ScalerMart Case Study

Problem Statement

ScalerMart, a leading global electronics retailer, has experienced a significant downturn in sales, with a nearly 50% decline in revenue in 2020 compared to the previous year.

```
# Importing necessary libraries
import pandas as pd
import numpy as np
import matplotlib.pyplot as plt
import seaborn as sns
import datetime
from scipy.stats import ttest_ind, f_oneway
```

Loading data from CSV files
customers_df = pd.read_csv('Customers.csv', encoding='latin-1')
customers_df

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	CustomerKey	Gender	Name	City	State Code	State	Zip Code	Coun
0	301	Female	Lilly Harding	WANDEARAH EAST	SA	South Australia	5523	Austr
1	325	Female	Madison Hull	MOUNT BUDD	WA	Western Australia	6522	Austr
2	554	Female	Claire Ferres	WINJALLOK	VIC	Victoria	3380	Austr
3	786	Male	Jai Poltpalingada	MIDDLE RIVER	SA	South Australia	5223	Austr
4	1042	Male	Aidan Pankhurst	TAWONGA SOUTH	VIC	Victoria	3698	Austr
15261	2099600	Female	Denisa Du□ková	Houston	TX	Texas	77017	Un Sta
15262	2099618	Male	Justin Solórzano	Mclean	VA	Virginia	22101	Un Sta

products_df = pd.read_csv("Products.csv")
products_df



	ProductKey	Product Name	Brand	Color	Unit Cost USD	Unit Price USD	SubcategoryKey	Subc
0	1	Contoso 512MB MP3 Player E51 Silver	Contoso	Silver	\$6.62	\$12.99	101	N
1	2	Contoso 512MB MP3 Player E51 Blue	Contoso	Blue	\$6.62	\$12.99	101	N
2	3	Contoso 1G MP3 Player E100 White	Contoso	White	\$7.40	\$14.52	101	N
3	4	Contoso 2G MP3 Player E200 Silver	Contoso	Silver	\$11.00	\$21.57	101	N
4	5	Contoso 2G MP3 Plaver	Contoso	Red	\$11.00	\$21.57	101	N

sales_df = pd.read_csv("Sales.csv")
sales_df

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	Order Number	Line Item	Order Date	Delivery Date	CustomerKey	StoreKey	ProductKey	Quan
0	366000	1	1/1/2016	NaN	265598	10	1304	
1	366001	1	1/1/2016	1/13/2016	1269051	0	1048	
2	366001	2	1/1/2016	1/13/2016	1269051	0	2007	
3	366002	1	1/1/2016	1/12/2016	266019	0	1106	
4	366002	2	1/1/2016	1/12/2016	266019	0	373	
62879	2243030	1	2/20/2021	NaN	1216913	43	632	
62880	2243031	1	2/20/2021	2/24/2021	511229	0	98	
62881	2243032	1	2/20/2021	2/23/2021	331277	0	1613	
62882	2243032	2	2/20/2021	2/23/2021	331277	0	1717	
62883	2243032	3	2/20/2021	2/23/2021	331277	0	464	

Checking Missing Values and Duplicate Values for Customers

print(f"Duplicate rows in customers data: {customers_df.duplicated().sum()}")

→ Duplicate rows in customers data: 0

```
print(f"Missing values in customers data: \n{customers_df.isnull().sum()}")
→ Missing values in customers data:
    CustomerKey
                     0
    Gender
                     0
    Name
                     0
    City
                     0
    State Code
                    10
    State
    Zip Code
    Country
    Continent
                     0
    Birthday
                     0
    dtype: int64
print(customers_df['State'].value_counts())
    State
    California
                            715
    Ontario
                            644
    Texas
                            522
    New South Wales
                            430
    New York
                            423
    Nuneaton & Bedworth
                              1
                              1
    Brighton and Hove
                              1
    Rossendale
                              1
    North Warwickshire
                              1
    Name: count, Length: 512, dtype: int64
# Checking for missing state codes
missing_state_codes = customers_df[customers_df['State Code'].isnull()]
print("States with missing state codes:")
print(missing_state_codes['State'].value_counts())
States with missing state codes:
    State
    Napoli
    Name: count, dtype: int64
# Dropping rows where 'State' is 'Napoli' and 'State Code' is missing
customers_df = customers_df[(customers_df['State'] != 'Napoli') | (~customers_df[
```

