

CUSTOMER SEGMENTATION

RFM ANALYSIS ON SUPERSTORE DATA



IMPORTANCE OF CUSTOMER SEGMENTATION



The purpose of this analysis is to segment Superstore's customers using the RFM (Recency, Frequency, Monetary) model to better understand customer behaviors and recommend tailored strategies for each segment. The segmentation enables the business to focus marketing efforts and improve customer retention, loyalty, and revenue.



WHAT IS RFM?

RECENCY

How recently a customer made a purchase?

FREQUENCY

How often they made a purchase?

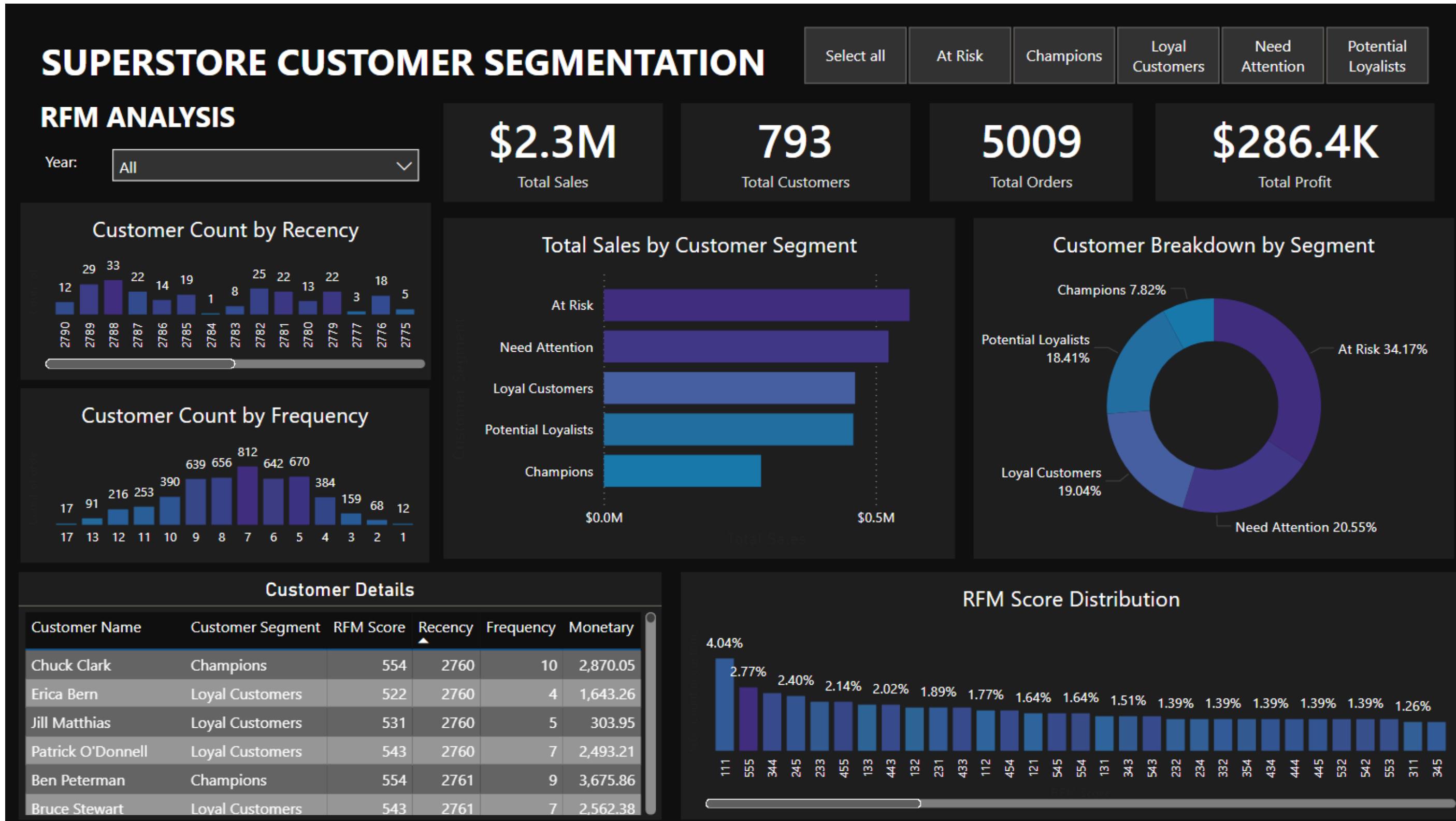
MONETARY

How much they spend?

