In this analysis, we aim to understand Brighton's customer base by applying RFM analysis—a behavioral segmentation framework that evaluates customers based on Recency, Frequency, and Monetary value. These three metrics help quantify how recently a customer has made a purchase, how often they shop, and how much they typically spend. By combining these dimensions, we can identify Brighton's most loyal, high-value customers, as well as those who may require re-engagement efforts.

The primary goal of this project is to leverage Brighton's transaction data to group customers into three meaningful clusters using the K-Means Clustering algorithm, with the optimal number of clusters ($k = 3$) determined through the elbow method, which identifies the point where adding more clusters yields diminishing returns in explained variance. While the dataset does not include timestamps to calculate Recency, it allows us to measure Frequency (how many times a customer visited the store) and Monetary value (average spending per visit). These two dimensions provide a solid foundation for segmenting customers based on their shopping patterns and purchasing power.

Through this segmentation, we categorize Brighton's customers into three key groups.

By distinguishing these groups, Brighton can design targeted marketing strategies that align with each customer segment—ranging from reactivation campaigns and loyalty rewards to exclusive VIP experiences. This data-driven approach enables more personalized customer engagement, improved retention, and optimized marketing resource allocation.

Ultimately, this analysis bridges data analytics with customer relationship strategy, offering Brighton actionable insights into how different customer types contribute to overall revenue both in the short-term and long-term.

Cluster 1: Low Frequency, Low Monetary (Occasional, Low-Spend Shoppers)

These customers are likely casual shoppers who have purchased once or very infrequently, with relatively low spending. The goal is to convert them into more regular buyers and increase their spend.

Strategy: Re-engagement and Awareness Campaigns

- Welcome Back Offers: Send these customers a special "We Miss You" email with a discount on their next purchase, encouraging them to browse the collection again.
- Gift with Purchase: Offer a small gift with any purchase, such as a jewelry cleaning cloth or a travel pouch. This adds value and could encourage a purchase from someone who is on the fence.
- Seasonal Promotions: Since they may only buy occasionally, leverage major shopping seasons (like holiday sales or Mother's Day) to get their attention. Emphasize gift sets or "under $50" items in marketing emails to appeal to lower-budget shoppers.

Example Campaigns:

- “Glam Up for Less”: Send a curated list of bestsellers under $50 to showcase affordable options, which can attract budget-conscious customers back to the store.
- Birthday Discounts: Offer a birthday discount or coupon code, inviting them to treat themselves on their special day with a personalized touch.

Cluster 2: High Frequency, Moderate Monetary (Frequent, Medium-Spend Shoppers)

These customers are loyal and engage frequently but tend to buy moderately-priced items. The goal is to maintain their frequency while encouraging them to explore higher-value products or bundles.

Strategy: Loyalty Rewards and Upselling Opportunities

- Tiered Loyalty Program: Create a loyalty program with tiers based on spending. Customers in this cluster could be incentivized to “level up” to receive additional perks, encouraging them to explore more expensive items.
- Bundle Deals and Upselling: Suggest bundle options, like matching earrings and necklaces, or a handbag with a keychain accessory, to increase the average transaction value.
- Exclusive Previews and Discounts: Offer exclusive previews of new collections to loyal customers. Early access combined with a small discount can make them feel valued and incentivize a higher spend.

Example Campaigns:

- “Complete the Look”: Send personalized recommendations for complementary items to products they’ve previously bought. For example, if they bought earrings, suggest a matching necklace.
- “Double Points” Days: Run limited-time campaigns where they can earn double loyalty points on purchases over a certain amount, encouraging them to buy higher-priced items.

Cluster 3: High Frequency, High Monetary (High-Value, Frequent Shoppers)

These are the VIP customers who buy frequently and are high spenders. They are highly engaged and likely interested in new, exclusive, or premium products.

Strategy: VIP Treatment and Exclusive Access

- VIP Program and Personal Shopping Experience: Offer a dedicated VIP program where high-spend customers get benefits such as free shipping, priority customer service, or even a personal stylist session.

- Exclusive Access to Limited Editions: Introduce limited-edition or high-end products (like premium handbags or designer collaboration jewelry) and give this cluster early access or exclusive purchasing rights.
- Holiday and Special Occasion Gifting: Send personalized gifting guides around holidays or personal milestones (such as anniversaries), suggesting high-end items perfect for special occasions.

Example Campaigns:

- "Just for You" Curated Collection: Create a curated collection email tailored to their preferences and past purchases, with premium or high-value items.
- Exclusive Invites to In-Store Events or Virtual Styling Sessions: Offer invitations to in-store events or virtual sessions where a stylist can show them new arrivals and suggest complementary pieces, creating a boutique-like experience even from home.

Additional Considerations for the Campaign

- Personalized Email Content: Use dynamic content in emails to ensure that each customer segment receives relevant messaging aligned with their purchasing behavior.
- A/B Testing: Test different subject lines, offers, and product recommendations within each segment to optimize click-through and engagement rates.
- Tracking and Adjusting: Monitor the engagement rates closely. If a segment isn't performing as expected, adjust the strategy. For example, if the low-frequency, low-monetary group isn't engaging with discounts, try showcasing new products instead.