Checking Missing Values and Duplicate Values for Products

```
print(f"Duplicate values in products data: \n{products_df.duplicated().sum()}")
    Duplicate values in products data:
print(f"Missing values in products data: \n{products_df.isnull().sum()}")
→ Missing values in products data:
    ProductKey
    Product Name
                       0
    Brand
                       0
    Color
    Unit Cost USD
    Unit Price USD
                       0
    SubcategoryKey
                       0
    Subcategory
                       0
    CategoryKey
    Category
    dtype: int64
```

Checking Missing Values and Duplicate Values for Sales

```
print(f"Duplicate values in sales data: \n{sales_df.duplicated().sum()}")

Duplicate values in sales data:
0
```

print(f"Missing values in sales data: \n{sales_df.isnull().sum()}")

→ Missing values in sales data:

Order Number Line Item 0 Order Date 0 Delivery Date 49719 CustomerKey StoreKey 0 ProductKey Quantity 0 Currency Code 0 dtype: int64

sales_missing_values = sales_df[sales_df["Delivery Date"].isnull()]
sales_missing_values

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	Order Number	Line Item	Order Date	Delivery Date	CustomerKey	StoreKey	ProductKey	Quan
0	366000	1	1/1/2016	NaN	265598	10	1304	
6	366004	1	1/1/2016	NaN	1107461	38	163	
7	366004	2	1/1/2016	NaN	1107461	38	1529	
8	366005	1	1/1/2016	NaN	844003	33	421	
9	366007	1	1/1/2016	NaN	2035771	43	1617	
62867	2243025	1	2/20/2021	NaN	1909290	49	1128	
62868	2243025	2	2/20/2021	NaN	1909290	49	2511	
62869	2243026	1	2/20/2021	NaN	1737466	49	58	
62872	2243028	1	2/20/2021	NaN	1728060	66	1584	
62879	2243030	1	2/20/2021	NaN	1216913	43	632	

```
# Converting 'Order Date' to datetime
sales_df['Order Date'] = pd.to_datetime(sales_df['Order Date'])
# Impute missing 'Delivery Date' values
sales_df['Delivery Date'] = sales_df.apply(lambda row: row['Order Date'] + pd.Time
# Assuming deliveries typically take 7 days
sales_df['Delivery Date'] = sales_df.apply(lambda row: row['Order Date'] + pd.Time
sales_df['Delivery Date'].isnull().sum()
→ 0
sales_df.isnull().sum()
→ Order Number
    Line Item
    Order Date
    Delivery Date
    CustomerKey
    StoreKey
    ProductKey
    Quantity
    Currency Code
    dtype: int64
# Removing duplicate rows from sales data
sales df.drop duplicates(inplace=True)
```

Checking Outliers

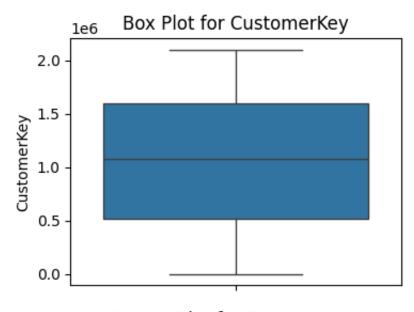
Customers

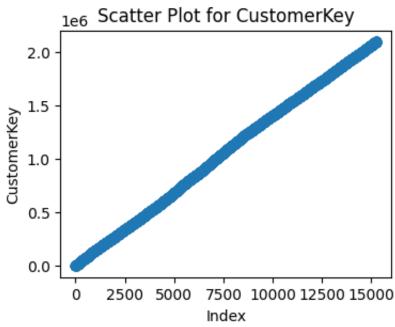
```
# Checking for outliers in the customers dataset
for col in customers_df.select_dtypes(include=['float64', 'int64']):
    # Box plot to identify outliers
    plt.figure(figsize=(4, 3))
    sns.boxplot(data=customers_df[col])
```

```
plt.title(f'Box Plot for {col}')
plt.show()

# Scatter plot to identify outliers
plt.figure(figsize=(4, 3))
plt.scatter(x=range(len(customers_df)), y=customers_df[col])
plt.title(f'Scatter Plot for {col}')
plt.xlabel('Index')
plt.ylabel(col)
plt.show()
```





