From Loss to Profit: Maximizing Campaign ROI with Predictive Analytics

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Executive Summary

Situation: iFood is a market leader, but future profit growth is stalling, which requires a more efficient use of the marketing budget.

Complication: The previous untargeted marketing campaign was a significant financial failure, resulting in a **loss of over 3,000 MU** and proving that a mass-market approach is unsustainable.

Resolution: We have developed a data-driven solution. By analyzing customer data, segmenting our user base, and building a predictive model, we can "cherry-pick" high-potential customers. This targeted approach transforms the campaign from a loss into a **projected profit of nearly 600 MU**, proving the value of data-driven decision-making.

Understanding Our Target Customer

Target audience

Our analysis reveals that customers who respond to offers are not random. They fit a distinct profile of high-spending, educated individuals with specific lifestyle characteristics.

Trend analysis
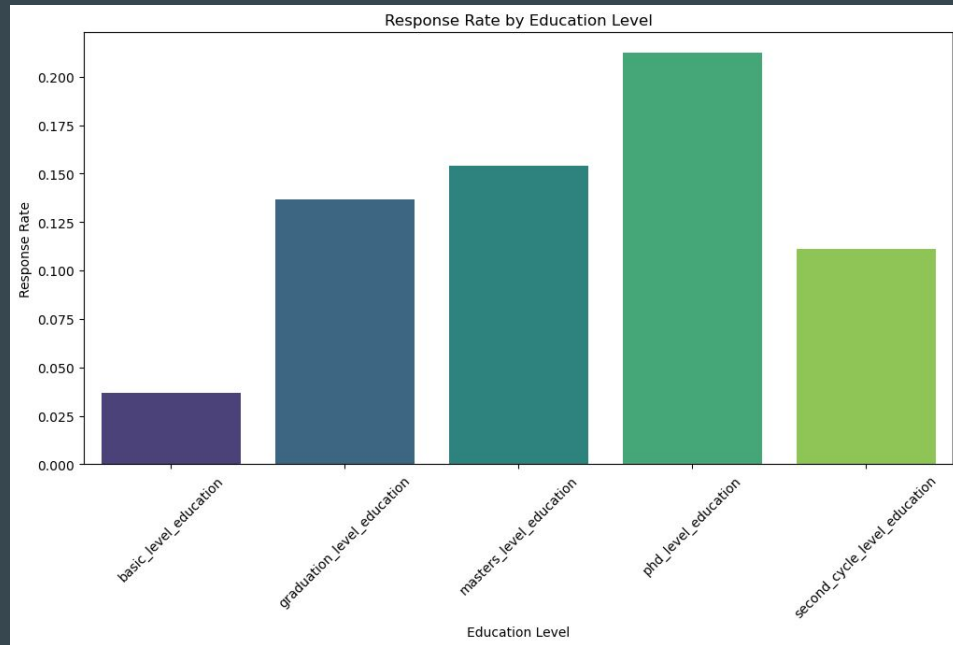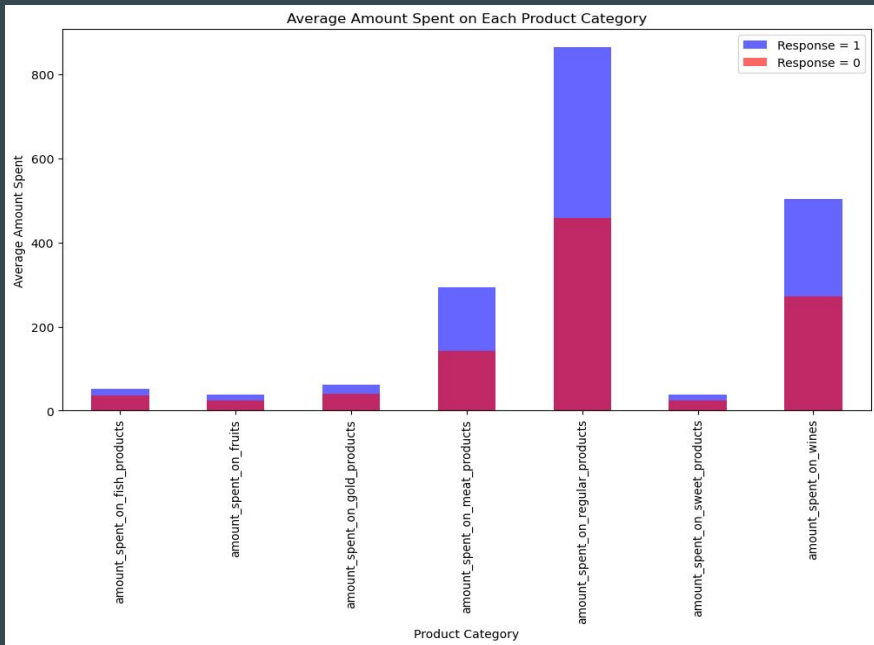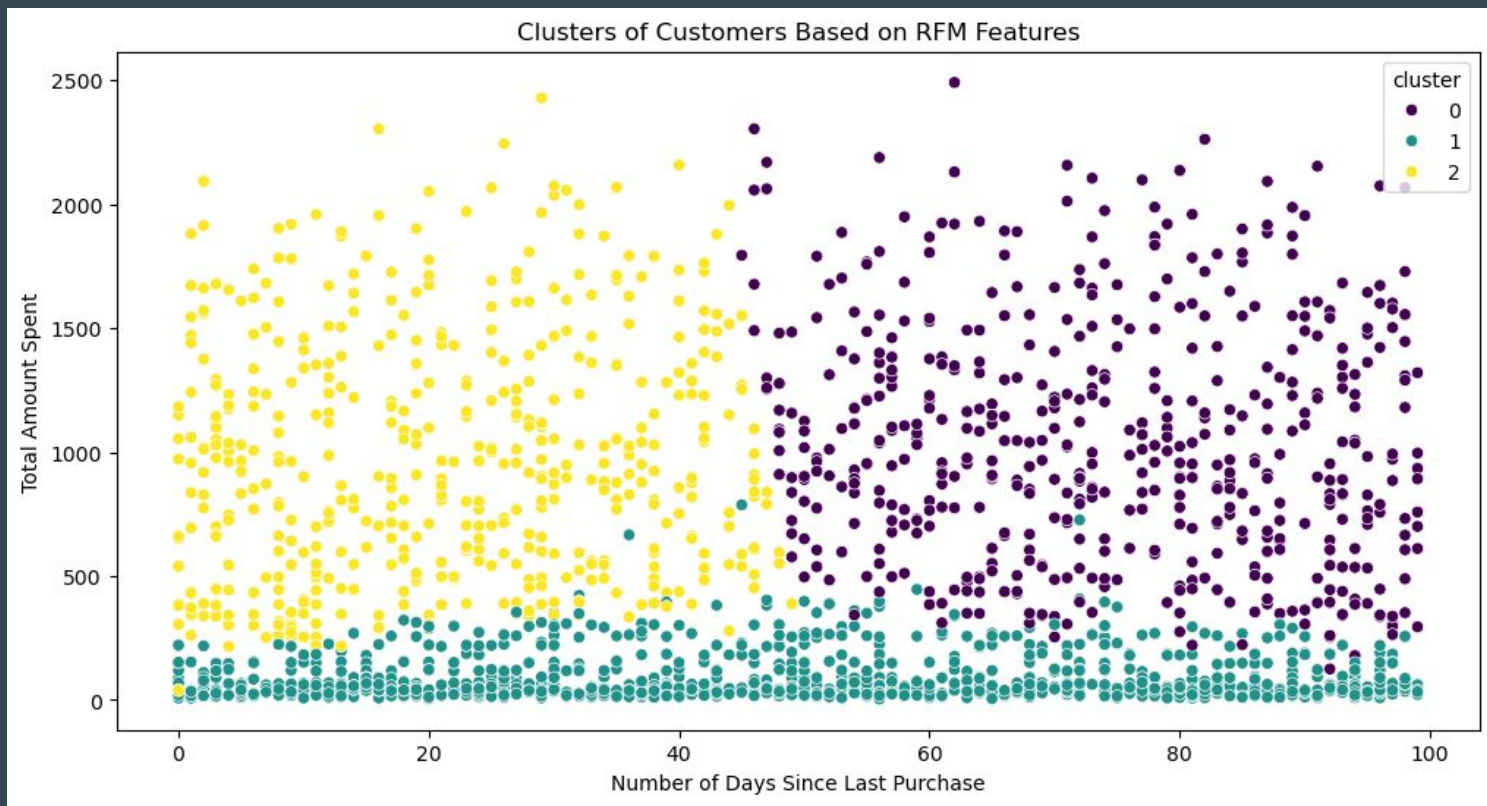
Market trends