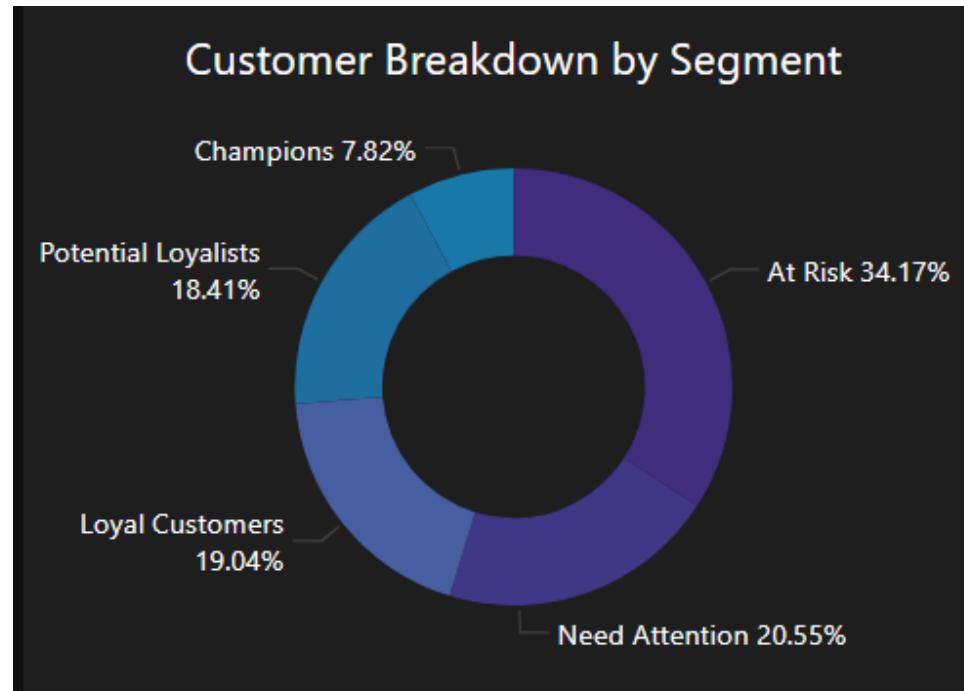
Each customer receives a score from 1 (low) to 5 (high) in each category. The scores are combined into a 3-digit code (e.g., 555) to form the RFM Score.



DASHBOARD OVERVIEW

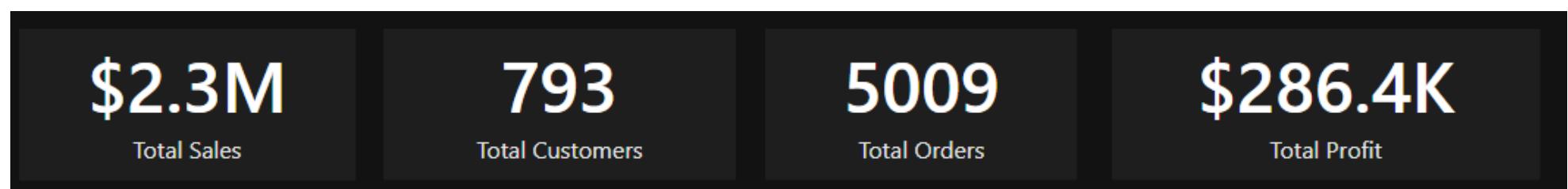


CUSTOMER SEGMENTATION



Segment	RFM Score Range	% of Customers	Description
Champions	511 - 555	7.82	Purchased recently, frequently, and spend the most.
Loyal Customers	451 - 510	19.04	Regular buyers with consistent purchase behavior.
Potential Loyalists	351 - 450	18.41	Bought recently, could become loyal with more engagement.
Need Attention	151 - 350	20.55	Purchased in the past, but less recently or less frequently.
At Risk	111 - 150	34.17	Haven't bought in a long time, at risk of churning.