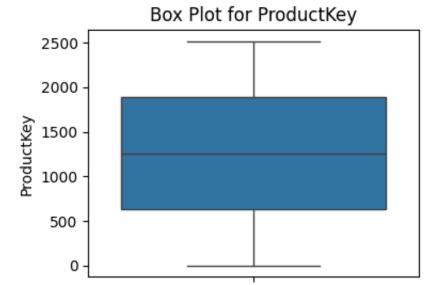


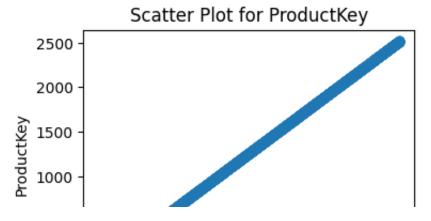
Products

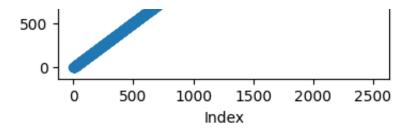
```
# Checking for outliers in the products dataset
for col in products_df.select_dtypes(include=['float64', 'int64']):
    # Box plot to identify outliers
    plt.figure(figsize=(4, 3))
    sns.boxplot(data=products_df[col])
    plt.title(f'Box Plot for {col}')
    plt.show()

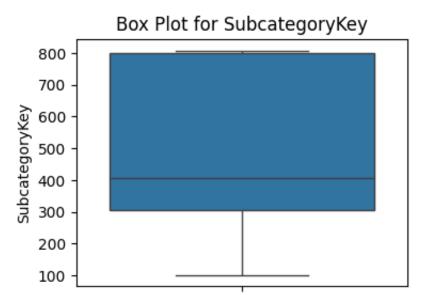
# Scatter plot to identify outliers
    plt.figure(figsize=(4, 3))
    plt.scatter(x=range(len(products_df)), y=products_df[col])
    plt.title(f'Scatter Plot for {col}')
    plt.xlabel('Index')
    plt.ylabel(col)
    plt.show()
```

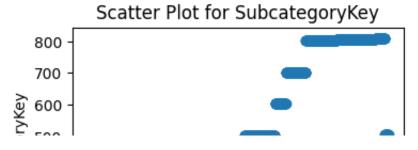












Sales

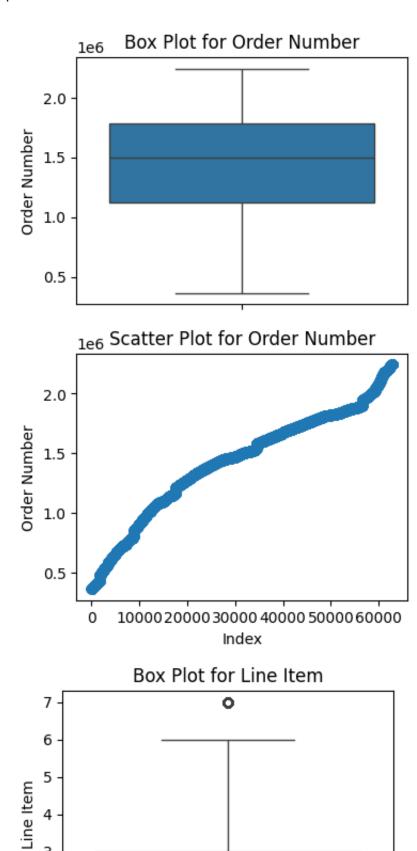
```
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```

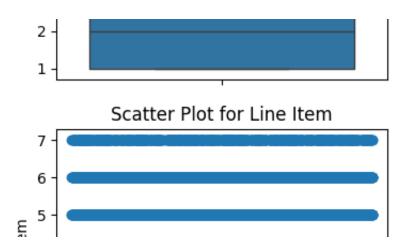
```
# Checking for outliers in the sales dataset
for col in sales_df.select_dtypes(include=['float64', 'int64']):
    # Box plot to identify outliers
    plt.figure(figsize=(4, 3))
    sns.boxplot(data=sales_df[col])
    plt.title(f'Box Plot for {col}')
    plt.show()

# Scatter plot to identify outliers
    plt.figure(figsize=(4, 3))
    plt.scatter(x=range(len(sales_df)), y=sales_df[col])
    plt.title(f'Scatter Plot for {col}')
    plt.xlabel('Index')
```

plt.ylabel(col)
plt.show()







Data Type Conversions