Key Characteristics:

- **They are Big Spenders:** Responders spend significantly more across all product categories, especially on wines and regular-priced goods.
- **They are Highly Educated:** The likelihood of a response increases with education level, peaking with customers who hold a PhD.
- **They are Middle-Aged & Single:** The most responsive age group is 35-65, and single customers show a higher propensity to buy.
- **They Have Fewer Teens at Home:** Responders tend to have fewer teenagers, suggesting they have more disposable income.

Introducing Our New Customer Segments

Target audience

Not all customers are created equal. Using RFM analysis (Recency, Frequency, Monetary), we've grouped our customer base into three distinct segments, each with unique behaviors and a different level of receptiveness to marketing campaigns.

Trend analysis

Clusters of Customers Based on RFM Features

Market trends

Our Customer Segments:

- **Cluster 2: Best Customers (Champions)**
  - **Profile:** These are recent, frequent, high-spending customers.
  - **Response Rate: 28%** - They are highly engaged and the most likely to respond positively. They are our prime target.
- **Cluster 0: At-Risk High Spenders**
  - **Profile:** They spend a lot but haven't purchased in a long time.
  - **Response Rate: 15%** - They are still valuable but need re-engagement.
- **Cluster 1: Low-Value Customers**
  - **Profile:** These are infrequent, low-spending customers.
  - **Response Rate: 9%** - They are the least likely to respond and targeting them is often unprofitable.

Predictive Model Turns Campaign Loss into Profit

Confusion Matrix
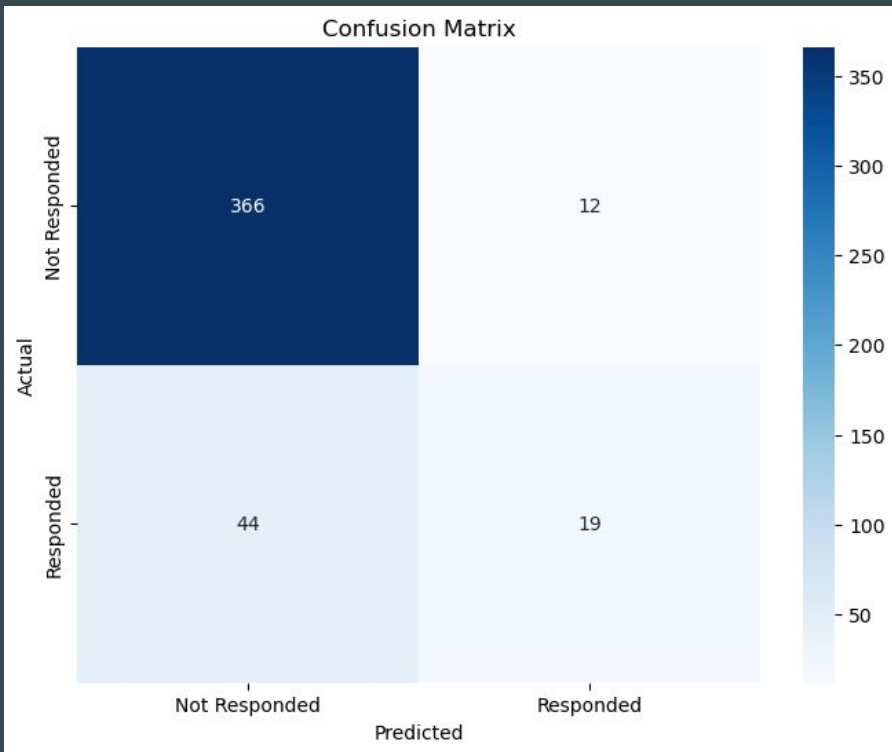
We built a Logistic Regression model to predict which customers would respond to the offer. By targeting only the customers the model identifies as high-potential, we can dramatically cut costs while retaining a high portion of the revenue.

Conclusion

The predictive model provides a **total value swing of over 3,600 MU**, transforming a failed initiative into a profitable one and providing a clear path to improve marketing ROI.

Thank You!