

North Star Metric:

Customer Lifetime Value:

- RFM Segmentation can represent Customer Lifetime Value because CLV emphasizes retention and consistent purchasing behavior as core drivers of long-term revenue growth.

Intermediate Metrics:

- Revenue:
 - Revenue per Segment.
 - Revenue concerning Engagement Metrics.
- Engagement (Frequency/Recency):
 - Purchase Frequency per Segment.
 - Purchase Recency per Segment.
 - Basket Size per Segment and Season.
 - Churn:
 - Seasonal Churn Rate
 - Segment per Churn Rate

Specifications**RFM Segmentation Analysis:**

Objective:

- This analysis ensures marketing strategies are focused on segments with the highest revenue potential.
- Utilize Recency, Frequency, and Monetary (RFM) metrics to segment customers and analyze their behavior.

Metrics to Measure:

- Estimated revenue from each customer segment.
- Revenue share generated by each cluster.

Potential Derived Insights:

- Identification of high-value customer groups eligible for loyalty benefits.
- Recognition of segments driving the most revenue to prioritize marketing efforts.

Visualizations:

- Clustered bar charts or heatmaps to compare RFM scores across segments.

Churn Rate Analysis:

Objective:

- This analysis validates the necessity for retention strategies and helps quantify their expected impact.
- Identify the customers in segments who stop engaging over a defined period.

Metrics to Measure:

- Churn rate by segment.

Use Case:

- Develop reactivation campaigns tailored to reduce churn.

Potential Derived Insights:

- High churn rates in specific segments signal a need for loyalty programs, personalized discounts, or enhanced customer experiences.
- Low churn rates indicate engaged groups, presenting opportunities for upselling or premium loyalty options.

Visualizations:

- Bar charts to compare churn rates across segments.
- Pie charts showing churn proportions.

Basket Size Analysis:

Objective:

- This analysis ensures marketing investments in loyalty programs yield measurable improvements in customer spending behavior.
- Monitor how much each segment spends per transaction to assess the success of upselling and cross-selling strategies.

Metrics to Measure:

- Average basket size per segment.

Use Case:

- Identify underperforming segments for targeted promotions.

Potential Derived Insights:

- Determine whether interventions, such as promotions, encourage customers to spend more per transaction.
- Highlight which segments respond best to upselling strategies.

Visualizations:

- Line charts to track basket size trends over time.
- Bar charts comparing average basket sizes across segments.