

Profit Segmentation – Unlocking High-Value Customers

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Business Challenge

Insurance companies frequently struggle with identifying truly profitable customer segments, often failing to distinguish high-value, long-term clients from those generating disproportionate costs. This critical lack of clarity results in:

- Inefficient allocation of marketing resources towards low-yield customers.
- Suboptimal retention strategies for high-value, loyal policyholders.
- A generalized customer approach that neglects differentiated profitability tiers.



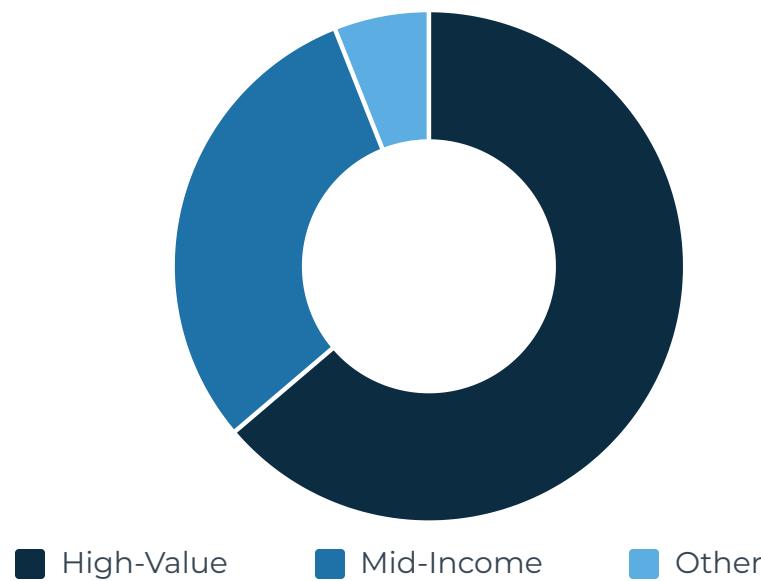
Project Objective

Build a profit segmentation system to identify high, mid, and low-value customers based on premium paid and claims cost. Key aims:

- Accurately quantify Profit Contribution per customer.
- Segment customers into Profit Tiers (High, Mid, Low).
- Explore relationships between profit and customer behaviors.
- Deliver actionable dashboards for marketing, sales, and retention teams.

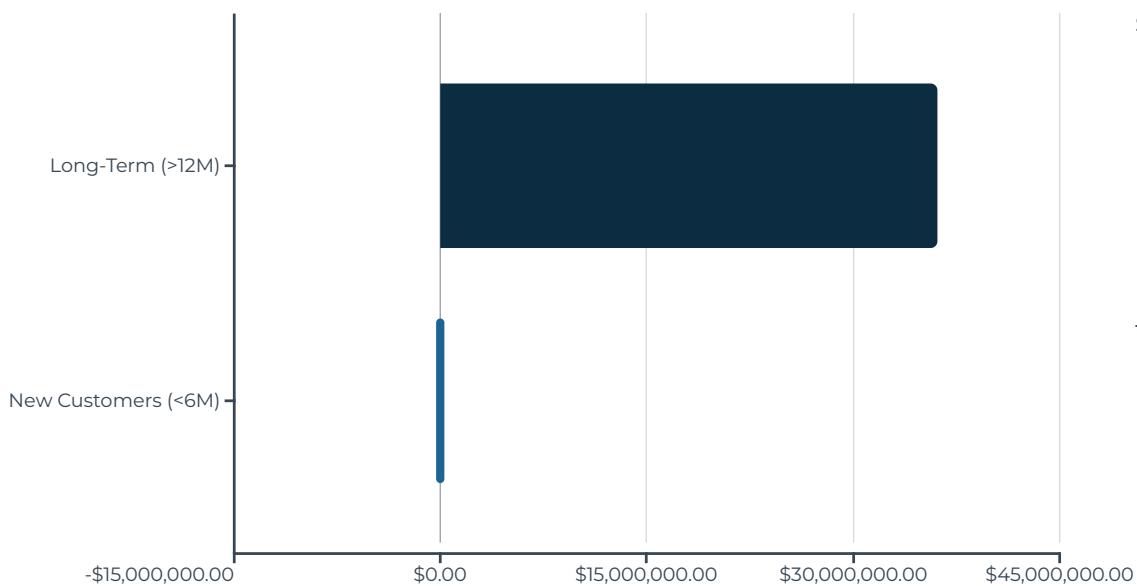
1. Who Are Our Most Profitable Customers – and What Defines Them?

Profit Contribution by Customer Segment



High-value and mid-income segments account for the vast majority of our identified profit.

Profit by Customer Tenure



Long-term loyalty is a significant driver of profit, while new customers show initial losses.