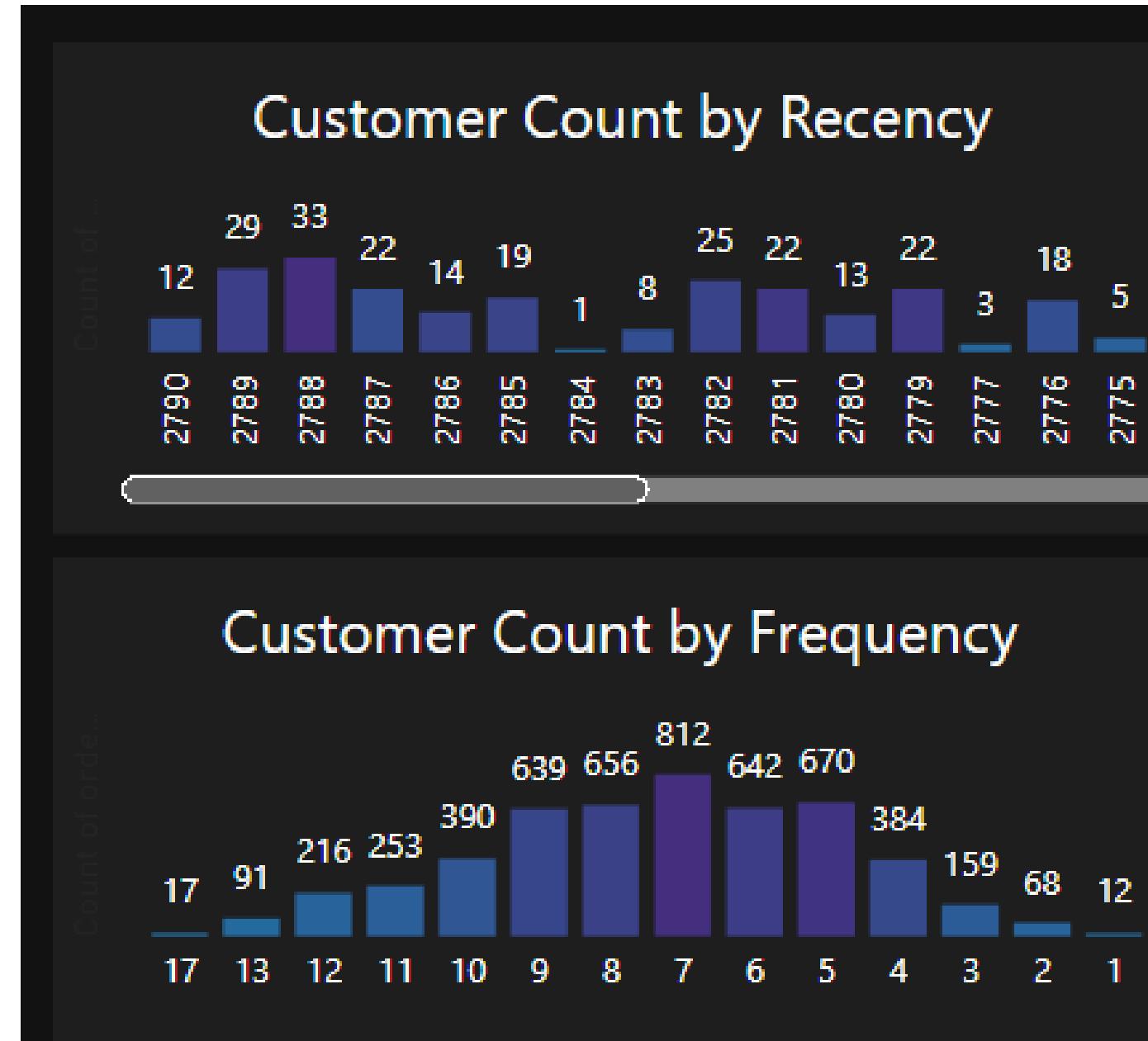
KPI CARDS



These KPIs provide a quick overview of business performance and customer base size, tracking overall progress and identifying trends over time by year.

- **Total Sales:** This represents the overall transaction value from all customers, indicating how revenue scales.
- **Total Customers:** The unique count of customers in the dataset reflects the size of the customer base. This metric can serve as a benchmark for assessing customer acquisition or churn rates.
- **Total Orders:** The total number of purchases made provides insight into the average order frequency per customer, which is valuable for evaluating customer engagement.
- **Total Profit:** Calculated by subtracting costs from sales, this metric highlights profitability. Analyzing profit margins can reveal operational efficiency, particularly across different segments.





Customer Count by Recency

Number of Customers vs. Recency score

Insight: Higher bars on the right (lower recency score) indicate more customers haven't purchased recently. A spike in low recency scores means re-engagement strategies might be needed.

Customer Count by Frequency

Number of customers vs. Frequency score

Insight: Shows the distribution of how often customers place orders. A high number of customers with low frequency scores could signal a need to increase repeat purchases.

TOTAL SALES BY CUSTOMER SEGMENT



This helps prioritize which customer groups to focus on by comparing their contribution to revenue.

Insight: The "At Risk" segment still generates a significant portion of total sales, highlighting an opportunity to recover lost value through reactivation campaigns. On the other hand, the "Champions" segment, despite being composed of high-value individuals, shows the lowest total sales, likely due to its smaller population. This indicates that while each "Champion" is valuable, the business could benefit from cultivating more customers into this elite segment.

