# Customer Segmentation

Companies receive around 80% of their revenue or profits from 20% of the customers. Thus, it is important to find who are the most valuable customers. This is where RFM is very useful. Let's go!

01 PREPARE BASKET VARIABLE

Create the basket variable that will represent the Monetary component. Please remember that basket is revenue divided by frequency
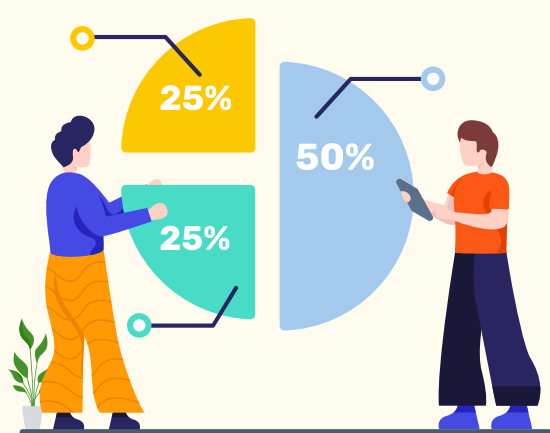
02 RENAME VARIABLES

Ok, this step is super easy. I like to fulfill to have each of the 3 RFM components called Recency, Frequency and Monetary. Please do it as well :)

03 RFM MODEL

Build a RFM model with 3 levels. It is up to you to decide the point system. Store the variable with the points in the dataframe

04 DEFINE SEGMENTS

Build a function that names the segment based on how many it has. Bonus points if you have creative segments.

05 PREPARE OVERVIEW

An overview enables you to present the results to senior management with ease