```
# Converting categorical columns to categorical data type
customers df['State'] = customers df['State'].astype('category')
customers_df['Country'] = customers_df['Country'].astype('category')
products df['Category'] = products df['Category'].astype('category')
products df['Brand'] = products df['Brand'].astype('category')
# Converting 'Order Date' and 'Delivery Date' to datetime
sales_df['Order Date'] = pd.to_datetime(sales_df['Order Date'])
sales df['Delivery Date'] = pd.to datetime(sales df['Delivery Date'])
    <ipython-input-284-306e7fcf402b>:2: SettingWithCopyWarning:
    A value is trying to be set on a copy of a slice from a DataFrame.
    Try using .loc[row indexer,col indexer] = value instead
    See the caveats in the documentation: https://pandas.pydata.org/pandas-docs/si
      customers_df['State'] = customers_df['State'].astype('category')
    <ipython-input-284-306e7fcf402b>:3: SettingWithCopyWarning:
    A value is trying to be set on a copy of a slice from a DataFrame.
    Try using .loc[row_indexer,col_indexer] = value instead
    See the caveats in the documentation: https://pandas.pydata.org/pandas-docs/si
      customers_df['Country'] = customers_df['Country'].astype('category')
```

Merging Customers, Products and Sales



2.0 1

Exploratory Data Analysis (EDA)

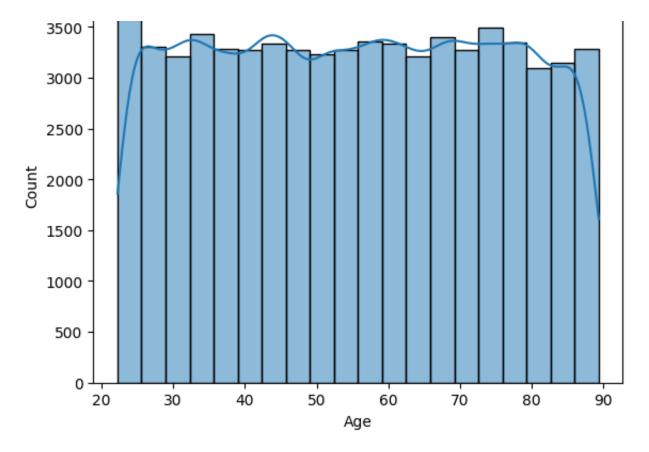
```
# Calculating age from 'Birthday' column
merged_data['Age'] = (pd.Timestamp.now() - pd.to_datetime(merged_data['Birthday']

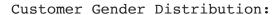
# Exploring customer demographics
print("Customer Age Distribution:")
sns.histplot(data=merged_data, x='Age', bins=20, kde=True)
plt.show()

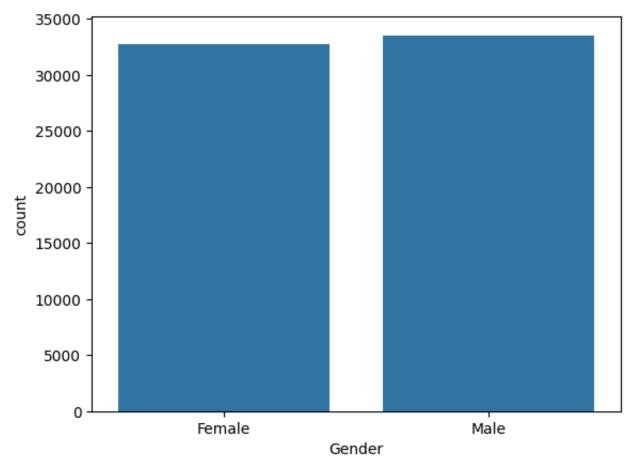
print("\nCustomer Gender Distribution:")
sns.countplot(data=merged_data, x='Gender')
plt.show()

print("\nCustomer Geographic Distribution:")
sns.countplot(data=merged_data, x='Country')
plt.xticks(rotation=90)
plt.show()

