CUSTOMER SEGMENTATION FOR THE REWARDS PROGRAM

TravelTide

Executive summary

Overview

- E-booking startup TravelTide has faced challenges in **customer retention** and aims to enhance it by deeper understanding of customer behaviour.
- Elena Tarrant, a new Head of Marketing, aims to design and implement a **personalized rewards program** to retain customers.
- To personalize the rewards effectively, Elena collaborates with the data team.

Project Goals

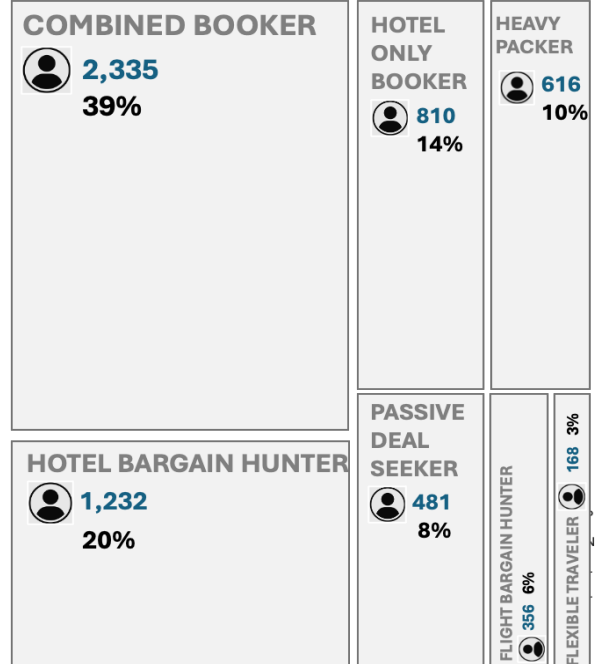- **Targeted Perks:** Emphasize perks that customers are most interested in, such as free cancellations, to maximize the likelihood of sign-ups for the rewards program.
- **Customer Segmentation:** Identify distinct customer segments and align them with tailored travel perks to improve the rewards program's effectiveness.

Methodology

- **Exploratory Data Analysis**: Use SQL and Tableau for initial data exploration.
- **Metric Development:** Calculate relevant metrics using SQL.
- **Index Calculation and Segmentation:** Develop indices and a segmentation model in Excel.
- **Interactive Dashboards** in Tableau to visualize data and insights (incl. geographic analysis).

Key Findings

- Initial analysis revealed that the cohort is strongly biased towards single females, extensively traveling in and between the US and Canada. Yet as the cohort was not randomly sampled, it should not be extrapolated over the total user base.
- Seven behavioural segments were identified, six of which are generally in line with the outlined reward perks (see the chart).
- An unexpected segment *Passive Deal Seekers* (users with high browsing intensity who do not make bookings) proves that browsing activity, such as the number of sessions, is not the best criterion for identifying loyal high value customers for a rewards program.
- Across the segments, browsing activity has no direct impact on conversion and value creation. For example, having the highest browsing activity index, *Flexible Travelers* demonstrate one of the lowest conversion rates.
- Middle-aged single female users (30-59 years) with no children in the *Combined Booker* and *Hotel Bargain Hunter* segments are the key demographic to target (within the cohort).

COMBINED BOOKER 2,335 39%

HOTEL ONLY BOOKER 810 14%

HEAVY PACKER 616 10%

HOTEL BARGAIN HUNTER 1,232 20%

PASSIVE DEAL SEEKER 481 8%

FLIGHT BARGAIN HUNTER 356 6%

FLEXIBLE TRAVELER 168 3%

Next Steps

- **Refine criteria for defining the rewards program audience**, focusing beyond browsing activity to include high conversion rate and customer value.
- **Exclude non-converting *Passive Deal Seekers*** from the rewards program but consider alternative incentives for them, such as exclusive first booking discounts.
- Integrate **A/B testing** into the campaign to validate the effectiveness of targeted perks for each segment, using metrics like conversion rate and customer value for success evaluation.
- Develop a **machine-learning model** based on new data from the rewards campaign to enhance targeted marketing, customer insights, and retention strategies.