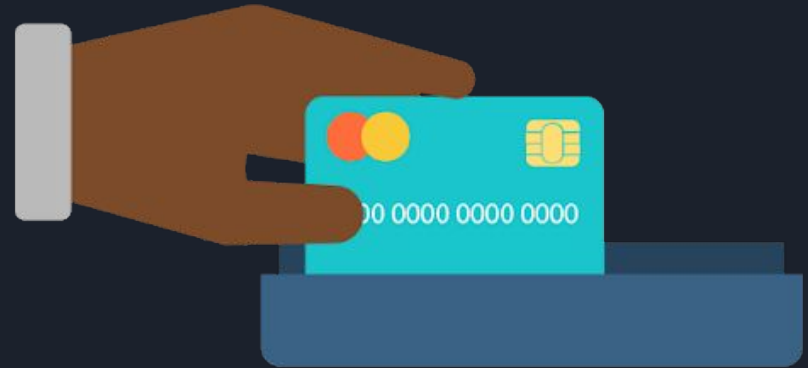# Grouping Customers/Transactions

- How can we gain insight into customer behavior through purchasing data?

Data Set

- 25,900 Transactions
- 541, 909 Item/Transaction Combinations
- Many Unique Variables

Analysis

- Subset of data was taken
- Outliers were removed (ex. 80955 units of a single item were returned in a single transaction)
- Customers were stratified into 4 different groups

Group Insights

Group 1

- Medium Quantity Low Spending
  - Average of 10 items purchased
  - Average payment of $19.70
  - Medium Quantity Low Spenders make up the largest group (46% of customers) and the largest spending contribution (49%)

Group 2

- Low Quantity Low Spending
  - Average of 2 items purchased
  - Average payment of $7.58
  - Low Quantity Low Spending transactions make up 34% of customers but contribute <15% of total spending

Group 3

- **High Quantity Low Spending**
    - Average of 11 items purchased
    - Average payment of $25.36
    - High Quantity Low Price spenders make up the 10% of customers and 13% of spending

Group 4

- Max Spenders
  - Average of 24 items purchased
  - Average payment of $41.99
  - Max Spenders make up the smallest group (10%) but 23% of spending

Actionable Info

- Medium Quantity Low Spenders are the most valuable demographic to target
- High Quantity Low Spenders are the least valuable demographic

Business Strategies

- Classifying customers based on initial transaction data can allow for targeted advertising
- Goal is to create more Medium Quantity Low Spenders, or encourage customer behavior towards that spending pattern
- Max Spenders are valuable but rare, so targeting ads towards that behavior would be less effective

Questions?