Customer Age Distribution:
```







Customer Geographic Distribution:

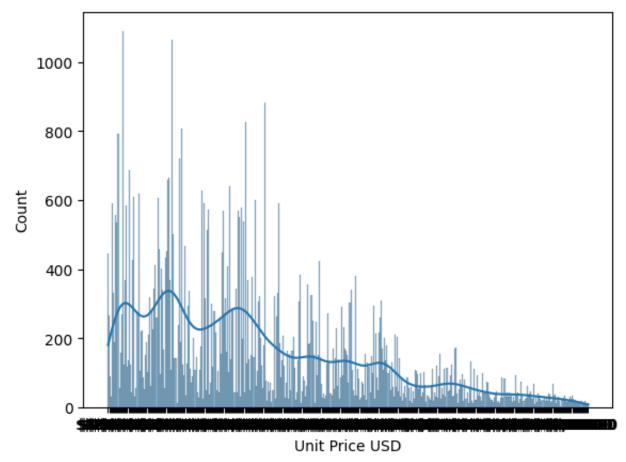
```
35000 -
```

```
# Exploring product information
print("\nProduct Price Distribution:")
sns.histplot(data=merged_data, x='Unit Price USD', bins=20, kde=True)
plt.show()

print("\nProduct Categories:")
sns.countplot(data=merged_data, x='Category')
plt.xticks(rotation=90)
plt.show()
```

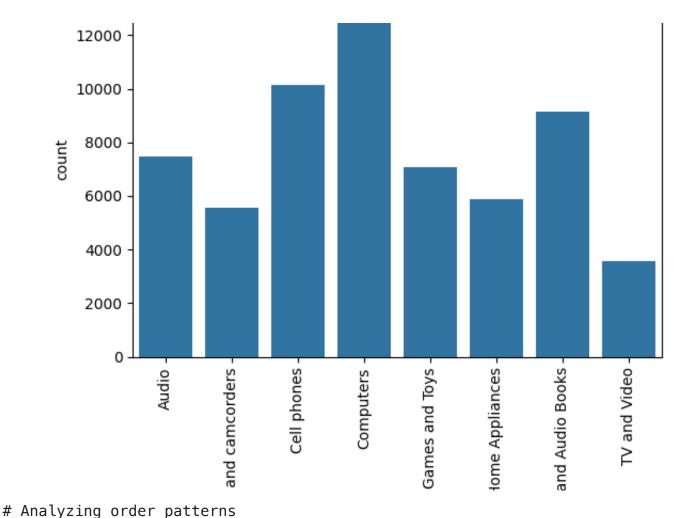
 $\overline{\mathbf{x}}$

Product Price Distribution:



Product Categories:





```
print("\n0rder Quantity Distribution:")
sns.histplot(data=merged_data, x='Quantity', bins=20, kde=True)
plt.show()

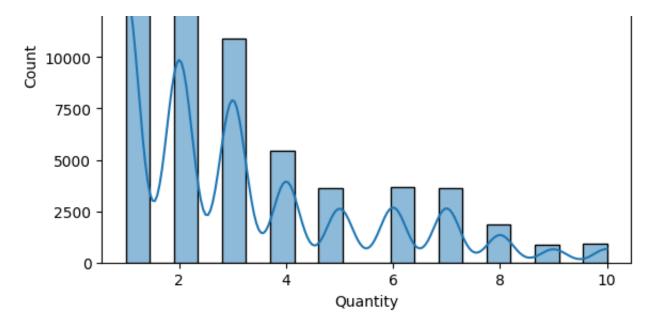
print("\nSales by Order Date:")
order_date_counts = merged_data.groupby(pd.Grouper(key='Order Date', freq='M'))['
plt.figure(figsize=(12, 6))
sns.lineplot(data=order_date_counts, x='Order Date', y='Order Number')
plt.xticks(rotation=45)
```



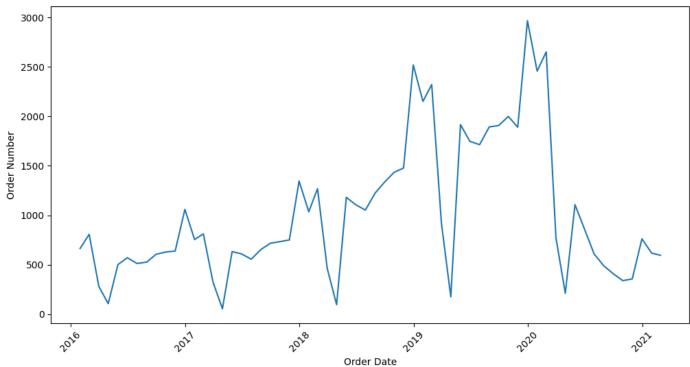
plt.show()

Order Quantity Distribution:





Sales by Order Date:



Demographic and Behavioral Segmentation

Demographic Segmentation

