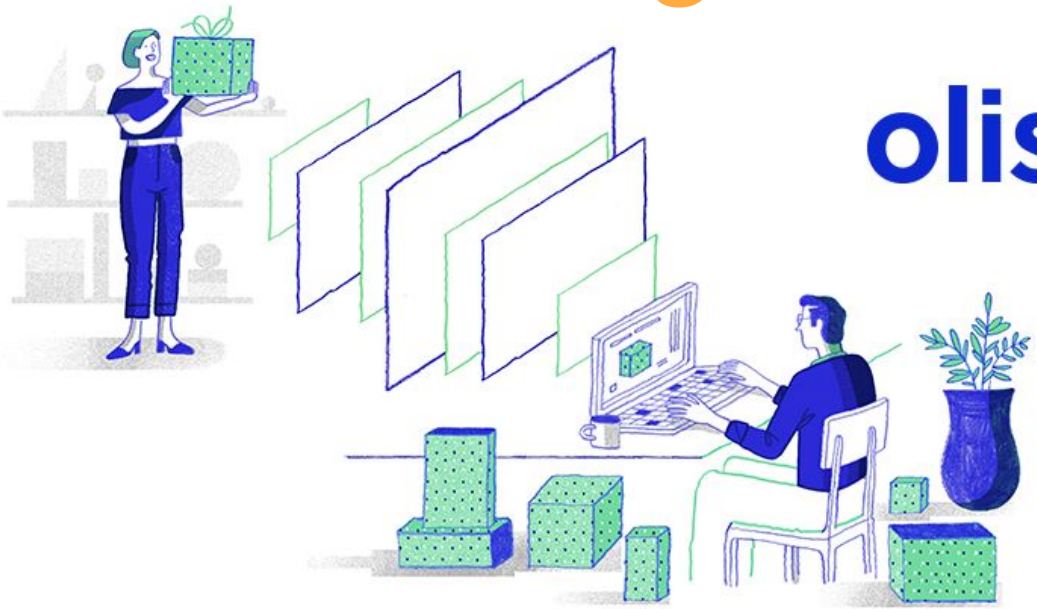
User Value Segmentation



olist

By Miguel Grisanti

TTP - DATA - Galvanize

2020

NYC Tech Talent Pipeline

Dataset

Total Value of Customers Base: over 7M BR$

Total transactions: 103,886

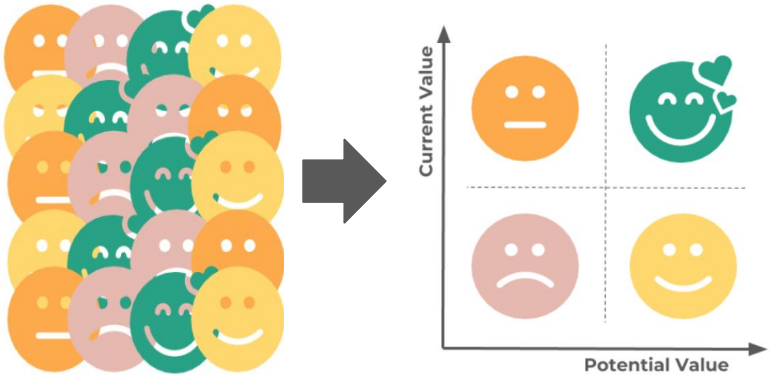
Total users: almost 99,441

Customers

Orders

Order Payments

Customer ID	Order ID	Order Date	Sales
dec8632530ce2c58e688e63cbc5105e6	f86be73e2deb7e4d522ee8922cc02bd7	2017-12-10	30.64
b69b36cf39cfb2c756e6c1160853823e	324213c21d2577b17bca52fb418cce03	2018-08-08	117.37
2d2dbe464c4901500b3a3ca4efcb3425	993628d27f2ae9981422ecb389adfa59	2017-06-29	117.46
a6c22e1aef01b2630980a308bfe91422	76ccfd1f50385cff04dc3ba521500b47	2018-01-26	45.10
ecf2beb50aa1735749335ce3a3bd6806	a8d0bb7e040a27e689f81ab278d3cb89	2017-05-13	103.28