High-Value Customers Lead Profit

40% of customers drive 64% of total profit (₹2.31 Cr). These segments require top prioritization.



Loyalty Drives Substantial Returns

Customers with over 12 months tenure contribute ₹3.61 Cr, versus a net loss from new customers (₹3,190).



Inactive Accounts, Hidden Risk

Inactive customers generate ₹1.9 Cr (avg ₹5,040), but are at risk of silent churn despite profitability.



Mid-Income Customers as an Ideal Target

These customers deliver the highest average profit per person (₹4,917), contributing ₹1.09 Cr overall.

“What Should We Do About It?” – Strategic Actions from Customer Profitability Insights



Prioritize Top-Tier Customers

Focus on high-value and long-tenure clients, driving ₹2.31 Cr and ₹3.61 Cr profit. Invest in loyalty programs and premium support for maximum retention and growth.



Re-engage Inactive Accounts

Inactive customers contribute ₹1.9 Cr and show higher average profit (₹5,040). Implement targeted win-back campaigns and personalized outreach to prevent silent churn.



Optimize Acquisition Spend

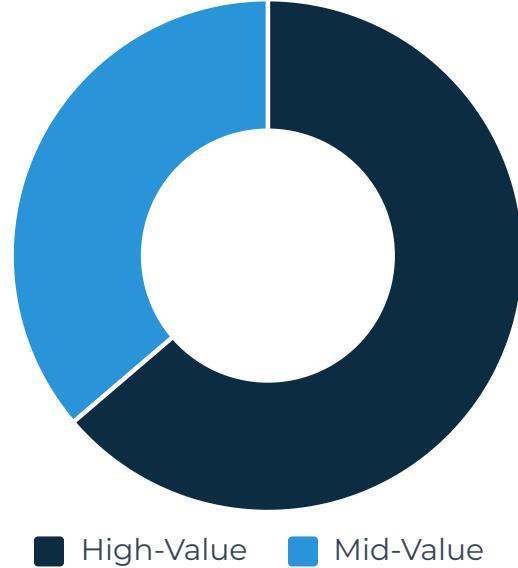
New customers incur a net loss (₹3,190), and low-value segments erode profit. Redirect budgets from these groups to more profitable customer profiles.



Integrate Profit Tiers

Embed High/Mid/Low profit segmentation across marketing, sales, and support teams. Align all customer-facing strategies to maximize overall profitability.

2. Which Customers Drive the Majority of Our Profit?



40% of customers (3,068) generate **64% of total profit (₹23.1 Cr)**. These High-Value customers are our top strategic priority.



59% of customers (4,529) contribute **36% of profit (₹13.1 Cr)**. Mid-Value customers are supportive, but deliver lower ROI.



Less than 1% of customers (54) generate a net loss of **₹9,895**. These Low-Value customers drain resources.

"The top **40%** of our customers account for nearly **two-thirds** of company profit."

Optimizing Focus Based on Customer Value Tiers

Actionable, profit-focused recommendations guiding marketing, retention, and resource allocation by segment.



Prioritize High-Value Customers

Focus retention, loyalty programs, and premium service on the top 40% (₹23.1 Cr profit). These customers are our financial core.



Upgrade Mid-Value Customers

Design targeted campaigns and personalized experiences for the 59% Mid-Value segment to convert them into High-Value.



Minimize Low-Value Exposure

Review the <1% segment (₹9,895 net loss) to identify negative ROI. Reduce service intensity or acquisition spend.

3. Are We at Risk of Losing Profitable Customers?

Understanding customer activity is crucial. A significant portion of our profit is vulnerable if we don't address disengagement.



Significant Profit at Risk

₹26 Cr (72% of total profit) is from inactive or at-risk customers, comprising the majority of company earnings.



High-Value Disengagement

Only 28% of High-Value profit comes from active customers, leaving ₹16.5 Cr with disengaged accounts.



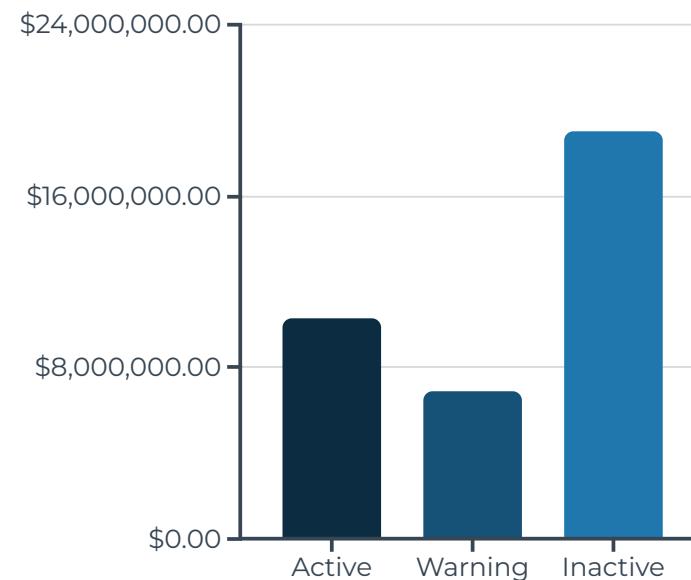
Inactive Segment's Value

Inactive customers alone contribute a substantial ₹19 Cr in profit, a segment too valuable to overlook.