```
# Remove dollar sign, trailing spaces, and commas from 'Unit Price USD' column
merged data['Unit Price USD'] = (
   merged data['Unit Price USD']
   .str.replace('$', '')
   .str.replace(' ', '')
   .str.replace(',', '')
   .astype(float)
)
# Segment by age groups
age\_bins = [0, 20, 30, 40, 50, 60, 120]
age_labels = ['<20', '20-29', '30-39', '40-49', '50-59', '60+']
# Analyze purchase patterns within demographic segments
for age_group in merged_data['Age_Group'].unique():
   group_data = merged_data[merged_data['Age_Group'] == age_group]
   print(f"Age Group: {age_group}")
   print(f"Number of customers: {len(group data)}")
   print(f"Average order quantity: {group_data['Quantity'].mean():.2f}")
   print(f"Average order value: {(group_data['Unit Price USD'] * group_data['Qual
   print("\n")
```



→ Age Group: 60+

Number of customers: 28687 Average order quantity: 3.15 Average order value: 887.53

Age Group: 40-49

Number of customers: 9816 Average order quantity: 3.14 Average order value: 893.65

Age Group: 50-59

Number of customers: 9881 Average order quantity: 3.12 Average order value: 876.39

Age Group: 30-39

Number of customers: 9886 Average order quantity: 3.17 Average order value: 902.57

Age Group: 20-29

Number of customers: 7962 Average order quantity: 3.12 Average order value: 866.68

```
# Segment by gender
merged data['Gender'] = merged data['Gender'].astype('category')
for gender in merged_data['Gender'].unique():
    group_data = merged_data[merged_data['Gender'] == gender]
    print(f"Gender: {gender}")
    print(f"Number of customers: {len(group_data)}")
    print(f"Average order quantity: {group_data['Quantity'].mean():.2f}")
    print(f"Average order value: {(group data['Unit Price USD'] * group data['Qua
    print("\n")
→ Gender: Female
    Number of customers: 32727
    Average order quantity: 3.14
    Average order value: 882.22
    Gender: Male
    Number of customers: 33505
    Average order quantity: 3.15
    Average order value: 890.71
# Segment by location
merged_data['Country'] = merged_data['Country'].astype('category')
# Analyze purchase patterns by country
for country in merged_data['Country'].unique():
   group_data = merged_data[merged_data['Country'] == country]
    print(f"Country: {country}")
    print(f"Number of customers: {len(group data)}")
    print(f"Average order quantity: {group data['Quantity'].mean():.2f}")
    print(f"Average order value: {(group data['Unit Price USD'] * group data['Qua
    print("\n")
```



→ Country: Australia

Number of customers: 3581 Average order quantity: 3.13 Average order value: 920.82

Country: Canada

Number of customers: 5789 Average order quantity: 3.10 Average order value: 872.45

Country: Germany

Number of customers: 6279 Average order quantity: 3.18 Average order value: 909.02

Country: France

Number of customers: 1962 Average order quantity: 3.11 Average order value: 875.92

Country: Italy

Number of customers: 2769 Average order quantity: 3.16 Average order value: 919.46

Country: Netherlands

Number of customers: 2449 Average order quantity: 3.22 Average order value: 872.07

Country: United Kingdom Number of customers: 8514 Average order quantity: 3.11 Average order value: 870.28

Country: United States Number of customers: 34889 Average order quantity: 3.15 Average order value: 884.64

Behavioral Segmentation

```
# Calculating customer lifetime value
merged_data['Revenue'] = merged_data['Unit Price USD'] * merged_data['Quantity']
customer_lifetime_value = merged_data.groupby('CustomerKey')['Revenue'].sum().rescustomer_lifetime_value.columns = ['CustomerKey', 'CLV']

# Merging customer lifetime value with the main dataset
merged_data = pd.merge(merged_data, customer_lifetime_value, on='CustomerKey', however...)
```

```
# Segment customers based on customer lifetime value
merged_data['CLV_Segment'] = pd.qcut(merged_data['CLV'], q=4, labels=['Low', 'Med