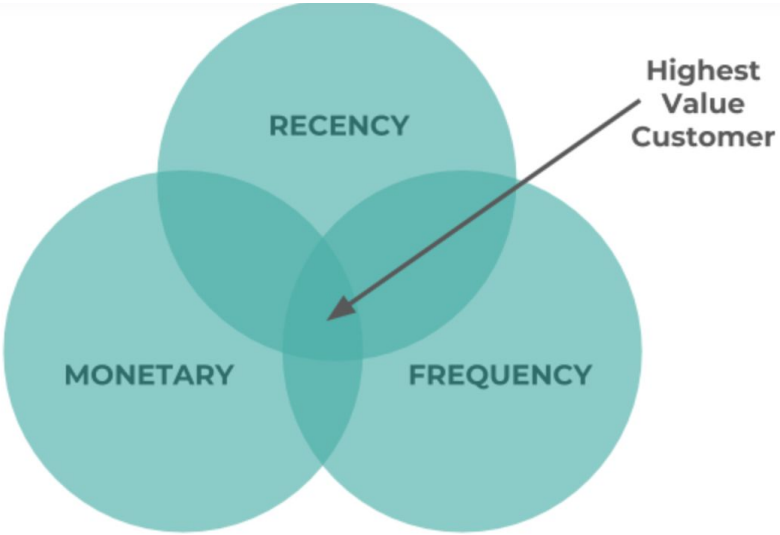


https://www.kaggle.com/olistbr/brazilian-ecommerce

RFM Model

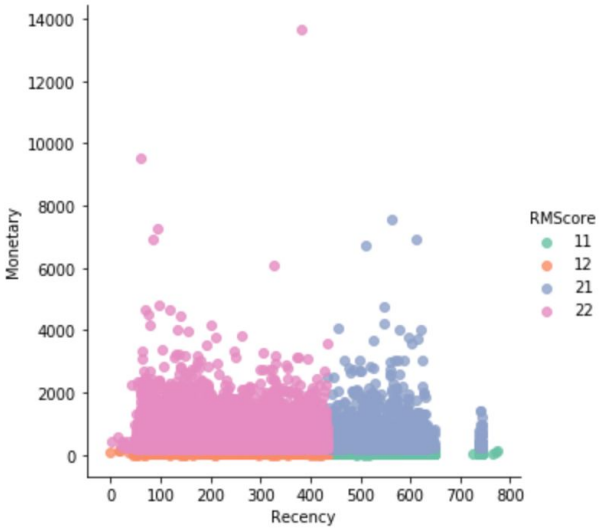
Recency: When was the last time they purchased?
Frequency: How often and for how long have they purchased?
Monetary Value: How much have they purchased?

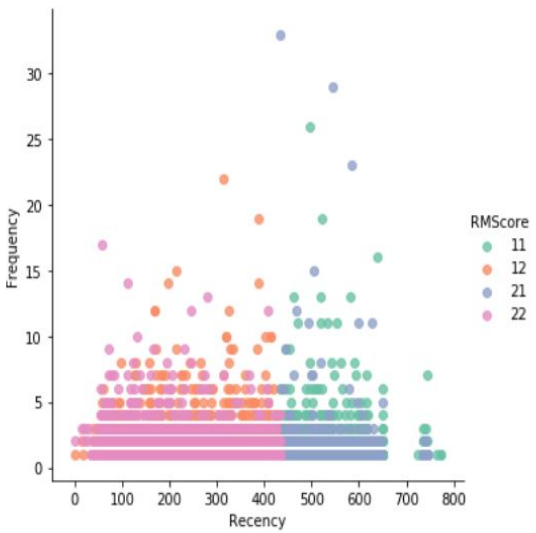
Customer ID	Recency	Frequency	Monetary
0a0a92112bd4c708ca5fde585afaa872	383	1	13664.08
46450c74a0d8c5ca9395da1daac6c120	61	3	9553.02
da122df9eeddfedc1dc1f5349a1a690c	564	2	7571.63
763c8b1c9c68a0229c42c9fc6f662b93	94	1	7274.88
dc4802a71eae9be1dd28f5d788ceb526	612	1	6929.31