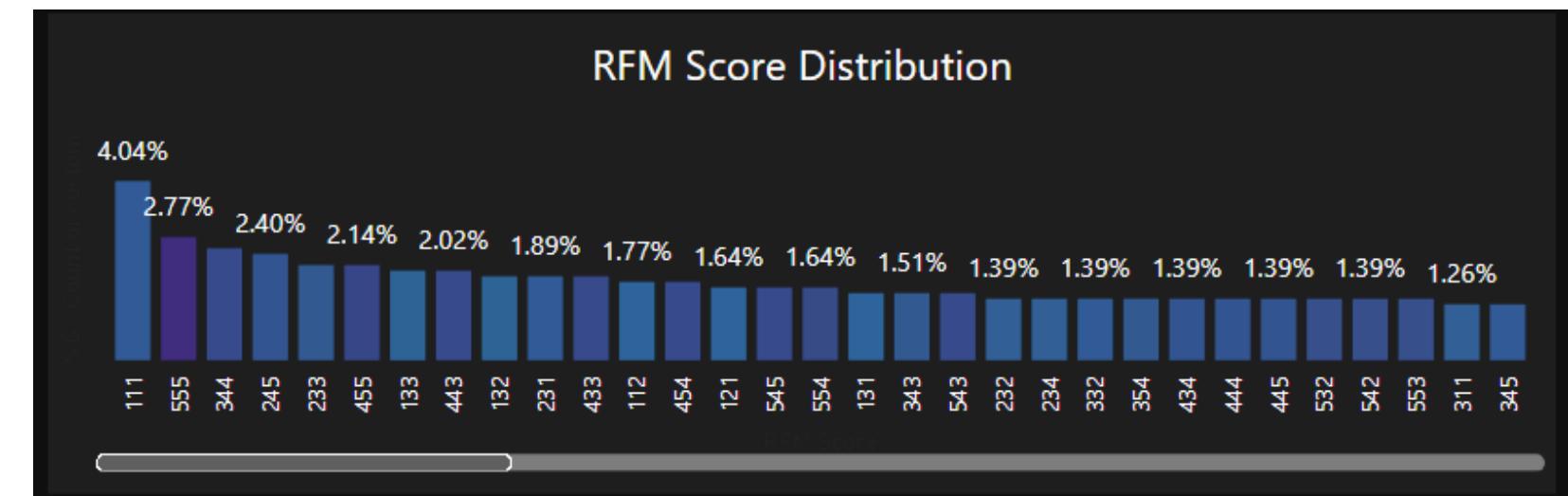


Customer Details					
Customer Name	Customer Segment	RFM Score	Recency	Frequency	Monetary
Chuck Clark	Champions	554	2760	10	2,870.05
Erica Bern	Loyal Customers	522	2760	4	1,643.26
Jill Matthias	Loyal Customers	531	2760	5	303.95
Patrick O'Donnell	Loyal Customers	543	2760	7	2,493.21
Ben Peterman	Champions	554	2761	9	3,675.86
Bruce Stewart	Loyal Customers	543	2761	7	2,562.38

Customer Details Table

Lists customer names, their segment, RFM scores, and raw R/F/M values.

Insight: Useful for sales or marketing teams to take targeted action at the individual level (e.g., re-target Jill Matthias with a loyalty campaign).



RFM Score Distribution

Shows how many customers fall into each RFM Score combination.

Insight: Identifies score combinations that are most common which can be used to detect clustering patterns and calibrate segmentation rules further.

RECOMMENDATIONS

Champions:

These customers have made purchases recently, frequently, and tend to spend more than others. They are your most valuable customers.

Recommendation:

- Offer exclusive rewards or early access to new products
- Launch referral or ambassador programs
- Keep them engaged with personalized communication

Loyal Customers: These are customers who buy regularly but may not spend as much as Champions. They show consistent behavior over time.

Recommendation:

- Encourage them to join loyalty programs
- Upsell and cross-sell related products
- Appreciate their loyalty with discounts or thank-you emails

Potential Loyalists: These are fairly recent customers with moderate frequency and spending. They are warming up to your brand.

Recommendation:

- Send personalized product recommendations
- Provide onboarding emails and small incentives to drive repeat purchases
- Monitor their progress to see if they move into the Loyal category

Need Attention: These customers made purchases before but have slowed down. They are in danger of churning.

Recommendation:

- Re-engage them with reminders, feedback surveys, or time-limited discounts
- Analyze if there were issues with their last experience
- Test retargeting through email or ads

At Risk: These customers haven't made a purchase in a long time. Many of them are inactive or might have churned.

Recommendation:

- Send win-back campaigns with special promotions
- Ask for feedback on why they left
- Offer bundle deals or free shipping to incentivize a return



By implementing RFM segmentation, Superstore can target different customer groups with tailored strategies. This enables better use of marketing budgets, improved customer experience, and ultimately drives revenue growth.

Next steps include monitoring the impact of these strategies over time and continuously refining the segmentation model based on customer behavior changes.