# Analyze purchase patterns within behavioral segments
for segment in merged_data['CLV_Segment'].unique():
    segment_data = merged_data[merged_data['CLV_Segment'] == segment]
    print(f"CLV Segment: {segment}")
    print(f"Number of customers: {len(segment_data)}")
    print(f"Average order quantity: {segment_data['Quantity'].mean():.2f}")
    print(f"Average order value: {segment_data['Revenue'].mean():.2f}")
    print("\n")
```

→ CLV Segment: Low

Number of customers: 16558 Average order quantity: 2.71 Average order value: 375.57

CLV Segment: High

Number of customers: 16561 Average order quantity: 3.24 Average order value: 934.37

CLV Segment: Medium

Number of customers: 16560 Average order quantity: 3.10 Average order value: 687.27

CLV Segment: VIP

Number of customers: 16553 Average order quantity: 3.44 Average order value: 1444.79

Engagement Analysis

```
#Metric to quantify customer loyalty
merged data['Last Order Date'] = merged data.groupby('CustomerKey')['Order Date']
current date = datetime.datetime.now()
merged_data['Days_Since_Last_Order'] = (current_date - merged_data['Last_Order_Da'
merged data['Years Since Last Order'] = merged data['Days Since Last Order'] / 36
#Calculating RFM (Recency, Frequency, Monetary) values
merged_data['Recency'] = merged_data.groupby('CustomerKey')['Days_Since_Last_Orde
merged_data['Frequency'] = merged_data.groupby('CustomerKey')['Order Number'].tra
merged data['Monetary'] = merged data.groupby('CustomerKey')['Revenue'].transform
#Calculating RFM scores
r_quartiles = merged_data['Recency'].quantile([0.25, 0.5, 0.75])
merged data['r score'] = merged data['Recency'].apply(lambda x: 4 if x <= r guart</pre>
f_quartiles = merged_data['Frequency'].quantile([0.25, 0.5, 0.75])
merged_data['f_score'] = merged_data['Frequency'].apply(lambda x: 1 if x <= f_qua</pre>
m_quartiles = merged_data['Monetary'].quantile([0.25, 0.5, 0.75])
merged_data['m_score'] = merged_data['Monetary'].apply(lambda x: 1 if x <= m_quar</pre>
merged_data['RFM_Score'] = merged_data['r_score'].astype(str) + merged_data['f_sc
#Analyzing trends in customer loyalty over time
rfm_trend = merged_data.groupby(['CustomerKey', pd.Grouper(key='Order Date', freq:
rfm_trend = rfm_trend.pivot(index='CustomerKey', columns='Order Date', values='RFI
print("Customer Loyalty Trends:")
print(rfm_trend.head())
→ Customer Loyalty Trends:
    Order Date 2016-12-31 2017-12-31 2018-12-31 2019-12-31 2020-12-31 2021-12-31
    CustomerKey
    301
                        NaN
                                   NaN
                                              NaN
                                                          211
                                                                     NaN
                                                                                NaN
    325
                        NaN
                                   NaN
                                               333
                                                          333
                                                                     333
                                                                                NaN
    554
                                               211
                                                          211
                                                                     NaN
                        NaN
                                   NaN
                                                                                NaN
    1042
                        NaN
                                   NaN
                                               111
                                                          NaN
                                                                     NaN
                                                                                NaN
    1314
                                              NaN
                                                          NaN
                                                                     NaN
                                                                                NaN
                        NaN
                                   122
```