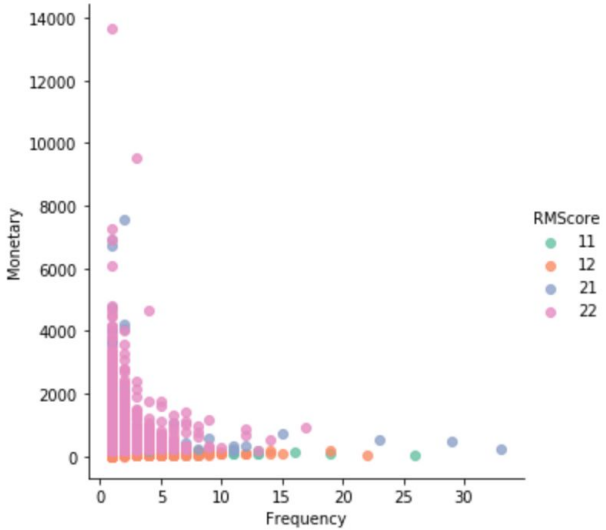


RFM Model

The Matrix







R / M	1	2
2	528	229
1	524	229

Recency

R / M	1	2
2	449.0	446.0
1	94.0	97.0

Monetary

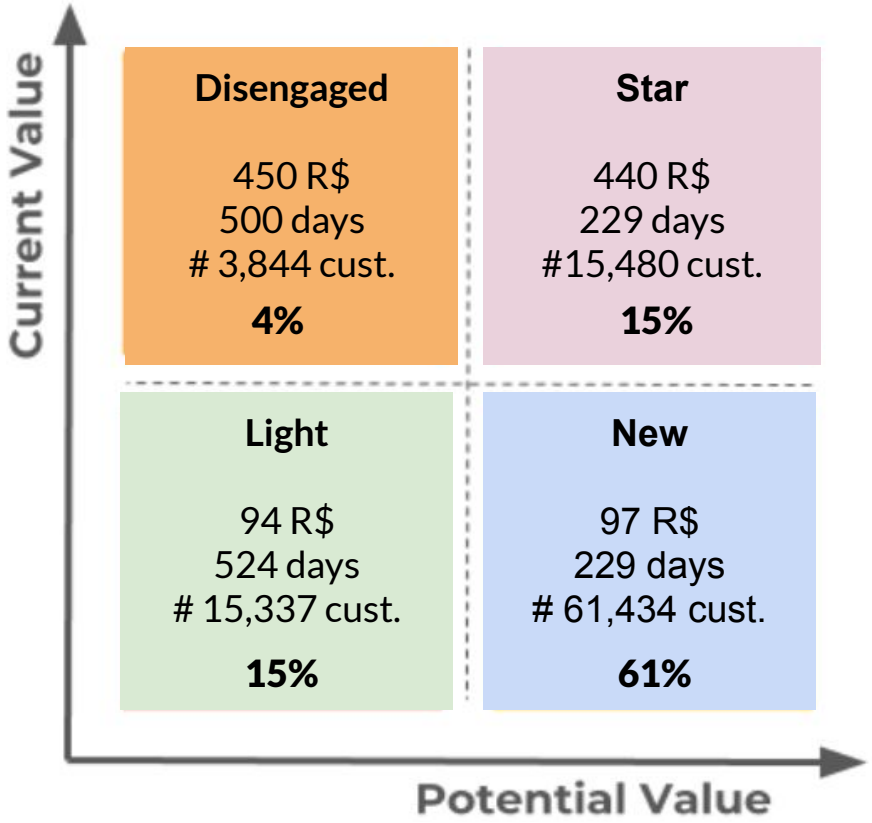
R / M	1	2
2	3844	15480
1	15337	61434

# of users

Segments & Value Matrix

Disengaged spend is high: How to drive them to star?

From Light to Star: How can we earn a higher current value?



Recency as Top priority: How to drive down avg. days since prior order?

Higher opportunity for growth: more than half the segments contain potential