Warning Signs of Churn

The 'Warning' segment represents ₹6.9 Cr at immediate risk, demanding urgent attention to prevent churn.



The majority of our profit resides in customer segments showing signs of disengagement or inactivity, highlighting critical areas for intervention.

Protecting Revenue at Risk – Strategic Retention Actions

A substantial portion of our company's profit is currently vulnerable due to customer disengagement. Urgent, targeted strategies are essential to secure this revenue and maximize ROI.

₹26 Cr Profit

at risk from inactivity



Reactivate Inactive (₹19 Cr)

Launch personalized win-back campaigns for highly profitable, disengaged customers. High impact.



Engage Warning (₹6.9 Cr)

Set proactive churn alerts and activity triggers. Intervene swiftly to prevent disengagement.



Build Risk Dashboard

Create a simple tool combining engagement and profit tiers to prioritize retention outreach.



Ignore Low Value

Reallocate resources. Focus retention efforts only on profiles with positive financial returns.

4. Which Customer Groups Consistently Underperform?

| Profitability by Segment | | | |
|--------------------------|----------|-------------|-------------|
| | Bachelor | High School | Other Educ. |
| Four-Door Car | < ₹3,800 | < ₹4,153 | < ₹4,153 |
| Two-Door Car | < ₹4,100 | ₹3,926 (WA) | < ₹4,100 |

Overall Average Profit: ₹4,742

Key Insights:

- **Four-Door Cars:** Consistently below average profit across all major states.
- **Two-Door Cars:** Underperform across all regions (e.g., WA combination).
- **Key Combinations:** 'Bachelor + Four-Door' and 'High School + Two-Door' are low profit.
- **Hidden Weaknesses:** Profitable states (NV, WA) contain underperforming segments.

Refine Targeting to Eliminate Low-Profit Segments



Low ROI: Car Segments

Consistently deliver ₹500–₹1,200 less profit than average. Avoid across all locations.



Underperformers: Weak Combinations

Profiles like 'Bachelor + Four-Door' underperform in every region. High acquisition cost.



Top Performers: SUVs

Most profitable segments (₹6K–₹12K+ profit). Invest heavily in acquisition and retention.



Strategic Insight: Data Usage

Refine campaign targeting, pricing, and service strategies for increased ROI.

5. Where Should We Focus to Maximize ROI?

By understanding key customer traits, we can sharpen our marketing and retention efforts for optimal returns.



₹23.1 Cr Profit Drivers

Our top 40% of customers deliver 64% of total profit. Focus on acquiring and nurturing these high-value segments.



₹3.61 Cr Long-Term Value

Customers active for over 12 months generate almost all our profit. Prioritize loyalty programs and retention strategies for this group.



₹26 Cr At-Risk Revenue

A significant 72% of our profit is vulnerable from inactive or at-risk customers. Urgent re-engagement initiatives are critical to secure this revenue.



₹11 Cr Mid-Income Potential

Mid-income customers yield the highest average profit (₹4,917), making them our most cost-effective group for targeted growth.

How to Get the Best ROI from Our Customers

1

Top Priority: Maximize ROI

High-Value, Mid-Income, Long-Term Customers. Enhance loyalty programs and targeted offers for peak profitability.

2

Urgent Re-engagement: ₹26 Cr at Risk

Inactive & At-Risk Customers. Re-engage with special offers and personalized outreach to secure vulnerable revenue.

3

Strategic Divestment: Low ROI Zone

New & Low-Value Customers. Redirect budgets; their acquisition costs often outweigh their yield.

Strategic Takeaways & Business Impact

Our analysis provides clear, data-driven insights to optimize customer engagement and drive significant profit growth:

-  **Established** a robust customer profit segmentation system.
-  **Defined clear profiles** for High, Mid, and Low-Value customers.
-  **Confirmed** 40% of customers deliver 64% of total profit.
-  **Identified ₹26 Cr** of at-risk profit from disengaged customers.
-  **Pinpointed** low-ROI segments, like specific car types and customer combinations.
-  **Recommended high-impact strategies** for marketing, retention, and acquisition.
-  **Delivered actionable strategies** to maximize profitability per segment.