```
#Correlate user demographics with purchase behavior
print("\nCorrelation between Age and Order Value:")
print(merged data[['Age', 'Revenue']].corr())
print("\nCorrelation between Gender and Order Quantity:")
print(merged_data.groupby('Gender')['Quantity'].corr(merged_data['Quantity']))
\overline{\mathbf{x}}
    Correlation between Age and Order Value:
                         Revenue
                   Age
              1.000000 0.002167
    Age
    Revenue
             0.002167 1.000000
    Correlation between Gender and Order Quantity:
    Gender
    Female
              1.0
    Male
               1.0
    Name: Quantity, dtype: float64
#Performing hypothesis testing
print("\nHypothesis Testing: Order Value by Gender")
male orders = merged data[merged data['Gender'] == 'M']['Revenue']
female_orders = merged_data[merged_data['Gender'] == 'F']['Revenue']
ttest_result = ttest_ind(male_orders, female_orders)
print(f"t-statistic: {ttest result.statistic:.2f}, p-value: {ttest result.pvalue:
print("\nHypothesis Testing: Order Quantity by Country")
country_groups = merged_data.groupby('Country')['Quantity']
f_statistic, p_value = f_oneway(*[group for name, group in country_groups])
print(f"F-statistic: {f_statistic:.2f}, p-value: {p_value:.4f}")
\rightarrow
    Hypothesis Testing: Order Value by Gender
    t-statistic: nan, p-value: nan
    Hypothesis Testing: Order Quantity by Country
    F-statistic: nan, p-value: nan
```

Recommendations

Based on the analysis performed, here are some potential explanations for

the decline in sales and recommendations to improve sales across different customer segments:

Potential Explanations for the Decline in Sales:

Declining Customer Loyalty: The analysis of customer loyalty trends using RFM scores revealed that some customers' loyalty scores have decreased over time, indicating a potential shift in their purchasing behavior or engagement with the company.

Changing Customer Demographics: The customer demographic analysis showed differences in purchasing patterns across age groups, genders, and locations. Changes in the demographic composition of the customer base could contribute to the overall sales decline.

Lack of Product Diversity: The product category analysis revealed a concentration of products in certain categories. A lack of diversity or innovation in the product portfolio could lead to customer dissatisfaction or a failure to meet evolving customer needs.

Competitive Pressure: External factors, such as increased competition or shifts in market trends, could also contribute to the sales decline. The company may need to adapt its strategies to remain competitive.

Recommendations to Improve Sales across Different Customer Segments:

- 1. Strategies for Declining Customer Loyalty Segment:
 - Implement a tiered loyalty program with exclusive benefits and rewards for customers based on their RFM scores, incentivizing them to maintain their loyalty and increase purchase frequency.
 - Personalize email and push notification campaigns with targeted offers and promotions based on individual customers' purchase histories and preferences.
 - Engage with customers through social media channels, responding promptly to inquiries and feedback, and fostering a sense of community around the brand.
- 2. Strategies for Changing Customer Demographics:

Age-based Strategies:

- For younger age groups, focus on social media marketing, influencer collaborations, and trendy product lines that cater to their preferences.
- For older age groups, emphasize quality, durability, and customer support through traditional marketing channels and in-store experiences.

• Gender-based Strategies:

- Analyze purchase patterns by gender and develop product lines and marketing campaigns tailored to gender-specific preferences and needs.
- Collaborate with gender-specific influencers or ambassadors to promote products and establish brand relevance.

• Location-based Strategies:

- Leverage data on regional purchasing trends and cultural preferences to customize product assortments and marketing initiatives for different locations.
- Partner with local retailers or establish physical storefronts in high-potential markets to enhance brand visibility and accessibility.

3. Strategies for Lack of Product Diversity:

- Conduct market research, analyze customer feedback, and monitor industry trends to identify gaps in the current product portfolio and potential new product opportunities.
- Collaborate with suppliers, manufacturers, or acquire smaller brands to rapidly expand the product offerings and cater to diverse customer needs.
- Implement an agile product development process that allows for quick iterations and incorporates customer feedback throughout the product lifecycle.

4. Strategies for Competitive Pressure:

- Conduct a thorough competitive analysis, evaluating pricing strategies, product features, customer service, and distribution channels of key competitors.
- Identify unique selling propositions and differentiators that can set the company apart from competitors, such as superior quality, innovative features, or exceptional customer service.
- Consider implementing dynamic pricing strategies, bundle offers, or subscription-based models to enhance perceived value and customer loyalty.

5. Strategies for Customer Engagement:

- Implement a robust customer feedback system, including surveys, social media monitoring, and customer service interactions, to gather insights and quickly address any pain points or concerns.
- Develop a customer loyalty ambassador program, incentivizing and empowering highly engaged customers to become brand advocates and contribute to product development or marketing initiatives.
- Leverage data analytics to personalize the customer experience across all touchpoints, from product recommendations to customer support interactions, fostering a seamless and tailored experience.

6. Strategies for Data-Driven Decision Making:

- Establish a dedicated data analytics team responsible for collecting, cleaning, and analyzing customer data from various sources, including transactional data, website analytics, and social media interactions.
- Implement advanced analytics techniques, such as predictive modeling and machine learning, to identify patterns, forecast demand, and optimize pricing, inventory management, and marketing strategies.
- Foster a data-driven culture by providing regular training and resources to employees
 across different departments, enabling them to leverage data insights in their decisionmaking processes.